

Consolidated Financial Statements of

SIX NATIONS OF THE GRAND RIVER

Year ended March 31, 2017

SIX NATIONS OF THE GRAND RIVER

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March 31, 2017

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Management's Responsibility for the Financial Statements

The accompanying financial statements of Six Nations of the Grand River ("Six Nations") as at and for the year end March 31, 2017 are the responsibility of Six Nations' management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the financial statements.

Six Nations' management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Six Nations Elected Council meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by Six Nations. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on Six Nations' financial statements.

On behalf of the Six Nations Elected Council:

Chief Ava Hill

Dayle Bomberly, Senior Administrative Officer



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INDEPENDENT AUDITORS' REPORT

To the Six Nations Elected Council and Members of Six Nations of the Grand River

We have audited the accompanying consolidated financial statements of Six Nations of the Grand River, which comprise the consolidated statement of financial position as at March 31, 2017, the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Six Nations of the Grand River as at March 31, 2017, and its consolidated results of operations and its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants,

July 18, 2017

St. Catharines, Canada

SIX NATIONS OF THE GRAND RIVER

Consolidated Statement of Financial Position

March 31, 2017 with comparative information for 2016

	2017	2016
Financial assets:		
Cash	\$ 26,246,887	\$ 21,759,182
Investments (note 2)	24,565,152	24,117,725
Accounts receivable (note 3)	5,964,968	6,135,389
Housing loans receivable (note 4)	21,454,651	20,608,576
Other assets (note 5)	1,454,959	1,471,361
Investment in Six Nations Natural Gas Company Limited Partnership (note 6)	5,819,820	5,537,681
	<u>85,506,437</u>	<u>79,629,914</u>
Financial liabilities:		
Accounts payable and accrued liabilities	10,743,386	8,578,212
Deferred revenue (note 7)	7,976,849	7,023,049
Net long-term liabilities (note 9)	17,698,355	19,629,537
	<u>36,418,590</u>	<u>35,230,798</u>
Net financial assets	49,087,847	44,399,116
Non-financial assets:		
Tangible capital assets (note 10)	121,602,209	118,560,872
Inventory	127,863	63,487
Prepaid expenses	1,537,659	667,885
	<u>123,267,671</u>	<u>119,292,244</u>
Commitments (note 12)		
Contingencies (note 13)		
Accumulated surplus (note 11)	<u>\$ 172,355,518</u>	<u>\$ 163,691,360</u>

The accompanying notes are an integral part of these consolidated financial statements.

SIX NATIONS OF THE GRAND RIVER

Consolidated Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	Budget (note 17)	2017	2016
Revenues:			
User charges:			
Rental income	\$ 2,929,410	\$ 1,950,198	\$ 1,999,126
Accommodation charges	575,972	835,637	784,213
User charges	655,000	649,326	630,202
	4,160,382	3,435,161	3,413,541
Government transfers (note 15):			
Province of Ontario	14,062,748	28,646,862	24,743,169
Other federal	4,597,699	9,725,689	9,056,902
Indigenous and Northern Affairs Canada (note 14)	12,940,692	12,448,843	10,480,636
	31,601,139	50,821,394	44,280,707
Other:			
Ontario First Nations Limited Partnership Agreement	9,165,556	9,165,556	8,114,950
Bingo	-	-	3,519,102
Other	4,969,467	6,048,303	3,463,345
Donations	-	666,884	2,147,142
Investment income	-	1,743,781	1,623,757
Equity in Six Nations Natural Gas Company Limited Partnership (note 6)	-	282,139	(282,139)
Grand River Employment and Training Inc.	-	206,151	310,565
Gain on sale of tangible capital assets	-	1,077,403	162,249
	14,135,023	19,190,217	19,058,971
Total revenues	49,896,544	73,446,772	66,753,219
Expenses (notes 15 and 16):			
Central administration & Committee of the Whole	6,104,907	11,903,414	13,350,434
Physical and Economic Development	7,243,205	12,413,597	14,791,512
Human and Emergency Services	39,868,154	40,465,603	32,925,964
Total expenses	53,216,266	64,782,614	61,067,910
Annual surplus (deficit)	(3,319,722)	8,664,158	5,685,309
Accumulated surplus, beginning of year	163,691,360	163,691,360	158,006,051
Accumulated surplus, end of year	\$ 160,371,638	\$ 172,355,518	\$ 163,691,360

The accompanying notes are an integral part of these consolidated financial statements

SIX NATIONS OF THE GRAND RIVER

Consolidated Statement of Change in Net Financial Assets

Year ended March 31, 2017, with comparative information for 2016

	Budget (note 17)	2017	2016
Annual surplus (deficit)	\$ (3,319,722)	\$ 8,664,158	\$ 5,685,309
Acquisition of tangible capital assets	-	(10,754,715)	(8,371,950)
Amortization of tangible capital assets	-	7,479,284	7,293,278
Gain on sale of tangible capital assets	-	(1,077,403)	(162,249)
Proceeds on sale of tangible capital assets	-	1,311,497	190,542
Change in supplies of inventory	-	(64,376)	25,325
Change in prepaid expense	-	(869,714)	(136,636)
Change in net financial assets	(3,319,722)	4,688,731	4,523,619
Net financial assets, beginning of year	44,399,116	44,399,116	39,875,497
Net financial assets, end of year	\$ 41,079,394	\$ 49,087,847	\$ 44,399,116

The accompanying notes are an integral part of these consolidated financial statements.

SIX NATIONS OF THE GRAND RIVER

Consolidated Statement of Cash Flows

March 31, 2017 with comparative information for 2016

	2017	2016
Operating activities:		
Annual surplus	\$ 8,664,158	\$ 5,685,309
Items not involving cash:		
Amortization	7,479,284	7,293,278
Gain on sale of tangible capital assets	(1,077,403)	(162,249)
Equity in Six Nations Natural Gas Company Limited Partnership	(282,139)	282,139
Change in non-cash assets and liabilities:		
Accounts receivable	170,421	(215,437)
Housing loans receivable	(846,075)	(860,060)
Other assets	16,402	(25,774)
Accounts payable and accrued liabilities	2,165,174	1,511,650
Deferred revenue	953,800	(2,183,971)
Inventory	(64,376)	25,325
Prepaid expenses	(869,714)	(136,636)
Net change in cash from operating activities	16,309,532	11,213,574
Capital activities:		
Proceeds on sale of tangible capital assets	1,311,497	190,542
Cash used to acquire tangible capital assets	(10,754,715)	(8,371,950)
Net change in cash from capital activities	(9,443,218)	(8,181,408)
Investing activities:		
Net change in investments	(447,427)	(363,986)
Financing activities:		
Net change in long-term liabilities	(1,931,182)	(2,048,124)
Net change in cash	4,487,705	620,056
Cash, beginning of year	21,759,182	21,139,126
Cash, end of year	\$ 26,246,887	\$ 21,759,182

The accompanying notes are an integral part of these consolidated financial statements.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements

Year ended March 31, 2017

1. Significant accounting policies:

The consolidated financial statements of Six Nations of the Grand River ("Six Nations") are prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS") as recommended by the Chartered Professional Accountants of Canada, and as required by Indigenous and Northern Affairs Canada ("INAC"). Significant accounting policies adopted by Six Nations are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to Six Nations and which are owned or controlled by Six Nations Council. These entities and organizations include:

- H.C. Peatson Education
- Ottawa Trust Fund
- Economic Development Fund
- Six Nations Commercial Leasing

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated upon consolidation.

(ii) Trust funds:

Trust funds and their related operations administered by Six Nations are not included in these financial statements.

(b) Basis of accounting:

Six Nations follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Investments:

Investments consist of bonds and interest bearing mutual funds and are stated at the lower of cost and market value. Gains and losses on investments are recorded when incurred.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(d) Housing loans receivable:

Housing loans receivable consist of loans to Six Nations' members and bear interest at the rate of 7% or 0% per annum. Housing loans receivable are recorded at fair value, with the differences between fair value and face value recorded as grant expense. Interest on 7% loans is recorded when earned. Housing loans receivable are considered impaired when management has determined that there is a reasonable doubt as to the ultimate collectability of principal and interest. At the end of each reporting period, Six Nations evaluates its housing loans receivable and establishes an allowance for doubtful accounts on a loan-by-loan basis for specifically identified probable losses on loans receivable.

(e) Other loan receivable:

The non-interest bearing loan receivable to the Six Nations Police is recognized at the present value of the principal payments using Six Nations' average cost of borrowing. The difference between the face amount of the loan and present value is amortized into income over the term of the loan.

(f) Investment in Six Nations Natural Gas:

The Investment in Six Nations Natural Gas has been accounted for on a modified equity basis, consistent with the accounting treatment for government business partnerships. Under the modified equity basis, the business partnership's accounting principles are not adjusted to conform with those of Six Nations, and inter-organizational transactions and balances are not eliminated. Six Nation's share of the partnership net income is 99% and 0% of partnership losses.

(g) Non-financial assets:

Non financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	10 - 40
Buildings and building improvements	4 - 40
Houses	25 - 40
Vehicles	10
Bridges	40
Machinery and equipment	5 - 25
Office equipment and furniture	2 - 10
Water and wastewater networks	12 - 65
Water and wastewater equipment	10 - 65
Roads infrastructure - Base	40
- Surface	20 - 30
Computer hardware and software	3
Leasehold improvements	over the term of the lease

Amortization commences in the month of acquisition. Assets under construction (work-in-progress) are not amortized until the asset is available for productive use. Assets are disposed of when they are no longer in use by Six Nations.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Intangible assets:

Intangible assets and natural resources that have not been purchased are not recognized as assets in the financial statements.

(iv) Interest capitalization:

Six Nations' tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of a tangible capital asset.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

(v) Leases:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases, whereby leased assets are valued at the present value of the future minimum lease payments and presented as tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenditures as incurred.

(vi) Inventory:

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(h) Reserves and reserve funds:

Certain amounts, as approved by Six Nations' Council are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved. Reserves and reserve funds are presented on the statement of financial position in accumulated surplus.

(i) Government transfers:

Government transfers received or receivable are recognized as revenue when the transfer is authorized, any eligibility criteria are met, and a reasonable estimate of the amount can be made unless they meet the definition of a liability. Government transfers paid are recognized as a liability and an expense when the transfer is authorized and all eligibility criteria have been met by the recipient.

Government transfers received relate to social services, child care, housing and health programs. Government transfers paid relate to social services programs.

(j) Ontario First Nations Partnership Agreement (OFNLP):

OFNLP transfers received or receivable are recognized as revenue when the transfer is authorized, any eligibility criteria are met, and a reasonable estimate of the amount can be made unless they meet the definition of a liability. OFNLP transfers paid are recognized as a liability and an expense when the transfer is authorized and all eligibility criteria have been met by the recipient.

(k) Housing loan guarantees

Certain mortgages held by members at a financial institution are guaranteed by Six Nations. If a member defaults on the loan, the full amount of the balance owing is set up as a liability on the statement of financial position and repaid in accordance with the terms set by the financial institution.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(l) Deferred revenue:

Deferred revenue represents revenues which have been collected but for which the related services have yet to be performed or eligible expenses incurred. Deferred revenue is comprised of general deferred revenue, security deposits for public works customers and rental clients, government transfers and project funding. Other externally restricted funds are recognized as revenue when the funds are spent for the purpose intended.

(m) Investment income:

Investment income earned is reported as revenue in the period earned.

(n) User charges:

Rent is collected for the rental of apartments, townhomes, and houses. Rental income is recorded when it is earned. Provision is established for specifically identified probable losses on rental income.

'Home ownership' (Rent-to-own) income is classified as deferred revenue when received in accordance with PSAS, as amounts are deposited on future purchase. Revenue is recognized when the ownership of the property is transferred to the tenant of the property and is accounted for as a disposal of a tangible capital asset.

Accommodation charges are collected for room rentals at Iroquois Lodge. Accommodation charges are recognized when earned. Provisions are made for specifically identified losses on accommodation charges.

Other user charges are collected for water and septic services provided by the Public Works Department. Other user charges are collected when earned. Provisions are made for specifically identified losses on other usage charges.

(o) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accounts receivable, housing loans receivable, accrued liabilities and deferred revenue. Amounts recorded for amortization of tangible capital assets are based on estimates of useful service life. Actual results could differ from these estimates.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(p) Employee future benefits:

The Company has defined contribution plans providing pension and post-employment benefits for its employees. The cost of the defined contribution plans is recognized based on the contributions required to be made during each period. Contributions are expensed in the period they are due.

2. Investments:

Investments reported on the consolidated statement of financial position have market values as follows:

	2017		2016	
	Cost	Market Value	Cost	Market Value
Investments	\$24,565,152	\$25,188,716	\$24,117,725	\$24,828,270

3. Accounts receivable:

Accounts receivable are reported net of a valuation allowance of \$805,122 (2016 - \$610,170).

4. Housing loans receivable:

Housing loans receivable represent principal and interest amounts currently owing. These loan agreements are secured by the members' reserve property, and are repayable over 25 years. The housing loans receivable on the consolidated statement of financial position, are made up of the following:

	2017	2016
Loans with interest at 0% per annum	\$ 678,469	\$ 793,291
Loans with interest at 7% per annum	21,265,965	20,355,194
Allowance for doubtful accounts	(489,783)	(539,909)
	<u>\$ 21,454,651</u>	<u>\$ 20,608,576</u>

Six Nations has provided interest free loans to members that meet certain criteria upon approval of Council. The loans with interest at 0% have a face value of \$806,403 (2016 - \$940,994). Additionally, Six Nations has approved further financing to specific members in the amount of \$1,174,195 (2016 - \$1,019,546), which has not been advanced at year-end.

5. Other assets:

Included in other assets is a loan receivable from Six Nations Police in the amount of \$635,842 (2016 - \$692,983), which does not bear interest. The loan is repayable in monthly principal payments of \$2,738 over a term of 35 years and is due in 2045. The face value of the loan is \$884,414 (2016 - \$950,126).

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

6. Investment in Six Nations Natural Gas Company Limited Partnership:

The following provides condensed supplementary financial information for the operations of Six Nations Natural Gas Company Limited Partnership ("Six Nations Natural Gas") for the years ended March 31, 2017 and March 31, 2016. Six Nations owns an interest of 99% in Six Nations Natural Gas Company Limited Partnership and Six Nations Natural Gas Limited owns the remaining 1% interest.

Financial position:

	2017	2016
Current assets	\$ 1,833,164	\$ 2,316,994
Capital assets	4,541,518	4,092,736
Total assets	6,374,682	6,409,730
Current liabilities	482,712	368,434
Net assets	5,891,970	6,041,296
Six Nations Natural Gas Limited's interest in partnership	599,087	171,875
Government assistance treated as a capital transaction	(671,237)	(675,490)
Investment in Six Nations Natural Gas	\$ 5,819,820	\$ 5,537,681

Results of operations:

	2017	2016
Revenues (net)	\$ 1,511,967	\$ 1,392,149
Operating expenses	1,657,068	1,674,316
Net loss	(145,101)	(282,167)
Six Nations Natural Gas Limited's interest	(145,101)	28
Net loss – Six Nations Natural Gas	\$ -	\$ (282,139)

Investment in Six Nations Natural Gas:

	2017	2016
Opening balance	\$ 5,537,681	\$ 5,819,820
Net loss	-	(282,139)
Correction of prior year	282,139	-
Closing balance – Investment in Six Nations Natural Gas	\$ 5,819,820	\$ 5,537,681

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

7. Deferred revenue:

The deferred revenues, reported on the consolidated statement of financial position, are made up of the following:

	2017	2017	2017	
	Deposits	Rent-to-own properties	Other deferred revenue	Total
Balance, beginning of year	\$ 93,844	\$ 5,114,910	\$ 1,814,295	\$ 7,023,049
Deposits collected	39,866	-	-	39,866
Housing payments	-	378,460	-	378,460
Federal funding	-	-	2,223,162	2,223,162
Other	-	-	24,000	24,000
Provincial funding	-	-	50,000	50,000
	133,710	5,493,370	4,111,457	9,738,537
Less:				
Deposits returned	14,490	-	-	14,490
Contributions used in operations	-	1,253,541	493,657	1,747,198
	14,490	1,253,541	493,657	1,761,688
Balance, end of year	\$ 119,220	\$ 4,239,829	\$ 3,617,800	\$ 7,976,849

	2016	2016	2016	
	Deposits	Rent-to-own properties	Other deferred revenue	Total
Balance, beginning of year	\$ 74,605	\$ 5,396,963	\$ 3,735,452	\$ 9,207,020
Deposits collected	64,569	-	-	64,569
Housing payments	-	372,788	-	372,788
Federal funding	-	-	773,241	773,241
Other	-	-	45,265	45,265
Provincial funding	-	-	293,219	293,219
	139,174	5,769,751	4,847,177	10,756,102
Less:				
Deposits returned	45,330	132,898	-	178,228
Contributions used in operations	-	521,943	3,032,882	3,554,825
	45,330	654,841	3,032,882	3,733,053
Balance, end of year	\$ 93,844	\$ 5,114,910	\$ 1,814,295	\$ 7,023,049

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

7. Deferred revenue (continued):

Deferred revenue for deposits includes payments made from customers of public works and Housing prepaid security deposits from rental clients.

Rent-to own properties includes home ownership payments with regards to Sale Agreements for residential properties. Other deferred revenue includes funds (donation and project funding) received for specific purposes and will be recognized as revenue when the related expenditures for the purpose specified have been incurred.

8. Employee benefits and other liabilities:

Six Nations provides to substantially all of its employees a defined contribution pension plan. The plan is a contributory plan with funding of benefits based on the related employee's earnings. Six Nations matches employee contributions to a maximum of 4.05%. Six Nations recognized an expense during the year related to its portion of the contributions of \$787,245 (2016 - \$803,619).

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

9. Net long-term liabilities:

The balance of net long-term liabilities reported on the consolidated balance sheet is made up of the following:

	2017	2016
Bank of Montreal, interest rates ranging from 2.57% to 2.64% with principal payments of \$69,351 monthly, maturing between June 2016 and February 2020. Amount is unsecured.	\$ 10,199,203	\$ 11,009,733
Bank of Montreal, interest rates at 2.52% with principal payments of \$5,392 monthly, maturing between September 2016 and May 2017. Amount is guaranteed by Indigenous and Northern Affairs Canada.	10,784	227,295
First Nations Bank of Canada, interest accrued at 2.72% with principal payments of \$5,146 monthly, maturing August 2017. Amount is guaranteed by Indigenous and Northern Affairs Canada.	334,804	395,459
Royal Bank of Canada, interest rates ranging from 2.40% to 2.75% with principal payments of \$47,056 monthly, maturing between February 2018 and July 2021. Amount is secured by a general security agreement.	3,193,362	3,527,026
Canada Mortgage and Housing Corporation, interest rates ranging from 1.05% to 1.67% with principal payments of \$21,432 monthly, maturing between May 2017 and June 2021. Amount is guaranteed by Indigenous and Northern Affairs Canada.	3,960,202	4,442,489
Obligation under capital lease with National Leasing, interest accrued at 7.813% with principal payments of \$4,690 monthly, maturing October 2016. Amount secured by the underlying equipment.	-	27,535
Net long-term liabilities, end of year	\$ 17,698,355	\$ 19,629,537

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

9. Net long-term liabilities (continued):

Principal payments, due in each of the next five years are as follows:

2018	\$	4,544,161
2019		1,350,024
2020		6,776,888
2021		4,995,609
2022		31,673
		<hr/>
	\$	17,698,355

Total interest on net long-term liabilities which are reported on the consolidated statement of operations amounted to \$471,923 in 2017 (2016 - \$437,072).

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

10. Tangible capital assets:

March 31, 2017	Cost				Amortization				Net book value, end of year	
	balance, beginning of year	Additions	Transfer from WIP	Disposals	Balance, end of year	Amortization balance, beginning of year	Disposals	Amortization expense		Balance end of year
Land and land improvements	\$ 9,107,005	\$ 512,245	\$ -	\$ -	\$ 9,619,250	\$ 2,044,904	\$ -	\$ 411,470	\$ 2,456,374	\$ 7,162,876
Building and building improvements	106,873,078	263,896	5,230,023	(990,221)	111,376,777	39,290,247	(796,127)	3,364,330	41,858,450	69,518,327
Vehicles, machinery and equipment	25,579,340	2,459,097	-	(98,884)	27,939,553	11,177,697	(58,884)	2,064,514	13,183,327	14,756,226
Water and wastewater infrastructure	10,767,531	1,316,459	-	-	12,083,990	4,285,170	-	222,571	4,507,741	7,576,249
Roads infrastructure	35,527,683	3,204,941	864,782	-	39,597,406	22,279,159	-	987,028	23,266,187	16,331,219
Office equipment, furniture and computers	4,325,173	600,092	-	-	4,925,265	3,293,621	-	429,372	3,722,993	1,202,272
Work-in-progress	8,751,860	2,397,985	(6,094,805)	-	5,055,040	-	-	-	-	5,055,040
Total	\$ 200,931,670	\$ 10,754,715	\$ -	\$ (1,089,105)	\$ 210,597,281	\$ 82,370,798	\$ (855,011)	\$ 7,479,285	\$ 88,995,072	\$ 121,602,209

March 31, 2016	Cost				Amortization				Net book value, end of year	
	balance, beginning of year	Additions	Transfer from WIP	Disposals	Balance, end of year	Amortization balance, beginning of year	Disposals	Amortization expense		Balance end of year
Land and land improvements	\$ 8,971,189	\$ 135,816	\$ -	\$ -	\$ 9,107,005	\$ 1,652,598	\$ -	\$ 392,306	\$ 2,044,904	\$ 7,062,101
Building and building improvements	103,843,632	957,337	2,237,816	(165,707)	106,873,078	36,159,136	(137,414)	3,268,525	39,290,247	67,582,831
Vehicles, machinery and equipment	25,172,338	516,588	-	(109,586)	25,579,340	9,251,777	(109,586)	2,035,506	11,177,697	14,401,643
Water and wastewater infrastructure	10,767,531	-	-	-	10,767,531	4,072,665	-	212,505	4,285,170	6,482,361
Roads infrastructure	34,964,961	562,722	-	-	35,527,683	21,317,788	-	961,371	22,279,159	13,248,524
Office equipment, furniture and computers	3,748,292	576,881	-	-	4,325,173	2,870,556	-	423,065	3,293,621	1,031,552
Work-in-progress	5,367,070	5,622,606	(2,237,816)	-	8,751,860	-	-	-	-	8,751,860
Total	\$ 192,835,013	\$ 8,371,950	\$ -	\$ (275,293)	\$ 200,931,670	\$ 75,324,520	\$ (247,000)	\$ 7,293,278	\$ 82,370,798	\$ 118,560,872

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

10. Tangible capital assets (continued):

Work in progress

Work in progress assets having a value of \$5,055,039 (2016 - \$8,751,859) have not been amortized. Amortization of these assets will commence when the assets are put into service.

Contributed Tangible Capital Assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$nil (2016 - \$nil).

Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned, other than described below.

Works of Art and Historical Treasures

Six Nations holds several historical buildings which are recorded at nominal value.

11. Accumulated surplus:

Accumulated surplus consists of balances as follows at March 31:

	2017	2016
Surplus:		
Invested in tangible capital assets	\$ 103,903,854	\$ 98,931,335
Operating fund	25,777,234	24,611,170
	<u>129,681,088</u>	<u>123,542,505</u>
Reserve funds set aside by Six Nations Elected Council:		
Ontario First Nations Limited Partnership Agreement	26,425,266	23,235,291
Central Administration	7,542,108	5,722,546
Day care	445,298	445,298
Economic development	67,703	2,923,288
Economic development fund	1,997,437	1,730,577
Fire	90,495	50,365
Health services	750,245	737,514
Housing	2,495,423	2,451,922
Iroquois lodge	72,553	64,152
Public works	1,014,030	1,014,030
Social and correctional services	1,773,872	1,773,872
	<u>42,674,430</u>	<u>40,148,855</u>
	<u>\$ 172,355,518</u>	<u>\$ 163,691,360</u>

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

12. Commitments:

- (a) Six Nations has outstanding contractual obligations totaling approximately \$41,450,000 (2016 - \$41,450,000) outlined as follows by project:

	2017	2016
Housing Loans Guarantees with RBC and BMO	\$ 25,000,000	\$ 25,000,000
Six Nations Development Corporation loan guarantees for Wind and Solar projects	16,450,000	16,450,000
Total commitments authorized	\$ 41,450,000	\$ 41,450,000

At March 31, 2017, the amount utilized and outstanding of the loan for the Six Nations Development Corporation loan guarantees for the Wind and Solar projects was \$5,008,562 (2016 - \$9,641,349).

- (b) Six Nations has at March 31, 2017 approved funding of community, cultural development, economic development, education and health projects in the amounts of \$8,592,857, \$1,938,253, \$83,140, \$608,517 and \$254,899 respectively through the Ontario First Nations Limited Partnership Agreement funds.
- (c) Minimum annual lease payments:

Six Nations rents vehicles and equipment under operating leases with minimum annual lease payments for the years ending March 31 as follows:

2018	\$ 171,036
2019	156,192
2020	134,580
Thereafter	79,770
	\$ 541,578

13. Contingencies:

Six Nations has been named as a defendant in two legal claims. Council is of the opinion that there is a strong defense against these claims and is defending the claims. At this time it is not possible to determine the outcome of these claims. Accordingly, no provision for losses has been reflected in the accounts of Six Nations for these matters. Council does not anticipate that the impact, if any will be material to the financial statements.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

14. Indigenous and Northern Affairs Canada:

	2017	2016
Base budget	\$ 24,217,677	\$ 20,672,731
Less non-consolidated entities:		
Grand River Post Secondary Education Office	(7,886,628)	(7,690,730)
Ganohkwa Sra	(1,180,249)	(660,048)
Six Nations Development Corporation	(761,200)	(741,580)
Gaweniyoh	(1,529,711)	(1,294,102)
	<u>(11,357,788)</u>	<u>(10,386,460)</u>
Less current year deferred revenue:		
Six Nations of the Grand River	(947,357)	(508,873)
	<u>(947,357)</u>	<u>(508,873)</u>
Add prior year deferred revenue:		
Six Nations of the Grand River	508,873	707,424
	<u>508,873</u>	<u>707,424</u>
Other adjustments:		
Six Nations of the Grand River	27,438	(4,186)
	<u>27,438</u>	<u>(4,186)</u>
	<u>\$ 12,448,843</u>	<u>\$ 10,480,636</u>

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

15. Government transfers:

The Government transfers reported on the Statement of Operations are:

	2017	2016
Revenue:		
Indigenous and Northern Affairs Canada:		
Economic development	\$ 139,796	\$ 346,658
Education	466,630	443,400
Fire	2,564,272	1,044,757
General government	1,709,198	1,456,656
Health services	223,200	214,000
Iroquois lodge	224,011	201,400
Lands and resources	110,714	75,587
Membership	595,944	587,072
Parks and recreation	37,119	660,280
Public works	4,850,565	3,869,312
Social, correctional services and day care	363,103	353,500
Welfare	1,164,291	1,228,014
	<u>12,448,843</u>	<u>10,480,636</u>
Other federal:		
Economic development	1,549,160	1,149,102
General government	24,140	5,898
Health services	7,187,595	7,011,359
Iroquois lodge	31,391	59,691
Public works	27,059	15,747
Social, correctional services and day care	906,344	815,105
	<u>9,725,689</u>	<u>9,056,902</u>
Province of Ontario:		
Economic development	-	829
Fire	-	3,173
General government	456,480	78,180
Health services	8,515,124	7,573,392
Iroquois lodge	2,146,263	2,004,062
Lands and resources	197,200	138,438
ONFLP	2,755	-
Parks and recreation	62,824	580,093
Public works	1,928,082	706,911
Social, correctional services and day care	8,375,873	6,795,714
Welfare	6,962,261	6,862,377
	<u>28,646,862</u>	<u>24,743,169</u>
Total revenues	\$ 50,821,394	\$ 44,280,707

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

15. Government transfers (continued):

	2017	2016
Expenses:		
Welfare payments	\$ 5,873,959	\$ 5,926,374

16. Segmented information:

Segmented information has been identified based upon functional areas by Six Nations. The functions have been separately disclosed in the segmented information as follows:

(i) Central Administration and Committee of the Whole:

Central Administration and Committee of the Whole consists of the general management of Six Nations, including adopting bylaws and policy, and providing administrative, human resources, information technology, and communication support, and financial services and programs that benefit the community as a whole such as land claims and Ontario First Nations Limited Partnership Agreement funds.

(ii) Physical and economic development:

Physical and economic development segment is responsible for the physical assets of the community and to generate economic development within the community. It includes planning, design, operation and maintenance of the roadway system; street lights; the engineering and operation of the water and wastewater systems and waste management. Additionally, Six Nations is committed to providing and advocating for secure, affordable housing in Six Nations, and buildings for commercial lease.

(iii) Human and emergency services:

Human and emergency services offer a range of programs related to wellbeing of the community. Included in human and emergency services are: lands and memberships; health services that includes protection and promotion, disease and injury prevention; ambulance and fire services; day care; welfare and innovations; social and correctional services; the maintenance and operation of parks and open space; and the Iroquois Lodge.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

16. Segmented information (continued):

Certain allocation methodologies are employed in the preparation of segmented information. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Investment income has been allocated based on the segment that holds the related investment.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

Note: User charges include facility rental fees, water & sewage charges, septic rentals and lodge accommodations.

March 31, 2017	Central administration and committee of the Whole	Physical and economic development	Human and emergency service	Total
Revenues:				
User charges	\$ -	\$ 2,186,602	\$ 1,248,579	\$ 3,435,181
Government transfers:				
INAC	2,859,803	4,990,361	4,598,679	12,448,843
Other federal	24,140	1,576,219	8,125,330	9,725,689
Province of Ontario	656,435	1,928,082	26,062,345	28,646,862
Investment income	674,275	1,049,813	19,693	1,743,781
Equity in Six Nations Natural Gas Company Limited Partnership				
	282,139	-	-	282,139
Other	12,220,102	1,480,447	3,463,728	17,164,277
Total revenues	16,716,894	13,211,524	43,518,354	73,446,772
Expenses:				
Salaries, wages and employee benefits	3,671,459	1,144,307	23,077,385	27,893,151
Operating expenses	7,785,333	5,401,520	15,751,403	28,938,256
Debt services	253,344	207,945	10,634	471,923
Amortization	193,277	5,659,826	1,626,181	7,479,284
Total expenses	11,903,413	12,413,598	40,465,603	64,782,614
Annual surplus	\$ 4,813,481	\$ 797,926	\$ 3,052,751	\$ 8,664,158

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

16. Segmented information (continued):

March 31, 2016	Central administration and committee of the Whole	Physical and economic development	Human and emergency service	Total
Revenues:				
User charges	\$ -	\$ 2,199,816	\$ 1,213,725	\$ 3,413,541
Government transfers:				
INAC	3,812,629	4,215,970	2,452,037	10,480,636
Other federal	5,898	1,164,849	7,886,155	9,056,902
Province of Ontario	544,181	707,739	23,491,249	24,743,169
Investment income	487,733	1,117,312	18,712	1,623,757
Equity in Six Nations Natural Gas Company Limited Partnership				
	(282,139)	-	-	(282,139)
Other	12,385,085	4,085,022	1,247,246	17,717,353
Total revenues	16,953,387	13,490,708	36,309,124	66,753,219
Expenses:				
Salaries, wages and employee benefits	3,640,912	3,038,480	19,936,386	26,615,778
Operating expenses	9,023,311	5,818,032	11,880,439	26,721,782
Debt services	154,591	275,808	6,673	437,072
Amortization	531,620	5,659,192	1,102,466	7,293,278
Total expenses	13,350,434	14,791,512	32,925,964	61,067,910
Annual surplus (deficit)	\$ 3,602,953	\$ (1,300,804)	\$ 3,383,160	\$ 5,685,309

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

17. Budget data:

The budget data presented in these consolidated financial statements are based upon the 2017 operating and capital budgets approved by Six Nations Council. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years. As such, it is not practical to present annualized budget information for the acquisition of tangible capital assets on the statement of change in net financial assets.

	Budget Amount
Revenues:	
Operating (budget)	\$ 40,730,988
Add:	
Ontario First Nations Limited Partnership Agreement	9,165,556
Total revenue	49,896,544
Expenses:	
Operating (budget)	45,736,982
Add:	
Amortization	7,479,284
Total expenses	53,216,266
Annual deficit	\$ (3,319,722)

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

18. Salaries and travel expenses paid to senior officials:

Salaries and travel expenses paid to senior officials included in the consolidated financial statements are as follows:

	Position	Number of months	Salary range per annum	Travel expenses
Dayle Bomberry	Senior Administrative Officer	12	\$ 90,000 – 120,000	\$ 5,606
Gary Phillips	Director of Finance	12	87,317 – 115,683	473
Lonny Bomberry	Director of Lands and Resources	12	50,135 – 79,900	8,686
Lori Davis Hill	Director of Health Services	12	50,135 – 79,900	5,506
Mike Montour	Director of Public Works	12	50,135 – 79,900	1,930
Arliss Skye	Director of Social Services	12	50,135 – 79,900	6,530
Sandy Porter	Director of Ontario Works	7	50,135 – 79,900	4,651
Cheryl Henhawk	Director of Parks and Recreation	12	50,135 – 79,900	462
Sharon Martin	Director of Ontario Works	5	50,135 – 79,900	309
Karen Bomberry	Director of Housing		50,135 – 79,900	5,222
Matthew Miller	Fire Chief	12	50,135 – 79,900	-
Janice Burning	Manager, Lands and Membership	12	50,135 – 79,900	2,110

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements

Year ended March 31, 2017

19. Salaries, honoraria and travel expenses paid to elected senior officials:

Salaries, honoraria and travel expenses paid to senior officials included in the consolidated financial statements are as follows:

	Honorarium	Life and health	Travel honorarium	Reimbursement	Travel expense	Total expense
Chief Ava Hill	\$ 76,423	\$ 1,081	-	\$ (7,883)	\$ 31,439	\$ 101,060
Terry General	41,123	529	6,600	-	8,595	56,847
Carl Hill	41,123	4,233	4,450	(496)	11,700	61,010
David Hill	41,123	1,081	1,800	-	3,800	47,804
Mark Hill	41,123	1,308	1,050	-	3,399	46,880
Charles Wayne Martin	12,677	604	1,500	-	1,644	16,425
Audrey Powless-Bomberry	12,677	860	600	-	537	14,674
Hazel Johnson	41,123	2,712	1,967	-	1,678	47,480
Sherril-Lynn Hill Pierce	41,123	2,712	4,350	-	6,946	55,131
Robert Johnson	41,123	2,520	1,500	-	2,940	48,083
Roger Jonathan	28,465	845	-	-	-	29,310
Wray Maracle	41,123	4,233	5,700	(841)	12,459	62,674
Helen Miller	41,123	942	2,400	-	6,549	51,014
Lewis Staats	28,465	1,569	600	-	702	31,336
Melba Thomas	41,123	1,024	1,950	-	2,759	46,856
Total Chief and Councilors	\$ 569,937	\$ 26,253	\$ 34,467	\$ (9,220)	\$ 95,147	\$ 716,584

Travel expense includes out-of-pocket expenses such as accommodation, airfare, mileage, meals and incidentals. The amounts included above do not include reimbursements from event sponsors.