

THE EXCHANGE

chartered accountants LIT

INDEPENDENT AUDITORS' REPORT

To the Members of O-Pipon-Na-Piwin Cree Nation O-Pipon-Na-Piwin Cree Nation

We have audited the accompanying consolidated financial statements of O-Pipon-Na-Piwin Cree Nation, O-Pipon-Na-Piwin Cree Nation, which comprise the consolidated statement of financial position as at March 31, 2015 and the consolidated statements of operations and changes in surplus, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 O-Pipon-Na-Piwin Cree Nation'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 O-Pipon-Na-Piwin Cree Nation'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

Individual accounts receivable balances include amounts that are several years old. There are also several invoices in the current year that are several months old. As a result, we were unable to determine the valuation or existence of receivables since many of these amounts remained outstanding in the period subsequent to year end. Many of these balances existed at March 31, 2014, or earlier, which indicates that the balances may have been misstated at that time as well.

We were unable to determine the completeness of accounts receivable. Many customers had negative balances, which indicated a lack of controls surrounding ensuring all invoices were entered.

(continues)

Independent Auditors' Report to the Members of O-Pipon-Na-Piwin Cree Nation (*continued*)

Included in the balance of Funds Held in Trust is \$134,035 in amounts we were unable to confirm. These amounts were included in the audit of the year ended March 31, 2014, and no transactions have been recorded since March 31, 2013 in the accounting records for the community. We were unable to determine what these amounts related to. We are therefore, unsure as to the existence, completeness or valuation of these funds.

During the course of the year ended March 31, 2015, significant costs were incurred relating to housing and building projects in the community. None of these costs were capitalized by accounting personnel. The timing of completion of the audit has not allowed us to determine which, if any, of these costs should be capitalized. As a result, we were unable to satisfy ourselves as to the completeness of tangible capital asset additions for the year ended March 31, 2015.

The system of controls surrounding the entering of accounts payable was not significant enough to allow us to determine the completeness of payables recorded. The payables recorded in the financial statements as at March 31, 2015 are based on those amounts owing that were confirmed with third party suppliers. Several of the accounts payable balances included in the statement of financial position as at March 31, 2014 were several years old, and remained unpaid at March 31, 2015. We were unable to determine whether adjustments may have been necessary to opening accounts payable.

During the course of the audit, we noted several classification issues in the accounting records, relating to revenues and expenses. With the exception of revenues from AANDC and FNI1113, we are unable to offer an opinion on the classification of revenues and expenses in the statement of operations and in each of the program schedules.

Qualified Opinion

In our opinion, with the exception of any adjustments that may be necessary based on the issues noted in the preceding paragraphs, the consolidated financial statements present fairly, in all material respects, the financial position of O-Pipon-Na-Piwin Cree Nation as at March 31, 2015 and the results of its operations and its cash flow for the year then ended in accordance with Canadian Public Sector Accounting Standards.

The/ Exchange/

chartered accountants, LLP
Winnipeg, Manitoba
April 19, 2016

O-PIPON-NA-PIWIN CREE NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
March 31, 2015

	2015	2014
FINANCIAL ASSETS		
Funds held in trust	1,342,613	\$ 3,957,576
Accounts receivable (<i>Note 3</i>)	<u>2,075,313</u>	<u>1,553,414</u>
	<u>3,417,926</u>	<u>5,510,990</u>
LIABILITIES		
Bank indebtedness (<i>Note 5</i>)	\$ 262,631	\$ 600,242
Accounts payable and accrued liabilities (<i>Note 6</i>)	1,602,336	2,111,423
Deferred revenue	2,704,017	5,173,804
Long term debt (<i>Note 7</i>)	<u>1,724,862</u>	<u>2,036,417</u>
	<u>6,293,846</u>	<u>9,921,886</u>
NET DEBT	<u>(2,875,920)</u>	<u>\$ (4,410,896)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (<i>Note 4</i>)	<u>33,412,462</u>	<u>35,271,831</u>
ACCUMULATED SURPLUS (Page 4)	<u>30,536,542</u>	<u>\$ 30,860,935</u>

Approved on behalf of the members:



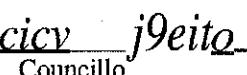
 Chief


 Councillor



 Councillor

Councillor



 Councillor

The accompanying notes are an integral part of this financial statement

O-PIPON-NA-PINVIN CREE NATION
Consolidated Statement of Operations and Changes in Surplus
Year Ended March 31, 2015

	Budget (Unaudited) 2015	Actual 2015	Actual 2014
REVENUE			
<u>Aboriginal Affairs and Northern Development</u>			
Canada	\$ 5,753,471	\$ 5,954,934	
Health Canada	878,321	886,662	
Human Resources and Social Development Canada	229,941		
Provincial Government	145,917	1,088,884	
Interest, rent and sundry	4,192,189	2,821,358	
Southbay Construction		514,151	
Deferred revenue, beginning of year	4,678,015	7,254,416	
Deferred revenue, end of year	(2,049,812)	(4,678,015)	
	<hr/>	<hr/>	<hr/>
	13,598,101	14,072,331	
EXPENSES			
Amortization	1,861,374	1,914,235	
Education	749,721	676,236	
Health	1,039,620	1,067,123	
Economic development	5,677		
Housing	1,170,527	432,592	
Community Services	1,349,713	1,345,717	
Social Services	2,451,348	2,795,761	
Band Government	2,576,663	2,086,545	
Employment Program	937,005	1,317,393	
Other	1,251,919	231,431	
Southbay Construction	528,927	737,525	
	<hr/>	<hr/>	<hr/>
	13,922,494	12,604,558	
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES			
	(324,393)	1,467,773	
ACCUMULATED SURPLUS, beginning of year - as previously reported			
	\$ 29,419,124	\$ 29,418,924	
Correction of error (<i>Note 11</i>)		\$ (25,762)	
ACCUMULATED SURPLUS, beginnning of year - restated			
	\$ 30,860,935	\$ 29,393,162	
ACCUMULATED SURPLUS, end of year			
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	\$ 30,536,542	\$ 30,860,935	

See notes to financial statements

O-PIPON-PIVVIN CREE NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
For the Year Ended March 31, 2015

	2015 Actual	2014 Actual
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (324,393)	\$ 1,467,773
Acquisition of tangible capital assets	(2,005)	(3,537,772)
Amortization of tangible capital assets	1,861,374	1,914,235
	<u>1,859,369</u>	<u>(1,623,537)</u>
CHANGE IN NET DEBT	1,534,976	(155,764)
NET DEBT, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	(4,385,135)	(4,229,370)
CORRECTION OF ERROR (Note 11)	(25,762)	
NET DEBT, BEGINNING OF YEAR, AS RESTATED	(4,410,896)	(4,255,132)
NET FINANCIAL ASSETS, END OF YEAR	\$ (2,875,920)	\$ (4,410,896)

The accompanying notes are an integral part of this financial statement

O-PIPON-NA-PIWIN CREE NATION
Consolidated Statement of Cash Flows
Year Ended March 31, 2015

	2015	2014
OPERATING ACTIVITIES		
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (324,395)	\$ 1,467,572
Items not affecting cash:		
Amortization	<u>1,861,374</u>	<u>1,914,235</u>
	<u>1,536,979</u>	<u>3,381,807</u>
Changes in non-cash working capital:		
Accounts receivable	(521,899)	3,875,701
Due from related party	(101,824)	
Accounts payable and accrued liabilities	<u>(509,086)</u>	<u>(3,847,047)</u>
Deferred income	<u>(2,469,787)</u>	<u>(3,078,025)</u>
	<u>(3,500,772)</u>	<u>(3,151,195)</u>
Cash flow from operating activities	<u>(1,963,793)</u>	<u>230,612</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(2,005)	(3,537,772)
Change in business enterprises equity	223,574	
Cash flow used by investing activities	<u>(2,005)</u>	<u>(3,314,198)</u>
FINANCING ACTIVITY		
Advances (repayment) of long term debt	<u>(311,554)</u>	<u>1,999,738</u>
Cash flow from (used by) financing activity	<u>(311,554)</u>	<u>1,999,738</u>
DECREASE IN CASH FLOW	(2,277,352)	(1,083,848)
CASH (DEFICIENCY) - BEGINNING OF YEAR	3,357,334	4,441,182
CASH - END OF YEAR	\$ 1,079,982	\$ 3,357,334
CASH CONSISTS OF:		
Funds held in trust	\$ 1,342,613	\$ 3,957,576
Bank indebtedness	(262,631)	(600,242)
	<u>\$ 1,079,982</u>	<u>\$ 3,357,334</u>

See notes to financial statements

O-PIPON-NA-PFW1N CREE NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2015

1. REPORTING ENTITY

The O-Pipon-NA-Pwin Cree Nation reporting entity includes the Cree Nation government and all related entities, which are either owned or controlled by the Cree Nation. The Cree nation is non-taxable.

2. ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Basis of Financial Statements

These statements have been prepared by consolidated basis and include the operations of all entities under the control of O-Pipon-Na-Piwin Cree Nation, including South Bay Construction Ltd., OPCN Inc., 5681490 Manitoba Ltd. (o/a South Indian Lake Rock Crushing Company).

Tangible Capital Assets

Tangible Capital assets have been recorded at acquisition cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Certain assets are disclosed at a nominal value as the determination of current fair market value was not available.

Amortization has been recorded over the useful lives of the buildings, infrastructure, equipment and mobile equipment.

Amortization of tangible capital assets has been recorded on a straight-line basis using the following rates:

Buildings	2.5% & 4%
Equipment	4%
Infrastructure	2.50%, 3.33 & 4%
Mobile equipment	10% & 20%

Government Transfers

Government transfers are recognized as revenue as it becomes receivable under the terms of the applicable funding arrangements. Transfers that relate to subsequent fiscal periods or may be repayable are recognized as deferred revenue in the year of receipt.

Rental revenue is recognized on a monthly basis in accordance with tenancy agreements.

O-PITON-NA-PIM/IN CREE NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2015

3. ACCOUNTS RECEIVABLE

	2015	2014
AANDC	\$ 130,459	\$ 187,374
Trades Receivables	868,644	595,877
Band Members	493,317	187,740
FNIHB	18,013	18,013
Province of Manitoba	900,000	900,000
Canada Economic Action Plan	99,650	99,650
Other	26,287	26,949
Daycare subsidy receivable	1,132	
 Subtotal	 2,537,502	 2,015,603
Less: allowance for doubtful accounts	(462,189)	(462,189)
 	 \$ 2,075,313	 \$ 1,553,414

4. PROPERTY, PLANT AND EQUIPMENT

	Opening Cost	Additions	Ending Cost	Accumulated amortization	2015 Net book value
Land	31,500	\$	\$ 31,500		31,500
Buildings	24,074,843		24,074,843	6,092,352	17,982,491
Equipment	4,496,238		4,496,238	2,105,802	2,390,436
Motor vehicles	2,001,354		2,001,354	1,683,976	317,378
Computer and office equipment	283,752		283,752	245,044	38,708
Infrastructure	12,293,454		12,293,454	2,505,390	9,788,064
Construction in progress	2,861,879	2,006	2,863,885		2,863,885
 	 \$ 46,043,020	 \$ 2,006	 \$ 46,045,026	 \$ 12,632,564	 \$ 33,412,462
	Opening Cost	Additions	Ending Cost	Accumulated amortization	2014 Net book value
Land	31,500	\$	\$ 31,500	\$ -	\$ 31,500
Buildings	24,007,550	67,293	24,074,843	5,129,394	18,945,449
Equipment	4,338,238	158,000	4,496,238	1,771,042	2,725,196
Motor vehicles	1,659,554	341,800	2,001,354	1,444,172	557,182
Computer and office equipment	283,752		283,752	199,361	84,391
Infrastructure	12,184,654	108,800	12,293,454	2,227,220	10,066,234
Construction in progress	2,861,879		2,861,879		2,861,879
 	 \$ 42,505,248	 \$ 3,537,772	 \$ 46,043,020	 \$ 10,771,189	 \$ 35,271,831

5. BANK INDEBTEDNESS

O-Pipon-Na-Piwin Cree Nation has a line of Credit of \$270,000 through the Royal bank of Canada. Interest on this line of credit is charged at a rate of prime plus 2%. As at March 31, 2015, \$270,000 (2014 - \$150,000) of this facility was available for use.

0-PIPON-NA-PIWIN CREE NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2015

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Trade accounts payable	\$ 745,346	\$ 1,390,222
Payroll	166,054	109,738
Social assistance AP	79,473	-
CMHC	303,559	303,559
Due to NCN	<u>307,904</u>	<u>307,904</u>
	\$ 1,602,336	\$ 2,111,423

7. LONG TERM DEBT

	2015	2014
Ford Credit Canada loan bearing interest at 6.00 % per annum, repayable in monthly blended payments of \$1,296.00. The loan matures September 2015 and is secured by vehicles.	32,763	\$ 32,763
Frontier School Division loan bearing interest at prime plus 1% per annum, repayable in monthly blended payments of \$30,262.00. The loan matures on May 28, 2020.	<u>1,692,099</u>	<u>2,003,654</u>
	1,724,862	2,036,417
Amounts payable within one year		
	\$ 1,724,862	\$ 2,036,417

Principal repayment terms are approximately:

2016	\$ 337,093
2017	316,508
2018	328,583
2019	341,119
2020	354,133
Thereafter	<u>47,426</u>
	\$ 1,724,862

8. ECONOMIC DEPENDENCE

The Cree Nation is economically dependant on the Government funding as it receives a major portion of its revenue from Aboriginal Affairs and Northern Development Canada, Health Canada and the Province of Manitoba.

O-PIPON-NA-PIWIN CREE NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2015

9. CONTINGENT LIABILITY

The Cree Nation has signed funding agreements with the Indian and Northern Affairs Canada and other governmental bodies for funding of programs which state the the funding party may require surpluses to be returned. The total of such surpluses were undeterminable and the amount could be material. Payments or recoveries of prior year surpluses will be recorded in the year recovered or paid.

10. ABORIGINAL AFFAIRS AND NORTHERN DEVELOPMENT CANADA FUNDING RECONCILIATION

	2015	2014
Aboriginal Affairs and Northern Development Canada revenue, per financial statements	\$ 5,753,471	\$ 5,954,934
Less: prior year deferred revenue	(370,902)	(802,558)
2013 tuition revenue received in 2014	-	(170,838)
Add: Current year deferred revenue deferred revenue	370,902	370,902
	<hr/>	<hr/>
Total revenue per Aboriginal Affairs and Northern Development Canada confirmation	<hr/> \$ 5,753,471	<hr/> \$ 5,731,912

11. CORRECTION OF ERROR

The prior year financial statements accounted for the investment in South Bay Construction Inc. on a modified equity basis instead of on a fully consolidated basis.. As a result, a prior adjustment was made to adjust amounts relating to income accumulated over the years from South Bay Construction from a liability to the accumulated surplus. This adjustment increased opening accumulated surplus, net debt and decreased business enterprises equity by \$715,019.

In addition, the prior financial statements did not eliminate amounts receivable from South Bay Construction Inc. and 5681490 Manitoba Ltd upon consolidation. As the Cree Nation owns both of these businesses, the receivable should be eliminated upon consolidation of all entities. As a result, a prior period adjustment was made to eliminate the inter-company receivables. This adjustment decreased opening accumulated surplus, net debt and due from related parties by \$740,781.
