

WAR LAKE FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

WAR LAKE FIRST NATION
MARCH 31, 2016

COUNCIL

Chief	Betsy Kennedy
Councillor	Roy Ouskun - Current
Councillor	Dwayne Flett - Current
Councillor	Phillip Morris - Former
Councillor	Thomas Nepitabo - Former

FIRST NATION ADMINISTRATION

First Nation Administrator	Kathleen Wavey
Social Service Administrator	Jennifer Bloomfield

WAR LAKE FIRST NATION
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FOR THE YEAR ENDED MARCH 31, 2016

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WAR LAKE FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the War Lake First Nation are the responsibility of management and have been approved by the Chief and Council.

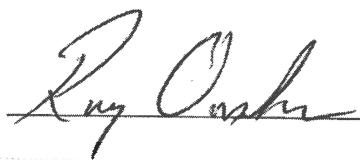
Management is responsible for the integrity and objectivity of the consolidated financial statements. Estimates are necessary in the preparation of these consolidated financial statements and, based on careful judgments, have been properly reflected. Management has established systems of internal control, which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

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

The consolidated financial statements have been audited by Holukoff Chiarella in accordance with Canadian generally accepted auditing standards on behalf of the members. Holukoff Chiarella has full and free access to Council.



Barry Kennedy CHIEF



Ray Oshie COUNCILLOR

Holukoff Chiarella
CHARTERED ACCOUNTANTS

EXHIBIT "A"

Kevin Massee, B.Comm. (Hons), C.A.
(Practising as Kevin Massee Chartered Accountant Ltd.)
Ralph Orr, B.Comm. (Hons), C.A.
(Practising as Ralph Orr Chartered Accountant Ltd.)

101 - 1180 Pembina Highway
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Telephone (204) 452-6449
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INDEPENDENT AUDITORS' REPORT

To the Chief, Councillors and Members of
War Lake First Nation

We have audited the accompanying financial statements of War Lake First Nation, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of accumulated surplus, operations, revenue and expenses, changes 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 Financial Statements

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

Auditors' Responsibility

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

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

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

Holukoff Chiarella

CHARTERED ACCOUNTANTS

Kevin Massee, B.Comm. (Hons), C.A.
(Practising as Kevin Massee Chartered Accountant Ltd.)
Ralph Orr, B.Comm. (Hons), C.A.
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EXHIBIT "A"

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INDEPENDENT AUDITORS' REPORT

Basis for Qualified Opinion

Inventory consists of merchandise and fuel purchased for resale at the War Lake Convenience Store owned by the First Nation. We did not observe the inventory count at the beginning or end of the year and alternative means did not provide us with the necessary assurance concerning the quantity on hand or the cost of inventory. As a result, we were unable to determine what adjustments, if any, might be necessary to assets, annual surplus (deficit) and accumulated surplus.

We were unable to verify the occurrence or completeness of sales, accounts receivable, accounts payable and expenditures for War Lake Convenience Store as at March 31, 2016. Our testing indicated deficiencies in the recording of sales, deposits and the related receivables and deficiencies existed in internal control over recording of expenditures and accounts payable.

As a result of the above, we were unable to determine by alternative means what adjustments, if any, might be necessary to assets, liabilities, annual surplus (deficit) and accumulated surplus.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which might have been determined to be necessary as a result of the matters in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of War Lake First Nation as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



WINNIPEG, MANITOBA
August 6, 2016.

CHARTERED PROFESSIONAL ACCOUNTANTS

EXHIBIT "B"

WAR LAKE FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash, Note 3	\$ 251,300	548,468
Restricted cash and trust funds, Note 4	209,136	169,726
Accounts receivable, Note 5	349,433	382,005
Investments, Note 6	222,467	204,716
Due from related party, Note 7	<u>19,070</u>	<u>1,323,985</u>
	<u>1,032,336</u>	<u>1,323,985</u>
LIABILITIES		
Accounts payable and accrued liabilities, Note 8	938,789	932,839
Due to related party, Note 7	5,000	5,000
Advances, Note 9	150,000	150,000
Deferred revenue, Note 10	211,036	223,326
Long term debt, Note 11	1,124,246	1,403,274
Reserve Funds, Note 12	<u>95,924</u>	<u>116,637</u>
	<u>2,524,995</u>	<u>2,826,076</u>
NET DEBT, Exhibit "F"	<u>(1,492,659)</u>	<u>(1,502,091)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses, Note 13	7,680	21,921
Inventory, Note 14	48,133	83,009
Tangible capital assets, Note 15	<u>9,867,476</u>	<u>10,132,827</u>
	<u>9,923,289</u>	<u>10,237,757</u>
ACCUMULATED SURPLUS, Exhibit "C"	\$ 8,430,630	8,735,666
CONTINGENT LIABILITY, Note 19		

APPROVED ON BEHALF OF FIRST NATION COUNCIL


Petay Kamey CHIEF

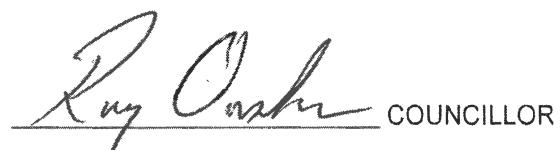

Ray Oshie COUNCILLOR

EXHIBIT "C"

WAR LAKE FIRST NATION
CONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
BALANCE AT BEGINNING OF YEAR	\$ 8,735,666	8,486,555
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	<u>(305,036)</u>	<u>249,111</u>
BALANCE AT END OF YEAR	<u>\$ 8,430,630</u>	<u>8,735,666</u>

EXHIBIT "D"

WAR LAKE FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
	<u>Budget</u>	<u>Actual</u>
REVENUE		
Federal Government		
AANDC	\$ 1,246,078	1,438,100
Health Canada	336,000	336,603
Canada Mortgage and Housing Corporation	75,012	75,012
Public Service	13,241	23,639
Provincial government	191,375	177,081
Other	<u>1,472,175</u>	<u>2,156,147</u>
	<u>3,129,265</u>	<u>4,210,478</u>
EXPENSES		
First Nation Management	387,674	426,301
Social Services	295,028	326,689
Economic Development	30,917	30,917
War Lake Convenience Store Ltd.	148,233	159,102
Hydro Development	23,856	6,960
Health Services	336,000	342,036
Operating Programs	<u>2,019,914</u>	<u>1,621,399</u>
Public Works	169,402	191,939
Capital	143,700	475,743
CMHC Housing Operations	201,422	192,713
Trust Funds	<u>440,559</u>	<u>661,986</u>
	<u>3,607,913</u>	<u>4,327,220</u>
ANNUAL SURPLUS (DEFICIT)		
BEFORE OTHER ITEMS	\$ (478,648)	(116,742)
OTHER ITEMS		
Transfer to tangible capital assets	345,796	506,484
Amortization	(615,213)	(620,804)
CMHC Amortization reversal	81,759	122,477
CMHC Contributed capital adjustment	<u>(636)</u>	<u> </u>
ANNUAL SURPLUS (DEFICIT)	\$ (305,036)	<u>249,111</u>

EXHIBIT "D-1"

WAR LAKE FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2016

	2016		Annual Surplus (Deficit)	2015
	<u>Revenue</u>	<u>Expenses</u>		Annual Surplus (Deficit)
Operating Fund, Exhibit "E"	\$ 3,579,323	3,693,948	(114,625)	
CMHC Housing	190,595	192,713	(2,118)	1,862
Trust Fund, Exhibit "E"	<u>440,560</u>	<u>440,559</u>	<u>1</u>	<u>3</u>
	\$ 4,210,478	4,327,220	(116,742)	240,954
OTHER ITEMS				
Transfer to tangible capital assets, Schedule 13			345,796	506,484
Amortization			(615,213)	(620,804)
CMHC Amortization reversal, Schedule 10			81,759	122,477
CMHC Contributed capital adjustment			(636)	
ANNUAL SURPLUS (DEFICIT)			\$ (305,036)	249,111

EXHIBIT "E"

WAR LAKE FIRST NATION
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED MARCH 31, 2016

OPERATIONS	Schedule	2016				Annual Surplus (Deficit)	
		Revenue		Total	Expenses		
		AANDC	Other				
First Nations Management Social Services Economic Development	1 2 3	\$ 208,670 212,904 30,917	444,192 (8,000)	644,862 212,904 30,917	657,220 221,075 30,917	(12,358) (8,171)	
War Lake Convenience Store Ltd. Hydro Development - Keevask Project Health Services Operating Programs Public Works Capital	4 5 6 7 8 9	129,234 1,500 336,603 1,024,523 81,594 174,268		129,234 1,500 336,603 (42,691) 191,340 317,968	148,233 300 347,122 1,713,995 1,621,399 475,743	(18,999) 1,200 (10,519) 92,596 (599) (157,775)	
CMHC HOUSING OPERATING	10		139,904	50,691	190,595	192,713	
TRUST FUND						(2,118)	
Robert F. Roddick Trust Funds Ottawa Trust Fund	11 12		440,559 1	440,559 1	440,559 1	1	
			440,560		440,559	1	
TOTAL		\$ 1,438,100	2,772,378		4,210,478	4,327,220	
						239,089	
						1,862	
						3	
						3	
						240,954	
						\$ 1,438,100	

EXHIBIT "F"

WAR LAKE FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	\$ (305,036)	249,111
Acquisition of tangible capital assets	(349,862)	(506,484)
Net book value of disposition of tangible capital asset	6,239	6,239
Amortization of tangible capital assets	615,213	620,804
Change in prepaid expenses	14,241	(7,404)
Change in inventory	<u>34,876</u>	<u>22,537</u>
(INCREASE) DECREASE IN NET DEBT	9,432	384,803
NET DEBT AT BEGINNING OF YEAR	<u>(1,502,091)</u>	<u>(1,886,894)</u>
NET DEBT AT END OF YEAR	<u>\$ (1,492,659)</u>	<u>(1,502,091)</u>

WAR LAKE FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING TRANSACTIONS		
Annual surplus (deficit), Exhibit "D"	\$ (305,036)	249,111
Add non-cash items		
Amortization	615,213	620,804
Replacement reserve	(20,713)	(21,878)
Gain on sale of tangible capital assets	(1,761)	
Net change in financial assets/liabilities, prepaid expenses and inventory		
Restricted cash and trust funds	(39,410)	(91,622)
Accounts receivable	32,572	119,517
Inventory	34,876	22,537
Prepaid expenses	14,241	(7,404)
Accounts payable	5,950	583,125
Due from related party	24,070	316,854
Deferred revenue	<u>(12,290)</u>	<u>(6,431)</u>
	<u>349,473</u>	<u>1,782,852</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(349,862)	(121,380)
Change in capital assets under construction		(385,104)
Disposition of tangible capital asset		<u>8,000</u>
	<u>(349,862)</u>	<u>(498,484)</u>
FINANCING TRANSACTIONS		
Principal repayments on long term debt	<u>(279,028)</u>	<u>(493,005)</u>
INVESTING TRANSACTIONS		
Increase in long term investments	<u>(17,751)</u>	<u>(204,542)</u>
NET CHANGE IN CASH POSITION	<u>(297,168)</u>	<u>586,821</u>
CASH POSITION (BANK INDEBTEDNESS)		
AT BEGINNING OF YEAR	<u>548,468</u>	<u>(38,353)</u>
CASH POSITION AT END OF YEAR	<u>\$ 251,300</u>	<u>548,468</u>

WAR LAKE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the Public Sector Accounting and Auditing Handbook of the Canadian Institute of Chartered Professional Accountants.

a) Nature and Purpose of Organization

The purpose of the organization is the management and administration of all aspects of the War Lake First Nation. The organization operates with a Chief and Council, who are ultimately responsible for the establishment and administration of all programs of the First Nation.

b) Reporting Entity and Principles of Financial Reporting

War Lake First Nation reporting entity includes the War Lake First Nation Government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

These financial statements consolidate the assets, liabilities and results of operations for these entities, which all use accounting principles which lend themselves to consolidations.

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual statements.

The following long term investments in non-controlled entities are recorded at the lower of cost and net realizable value:

Cree Nation Partners Limited Partnership #2	7.5% units
Cree Nation Partners Limited Partnership #3	7.5% units
Cree Nation Partners Limited Partnership	150 units

2. SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

The First Nation follows the deferral method of accounting for restricted revenues. Revenues restricted by legislation, regulation or agreement and not available for general government purposes are deferred on the consolidated balance sheet. The revenue is recognized in the year in which it is used for the specified purpose. Unrestricted revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

WAR LAKE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued

b) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the following bases:

Petroleum products	- Average cost
Confectionery and snacks	- Percentage of costs based on normal mark-up percentage

c) Tangible Capital Assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods and delivering services. The First Nation does not capitalize computer software.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artefacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

d) Amortization

Tangible capital assets are recorded at cost and are amortized annually as a charge against operations. Assets are amortized over their expected useful life using the straight line method at the following rates:

Infrastructure	4%
Buildings	4%
Band Housing	4%
CMHC Housing	4%
Heavy equipment	10%
General equipment	20%
Vehicles	20%

Amortization commences in the following year after acquisition.

e) Reserves

The reserves accounts are funded by an annual charge against operations as opposed to an appropriation of surplus.

WAR LAKE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued

f) Financial Instruments

Initial and subsequent measurement

The First Nation initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The First Nation subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in the fair value of these financial instruments are recognized in net income in the period incurred.

Financial assets measured at amortized cost on a straight-line basis include cash and accounts receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities.

Financial assets measured at fair value include quoted shares.

Transaction costs

Transactions costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in net income over the life of the instrument using the straight-line method.

g) Net Debt/Net Financial Assets

The First Nation's financial statements are presented so as to highlight net debt/net financial assets as the measurement of financial position. The net debt/net financial assets of the First Nation are determined by its financial assets less its liabilities. Net debt is comprised of two components, non-financial assets and accumulated surplus.

h) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from management's best estimates as additional information becomes available in the future.

WAR LAKE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

3. CASH

Cash consist of cash on hand and balances with banks. Cash included in the cash flows statement comprise the following balance sheet amounts:

	<u>2016</u>	<u>2015</u>
CASH AT BANK		
Administration - Operations	\$ 237,859	527,899
Social Services	(6,565)	(3,852)
War Lake Convenience Store	8,792	7,209
Hockey Rink		6,240
Robert F. Roddick Professional Corporation ITF		
War Lake First Nation	<u>34,128</u>	<u>13,377</u>
	274,214	550,873
GUARANTEED INVESTMENT CERTIFICATE		
Administration	11,214	10,972
CMHC Replacement Reserve	<u>174,937</u>	<u>156,279</u>
	460,365	718,124
LESS: Amount allocated to restricted cash, Note 4	<u>(209,065)</u>	<u>(169,656)</u>
CASH AND CASH EQUIVALENTS (BANK INDEBTEDNESS)	\$ <u>251,300</u>	<u>548,468</u>

4. RESTRICTED CASH AND TRUST FUNDS

	<u>2016</u>	<u>2015</u>
Restricted cash		
CMHC replacement reserve fund, Note 12	\$ 174,937	156,279
Robert F. Roddick Professional Corporation	<u>34,128</u>	<u>13,377</u>
	209,065	169,656
Trust Fund - Ottawa Trust Accounts	<u>71</u>	<u>70</u>
	\$ <u>209,136</u>	<u>169,726</u>

Cash is subject to the restrictions imposed upon by outside parties and can only be used for the purposes specified.

The Ottawa Trust Accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada 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.

WAR LAKE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

4. RESTRICTED CASH AND TRUST FUNDS, continued

Robert F. Roddick Professional Corporation Trust Funds was established to monitor and account for the financial contributions made by Manitoba Hydro towards expenses incurred by War Lake First Nation involving negotiations and environmental issue concerns arising from the potential future Hydro Electric development at Gull Rapids.

OTTAWA TRUST FUND

	<u>Revenue</u>	<u>Capital</u>	<u>Total</u>
Balance at beginning of year	\$ 68	2	70
Amounts placed on deposit during the year	<u>1</u>	<u>—</u>	<u>1</u>
Balance at end of year	<u>69</u>	<u>2</u>	<u>71</u>

5. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Administration		
Government of Canada	\$ 8,254	
Manitoba Hydro	79,026	
Province of Manitoba	45,843	36,154
Trade receivables	51,479	221,543
Band members	<u>16,789</u>	<u>17,584</u>
	193,137	283,535
Allowance for doubtful accounts	<u>(4,300)</u>	<u>(4,300)</u>
	<u>188,837</u>	<u>279,235</u>
CMHC - Subsidy	<u>6,251</u>	<u>6,251</u>
Robert F. Roddick Professional Corporation		
ITF War Lake First Nation - Manitoba Hydro	<u>55,164</u>	<u>75,738</u>
War Lake Convenience Store Ltd.		
CRA - GST	4,470	4,868
Province of Manitoba	15,374	15,374
Band Support	74,554	
Trade receivables	<u>27,385</u>	<u>20,634</u>
	121,783	40,876
Allowance for doubtful accounts	<u>(22,602)</u>	<u>(20,095)</u>
	<u>99,181</u>	<u>20,781</u>
TOTAL ACCOUNTS RECEIVABLE	\$ 349,433	382,005

WAR LAKE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

6. INVESTMENTS

i) The First Nation has entered into a limited partnership agreement with Tataskweyak Cree Nation as limited partners in Cree Nation Partners Limited Partnership (CNPLP) #2.

5925640 Manitoba Ltd., a corporation incorporated under the Corporations Act of Manitoba, is the general partner and is solely responsible for all losses incurred by the limited partnership. The limited partnership liability is limited to the amount of capital contributed.

The Cree Nation Limited Partnership #2 was formed for the purpose of entering into a joint venture agreement with Sigfusson Northern Ltd. effective November 9, 2009 to form an entity known as Amish Construction. The agreement calls for CNPLP #2 to participate in a 51% share of net gains and profits and/or share in the losses and liabilities of the joint venture.

	<u>2016</u>	<u>2015</u>
Long term investment, at cost		
Investment in CNPLP #2		
- Units	\$ 8	8
- Partner's current account	<u>74,324</u>	<u>49,406</u>
	<u>\$ 74,332</u>	<u>49,414</u>

ii) The First Nation has entered into a limited partnership agreement with Tataskweyak Cree Nation as limited partners in Cree Nation Partners Limited Partnership (CNPLP) #3.

63846171 Manitoba Ltd., a corporation incorporated under the Corporations Act of Manitoba, is the general partner and is solely responsible for all losses incurred by the limited partnership. The limited partnership liability is limited to the amount of capital contributed.

The CNPLP #3 was formed for the purpose of entering into joint venture with:

- Criti Care Inc., effective March 29, 2012 to enter into negotiations with Manitoba Hydro to provide first aid services during construction of the Keeyask Generating Station
- Newton Mechanical Inc. on April 13, 2012 to provide camp maintenance services during construction of the Keeyask Generating Station.

	<u>2016</u>	<u>2015</u>
Long term investment, at cost		
Investment in CNPLP #3		
- Units	\$ 8	8
- Partner's current account	<u>47,567</u>	<u>54,391</u>
	<u>\$ 47,575</u>	<u>54,399</u>

WAR LAKE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

6. INVESTMENTS, continued

iii) The First Nation has entered into a limited partnership agreement with Tataskweyak Cree Nation as limited partners in Cree Nation Partners Limited Partnership (CNPLP).

5872006 Manitoba Ltd., a corporation incorporated under the Corporations Act of Manitoba, is a general partner and is solely responsible for all losses incurred by the limited partnership. The limited partnership liability is limited to the amount of capital contributed.

The CNPLP was established to hold its investment in Keeyask Hydro Power Limited Partnership (KHP). The KHP was established to own, construct and operate the Keeyask Hydro Generating Project with the objective of producing profits by generating and selling electrical energy.

	<u>2016</u>	<u>2015</u>
Long term investment, at cost		
Investment in CNPLP		
- Units	\$ 150	150
- Partners' contribution	100,753	101,171
- Partners' share of loss	<u>(343)</u>	<u>(418)</u>
	<u>\$ 100,560</u>	<u>100,903</u>
 TOTAL INVESTMENTS	 <u>\$ 222,467</u>	 <u>204,716</u>

7. DUE FROM RELATED PARTY

The amount is due from Mooseocoot Trust, a trust set up for the benefit of the War Lake First Nation members. The balance is due within the next fiscal year, is unsecured and non-interest bearing.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2016</u>	<u>2015</u>
Administration		
Trade payables	\$ 774,961	733,424
War Lake Convenience Ltd.	74,554	
AANDC recovery	<u>1,865</u>	<u>4,254</u>
	<u>851,380</u>	<u>737,678</u>
CMHC		
Trade payables	6,800	10,800
Robert F. Roddick Professional Corp. ITF War Lake First Nation		
Trade payables	40,524	23,518
Social Services		
AANDC recovery	18,637	122,373

WAR LAKE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES, continued

	<u>2016</u>	<u>2015</u>
War Lake Convenience Store Ltd.		
Province of Manitoba - PST	\$ 1,704	
Trade payables	<u>21,448</u>	<u>36,766</u>
	<u>21,448</u>	<u>38,470</u>
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ <u>938,789</u>	<u>932,839</u>

9. ADVANCES FROM MANITOBA HYDRO

	<u>2016</u>	<u>2015</u>
Manitoba Hydro - Past Adverse Effects	\$ <u>150,000</u>	<u>150,000</u>

The advance of \$150,000 received from Manitoba Hydro relates to negotiations for Past Adverse Effects, is non interest bearing and due on demand.

10. DEFERRED REVENUE

	<u>Schedule</u>	<u>Opening Balance</u>	<u>Funding Received</u>	<u>Revenue Recognized</u>	<u>Closing Balance</u>
Bi-Pole III Project -					
Community Development Initiative	7-2	\$ 50,944		40,661	10,283
Keeyask Adverse Effects	7-9	189,531	303,446	317,406	175,571
War Lake Convenience Store Ltd.	9-2	773	49,828	50,601	
Robert Roddick Trust/Keeyask Programs	12-1	<u>33,022</u>	<u>432,719</u>	<u>440,559</u>	<u>25,182</u>
		\$ <u>223,326</u>	<u>836,937</u>	<u>849,227</u>	<u>211,036</u>

11. LONG TERM DEBT AND ACCRUED INTEREST

	<u>2016</u>	<u>2015</u>
Royal Bank of Canada Loan	\$ 59,418	135,797
Variable rate term loan with interest at prime plus 2.50%, repayable at \$6,810.33 per month principal and interest, maturing December 23, 2016, secured by equipment. (Cost of \$175,000, net book value of \$52,500.)		

WAR LAKE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

11. LONG TERM DEBT AND ACCRUED INTEREST, continued

	<u>2016</u>	<u>2015</u>
Royal Bank of Canada Loan Variable rate term loan with interest at prime plus 2.50%, repayable at \$1,981.31 per month principal and interest, maturing December 23, 2015, secured by equipment.	\$ 14,284	
Royal Bank of Canada Loan Variable rate term loan with interest at prime plus 2%, repayable in annual instalments of \$76,754, maturing November 1, 2015.	76,754	
John Deere Credit Equipment Loan Interest at 3.90% per annum repayable at \$3,786.44 per month principal and interest, maturing November 17, 2015, secured by equipment.	29,854	
<p>The First Nation obtained financing to build houses through Section 95 CMHC housing loans. Through this program the Housing Authority receives government assistance of \$6,250.99 per month to operate the houses as rental units. The CMHC loans are secured by Ministerial guarantee, CMHC undertaking to insure and assignment of insurance.</p>		
CMHC Loan payable Interest at 1.92% per annum repayable at \$3,634.40 per month principal and interest, maturing February 1, 2019.	123,821	164,704
CMHC Loan payable Interest at 1.12% per annum repayable at \$1,556.93 per month principal and interest, maturing February 1, 2020.	317,460	332,515
CMHC Loan payable Interest at 1.12% per annum repayable at \$1,250.43 per month principal and interest, maturing February 1, 2020.	255,937	268,014
CMHC Loan payable Interest at 1.69% per annum repayable at \$1,670.27 per month principal and interest, maturing February 1, 2018.	367,610	381,352
Current portion	<u>1,124,246</u>	<u>1,403,274</u>
	<u>138,987</u>	<u>334,611</u>
	<u>\$ 985,259</u>	<u>1,068,663</u>

WAR LAKE FIRST NATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

11. LONG TERM DEBT AND ACCRUED INTEREST, continued

Estimated principal payments for the next four years are as follows:

2017	\$ 138,987
2018	420,688
2019	65,085
2020	<u>499,486</u>
	<u>\$ 1,124,246</u>

12. RESERVE FUNDS

i) Replacement Reserve - Social Housing

Agreements with Canada Mortgage and Housing Corporation provide for the accumulation of a replacement reserve. Under the terms of the Section 95 operating agreements with CMHC, the replacement reserve is to be credited with an annual allocation as follows:

	<u>2016</u>	<u>2015</u>
Pre 1997 Section 95 Program		
Ten Units	\$ 4,125	
Eight Units	<u>4,000</u>	<u>4,000</u>
	<u>4,000</u>	<u>8,125</u>
Post 1996 Section 95 Program		
Two Units, IAD January 1/10	2,800	2,800
Two Units, IAD February 1/10	2,800	2,800
Two Units, IAD February 1/13	<u>2,400</u>	<u>2,400</u>
	<u>8,000</u>	<u>8,000</u>
	 <u>\$ 12,000</u>	 <u>16,125</u>
Cumulative Reserve funds allocation (net of expenditures)	\$ <u>95,924</u>	<u>116,637</u>

The reserve is fully funded as at March 31, 2016.

WAR LAKE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

12. RESERVE FUNDS

	<u>2016</u>	<u>2015</u>
ii) Operating Reserve - Social Housing - Post 1996 Section 95 Programs		
Under the terms of the agreement with Canada Mortgage and Housing Corporation, any surplus remaining after the payment of all costs and expenses, including the allocation to the Replacement Reserve, should be retained by the First Nation in an Operating Reserve Fund. These funds, along with the accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be mutually agreed to by the First Nation and CMHC. The funds in this account may only be used for the ongoing operating costs of the project. Accordingly, future years' deficits may be recovered from this fund. Withdrawals are credited to interest first then the principal. The operating reserve was \$NIL at March 31, 2016.	<u>NIL</u>	<u>NIL</u>

13. PREPAID EXPENSES

	<u>2016</u>	<u>2015</u>
Administration		
Insurance - MPI	\$ 7,680	17,303
Social Services		
April 2014 Welfare subsidy	—	4,618
	<u>\$ 7,680</u>	<u>21,921</u>

14. INVENTORY

Inventory consists of merchandise and fuel purchased for resale by War Lake Convenience Store. Inventory on hand at March 31, 2016 was \$48,133 (2015 - \$83,009).

WAR LAKE FIRST NATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

15. TANGIBLE CAPITAL ASSETS

	2016					
	Cost Mar. 31/15	Additions (Disposals)	Transfers	Cost Mar. 31/16	Accumulated Amortization	Net Book Value
Land	\$ 33,000			33,000		33,000
Buildings	2,110,489	1,449,337		3,559,826	1,890,943	1,668,883
Infrastructure	6,692,604			6,692,604	947,512	5,745,092
Vehicles	329,350			329,350	229,962	99,388
Equipment	1,332,184	4,066		1,336,250	692,002	644,248
CMHC Housing	3,307,945	(1,103,541)		2,204,404	912,643	1,291,761
Assets Under Construction	<u>385,104</u>			<u>385,104</u>		<u>385,104</u>
	\$ 14,190,676	349,862		14,540,538	4,673,062	9,867,476

	2015				
	Cost Mar. 31/14	Additions (Disposals)	Cost Mar. 31/15	Accumulated Amortization	Net Book Value
Land	\$ 33,000		33,000		33,000
Buildings	2,110,489		2,110,489	835,399	1,275,090
Infrastructure	6,692,604		6,692,604	679,808	6,012,796
Vehicles	336,868	(7,518)	329,350	196,188	133,162
Equipment	1,234,485	97,699	1,332,184	576,137	756,047
CMHC Housing	3,307,945		3,307,945	1,770,317	1,537,628
Assets Under Construction	<u>385,104</u>		<u>385,104</u>		<u>385,104</u>
	\$ 13,715,391	475,285	14,190,676	4,057,849	10,132,827

16. ACCUMULATED SURPLUS

A portion of this balance includes surpluses and/or deficits from funds contributed by government agencies. Such surpluses/deficits may be subject to repayment or recovery by the contributing agencies, depending on the terms and conditions of the relevant agreements.

17. ECONOMIC DEPENDENCE

War Lake First Nation receives 43% (2015 - 34%) of its revenues from Aboriginal Affairs and Northern Development Canada ("AANDC") and First Nations and Inuit Health ("FNIH") as a result of Treaties entered into with the Government of Canada. These treaties are administered by AANDC and FNIH under the terms and conditions of the Indian Act. The ability of the Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

WAR LAKE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

18. FEDERAL ASSISTANCE PAYMENTS

The projects have received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 95 of the National Housing Act to enable the project to provide housing to low-income individuals. The amount of assistance received in 2016 was \$75,012 (2015 - \$99,968).

19. CONTINGENT LIABILITY

The First Nation is contingently liable to AANDC in the amount of \$171,698 consisting of the following:

Social Services - 2003/2004	\$ 35,845
In-Home Care - 1996 to 2000	<u>135,853</u>
	\$ 171,698

To date, the First Nation has yet to make a proposal to accept or reject these claims.

20. COMPARATIVE AND BUDGET FIGURES

Prior year's comparative amounts have been reclassified where necessary to conform to the current period's presentation. Certain comparative figures for the previous period have not been shown as the information is considered not to be meaningful for comparison with the current period. The budget figures have been approved by Chief and Council.

21. FINANCIAL RISKS AND CONCENTRATION OF RISK

a) Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The accounts receivable are mainly due from funders. There has been no change to the risk exposures from 2015.

b) Liquidity risk

Liquidity risk is the risk that First Nation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The First Nation's exposure to liquidity risk is dependent on the collection of funding, collection of accounts receivable, purchasing commitments and obligations or raising of funds to meet commitments and sustain operations. Cash flow from operations provides a substantial portion of the First Nation's cash requirements. Additional cash requirements are provided by operating lines of credit as needed. Management is of the opinion that liquidity risk is not a significant risk and there has been no change to the risk exposures from 2015.

The First Nation's debt is structured with regularly recurring payments, secured by assets. Regularly recurring payments are required to service this debt, limiting the requirement to extinguish the debt in the short term. Interest rate fluctuations impact the cash flows but not to a significant effect.

WAR LAKE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

21. FINANCIAL RISKS AND CONCENTRATION OF RISK, continued

c) Currency risk

The First Nation is not exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the First Nation does not normally have purchases and sales denominated in U.S. dollars. There has been no change to the risk exposure from 2015.

d) Interest Rate risk

The First Nation has long-term fixed rate debts. A change in the variable rate does not impact cash flows to service the debt when such debt is outstanding. There has been no change to the risk exposure from 2015 and there is expected to be no substantive change in the next fiscal period.

22. PROVISION FOR SITE REHABILITATION

The Manitoba Environmental Protection Act sets out the regulatory requirements to properly close and maintain active and inactive lagoon and landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste lagoon and landfill 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.

EXHIBIT "H"

WAR LAKE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

23. SEGMENT DISCLOSURE

	Band Government		Social Services		Economic Development	
	Budget	2016	Budget	2016	Budget	2016
REVENUE						
Federal government	\$ 198,804	208,670	198,804	294,196	212,904	274,505
Provincial government						
Economic activities						
Net income (loss) from investments in government business enterprises						
Tangible capital asset addition	345,796	506,484				
Contributed capital - CMHC 2 units project	8,400	444,192	353,052			
Other revenue	207,204	998,658	1,058,340	294,196	212,904	274,505
TOTAL REVENUE						
EXPENSES						
Honoraria	135,000	135,725	122,887			
Wages and benefits	50,810	68,267	57,823	45,860	47,840	31,814
Amortization	276,796	506,248	445,184			
Debt servicing/Interest long term				7,903		
Other expenses	193,864	453,228	237,688	249,168	173,235	245,975
TOTAL EXPENSES	656,470	1,163,468	871,485	295,028	221,075	277,789
SURPLUS (DEFICIT) BEFORE TRANSFERS	(449,266)	(164,810)	186,855	(832)	(8,171)	(3,284)
TRANSFERS	(8,000)	(8,000)	(63,000)			
ANNUAL SURPLUS (DEFICIT)	\$ (457,266)	(172,810)	123,855	(832)	(8,171)	(3,284)

EXHIBIT "H"

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

WAR LAKE FIRST NATION

23. SEGMENT DISCLOSURE

WAR LAKE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

23. SEGMENT DISCLOSURE

	Health		Housing	
	<u>Budget</u> <u>2016</u>	<u>2015</u>	<u>Budget</u> <u>2016</u>	<u>2015</u>
REVENUE				
Federal government	\$ 336,000	336,603	336,000	75,012
Provincial government				75,012
Economic activities				99,968
Net income from investments in government business enterprises				
Tangible capital asset addition				
Contributed capital - CMHC 2 units project				
Other revenue				
TOTAL REVENUE	<u>336,000</u>	<u>336,603</u>	<u>336,000</u>	<u>189,648</u>
EXPENSES				
Honoraria	162,856	137,192	154,886	81,759
Wages and benefits				81,759
Amortization				16,000
Debt servicing/Interest long term	<u>173,144</u>	<u>209,930</u>	<u>187,150</u>	<u>167,883</u>
Other expenses				<u>95,370</u>
TOTAL EXPENSES	<u>336,000</u>	<u>347,122</u>	<u>342,036</u>	<u>265,642</u>
SURPLUS (DEFICIT) BEFORE TRANSFERS				<u>193,349</u>
TRANSFERS				
ANNUAL SURPLUS (DEFICIT)	\$ <u>(10,519)</u>	<u>(6,036)</u>	<u>(11,774)</u>	<u>(2,754)</u>
				<u>1,862</u>

EXHIBIT "H"

**WAR LAKE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

22. SEGMENT DISCLOSURE

REVENUE	Community Development		Total			
	Budget	2016	2015	Budget	2016	2015
Federal government	\$ 32,136	368,298	64,118	1,657,090	1,862,956	1,627,339
Provincial government		175,515	127,941		191,375	177,081
Economic activities						
Net income from investments in government business enterprises				345,796	506,484	
Tangible capital asset addition						
Contributed capital - CMHC 2 units project						
Other revenue	1,304,995	1,327,703	1,938,128	1,472,175	2,156,147	2,566,048
TOTAL REVENUE	1,337,131	1,871,516	2,130,187	3,129,265	4,556,274	4,876,952
EXPENSES						
Honoraria	12,040	12,283	12,040	147,040	148,008	134,927
Wages and benefits	363,648	340,570	456,022	728,887	694,126	773,312
Amortization	53,143	27,206	53,143	411,698	615,213	620,804
Debt servicing/Interest long term				16,000	16,657	37,387
Other expenses	800,680	1,419,462	1,421,294	2,304,288	3,387,306	3,061,411
TOTAL EXPENSES	1,229,511	1,794,521	1,942,499	3,607,913	4,861,310	4,627,841
SURPLUS (DEFICIT)						
BEFORE TRANSFERS	107,620	71,995	187,688	(478,648)	(305,036)	249,111
TRANSFERS	(56,220)	(42,691)	(56,221)	—	—	—
ANNUAL SURPLUS (DEFICIT)	\$ 51,400	29,304	131,467	(478,648)	(305,036)	249,111