

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

WAR LAKE FIRST NATION
MARCH 31, 2016

COUNCIL

Chief
Councillor
Councillor
Councillor
Councillor

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

FIRST NATION ADMINISTRATION

First Nation Administrator

Social Service Administrator

Kathleen Wavey

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

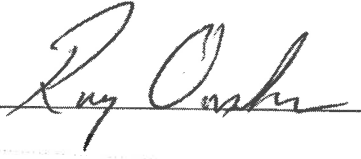
The consolidated financial statements of the War Lake First Nation are the responsibility of management and have been approved by the Chief and Council.

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.

 CHIEF

 COUNCILLOR

Holukoff Chiarella

CHARTERED ACCOUNTANTS

EXHIBIT "A"

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

101 - 1180 Pembina Highway
Winnipeg, Manitoba R3T 2A4
Telephone (204) 452-6449
Fax (204) 452-3397

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

EXHIBIT "A"

Kevin Masse, B.Comm. (Hons), C.A.
(Practising as Kevin Masse Chartered Accountant Ltd.)
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Telephone (204) 452-6449
Fax (204) 452-3397

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

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>19,070</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	
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"	\$ <u>8,430,630</u>	<u>8,735,666</u>
CONTINGENT LIABILITY, Note 19		

APPROVED ON BEHALF OF FIRST NATION COUNCIL

 CHIEF

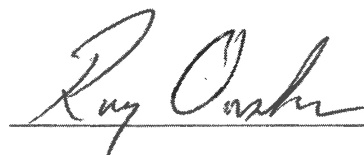
 COUNCILLOR

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>

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

	2016		2015
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
REVENUE			
Federal Government			
AANDC	\$ 1,246,078	1,438,100	1,167,732
Health Canada	336,000	336,603	336,000
Canada Mortgage and Housing Corporation	75,012	75,012	99,968
Public Service		13,241	23,639
Provincial government		191,375	177,081
Other	<u>1,472,175</u>	<u>2,156,147</u>	<u>2,671,172</u>
	<u>3,129,265</u>	<u>4,210,478</u>	<u>4,475,592</u>
EXPENSES			
First Nation Management	387,674	657,220	426,301
Social Services	295,028	221,075	326,689
Economic Development	30,917	30,917	30,917
War Lake Convenience Store Ltd.		148,233	159,102
Hydro Development	23,856	300	6,960
Health Services	336,000	347,122	342,036
Operating Programs	2,019,914	1,621,399	1,519,702
Public Works	169,402	191,939	231,310
Capital	143,700	475,743	283,626
CMHC Housing Operations	201,422	192,713	246,009
Trust Funds		<u>440,559</u>	<u>661,986</u>
	<u>3,607,913</u>	<u>4,327,220</u>	<u>4,234,638</u>
ANNUAL SURPLUS (DEFICIT)			
BEFORE OTHER ITEMS	\$ <u>(478,648)</u>	(116,742)	240,954
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)		\$ <u>(305,036)</u>	<u>249,111</u>

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

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

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

OPERATIONS	Schedule	2016			Annual Surplus (Deficit)	2015 Annual Surplus (Deficit)
		AANDC	Other	Transfers		
				Total	Expenses	
1 First Nations Management	1	\$ 208,670	444,192	(8,000)	657,220	62,555
2 Social Services	2	212,904			221,075	(3,284)
3 Economic Development	3	30,917			30,917	
4 War Lake Convenience Store Ltd.	4		129,234		148,233	111,972
5 Hydro Development - Keeyask Project	5		1,500		300	(4,022)
6 Health Services	6		336,603		347,122	(6,036)
7 Operating Programs	7	732,163	1,024,523	(42,691)	1,621,399	94,455
8 Public Works	8	109,746	81,594		191,939	(599)
9 Capital	9	143,700	174,268		475,743	(16,551)
		<u>1,438,100</u>	<u>2,191,914</u>	<u>(50,691)</u>	<u>3,693,948</u>	<u>239,089</u>
<u>CMHC HOUSING OPERATING</u>						
CMHC Housing	10		139,904	50,691	192,713	1,862
<u>TRUST FUND</u>						
Robert F. Roddick Trust Funds	11		440,559		440,559	
Ottawa Trust Fund	12		1		1	3
			440,560		440,559	3
TOTAL		<u>\$ 1,438,100</u>	<u>2,772,378</u>		<u>4,327,220</u>	<u>240,954</u>
AANDC Confirmed Funding 15/16		<u>\$ 1,438,100</u>				

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
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	(297,168)	586,821
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	 \$ <u>349,433</u>	 <u>382,005</u>

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 (KHLP). The KHLP 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	<u>6,800</u>	<u>10,800</u>
Robert F. Roddick Professional Corp. ITF War Lake First Nation		
Trade payables	<u>40,524</u>	<u>23,518</u>
Social Services		
AANDC recovery	<u>18,637</u>	<u>122,373</u>

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	\$	14,284
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.		
Royal Bank of Canada Loan		76,754
Variable rate term loan with interest at prime plus 2%, repayable in annual instalments of \$76,754, maturing November 1, 2015.		
John Deere Credit Equipment Loan		29,854
Interest at 3.90% per annum repayable at \$3,786.44 per month principal and interest, maturing November 17, 2015, secured by equipment.		
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.		
CMHC Loan payable	123,821	164,704
Interest at 1.92% per annum repayable at \$3,634.40 per month principal and interest, maturing February 1, 2019.		
CMHC Loan payable	317,460	332,515
Interest at 1.12% per annum repayable at \$1,556.93 per month principal and interest, maturing February 1, 2020.		
CMHC Loan payable	255,937	268,014
Interest at 1.12% per annum repayable at \$1,250.43 per month principal and interest, maturing February 1, 2020.		
CMHC Loan payable	367,610	381,352
Interest at 1.69% per annum repayable at \$1,670.27 per month principal and interest, maturing February 1, 2018.		
	<u>1,124,246</u>	<u>1,403,274</u>
Current portion	<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>
	\$ <u>95,924</u>	<u>116,637</u>

13. PREPAID EXPENSES

	<u>2016</u>	<u>2015</u>
Administration		
Insurance - MPI	\$ 7,680	17,303
Social Services		
April 2014 Welfare subsidy	<u> </u>	<u>4,618</u>
	\$ <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	Additions		Cost	Accumulated
	Mar. 31/15	(Disposals)	Transfers	Mar. 31/16	Amortization
					Net Book
					Value
Land	\$ 33,000			33,000	33,000
Buildings	2,110,489	1,449,337		3,559,826	1,890,943
Infrastructure	6,692,604			6,692,604	947,512
Vehicles	329,350			329,350	229,962
Equipment	1,332,184	4,066		1,336,250	692,002
CMHC Housing	3,307,945	(1,103,541)		2,204,404	912,643
Assets Under Construction	385,104			385,104	
	\$ 14,190,676	349,862		14,540,538	4,673,062
					9,867,476

		2015			
	Cost	Additions		Cost	Accumulated
	Mar. 31/14	(Disposals)		Mar. 31/15	Amortization
					Net Book
					Value
Land	\$ 33,000			33,000	33,000
Buildings	2,110,489			2,110,489	835,399
Infrastructure	6,692,604			6,692,604	679,808
Vehicles	336,868	(7,518)		329,350	196,188
Equipment	1,234,485	97,699		1,332,184	576,137
CMHC Housing	3,307,945			3,307,945	1,770,317
Assets Under Construction		385,104		385,104	
	\$ 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>
	\$ <u>171,698</u>

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.

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	
	<u>Budget</u>	<u>2016</u>	<u>Budget</u>	<u>2016</u>	<u>Budget</u>	<u>2016</u>
		<u>2015</u>		<u>2015</u>		<u>2015</u>
REVENUE						
Federal government	\$	198,804	198,804	294,196	30,917	30,917
Provincial government		208,670	198,804	212,904	30,917	30,917
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						
Other revenue		8,400	444,192			
TOTAL REVENUE		<u>207,204</u>	<u>998,658</u>	<u>294,196</u>	<u>30,917</u>	<u>30,917</u>
EXPENSES						
Honoraria		135,000	135,725			
Wages and benefits		50,810	68,267	45,860	27,821	27,821
Amortization		276,796	506,248			
Debt servicing/Interest long term			7,903			
Other expenses		<u>193,864</u>	<u>453,228</u>	<u>249,168</u>	<u>3,096</u>	<u>3,096</u>
TOTAL EXPENSES		<u>656,470</u>	<u>1,163,468</u>	<u>295,028</u>	<u>30,917</u>	<u>30,917</u>
SURPLUS (DEFICIT) BEFORE TRANSFERS		(449,266)	(164,810)	(832)	(8,171)	(3,284)
TRANSFERS		<u>(8,000)</u>	<u>(8,000)</u>			
ANNUAL SURPLUS (DEFICIT)	\$	<u>(457,266)</u>	<u>(172,810)</u>	<u>(832)</u>	<u>(8,171)</u>	<u>(3,284)</u>

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

23. SEGMENT DISCLOSURE

	Education		Public Works		Capital Projects	
	<u>Budget</u>	<u>2016</u>	<u>Budget</u>	<u>2016</u>	<u>Budget</u>	<u>2016</u>
		<u>2015</u>		<u>2015</u>		<u>2015</u>
REVENUE						
Federal government	\$	437,099	377,106	370,101	143,700	143,700
Provincial government				109,226	143,700	143,700
Economic activities				109,746	15,860	49,140
Net income from investments in government business enterprises						
Tangible capital asset addition						
Contributed capital - CMHC 2 units project						
Other revenue		44,144	79,358	49,867		158,408
TOTAL REVENUE		<u>481,243</u>	<u>456,464</u>	<u>419,968</u>	<u>143,700</u>	<u>212,075</u>
EXPENSES						
Honoraria		27,820	16,676	27,798		
Wages and benefits				50,072	55,760	17,148
Amortization						
Debt servicing/Interest long term				119,330	136,179	214,162
Other expenses		<u>453,423</u>	<u>421,500</u>	<u>374,372</u>	<u>143,700</u>	<u>475,306</u>
TOTAL EXPENSES		<u>481,243</u>	<u>438,176</u>	<u>402,170</u>	<u>143,700</u>	<u>283,626</u>
SURPLUS (DEFICIT) BEFORE TRANSFERS			18,288	17,798	(157,775)	(71,551)
TRANSFERS				(599)		
ANNUAL SURPLUS (DEFICIT)	\$		<u>18,288</u>	<u>17,798</u>	<u>(157,775)</u>	<u>(16,551)</u>

WAR LAKE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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23. SEGMENT DISCLOSURE

	Health		Housing	
	<u>Budget</u>	<u>2016</u>	<u>Budget</u>	<u>2015</u>
REVENUE				
Federal government	\$ 336,000	336,603	75,012	99,968
Provincial government				
Economic activities				
Net income from investments in				
government business enterprises				
Tangible capital asset addition				
Contributed capital -				
CMHC 2 units project				
Other revenue			114,636	83,682
TOTAL REVENUE	<u>336,000</u>	<u>336,603</u>	<u>189,648</u>	<u>183,650</u>
EXPENSES				
Honoraria				
Wages and benefits	162,856	137,192	81,759	122,477
Amortization			16,000	24,926
Debt servicing/Interest long term			167,883	98,606
Other expenses	<u>173,144</u>	<u>209,930</u>	<u>95,370</u>	<u>98,606</u>
TOTAL EXPENSES	<u>336,000</u>	<u>347,122</u>	<u>265,642</u>	<u>246,009</u>
SURPLUS (DEFICIT) BEFORE TRANSFERS		(10,519)	(75,994)	(62,359)
TRANSFERS			64,220	64,221
ANNUAL SURPLUS (DEFICIT)	\$ <u> </u>	<u>(10,519)</u>	<u>(11,774)</u>	<u>1,862</u>

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

22. SEGMENT DISCLOSURE

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