

**Black River First Nation
Consolidated Financial Statements**
March 31, 2016

Black River First Nation

Contents

For the year ended March 31, 2016

	Page
Management's Responsibility	
Independent Auditors' Report	
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Changes in Net Debt.....	3
Consolidated Statement of Cash Flows.....	4
Notes to the Consolidated Financial Statements.....	5
Schedule 1 - Consolidated Schedule of Tangible Capital Assets.....	18
Schedule 2 - Consolidated Schedule of Expenses by Object.....	21
Consolidated Schedules of Segment Operations	
Schedule 3 - Consolidated Summary Schedule of Segment Operations.....	22
Schedule 4 - Housing.....	23
Schedule 5 - Subsidized Housing.....	24
Schedule 6 - Community Wellness.....	25
Schedule 7 - Governance and Administration.....	26
Schedule 8 - Economic Development.....	27
Schedule 9 - Education.....	28
Schedule 10 - Community Infrastructure.....	29
Schedule 11 - Fundraising.....	30
Schedule 12 - Traditional Area Planning.....	31
Schedule 13 - Social.....	32
Schedule 14 - Casino Savings.....	33
Schedule 15 - Economic Enterprises.....	34

Management's Responsibility

To the Members of Black River First Nation:

The accompanying consolidated financial statements of Black River First Nation are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting policies and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Black River First Nation Chief and Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Chief and Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Chief and Council is also responsible for recommending the appointment of the First Nation's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Chief and Council on behalf of the Members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with both the Chief and Council and management to discuss their audit findings.

August 5, 2016



Chief Financial
Officer

Independent Auditors' Report

To the Members of Black River First Nation:

We have audited the accompanying consolidated financial statements of Black River First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year ended then ended, and 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 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 the auditors' 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, the auditor considers 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 financial position of Black River First Nation as at March 31, 2016 and the results of its operations, changes in net debt and its cash flows for the year ended then ended in accordance with Canadian public sector accounting standards.

Winnipeg, Manitoba

August 5, 2016

MNP LLP

Chartered Professional Accountants

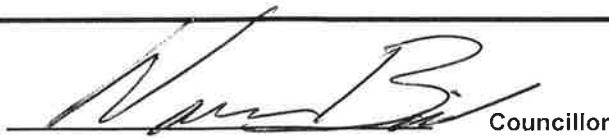
Black River First Nation
Consolidated Statement of Financial Position
As at March 31, 2016

	2016	2015
Financial assets		
Cash	903,405	80,621
Accounts receivable (Note 4)	2,438,182	743,381
Investment in Government Business Partnership (Note 5)	3,434,292	3,398,076
Restricted cash (Note 6)	1,076,062	426,879
	7,851,941	4,648,957
Liabilities		
Bank indebtedness (Note 7)	-	412,068
Accounts payable and accruals (Note 8)	2,836,348	603,595
Deferred revenue (Note 9)	181,000	-
Construction loan payable (Note 10)	315,545	-
Due to Province of Manitoba (Note 11)	337,528	337,528
Demand loan payable (Note 12)	2,038,738	1,685,233
Demand promissory note (Note 13)	1,100,000	-
Long-term debt (Note 14)	6,354,815	5,928,457
	13,163,974	8,966,881
Net debt	(5,312,033)	(4,317,924)
Contingencies (Note 15)		
Non-financial assets		
Tangible capital assets (Note 16) (Schedule 1)	24,795,392	25,837,364
Construction in progress (Note 17)	1,095,898	501,637
Prepaid expenses	53,844	38,061
	25,945,134	26,377,062
Accumulated surplus (Note 18)	20,633,101	22,059,138

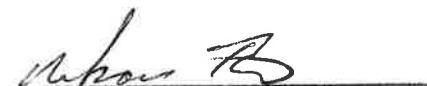
Approved on behalf of the Chief and Council



Chief



Councillor



Councillor

Black River First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2016

	<i>Schedules</i>	<i>2016 Budget</i>	<i>2016</i>	<i>2015</i>
Revenue				
Indigenous and Northern Affairs Canada (INAC) (Note 19)		2,872,454	3,066,714	4,898,504
Manitoba Hydro		2,562,266	2,404,999	-
First Nations and Inuit Health (FNIH) (Note 20)		1,287,499	1,589,618	1,355,919
Other		1,039,465	1,125,280	840,215
Income from Government Business Partnership (Note 21)		682,000	686,216	554,720
Canadian Mortgage and Housing Corporation (CMHC)		-	323,470	326,440
Rent		-	202,172	222,644
Southeast Resource Development Council Corp. (Note 21)		-	157,293	165,301
Recoveries by funding agencies		-	-	(32,980)
Revenue deferred in prior year		-	-	5,616,374
Revenue deferred to subsequent year (Note 9)		-	(181,000)	-
		8,443,684	9,374,762	13,947,137
Segment expenses				
Housing	4	85,364	553,689	646,557
Subsidized Housing	5	-	558,681	712,436
Community Wellness	6	1,290,471	1,261,238	1,246,265
Governance and Administration	7	888,531	1,111,842	934,629
Economic Development	8	72,636	152,138	151,705
Education	9	249,086	1,024,570	1,082,510
Community Infrastructure	10	832,334	1,122,839	941,341
Fundraising	11	383,812	450,923	1,232,468
Traditional Area Planning	12	-	70,906	56,601
Social	13	318,812	1,666,385	1,773,490
Casino Savings	14	669,341	313,286	382,364
Economic Enterprises	15	2,562,266	2,514,302	-
		7,352,653	10,800,799	9,160,366
Surplus (deficit) before impairment of house burned in fire		1,091,031	(1,426,037)	4,786,771
Impairment of house burned in fire		-	-	(22,472)
Annual surplus (deficit)		1,091,031	(1,426,037)	4,764,299
Accumulated surplus, beginning of year		-	22,059,138	17,294,839
Accumulated surplus, end of year		1,091,031	20,633,101	22,059,138

The accompanying notes are an integral part of these financial statements

Black River First Nation
Consolidated Statement of Changes in Net Debt
For the year ended March 31, 2016

	<i>2016 Budget</i>	<i>2016</i>	<i>2015</i>
Annual surplus (deficit)	1,091,031	(1,426,037)	4,764,299
Purchases of tangible capital assets	-	(794,588)	(2,191,314)
Costs of construction in progress	-	(594,261)	-
Impairment of house burned in fire	-	-	22,472
Amortization of tangible capital assets	-	1,836,560	1,852,195
	-	447,711	(316,647)
Acquisition of prepaid expenses	-	(24,089)	(38,060)
Use of prepaid expenses	-	8,306	39,923
	-	(15,783)	1,863
Decrease (increase) in net debt	1,091,031	(994,109)	4,449,515
Net debt, beginning of year	(8,767,439)	(4,317,924)	(8,767,439)
Net debt, end of year	(7,676,408)	(5,312,033)	(4,317,924)

The accompanying notes are an integral part of these financial statements

**Black River First Nation
Consolidated Statement of Cash Flows**
For the year ended March 31, 2016

2016

2015

Cash provided by (used for) the following activities

Operating activities

Cash receipts from contributors	7,174,745	8,494,093
Cash paid to suppliers	(4,592,608)	(6,393,888)
Cash paid to employees	(2,014,478)	(1,666,761)
Interest on long-term debt	(140,183)	(152,091)
	427,476	281,353

Financing activities

Promissory note advance	1,100,000	-
Advances of long-term debt	1,100,000	-
Repayment of long-term debt	(673,642)	(577,922)
Construction loan advance	315,545	-
Advances of demand loan payable	353,505	1,685,233
Change in restricted cash	(649,183)	27,797
Change in bank indebtedness	(412,068)	(104,062)
	1,134,157	1,031,046

Capital activities

Purchases of tangible capital assets	(794,588)	(2,191,314)
Cash paid for construction in progress	(594,261)	-
	(1,388,849)	(2,191,314)

Investing activities

Proceeds from withdrawal of investment in Government Business Partnership **650,000** **650,000**

Increase (decrease) in cash resources

Cash resources, beginning of year	80,621	309,536
Cash resources, end of year	903,405	80,621

The accompanying notes are an integral part of these financial statements

Black River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

1. Operations

The Black River First Nation (the "First Nation") is located in the Province of Manitoba, and provides various services to its members.

2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

Reporting entity

The Black River First Nation reporting entity includes the First Nation government and all related enterprises that are accountable to the First Nation and are either owned or controlled by the First Nation. Trusts administered on behalf of third parties by Black River First Nation are excluded from the First Nation reporting entity.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Black River First Nation Housing Authority
- Black River First Nation Gaming Commission
- O'Hanley Enterprises Ltd.
- Members In Need Inc.
- Black River Development Corporation
- Black River Business Trust
- Black River Limited Partnership
- Black River Casino Savings

In addition, the First Nation has consolidated its proportionate share (50%) of its investment in a government partnership known as the Cottage Lot Subdivision Development Partnership.

All inter-entity balances and transactions have been eliminated on consolidation.

Basis of presentation

Sources of financing and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes collectable and is measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Cash

Cash includes balances with banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Investment in Government Business Partnership

The investment in the Government Business Partnership is accounted for in accordance with the modified equity method.

Net debt

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

Black River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

2. Significant accounting policies *(Continued from previous page)*

Non-financial assets

The First Nation's tangible capital assets and other non-financial assets are accounted for as assets because they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the government unless they are sold.

Construction in progress

Construction in progress consists of costs incurred on tangible capital asset construction not completed at the date of these financial statements. The First Nation includes interest charges on related construction financing in the capital cost of each project.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible capital assets are recorded at their fair value at the date of contribution.

Tangible capital assets are amortized annually using the straight line method at the following rates intended to amortize the cost of the assets over their estimated useful lives:

Vehicles	3 years
Roads	40 years
Contractor equipment	10 years
General equipment	10 years
Furniture	10 years
Buildings	20 years
Infrastructure	25 years
Housing and rental properties	25 years
Land improvements	15 years
Bridges	20 years
Buses	6 years
Subsidized housing	20 years

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds the value of future economic benefits associated with the asset. Impairment is measured as the amount by which the assets' carrying value exceeds the residual value of the assets' service potential to the First Nation. Any impairment is included in operations for the year ended.

Black River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

2. Significant accounting policies *(Continued from previous page)*

Revenue recognition

Government transfers

Government transfer revenue, including Indigenous and Northern Affairs Canada, is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under the funding arrangements that relate to a subsequent fiscal period is reflected as deferred revenue on the consolidated statement of financial position in the year of receipt, and is recognized in the year in which qualifying expenses have been incurred.

Income from Government Business Partnership

Revenue recognized from the Government Business Partnership is in accordance with the modified equity method of accounting for the investment and corresponds to the First Nation's proportionate share of the Government Business Partnerships net surplus earned in the year ended March 31, 2016.

Other revenue

Rent and subsidy revenue are recognized on a monthly basis under terms of the agreement.

Contract revenues are recognized when the services are provided and the collectability of proceeds is reasonably assured.

Other revenue is recognized by the First Nation when services are provided or goods are shipped and collectable is reasonably assured.

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards 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 consolidated financial statements, and the reported amounts of revenue and expenditures during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where necessary. Amortization is based on the estimated useful lives of tangible capital assets. Deferred revenue is recorded based on management's analysis of the extent to which eligibility requirements have been met on government transfer revenue.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the periods in which they become known.

Black River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

2. Significant accounting policies *(Continued from previous page)*

Segments

The First Nation conducts its business through 12 reportable segments as reported below. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The First Nation's segments are as follows:

Housing - reports on activities related to developing and sustaining on-reserve housing

Subsidized Housing - reports on CMHC subsidized housing

Community Wellness - reports on health and wellness programs funded by First Nations and Inuit Health

Governance and Administration - reports on governance and administration activities

Economic Development - reports on services that facilitate economic development

Education - reports on the operations of education programs

Community Infrastructure - includes activities for the development of the First Nation's infrastructure

Fundraising - reports on activities related to fundraising activities

Traditional Area Planning - reports on activities related to management of the First Nation's traditional territory

Social - reports on social assistance programs

Casino Savings - reports on revenue earned from the Government Business Partnership described in Note 5

Economic Enterprises - reports on revenue and expenses associated with activities through controlled organizations

Inter-segment transfers are recorded at their exchange amount. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements along with related expenses.

Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2016.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized are accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Financial instruments

Financial instruments include cash, accounts receivable, investment in Government Business Partnership, restricted cash, bank indebtedness, accounts payable and accruals, construction loan payable, due to Province of Manitoba, demand loan payable, demand promissory note and long-term debt. Unless otherwise stated, it is management's opinion that that the First Nation is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

Employee future benefits

The First Nation's employee future benefit program consist of a defined contribution pension plan. The First Nation's contributions to the defined contribution plan are expensed as incurred.

Black River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

2. Significant accounting policies *(Continued from previous page)*

Recent accounting pronouncements

Financial instruments

In June 2011, the Public Sector Accounting Board (PSAB) issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2019. Earlier adoption is permitted.

The First Nation expects to apply PS 3450 and related consequential amendments to the PSA Handbook for its consolidated financial statements dated March 31, 2020. PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. The First Nation does not expect the adoption of these new standards to have a material impact on its consolidated financial statements.

3. Investment in Cottage Lot Subdivision Development Partnership

The First Nation is a 50% partner in a government partnership with the Province of Manitoba known as the Cottage Lot Subdivision Development Partnership. The purpose of the government partnership is to construct cottage lot units and related commercial development on the east side of Lake Winnipeg.

The First Nation accounts for its share in the government partnership in accordance with the proportionate consolidation method.

The financial position of the Government Partnership is as follows:

	2016	2015
Construction in progress asset	\$1,243,274	\$1,243,274
Partnership capital	\$1,243,274	\$1,243,274

Black River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

4. Accounts receivable

	2016	2015
Manitoba Hydro	1,883,499	-
Indigenous and Northern Affairs Canada	99,811	396,827
First Nations and Inuit Health	36,000	-
Goods and Services Tax	27,280	25,213
Shawano Wapunong Building Inc.	20,500	37,691
Members	235,870	232,537
Other	254,471	240,244
Canada Mortgage and Housing Corporation	108,122	38,240
Allowance for doubtful accounts - members	(227,371)	(227,371)
	2,438,182	743,381

Funds held by Shawano Wapunong Building Inc. are on deposit at an interest rate of 5% per annum. Shawano Wapunong Building Inc. is owned by the eight Southeast First Nations in Manitoba and invests in commercial real estate in Winnipeg, Manitoba.

5. Investment in Government Business Partnership

Investment in Government Business Partnership represents a one-seventh ownership interest in the South Beach Casino Limited Partnership which was formed to operate a casino and hotel on the Brokenhead Ojibway Nation land at Scantebury, Manitoba.

	2016	2015
Balance, beginning of year	3,398,076	3,493,356
Partnership income	686,216	554,720
Withdrawals	(650,000)	(650,000)
	3,434,292	3,398,076

Black River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

6. Restricted cash

	2016	2015
Ottawa Trust	25,604	24,563
Guaranteed Investment Certificates	236,779	-
CMHC Replacement Reserve	457,083	402,316
First Nations Finance Authority debt reserve fund	110,732	-
Funds held in trust by construction contractor	245,864	-
	1,076,062	426,879

Ottawa Trust

The Ottawa Trust Funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust 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. Revenue from the Ottawa Trust is recognized in the year in which it is earned when it is measurable and collection is reasonably assured. Capital and revenue trust money is transferred to the First Nation on the authorization of the Minister of Indigenous and Northern Affairs Canada, with the consent of the First Nation's Chief and Council.

Capital Trust \$77 (2015 - \$77) (2016 interest revenue - \$0; 2015 interest revenue - \$0)
 Revenue Trust \$25,527 (2015 - \$24,486) (2016 interest revenue - \$1,041; 2015 interest revenue - \$1,763)

Guaranteed Investment Certificates

Guaranteed Investment Certificates (GIC's) represent investments purchased to fulfill bonding requirements for CMHC housing construction projects. Two GIC's were purchased. One amount is for \$58,971, bearing interest at .10%, maturing June 2017 and the other amount is for \$177,808, bearing interest at .85%, maturing November 2016

CMHC Replacement Reserve

As required as part of the First Nation's CMHC Housing Program, a separate bank account has been established for replacement of capital equipment and for major repairs to the houses. Under the terms of the agreements with Canada Mortgage and Housing Corporation (CMHC), the replacement reserve must either be held in a separate bank account or invested in accounts or instruments secured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time.

The First Nation is not in compliance with its agreement with CMHC. The agreement requires that the First Nation maintain a separate bank account or investments to fund the full amount of the CMHC replacement reserve. At year end the required replacement reserve balance was \$457,083 (2015 - \$402,316), but the amount in the designated bank account was \$150,810 (2015 - \$110,340), representing an unfunded portion of \$306,273 (2015 - \$291,976).

First Nations Finance Authority debt reserve fund

Pursuant to the financing arrangements that the First Nation has entered into with the First Nations Finance Authority, amounts are held in trust by the First Nations Finance Authority to cover any unexpected defaults in the required monthly loan payments. The amount represents 5% of the original loan amount of \$2,200,000. During the year, the First Nation earned interest of \$732 on the cash restricted in this debt reserve fund.

Funds held in trust by construction contractor

Funds held in trust by a general construction contractor relate to revenue received from FNIH that must be spent on improvements to the First Nation's medical facilities.

Black River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

7. Bank indebtedness

The First Nation has an operating line of credit bearing interest at the bank's prime rate of 2.7% plus 1.5%, with a maximum authorized limit of \$280,000.

8. Accounts payable and accruals

	2016	2015
INAC - Social 2000-2001	60,126	60,126
INAC - Professional Institute Development Program 2010-2011	-	1,607
INAC - Basic Needs	-	27,950
 Total INAC	 60,126	 89,683
Trade payables and accruals	722,273	513,912
Manitoba Hydro transmission project	1,964,413	-
CMHC financed housing construction	89,536	-
 <hr/>	 <hr/>	 <hr/>
	2,836,348	603,595

9. Deferred revenue

	2016	2015
First Nations and Inuit Health - Building renovations	181,000	-

10. Construction loan payable

The First Nation has received a housing construction loan from Canada Mortgage and Housing Corporation. Upon completion of the housing construction, the loan will be converted from a demand loan to a long-term mortgage, with specified terms of repayment. During the construction phase no interest is charged and no principal payments are required.

Black River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

11. Due to Province of Manitoba

The First Nation has entered into a government partnership, known as the Cottage Lot Subdivision Development Partnership, with the Province of Manitoba for the purpose of constructing cottage lot units and related commercial development on the east side of Lake Winnipeg. The Province of Manitoba has provided the First Nation with financing in order to allow the First Nation to meet its obligations under the terms of the government partnership agreement to cover 50% of the costs incurred during the construction phase. This financing was issued to the First Nation without a loan agreement in place and without specified interest rates or terms of repayment. The Province of Manitoba and the First Nation are in negotiations to arrive at a loan agreement.

12. Demand loan payable

The First Nation's demand loan payable consists of an authorized loan of \$4,000,000 which can only be used for specified purposes pertaining to a legal claim against the Government of Canada. The loan is secured by an assignment and redirection of \$4,000,000 from a successful legal settlement, a commercial litigation insurance policy, a security bond of indemnity and a general security agreement. The loan requires monthly payments of interest only at bank prime plus 1.50%.

The First Nation expects to settle this demand loan payable through funds obtained by either a successful legal settlement with the Government of Canada or through an insurance policy in the case of an unsuccessful legal settlement. No assets have been recorded in these financial statements with respect to potential future settlement proceeds.

13. Demand promissory note

During the year, the First Nation obtained \$2,200,000 of financing from the First Nations Finance Authority. \$1,100,000 of the financing was received in the form of long-term debt and \$1,100,000 was received in the form of a demand promissory note, bearing interest at 2.60%. The intended use of the demand promissory note is to spend \$500,000 for on-reserve road construction and to use the remaining \$600,000 to improve the liquidity of the First Nation's financial position. The promissory note is secured by a first charge against particular non-government transfer revenue earned by the First Nation on an annual basis.

Black River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

14. Long-term debt

	2016	2015
CMHC mortgage, with payments of \$5,683 per month including interest at 1.67%, maturing April 2033, with a scheduled renewal date of June 2018.	1,013,496	1,064,327
CMHC mortgage, with payments of \$2,220 per month including interest at 1.53%, maturing September 2027, with a scheduled renewal date of December 2017.	280,830	302,993
CMHC mortgage, with payments of \$1,833 per month including interest at 1.3%, maturing November 2030, with a scheduled renewal date of December 2020.	293,666	310,393
CMHC mortgage, with payments of \$1,616 per month including interest at 1.04%, maturing May 2025, with a scheduled renewal date of October 2020.	169,572	186,264
CMHC mortgage, with payments of \$1,910 per month including interest at 2.08%, maturing February 2034, with a scheduled renewal date of February 2019.	342,803	358,431
CMHC mortgage, with payments of \$1,903 per month including interest at 1.83%, maturing November 2034, with a scheduled renewal date of April 2019.	361,150	377,231
CMHC mortgage, with payments of \$3,728 per month including interest at 1.92%, maturing April 2029, with a scheduled renewal date of April 2019.	517,510	551,970
CMHC mortgage, with payments of \$2,168 per month including interest at 2.68%, maturing January 2036, with a scheduled renewal date of May 2016. Subsequent to year-end, the mortgage was renewed with CMHC, with required payments of \$1,881 per month including interest at 1.13%, with a scheduled renewal date of July 2021.	400,305	415,403
CMHC mortgage, with payments of \$3,412 per month including interest at 1.49%, maturing January 2037, with a scheduled renewal date of January 2017.	733,027	762,820
CMHC mortgage, with payments of \$2,632 per month including interest at 1.67%, maturing June 2038, with a scheduled renewal date of June 2018.	586,771	608,366
CMHC mortgage, with payments of \$1,300 per month including interest at 2.18%, maturing January 2039, with a scheduled renewal date of January 2019.	280,681	290,066
First Nations Finance Authority loan, with payments of \$6,148 per month including interest at 2.99%, maturing June 2035, with a scheduled renewal date of June 2024, secured by a first charge against particular non-government transfer revenue earned by the First Nation.	1,069,297	-
First Nations Bank term loan, with monthly payments of \$3,781 including interest at 6.02% maturing November 2019, secured by a general security agreement, and an assignment of fire insurance proceeds.	305,707	331,759
Loans repaid during the year	-	368,434
	6,354,815	5,928,457

All CMHC mortgages are secured by a Ministerial guarantee and assignment of fire insurance.

Black River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

14. Long-term debt *(Continued from previous page)*

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

2016	311,000
2017	325,000
2018	294,000
2019	485,000
	<hr/>
	1,415,000

15. Contingencies

The First Nation is subject to funding recoveries according to their agreements with federal government agencies. At year end, it was not yet determined to what extent any funding amounts related to the year ended March 31, 2016 might be recovered by these federal agencies.

At March 31, 2016, the First Nation has determined that some contaminated sites exist. However, no determination has been made as to whether the contamination exceeds an environmental standard that the First Nation is required to comply with. Also, the First Nation does not consider themselves to be responsible and have not accepted responsibility. As a result, no liability regarding the contaminated sites is recorded in these financial statements. If and when it is determined that a liability exists, the liability will be recorded in the period in which such a determination is made, in accordance with the accounting policy described in Note 2.

16. Segment information on tangible capital assets

Tangible capital assets are assigned to the First Nation's segments in accordance with management's determination, as to the activities and services that will be facilitated as a result of ongoing ownership of the assets. The net book value of tangible capital assets assigned to each segment is as follows:

	2016	2015
Subsidized Housing	4,299,414	4,663,800
Housing	2,627,957	2,784,502
Education	7,808,090	8,893,945
Governance and Administration	461,558	487,443
Community Infrastructure	9,598,373	9,007,674
	<hr/>	<hr/>
	24,795,392	25,837,364

17. Construction in progress

	2016	2015
Proportionate share of Cottage lot subdivision construction in progress	621,637	621,637
Deferred gain pertaining to the First Nation's portion of tangible capital assets contributed by the First Nation to the Cottage Lot Subdivision Development Partnership	(120,000)	(120,000)
	<hr/>	<hr/>
Cottage lot subdivision construction	501,637	501,637
CMHC housing project costs	594,261	-
	<hr/>	<hr/>
	1,095,898	501,637

Black River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

18. Accumulated surplus

	2016	2015
Invested in tangible capital assets	19,532,116	20,305,252
Investment in Government Business Partnership	3,434,292	3,398,076
CMHC replacement reserve	457,083	402,316
Ottawa Trust	25,604	24,563
Accumulated deficit from operations	(777,256)	(385,836)
Accumulated costs of legal claim	(2,038,738)	(1,685,233)
	<hr/>	<hr/>
	20,633,101	22,059,138

19. INAC revenue reconciliation

	2016	2015
INAC revenue per funding agreement	3,066,714	4,893,474
Current year recovery	-	5,030
	<hr/>	<hr/>
	3,066,714	4,898,504

20. FNIH revenue reconciliation

	2016	2015
FNIH revenue per funding agreement	1,589,618	1,355,919
FNIH revenue recognized in consolidated financial statements	1,589,618	1,355,919

21. Related party transactions

Income from Government Business Partnerships of \$686,216 (2015 - \$554,720) was earned from the South Beach Casino Resort Limited Partnership (the Partnership). The Partnership is related to the First Nation as described in Note 5.

Southeast Resource Development Council Corp. (SERDC) provided grant revenue of \$157,293 (2015 - \$165,301) to the First Nation during the year. The First Nation also contributed \$1,943 (2015 - \$111,827) towards education services managed by SERDC. SERDC is a not-for-profit organization jointly controlled by 8 First Nation governments, including the First Nation.

These transactions were conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Black River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

22. Provision for site rehabilitation

The Manitoba Environmental Protection Act sets out the regulatory requirements to properly close and maintain active and inactive landfill sites. Under this environmental law, there is a requirement for closure and post-closure care of solid waste sites including covering and landscaping and ongoing environmental monitoring, site inspection and maintenance.

As directed by PS 3270, a liability must be recognized beginning when the landfill first accepts waste to the date the landfill stops accepting waste. The liability for closure and post-closure care is recognized as the site capacity is used to the extent of the proportion of site capacity used compared to the estimated total expenditure required for closure and post-closure care.

The estimated total expenditure represents the sum of discounted future cash flows associated with closure and post-closure care considering current technology, the length of the post-closure care period and current environmental regulations. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to future asset service potential, are expensed in the current year.

At year-end, the extent to which the First Nation is bound by environmental laws of The Manitoba Environmental Protection Act was not determinable, and therefore, no liability has been recorded in these financial statements.

23. Economic dependence

The First Nation receives a significant portion of its revenue from Indigenous and Northern Affairs Canada ("INAC") and First Nations and Inuit Health ("FNIH"). During the year, the First Nation received 32.1% (2015 - 75.2%) of its revenue from INAC and 14.7% (2015 - 9.7%) of its revenue from FNIH.

The revenue is provided as a result of Treaties entered into with the Government of Canada. These treaties are administered by INAC and FNIH under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these Treaties.

24. Defined contribution pension plan

The First Nation has a defined contribution pension plan covering all full-time employees in the Education segment. The First Nation remits monthly contributions to the administrator of the plan and remittances were current at year-end.

25. First Nations Financial Transparency Act

The First Nation was required to post its consolidated financial statements on a website and submit the consolidated financial statements to INAC by July 29, 2016. The First Nation fully intends to post its consolidated financial statements on a website upon release of these consolidated financial statements.

26. Comparative figures

Certain of the prior year comparative figures have been reclassified to conform to current year presentation.

Black River First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2016

	<i>Vehicles</i>	<i>Roads</i>	<i>Contractor equipment</i>	<i>General equipment</i>	<i>Furniture</i>	<i>Buildings</i>	<i>Subtotal</i>
Cost							
Balance, beginning of year	482,095	1,574,575	617,063	79,774	987,195	13,429,465	17,170,167
Acquisition of tangible capital assets	32,438	697,150	-	-	-	65,000	794,588
Disposal of tangible capital assets	-	-	-	-	-	-	-
Balance, end of year	514,533	2,271,725	617,063	79,774	987,195	13,494,465	17,964,755
Accumulated amortization							
Balance, beginning of year	482,095	785,556	423,491	56,593	610,567	4,544,601	6,902,903
Annual amortization	11,133	49,486	37,925	5,977	98,719	654,331	857,571
Accumulated amortization on disposals	-	-	-	-	-	-	-
Balance, end of year	493,228	835,042	461,416	62,570	709,286	5,198,932	7,760,474
Net book value of tangible capital assets	21,305	1,436,683	155,647	17,204	277,909	8,295,533	10,204,281
2015 net book value	-	789,019	193,572	23,181	376,628	8,884,864	10,267,264

Black River First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2016

	Subtotal	Infrastructure	Housing and rental properties	Land improvements	Bridges	Buses	Subtotal
Cost							
Balance, beginning of year	17,170,167	9,160,536	3,913,623	730,765	1,019,700	358,919	32,353,710
Acquisition of tangible capital assets	794,588	-	-	-	-	-	794,588
Disposal of tangible capital assets	-	-	-	-	-	-	-
Balance, end of year	17,964,755	9,160,536	3,913,623	730,765	1,019,700	358,919	33,148,298
Accumulated amortization							
Balance, beginning of year	6,902,903	1,861,565	1,129,121	366,803	560,835	358,919	11,180,146
Annual amortization	857,571	366,421	156,545	40,653	50,984	-	1,472,174
Accumulated amortization on disposals	-	-	-	-	-	-	-
Balance, end of year	7,760,474	2,227,986	1,285,666	407,456	611,819	358,919	12,652,320
Net book value of tangible capital assets	10,204,281	6,932,550	2,627,957	323,309	407,881	-	20,495,978
2015 net book value	10,267,264	7,298,971	2,784,502	363,962	458,865	-	21,173,564

Black River First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2016

	<i>Subtotal</i>	<i>Subsidized housing</i>	<i>2016</i>	<i>2015</i>
Cost				
Balance, beginning of year	32,353,710	7,287,714	39,641,424	32,346,598
Acquisition of tangible capital assets	794,588	-	794,588	7,380,600
Disposal of tangible capital assets	-	-	-	(85,774)
Balance, end of year	33,148,298	7,287,714	40,436,012	39,641,424
Accumulated amortization				
Balance, beginning of year	11,180,146	2,623,914	13,804,060	12,015,166
Annual amortization	1,472,174	364,386	1,836,560	1,852,196
Accumulated amortization on disposals	-	-	-	(63,302)
Balance, end of year	12,652,320	2,988,300	15,640,620	13,804,060
Net book value of tangible capital assets	20,495,978	4,299,414	24,795,392	25,837,364
2015 net book value	21,173,564	4,663,800	25,837,364	

Black River First Nation
Schedule 2 - Consolidated Schedule of Expenses by Object
For the year ended March 31, 2016

	2016	2015
Consolidated expenses by object		
Amortization	1,836,560	1,852,195
Bad debts	-	22,331
Bank charges and interest	24,980	37,031
Manitoba Hydro transmission project services	2,174,204	-
Honourarium	236,727	264,695
Insurance	115,594	838,054
Interest on long-term debt	140,183	152,091
Member activities and disbursements	390,883	512,100
Professional fees	622,887	457,321
Repairs and maintenance	504,193	514,968
Salaries and benefits	2,014,478	1,666,761
Social assistance	1,567,579	1,677,930
Supplies	379,342	309,476
Telephone	53,082	54,778
Training	169,512	229,491
Travel	266,505	257,165
Tuition	183,022	134,862
Utilities	121,068	179,117
	10,800,799	9,160,366

Black River First Nation
Schedule 3 - Consolidated Summary Schedule of Segment Operations
For the year ended March 31, 2016

	<i>Revenue</i>	<i>Expenses</i>	<i>2016 Surplus (Deficit)</i>	<i>2015 Surplus (Deficit)</i>
Segments (schedules 4 to 15)				
Housing	328,612	553,689	(225,077)	(290,049)
Subsidized Housing	525,642	558,681	(33,039)	(185,824)
Community Wellness	1,408,618	1,261,238	147,380	109,714
Governance and Administration	460,512	1,111,842	(651,330)	(389,185)
Economic Development	259,971	152,138	107,833	52,086
Education	354,772	1,024,570	(669,798)	(697,258)
Community Infrastructure	426,703	1,122,839	(696,136)	6,829,139
Fundraising	861,254	450,923	410,331	(752,311)
Traditional Area Planning	51,861	70,906	(19,045)	47,283
Social	1,656,890	1,666,385	(9,495)	(131,652)
Casino Savings	686,216	313,286	372,930	172,356
Economic Enterprises	2,353,711	2,514,302	(160,591)	-
	9,374,762	10,800,799	(1,426,037)	4,764,299

Black River First Nation
Housing
Schedule 4 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada	178,200	235,550
Other	150,412	95,884
Revenue deferred in prior year	-	25,074
	328,612	356,508
 Expenses		
Amortization	156,545	156,545
Honourariums	2,150	6,700
Insurance	-	11,092
Interest on long-term debt	19,318	17,096
Professional fees	-	36,742
Repairs and maintenance	249,361	211,747
Salaries and benefits	748	98,120
Supplies	119,239	86,171
Training	100	5,960
Travel	3,330	6,194
Utilities	2,673	10,190
Telephone	225	-
	553,689	646,557
 Deficit	(225,077)	(290,049)

Black River First Nation
Subsidized Housing
Schedule 5 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2016

	2016	2015
Revenue		
Canada Mortgage and Housing Corporation	323,470	326,440
Rent	202,172	222,644
	525,642	549,084
 Expenses		
Amortization	364,386	368,674
Bank charges and interest	350	256
Insurance	39,137	40,836
Interest on long-term debt	93,922	103,696
Professional fees	13,063	21,521
Repairs and maintenance	47,823	177,453
	558,681	712,436
 Deficit before other items	(33,039)	(163,352)
Impairment of house burned in fire	-	(22,472)
 Deficit	(33,039)	(185,824)

Black River First Nation
Community Wellness
Schedule 6 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2016

	2016	2015
Revenue		
First Nations and Inuit Health	1,589,618	1,355,919
Other	-	60
Revenue deferred to subsequent year	(181,000)	-
	1,408,618	1,355,979
Expenses		
Honourariums	8,455	12,662
Insurance	9,773	18,931
Member activities and disbursements	27,442	30,780
Professional fees	15,474	10,975
Repairs and maintenance	31,961	41,082
Salaries and benefits	914,031	774,285
Supplies	68,919	69,082
Telephone	22,401	30,692
Training	70,633	138,408
Travel	78,533	101,821
Utilities	13,616	17,547
	1,261,238	1,246,265
Surplus	147,380	109,714

Black River First Nation
Governance and Administration
Schedule 7 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada	460,512	510,336
Other	-	35,108
	460,512	545,444
 Expenses		
Amortization	82,366	50,555
Bad debts	-	22,331
Bank charges and interest	16,091	36,588
Honourariums	206,849	215,065
Insurance	1,017	1,245
Member activities and disbursements	7,160	7,357
Professional fees	216,010	89,308
Repairs and maintenance	665	2,507
Salaries and benefits	322,638	267,304
Supplies	63,487	109,641
Telephone	26,445	19,222
Training	73,519	19,787
Travel	95,595	93,719
	1,111,842	934,629
 Deficit	(651,330)	(389,185)

Black River First Nation
Economic Development
Schedule 8 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2016

	2016	2015
Revenue		
Southeast Resource Development Council Corp.	157,293	165,301
Indigenous and Northern Affairs Canada	52,999	27,360
Other	49,679	11,130
	259,971	203,791
Expenses		
Honourariums	3,120	600
Professional fees	3,770	-
Salaries and benefits	125,038	146,633
Supplies	5,453	189
Training	3,310	3,108
Travel	11,447	1,175
	152,138	151,705
Surplus	107,833	52,086

Black River First Nation
Education
Schedule 9 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada	291,409	271,835
Other	63,363	113,417
	354,772	385,252
 Expenses		
Amortization	708,795	723,302
Honourariums	4,482	12,246
Insurance	5,637	426
Member activities and disbursements	2,860	13,298
Repairs and maintenance	408	528
Salaries and benefits	47,991	116,474
Supplies	19,421	9,099
Telephone	865	1,034
Training	17,223	60,088
Travel	16,932	11,153
Tuition	183,022	134,862
Utilities	16,934	-
	1,024,570	1,082,510
Deficit	(669,798)	(697,258)

Black River First Nation
Community Infrastructure
Schedule 10 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada	426,703	2,179,180
Revenue deferred in prior year	-	5,591,300
	426,703	7,770,480
Expenses		
Amortization	524,469	553,119
Insurance	57,530	45,281
Professional fees	8,000	-
Repairs and maintenance	150,895	76,918
Salaries and benefits	208,081	146,428
Supplies	67,670	15,193
Telephone	635	1,069
Training	1,467	998
Travel	19,558	16,760
Utilities	84,534	85,575
	1,122,839	941,341
Surplus (deficit)	(696,136)	6,829,139

Black River First Nation
Fundraising
Schedule 11 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2016

	2016	2015
Revenue		
Other	861,254	480,157
 Expenses		
Bank charges and interest	751	-
Insurance	-	720,243
Interest on long-term debt	26,943	31,299
Member activities and disbursements	41,217	79,013
Professional fees	353,585	289,372
Repairs and maintenance	23,080	4,733
Salaries and benefits	18	25,009
Supplies	696	12,590
Telephone	-	826
Travel	1,321	3,578
Utilities	3,312	65,805
	450,923	1,232,468
 Surplus (deficit)	410,331	(752,311)

Black River First Nation
Traditional Area Planning
Schedule 12 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2016

	2016	2015
Revenue		
Other	51,861	103,884
 Expenses		
Honourarium	11,672	17,422
Professional fees	250	8,878
Salaries and benefits	38,358	272
Supplies	4,994	5,329
Telephone	1,912	1,935
Travel	13,720	22,765
	 70,906	 56,601
 Surplus (deficit)	 (19,045)	 47,283

Black River First Nation
Social
Schedule 13 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada	1,656,890	1,674,243
Other	-	575
Recoveries by funding agencies	-	(32,980)
	1,656,890	1,641,838
 Expenses		
Salaries and benefits	83,145	92,236
Social assistance	1,567,579	1,677,930
Supplies	2,000	2,182
Telephone	600	-
Training	3,260	1,142
Travel	9,801	-
	1,666,385	1,773,490
 Deficit	(9,495)	(131,652)

Black River First Nation
Casino Savings
Schedule 14 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2016

	2016	2015
Revenue		
Income from Government Business Partnership	686,216	554,720
Expenses		
Bank charges and interest	82	187
Member activities and disbursements	312,204	381,652
Professional fees	1,000	525
	313,286	382,364
Surplus	372,930	172,356

Black River First Nation
Economic Enterprises
Schedule 15 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2016

	2016	2015
Revenue		
Manitoba Hydro	2,353,711	-
Expenses		
Bank charges and interest	7,704	-
Insurance	2,500	-
Manitoba Hydro transmission project services	2,174,204	-
Professional fees	11,736	-
Salaries and benefits	274,431	-
Supplies	27,459	-
Travel	16,268	-
	2,514,302	-
Deficit	(160,591)	-