

Northlands Denesuline First Nation
Financial Statements
March 31, 2018

Northlands Denesuline First Nation

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For the year ended March 31, 2018

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Management's Responsibility

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 fair presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting 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.

October 9, 2018



Signature

Independent Auditors' Report

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, 2018, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies, supporting schedules 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Northlands Denesuline First Nation as at March 31, 2018 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Winnipeg, Manitoba

October 9, 2018

MNP LLP

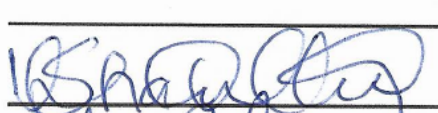

Chartered Professional Accountants

Northlands Denesuline First Nation Consolidated Statement of Financial Position

As at March 31, 2018

	2018	2017
Financial assets		
Cash	824,366	2,002,069
Accounts receivable (Note 3)	922,649	1,400,138
Restricted cash (Note 4)	8,609,839	3,848,469
	10,356,854	7,250,676
Liabilities		
Accounts payable and accruals (Note 5)	4,367,220	4,579,484
Deferred revenue (Note 6)	7,238,096	4,192,424
Due to Indigenous Services Canada (ISC) (Note 7)	882,973	1,335,920
Long-term debt (Note 8)	1,951,704	2,119,658
Due to Barrenlands First Nation (Note 9)	151,327	193,232
	14,591,320	12,420,718
Net debt	(4,234,466)	(5,170,042)
Contingencies (Note 10)		
Non-financial assets		
Tangible capital assets (Schedule 1)	40,198,572	25,749,389
Inventories held for use (Note 11)	1,329,653	811,300
	41,528,225	26,560,689
Accumulated surplus (Note 12)	37,293,759	21,390,647


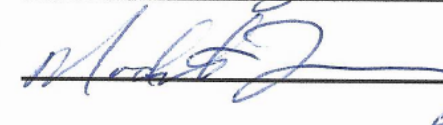
Approved

Chief

Councillor

Councillor

Councillor

Councillor

Northlands Denesuline First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2018

	<i>Schedules</i>	<i>2018 Budget</i>	<i>2018</i>	<i>2017</i>
Revenue				
Indigenous Services Canada (ISC) <i>(Note 13)</i>		9,257,959	28,707,726	18,064,345
First Nation and Inuit Health Branch (FNIH) <i>(Note 13)</i>		1,647,211	4,538,177	8,692,149
Government of Canada - land claim <i>(Note 10)</i>		908,234	908,234	588,235
Province of Manitoba		87,953	329,570	354,654
Canada Mortgage and Housing Corporation (CMHC)		211,160	130,400	130,400
Province of Manitoba - Winter Roads		-	394,465	-
Other revenue		-	481,609	996,655
Rental income		-	684,791	250,486
Keewatin Tribal Council		-	134,057	103,772
Treaty Land Entitlement		-	43,164	51,871
ISC debt forgiveness <i>(Note 7)</i>		-	574,224	-
ISC - recovery of current year funding <i>(Note 7)</i>		-	(206,257)	-
Deferred revenue - prior year <i>(Note 6)</i>		-	4,192,424	1,683,311
Deferred revenue - current year <i>(Note 6)</i>		-	(7,238,096)	(4,192,424)
		12,112,517	33,674,488	26,723,454
Segment expenses				
Governance and Administration	3	1,007,629	1,656,848	1,175,185
Social Assistance	4	2,817,368	2,868,840	2,952,891
Health	5	1,647,211	2,537,504	1,751,429
Capital and Housing	6	732,271	1,308,548	760,250
Education	7	3,841,539	4,315,289	4,389,303
Operations and Maintenance	8	1,039,702	3,886,807	2,797,781
Land Claim	9	843,569	803,033	524,720
Other Programs	10	53,350	247,316	141,048
Community Economic Development	11	-	147,191	93,799
Total segment expenses <i>(Note 14)</i>		11,982,639	17,771,376	14,586,406
Annual surplus		129,878	15,903,112	12,137,048
Accumulated surplus, beginning of year		21,390,647	21,390,647	9,253,599
Accumulated surplus, end of year <i>(Note 12)</i>		21,520,525	37,293,759	21,390,647

Northlands Denesuline First Nation
Consolidated Statement of Changes in Net Debt
For the year ended March 31, 2018

	<i>2018 Budget</i>	<i>2018</i>	<i>2017</i>
Annual surplus	129,878	15,903,112	12,137,048
Purchases of tangible capital assets	-	(373,999)	(1,580,753)
Amortization of tangible capital assets	-	2,590,445	2,062,842
Acquisition of construction in progress	-	(16,665,629)	(12,188,416)
Decrease (increase) in fuel inventory	-	(518,353)	(783,034)
Use of prepaid expenses	-	-	800
Decrease (increase) in net debt	129,878	935,576	(351,513)
Net debt, beginning of year	(5,170,042)	(5,170,042)	(4,818,529)
Net debt, end of year	(5,040,164)	(4,234,466)	(5,170,042)

Northlands Denesuline First Nation

Consolidated Statement of Cash Flows

For the year ended March 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating activities		
Cash receipts from contributors	36,744,703	28,367,416
Cash paid to suppliers	(11,373,081)	(6,486,583)
Cash paid to employees	(4,449,425)	(3,291,560)
Interest on long-term debt	(89,043)	(91,297)
	20,833,154	18,497,976
Financing activities		
Advances of long-term debt	420,000	-
Repayment of long-term debt	(587,954)	(453,518)
Repayments to Barren Lands First Nation	(41,905)	(40,466)
Increase in restricted cash	(4,761,370)	(2,268,984)
	(4,971,229)	(2,762,968)
Capital activities		
Purchases of tangible capital assets	(373,999)	(1,580,753)
Acquisition of construction in progress	(16,665,629)	(12,188,416)
	(17,039,628)	(13,769,169)
Increase (decrease) in cash resources	(1,177,703)	1,965,839
Cash resources, beginning of year	2,002,069	36,230
Cash resources, end of year	824,366	2,002,069

Northlands Denesuline First Nation

Notes to the Financial Statements

For the year ended March 31, 2018

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 bank. 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. 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 method 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.

	Method	Rate
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.

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 and amortized 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.

Northlands Denesuline First Nation

Notes to the Financial Statements

For the year ended March 31, 2018

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, 2018.

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 Services 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 collectability is reasonably assured.

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where 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 Services 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 Financial Statements

For the year ended March 31, 2018

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 operation 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

	2018	2017
Indigenous Services Canada (ISC) - per PAYE report	88,989	82,752
Indigenous Services Canada (ISC) - accrued income assistance	1,149	204,979
Indigenous Services Canada (ISC) - receivable from prior year	148,338	66,735
CMHC subsidy assistance receivable	26,796	119,533
Trade receivables	657,377	410,702
Indigenous Services Canada (ISC) - Environmental	-	515,437
	922,649	1,400,138

Northlands Denesuline First Nation

Notes to the Financial Statements

For the year ended March 31, 2018

4. Restricted cash

	2018	2017
Government of Canada - land claim	202,473	26,893
Ottawa Trust	9,618	9,409
Cash held in restricted accounts	8,347,164	3,811,583
CMHC replacement reserve	50,584	584
	8,609,839	3,848,469

Government of Canada - land claim

Claims cash is restricted for the negotiation on the Samuel Thorassie land claim. As at March 31, 2018, the balance of these funds held by legal representatives was \$97,107 (2017 - \$15,546).

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 Services Canada, with the consent of the Nation's Chief and Council. Trust moneys consist of:

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

Cash held in restricted accounts

Cash held in restricted accounts of \$8,347,164 (2017 - \$3,811,583) consists of funding received that must be spent on particular capital projects and is held in a bank accounts 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, 2018, the bank account was underfunded by \$150,344 (2017 - \$209,494).

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, 2018, a separate account had not been maintained leaving an unfunded balance of \$31,973 (2017 - \$28,938).

Northlands Denesuline First Nation

Notes to the Financial Statements

For the year ended March 31, 2018

5. Accounts payable and accruals

	2018	2017
Trade accounts payable	2,808,299	788,363
Accounts payable - capital projects	1,558,921	3,791,121
	4,367,220	4,579,484

6. Deferred revenue

	2018	2017
ISC - Lagoon projects	-	675,874
First Nation and Inuit Health (FNIH)	-	3,516,550
ISC - Environmental projects	889,597	-
ISC - Water treatment plant	5,825,239	-
ISC - 5 Duplexes	489,169	-
North of 60	34,091	-
	7,238,096	4,192,424

7. Due to Indigenous Services Canada (ISC)

	2018	2017
ISC liability under debt management #185 for 2008-09	-	161,293
ISC liability under debt management #187 for 2008-09	-	412,931
ISC recovery for 2011-12	5,826	90,806
ISC recovery for 2012-13 on final INAC review	178,566	178,566
ISC recovery for basic needs and band operated school 2012-13	70,606	70,606
ISC recovery for band operated school 2013-14	16,914	16,914
ISC recovery for basic needs 2013-14	189,827	189,827
ISC recovery for special needs 2013-14	4,194	4,194
ISC recovery for basic needs 2014-15	167,708	167,708
ISC recovery for in-home care 2014-15	1,409	1,409
ISC recovery for band operated school 2014-15	4,500	4,500
ISC recovery for enhanced school salaries 2014-15	30,320	30,320
ISC recovery for band operated school 2015-16	6,846	6,846
ISC recovery for basic needs 2017-18	206,257	-
	882,973	1,335,920

During the year, Indigenous Services Canada (ISC) wrote-off \$574,244 in debt as the limitation period for collections had expired.

Northlands Denesuline First Nation

Notes to the Financial Statements

For the year ended March 31, 2018

8. Long-term debt

	2018	2017
Demand loan payable to Royal Bank of Canada in 60 installments, with monthly payments of \$22,000 plus interest at a rate of prime (3.45%, 2017 - 2.70%) plus 3.25%, and a balloon payment of \$83,000 in November of each year, due July 2018, 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.	200,000	547,000
Demand loan payable to Royal Bank of Canada in 60 installments, with monthly payments of \$8,200 including interest at a rate of prime (3.45%, 2017 - 2.70%) plus 3.87%, due July 2022, secured by a general security agreement constituting a first ranking security interest in all property.	290,975	-
CMHC mortgage with payments of \$4,261 per month including interest at 1.17%, maturing August 2035 with a scheduled renewal date of January 2021, secured by a ministerial guarantee and an assignment of fire insurance.	805,409	846,876
CMHC mortgage with payments of \$4,685 per month including interest at 1.17%, maturing December 2021 with a scheduled renewal date of January 2021, secured by a ministerial guarantee and an assignment of fire insurance.	206,111	259,581
CMHC mortgage with payments of \$1,839 per month including interest at 1.11%, maturing January 2041 with a scheduled renewal date of April 2021, secured by a ministerial guarantee and an assignment of fire insurance.	449,209	466,201
	1,951,704	2,119,658

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:

2019	392,258
2020	199,777
2021	207,797
2022	137,464
2023	61,867

9. Due to Barrenlands First Nation

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.

10. Contingencies

Government of Canada - land claim

The Nation, through the claims office, has obtained loans from the Government of Canada totaling \$17.12 million (2017 - \$16.21 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 (plus unspecified damages) 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, 2018 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 ISC by July 29, 2018. 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 Financial Statements

For the year ended March 31, 2018

11. Inventories held use

The cost of inventories consumed are recognized as fuel expense in the various programs with only some fuel being sold to third parties. There were no write-downs or reversals of write-downs of inventories recognized as an expense during the year.

12. Accumulated surplus

Accumulated surplus consists of the following:

	2018	2017
Equity in tangible capital assets	38,524,554	23,748,372
Replacement reserve	200,928	210,078
Operating reserve	31,973	28,938
Ottawa trust funds	9,618	9,409
Operating surplus (deficit)	(1,473,314)	(2,606,150)
	37,293,759	21,390,647

13. ISC and FNIH Revenue reconciliation

	2018	2017
ISC revenue reconciliation		
ISC revenue per funding agreement	28,912,705	17,902,335
Accrued ISC Basic Needs revenue 15/16	-	(42,969)
Accrued ISC Basic Needs revenue 16/17	(204,979)	204,979
ISC revenue per consolidated financial statement	(28,707,726)	(18,064,345)
	-	-
FNIH revenue reconciliation		
FNIH revenue per funding agreement	4,538,177	8,692,149
FNIH revenue per consolidated financial statements	(4,538,177)	(8,692,149)
	-	-

14. Consolidated expenses by object

	2018	2017
Amortization	2,590,445	2,062,842
Bank charges and interest	89,043	91,297
Professional fees	740,905	579,097
Purchased goods and services	6,684,435	5,900,420
Salaries and benefits	4,449,425	3,291,560
Social assistance	2,029,793	1,978,897
Training	176,972	197,657
Travel	1,010,358	484,636
	17,771,376	14,586,406

Northlands Denesuline First Nation Notes to the Financial Statements

For the year ended March 31, 2018

15. Economic dependence

The Nation receives substantially all of its revenue from Indigenous Services Canada (ISC) and First Nations and Inuit Health (FNIH) as a result of Treaties entered into with the Government of Canada. These Treaties are administered by ISC and FNIH under the terms and conditions of the Indian Act. The ability of the Nation to continue operations is dependent upon ISC 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 judgment. Changes in the following assumptions could significantly affect the estimates.

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

18. Budget information

The disclosed budget information has been approved by the Chief and Council of the Northlands Denesuline First Nation.

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

For the year ended March 31, 2018

	<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>
Cost							
Balance, beginning of year	7,100,819	1,593,580	1,311,901	21,383,087	5,467,286	2,969,353	39,826,026
Acquisition of tangible capital assets	-	373,999	-	-	-	-	373,999
Construction-in-progress	-	-	-	-	-	-	-
Transfer of capital assets upon completion	15,264,294	-	-	-	-	-	15,264,294
Balance, end of year	22,365,113	1,967,579	1,311,901	21,383,087	5,467,286	2,969,353	55,464,319
Accumulated amortization							
Balance, beginning of year	5,313,519	887,525	314,290	18,266,247	4,707,761	1,425,846	30,915,188
Annual amortization	736,648	341,677	32,798	1,141,857	218,691	118,774	2,590,445
Balance, end of year	6,050,167	1,229,202	347,088	19,408,104	4,926,452	1,544,620	33,505,633
Net book value of tangible capital assets	16,314,946	738,377	964,813	1,974,983	540,834	1,424,733	21,958,686
2017 Net book value of tangible capital assets	1,787,299	706,054	997,611	3,116,840	759,525	1,543,507	8,910,836

Northlands Denesuline First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2018

	<i>Subtotal</i>	<i>Construction in progress</i>	<i>2018</i>	<i>2017</i>
Cost				
Balance, beginning of year	39,826,026	16,838,551	56,664,577	42,895,408
Acquisition of tangible capital assets	373,999	-	373,999	1,580,753
Construction-in-progress	-	16,665,629	16,665,629	12,188,416
Transfer of capital assets upon completion	15,264,294	(15,264,294)	-	-
Balance, end of year	55,464,319	18,239,886	73,704,205	56,664,577
Accumulated amortization				
Balance, beginning of year	30,915,188	-	30,915,188	28,852,346
Annual amortization	2,590,445	-	2,590,445	2,062,842
Balance, end of year	33,505,633	-	33,505,633	30,915,188
Net book value of tangible capital assets	21,958,686	18,239,886	40,198,572	25,749,389
2017 Net book value of tangible capital assets	8,910,836	16,838,553	25,749,389	

Northlands Denesuline First Nation

Schedule 2 - Consolidated Summary Schedule of Segment Revenue and Expenses

For the year ended March 31, 2018

	<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	2,884,954	1,656,848	185,003	1,413,109	1,184,794
Social Assistance	2,849,310	2,868,840	-	(19,530)	34,916
Health	2,490,585	2,537,504	(99,293)	(146,212)	(31,817)
Capital and Housing	18,111,679	1,308,548	(14,600)	16,788,531	11,812,134
Education	4,059,598	4,315,289	-	(255,691)	339,880
Operations and Maintenance	2,071,338	3,886,807	-	(1,815,469)	(1,215,518)
Land Claim	874,143	803,033	(71,110)	-	-
Other Programs	177,221	247,316	-	(70,095)	17,469
Community Economic Development	155,660	147,191	-	8,469	(4,810)
	33,674,488	17,771,376	-	15,903,112	12,137,048

Northlands Denesuline First Nation
Governance and Administration
Schedule 3 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous Services Canada	968,728	732,813
Province of Manitoba	329,570	354,654
Other revenue	399,566	874,511
Rental income	612,866	180,511
Deferred revenue - prior year	-	1,775
ISC revenue recovery	574,224	-
	2,884,954	2,144,264
Expenses		
Administration	200	9,145
Amortization	11,223	9,380
Bank charges and interest	49,572	53,363
Board travel, training and honouraria	-	500
Community activities	90,275	14,612
Community assistance	150,837	39,129
Contracted services	71,829	28,254
Donations	-	35,600
Equipment and vehicles	-	13,092
Equipment rental	-	3,400
Freight and courier	3,565	1,375
Fuel	17,350	4,293
Funeral	2,000	17,061
Honouraria	263,948	257,550
Insurance	1,369	2,816
Interest	6,095	7,534
Office supplies	11,796	6,915
Professional development	2,878	1,258
Professional fees	240,652	172,264
Repairs and maintenance	6,541	1,064
Salaries and benefits	245,924	144,714
Supplies and program materials	92,193	169,223
Telephone, fax, and internet	29,707	41,277
Training	6,500	11,750
Travel	344,249	94,356
Utilities	8,145	35,260
	1,656,848	1,175,185
Surplus before transfers	1,228,106	969,079
Transfers between programs	185,003	215,715
Surplus	1,413,109	1,184,794

Northlands Denesuline First Nation
Social Assistance
Schedule 4 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous Services Canada	3,055,567	2,987,807
ISC - recovery of current year funding	(206,257)	-
	2,849,310	2,987,807
Expenses		
Bank charges and interest	8,858	7,922
Community assistance	209	-
Funeral	22,503	16,872
Office supplies	28,091	17,621
Professional development	500	-
Salaries and benefits	121,877	129,927
Social assistance	2,029,793	1,978,897
Special needs	52,898	8,129
Travel	3,000	2,455
Utilities	601,111	791,068
	2,868,840	2,952,891
Surplus (deficit)	(19,530)	34,916

Northlands Denesuline First Nation
Health
Schedule 5 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2018

	2018	2017
Revenue		
First Nation and Inuit Health (FNIH)	2,489,302	1,842,149
Other revenue	1,283	15,063
	2,490,585	1,857,212
Expenses		
Amortization	20,916	17,480
Bank charges and interest	4,737	3,535
Community activities	215,308	121,357
Community assistance	16,185	24,912
Contract wages	82,059	124,061
Donations	1,000	800
Equipment and vehicles	350	1,900
Equipment rental	-	400
Freight and courier	3,938	12,152
Fuel	34,320	22,500
Honouraria	11,920	12,504
Insurance, licenses and fees	10,623	3,934
Management fees	-	14,421
Office supplies	31,101	23,614
Professional development	11,376	13,808
Rent	-	4,000
Repairs and maintenance	45,474	50,906
Salaries and benefits	1,122,054	717,488
Supplies and program materials	157,446	100,466
Telephone, fax, and internet	76,698	9,543
Travel	306,908	169,336
Utilities	385,091	302,312
	2,537,504	1,751,429
Surplus (deficit) before transfers	(46,919)	105,783
Transfers between programs	(99,293)	(137,600)
Deficit	(146,212)	(31,817)

Northlands Denesuline First Nation
Capital and Housing
Schedule 6 - Consolidated Schedule of Revenue and Expenses

For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous Services Canada	18,863,225	8,036,712
First Nation and Inuit Health Branch (FNIH)	2,048,875	6,850,000
Canada Mortgage and Housing Corporation (CMHC)	130,400	130,400
Other revenue	80,760	80,760
Deferred revenue - prior year	4,192,424	1,681,536
Deferred revenue - current year	(7,204,005)	(4,192,424)
	18,111,679	12,586,984
Expenses		
Amortization	118,774	118,774
Bank charges and interest	172	54
Contracted services	475,794	461,212
Freight and courier	143,601	40,017
Insurance, licenses and fees	21,371	19,046
Interest on long-term debt	17,479	18,503
Office supplies	289	-
Professional fees	10,450	7,500
Repairs and maintenance	33,025	76,710
Salaries and benefits	9,207	-
Supplies and program materials	478,026	18,434
Travel	360	-
	1,308,548	760,250
Surplus before transfers	16,803,131	11,826,734
Transfers between programs	(14,600)	(14,600)
Surplus	16,788,531	11,812,134

Northlands Denesuline First Nation
Education
Schedule 7 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous Services Canada	3,987,673	4,635,761
Rental income	71,925	69,975
Other revenue	-	23,447
	4,059,598	4,729,183
Expenses		
Amortization	157,866	131,932
Bank charges and interest	8,206	7,896
Board travel, training and honouraria	12,460	7,510
Community activities	-	3,818
Contracted services	33,472	123,698
Equipment and vehicles	8,000	-
Equipment rental	-	7,300
Freight and courier	55,900	79,600
Honouraria	16,600	15,150
Insurance, licenses and fees	14,334	5,996
Office supplies	11,092	6,172
Professional development	100,532	23,910
Professional fees	-	93,050
Repairs and maintenance	115,748	145,988
Salaries and benefits	2,278,272	1,934,618
Student expenses	32,128	125,268
Supplies and program materials	291,305	255,770
Telephone, fax, and internet	8,529	8,013
Travel	137,180	78,213
Utilities	1,033,665	1,335,401
	4,315,289	4,389,303
Surplus (deficit)	(255,691)	339,880

Northlands Denesuline First Nation
Operations and Maintenance
Schedule 8 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous Services Canada	1,676,873	1,582,263
Province of Manitoba - Winter Roads	394,465	-
	2,071,338	1,582,263
Expenses		
Amortization	2,281,666	1,785,276
Bad debts	15	-
Board travel, training and honouraria	-	864
Contracted services	96,016	179,270
Equipment and vehicles	5,000	-
Equipment rental	4,968	3,321
Freight and courier	34,616	83,971
Fuel	43,878	5,317
Honouraria	2,550	3,764
Insurance, licenses and fees	69,570	63,888
Office supplies	1,003	1,000
Professional development	20,218	6,559
Professional fees	10,402	-
Repairs and maintenance	523,516	223,773
Salaries and benefits	420,377	122,129
Supplies and program materials	163,832	105,299
Telephone, fax, and internet	3,854	3,753
Travel	8,632	17,062
Utilities	196,694	192,535
	3,886,807	2,797,781
Deficit	(1,815,469)	(1,215,518)

Northlands Denesuline First Nation
Land Claim
Schedule 9 - Schedule of Revenue and Expenses
For the year ended March 31, 2018

	2018	2017
Revenue		
Government of Canada - land claim	908,234	588,235
Deferred revenue - current year	(34,091)	-
	874,143	588,235
Expenses		
Bank charges and interest	18	24
Office equipment lease	-	1,097
Office supplies	7,532	5,824
Professional development	695	-
Professional fees	462,656	281,283
Salaries and benefits	137,362	137,888
Telephone, fax, and internet	5,836	5,626
Travel	188,934	92,978
	803,033	524,720
Surplus before transfers	71,110	63,515
Transfers between programs	(71,110)	(63,515)
Surplus	-	-

Northlands Denesuline First Nation
Other Programs
Schedule 10 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2018

	2018	2017
Revenue		
Keewatin Tribal Council	134,057	103,772
Treaty Land Entitlement	43,164	51,871
Other revenue	-	2,874
	177,221	158,517
Expenses		
Bad debts	9,195	-
Equipment rental	500	-
Freight and courier	510	111
Office supplies	113	1,000
Professional development	2,145	2,294
Repairs and maintenance	58,989	-
Salaries and benefits	114,352	97,371
Supplies and program materials	5,439	5,876
Telephone, fax, and internet	2,387	2,478
Travel	20,794	25,048
Utilities	32,892	6,870
	247,316	141,048
Surplus (deficit)	(70,095)	17,469

Northlands Denesuline First Nation
Community Economic Development
Schedule 11 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous Services Canada	155,660	88,989
Expenses		
Community activities	10,000	24,692
Freight and courier	9,000	6,500
Insurance	2,275	5,392
Professional development	-	12,809
Professional fees	16,745	25,000
Salaries and benefits	-	7,425
Supplies and program materials	109,171	6,794
Travel	-	5,187
	147,191	93,799
Surplus (deficit)	8,469	(4,810)