

**Hollow Water First Nation
Consolidated Financial Statements**
March 31, 2015

Hollow Water First Nation Contents

For the year ended March 31, 2015

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Management's Responsibility

To the Members of Hollow Water First Nation:

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

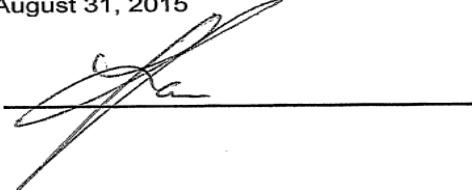
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate 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 Hollow Water 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 fulfils 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 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 31, 2015



Administrator

Independent Auditors' Report

To the Members of Hollow Water First Nation:

We have audited the accompanying consolidated financial statements of Hollow Water First Nation, which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statements of operations, changes in accumulated surplus, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, including supporting schedules.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on 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 qualified audit opinion.

Basis for Qualified Opinion

The First Nation's consolidated statement of operations and consolidated statement of changes in net debt do not present a comparison of the results for the accounting period with those originally planned, which constitutes a departure from Canadian public sector accounting standards.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Hollow Water First Nation as at March 31, 2015 and the results of its operations changes in accumulated surplus, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Winnipeg, Manitoba

August 31, 2015

MNP LLP
Chartered Accountants

Hollow Water First Nation
Consolidated Statement of Financial Position
As at March 31, 2015

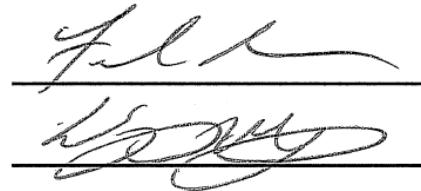
	2015	2014
	(Restated)	
Financial assets		
Cash	-	1,313,340
Accounts receivable (Note 3)	596,640	1,274,890
Investment in Government Business Partnership (Note 4)	3,398,076	3,493,356
Restricted cash (Note 5)	724,506	278,243
	4,719,222	6,359,829
Liabilities		
Bank indebtedness (Note 6)	54,146	100,159
Accounts payable and accruals (Note 7)	1,659,132	2,296,882
Deferred revenue (Note 8)	217,428	943,854
Long-term debt (Note 9)	4,214,988	4,887,984
	6,145,694	8,228,879
Net debt	(1,426,472)	(1,869,050)
Contingencies (Note 10)		
Non-financial assets		
Tangible capital assets (Note 11) (Schedule 1)	9,303,706	8,859,773
Construction in progress	-	816,653
Prepaid expenses	-	6,210
	9,303,706	9,682,636
Accumulated surplus (Note 12)	7,877,234	7,813,586

Approved on behalf of the Chief and Council



Chief

Councillor



Councillor

Councillor

The accompanying notes are an integral part of these financial statements

Hollow Water First Nation
Consolidated Statement of Operations
For the year ended March 31, 2015

	<i>Schedules</i>	2015	2014 (Restated)
Revenue			
Aboriginal Affairs and Northern Development Canada (Note 13)		6,991,553	7,355,030
Province of Manitoba (Note 14)		1,772,546	930,108
First Nations and Inuit Health (Note 15)		1,512,831	1,460,883
Income from Government Business Partnership (Note 16)		554,720	624,144
Other		289,333	324,984
Canada Mortgage and Housing Corporation		166,890	167,720
Southeast Resource Development Council Corp. (Note 16)		137,849	137,819
Government of Canada - Department of Justice		120,000	120,000
Rent		87,135	81,480
Public Safety Canada		34,820	34,820
Revenue deferred in prior year (Note 8)		943,854	934,625
Revenue deferred to subsequent year (Note 8)		(217,428)	(943,854)
Recoveries by federal funding agency		(65,338)	(6,916)
		12,328,765	11,220,843
Segment expenses			
Education	4	4,516,778	4,425,125
Economic Development	5	446,726	826,580
Economic Enterprises	6	1,768,750	744,398
Community Wellness	7	1,400,853	1,470,392
Community Holistic Circle Healing Inc.	8	12,322	12,065
Social Assistance	9	1,248,174	1,151,226
Subsidized Housing	10	335,901	264,334
Governance	11	1,276,805	1,477,142
Community Infrastructure	12	1,258,808	1,065,406
Total segment expenses (Schedule 2)		12,265,117	11,436,668
Surplus (deficit)		63,648	(215,825)

The accompanying notes are an integral part of these financial statements

Hollow Water First Nation
Consolidated Statement of Changes in Accumulated Surplus
For the year ended March 31, 2015

	2015	2014 (Restated)
Accumulated surplus, beginning of year, as previously stated	4,366,444	4,556,413
Correction of an error (Note 17)	3,447,142	3,472,998
Accumulated surplus, beginning of year, as restated	7,813,586	8,029,411
Surplus (deficit)	63,648	(215,825)
Accumulated surplus, end of year	7,877,234	7,813,586

The accompanying notes are an integral part of these financial statements

Hollow Water First Nation
Consolidated Statement of Changes in Net Debt
For the year ended March 31, 2015

	2015	2014 (Restated)
Deficit	63,648	(215,825)
Purchases of tangible capital assets	(1,185,009)	(1,661,564)
Amortization of tangible capital assets	741,076	645,689
Decrease (increase) in costs of construction in progress	816,653	(41,423)
	372,720	(1,057,298)
Use of prepaid expenses	6,210	-
Decrease (increase) in net debt	442,578	(1,273,123)
Net debt, beginning of year	(1,869,050)	(595,927)
Net debt, end of year	(1,426,472)	(1,869,050)

The accompanying notes are an integral part of these financial statements

Hollow Water First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2015

	2015	2014
	<i>(Restated)</i>	
Cash provided by (used for) the following activities		
Operating activities		
Cash receipts from contributors	12,280,589	10,739,607
Cash paid to suppliers	(9,849,576)	(7,430,165)
Cash paid to employees	(2,728,908)	(2,414,431)
Interest on long-term debt	(131,817)	(150,951)
	(429,712)	744,060
Financing activities		
Repayment of long-term debt	(672,996)	(414,187)
Advances of long-term debt	-	1,129,394
Repayment of bank indebtedness	(46,013)	(39,956)
	(719,009)	675,251
Capital activities		
Purchases of tangible capital assets	(1,185,009)	(1,661,564)
Change in cost of construction in progress	816,653	(41,423)
	(368,356)	(1,702,987)
Investing activities		
Proceeds from withdrawal of Investment in Government Business Partnership	650,000	650,000
Change in restricted cash	(446,263)	38,557
	203,737	688,557
Increase (decrease) in cash resources	(1,313,340)	404,881
Cash resources, beginning of year	1,313,340	908,459
Cash resources, end of year	-	1,313,340

The accompanying notes are an integral part of these financial statements

Hollow Water First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

1. Operations

The Hollow Water First Nation (the "First Nation") is located in the province of Manitoba, and provides various services to its members. The Hollow Water First Nation financial reporting entity includes all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

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 Hollow Water First Nation reporting entity includes the First Nation government and all related organizations and departments that are either owned or controlled by the First Nation. Trusts administered on behalf of third parties by Hollow Water First Nation are excluded from the First Nation reporting entity.

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

- Hollow Water Housing Authority
- Wanipigaa-Sibi Development Corp.
- Community Holistic Circle Healing Inc.
- Hollow Water East Side Rd. Const. Ltd.
- Hollow Water First Nation Government

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

Basis of presentation

Sources of revenues and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and 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 and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. 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. Under the modified equity method, the equity method of accounting is modified only to the extent that the Government Business Partnership's accounting policies are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in the Government Business Partnership is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreases by post acquisition losses and withdrawals.

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Hollow Water First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

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

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 using the straight line method at rates intended to amortize the cost of the assets over their estimated useful lives:

Busses	10 years
Community buildings	25 years
Band housing	15 years
Heavy equipment	12 years
Light vehicles	5 years
Roads	40 years
Bridge	40 years
CMHC Housing	25 years
Infrastructure	40 years
Ball field	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 value of an asset, or group of assets, 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.

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.

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.

Employee future benefits

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

Hollow Water First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

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

Revenue recognition

Government Transfers

Government transfer revenue 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 matched with related department expenses in the year of their occurrence.

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 Partnership's net surplus earned during the year.

Other Revenue

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

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

Other revenue is recognized by the First Nation when services are provided or goods are shipped and collectability 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 expenses 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 the related 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. Provisions for funding recoveries and site rehabilitation costs are recorded in accordance with management's estimates of future costs.

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

Segments

The First Nation conducts its business through 9 reportable segments as listed 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 segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. 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.

Hollow Water First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

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

The First Nation's segments are as follows:

Education - includes the operations of education programs.

Economic Development - other band programs not funded by AANDC or FNIH, including its commercial operations.

Economic Enterprises - reports on the operations of for-profit companies that are controlled by the First Nation.

Community Wellness - reports on the First Nation's funding related to health and wellness.

Community Holistic Circle Healing Inc. - a not-for-profit organization controlled by the First Nation.

Social Assistance - activities include delivering social programs.

Subsidized Housing - reports on CMHC subsidized housing.

Governance - includes administration and governance activities.

Community Infrastructure - includes activities for the maintenance of the community and its infrastructure.

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 as disclosed in the Significant Accounting Policies.

Financial instruments

Financial instruments include cash, accounts receivable, investment in government business partnership, restricted cash, bank indebtedness, accounts payable and accruals and long-term debt. Unless otherwise stated, it is management's opinion that the First Nation is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Recent accounting pronouncements and change in accounting policy

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, 2015.

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.

Previously, no accounting policy existed to account for a liability for contaminated sites. Effective April 1, 2014, the First Nation adopted the recommendation relating to PS 3260, *Liability for Contaminated Sites*, as set out in the Canadian public sector accounting standards. Pursuant to the recommendations, the change in accounting policy was applied prospectively and prior periods have not been restated.

There was no effect on the First Nation's consolidated financial statements of adopting the above-noted change in accounting policy.

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, consolidated 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.

Hollow Water First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

3. Accounts receivable

	2015	2014
AANDC accounts receivable, other than primary funding agreement confirmation		
Emergency management, received April 2, 2015	3,401	-
Provincial School - Direct Services	-	5,767
Wastewater under 1.5 Million	-	155,588
	3,401	161,355
Other accounts receivable		
AANDC accounts receivable, per primary funding agreement confirmation	-	45,000
Southeast Community Futures Development Corporation	-	30,631
Canada Mortgage and Housing Corporation	27,816	13,908
First Nations and Inuit Health	-	16,604
GST receivable	104,760	197,294
Province of Manitoba East Side Road Authority	468,339	876,795
Receivables from First Nation Members	166,543	192,499
Trade and other	53,670	34,632
	821,128	1,407,363
Allowance for doubtful accounts		
GST receivable	(61,346)	(67,457)
Receivables from First Nation Members	(166,543)	(192,499)
Trade and other	-	(33,872)
	596,640	1,274,890

4. 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.

	2015	2014
		<i>(Restated)</i>
Balance, beginning of year	3,493,356	3,519,212
Partnership income	554,720	624,144
Withdrawals	(650,000)	(650,000)
	3,398,076	3,493,356

Hollow Water First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

5. Restricted cash

	2015	2014
Ottawa Trust Funds		
Revenue Trust	15,821	15,014
Capital Trust	5,561	5,561
	21,382	20,575
CMHC Replacement Reserves		
Balance in restricted bank account	1,444	563
Additional allocation required	226,788	193,582
	228,232	194,145
Province of Manitoba East Side Road Authority		
Restricted bank account	588,342	63,523
Cash deficiency		
Less: deficiency of cash on hand	(113,450)	-
	724,506	278,243

Ottawa Trust

The Ottawa Trust arose 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 Aboriginal Affairs and Northern Development Canada, with the consent of the First Nation's Chief and Council.

CMHC replacement reserve

As required as part of the First Nation's Canada Mortgage and Housing Corporation ("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 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 to fund the full amount of the CMHC replacement reserve. At year end the bank account was underfunded by \$226,788 (2014 - \$193,582).

Province of Manitoba East Side Road Authority

The First Nation has a chequing account that requires a co-signature from a representative from the Province of Manitoba East Side Road Authority. To March 31, 2015, funds held in this account have been restricted for the purpose of highway construction.

Hollow Water First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

6. Bank indebtedness

The First Nation has an operating line of credit available at an interest rate of prime plus 2.2%, to a maximum of \$100,000. The bank indebtedness outlined below does not pertain to the operating line of credit.

	2015	2014
Overdraft on Water Treatment Plant construction bank account	-	44,671
Cheques outstanding in excess of cash on deposit	54,146	55,488
	54,146	100,159

7. Accounts payable and accruals

	2015	2014
		(Restated)
Highway construction	845,324	553,355
Other	683,958	600,246
AANDC recoveries	82,162	23,796
Tuition	47,688	1,119,485
	1,659,132	2,296,882

8. Deferred revenue

	2015	2014
		(Restated)
AANDC - Student Transportation Services (Schedule 4)	155,550	100,650
AANDC - Capital Project Funding (Schedule 12)	-	816,653
FNIH - Health Director and Home and Community Care (Schedule 7)	61,878	26,551
	217,428	943,854

Hollow Water First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

9. Long-term debt

	2015	2014
Payments of \$2,343 per month including interest at 2.35%, maturing September 2033, with the next scheduled renewal in September 2018, secured by a Ministerial guarantee and an assignment of fire insurance.	440,796	454,779
Payments of \$2,389 per month including interest at 2.75%, maturing February 2031, with the next scheduled renewal in February 2016, secured by a Ministerial guarantee and an assignment of fire insurance.	371,954	387,854
Payments of \$634 per month including interest at 1.62%, maturing February 2033, with the next scheduled renewal in March 2018, secured by a Ministerial guarantee and an assignment of fire insurance.	118,864	123,875
Payments of \$2,577 per month including interest at 2.67%, maturing January 2035, with the next scheduled renewal in June 2015, secured by a Ministerial guarantee and an assignment of fire insurance. As at the audit report date no renewal terms have been determined as CMHC is first requiring that the First Nation comply with the requirements of the CMHC replacement reserve described in Note 5.	478,845	494,284
Payments of \$3,804 per month including interest at 2.97%, maturing March 2036, with the next scheduled renewal in April 2016, secured by a Ministerial guarantee and an assignment of fire insurance.	720,800	741,081
Payments of \$2,001 per month including interest at 1.80%, maturing May 2037, with the next scheduled renewal in May 2017, secured by a Ministerial guarantee and an assignment of fire insurance.	424,260	439,938
Payments of \$1,659 per month including interest at 4.00%, maturing October 2015, secured by a Ministerial guarantee and an assignment of fire insurance.	11,551	30,563
Loan payable, monthly payments of \$854, including interest at 4.64%, maturing December 2016, secured by a general security agreement.	17,269	26,430
First Nation Bank term loan, with monthly payments of \$1,431, plus interest at 5.10%, maturing November 2016, secured by a general security agreement.	28,624	45,799
First Nation Bank term loan, with monthly payments of \$3,460, including interest at 4.60%, secured by a general security agreement and an assignment of fire insurance.	485,886	504,155
First Nation Bank term loan, with monthly payments of \$544, including interest at 5.10%, maturing April 2017, secured by a general security agreement.	10,912	16,142
First Nations Bank term loan, with an annual payment of \$243,761 plus interest paid monthly at 5.25%, maturing December 2015, secured by a general security agreement.	243,761	493,690
First Nation's Bank demand loan, bearing interest at 5%, payable in annual instalments of \$80,000 plus interest payments that are payable monthly, due May 2017.	240,000	320,000
First Nation's Bank term loan, bearing interest at prime plus 2% (2015 - 4.85%), payable in monthly payments of \$5,244 plus interest, due February 2019, secured by a general security agreement.	621,466	809,394
	4,214,988	4,887,984

Hollow Water First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

9. 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	712,000
2017	294,000
2018	273,000
2019	195,000
2020	199,000
	<hr/>
	1,673,000
	<hr/>

10. 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 ending March 31, 2015 might be recovered by these agencies.

At March 31, 2015, 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.

11. Tangible capital assets by segment

	2015	2014 (Restated)
Subsidized Housing	2,602,137	2,739,119
Housing	1,609,818	1,790,321
Education	60,408	77,880
Community Infrastructure	4,772,771	4,131,076
Economic Enterprises	258,572	121,377
	<hr/>	<hr/>
	9,303,706	8,859,773
	<hr/>	<hr/>

12. Accumulated surplus

	2015	2014 (Restated)
Invested in tangible capital assets	5,332,479	4,465,479
Ottawa Trust	21,382	20,575
CMHC reserves	228,232	194,145
Investment in Government Business Partnership	3,398,076	3,493,356
Accumulated deficit from operations	(1,102,935)	(359,969)
	<hr/>	<hr/>
	7,877,234	7,813,586
	<hr/>	<hr/>

Hollow Water First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

13. AANDC revenue

AANDC revenue recorded on the financial statements in the year ended March 31, 2015 and in the year ended March 31, 2014 agrees to the amounts stated on the year-end AANDC funding confirmation.

14. Province of Manitoba

	2015	2014
East Side Road Authority - construction contract revenue	1,527,799	785,448
Department of Justice funding grant	120,000	120,000
Other	124,747	24,660
	1,772,546	930,108

15. FNIH revenue

FNIH revenue recorded on the financial statements in the year ended March 31, 2015 and in the year ended March 31, 2014 agrees to the amounts stated on the year-end FNIH funding confirmation.

16. Related party transactions

Income from Government Business Partnership of \$554,720 (2014 - \$624,144) was earned through the investment in the South Beach Casino Limited Partnership as described in Note 4.

Southeast Resource Development Council Corp. (SERDC) provided grant revenue of \$137,849 (2014 - \$137,819) to the First Nation during the year. 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.

Hollow Water First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

17. Correction of an error

During the year, Management determined that it had incorrectly stated its financial position as at March 31, 2014 in its previously issued consolidated financial statements. Management determined that it had not properly accounted for its Investment in Government Business Partnership, which is described in Note 4. The First Nation's Investment in Government Business Partnership had been accounted for as a portfolio investment, under the cost method, where cost of the investment was recorded as an investment asset, and all capital withdrawals from the investment had been recorded as revenue year after year.

The following table presents figures as restated and previously stated on the consolidated statement of financial position as at March 31, 2014 and on the consolidated statements of operations and changes in accumulated surplus for the year ended March 31, 2014.

	<i>As Restated</i>	<i>As Previously Stated</i>
Investment in Government Business Partnership	\$3,493,356	\$46,214
Income from Investment in Government Business Partnership	\$624,144	\$650,000
Deficit	\$215,825	\$189,969
Accumulated surplus, beginning of year	\$8,029,411	\$4,556,413
Accumulated surplus, end of year	\$7,813,586	\$4,366,444

Management also determined that it had incorrectly recorded balances and transactions related to tangible capital asset additions. As a result, these financial statements reflect restated figures as at March 31, 2014. Accounts payable and accruals increased by \$363,850, deferred revenue decreased by \$363,850, tangible capital assets increased by \$363,850, construction in progress decreased by \$363,850, revenue increased by \$363,850 and expenses increased by \$363,850. The changes to these line items have no effect on total accumulated surplus as at March 31, 2014 or on the deficit reported for the year ended March 31, 2014.

18. Defined contribution pension plan

The First Nation remits its pension liabilities on a monthly basis and remittances were current at year end.

19. Economic dependence

The First Nation receives a significant portion of its revenue from Aboriginal Affairs and Northern Development Canada ("AANDC") and First Nations and Inuit Health ("FNIH").

The revenue is provided 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 First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these Treaties.

Hollow Water First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

20. 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 consolidated financial statements.

21. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

22. 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 AANDC by July 29, 2015. The First Nation fully intends to post its consolidated financial statements on a website upon release of these consolidated financial statements.

Hollow Water First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2015

	<i>Busses</i>	<i>Community buildings</i>	<i>Band housing</i>	<i>Heavy equipment</i>	<i>Light vehicles</i>	<i>Roads</i>	<i>Subtotal</i>
Cost							
Balance, beginning of year	337,180	2,194,196	6,757,401	1,064,660	437,436	835,641	11,626,514
Acquisition of tangible capital assets	-	-	-	170,856	197,500	-	368,356
Balance, end of year	337,180	2,194,196	6,757,401	1,235,516	634,936	835,641	11,994,870
Accumulated amortization							
Balance, beginning of year	259,300	1,365,429	4,967,080	787,123	288,450	599,899	8,267,281
Annual amortization	17,472	75,098	180,503	65,599	65,756	20,891	425,319
Balance, end of year	276,772	1,440,527	5,147,583	852,722	354,206	620,790	8,692,600
Net book value of tangible capital assets	60,408	753,669	1,609,818	382,794	280,730	214,851	3,302,270
2014 Net book value of tangible capital assets	77,880	828,767	1,790,321	277,537	148,986	235,742	3,359,233

Hollow Water First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2015

	<i>Subtotal</i>	<i>Bridge</i>	<i>Subsidized Housing</i>	<i>Infrastructure</i>	<i>Ball field</i>	<i>2015</i>	<i>2014</i>
Cost							
Balance, beginning of year	11,626,514	696,086	4,817,486	5,638,266	32,846	22,811,198	21,149,634
Acquisition of tangible capital assets	368,356	-	-	816,653	-	1,185,009	1,661,564
Balance, end of year	11,994,870	696,086	4,817,486	6,454,919	32,846	23,996,207	22,811,198
Accumulated amortization							
Balance, beginning of year	8,267,281	469,850	2,078,367	3,103,081	32,846	13,951,425	13,305,736
Annual amortization	425,319	17,402	136,982	161,373	-	741,076	645,689
Balance, end of year	8,692,600	487,252	2,215,349	3,264,454	32,846	14,692,501	13,951,425
Net book value of tangible capital assets	3,302,270	208,834	2,602,137	3,190,465	-	9,303,706	8,859,773
2014 Net book value of tangible capital assets	3,359,233	226,236	2,739,119	2,535,185	-	8,859,773	

Hollow Water First Nation
Schedule 2 - Consolidated Schedule of Expenses by Object
For the year ended March 31, 2015

	2015	2014 (Restated)
Consolidated expenses by object		
Amortization	741,076	645,689
Bad debts (recovery)	(44,759)	101,329
Community events	152,940	170,041
Contracted services	352,137	249,313
Highway construction	990,621	537,145
Insurance	156,836	98,241
Interest on long-term debt	131,817	150,951
Member benefits	230,851	223,992
Professional fees	164,811	174,799
Programs	215,120	326,506
Repairs and maintenance	302,526	180,896
Salaries and benefits	2,728,908	2,393,047
Social assistance	1,164,462	1,065,574
Supplies	314,874	613,223
Telephone	39,486	38,604
Travel and automotive	439,264	316,744
Tuition	4,120,553	4,091,403
Utilities	63,594	59,171
	12,265,117	11,436,668

Hollow Water First Nation
Schedule 3 - Consolidated Summary Schedule of Segment Operations
For the year ended March 31, 2015

	<i>Revenue</i>	<i>Expenses</i>	<i>Transfers</i>	<i>2015 Surplus (Deficit)</i>	<i>2014 Surplus (Deficit) (Restated)</i>
Segments (Schedules 4 to 14)					
Education	4,335,818	4,516,778	(30,525)	(211,485)	45,497
Economic Development	813,159	446,726	(75,899)	290,534	(389,709)
Economic Enterprises	1,638,735	1,768,750	-	(130,015)	170,058
Community Wellness	1,527,266	1,400,853	(127,652)	(1,239)	(237,521)
Community Holistic Circle Healing Inc.	-	12,322	-	(12,322)	(10,440)
Social Assistance	1,168,252	1,248,174	-	(79,922)	-
Subsidized Housing	201,196	335,901	75,899	(58,806)	38,654
Governance	1,074,088	1,276,805	202,504	(213)	33,483
Community Infrastructure	1,570,251	1,258,808	(44,327)	267,116	134,153
	12,328,765	12,265,117	-	63,648	(215,825)

Hollow Water First Nation
Education
Schedule 4 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2015

	2015	2014
Revenue		
Aboriginal Affairs and Northern Development Canada	4,390,718	4,507,300
Revenue deferred to subsequent year	(155,550)	(100,650)
Revenue deferred in prior year	100,650	45,750
	4,335,818	4,452,400
Expenses		
Community events	1,800	1,800
Programs	103,495	138,235
Repairs and maintenance	16,486	21,038
Salaries and benefits	258,852	162,120
Supplies	6,200	1,183
Travel and automotive	9,392	9,346
Tuition	4,120,553	4,091,403
	4,516,778	4,425,125
Operating surplus (deficit) before transfers	(180,960)	27,275
Transfers between programs	(30,525)	18,222
Surplus (deficit)	(211,485)	45,497

Hollow Water First Nation
Economic Development
Schedule 5 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2015

	2015	2014
Revenue		
Casino management fees	554,720	624,144
Other	246,439	174,519
Southeast Resource Development Council Corp.	12,000	18,426
	813,159	817,089
Expenses		
Community events	7,932	34,818
Contracted services	70,247	-
Interest on long-term debt	21,606	24,761
Member benefits	230,851	223,992
Salaries and benefits	13,108	19,708
Supplies	102,982	523,301
	446,726	826,580
Surplus (deficit) before transfers	366,433	(9,491)
Transfers between segments	(75,899)	(380,218)
Surplus (deficit)	290,534	(389,709)

Hollow Water First Nation
Economic Enterprises
Schedule 6 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2015

	2015	2014
Revenue		
Province of Manitoba	1,637,546	785,448
Other	1,189	129,008
	1,638,735	914,456
Expenses		
Amortization	33,661	26,542
Community events	71,910	35,035
Contracted services	5,200	1,736
Highway construction	984,716	532,365
Insurance	4,429	1,817
Interest on long-term debt	2,627	703
Professional fees	32,602	37,106
Repairs and maintenance	87,473	19,832
Salaries and benefits	389,308	65,238
Supplies	64,752	-
Telephone	8,356	2,571
Travel and automotive	83,716	21,453
	1,768,750	744,398
Surplus (deficit)	(130,015)	170,058

Hollow Water First Nation
Community Wellness
Schedule 7 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2015

	2015	2014
Revenue		
First Nations and Inuit Health	1,512,831	1,460,883
Aboriginal Affairs and Northern Development Canada	65,510	65,510
Recoveries by federal funding agency	(15,748)	(5,933)
Revenue deferred in prior year	26,551	93,107
Revenue deferred to subsequent year	(61,878)	(26,551)
	1,527,266	1,587,016
Expenses		
Community events	37,535	66,075
Contracted services	74,121	73,120
Insurance	26,034	33,431
Programs	54,709	145,422
Repairs and maintenance	19,435	31,824
Salaries and benefits	912,405	921,889
Social assistance	6,935	3,625
Supplies	78,887	37,672
Telephone	10,216	8,333
Travel and automotive	167,375	136,285
Utilities	13,201	12,716
	1,400,853	1,470,392
Surplus before transfers	126,413	116,624
Transfers between programs	(127,652)	(354,145)
Surplus (deficit)	(1,239)	(237,521)

Hollow Water First Nation
Community Holistic Circle Healing Inc.
Schedule 8 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2015

	2015	2014
Revenue		
Revenue deferred in prior year	-	1,625
Expenses		
Amortization	1,556	1,556
Professional fees	-	1,786
Programs	10,766	4,658
Repairs and maintenance	-	276
Supplies	-	3,103
Travel and automotive	-	686
	12,322	12,065
Deficit	(12,322)	(10,440)

Hollow Water First Nation
Social Assistance
Schedule 9 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2015

	2015	2014
Revenue		
Aboriginal Affairs and Northern Development Canada	1,217,842	1,123,152
Recoveries by federal funding agency	(49,590)	-
	1,168,252	1,123,152
Expenses		
Salaries and benefits	82,185	82,185
Social assistance	1,157,527	1,061,949
Supplies	4,977	4,562
Travel and automotive	3,485	2,530
	1,248,174	1,151,226
Deficit before transfers	(79,922)	(28,074)
Transfers between segments	-	28,074
Surplus (deficit)	(79,922)	-

Hollow Water First Nation
Subsidized Housing
Schedule 10 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2015

	2015	2014
Revenue		
Canada Mortgage and Housing Corporation	166,890	167,720
Rent	34,306	29,151
	201,196	196,871
 Expenses		
Amortization	136,982	136,982
Insurance	64,810	18,500
Interest on long-term debt	68,237	70,721
Professional fees	17,115	13,650
Repairs and maintenance	30,143	6,394
Salaries and benefits	2,828	2,500
Telephone	7,933	12,419
Travel and automotive	7,853	3,168
	335,901	264,334
 Deficit before transfers	(134,705)	(67,463)
Transfers between segments	75,899	106,117
 Surplus (deficit)	(58,806)	38,654

Hollow Water First Nation
Governance
Schedule 11 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2015

	2015	2014
Revenue		
Aboriginal Affairs and Northern Development Canada	593,885	630,658
Southeast Resource Development Council Corp.	125,849	119,393
Province of Manitoba	120,000	120,000
Government of Canada - Department of Justice	120,000	120,000
Rent	52,829	52,329
Public Safety Canada	34,820	34,820
Other	26,705	21,457
Revenue deferred in prior year	-	18,913
	1,074,088	1,117,570
Expenses		
Bad debts (recovery)	(44,759)	101,329
Insurance	10,485	9,769
Interest on long-term debt	39,347	54,766
Professional fees	101,594	122,257
Programs	46,150	32,846
Repairs and maintenance	14,825	13,200
Salaries and benefits	939,850	988,768
Supplies	28,294	38,515
Telephone	12,192	14,463
Travel and automotive	128,827	101,229
	1,276,805	1,477,142
Deficit before transfers	(202,717)	(359,572)
Transfers between programs	202,504	393,055
Surplus	(213)	33,483

Hollow Water First Nation
Community Infrastructure
Schedule 12 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2015

	2015	2014
Revenue		
Aboriginal Affairs and Northern Development Canada	723,598	1,028,410
Province of Manitoba	15,000	24,660
Other	15,000	-
Recoveries by federal funding agency	-	(983)
Revenue deferred in prior year	816,653	775,230
Revenue deferred to subsequent year	-	(816,653)
	1,570,251	1,010,664
Expenses		
Amortization	568,877	480,609
Community events	33,763	32,313
Contracted services	202,569	174,457
Highway construction	5,905	4,780
Insurance	51,078	34,724
Professional fees	13,500	-
Programs	-	5,345
Repairs and maintenance	134,164	88,332
Salaries and benefits	130,372	150,639
Supplies	28,782	4,887
Telephone	789	818
Travel and automotive	38,616	42,047
Utilities	50,393	46,455
	1,258,808	1,065,406
Surplus (deficit) before transfers	311,443	(54,742)
Transfers between programs	(44,327)	188,895
Surplus	267,116	134,153