

**BARREN LANDS FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014**

BARREN LANDS FIRST NATION

MARCH 31, 2014

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MANAGEMENT'S RESPONSIBILITY

To the Members of Barren Lands First Nation:

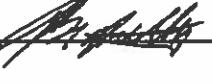
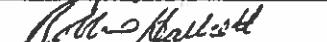
Management is responsible for the preparation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting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

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

Zaplityn and Zamrykut, Chartered Accountants, an independent firm of Chartered Accountants, is appointed by the Council 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 Council and management to discuss their audit findings.

November 5, 2014

	Chief		Vice Chief
	Councillor		Councillor
	Councillor		Councillor

To the Members of Barren Lands First Nation:

We have audited the consolidated statement of financial position of the Barren Lands First Nation as at March 31, 2014 and the consolidated statements of operations, changes in net debt, cash flows, the consolidated schedule of tangible capital assets (Schedule 1) for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair representation 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.

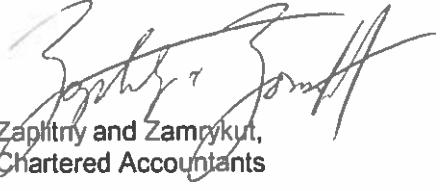
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualification of Opinion

We were unable to gather sufficient evidence to form an audit opinion on the opening balances due to prior year's financial records being stolen. As a result, we were unable to determine whether any adjustments might have been found necessary to the opening balances of accounts receivable, inventory, prepaid expenses, tangible capital assets, accounts payable and unearned revenues.

Qualified Opinion

In our opinion, except for the effect of adjustments described in the preceding section, these financial statements present fairly, in all material respects, the financial position of the Barren Lands First Nation as at March 31, 2014, and its financial performance for the year then ended in accordance with Canadian generally accepted accounting principles for government entities.


Zaplitny and Zamnyuk,
Chartered Accountants

Dauphin, Manitoba
November 5, 2014

BARREN LANDS FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2014

	2014	2013
FINANCIAL ASSETS		
Restricted Cash - Note 3	\$ 210,682	\$ 187,954
Accounts Receivable - Note 4	530,835	493,623
Fuel Inventory	525,771	335,000
Long-Term Investments - Note 5	10	10
Due from TLE Trust	237,330	288,906
	1,504,628	1,305,493
LIABILITIES		
Bank Indebtedness	121,003	294,441
Accounts Payable and Accrued Liabilities - Note 6	1,483,279	1,357,416
Long-Term Debt - Note 7	2,041,028	2,146,542
Replacement Reserve - Note 3	201,946	178,914
	3,847,256	3,977,313
NET DEBT	(2,342,628)	(2,671,820)
NON-FINANCIAL ASSETS		
Prepaid Expenses	6,754	-
Construction in Progress - Note 8	-	418,393
Tangible Capital Assets - Schedule 1	6,642,015	6,371,955
	6,648,769	6,790,348
ACCUMULATED SURPLUS - NOTE 8	\$ 4,306,141	\$ 4,118,528

Approved on Behalf of the Council

	Chief		Vice Chief
	Councillor		Councillor
	Councillor		Councillor

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

BARREN LANDS FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2014

	2014 Budget (Unaudited)	2014	2013
REVENUE			
Aboriginal Affairs and Northern Development			
Canada (AANDC)	\$ 5,066,991	\$ 3,105,847	\$ 2,801,653
First Nation and Inuit Health (FNIH)	1,015,422	1,148,706	1,217,018
Canada Mortgage and Housing Corporation			
(CMHC)	192,216	130,871	187,155
Other	544,302	299,784	422,550
Keewatin Tribal Council	224,569	210,111	195,438
Fuel Sales	193,038	197,924	186,451
Solicitor General	42,953	25,788	42,953
Province of Manitoba	149,775	117,252	167,212
Rent	51,846	92,628	83,340
Interest	18	119	199
	7,481,130	5,329,030	5,303,969
EXPENSES			
Governance and Administration	799,246	698,993	996,666
Social	1,093,485	1,484,932	1,154,953
Health	1,168,138	1,241,529	1,037,690
Housing	131,650	192,037	201,472
Economic Development	78,191	49,314	59,004
Education	2,356,381	186,253	215,357
Operations and Maintenance	1,277,341	781,625	1,144,586
Training and Other	1,632,832	992,821	975,793
	8,537,264	5,627,504	5,785,521
ANNUAL SURPLUS (DEFICIT)	\$ (1,056,134)	(298,474)	(481,552)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	4,118,528	4,387,848
PRIOR PERIOD ADJUSTMENTS - Note 16	-	486,087	212,232
ACCUMULATED SURPLUS, END OF YEAR	-	\$ 4,306,141	\$ 4,118,528

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

BARREN LANDS FIRST NATION

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
ANNUAL DEFICIT	\$ (298,474)	\$ (481,552)
Acquisition of Capital Assets	(665,340)	(47,500)
Decrease (Increase) in Construction in Progress	418,393	(213,533)
Amortization of Capital Assets	395,280	405,749
Prepaid Expenses	(6,754)	-
Prior Period Adjustment - Note 16	486,087	212,232
DECREASE (INCREASE) IN NET DEBT	329,192	(124,604)
NET DEBT, BEGINNING OF YEAR	(2,671,820)	(2,547,216)
NET DEBT, END OF YEAR	\$ (2,342,628)	\$ (2,671,820)

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

BARREN LANDS FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS

MARCH 31, 2014

	2014	2013
CASH PROVIDED BY OPERATING ACTIVITIES		
Excess (deficiency) of Revenues Over Expenses	\$ (298,474)	\$ (481,552)
Prior Period Adjustment - Note 16	486,087	212,232
Amortization	395,280	405,749
Accounts Receivable	(37,212)	119,119
Inventory	(190,771)	-
Accounts Payable and Accrued Liabilities	125,863	(261,436)
Prepaid Expenses	(6,754)	-
Replacement Reserve	23,032	20,232
NET CASH PROVIDED BY OPERATING ACTIVITIES	497,051	14,344
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Short-Term Debt	-	(450,000)
Proceeds from Long-Term Financing	-	124,183
Repayment of Long-Term Debt	(105,514)	(121,944)
CASH FLOWS USED IN FINANCING ACTIVITIES	(105,514)	(447,761)
CASH FROM INVESTING ACTIVITIES		
Purchase of Capital Assets	(665,340)	(47,500)
(Increase) Decrease in Construction in Progress	418,393	(213,533)
Advances from TLE Trust	51,576	-
CASH USED IN INVESTING ACTIVITIES	(195,371)	(261,033)
NET CASH INCREASE IN BANK INDEBTEDNESS	196,166	(694,450)
BANK BALANCE (INDEBTEDNESS), beginning of year	(106,487)	587,963
BANK BALANCE (INDEBTEDNESS), end of year	\$ 89,679	\$ (106,487)
Bank Balance (Indebtedness) consists of:	2014	2013
Cash	\$ -	\$ -
Restricted Cash	210,682	187,954
Bank Indebtedness	(121,003)	(294,441)
	\$ 89,679	\$ (106,487)

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

BARREN LANDS FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

1. OPERATIONS

The Barren Lands First Nation (The "First Nation") is located in the province of Manitoba, and provides various services to its members. Barren Lands First Nation includes the government, and all related entities that 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:

Basis of presentation

Sources of financing and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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.

Reporting entity

The consolidated financial statements are presented on a consolidated basis which includes the unincorporated business operations which are owned and/or controlled by the First Nation and programs for which separate financial statements are issued as listed in the significant accounting policies notes under the *segments* heading.

There are no incorporated business entities which are owned or controlled by the First Nation.

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:

Band Houses	5% declining balance
Buildings	5% declining balance
CMHC Houses	annual principal reduction
Equipment	20% declining balance
Fuel Depot	30% declining balance
Motor Vehicles	20% declining balance
Roads	5% declining balance
Water and Wastewater Systems	5% declining balance

BARREN LANDS FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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 amount exceeds the residual value of the assets' service potential to the First Nation. Any impairment is included in operations for the year.

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 First Nation unless they are sold.

Measurement uncertainty

The preparation of consolidated financial statements in accordance 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 collectibility 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. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

BARREN LANDS FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Segments

The First Nation conducts its business through 9 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:

- Governance and Administration - reports on governance and administration activities
- Social - reports on social assistance programs
- Health - reports on health and wellness programs funded by FNIH
- Housing - reports on activities related to developing and sustaining housing including CMHC subsidized housing
- Economic Development - reports on services that facilitate economic development
- Education - reports on the operations of education programs
- Operations and Maintenance - reports on general operations and maintenance programs in the First Nation
- Ottawa Trust - reports on funding held in the Ottawa Trust
- Training and Other - reports on training and other activities

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, restricted cash, accounts receivable, 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 the financial instruments.

Revenue recognition

Government transfer revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period is reflected as deferred revenue on the statement of financial position in the year of receipt, and is matched with the related department expenses in the year of their occurrence. Other revenue is recognized by the First Nation when the services are provided or goods are shipped.

BARREN LANDS FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Employee future benefits

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

3. RESTRICTED CASH

	2014	2013
CMHC Replacement Reserve	\$ 201,946	\$ 178,914
PM Associates	- 420	
Ottawa Trust	8,736	8,620
	<hr/> \$ 210,682	<hr/> \$ 187,954

CMHC Replacement Reserve

Under the terms of the operating agreements with Canada Mortgage and Housing Corporation (CMHC), the replacement reserve account is to be credited an annual amount based on the number and type of houses available for use. These funds, along with accumulated interest, 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 currently in contravention of its major funding agreement with CMHC. At year end the specified replacement reserve bank account was underfunded by \$202,037 (2012/13 - \$178,914).

PM Associates

Funds held in trust by PM Associates are to be used specifically for particular capital projects.

Ottawa Trust

The Ottawa Trust funds are held in trust in the consolidated revenue fund of the Government of Canada and subject to audit by the office of the Auditor General of Canada. Funds held in trust on behalf of First Nation members by the Government of Canada are reported on the statement of financial position with an offsetting amount in members' equity and consist of:

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

4. ACCOUNTS RECEIVABLE

	2014	2013
AANDC, per confirmation	\$ 219,890	\$ 398,601
Other	310,945	95,022
	<hr/> \$ 530,835	<hr/> \$ 493,623

BARREN LANDS FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

5. LONG TERM INVESTMENTS

The investment in the Barren Lands Construction Co. Ltd. is accounted for using the cost method. The First Nation holds a 10% interest in the company.

6. ACCOUNTS PAYABLE

	2014	2013
AANDC, prior year recoveries	\$ -	\$ -
Other	1,483,279	1,357,416
	<u>\$ 1,483,279</u>	<u>\$ 1,357,416</u>

7. LONG TERM DEBT

	2014	2013
First Nation Bank, with payments of \$2,778 per month plus interest at prime plus 2.00%, maturing July 2014. The loan is secured by vehicles and equipment (mobile home, 48' trailer, truck and tools).	\$ 11,101	\$ 44,442
CMHC mortgage, with payments of \$5,714 per month including interest at 2.61%, maturing June 2023, with a scheduled renewal date of September 2014, secured by a ministerial guarantee	563,226	616,415
CMHC mortgage, with payments of \$5,013 per month including interest at 1.80%, maturing October 2036, with a scheduled renewal date of October 2016, secured by a ministerial guarantee	1,115,402	1,155,189
CMHC mortgage, with payments of \$1,478 per month including interest at 1.68%, maturing April 2038, with a scheduled renewal date of April 2018, secured by a ministerial guarantee	351,299	330,496
	<u>\$ 2,041,028</u>	<u>\$ 2,146,542</u>

7. LONG TERM DEBT - continued

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2014-15	\$ 117,496
2015-16	108,759
2017-18	111,176
2018-19	113,649
2019-20	116,181
2020-21 and Thereafter	1,491,122

BARREN LANDS FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

8. CONSTRUCTION IN PROGRESS

Expenses related to the construction of housing projects have been classified as construction in progress. Construction in progress costs are transferred to tangible capital assets when the respective asset is placed in service.

9. ACCUMULATED SURPLUS

Accumulated surplus includes \$8,736 (2012/13 - \$8,620) relating to Ottawa Trust Funds.

10. EXPENSES BY OBJECT

	2014	2013
Amortization	\$ 395,279	\$ 405,749
Interest	58,266	40,232
Member Services	60,607	162,025
Purchased Goods and Services	1,953,916	2,099,254
Salaries and Benefits	1,422,558	1,523,061
Social Assistance	1,323,631	1,045,742
Training	221,774	173,724
Travel	191,473	335,734
	\$ 5,627,504	\$ 5,785,521

11. EXCESS (DEFICIENCY) OF FUNDING OVER EXPENSES AND TANGIBLE CAPITAL ASSET PURCHASES BY SEGMENT

	Surplus/ (Deficit)	Amortization of Tangible Capital Assets	Tangible Capital Asset Purchases	Excess/ (Deficiency) of Funding after Tangible Capital Asset Purchases
Governance and Administration	\$ (233,747)	\$ -	\$ -	\$ (233,747)
Social	142,496	-	-	142,496
Health	(93,520)	-	-	(93,520)
Housing	31,462	103,553	(418,393)	(283,378)
Economic Development	15,986	-	-	15,986
Education	52,373	-	-	52,373
Operations and Maintenance	49,453	291,726	(246,947)	94,232
Ottawa Trust	116	-	-	116
Training and Other	(263,093)	-	-	(263,093)
	\$ (298,474)	\$ 395,279	\$ (665,340)	\$ (568,535)

BARREN LANDS FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

12. CONTINGENT LIABILITIES

Potential Government Funding Recoveries

The First Nation is subject to funding recoveries according to their agreements with federal government agencies. At year end, AANDC confirmed that \$Nil, other than amounts already included in accounts payable and accruals, might be recovered by these federal government agencies.

Asset Retirement Obligation

Included in tangible capital assets, under the category of land improvements, is a landfill site. Environmental law requires appropriate closure and post-closure care of landfill sites. This would include final covering and landscaping of the site and ongoing environmental monitoring, site inspection, and maintenance. The related future costs associated with this required environmental care are not reasonably estimable and therefore, no liability has been recorded in the consolidated financial statements.

Economic Dependence

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

13. FEDERAL ASSISTANCE PAYMENTS

The First Nation has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 95 of the National Housing Act to reduce the mortgage interest expense to 2.0% to enable the First Nation to provide housing to low income individuals.

14. 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.

15. BUDGET INFORMATION

The budget figures are presented as supplementary information to the financial statements and have not been audited.

BARREN LANDS FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

16. PRIOR PERIOD ADJUSTMENTS

The following adjustments have been made to the opening balance of accumulated surplus as at April 1, 2013:

Brochet Community Council 2005-2012 Cost Sharing on Sewage	\$	280,000
Lagoon and Water Treatment Plant		
Overstatement of 2012-13 Accounts Payable		206,087
	\$	486,087

BARREN LANDS FIRST NATION

SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED MARCH 31, 2014

	Buildings	Vehicles and Equipment	Roads	Water and Sewer	Band Housing	CMHC Housing	Equipment	Fuel Depot	2014	2013
COST										
Balance, Beginning of Year	\$ 1,874,647	\$ 1,442,381	\$ 162,369	\$ 928,454	\$ 2,961,096	\$ 2,943,127	\$ 168,151	\$ 342,016	\$ 10,822,241	\$ 10,774,747
Acquisitions	-	41,645	-	-	205,302	418,393	-	-	665,340	47,5
Disposals & Write Downs	-	-	-	-	-	-	-	-	-	-
Balance, End of Year	1,874,647	1,484,026	162,369	928,454	3,166,398	3,361,520	168,151	342,016	11,487,581	10,822,247
ACCUMULATED AMORTIZATION										
Balance, Beginning of Year	803,645	973,086	117,158	310,697	1,251,014	556,528	115,799	322,359	4,450,286	4,044,5
Amortization	53,550	98,023	2,261	30,888	90,637	103,553	10,471	5,897	395,280	405,7
Balance, End of Year	857,195	1,071,109	119,419	341,585	1,341,651	660,081	126,270	328,256	4,845,566	4,450,2
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 1,017,452	\$ 412,917	\$ 42,950	\$ 586,869	\$ 1,824,747	\$ 2,701,439	\$ 41,881	\$ 13,760	\$ 6,642,015	\$ 6,371,9
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 1,071,001	\$ 469,295	\$ 45,211	\$ 617,757	\$ 1,710,082	\$ 2,386,599	\$ 52,352	\$ 19,657		