

DEER LAKE FIRST NATION  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

DEER LAKE FIRST NATION  
MARCH 31, 2016

COUNCIL

Chief	Roy Dale Meekis Royal Meekis - Former
Deputy Chief	Cory J. Meekis Marcus Meekis - Former
Councillors	Albert Mawakeesic Garry Meekis Saulas Meekis Carolyn Meekis Lenard Mawakeesic David G. Meekis George Rae - Former Cory Meekis - Former Barry Meekis - Former

FIRST NATION ADMINISTRATION

First Nation Administrators	Lita Pemmican Mary Jeffries
Social Services Administrator	Carolyn Meekis
Health Director	Garylene Meekis

DEER LAKE FIRST NATION  
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FOR THE YEAR ENDED MARCH 31, 2016

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DEER LAKE FIRST NATION  
CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

**MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements of the Deer Lake First Nation are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the integrity and objectivity of the consolidated financial statements. Estimates are necessary in the preparation of these consolidated financial statements and, based on careful judgments, have been properly reflected. Management has established systems of internal control, which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

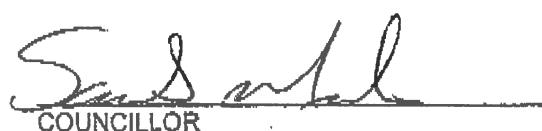
The consolidated financial statements have been audited by Holukoff Chiarella in accordance with Canadian generally accepted auditing standards on behalf of the members. Holukoff Chiarella have full and free access to Council.



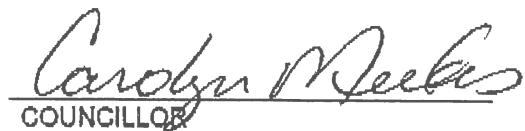
CHIEF



COUNCILLOR



COUNCILLOR



COUNCILLOR



COUNCILLOR

# Holukoff Chiarella

CHARTERED ACCOUNTANTS

EXHIBIT "A"

Kevin Masse, B.Comm. (Hons), C.A.  
(Practising as Kevin Masse Chartered Accountant Ltd.)  
Ralph Orr, B.Comm. (Hons), C.A.  
(Practising as Ralph Orr Chartered Accountant Ltd.)

101 - 1180 Pembina Highway  
Winnipeg, Manitoba R3T 2A4  
Telephone (204) 452-6449  
Fax (204) 452-3397

## INDEPENDENT AUDITORS' REPORT

To the Chief, Councillors and Members of  
Deer Lake First Nation

We have audited the accompanying financial statements of Deer Lake First Nation, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of accumulated surplus, operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

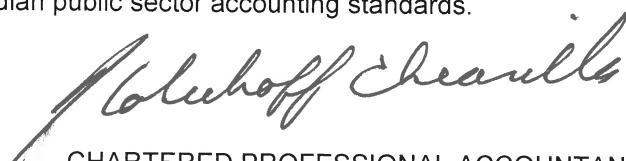
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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, these consolidated financial statements present fairly, in all material respects, the financial position of Deer Lake First Nation as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



CHARTERED PROFESSIONAL ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

WINNIPEG, MANITOBA  
August 5, 2016.

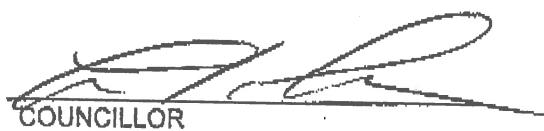
EXHIBIT "B"

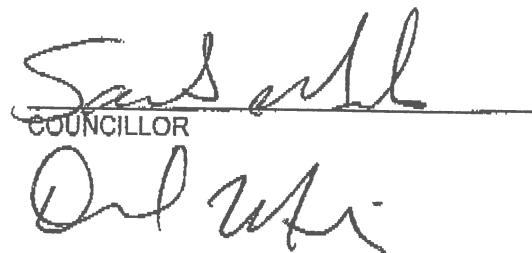
DEER LAKE FIRST NATION  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
<b>FINANCIAL ASSETS</b>		
Cash, Note 3	\$ 749,979	497,557
Accounts receivable, Note 4	583,406	883,050
Ottawa Trust Funds, Note 6	<u>43,097</u>	<u>42,202</u>
<b>Total Financial Assets</b>	<u>1,376,482</u>	<u>1,422,809</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities, Note 7	785,257	1,292,325
Deferred revenue, Note 8	90,096	223,544
Long term debt, Note 9	4,273,306	4,711,129
Reserves, Note 10	<u>708,099</u>	<u>702,733</u>
<b>Total Liabilities</b>	<u>5,856,758</u>	<u>6,929,731</u>
<b>NET DEBT</b>	<u>(4,480,276)</u>	<u>(5,506,922)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets, Note 11	37,562,817	42,403,913
Inventory, Note 12	<u>505,567</u>	<u>826,233</u>
	<u>38,068,384</u>	<u>43,230,146</u>
<b>ACCUMULATED SURPLUS (DEFICIT), Exhibit "C"</b>	<b>\$ <u>33,588,108</u></b>	<b><u>37,723,224</u></b>

APPROVED BY:

  
CHIEF

  
COUNCILLOR

  
Sandsell  
COUNCILLOR  
Orl. whi.

  
Carolyn Meekan  
COUNCILLOR

EXHIBIT "C"

DEER LAKE FIRST NATION  
CONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS  
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
BALANCE AT BEGINNING OF YEAR	\$ 37,723,224	39,931,181
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	<u>(4,135,116)</u>	<u>(2,207,957)</u>
BALANCE AT END OF YEAR	<u>\$ 33,588,108</u>	<u>37,723,224</u>

EXHIBIT "D"

DEER LAKE FIRST NATION  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2016

		2016	2015
		<u>Budget</u>	<u>Actual</u>
<b>REVENUE</b>			
AANDC	\$ 9,548,126	7,795,352	8,968,223
Health Canada	1,324,194	1,818,135	1,898,025
CMHC	283,340	266,768	269,464
MCSS	1,062,100	1,767,279	1,469,566
MNR			3,429
OFNLP	1,034,912	1,059,213	1,051,132
MNDM		215,138	265,868
Ontario Trillium Fund			55,957
Ministry of Health	168,276	132,345	149,778
Other	<u>2,081,256</u>	<u>2,990,302</u>	<u>3,147,424</u>
	<u>15,502,204</u>	<u>16,044,532</u>	<u>17,278,866</u>
<b>EXPENSES</b>			
First Nation Management	659,939	689,274	1,536,059
Public Works	2,420,811	2,532,391	3,113,987
Economic Development	74,001	74,000	74,000
Health Programs	1,443,215	1,876,930	1,866,744
Social Services	1,248,100	2,277,972	2,078,385
Educational Services	4,004,943	3,982,891	3,640,941
Housing and Capital Projects	3,591,033	1,595,624	3,191,258
CMHC Housing	185,829	257,248	429,724
OFNLP	881,649	1,342,258	675,189
Cable TV	170,110	134,174	106,456
Operating Programs	<u>730,233</u>	<u>766,457</u>	<u>1,072,845</u>
	<u>15,409,863</u>	<u>15,529,219</u>	<u>17,785,588</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS	92,341	515,313	(506,722)
<b>OTHER ITEMS</b>			
Capital assets acquired from operations	3,074,579	890,670	3,515,798
Amortization not expensed in operations	<u>(5,493,344)</u>	<u>(5,541,099)</u>	<u>(5,217,033)</u>
ANNUAL SURPLUS (DEFICIT)	\$ <u>(2,326,424)</u>	<u>(4,135,116)</u>	<u>(2,207,957)</u>

DEER LAKE FIRST NATION  
CONSOLIDATED STATEMENT OF OPERATIONS BEFORE OTHER ITEMS  
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>			<u>2015</u>		
	<u>Revenue</u>	<u>Other</u>	<u>Total</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Annual Surplus (Deficit)</u>
AANDC						
First Nations Management	2	\$ 688,019	334,472	1,022,491	1,272,683	583,409
Public Works	3	1,797,136	861,614	2,658,750	2,630,161	97,770
Economic Development	4	74,000		74,000	74,000	
Health Programs	5		1,869,180	1,869,180	1,866,928	(10,002)
Social Services	6	336,200	1,899,624	2,235,824	2,277,972	
Educational Services	7	3,664,290	433,423	4,097,713	3,893,161	(89,730)
Housing and Capital Projects	8	1,200,707	379,696	1,580,403	1,229,917	(365,707)
CMHC Housing	9		257,248	257,248	417,508	160,260
OFNLP	10		1,061,857	1,061,857	952,608	(389,650)
Cable TV	11		129,440	129,440	147,824	13,650
Operating Programs	12	35,000	1,022,626	1,057,626	766,457	—
<b>TOTAL</b>		<b>\$ 7,795,352</b>	<b>8,249,180</b>	<b>16,044,532</b>	<b>15,529,219</b>	<b>—</b>
AANDC Funding Per Confirmation						<b>\$ 7,795,352</b>

AANDC Funding Per Confirmation      \$ 7,795,352

EXHIBIT "E"

**DEER LAKE FIRST NATION**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	\$ (4,135,116)	(2,207,957)
Acquisition of tangible capital assets	(890,670)	(3,515,798)
Amortization of tangible capital assets	5,731,766	5,397,052
Change in inventory	<u>320,666</u>	<u>(86,256)</u>
DECREASE (INCREASE) IN NET DEBT	1,026,646	(412,959)
NET DEBT AT BEGINNING OF YEAR	<u>(5,506,922)</u>	<u>(5,093,963)</u>
NET DEBT AT END OF YEAR	<b>\$ (4,480,276)</b>	<b><u>(5,506,922)</u></b>

**DEER LAKE FIRST NATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
<b>OPERATING TRANSACTIONS</b>		
Annual surplus (deficit)	\$ (4,135,116)	(2,207,957)
Add non-cash item		
Amortization of tangible capital assets	5,731,766	5,397,052
Changes in financial assets/liabilities		
Accounts receivable	299,644	(358,406)
Ottawa Trust Funds	(895)	(1,676)
Reserve Fund	5,366	8,433
Accounts payable and accrued liabilities	(507,068)	322,037
Deferred revenue	(133,448)	40,559
Inventory	<u>320,666</u>	<u>(86,256)</u>
	<u>1,580,915</u>	<u>3,113,786</u>
<b>CAPITAL TRANSACTIONS</b>		
Acquisition of tangible capital assets	<u>(890,670)</u>	<u>(3,515,798)</u>
<b>FINANCING TRANSACTIONS</b>		
Repayments of long term debt	<u>(437,823)</u>	<u>(445,727)</u>
<b>NET CHANGE IN CASH POSITION</b>	<b>252,422</b>	<b>(847,739)</b>
<b>CASH POSITION AT BEGINNING OF YEAR</b>	<b>497,557</b>	<b>1,345,296</b>
<b>CASH POSITION AT END OF YEAR</b>	<b>\$ 749,979</b>	<b><u>497,557</u></b>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 748,555	427,058
GIC Investments	<u>1,424</u>	<u>70,499</u>
	<b>\$ 749,979</b>	<b><u>497,557</u></b>

**DEER LAKE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards for local government entities, as defined in the Public Sector Accounting and Auditing handbook of the Canadian Institute of Chartered Professional Accountants.

**a) Nature and Purpose of Organization**

The First Nation manages and administers all aspects of the Deer Lake First Nation. The organization operates with a Chief and Council, who are ultimately responsible for the establishment and administration of all programs of the First Nation.

**b) Reporting Entity and Principles of Financial Reporting**

The Deer Lake First Nation reporting entity includes the Deer Lake First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation. These financial statements consolidate the assets, liabilities and results of operations for these entities, which all use accounting principles which lend themselves to consolidations.

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on individual statements.

Incorporated and unincorporated business entities, which are owned or controlled by the Deer Lake First Nation Council and which are not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method. These include:

1164202 Ontario Ltd. receiver for Sabourin Lake Airways Ltd.  
Hangar, Red Lake Airport

Incorporated business entities, which are not controlled by the First Nation and are not dependent on the First Nation, are recorded by the cost method. These investments are recorded by the cost method as opposed to the lower of cost or net realizable value because the net realizable value is indeterminable. These include:

Aatawehike Fire Services Limited Partnership

**DEER LAKE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued**

**c) Revenue Recognition**

The First Nation follows the deferral method of accounting for revenue. Revenue is recognized as it becomes receivable under the terms of applicable funding agreements and can be reasonably estimated and collection is reasonably assured. Funding received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the balance sheet.

Other income, primarily fees for services, are recognized upon transfer of title of the product or upon performance of the service and when collectability is reasonably assured.

**d) Tangible Capital Assets**

Tangible capital assets (TCA) include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods and delivering services.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artefacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

**e) Inventories**

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

**f) Amortization**

Assets under construction are not amortized until they are put into service. Amortization commences on April 1 of the fiscal year after the asset is acquired and is put into service. Amortization is recorded on a straight-line basis over the estimated useful life of the asset, as follows:

Automotive	5 years
General equipment	4 years
Housing - standard construction	15 years
Housing - betterments	5 years
Infrastructure - water/sewer	25 years
- roads	20 years
- buildings, standard construction	15 years
- buildings, metal clad	20 years
- generator upgrade	15 years
CMHC Housing	25 years

**DEER LAKE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued**

**g) Financial Instruments**

*Initial and subsequent measurement*

The First Nation initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The First Nation subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in the fair value of these financial instruments are recognized in net income in the period incurred.

Financial assets measured at amortized cost on a straight-line basis include cash, accounts receivable, investments and Ottawa Trust Funds.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities, deferred revenue, reserves and long term debt.

*Transaction costs*

Transactions costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in net income over the life of the instrument using the straight-line method.

**h) Net Debt/Net Financial Assets**

The First Nation's financial statements are presented so as to highlight net debt/net financial assets as the measurement of financial position. The net debt/net financial assets of the First Nation are determined by its financial assets less its liabilities. Net debt/net financial assets is comprised of two components, non-financial assets and accumulated surplus.

**i) Reserve Funds**

The reserve funds for the medical vehicle, equipment and the water truck replacement are funded by an annual charge against earnings as opposed to an appropriation of surplus.

The replacement reserve for Deer Lake CMHC Housing is funded by an annual charge against earnings as opposed to an appropriation of surplus.

The operating reserve for Deer Lake CMHC Housing represents the surplus revenue of its operations after payment of all costs and expenses including the allocation to the replacement reserve.

**j) Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and Expenses during the reported period. Actual results could differ from management's best estimates as additional information becomes available in the future.

**DEER LAKE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

**2. ACCUMULATED SURPLUS**

A portion of this balance includes surpluses and/or deficits from funds contributed by government agencies. Such surpluses/deficits may be subject to repayment or recovery by the contributing agencies, depending on the terms and conditions of the relevant agreements.

**3. CASH (BANK INDEBTEDNESS)**

	<u>2016</u>	<u>2015</u>
Administration		
General	\$ (29,335)	(122,056)
GIC investment	61,956	
AANDC deposit	31,228	30,300
Public works		
General	(72,713)	(286,593)
GIC	1,424	1,412
Social Services	(52,052)	(55,019)
Education Operating	143,234	418,560
Housing	105,679	20,283
OFNLP - General	(77,752)	(40,263)
OFNLP - GIC Investment	7,166	7,131
Capital	347,911	242,008
CMHC Housing		
Operations	51,628	35,889
Replacement reserve	146,586	76,006
Multi-Purpose Centre Project	157,285	132,445
Cable TV - General	(10,310)	(24,502)
	<b>\$ <u>749,979</u></b>	<b><u>497,557</u></b>

EXHIBIT "G"

DEER LAKE FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

4. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
<b>ADMINISTRATION</b>		
NAN	\$ 52,270	30,420
NHW	10,147	
AANDC	6,171	
Staff advances	15,815	
Northern Chiefs	10,894	3,750
Others	12,747	35,363
SLAAMB		34,413
	<u>108,044</u>	<u>103,946</u>
Allowance for doubtful accounts	<u>(15,720)</u>	
	<u>92,324</u>	<u>103,946</u>
<b>SOCIAL SERVICES</b>		
AANDC		4,444
Ontario Works	47,531	48,370
Ministry of Health	<u>6,821</u>	<u>16,081</u>
	<u>54,352</u>	<u>68,895</u>
<b>EDUCATION</b>		
WAHSA		3,678
Trade	31,678	
FNSSP	29,750	14,820
Staff advances	<u>108,954</u>	<u>108,954</u>
	<u>170,382</u>	<u>127,452</u>
Allowance for doubtful accounts	<u>(108,954)</u>	<u>(108,954)</u>
	<u>61,428</u>	<u>18,498</u>
<b>PUBLIC WORKS</b>		
Insurance claim - AIG		254,328
MNDMF		31,498
AANDC	146,306	
Individual Band members – fuel and advances	<u>197,124</u>	<u>150,997</u>
	<u>343,430</u>	<u>436,823</u>
Allowance for doubtful accounts	<u>(189,839)</u>	<u>(143,226)</u>
	<u>153,591</u>	<u>293,597</u>
<b>OFNLP</b>		
Band members' advances and loans	22,413	39,832
Allowance for doubtful accounts	<u>(6,012)</u>	<u>(22,996)</u>
	<u>16,401</u>	<u>16,836</u>
<b>HOUSING</b>		
Band members and others	<u>71,407</u>	<u>48,390</u>
<b>CABLE TV</b>		
Cable TV services band members	388,696	360,006
GST receivable	<u>265</u>	<u>265</u>
	<u>388,961</u>	<u>360,271</u>
Allowance for doubtful accounts	<u>(318,128)</u>	<u>(273,281)</u>
	<u>\$ 70,833</u>	<u>86,990</u>

EXHIBIT "G"

DEER LAKE FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

4. ACCOUNTS RECEIVABLE, continued

	<u>2016</u>	<u>2015</u>
CMHC		
CMHC	\$ <u>21,354</u>	_____
 CAPITAL		
Health Canada	<u>41,716</u>	182,350
AANDC	<u>41,716</u>	<u>63,548</u>
	<u>41,716</u>	<u>245,898</u>
 TOTAL ACCOUNTS RECEIVABLE	     <u>\$ 583,406</u>	     <u>883,050</u>

5. INVESTMENTS

In 1997, the Deer Lake First Nation converted a promissory note to a 100% equity position of \$200,000 in 1164202 Ontario Inc. The corporation subsequently acquired assets from Sabourin Lake Airways Limited. The company leased the hangar until it was sold to the First Nation in August 2002.

	<u>2016</u>
Investment, at cost	
Investment in Aatawehike Fire Services Limited Partnership	\$ <u>10,000</u>
Investment in First Nation Owned or Controlled Entities	
1164202 Ontario Ltd. (Sabourin Airways Ltd.) - 100%	<u>110,391</u>
Investment in hangar, Red Lake Airport	<u>117,719</u>
Total investments before provision	<u>238,110</u>
Provision for write down in value	<u>(238,110)</u>
 Net Total Investments	     <u>\$ NIL</u>

6. OTTAWA TRUST FUNDS

Ottawa Trust Accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in the consolidated revenue fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

	<u>2016</u>	<u>2015</u>
Balance at Beginning of Year	\$ <u>42,202</u>	40,526
Amounts Placed On Deposit	<u>895</u>	<u>1,676</u>
Balance at End of Year	<u>\$ 43,097</u>	<u>42,202</u>

EXHIBIT "G"

DEER LAKE FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

7. ACCOUNTS PAYABLE

	<u>2016</u>	<u>2015</u>
ADMINISTRATION		
Trade	\$ 334,898	279,380
Health Canada	2,036	3,286
Accrued salaries and employee benefits	<u>3,613</u>	<u>(18,453)</u>
	<u>340,547</u>	<u>264,213</u>
ARENA PROJECT		
Trade	<u>—</u>	<u>210,277</u>
CABLE TV		
Trade	<u>10,197</u>	<u>8,169</u>
CAPITAL		
AANDC surplus recovery	11,870	191,478
Trade	<u>38,619</u>	<u>191,478</u>
	<u>50,489</u>	<u>191,478</u>
PUBLIC WORKS		
Trade	<u>117,604</u>	<u>355,632</u>
EDUCATION		
Trade	135,016	235,309
Accrued salaries and employee benefits	<u>468</u>	<u>—</u>
	<u>135,484</u>	<u>235,309</u>
HOUSING		
Trade	<u>56,502</u>	<u>985</u>
CMHC HOUSING		
Trade	<u>15,840</u>	<u>15,840</u>
SOCIAL SERVICES		
Accrued salaries and benefits	435	3,531
Trade	<u>5,472</u>	<u>1,800</u>
	<u>5,907</u>	<u>5,331</u>
OFNLP		
Trade	<u>52,687</u>	<u>5,091</u>
TOTAL ACCOUNTS PAYABLE	<u>\$ 785,257</u>	<u>1,292,325</u>

**DEER LAKE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

**8. DEFERRED REVENUE**

Funding received or receivable in the current period to be applied against the subsequent period programs is recorded as deferred revenue in the financial statements.

		<u>2016</u>		
		<u>Opening Balance</u>	<u>Funding Received</u>	<u>Revenue Recognized</u>
Summer Students, Schedule 2-3	\$	51,034	38,629	12,405
FNSSP, Schedule 7-6		125,044	119,000	244,044
Generating Station Upgrade, Schedule 8-4		18,500	466,731	485,231
Land Use Mapping, Schedule 12-2		89,144	48,191	40,953
Nursing Station Repairs, Schedule 12-6		348,481	311,743	36,738
MNR		<u>80,000</u>	<u>80,000</u>	<u>80,000</u>
		<b><u>\$ 223,544</u></b>	<b><u>1,074,390</u></b>	<b><u>1,207,838</u></b>
				<b><u>90,096</u></b>

**9. LONG TERM DEBT**

		<u>2016</u>	<u>2015</u>
<u>Operating Loans</u>			
CIBC demand fuel loan for Public Works, interest at prime plus 2 % per annum, repaid in full April 30, 2015, secured by Band Council Resolution and general security agreement.		\$ 524,000	
CIBC non-revolving demand loan, four regular annual payments of \$125,000, interest at CIBC prime plus 2%, maturing January 5, 2019, secured by a general security agreement on all First Nation's assets, a Band Council Resolution and assignment of Shoulderblade Falls Agreement with Hydro One Remotes and assignment of lease with NWC GP Inc.		375,000	
Toromont Cat loan, interest at 5.7% per annum, repayable in monthly payments of \$3,474.12, due February 9, 2019, secured by a Caterpillar 924K Wheel Loader. (Cost \$180,417, net book value \$90,209.)		111,797	146,052

DEER LAKE FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

## 9. LONG TERM DEBT, continued

	<u>2016</u>	<u>2015</u>
CIBC non-revolving instalment loan for Arena construction, interest at CIBC prime plus 2%, repayable in 180 regular monthly payments of \$8,027 plus interest, all outstanding amounts due on September 1, 2021, secured by assignment of Shoulderblade Falls Agreement between the First Nation and Hydro One Remote, assignment of lease agreement with NWC GP Inc., as general partners of the North West Company LP.	<u>528,108</u>	<u>624,433</u>
	<u>\$ 1,014,905</u>	<u>1,294,485</u>
<u>CMHC Loans</u>		
The First Nation obtained financing to build six houses. Through this program the housing authority receives government assistance of \$4,209 per month to operate the houses as rental units.		
CMHC mortgage payable interest at 1.12% per annum, repayable at \$3,152 per month principal and interest, maturing February 1, 2020.	\$ 315,404	349,521
The First Nation obtained financing to build six houses. Through this program the housing authority receives government assistance of \$3,089 per month to operate the houses as rental units.		
CMHC mortgage payable interest at 1.67% per annum, repayable at \$3,515 per month principal and interest, maturing June 1, 2018.	462,028	496,248
The First Nation obtained financing to build eight houses. Through this program the housing authority receives government assistance of \$5,224 per month to operate the houses as rental units.		
CMHC mortgage payable interest at 1.12% per annum, repayable at \$5,375 per month principal and interest, maturing February 1, 2020.	831,667	886,578
The First Nation obtained financing to build four houses. Through this program the housing authority receives government assistance of \$2,369 per month to operate the houses as rental units.		
CMHC mortgage payable interest at 1.98% per annum, repayable at \$2,459 per month principal and interest, maturing May 1, 2019.	449,365	469,827

EXHIBIT "G"

DEER LAKE FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

9. LONG TERM DEBT, continued

	<u>2016</u>	<u>2015</u>
The First Nation obtained financing to renovate four houses. Through this program the housing authority receives government assistance of \$1,657 per month to operate the houses as rental units.		
CMHC mortgage payable Interest at 1.04% per annum, repayable at \$1,181 per month principal and interest, maturing August 1, 2020.	\$ 248,350	259,111
The First Nation obtained financing to build six houses. Through this program the housing authority receives government assistance of \$4,807 per month TO operate the houses as rental units.		
CMHC mortgage payable Interest at 1.69% per annum, repayable at \$4,332 per month, principal and interest, maturing February 1, 2018.	<u>951,587</u>	<u>955,359</u>
	<u>3,258,401</u>	<u>3,416,644</u>
Restrictive provision on the CMHC loans may terminate the government assistance. The CMHC loans are guaranteed by the Department of Aboriginal Affairs and Northern Development Canada.		
	<u>\$ 4,273,306</u>	<u>4,711,129</u>

Estimated principal payment for the next five years and thereafter are as follows:

2017	\$ 709,582
2018	330,738
2019	323,583
2020	297,980
2021	300,856
Thereafter	<u>2,310,567</u>
	<u>\$ 4,273,306</u>

**DEER LAKE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

**10. RESERVE FUNDS**

The First Nation establishes reserves for legal, contractual or voluntary basis as follows:

	<u>2016</u>	<u>2015</u>
Replacement Reserve - Social Housing	\$ <u>341,696</u>	<u>306,346</u>
Agreements with Canada Mortgage and Housing Corporation provide for the accumulation of a replacement reserve. The replacement reserve was partially funded in the amount of \$76,006 at March 31, 2016.		
Operating Reserve - Social Housing		
- Post 1996 Section 95 Programs	<u>282,722</u>	<u>312,706</u>
Under the terms of the agreement with Canada Mortgage and Housing Corporation, any surplus remaining after the payment of all costs and expenses, including the allocation to the Replacement Reserve, should be retained by the First Nation in an Operating Reserve Fund. These funds, along with the accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be mutually agreed to by the First Nation and CMHC. The funds in this account may only be used for the ongoing operating costs of the project. Accordingly, future years' deficits may be recovered from this fund. Withdrawals are credited to interest first then the principal. The operating reserve was unfunded at March 31, 2016.		
Replacement Reserve - Vehicles and equipment		
The First Nation has voluntarily set up a replacement reserve for the following vehicles and equipment.		
Medical/Health vehicle/truck/health office - administration	30,744	30,744
Water truck - public works	22,937	22,937
Equipment - public works	<u>30,000</u>	<u>30,000</u>
	<u>83,681</u>	<u>83,681</u>
The vehicle and equipment reserve was not separately funded at March 31, 2016.		
Total Reserves	\$ <u>708,099</u>	<u>702,733</u>

EXHIBIT "G"

**DEER LAKE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

**11. TANGIBLE CAPITAL ASSETS**

		<b>2016</b>			
	<u>Opening Cost</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Automotive	\$ 1,109,012	43,500		1,094,212	58,300
Equipment	2,616,949	50,000		2,626,438	40,511
Housing	29,826,787			27,265,193	2,561,594
Infrastructure	86,234,305		2,648,005	56,869,358	32,012,952
CMHC Housing	<u>4,680,143</u>			<u>1,790,683</u>	<u>2,889,460</u>
	<u>124,467,196</u>	<u>93,500</u>	<u>2,648,005</u>	<u>89,645,884</u>	<u>37,562,817</u>
Assets under construction					
Nursing Station Renovation		311,939	(311,939)		
Generating Station Upgrade	1,850,835	<u>485,231</u>	<u>(2,336,066)</u>		
	<u>1,850,835</u>	<u>797,170</u>	<u>(2,648,005)</u>		
	<b>\$ 126,318,031</b>	<b>890,670</b>	<b>_____</b>	<b>89,645,884</b>	<b>37,562,817</b>
		<b>2015</b>			
	<u>Opening Cost</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Automotive	\$ 1,090,512	18,500		939,106	169,906
Equipment	2,616,949			2,456,497	160,452
Housing	29,520,471	306,316		26,227,071	3,599,716
Infrastructure	79,849,142	1,340,147	5,045,016	52,695,154	33,539,151
CMHC Housing	<u>4,680,143</u>			<u>1,596,290</u>	<u>3,083,853</u>
	<u>117,757,217</u>	<u>1,664,963</u>	<u>5,045,016</u>	<u>83,914,118</u>	<u>40,553,078</u>
Assets under construction					
Fuel Tank Storage Upgrade		604,463		(604,463)	
Arena Project	4,440,553		(4,440,553)		
Generating Station Upgrade	<u>5,045,016</u>	<u>1,850,835</u>	<u>(5,045,016)</u>		<u>1,850,835</u>
	<b>\$ 122,802,233</b>	<b>3,515,798</b>	<b>_____</b>	<b>83,914,118</b>	<b>42,403,913</b>

**12. INVENTORY**

		<u>2016</u>	<u>2015</u>
Fuel, Public Works		\$ 207,775	472,075
Fuel, Education		219,000	220,000
Materials and supplies		<u>78,792</u>	<u>134,158</u>
	<b>\$ 505,567</b>	<b>826,233</b>	

DEER LAKE FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**13. FINANCIAL RISKS AND CONCENTRATION OF RISK**

a) Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The accounts receivable are mainly due from funders. There has been no change to the risk exposures from 2015.

b) Liquidity risk

Liquidity risk is the risk that First Nation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The First Nation's exposure to liquidity risk is dependent on the collection of funding, collection of accounts receivable, purchasing commitments and obligations or raising of funds to meet commitments and sustain operations. Cash flow from operations provides a substantial portion of the First Nation's cash requirements. Additional cash requirements are provided by operating lines of credit as needed. Management is of the opinion that liquidity risk is not a significant risk and there has been no change to the risk exposures from 2015.

The First Nation's debt is structured with regularly recurring payments, secured by assets. Regularly recurring payments are required to service this debt, limiting the requirement to extinguish the debt in the short term. Interest rate fluctuations impact the cash flows but not to a significant effect.

c) Currency risk

The First Nation is not exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the First Nation does not normally have purchases and sales denominated in U.S. dollars. There has been no change to the risk exposure from 2015.

d) Interest Rate risk

The First Nation has long-term fixed rate debts. A change in the variable rate does not impact cash flows to service the debt when such debt is outstanding. There has been no change to the risk exposure from 2015 and there is expected to be no substantive change in the next fiscal period.

**14. OPERATING FACILITY**

CIBC has provided a \$100,000 revolving line of credit with interest at CIBC prime plus 2% repayable on demand. Secured by a first interest in all present and future acquired personal property of the First Nation and Band Council Resolution directing all present and future AANDC funding directly to CIBC Sioux Lookout for deposit to the Band's bank account.

CIBC revolving line of credits of \$50,000 and \$ 35,000 available by way of business operating account overdraft. Interest at CIBC Prime Plus 2%, repayable on demand secured by way of all present and future acquired personal property of the First Nation.

DEER LAKE FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

**15. FEDERAL ASSISTANCE PAYMENTS**

The Projects have received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 95 of the National Housing Act to enable the project to provide housing to low-income individuals. The amount of assistance received in 2016 was \$257,248 (2015 - \$267,734).

**16. FORGIVABLE LOANS**

The First Nation is acting as the agent for applicants who received forgivable RRAP loans through a CMHC program. The forgiveness is subject to specific conditions and is forgiven at various amounts per annum.

**17. ECONOMIC DEPENDENCE**

Deer Lake First Nation receives 60% (2015 – 63%) of its revenues from Aboriginal Affairs and Northern Development Canada ("AANDC") and First Nations and Inuit Health ("FNIH") as a result of Treaties entered into with the Government of Canada. These treaties are administered by AANDC and FNIH under the terms and conditions of the Indian Act. The ability of the Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

**18. COMPARATIVE AND BUDGET FIGURES**

Some of the comparative figures for the previous years have not been shown as the information is considered not to be meaningful for comparison with the current year. Certain comparative figures for the previous year have been reclassified to conform to the presentation of the current year.

Budget data were included when available and have been approved by Chief and Council.

**19. TRUST FUNDS**

The First Nation has \$31,355.20 held in trust by Keshen Major Barristers Solicitors, relating to the Red Lake Hangar Investment. These funds and any expenses related to them have not been recorded in these financial statements as a detailed accounting for them was not provided.

EXHIBIT G

DEER LAKE FIRST NATION  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2016

20. SEGMENT DISCLOSURE

	First Nations Management	Budget	2016	2015	Public Works	Budget	2016	2015	Budget	2015	Social Services	2014
<b>REVENUE</b>												
Federal government	\$ 682,889	688,019	715,662	1,493,068	1,797,136	1,240,708	186,000	336,200	336,200	1,062,100	1,899,624	374,444
Provincial government												
Economic activities			3,429									
Net income for investments in government business enterprises												
Other revenue	<u>26,640</u>	<u>334,472</u>	<u>431,856</u>	<u>846,619</u>	<u>861,614</u>	<u>1,420,307</u>						<u>39,119</u>
<b>TOTAL REVENUE</b>	<u>709,529</u>	<u>1,022,491</u>	<u>1,150,947</u>	<u>2,339,687</u>	<u>2,658,750</u>	<u>2,787,009</u>	<u>1,248,100</u>	<u>2,235,824</u>	<u>2,235,824</u>	<u>1,062,100</u>	<u>1,899,624</u>	<u>2,034,208</u>
<b>EXPENSES</b>												
Honoraria	584,706	661,100	602,492									
Chief and Councillors		15,692										
Elders and Board Members												
Wages and benefits	252,841	284,311	317,773	603,536	683,532	69,730						
Amortization	5,041,324	5,541,099	5,217,033									
Tangible Capital Assets	(3,074,579)	(890,670)	(3,515,798)									
Interest												
Other expenses	<u>601,548</u>	<u>311,580</u>	<u>615,794</u>	<u>1,952,704</u>	<u>1,939,188</u>	<u>7,441</u>	<u>9,893</u>					
<b>TOTAL EXPENSES</b>	<u>3,405,840</u>	<u>5,923,112</u>	<u>3,237,294</u>	<u>2,556,240</u>	<u>2,630,161</u>	<u>3,113,987</u>	<u>1,248,100</u>	<u>2,277,972</u>	<u>2,078,385</u>			
<b>SURPLUS (DEFICIT) BEFORE TRANSFERS</b>	(2,696,311)	(4,900,621)	(2,086,347)	(216,553)	28,589	(326,978)						
TRANSFERS	<u>779,156</u>	<u>583,409</u>	<u>515,456</u>	<u>135,429</u>	<u>97,770</u>	<u>150,631</u>						
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u>\$ (1,917,155)</u>	<u>(4,317,212)</u>	<u>(1,570,891)</u>	<u>(81,124)</u>	<u>126,359</u>	<u>(176,347)</u>						<u>(42,148)</u>
												<u>(44,177)</u>

EXHIBIT G

DEER LAKE FIRST NATION  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2016

20. SEGMENT DISCLOSURE, continued

		<u>Budget</u>	<u>2016</u>	<u>2015</u>	<u>Budget</u>	<u>2016</u>	<u>2015</u>	<u>Budget</u>	<u>2016</u>	<u>2015</u>
<b>REVENUE</b>										
Federal government	\$ 74,000	74,000	74,000	3,677,559	3,664,290	3,734,224	3,404,609	1,210,227	2,811,479	
Provincial government										
Economic activities										
Net income for investments in government business enterprises										
Other revenue										
<b>TOTAL REVENUE</b>	<u>74,000</u>	<u>74,000</u>	<u>74,000</u>	<u>3,877,827</u>	<u>4,097,713</u>	<u>3,896,384</u>	<u>3,459,253</u>	<u>1,580,403</u>	<u>3,188,296</u>	
 <b>EXPENSES</b>										
Honoraria										
Chief and Councillors										
Elders and Board Members	42,131	41,576	41,063	2,219,319	2,115,641	2,126,894	181,877	232,210	347,109	539,104
Wages and benefits										
Amortization										
Tangible Capital Assets										
Interest										
Other expenses										
<b>TOTAL EXPENSES</b>	<u>66,601</u>	<u>74,000</u>	<u>74,000</u>	<u>3,850,217</u>	<u>3,893,161</u>	<u>3,640,941</u>	<u>3,564,790</u>	<u>1,229,917</u>	<u>3,191,258</u>	
 <b>SURPLUS (DEFICIT)</b>										
BEFORE TRANSFERS										
7,399										
<b>TRANSFERS</b>	<u>(7,400)</u>	<u>—</u>	<u>—</u>	<u>(154,726)</u>	<u>(89,730)</u>	<u>(89,726)</u>	<u>(258,453)</u>	<u>(365,707)</u>	<u>(360,621)</u>	
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u>\$ (1)</u>	<u>—</u>	<u>—</u>	<u>(127,116)</u>	<u>114,822</u>	<u>165,717</u>	<u>(363,990)</u>	<u>(15,221)</u>	<u>(363,583)</u>	

EXHIBIT G

DEER LAKE FIRST NATION  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2016

20. SEGMENT DISCLOSURE, continued

	Health		Total for Community Services		Total	
	Budget	2016	Budget	2016	Budget	2016
REVENUE						
Federal government	\$ 1,324,194	1,725,035	1,555,871	313,341	640,729	644,888
Provincial government				89,144	275,831	1,062,100
Economic activities						10,135,636
Net income for investments in government business enterprises						11,151,276
Other revenue	119,023	144,145	195,861	2,037,250	1,776,298	1,475,571
<b>TOTAL REVENUE</b>	<b>1,443,217</b>	<b>1,869,180</b>	<b>1,751,732</b>	<b>2,350,591</b>	<b>2,506,171</b>	<b>2,396,290</b>
 EXPENSES						
Honoraria					584,706	661,100
Chief and Councillors	38,000	2,299	2,500	37,336	46,520	97,500
Elders and Board Members	976,629	1,007,793	1,082,031	400,885	291,338	396,649
Wages and benefits				219,810	190,667	180,019
Amortization					5,493,344	(3,074,579)
Tangible Capital Assets						(890,670)
Interest						(3,515,798)
Other expenses	330,538	859,135	782,414	1,084,658	1,686,438	1,555,260
<b>TOTAL EXPENSES</b>	<b>1,345,167</b>	<b>1,866,928</b>	<b>1,866,744</b>	<b>1,794,673</b>	<b>2,284,397</b>	<b>2,284,214</b>
 SURPLUS (DEFICIT)						
BEFORE TRANSFERS	98,050	2,252	(115,012)	555,918	221,774	112,076
TRANSFERS	(98,048)	(10,002)	—	(392,958)	(215,740)	(215,740)
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ 2</b>	<b>(7,750)</b>	<b>(115,012)</b>	<b>162,960</b>	<b>6,034</b>	<b>(103,664)</b>
						<b>(2,326,424)</b>
						<b>(4,135,116)</b>
						<b>(2,207,957)</b>