

**Swan Lake First Nation -
Consolidated**

Financial Statements
For the year ended March 31, 2015

Swan Lake First Nation - Consolidated

Financial Statements

For the year ended March 31, 2015

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Independent Auditor's Report

To the Members of Swan Lake First Nation

We have audited the accompanying financial statements of Swan Lake First Nation, which comprise the consolidated statement of financial position as at March 31, 2015, consolidated statements of changes in net debt, operations and cash flows for the year 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 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Swan Lake First Nation as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

Brandon, Manitoba
July 29, 2015

Swan Lake First Nation - Consolidated Statement of Financial Position

March 31

2015

2014

(Restated
- Note 11)

Financial Assets

| | | |
|--|------------------|------------------|
| Cash and short term investments (Note 2) | \$ 5,879,141 | \$ 4,692,923 |
| Trust funds - A.A.N.D.C. (Note 3) | 31,615 | 26,958 |
| Accounts receivable (Note 4) | 737,663 | 1,653,164 |
| Replacement reserve assets | 363,406 | 281,034 |
| | <u>7,011,825</u> | <u>6,654,079</u> |

Liabilities

| | | |
|----------------------------|-------------------|------------------|
| Bank indebtedness (Note 7) | 201,814 | 384,898 |
| Accounts payable (Note 8) | 426,028 | 338,318 |
| Deferred revenue (Note 10) | 664,907 | 190,187 |
| Long-term debt (Note 9) | 14,332,831 | 8,128,909 |
| | <u>15,625,580</u> | <u>9,042,312</u> |

Net Debt

(8,613,755) (2,388,233)

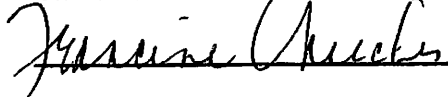
Non-Financial Assets

| | | |
|----------------------------------|-------------------|-------------------|
| Tangible capital assets (Note 6) | 24,774,123 | 17,403,616 |
| Inventories | 394,164 | 413,934 |
| | <u>25,168,287</u> | <u>17,817,550</u> |

Accumulated Surplus (Note 11)

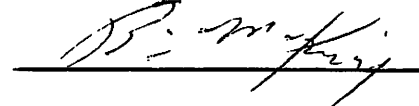
\$ 16,554,532 \$ 15,429,317

On behalf of the Chief and Council:

 Chief

 Councillor

____ Councillor

 Councillor

Swan Lake First Nation - Consolidated Statement of Net Debt

| For the year ended March 31 | 2015 | 2014 |
|---|------------------------------|------------------------------|
| | | (Restated - Note 11) |
| Annual Surplus | \$ 1,125,215 | \$ 4,064,034 |
| Acquisition of tangible capital assets | (9,278,375) | (3,283,453) |
| Amortization of tangible capital assets | <u>1,907,870</u> | <u>1,719,552</u> |
| | <u>(6,245,290)</u> | <u>2,500,133</u> |
| Use of prepaid expenses | - | - |
| Use of inventories | <u>19,768</u> | <u>(91,373)</u> |
| Decrease in net debt | (6,225,522) | 2,408,760 |
| Net debt, beginning of year | <u>(2,388,233)</u> | <u>(4,796,993)</u> |
| Net debt, end of year | <u>\$ (8,613,755)</u> | <u>\$ (2,388,233)</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Swan Lake First Nation - Consolidated Statement of Operations

For the year ended March 31

2015

2014

(Restated
- Note 11)

Revenue

A.A.N.D.C.

\$ 7,191,004 \$ 5,042,443

Other revenue

21,682,659 23,546,854

Trust funds held by federal government (Note 3)

4,657 358

28,878,320 28,589,655

Expenditures

Band support/administration

292,281 1,018,000

Social

1,042,935 1,068,864

Education

2,222,008 2,228,769

Health

1,057,766 994,051

Housing

809,489 875,118

Operations and maintenance

3,626,786 3,657,036

Enterprises

18,701,840 14,683,783

27,753,105 24,525,621

Surplus for year

\$ 1,125,215 \$ 4,064,034

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Swan Lake First Nation - Consolidated Statement of Cash Flows

March 31

| For the year ended March 31 | 2015 | 2014 |
|--|----------------------------|----------------------------|
| | | (Restated - Note 11) |
| Cash Flows from Operating Activities | | |
| Surplus for the year | \$ 1,125,215 | \$ 4,064,034 |
| Adjustments for | | |
| Amortization of tangible capital assets | 1,907,870 | 1,719,552 |
| | <u>3,033,085</u> | <u>5,783,586</u> |
| Changes in non-cash working capital balances | | |
| Accounts receivable | 915,501 | (668,543) |
| Inventories | 19,770 | (91,371) |
| Accounts payable | 87,710 | (559,368) |
| Deferred revenue | 474,720 | (35,515) |
| Replacement reserve | (82,372) | (100,607) |
| | <u>1,415,329</u> | <u>(1,455,404)</u> |
| | <u>4,448,414</u> | <u>4,328,182</u> |
| Cash Flows from Capital Activities | | |
| Purchase of tangible capital assets | <u>(9,278,375)</u> | <u>(3,283,452)</u> |
| Cash Flows from Financing Activities | | |
| Repayment of long-term debt | (352,581) | (662,863) |
| Proceeds of long-term debt | <u>6,556,501</u> | <u>1,804,018</u> |
| | <u>6,203,920</u> | <u>1,141,155</u> |
| Increase in cash and cash equivalents during the year | 1,373,959 | 2,185,885 |
| Cash and cash equivalents, beginning of year | <u>4,334,983</u> | <u>2,149,098</u> |
| Cash and cash equivalents, end of year | <u>\$ 5,708,942</u> | <u>\$ 4,334,983</u> |
| Represented by | | |
| Cash and short-term investments | \$ 5,879,141 | \$ 4,692,923 |
| Trust funds - A.A.N.D.C. | 31,615 | 26,958 |
| Bank indebtedness | <u>(201,814)</u> | <u>(384,898)</u> |
| | <u>\$ 5,708,942</u> | <u>\$ 4,334,983</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Swan Lake First Nation - Consolidated Notes to Financial Statements

March 31, 2015

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Swan Lake First Nation is a First Nation government that provides a wide range of services to the members of its community. By its nature, the entity is non-taxable. The entity is governed by a board of elected Chief and Council.

Basis of Presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the Canadian Institute of Chartered Accountants Public Sector accounting and Auditing Handbook, and include all organizations, operations and activities that are:

- 1) accountable for the administration of their financial affairs and resources directly to the First Nation; and
- 2) owned or controlled by the First Nation.

Reporting Entity

These financial statements consolidate the operations of all band administered departments plus the following band controlled entities:

- SLFN Enterprises
- Swan Lake First Nation Housing Authority
- Swan Lake First Nation Gaming Commission
- Swan Lake First Nation Farm

The TLE First Nation Trust is not consolidated with the Swan Lake First Nation financial statements. This entity has its own separate board of directors and is not under the control of the Chief and Council of Swan Lake First Nation.

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The First Nation does not capitalize interest charges as part of the cost of its tangible capital assets.

Certain assets which have historical or cultural value including works of art, historical documents as well as historical and cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Intangibles, Crown lands that have not been purchased by the First Nation, forests, water, and other natural resources are not recognized as tangible capital assets.

Amortization

Assets are amortized over their expected useful life at the following rates:

| | | |
|-----------------------|-----|-------------------|
| Water Treatment Plant | 5% | Declining Balance |
| Buildings | 5% | Declining Balance |
| CMHC Buildings | 4% | Straight Line |
| Medical Vans | 30% | Declining Balance |
| Roads | 3% | Straight Line |
| Band Buildings | 5% | Declining Balance |
| VLT Lounge | 4% | Declining Balance |
| Equipment | 20% | Declining Balance |
| Wind Farm | 5% | Declining Balance |
| Water Lines | 4% | Straight Line |

No amortization is recorded on the irrigation dam - non depreciable.

Swan Lake First Nation - Consolidated Notes to Financial Statements

March 31, 2015

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

| | |
|------------------------------------|---|
| Revenue Recognition | <p>Funding received under the terms of agreements are recognized as revenue when collection has been reasonably assured and the stipulations to earn the funding have been met. Other revenue is recognized when services are provided and collectability is reasonably assured.</p> <p>The amounts recognized as deferred program revenue have been externally restricted to be used on program delivery as specified by the appropriate funding authority.</p> |
| Due from/to Related Parties | <p>The Swan Lake First Nation Farm has a year end of November 30. The amount Due from / to Related Parties represents the transactions for the farm that have flowed through the band since November 30. As transactions for the farm are minimal during the period December 1 - March 31, the preceding treatment is deemed appropriate.</p> |
| Use of Estimates | <p>The preparation of financial statements in accordance with Canadian generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Estimates by management have been made in the following areas:</p> <ul style="list-style-type: none">- The useful life of capital assets- The collectability of accounts receivable |
| Financial Instruments | <p>The organization's financial instruments consist of cash, accounts receivable, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.</p> |
| Trust Funds | <p>Trust funds represent the Indian Monies Trust funds held by the Federal Government. These funds are administered by the Federal Government. There were no expenditures in the current fiscal year.</p> |

Swan Lake First Nation - Consolidated Notes to Financial Statements

March 31, 2015

2. Cash and Short Term Investments

| | 2015 | 2014 |
|--|---------------------|---------------------|
| Swan Lake First Nation | \$ 100,548 | \$ 58,854 |
| Swan Lake First Nation - Social | 108,484 | (15,814) |
| Swan Lake First Nation Housing Authority | 80,284 | 51,596 |
| Gaming Commission | 714 | 360 |
| Swan Lake First Nation Farm | 18,272 | 1,618 |
| SLFN Enterprises | 2,298,465 | 1,307,315 |
| SLFN Enterprises - ATM/VLT cash on hand | 279,680 | 167,405 |
| SLFN Enterprises - term deposits | 2,795,372 | 2,748,057 |
| Four Corners Gas Bar | 9,921 | (1,610) |
| SLFN Instalments | 17,202 | 17,202 |
| Cash and short-term investments | \$ 5,708,942 | \$ 4,334,983 |
| Represented by: | | |
| Cash and short-term investments | \$ 5,879,141 | \$ 4,692,923 |
| Trust funds - A.A.N.D.C. | 31,615 | 26,958 |
| Bank indebtedness | (201,814) | (384,898) |
| | \$ 5,708,942 | \$ 4,334,983 |

3. Trust Funds Held by Federal Government

Trust fund accounts 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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

| | Opening Balance | Additions | Withdrawals | 2015 Total | 2014 Total |
|-------------------|--------------------|----------------|-------------|------------------|------------------|
| Revenue | \$26,917 | \$4,657 | \$- | \$31,574 | \$26,917 |
| Capital | 41 | - | - | 41 | 41 |
| Fund Total | \$26,958 | \$4,657 | \$- | \$ 31,615 | \$ 26,958 |

Swan Lake First Nation - Consolidated Notes to Financial Statements

March 31, 2015

4. Accounts Receivable

| | 2015 | 2014 |
|------------------------------------|-------------------|---------------------|
| SLFN Enterprises | \$ 362,495 | \$ 1,067,989 |
| A.A.N.D.C. - Water Treatment Plant | - | 321,711 |
| F.N.I.H.B. program funding | - | 27,837 |
| GST | 27,002 | 15,052 |
| Band member advances | 10,104 | 5,124 |
| CMHC | 96,000 | 64,000 |
| CEDO loans | 40,664 | 42,184 |
| Occupant receivables | 10,140 | 10,257 |
| Other | 221,435 | 124,147 |
| Trust | 5,700 | 4,232 |
| Allowance for doubtful accounts | (35,877) | (29,369) |
| | \$ 737,663 | \$ 1,653,164 |

5. Related Party Transactions

Swan Lake First Nation is related to the Swan Lake First Nation Trust - Treaty Land Entitlement as the First Nation is a beneficiary of the trust. The Trust has its own board of directors and is not controlled by the First Nation, therefore it has not been consolidated into the accounts of the First Nation. There were no transactions in the year with the trust.

6. Tangible Capital Assets

| | 2015 | | | 2014 | | |
|-----------------------|----------------------|-----------------------------|----------------------|----------------------|-----------------------------|----------------------|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Water treatment plant | \$ 2,990,438 | \$ 920,176 | \$ 2,070,262 | \$ 2,990,438 | \$ 811,215 | \$ 2,179,223 |
| Buildings | 12,060,218 | 2,104,168 | 9,956,048 | 5,971,783 | 1,534,869 | 4,436,914 |
| Irrigation dam | 286,783 | - | 286,783 | 286,783 | - | 286,783 |
| Medical vans | 235,460 | 220,499 | 14,961 | 235,460 | 184,931 | 50,529 |
| CMHC housing | 5,596,848 | 1,833,892 | 3,762,956 | 5,299,728 | 1,825,999 | 3,473,729 |
| Roads | 853,154 | 467,920 | 385,234 | 510,390 | 446,591 | 63,799 |
| Potato chip plant | 2,383,634 | 1,963,634 | 420,000 | 2,383,634 | 1,486,907 | 896,727 |
| Band buildings | 7,815,499 | 2,199,677 | 5,615,822 | 5,658,985 | 1,979,011 | 3,679,974 |
| VLT lounge | 423,058 | 346,857 | 76,201 | 423,058 | 299,723 | 123,335 |
| Equipment | 5,704,934 | 3,855,746 | 1,849,188 | 5,311,390 | 3,474,155 | 1,837,235 |
| Wind Farm | 134,008 | 31,340 | 102,668 | 134,008 | 24,640 | 109,368 |
| Water Lines | 800,000 | 566,000 | 234,000 | 800,000 | 534,000 | 266,000 |
| | \$ 39,284,032 | \$ 14,509,909 | \$ 24,774,123 | \$ 30,005,657 | \$ 12,602,041 | \$ 17,403,616 |

7. Bank Indebtedness

The SLFN Enterprises Ltd. bank account carries an overdraft limit of \$250,000 and has unused credit facility of \$250,000. The Swan Lake First Nation regular bank and Social bank accounts do not carry an overdraft limit. Therefore, at March 31, 2015, the Swan Lake First Nation and Social are over their operating limit by \$311,465 and \$1,668 due to outstanding cheque's that have not been cashed at March 31, 2015.

Swan Lake First Nation - Consolidated Notes to Financial Statements

March 31, 2015

8. Accounts Payable

| | 2015 | 2014 |
|--------------------------|-------------------|-------------------|
| Trade accounts payable | \$ 332,919 | \$ 261,514 |
| School division payables | 24,423 | 24,423 |
| Accrued liabilities | 68,004 | 51,699 |
| A.A.N.D.C. payable | 682 | 682 |
| | \$ 426,028 | \$ 338,318 |

9. Long-term Debt

| | 2015 | 2014 |
|--|---------|-----------|
| TD Canada Trust loan (Case Grader and Skid-Steer) repaid during year. | \$ - | \$ 15,980 |
| TD Canada Trust loan (Case Loader) repaid during year. | - | 7,486 |
| Canada Mortgage and Housing Authority mortgage repayable monthly at \$2,058 including interest at 2.65% secured by a ministerial guarantee, matures April 1, 2026. | 237,124 | 255,308 |
| Canada Mortgage and Housing Authority mortgage repayable monthly at \$1,475 including interest at 1.71% secured by a ministerial guarantee, matures July 1, 2027. | 196,807 | 211,026 |
| Canada Mortgage and Housing Authority mortgage repayable monthly at \$2,176 including interest at 1.62% secured by a ministerial guarantee, matures March 1, 2028. | 306,019 | 327,005 |
| Canada Mortgage and Housing Authority mortgage repayable monthly at \$1,696 including interest at 1.92% secured by a ministerial guarantee, matures January 1, 2029. | 247,210 | 262,685 |
| Canada Mortgage and Housing Authority mortgage repayable monthly at \$1,206 including interest at 1.92% secured by a ministerial guarantee, matures April 1, 2029. | 178,592 | 189,546 |

Swan Lake First Nation - Consolidated Notes to Financial Statements

March 31, 2015

9. Long-term Debt (continued)

| | | |
|--|---------|---------|
| Canada Mortgage and Housing Authority mortgage repayable monthly at \$1,540 including interest at 1.05% secured by a ministerial guarantee, matures March 1, 2030. | 256,279 | 269,812 |
| Canada Mortgage and Housing Authority mortgage repayable monthly at \$3,675 including interest at 1.71% secured by a ministerial guarantee, matures July 1, 2032. | 661,397 | 693,924 |
| Canada Mortgage and Housing Authority mortgage repayable monthly at \$1,316 including interest at 2.56% secured by a ministerial guarantee, matures December 1, 2030. | 204,828 | 215,268 |
| Canada Mortgage and Housing Authority mortgage repayable at \$1,269 including interest at 1.62%, secured by ministerial guarantee, matures February 1, 2033. | 236,715 | 248,017 |
| Canada Mortgage and Housing Authority mortgage repayable at \$1,381 including interest at 2.75%, secured by ministerial guarantee, matures May 1, 2036 | 265,829 | 274,999 |
| Canada Mortgage and Housing Authority mortgage repayable monthly at \$1,222 including interest at 1.64% secured by a ministerial guarantee, matures December 1, 2036. | 268,163 | 278,349 |
| Canada Mortgage and Housing Authority mortgage repayable monthly at \$2,338 including interest at 1.44%, secured by ministerial guarantee, matured July 1, 2037 | 535,755 | 555,960 |
| Canada Mortgage and Housing Authority mortgage, repayable monthly at \$589 including interest of 1.77%, secured by ministerial guarantee, matures November 1, 2039. | 128,960 | 39,018 |
| Canada Mortgage and Housing Authority mortgage. Construction in progress, not in repayment status as at March 31, 2015. | 108,867 | - |
| TD Canada Trust mortgage (DOCFS building) repayable monthly at \$7,902 including interest at 4.99%, matures February 1, 2026. | 604,056 | 659,389 |
| Dakota Ojibway Child and Family Services (DOCFS) loan repayable annually in the amount of the surplus between loan payments for DOCFS building and the rental revenue received for the fiscal year from DOCFS. Loan is non-interest bearing and non-secured. | 184,686 | 202,700 |
| Peace Hills Trust loan (potato chip plant), repayable monthly, interest-only payments at prime plus .50%. Secured by GIC held with Peace Hills Trust. Matures Nov 2014. | 700,000 | 700,000 |
| TD Canada Trust Loan (administration building), repayable monthly at \$7,190 principle and interest, interest payable at 3.95%, matures September 2027. | 845,589 | 897,440 |

Swan Lake First Nation - Consolidated Notes to Financial Statements

March 31, 2015

9. Long-term Debt (continued)

| | | |
|--|---------------------|---------------------|
| TD Canada Trust loan (geothermal system), repayable monthly at \$1,567 principle and interest, interest payable at a rate of 3.95%, matures September 2017. | 43,262 | 59,997 |
| TD Canada Trust loan (RV Park/Log Cabins), repayable monthly at \$5,189 principle and interest, interest payable at a rate of 2.35%, matures September 2017. | 814,811 | - |
| RBC loan (water treatment plant), repayable monthly at \$51,352 principle and interest, interest payable at 3.9%, matures March 2016. | 7,007,882 | 1,765,000 |
| FP Economic Growth Fund 0% interest loan. Not in repayment status as at March 31, 2015. | 300,000 | - |
| | 14,332,831 | 8,128,909 |
| Less amounts due within one year included in current liabilities | 7,455,682 | 1,230,881 |
| | \$ 6,877,149 | \$ 6,898,028 |

Principal repayments for the next five years and thereafter are as follows:

| | |
|------------|----------------------|
| 2016 | \$ 7,455,682 |
| 2017 | 473,349 |
| 2018 | 485,410 |
| 2019 | 486,847 |
| 2020 | 491,213 |
| Thereafter | 4,940,330 |
| | \$ 14,332,831 |

10. Deferred Revenue

| | 2015 | 2014 |
|---|-------------------|------------------|
| Opening | - | 225,702 |
| Add: Amounts deferred | | |
| Bipole III program funding | 21,177 | - |
| A.A.N.D.C. program funding - Education - ISS | 47,500 | - |
| A.A.N.D.C. program funding - Land Management | 121,592 | - |
| A.A.N.D.C. program funding - Phase 1 Office Complex | 372,352 | - |
| A.A.N.D.C. program funding - Education | 60,000 | - |
| A.A.N.D.C. program funding - Post Secondary Education | 40,000 | - |
| Other program funding | 2,286 | 190,187 |
| Less: Amounts recognized in the year | (190,187) | (225,702) |
| | \$ 474,720 | \$ - |

Swan Lake First Nation - Consolidated Notes to Financial Statements

March 31, 2015

11. Correction of an Error - Undisclosed Housing Unit Sales and Undisclosed Loan

A prior period adjustment was made to record the sale of housing units that were not recorded in the books, that were transferred to Swan Lake First Nation from Dakota Ojibway Tribal Council Inc.

A prior period adjustment was made to record capital asset additions for the water treatment plant and a corresponding loan with RBC that was not disclosed.

As a result of these errors, the following adjustments were made to the prior year's figures:

The prior year balances have been restated as follows:

| | As previously reported | Adjustment | Restated |
|---|---------------------------|------------|--------------|
| Cash and short-term investments | \$ 4,684,369 | \$ 8,554 | \$ 4,692,923 |
| Opening and ending capital assets increased by | 28,259,391 | 1,746,266 | 30,005,657 |
| Opening and ending accumulated amortization increased by | 12,532,191 | 69,851 | 12,602,042 |
| Ending accounts receivable increased by | 754,677 | 898,187 | 1,652,864 |
| Opening and ending long-term debt increased by | 6,363,909 | 1,765,000 | 8,128,909 |
| Enterprise expenses | 14,313,869 | 369,914 | 14,683,783 |
| Housing and other sales increased by | 22,358,483 | 1,188,371 | 23,546,854 |

As a result of these changes, the annual surplus for 2014 increased by \$818,457.

| | 2015 | 2014 |
|---------------------------------------|----------------------|----------------------|
| Opening surplus prior to restatements | \$ 14,610,860 | \$ 11,365,285 |
| Adjustment through opening surplus | 818,457 | - |
| Revised opening surplus | 15,429,317 | 11,365,283 |
| Surplus for the year | 1,125,215 | 4,064,034 |
| | \$ 16,554,532 | \$ 15,429,317 |

Swan Lake First Nation - Consolidated Notes to Financial Statements

March 31, 2015

12. Financial Risk Management

There have been no substantive changes in the entity's exposure to financial instrument risks. The board monitors the financial statements including its financial instruments on a monthly basis to determine if there are any increases or changes in its risk.

The principal financial instruments used by the entity, from which financial risk arises, are as follows: cash, receivables and payables, and long-term debt.

Market Risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The long term debt is affected by interest rate risk.

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The entity is not exposed to foreign exchange risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The entity is not exposed to other price risk.

Liquidity Risk

Liquidity risk is the risk that the entity will encounter difficulty in having available sufficient funds to meet its commitments. It is the entity's policy to ensure that it will have sufficient cash and short term investments to allow it to meet its liabilities when they come due.

Credit Risk

Credit risk arises principally from receivables. The majority of the entity's receivables are the result of GST that is refundable and amounts due from government entities. The credit risk is minimal.

13. Capital

The organization considers its capital to be its net assets. The organization's objectives when managing its capital are to safeguard its ability as a going concern so it can continue to provide services to its members. Annual budgets are developed and monitored to ensure the organization's capital is maintained at an appropriate level.

14. Internal Charges

To properly reflect expenditures by program, certain internal charges have been included in one program's expenditure and another program's revenue. \$1,469,422 of internal transfers have been included in the departmental schedules but removed from both revenue and expenditures on the statement of operations - combined.

Swan Lake First Nation - Consolidated Notes to Financial Statements

March 31, 2015

15. Replacement Reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the replacement reserve accounts for each phase are to accumulate with annual appropriations until they reach the final accumulation amounts plus interest.

These funds, along with the accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by Canada Mortgage and Housing Corporation and withdrawals are credited first to interest, then to principal.

The amount of replacement reserve at March 31, 2015 is \$-. \$- is funded and set aside in a separate bank account. The annual replacement reserve allocation is \$54,000.

16. Commitments and Contingencies

There are no commitments or contingent liabilities owing at March 31, 2015 (2014 - \$-).

17. Payroll Remittances

Swan Lake First Nation entered into an agreement with Aboriginal Affairs and Northern Development Canada for funding contributions for employees registered pension plans and the Canada Pension Plan for Aboriginal Affairs and Northern Development Canada funded employees. The following amounts relate to the agreement as well as source deductions remitted to Canada Revenue Agency and group insurance payments submitted to Rice Financial and Great West Life.

| | |
|---------------------------|--------------|
| Total eligible salaries | \$ 1,640,744 |
| Employee's contributions: | |
| Canada Pension Plan | 14,667 |
| EI | 33,644 |
| Income tax | 100,114 |
| Employer's contributions: | |
| Private pension plan | 92,897 |
| Canada Pension Plan | 14,667 |
| EI | 55,066 |
| Group Insurance | 73,165 |

All unremitted amounts were remitted in April, 2015.

Swan Lake First Nation - Consolidated Notes to Financial Statements

March 31, 2015

18. Segmented Information

Swan Lake First Nation - Consolidated is a First Nation government that provides a wide range of services to the members of its community. For management reporting purposes the First Nations' operations and activities are organized and reported by Program. Programs were created for the purpose of recording specific activities in accordance with specific regulations, restrictions or limitations. These activities can also be categorized into segments. The following significant segments have been identified and as such are separately disclosed:

Education

Education contains activities that provide education to band members for primary, secondary schooling and sponsorship to attend post secondary institutions.

Social

Social contains activities that provide financial support or support by other means to band members that is aimed at developing both the individual as well as the community.

Band Support/Administration

Band support/administration contains activities that are necessary for the management and governance of the First Nation organization.

Operations and Maintenance

Operations and maintenance contains all activities that relate to the maintenance of land, buildings and infrastructure of the First Nation.

Health Services

Health Services contains activities that provide medical services to band members.

Rental Housing

Rental Housing contains activities that provide housing and repairs and maintenance to band members' housing.

Enterprises

Enterprises contain business activities operated by the first nation.

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Swan Lake First Nation and all the information in this annual report are the responsibility of management and have been approved by the Chief on behalf of the Chief and Council.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances in order to ensure that the financial statements are presented fairly in all material respects.

The Corporation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Corporation's assets are appropriately accounted for and adequately safeguarded.

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

The Chief and Council reviews and approves the Corporation's financial statements. The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the annual report, the financial statements and the external auditor's report. The Chief and Council also consider the engagement of the external auditors.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. BDO Canada LLP have full and free access to the Chief and Council.

Chief 