

**Northlands Denesuline First Nation**  
**Consolidated Financial Statements**  
*March 31, 2016*

# Northlands Denesuline First Nation

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For the year ended March 31, 2016

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## Management's Responsibility

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To the Members of Northlands Denesuline First Nation:

The accompanying consolidated financial statements of Northlands Denesuline 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 principles 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 Northlands Denesuline 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 the external auditors. The Chief and Council is also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP 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.



Signature

# Independent Auditors' Report

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To the Members of Northlands Denesuline First Nation:

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

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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*

During previous fiscal years, Northlands Denesuline First Nation started construction of three houses that were financed by Canada Mortgage and Housing Corporation. Supporting records for the construction costs of the project were not available for audit verification, and therefore, we were unable to satisfy ourselves that these tangible capital asset additions were recorded correctly with respect to the existence and completeness of the costs. As a result, we were unable to determine whether adjustments regarding the existence, completeness and valuation of tangible capital assets, or the amortization expense for the year, might be necessary.

We were unable to gain sufficient appropriate audit evidence regarding the existence and completeness of accounts payable as at March 31, 2015. As a result, we were unable to determine whether any adjustments were necessary to opening accumulated surplus, expenses and annual surplus (deficit).

## *Qualified Opinion*

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Northlands Denesuline First Nation as at March 31, 2016 and the results of its operations, changes in net debt and its cash flows for the year ended then ended in accordance with Canadian public sector accounting standards.

## *Other Matter*

The prior year comparative figures were audited by another firm of Chartered Professional Accountants who expressed a qualified opinion in their report dated November 30, 2015. Their qualification was due to the inability to verify opening balances in the consolidated statement of financial position as at April 1, 2014 and an inability to verify existence, completeness and valuation of both inventory and accounts payable at March 31, 2015.

Winnipeg, Manitoba

March 20, 2017

*MNP LLP*


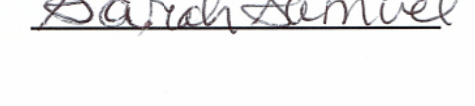
Chartered Professional Accountants

# Northlands Denesuline First Nation Consolidated Statement of Financial Position

As at March 31, 2016

	2016	2015 (Restated)
<b>Financial assets</b>		
Cash	36,833	217,021
Accounts receivable (Note 3)	534,187	523,676
Restricted cash (Note 5)	1,578,881	84,032
	<b>2,149,901</b>	<b>824,729</b>
<b>Liabilities</b>		
Accounts payable and accruals (Note 6)	1,142,326	1,954,617
Deferred revenue (Note 7)	1,683,311	20,694
Due to Indigenous and Northern Affairs Canada (INAC) (Note 8)	1,335,920	1,300,683
Long-term debt (Note 9)	2,573,176	3,174,430
Due to Barrenlands First Nation (Note 10)	233,698	-
	<b>6,968,431</b>	<b>6,450,424</b>
<b>Net debt</b>	<b>(4,818,530)</b>	<b>(5,625,695)</b>
<b>Contingencies (Note 11)</b>		
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	14,043,062	11,372,700
Inventories held for use (Note 4)	28,266	100,418
Prepaid expenses	800	-
	<b>14,072,128</b>	<b>11,473,118</b>
<b>Accumulated surplus (Note 12)</b>	<b>9,253,598</b>	<b>5,847,423</b>

Approved

   	<p>Chief</p> <p>Councilor</p> <p>Councilor</p> <p>Councilor</p>	    	<p>Councilor</p> <p>Councilor</p> <p>Councilor</p> <p>Councilor</p>
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The accompanying notes are an integral part of these consolidated financial statements

# Northlands Denesuline First Nation

## Consolidated Statement of Operations and Accumulated Surplus

*For the year ended March 31, 2016*

	<i>Schedules</i>	<i>2016 Budget</i>	<i>2016</i>	<i>2015 (Restated)</i>
<b>Revenue</b>				
Indigenous and Northern Affairs Canada (INAC) (Note 13)		9,245,764	9,610,596	9,305,658
First Nation and Inuit Health (FNIH) (Note 13)		1,567,442	7,253,877	2,205,725
Government of Canada - land claim (Note 11)		500,000	474,650	-
Province of Manitoba		296,000	372,606	283,534
Canada Mortgage and Housing Corporation (CMHC)		-	125,359	118,129
Province of Manitoba - Winter Roads		370,000	558,947	750,570
Other revenue		315,496	336,618	366,630
Rental income		-	157,835	87,453
Keewatin Tribal Council		105,000	75,506	91,953
Treaty Land Entitlement		53,350	37,830	34,155
User fees		-	19,440	14,621
Deferred revenue - prior year (Note 7)		-	20,694	501,018
Deferred revenue - current year (Note 7)		-	(1,683,311)	(20,694)
		<b>12,453,052</b>	<b>17,360,647</b>	<b>13,738,752</b>
<b>Segment expenses</b>				
Governance and Administration	3	1,109,155	1,105,515	928,742
Social Assistance	4	2,983,965	3,099,796	2,973,805
Health	5	1,567,442	1,687,518	1,641,218
Capital and Housing	6	224,700	466,260	496,350
Education	7	3,687,670	4,041,655	4,626,382
Operations and Maintenance	8	1,584,164	2,835,918	3,282,625
Land Claim	9	500,000	504,315	491,734
Other Programs	10	103,460	124,096	537,363
Community Economic Development	11	90,000	89,399	88,989
<b>Total segment expenses</b>		<b>11,850,556</b>	<b>13,954,472</b>	<b>15,067,208</b>
<b>Annual surplus (deficit)</b>		<b>602,496</b>	<b>3,406,175</b>	<b>(1,328,456)</b>
<b>Accumulated surplus, beginning of year</b>		<b>5,847,423</b>	<b>5,847,423</b>	<b>7,175,879</b>
<b>Accumulated surplus, end of year (Note 12)</b>		<b>6,449,919</b>	<b>9,253,598</b>	<b>5,847,423</b>

The accompanying notes are an integral part of these consolidated financial statements

**Northlands Denesuline First Nation**  
**Consolidated Statement of Changes in Net Debt**  
*For the year ended March 31, 2016*

	<b>2016</b> <i>Budget</i>	<b>2016</b>	<b>2015</b> <i>(Restated)</i>
<b>Annual surplus (deficit)</b>	<b>602,496</b>	<b>3,406,175</b>	<b>(1,328,456)</b>
Purchases of tangible capital assets	<b>(500,000)</b>	<b>(457,673)</b>	<b>-</b>
Amortization of tangible capital assets	<b>1,500,000</b>	<b>1,950,836</b>	<b>1,552,962</b>
Acquisition of construction in progress	<b>(1,000,000)</b>	<b>(4,163,525)</b>	<b>(1,061,027)</b>
Decrease (increase) in fuel inventory	<b>-</b>	<b>72,152</b>	<b>(100,418)</b>
Acquisition of prepaid expenses	<b>-</b>	<b>(800)</b>	<b>-</b>
<b>Decrease (increase) in net debt</b>	<b>602,496</b>	<b>807,165</b>	<b>(936,939)</b>
<b>Net debt, beginning of year</b>	<b>(5,625,695)</b>	<b>(5,625,695)</b>	<b>(4,688,756)</b>
<b>Net debt, end of year</b>	<b>(5,023,199)</b>	<b>(4,818,530)</b>	<b>(5,625,695)</b>



# Northlands Denesuline First Nation

## Consolidated Statement of Cash Flows

*For the year ended March 31, 2016*

	2016	2015 (Restated)
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Cash receipts from contributors	19,047,991	13,641,551
Cash paid to suppliers	(9,374,891)	(8,206,173)
Cash paid to employees	(3,336,735)	(3,981,444)
Interest on long-term debt	(32,949)	(169,761)
	6,303,416	1,284,173
<b>Financing activities</b>		
Advances of long-term debt	65,017	1,915,573
Repayment of long-term debt	(666,271)	(554,161)
Due to Barrenlands First Nation - net of payments	233,698	-
Decrease (increase) in restricted cash	(1,494,850)	341,688
	(1,862,406)	1,703,100
<b>Capital activities</b>		
Purchases of tangible capital assets	(457,673)	-
Acquisition of construction in progress	(4,163,525)	(1,061,027)
	(4,621,198)	(1,061,027)
<b>Increase (decrease) in cash resources</b>	(180,188)	1,926,246
<b>Cash resources, beginning of year</b>	217,021	(1,709,225)
<b>Cash resources, end of year</b>	36,833	217,021



# Northlands Denesuline First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2016*

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### 1. Operations

The Northlands Denesuline First Nation (the "Nation") is located in the Province of Manitoba and provides various services to its Members. The Nation's financial reporting entity includes all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

### 2. Significant accounting policies

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

#### ***Reporting entity***

The consolidated financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity. Any trusts administered on behalf of third parties by Northlands Denesuline First Nation are excluded from the Nation reporting entity.

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

- Northlands Denesuline First Nation Band Operations
- Northlands Denesuline First Nation North of 60 Program
- Northlands Denesuline First Nation Health Services
- Northlands Denesuline First Nation CMHC Housing Authority

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

All inter-entity balances have been eliminated on consolidation.

#### ***Basis of presentation***

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes 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***

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

#### ***Funds held in Ottawa Trust Fund***

Funds held in trust on behalf of 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 Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

#### ***Inventories held for use***

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling costs.

**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 assets are recorded at their fair value at the date of contribution.

***Amortization***

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives. In the year of acquisition, only one-half the rate is charged.

	<b><i>Method</i></b>	<b><i>Rate</i></b>
Buildings	straight-line	5 %
Equipment	straight-line	10 %
Vehicles	straight-line	33.33 %
Band housing	straight-line	4 %
CMHC housing	straight-line	4 %
Roads	straight-line	2.5 %
Water and sewer	straight-line	4 - 6.67 %

***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 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, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in operations for the year ended.

***Capital Construction in Progress***

The Nation uses an external project manager for certain projects. Costs that have been included in capital construction in progress will be included as acquisitions of tangible capital assets upon completion.

***Net debt***

The Nation's consolidated financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Nation is determined by its financial assets less its liabilities. Net debt combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

***Non-financial assets***

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

***Employee future benefits***

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

***Deferred revenue***

Deferred revenue consists of funding that has been collected in advance where program expenditures specific to the funding received has been deferred to subsequent years. Recognition of these amounts as revenue is deferred to years when the specific expenditures are made.

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

***Liability for contaminated site***

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 Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2016.

At each financial reporting date, the Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The 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.

***Revenue recognition***

***Government Transfers***

The Nation recognizes government transfers as revenue, including Indigenous and Northern Affairs Canada, First Nations and Inuit Health, Province of Manitoba, Government of Canada, and Canada Mortgage and Housing Corporation, as the funding becomes receivable under the terms of the applicable funding agreements. Funding received under a funding arrangement that relates 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 the related department expenses in the year of their occurrence with the Nation.

***Rental revenue***

Rental revenue is recognized on a monthly basis under terms of the agreements.

***Other revenue***

Other revenue is recognized by the Nation when services are provided or goods are shipped and collectibility 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 collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Deferred revenue is recorded based on management's analysis of the extent to which eligibility requirements have been met on government transfer revenue. Provisions for funding recoveries are recorded in accordance with management's estimates of future costs.

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

***Financial Instruments***

Financial instruments include cash, accounts receivable, restricted cash, accounts payables and accruals, due to Indigenous and Northern Affairs Canada, long-term debt and due to Barrenlands First Nation. Unless otherwise stated, it is management's opinion that the Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

# Northlands Denesuline First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2016*

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

#### **Segments**

The Nation conducts its business through nine reportable segments. These segments are differentiated by the major activities or services they provide. The Nation's segments are as follows:

Governance and Administration - includes administration and governance activities.

Social Assistance - activities include delivering social programs.

Health - include activities related to health and wellness programs funded by FNIH.

Capital and Housing - includes activities related to the development and sustainment of on-reserve housing, including CMHC subsidized housing.

Education - includes the operations of education programs.

Operations and Maintenance - includes general operations and maintenance program activities.

Land Claim - reports on funding related to the Samuel Thorassie Claim.

Other Programs - includes other programs and activities.

Community Economic Development - includes activities related to the economic development of the community.

The segments are established by senior management to facilitate the achievement of the 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 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.

#### **Recent accounting pronouncement**

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.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. The Nation has not yet determined the effect of the new standard on its consolidated financial statements.

### 3. Accounts receivable

	<b>2016</b>	<b>2015</b>
Indigenous and Northern Affairs Canada (INAC) - per PAYE report	<b>66,735</b>	24,553
Indigenous and Northern Affairs Canada (INAC) - accrued income assistance	<b>42,969</b>	-
First Nation and Inuit Health (FNIH)	<b>196,343</b>	-
CMHC subsidy assistance receivable	<b>8,973</b>	108,285
Trade receivables	<b>179,346</b>	390,838
Accrued receivables	<b>39,821</b>	-
	<b>534,187</b>	523,676

### 4. Inventories held use

The cost of inventories consumed are recognized as either fuel or utilities expense in the various programs. There were no write-downs or reversals of write-downs of inventories recognized as an expense during the year.

# Northlands Denesuline First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2016*

### 5. Restricted cash

	2016	2015
Government of Canada - land claim	74,733	74,507
PM Associates	-	478
Ottawa Trust	9,047	9,047
Cash held in a restricted account	1,495,101	-
	<b>1,578,881</b>	<b>84,032</b>

#### ***Government of Canada - land claim***

Claims office cash is restricted for the negotiation on the Samuel Thorassie land claim. As at March 31, 2016, the balance of funds held by legal representatives was \$30,983 (2015 - \$75,128).

#### ***Ottawa Trust***

The Ottawa Trust Fund arises 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 Fund is recognized in the year in which it is earned when it is measurable and collection is reasonably assured. Capital and revenue trust monies are transferred to the Nation on the authorization of the Minister of Indigenous and Northern Affairs Canada, with the consent of the Nation's Chief and Council.

#### ***Cash held in restricted account***

Cash held in the restricted account (\$1,495,101) consists of funding received that must be spent on particular capital projects and is held in a bank account that requires co-signature from the general construction contractor in order to release funds.

#### ***CMHC replacement reserve***

As required as part of the Nation's Canada Mortgage and Housing Corporation ("CMHC") Housing program, a separate bank account should be 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. At March 31, 2016, a separate account had not been maintained leaving an unfunded balance of \$187,728 (2015 - \$167,928).

#### ***Operating Reserve***

The Nation's CMHC Housing Program receives funding pursuant to the (Post 1996) Section 95 Program. Any surpluses are externally restricted and reserved for future operating losses that relate to the operation of houses under this Program. These funds, along with accumulated interest, must be held in a separate bank account. At March 31, 2016, a separate account had not been maintained leaving an unfunded balance of \$10,512 (2015 - \$10,512).

**Northlands Denesuline First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

**6. Accounts payable and accruals**

	<b>2016</b>	<b>2015</b>
Trade accounts payable	1,139,221	1,951,512
Accrued liabilities	3,105	3,105
	<b>1,142,326</b>	<b>1,954,617</b>

**7. Deferred revenue**

	<b>2016</b>	<b>2015</b>
Income for future Justice Committee meetings	1,775	-
INAC - North of 60 Claim	-	20,694
First Nation and Inuit Health (FNIH)	1,681,536	-
	<b>1,683,311</b>	<b>20,694</b>

**8. Due to Indigenous and Northern Affairs Canada (INAC)**

	<b>2016</b>	<b>2015</b>
INAC recovery for basic needs and band operated school 2012-13	72,507	72,507
INAC recovery for 2011-12	95,334	95,334
INAC recovery for basic needs 2013-14	189,827	189,827
INAC recovery for special needs 2013-14	4,194	4,194
INAC recovery for band operated school 2013-14	16,914	16,914
INAC recovery for 2012-13 on final INAC review	178,566	178,566
INAC recovery for basic needs 2014-15	167,708	167,708
INAC recovery for in-home care 2014-15	1,409	1,409
INAC liability under debt management #185 for 2008-09	161,293	161,293
INAC liability under debt management #187 for 2008-09	412,931	412,931
INAC recovery for band operated school 2014-15	4,500	-
INAC recovery for enhanced school salaries 2014-15	30,320	-
INAC recovery for band operated school 2015-16	417	-
	<b>1,335,920</b>	<b>1,300,683</b>

**Northlands Denesuline First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

**9. Long-term debt**

	<b>2016</b>	<i>2015 (Restated)</i>
First Nation Bank loan, repaid during the year.	-	52,000
Manitoba Hydro agreement, repaid during the year.	-	121,013
Demand loan payable to Royal Bank of Canada in 60 installments, with monthly payments of \$22,000 plus interest at a rate of prime (2.70%) plus 3.25%, and a balloon payment of \$83,000 in November of each year, secured by a general security agreement constituting a first ranking security interest in all property, a band council resolution assigning tobacco tax rebates in the minimum amount of \$22,000 per month and a band council resolution assigning annual dividends from South Beach Casino in the minimum amount of \$85,000 per annum.	<b>894,000</b>	1,241,000
CMHC mortgage with payments of \$4,261 per month including interest at 1.17%, renewing January 2021 and maturing August 2035, secured by a ministerial guarantee and an assignment of fire insurance.	<b>887,884</b>	952,882
CMHC mortgage with payments of \$4,685 per month including interest at 1.17%, renewing January 2021 and maturing December 2021, secured by a ministerial guarantee and an assignment of fire insurance.	<b>310,702</b>	391,962
CMHC accountable advances to be converted to a mortgage on April 1, 2016 with monthly payments of \$1,838 including interest at 1.11%, loan maturing January 2041, secured by a ministerial guarantee and an assignment of fire insurance.	<b>480,590</b>	415,573
	<b>2,573,176</b>	3,174,430

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

2017	373,218
2018	375,720
2019	377,206
2020	218,518
2021	115,864

**10. Due to Barrenlands First Nation**

During the year, a settlement was reached with Barrenlands First Nation regarding a previous debt that requires monthly installments of \$4,000 which includes interest at a fixed rate of 3.50%, due on the first of every month.



**11. Contingencies**

***Government of Canada - land claim***

The Nation, through the claims office, has obtained loans from the Government of Canada totaling \$15.65 million (2015 - \$15.15 million) which are to be repaid upon final settlement of the Samuel Thorassie claim. The agreement with the Government of Canada specifies that the Government of Canada, upon reaching a final settlement, will provide sufficient funding to pay out the total amount of the outstanding loans as of the date of the settlement. Due to the nature of these negotiations it is not possible, at this time, to determine the outcome of the negotiations and, therefore, these consolidated financial statements have recognized the loans as revenues in the year received. Future repayments will be recorded as an expense in the year of repayment together with any settlement proceeds, as applicable.

***Legal Claim***

A claim in the amount of \$402,764.33 has been filed against the Nation for tobacco tax refunds received relating to the period January 28, 2003 to April 10, 2013 that allegedly should have been paid to the plaintiff. The plaintiff also claims that all amounts received subsequent to this date should be added to the claim. An amount has not been included in these consolidated financial statements as the likelihood of a judgment against the Nation is unknown and is not quantifiable.

***Funding recoveries***

The Nation is subject to funding recoveries according to their agreements with federal government agencies. It has not yet been determined to what extent and funding amounts related to the year ended March 31, 2016 might be recovered.

***First Nations Financial Transparency Act***

The Nation is required to post its consolidated financial statements on a website and submit the consolidated financial statements to INAC by July 29, 2016. Since the audit report is dated after this date, the Nation has not complied with this requirement. The possible effect of this non-compliance has not yet been determined.

***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 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.

For accounting purposes, any amounts assessed or claims paid will be accounted for in the year of determination.

**Northlands Denesuline First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

**12. Accumulated surplus**

Accumulated surplus consists of the following:

	2016	2015
Equity in tangible capital assets	12,363,887	9,560,283
Replacement reserve	187,728	167,928
Operating reserve	10,512	10,512
Ottawa trust funds	9,047	9,047
Operating surplus (deficit)	(3,317,576)	(3,900,347)
	<b>9,253,598</b>	<b>5,847,423</b>

**13. INAC and FNIH Revenue reconciliation**

	2016	2015
<b>INAC revenue reconciliation</b>		
INAC revenue per funding agreement	9,567,627	9,305,658
Accrued INAC Basic Needs revenue	42,969	-
INAC revenue per consolidated financial statement	(9,610,596)	(9,305,658)
	-	-
<b>FNIH revenue reconciliation</b>		
FNIH revenue per funding agreement	7,253,877	2,205,725
FNIH revenue per consolidated financial statements	(7,253,877)	(2,205,725)
	-	-

**14. Consolidated expenses by object**

	2016	2015
Amortization	1,950,836	1,552,962
Bank charges and interest	129,446	169,761
Professional fees	423,915	605,298
Purchased goods and services	5,306,349	5,411,673
Salaries and benefits	3,336,735	3,981,444
Social assistance	2,279,853	2,840,096
Training	104,015	92,981
Travel	423,323	412,993
	<b>13,954,472</b>	<b>15,067,208</b>

**15. Economic dependence**

The Nation receives substantially all of its revenue from Indigenous and Northern Affairs (INAC) and First Nations and Inuit Health (FNIH) as a result of Treaties entered into with the Government of Canada. These Treaties are administered by INAC and FNIH under the terms and conditions of the Indian Act. The ability of the Nation to continue operations is dependent upon INAC and FNIH's continued financial commitments as guaranteed by these Treaties.

**16. Comparative figures**

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

**17. Financial Instruments**

The Nation as part of its operations carries a number of financial instruments. Unless otherwise stated, it is management's opinion that the Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

***Credit risk***

The Nation is subject to credit risk through its accounts receivable. Accounts receivable credit risk is reduced as most of the Nation's receivables relate to contracts and agreements with federal and provincial governments.

***Liquidity risk***

The Nation manages its liquidity risks by maintaining cash and credit facilities and by updating cash flow projections on an as-needed basis.

***Fair value***

Fair value estimates are subjective in nature and involve uncertainties and matters of significant judgement. Changes in the following assumptions could significantly affect the estimates.

The fair values of cash, accounts receivable, restricted cash, accounts payable and accruals and due to Indigenous and Northern Affairs Canada approximate their carrying values due to their short-term nature.

**18. Correction of an error**

During the year ended March 31, 2016, the Nation determined that the costs related to the construction of a three unit housing project and the related CMHC financing were both unrecorded as at March 31, 2015. As a result of correcting this error retroactively, both construction in progress and long term debt increased by \$415,573 for the year ended March 31, 2015. The correction of this error did not have an impact on prior year's annual surplus or accumulated surplus.

**Northlands Denesuline First Nation**  
**Schedule 1 - Consolidated Schedule of Tangible Capital Assets**

*For the year ended March 31, 2016*

	<i>Buildings</i>	<i>Vehicles and equipment</i>	<i>Roads</i>	<i>Water and sewer</i>	<i>Band housing</i>	<i>CMHC housing</i>	<i>Subtotal</i>
<b>Cost</b>							
Balance, beginning of year	5,384,982	624,274	1,311,901	21,276,047	5,467,286	2,543,792	36,608,282
Acquisition of tangible capital assets	-	457,673	-	-	-	-	457,673
Construction in progress	-	-	-	-	-	-	-
Construction of tangible capital assets completed	753,756	-	-	-	-	-	753,756
Balance, end of year	6,138,738	1,081,947	1,311,901	21,276,047	5,467,286	2,543,792	37,819,711
<b>Accumulated amortization</b>							
Balance, beginning of year	4,651,542	537,325	248,694	15,988,249	4,270,378	1,205,323	26,901,511
Annual amortization	306,937	154,517	32,798	1,136,141	218,691	101,752	1,950,836
Balance, end of year	4,958,479	691,842	281,492	17,124,390	4,489,069	1,307,075	28,852,347
<b>Net book value of tangible capital assets</b>	<b>1,180,259</b>	<b>390,105</b>	<b>1,030,409</b>	<b>4,151,657</b>	<b>978,217</b>	<b>1,236,717</b>	<b>8,967,364</b>
Net book value of tangible capital assets - 2015 (Restated)	733,441	86,949	1,063,207	5,287,798	1,196,908	1,338,469	9,706,772

**Northlands Denesuline First Nation**  
**Schedule 1 - Consolidated Schedule of Tangible Capital Assets**  
*For the year ended March 31, 2016*

	<i>Subtotal</i>	<i>Construction in progress</i>	<i>2016</i>	<i>2015</i>
				<i>(Restated)</i>
<b>Cost</b>				
Balance, beginning of year	36,608,282	1,665,929	38,274,211	37,213,184
Acquisition of tangible capital assets	457,673	-	457,673	-
Construction in progress	-	4,163,525	4,163,525	1,061,027
Construction of tangible capital assets completed	753,756	(753,756)	-	-
Balance, end of year	37,819,711	5,075,698	42,895,409	38,274,211
<b>Accumulated amortization</b>				
Balance, beginning of year	26,901,511	-	26,901,511	25,348,549
Annual amortization	1,950,836	-	1,950,836	1,552,962
Balance, end of year	28,852,347	-	28,852,347	26,901,511
<b>Net book value of tangible capital assets</b>	<b>8,967,364</b>	<b>5,075,698</b>	<b>14,043,062</b>	<b>11,372,700</b>
Net book value of tangible capital assets - 2015 (Restated)	9,706,772	1,665,928	11,372,700	

**Northlands Denesuline First Nation**  
**Schedule 2 - Consolidated Summary Schedule of Segment Revenue and Expenses**

*For the year ended March 31, 2016*

	<i>Total Revenue</i>	<i>Total Expenses</i>	<i>Adjustments/ Transfers From (To)</i>	<i>Current Surplus (Deficit)</i>	<i>Prior Year Surplus (Deficit)</i>
Governance and Administration	1,303,140	1,105,515	95,254	292,879	(185,861)
Social Assistance	3,083,010	3,099,796	-	(16,786)	(187,355)
Health	1,601,276	1,687,518	(95,254)	(181,496)	(58,606)
Capital and Housing	4,245,434	466,260	-	3,779,174	335,609
Education	4,295,612	4,041,655	-	253,957	(341,924)
Operations and Maintenance	2,129,850	2,835,918	-	(706,068)	(896,921)
Land Claim	500,000	504,315	-	(4,315)	(11,410)
Other Programs	113,336	124,096	-	(10,760)	18,013
Community Economic Development	88,989	89,399	-	(410)	-
	17,360,647	13,954,472	-	3,406,175	(1,328,455)

**Northlands Denesuline First Nation**  
**Governance and Administration**  
**Schedule 3 - Consolidated Schedule of Revenue and Expenses**

*For the year ended March 31, 2016*

	2016	2015
<b>Revenue</b>		
Indigenous and Northern Affairs Canada	689,509	612,701
Province of Manitoba	325,806	-
Other revenue	192,791	130,180
Rental income	96,809	-
Deferred revenue - current year	(1,775)	-
	<b>1,303,140</b>	<b>742,881</b>
<b>Expenses</b>		
Administration	4,350	13,330
Amortization	9,380	9,380
Automotive	190	6,138
Bad debts	732	-
Bank charges and interest	72,643	73,231
Community activities	19,299	1,000
Community assistance	49,612	-
Contracted services	96,032	25,403
Equipment and vehicles	1,275	-
Equipment rental	7,254	-
Freight and courier	11,744	-
Fuel	2,228	4,055
Funeral	10,256	-
Honouraria	281,073	280,400
Office supplies	12,044	8,246
Professional development	6,658	100
Professional fees	106,736	103,279
Registration fees	-	(2,858)
Rent	200	378
Repairs and maintenance	66,287	43,932
Salaries and benefits	170,878	162,851
Supplies and program materials	8,763	6,769
Telephone, fax, and internet	34,009	39,817
Training	29,800	-
Travel	103,045	153,291
Utilities	1,027	-
	<b>1,105,515</b>	<b>928,742</b>
<b>Surplus before transfers from other segments</b>	<b>197,625</b>	<b>(185,861)</b>
<b>Transfers from segments</b>	<b>95,254</b>	<b>-</b>
<b>Surplus (deficit)</b>	<b>292,879</b>	<b>(185,861)</b>



**Northlands Denesuline First Nation**  
**Social Assistance**  
**Schedule 4 - Consolidated Schedule of Revenue and Expenses**  
*For the year ended March 31, 2016*

	2016	2015
<b>Revenue</b>		
Indigenous and Northern Affairs Canada	3,083,010	2,786,450
<b>Expenses</b>		
Bank charges and interest	11,166	-
Community activities	-	14,000
Contracted services	27,868	1,218
Funeral	28,863	-
Office supplies	7,057	28,117
Professional development	9,649	53,680
Salaries and benefits	91,297	125,713
Social assistance	2,279,853	2,003,707
Special needs	78,086	100,205
Travel	8,825	7,995
Utilities	557,132	639,170
	<b>3,099,796</b>	<b>2,973,805</b>
<b>Deficit</b>	<b>(16,786)</b>	<b>(187,355)</b>

**Northlands Denesuline First Nation  
Health**

**Schedule 5 - Consolidated Schedule of Revenue and Expenses**

*For the year ended March 31, 2016*

	2016	2015
<b>Revenue</b>		
First Nation and Inuit Health (FNIH)	1,567,442	1,560,270
Other revenue	33,834	22,342
	<b>1,601,276</b>	<b>1,582,612</b>
<b>Expenses</b>		
Amortization	17,480	35,571
Bank charges and interest	4,869	4,710
Community activities	177,550	47,405
Community assistance	6,650	-
Contract wages	28,133	6,617
Equipment and vehicles	21,271	-
Equipment rental	3,702	-
Freight and courier	528	116
Fuel	28,841	56,332
Honouraria	8,594	960
Insurance, licenses and fees	6,152	1,688
Office supplies	6,208	44,977
Professional development	45,945	91,519
Professional fees	-	10,500
Registration fees	-	2,234
Repairs and maintenance	57,426	48,415
Salaries and benefits	734,892	791,478
Supplies and program materials	91,910	82,151
Telephone, fax, and internet	10,906	9,692
Travel	129,478	124,465
Utilities	306,983	282,388
	<b>1,687,518</b>	<b>1,641,218</b>
<b>Deficit before transfers to other segments</b>	<b>(86,242)</b>	<b>(58,606)</b>
<b>Transfers to other segments</b>	<b>(95,254)</b>	<b>-</b>
<b>Deficit</b>	<b>(181,496)</b>	<b>(58,606)</b>

**Northlands Denesuline First Nation**  
**Capital and Housing**  
**Schedule 6 - Consolidated Schedule of Revenue and Expenses**  
*For the year ended March 31, 2016*

	2016	2015
<b>Revenue</b>		
First Nation and Inuit Health Branch (FNIH)	5,686,435	645,455
Canada Mortgage and Housing Corporation (CMHC)	125,359	118,129
Province of Manitoba	46,800	-
Other revenue	68,376	68,375
Deferred revenue - current year	(1,681,536)	-
	<b>4,245,434</b>	<b>831,959</b>
<b>Expenses</b>		
Amortization	358,131	320,443
Bank charges and interest	141	-
Contracted services	-	60,465
Insurance, licenses and fees	19,046	34,090
Interest on long-term debt	32,949	36,518
Professional fees	4,500	7,500
Repairs and maintenance	9,880	23,655
Salaries and benefits	5,460	-
Supplies and program materials	36,153	11,435
Travel	-	2,244
	<b>466,260</b>	<b>496,350</b>
<b>Surplus</b>	<b>3,779,174</b>	<b>335,609</b>

**Northlands Denesuline First Nation**  
**Education**  
**Schedule 7 - Consolidated Schedule of Revenue and Expenses**  
*For the year ended March 31, 2016*

	2016	2015
<b>Revenue</b>		
Indigenous and Northern Affairs Canada	4,197,625	4,197,005
Rental income	61,025	87,453
Other revenue	36,962	-
	<b>4,295,612</b>	<b>4,284,458</b>
<b>Expenses</b>		
Administration	-	2,500
Amortization	131,932	123,479
Automotive	-	2,262
Bank charges and interest	7,374	-
Community assistance	5,841	-
Contracted services	8,422	11,433
Equipment and vehicles	23,480	-
Equipment rental	5,761	-
Freight and courier	37,932	40
Honouraria	31,278	15,200
Insurance, licenses and fees	3,757	-
Office supplies	12,123	7,934
Professional development	8,615	6,000
Professional fees	26,000	16,250
Repairs and maintenance	44,422	123,457
Salaries and benefits	1,806,845	2,307,332
Student expenses	7,468	110,963
Supplies and program materials	115,049	84,645
Telephone, fax, and internet	8,238	9,840
Travel	52,076	17,636
Tuition	-	24,264
Utilities	1,705,042	1,763,147
	<b>4,041,655</b>	<b>4,626,382</b>
<b>Surplus (deficit)</b>	<b>253,957</b>	<b>(341,924)</b>

**Northlands Denesuline First Nation**  
**Operations and Maintenance**  
**Schedule 8 - Consolidated Schedule of Revenue and Expenses**  
*For the year ended March 31, 2016*

	2016	2015
<b>Revenue</b>		
Indigenous and Northern Affairs Canada	1,551,463	1,620,513
Province of Manitoba - Winter Roads	558,947	750,570
User fees	19,440	14,621
	<b>2,129,850</b>	<b>2,385,704</b>
<b>Expenses</b>		
Amortization	1,433,913	1,064,089
Contracted services	105,565	901,658
Equipment and vehicles	25,350	-
Equipment rental	52,742	-
Freight and courier	84,196	1,630
Fuel	70,676	145,016
Honouraria	5,752	200
Insurance, licenses and fees	47,760	22,971
Office supplies	210	3,712
Professional fees	30,819	-
Repairs and maintenance	88,419	347,043
Salaries and benefits	301,290	327,302
Supplies and program materials	60,132	2,189
Telephone, fax, and internet	4,340	1,178
Travel	29,798	2,132
Utilities	494,956	463,505
	<b>2,835,918</b>	<b>3,282,625</b>
<b>Deficit</b>	<b>(706,068)</b>	<b>(896,921)</b>

**Northlands Denesuline First Nation**  
**Land Claim**  
**Schedule 9 - Consolidated Schedule of Revenue and Expenses**  
*For the year ended March 31, 2016*

	2016	2015
<b>Revenue</b>		
Government of Canada - government loans <i>(Note 11)</i>	474,650	-
Other revenue	4,656	-
Deferred revenue - prior year	20,694	501,018
Deferred revenue - current year	-	(20,694)
	<b>500,000</b>	480,324
<b>Expenses</b>		
Bank charges and interest	230	127
Contracted services	2,500	3,939
Legal settlement	4,316	11,410
Office supplies	315	1,970
Professional development	-	470
Professional fees	281,453	248,916
Salaries and benefits	137,786	145,400
Telephone, fax, and internet	6,200	4,305
Travel	71,515	75,197
	<b>504,315</b>	491,734
<b>Deficit</b>	<b>(4,315)</b>	<b>(11,410)</b>

**Northlands Denesuline First Nation**  
**Other Programs**  
**Schedule 10 - Consolidated Schedule of Revenue and Expenses**  
*For the year ended March 31, 2016*

	2016	2015
<b>Revenue</b>		
Province of Manitoba	-	283,534
Keewatin Tribal Council	75,506	91,953
Treaty Land Entitlement	37,830	34,155
Other revenue	-	145,734
	<b>113,336</b>	<b>555,376</b>
<b>Expenses</b>		
Administration	-	4,600
Bank charges and interest	4	498
Community activities	-	126,508
Contracted services	-	21,154
Fuel	-	30,000
Honouraria	-	1,400
Interest on long-term debt	-	57,974
Office supplies	3,362	1,143
Professional development	3,348	800
Professional fees	407	124,456
Rent	-	400
Salaries and benefits	88,287	120,363
Student expenses	-	9,000
Supplies and program materials	6,522	9,033
Telephone, fax, and internet	2,724	-
Travel	13,388	30,034
Utilities	6,054	-
	<b>124,096</b>	<b>537,363</b>
<b>Surplus (deficit)</b>	<b>(10,760)</b>	<b>18,013</b>



**Northlands Denesuline First Nation**  
**Community Economic Development**  
**Schedule 11 - Consolidated Schedule of Revenue and Expenses**  
*For the year ended March 31, 2016*

	<b>2016</b>	<b>2015</b>
<b>Revenue</b>		
Indigenous and Northern Affairs Canada	<b>88,989</b>	88,989
<b>Expenses</b>		
Equipment and vehicles	<b>10,725</b>	-
Freight and courier	<b>171</b>	-
Professional fees	<b>63,000</b>	88,989
Travel	<b>15,503</b>	-
	<b>89,399</b>	88,989
<b>Surplus (deficit)</b>	<b>(410)</b>	-