

SWEETGRASS FIRST NATION

Sweetgrass Reserve, Saskatchewan

March 31, 2015

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Management's Responsibility for the Consolidated Financial Statements

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

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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

Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditors' report.

The external auditors, Swanson Gryba & Company, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Sweetgrass First Nation and meet when required.

On behalf of Sweetgrass First Nation:



Lorie Whitecalf
Chief

Swanson Gryba & Company

CHARTERED PROFESSIONAL ACCOUNTANTS



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INDEPENDENT AUDITORS' REPORT

To Council and Members of Sweetgrass First Nation:

We have audited the accompanying consolidated financial statements of Sweetgrass First Nation, which comprise the consolidated statement of financial position as at March 31, 2015 and the consolidated statements of operations, 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sweetgrass First Nation as at March 31, 2015, and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

The supplementary information contained in the accompanying schedules is presented for purposes of additional information to the membership and Aboriginal Affairs and Northern Development Canada and does not form part of the consolidated financial statements. The schedules have not been audited other than in the course of our audit of the consolidated financial statements to the extent necessary to allow us to render an opinion thereon.

Chartered Professional Accountants

North Battleford, Saskatchewan
October 14, 2015

SWEETGRASS FIRST NATIONConsolidated Statement of Financial Position
March 31, 2015

| | <u>2015</u> | <u>2014</u> |
|---------------------------------------------------|----------------------|----------------------|
| | | (Note 13) |
| FINANCIAL ASSETS | | |
| Cash and cash equivalents (Note 2) | \$ 1,018,123 | \$ 619,640 |
| Accounts receivable (Note 3) | 491,238 | 1,004,699 |
| Investments (Note 4) | 5,866 | 1,232,674 |
| Ottawa Trust (Note 5) | <u>5,866</u> | <u>687,860</u> |
| | <u>1,515,227</u> | <u>3,544,873</u> |
| LIABILITIES | | |
| Bank indebtedness (Note 2) | 279,684 | 640,494 |
| Accounts payable and accrued liabilities (Note 6) | 643,524 | 153,178 |
| Due to government organizations (Note 6) | 131,269 | 242,183 |
| Deferred revenue (Note 7) | 2,526,073 | 618,209 |
| Long-term debt (Notes 8) | <u>2,526,073</u> | <u>2,867,405</u> |
| | <u>3,733,728</u> | <u>4,368,291</u> |
| NET DEBT | (2,218,501) | (823,418) |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Note 9) | <u>12,387,846</u> | <u>11,934,925</u> |
| ACCUMULATED SURPLUS | <u>\$ 10,169,345</u> | <u>\$ 11,111,507</u> |

Approved on behalf of the Council:


 Chief


 Councillor

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

SWEETGRASS FIRST NATIONConsolidated Statement of Operations
for the year ended March 31, 2015

| | <u>Budget</u> | <u>2015</u> | <u>2015</u> | <u>2014</u> |
|----------------------------------------------------|--------------------|----------------------|----------------------|-------------|
| | (Note 12) | | | |
| REVENUE | | | | |
| Federal Government: | | | | |
| Aboriginal Affairs and Northern Development Canada | \$ 2,963,111 | \$ 3,440,524 | \$ 3,069,692 | |
| Health Canada | 184,794 | 184,794 | 1,063,706 | |
| Canada Mortgage and Housing Corporation | 104,296 | 104,296 | 81,414 | |
| Tribal Council: | | | | |
| Battlefords Tribal Council/BTC - IHS | 67,505 | 69,118 | 49,662 | |
| Battleford Agency Tribal Chiefs | 46,577 | 46,577 | 31,440 | |
| Battlefords Agency Tribal Chiefs - CDC | 155,816 | 234,836 | 163,174 | |
| Other: | | | | |
| First Nations Trust - Gaming | 688,532 | 660,527 | 688,532 | |
| Ottawa Trust | 553,067 | 399,651 | 738,605 | |
| Rental/Leases | 46,400 | 144,185 | 131,448 | |
| Saskatchewan Institute of Indian Technologies | 119,000 | 43,449 | 102,219 | |
| Investment income (loss) (Note 4) | (756,547) | (756,547) | 70,853 | |
| Treaty Land Entitlement Trust | 37,637 | 312,008 | 295,760 | |
| Other | 162,704 | 208,771 | 210,754 | |
| | <u>4,793,772</u> | <u>5,092,189</u> | <u>6,697,259</u> | |
| EXPENSES | | | | |
| Education | 1,679,024 | 1,864,927 | 1,634,479 | |
| Social Development | 676,470 | 975,328 | 844,773 | |
| Community Infrastructure | 641,325 | 907,658 | 722,062 | |
| Band Government | 181,417 | 389,141 | 444,113 | |
| Capital | 67,669 | 64,213 | 59,251 | |
| Health and Welfare | 1,556,329 | 1,671,115 | 1,808,797 | |
| Other | 37,637 | 161,969 | 68,757 | |
| TLE Administration | <u>4,839,871</u> | <u>6,034,351</u> | <u>5,582,232</u> | |
| CURRENT SURPLUS (DEFICIT) | \$ (46,099) | (942,162) | 1,115,027 | |
| ACCUMULATED SURPLUS AT BEGINNING OF YEAR | | <u>11,111,507</u> | <u>9,996,480</u> | |
| ACCUMULATED SURPLUS AT END OF YEAR | | \$ 10,169,345 | \$ 11,111,507 | |

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

SWEETGRASS FIRST NATIONConsolidated Statement of Changes in Net Debt
for the year ended March 31, 2015

| | <u>Budget</u> (Note 12) | <u>2015</u> | <u>2014</u> |
|-----------------------------------------|----------------------------|-----------------------|---------------------|
| CURRENT SURPLUS (DEFICIT) | \$ (46,099) | \$ (942,162) | \$ 1,115,027 |
| Amortization of tangible capital assets | | 413,913 | 380,032 |
| Acquisition of tangible capital assets | | (866,834) | (1,859,816) |
| CHANGE IN NET FINANCIAL ASSETS (DEBT) | (46,099) | (1,395,083) | (364,757) |
| NET ASSETS (DEBT) AT BEGINNING OF YEAR | <u>(823,418)</u> | <u>(823,418)</u> | <u>(458,661)</u> |
| NET DEBT AT END OF YEAR | \$ <u>(869,517)</u> | \$ <u>(2,218,501)</u> | \$ <u>(823,418)</u> |

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

SWEETGRASS FIRST NATIONConsolidated Statement of Cash Flows
for the year ended March 31, 2015

| | <u>2015</u> | <u>2014</u> |
|------------------------------------------------------------------------------------|----------------------------|--------------------------|
| | (Note 13) | |
| CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | |
| Current surplus (deficit) | \$ (942,162) | \$ 1,115,027 |
| Add (deduct) items not affecting cash | | |
| Amortization of tangible capital assets | 413,913 | 380,032 |
| Net change in non-cash working capital balances related to operations* | (586,339) | 722,099 |
| Adjustment for capital/investing transactions included in operations | (399,652) | (738,604) |
| Ottawa Trust revenue | <u>(1,514,240)</u> | <u>1,478,554</u> |
| CASH PROVIDED BY (USED IN) CAPITAL ACTIVITIES | | |
| Purchase of tangible capital assets | <u>(866,834)</u> | <u>(1,859,816)</u> |
| CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES | | |
| Transfer from Ottawa Trust | 1,081,646 | 523,525 |
| Investment in Sweetgrass Development LP | <u>741,436</u> | <u>(76,079)</u> |
| | <u>1,823,082</u> | <u>447,446</u> |
| CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | | |
| Proceeds from long-term debt | 139,757 | 1,546,194 |
| Retirement of long-term debt | <u>(481,089)</u> | <u>(876,825)</u> |
| | <u>(341,332)</u> | <u>669,369</u> |
| CASH PROVIDED (USED) IN THE YEAR | <u>(899,324)</u> | <u>735,553</u> |
| CASH (BANK INDEBTEDNESS) AT BEGINNING OF YEAR | <u>619,640</u> | <u>(115,913)</u> |
| CASH (BANK INDEBTEDNESS) AT END OF YEAR | <u><u>\$ (279,684)</u></u> | <u><u>\$ 619,640</u></u> |
| * NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS | | |
| Decrease (increase) in accounts receivable | \$ (13,424) | \$ (63,185) |
| Increase (decrease) in accounts payable | (85,975) | 219,679 |
| Increase (decrease) in deferred revenue | <u>(486,940)</u> | <u>565,605</u> |
| | <u><u>\$ (586,339)</u></u> | <u><u>\$ 722,099</u></u> |
| NOTE: Interest paid | <u><u>\$ 76,928</u></u> | <u><u>\$ 132,729</u></u> |

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

SWEETGRASS FIRST NATIONNotes to the Consolidated Financial Statements
March 31, 2015

1. Summary of Significant Accounting Policies

(a) Basis of Accounting

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(b) First Nation reporting entity

The Sweetgrass First Nation reporting entity includes all related entities that are either owned or controlled by the First Nation. The following entities are included in the reporting entity:

| ENTITY | CLASSIFICATION | METHOD OF REPORTING |
|--------------------------------------------------------------|---------------------------------|------------------------|
| Sweetgrass Developments LP | Government business partnership | Modified equity method |
| Sweetgrass Investments Ltd. (formerly 101134795 SK. Ltd.) | Government business enterprise | Modified equity method |
| BATC Investments Limited Partnership | Government business partnership | Modified equity method |
| BATC Investments Ltd. | Government business enterprise | Modified equity method |
| BATC Land Holdings Ltd. | Government business enterprise | Modified equity method |

(c) Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for government business enterprises and government business partnerships, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only Sweetgrass First Nation's investment in the government business enterprise and the enterprise's net income and other changes to equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Sweetgrass First Nation.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdraft and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

SWEETGRASS FIRST NATIONNotes to the Consolidated Financial Statements
March 31, 2015

1. Summary of Significant Accounting Policies (continued)

(e) Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets.

(f) 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 or delivering services. Tangible capital assets are reported at net book value.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Sweetgrass First Nation's incremental cost of borrowing.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets.

Assets under construction are not amortized until the asset is available to be put into service.

Amortization is calculated on the reducing balance basis at 25% on equipment, 10% on community infrastructure and 5% on buildings, social housing and other assets.

Tangible capital assets are written down when conditions indicate that they no longer contribute to Sweetgrass First Nation's ability to provide goods and services, or when the value of the future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where a fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

(g) Net Debt

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

SWEETGRASS FIRST NATIONNotes to the Consolidated Financial Statements
March 31, 2015

1. Summary of Significant Accounting Policies (continued)

(h) Revenue Recognition

Revenues are recognized in the year in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

(i) Trust Funds (non-consolidated)

The Treaty Land Entitlement Trust was established to receive entitlement monies relating to the settlement of land claims of the Sweetgrass First Nation. The trust consists of entitlement monies which may be used to acquire the First Nation's shortfall acres. Once the shortfall acres have been achieved, trust capital may be used for first nation development purposes and recognized as revenue upon transfer. Income earned on the trust capital is transferred to the first nation and recorded as income when received or receivable. The terms and conditions governing the trust transactions are contained in various trust agreements.

(j) Measurement Uncertainty

In preparing the financial statements for the government of Sweetgrass First Nation, management is required to make estimates and assumptions that affect reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the year. The main estimates used in preparing these financial statements include the allowance for doubtful accounts and amortization of tangible capital assets. Actual results could differ significantly from these estimates.

SWEETGRASS FIRST NATIONNotes to the Consolidated Financial Statements
March 31, 2015

2. Cash and Cash Equivalents

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------------------------------------|----------------------------|--------------------------|
| (Note 13) | | |
| Externally restricted (Canada Mortgage and Housing Corporation) | \$ 8,878 | \$ 204,329 |
| Internally restricted (Education and Major Capital) | (204,706) | 397,729 |
| Unrestricted | (83,856) | 17,582 |
| | <u><u>\$ (279,684)</u></u> | <u><u>\$ 619,640</u></u> |

3. Accounts Receivable

| | <u>2015</u> | <u>2014</u> |
|------------------------------------------|---------------------------|---------------------------|
| (Note 13) | | |
| Individuals -first nation members | \$ 205,549 | \$ 228,728 |
| Funding agencies | 362,569 | 267,598 |
| Sweetgrass Treaty Land Entitlement Trust | 722,257 | 797,224 |
| Allowance for doubtful accounts | <u>(272,252)</u> | <u>(288,851)</u> |
| | <u><u>\$1,018,123</u></u> | <u><u>\$1,004,699</u></u> |

\$278,252 (2014 - \$353,219) of the amounts due from Sweetgrass Treaty Land Entitlement Trust relates to net income of the trust that has not yet been distributed to the first nation. Sweetgrass First Nation has only been receiving a portion of the annual amounts due as Sweetgrass Treaty Land Entitlement Trust and Sweetgrass First Nation both wish to purchase additional land and obtain quantum acres. The remaining \$444,005 (2014 - \$444,005) consists of amounts advanced to Sweetgrass Treaty Land Entitlement Trust for additional land purchases. The intention is for Sweetgrass Treaty Land Entitlement Trust to repay these advances by means of transferring land to the First Nation, upon achieving reserve status.

Allowance for doubtful accounts includes \$207,114 (2014 - \$225,381) relating to salary advances to individuals and \$65,138 (2014 - \$63,470) due from various funding agencies.

SWEETGRASS FIRST NATIONNotes to the Consolidated Financial Statements
March 31, 2015

4. Investments

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------------------------------------|-------------------|---------------------|
| Government Business Partnerships | | (Note 13) |
| Sweetgrass Developments LP partnership interest - 603,517 units | \$ 490,167 | \$ 1,223,080 |
| BATC Investments Limited Partnership - 1,000 units | 1,000 | 1,000 |
| Twelve Nations Construction Limited Partnership - 8,335 units | | 8,335 |
| | <u>491,167</u> | <u>1,232,415</u> |
| Government Business Enterprises | | |
| Sweetgrass Investments Ltd. - 100 Class A Common shares | 60 | 124 |
| Nakowaciy Oil & Gas Corporation - 100 Class A Common shares | | 100 |
| BATC Investments Ltd. - 10 Class A Common shares | 10 | 10 |
| BATC Land Holdings Ltd. - 25 Class A Common shares | 1 | 25 |
| | <u>71</u> | <u>259</u> |
| | <u>\$ 491,238</u> | <u>\$ 1,232,674</u> |

Sweetgrass Developments LP was formed on April 1, 2011. Sweetgrass First Nation is a 99.99% limited partner. The 0.01% general partner is Sweetgrass Investments Ltd., a wholly owned subsidiary of Sweetgrass First Nation. Following are revised, unaudited and condensed financial statements of Sweetgrass Developments LP as compiled by Swanson Gryba & Company:

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------------|---------------------|---------------------|
| Cash | \$ 267 | \$ 116,242 |
| Tangible capital assets | <u>854,388</u> | <u>1,502,165</u> |
| Total Assets | <u>\$ 854,655</u> | <u>\$ 1,618,407</u> |
| | | |
| Accounts payable | \$ 41,020 | \$ 100,667 |
| Deferred revenue | | 10,000 |
| Mortgage | <u>323,509</u> | <u>372,304</u> |
| Total Liabilities | <u>364,529</u> | <u>482,971</u> |
| Partners' Capital | <u>490,126</u> | <u>1,135,436</u> |
| Total Liabilities and Partners' Capital | <u>\$ 854,655</u> | <u>\$ 1,618,407</u> |
| | | |
| Revenues | \$ 83,194 | \$ 120,224 |
| Expenses | <u>752,073</u> | <u>117,524</u> |
| Net Income (Loss) | <u>\$ (668,879)</u> | <u>\$ 2,700</u> |

SWEETGRASS FIRST NATIONNotes to the Consolidated Financial Statements
March 31, 2015

4. Investments (continued)

The 2015 financial statements of Sweetgrass Developments LP were recalled and revised effective October 2, 2015, in order to correct errors affecting the current and prior periods. The 2015 fiscal year net loss \$668,879 includes a loss of \$621,391 on demolition of the limited partnership's building and pavement, during an environmental reclamation. The prior period corrections in Sweetgrass Developments LP have resulted in a reclassification of \$623,363 from Tangible Capital Assets (land) to Investments (SG Developments LP) in these consolidated financial statements, relating to a parcel of land originally purchased by the first nation for the limited partnership.

Sweetgrass First Nation owns 20% of BATC Investments Ltd. and 20% (1,000 of 5,001 units) of BATC Investments Limited Partnership. BATC Investments Limited Partnership owns 100% of the shares of Twelve Nations Construction Ltd. (general partner), which owns 100% of the shares of First Alliance Construction Solutions Inc. (general partner). BATC Investments Limited Partnership and the above general partner corporations also own 100% of the units of Twelve Nations Construction Limited Partnership and First Alliance Construction Solutions Limited Partnership.

Financial statements are not available for BATC Investment Limited Partnership, BATC Investments Ltd. or any of the general partner corporations or limited partnerships referred to in the preceding paragraph. As a result, management is unable to disclose any summarized financial statements, or record its share of any profits or losses for the fiscal year. Based on the March 31, 2014 audited financial statements of BATC Inc., reported on by another firm of Chartered Professional Accountants, BATC Inc. was owed \$805,869 by BATC Investments Ltd., for unsecured advances provided.

Sweetgrass First Nation owns 20% of the shares of BATC Land Holdings Ltd., which is an investment company created to maintain ownership and operations of properties utilized by BATC Inc. The year end of BATC Land Holdings Ltd. is December 31. Summarized financial information, based on unaudited financial statements compiled by another firm of Chartered Professional Accountants, is as follows:

SWEETGRASS FIRST NATIONNotes to the Consolidated Financial Statements
March 31, 2015

4. Investments (continued)

| | <u>2014</u> | <u>2013</u> |
|------------------------------|--------------------|-------------------|
| Current assets | \$ 38,164 | \$ 140,045 |
| Land and building | <u>485,117</u> | <u>504,271</u> |
| Total assets | <u>\$ 523,281</u> | <u>\$ 644,316</u> |
| | | |
| Accounts payable | \$ 11,469 | \$ 137,272 |
| Long-term debt | 220,549 | 240,172 |
| Due to BATC Inc. | <u>322,478</u> | <u>267,881</u> |
| Total Liabilities | <u>554,496</u> | <u>645,325</u> |
| Deficit | <u>(31,215)</u> | <u>(1,009)</u> |
| Total Liabilities and Equity | <u>\$ 523,281</u> | <u>\$ 644,316</u> |
| | | |
| Rental income | \$ 60,000 | \$ 60,000 |
| Expenses | <u>90,206</u> | <u>60,661</u> |
| Net Loss for the year | <u>(30,206)</u> | <u>(661)</u> |
| Deficit at beginning of year | <u>(1,134)</u> | <u>(473)</u> |
| Deficit at end of year | <u>\$ (31,340)</u> | <u>\$ (1,134)</u> |

5. Ottawa Trust (Capital and Revenue)

The Ottawa Trust accounts arise from moneys derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

| | <u>Opening Balance</u> | <u>Additions</u> | <u>Withdrawals</u> | <u>2015 Balance</u> | <u>2014 Balance</u> |
|------------|----------------------------|-------------------|---------------------|-------------------------|-------------------------|
| Capital | \$ 115,327 | | \$ 115,327 | \$ NIL | \$ 115,327 |
| Revenue | <u>572,533</u> | <u>\$ 399,652</u> | <u>966,319</u> | <u>5,866</u> | <u>572,533</u> |
| Fund Total | <u>\$ 687,860</u> | <u>\$ 399,652</u> | <u>\$ 1,081,646</u> | <u>\$ 5,866</u> | <u>\$ 687,860</u> |

SWEETGRASS FIRST NATIONNotes to the Consolidated Financial Statements
March 31, 2015

6. Accounts Payable and Accrued Liabilities / Due to government organizations

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------------------------------|--------------------------|--------------------------|
| | (Note 13) | |
| Accounts Payable and Accrued Liabilities | | |
| Trade payables | \$ 431,007 | \$ 578,903 |
| Accrued salaries and benefits payable | 861 | 3,002 |
| Other accrued liabilities | <u>211,656</u> | <u>58,589</u> |
| | <u><u>\$ 643,524</u></u> | <u><u>\$ 640,494</u></u> |
| Due to government and government organizations | | |
| Aboriginal Affairs and Northern Development Canada | \$ 153,178 | \$ 5,064 |
| Health Canada | <u>153,178</u> | <u>237,119</u> |
| | <u><u>\$ 153,178</u></u> | <u><u>\$ 242,183</u></u> |

7. Deferred Revenue

| | <u>Opening Balance</u> | <u>Funding Received</u> | <u>Revenue Recognized</u> | <u>2015 Total</u> | <u>2014 Total</u> |
|----------------------|----------------------------|-----------------------------|-------------------------------|--------------------------|--------------------------|
| Business Development | \$ 70,240 | | \$ 70,240 | | \$ 70,240 |
| Firehall Project | 250,000 | | 250,000 | | 250,000 |
| School renovation | 10,604 | | 10,604 | | 10,604 |
| Subdivision | 16,164 | | <u>16,164</u> | <u>16,164</u> | 16,164 |
| Total AANDC | 347,008 | | 330,844 | 16,164 | 347,008 |
| BATC CDC | 10,000 | | 10,000 | | 10,000 |
| BATC other | 42,138 | | 42,138 | | 42,138 |
| Health Centre | 219,063 | \$ 80,835 | 184,793 | <u>115,105</u> | <u>219,063</u> |
| | <u><u>\$ 618,209</u></u> | <u><u>\$ 80,835</u></u> | <u><u>\$ 567,775</u></u> | <u><u>\$ 131,269</u></u> | <u><u>\$ 618,209</u></u> |

SWEETGRASS FIRST NATIONNotes to the Consolidated Financial Statements
March 31, 2015

| 8. Long-Term Debt | <u>2015</u> | <u>2014</u> |
|-------------------|---------------------------|---------------------------|
| Bank loan #1 | \$ 329,200 | \$ 423,600 |
| Bank loan #2 | 114,200 | |
| Bank loan #3 | 487,500 | 637,500 |
| CMHC loans (RRAP) | 30,325 | 62,141 |
| Royal Trust #1 | 5,005 | 6,672 |
| Royal Trust #2 | 18,251 | 29,266 |
| Royal Trust #3 | 105,380 | 135,256 |
| CMHC Loan #1 | 312,556 | 326,016 |
| CMHC Loan #2 | 625,950 | 649,507 |
| CMHC Loan #3 | 611,906 | 483,247 |
| | <hr/> <u>\$ 2,526,073</u> | <hr/> <u>\$ 2,867,405</u> |

Bank loan #1 is due on demand, however, arrangements have been made to repay the loan in quarterly instalments of 23,600 plus interest. Interest is at prime plus 1.50%. The loan is guaranteed by Aboriginal Affairs and Northern Development Canada.

Bank loan #3 is a term loan. This loan is repayable in quarterly instalments of \$37,500 plus interest. Interest is at prime plus 2.85%. The loan is guaranteed by Aboriginal Affairs and Northern Development Canada.

CMHC loans are issued under the Residential Rehabilitation Assistance Program (RRAP) and consist of loans to finance renovations to social housing units. There are 10 loans. During the year there is one loan payable in monthly instalments of approximately \$100, including interest at 10.375%. There were five loans forgiven at the year end. The remaining loans will be earned over 5 years on the condition that the First Nation continues to own the units and are occupied by band members. If the First Nation sells, transfers or ceases to operate the properties before maturity date, the unearned forgivable loans plus interest will immediately become due and payable. The loans are guaranteed by Aboriginal Affairs and Northern Development Canada.

Royal Trust loans are secured by mortgages on buildings. The loans are repayable at \$154, \$964 and \$2,754 per month, respectively, including interest. Interest rates on the loans are 3.03%, 2.28%, and 2.61%, respectively. The loans are guaranteed by Aboriginal Affairs and Northern Development Canada.

Canada Mortgage and Housing Corporation loan #1 is repayable in monthly instalments of \$1,630 including interest. Interest is at 1.92%. The loan is guaranteed by Aboriginal Affairs and Northern Development Canada.

Canada Mortgage and Housing Corporation loan #2 is repayable in monthly instalments of \$2,918 including interest. Interest is at 1.8% The loan is guaranteed by Aboriginal Affairs and Northern Development Canada.

SWEETGRASS FIRST NATIONNotes to the Consolidated Financial Statements
March 31, 2015

8. Long-Term Debt (continued)

Canada Mortgage and Housing Corporation loan #3 is repayable in monthly instalments of \$2,623 including interest. Interest is at 1.92% The loan is guaranteed by Aboriginal Affairs and Northern Development Canada.

The total principal repayment due on long-term debt in each of the next five years is as follows:

| | |
|------|------------|
| 2016 | \$ 345,562 |
| 2017 | 343,224 |
| 2018 | 337,924 |
| 2019 | 155,295 |
| 2020 | 61,984 |

9. Tangible Capital Assets

| | <u>Beginning Cost</u> | <u>Additions/ Disposals</u> | <u>End Cost</u> | <u>Beg Accum Amort</u> | <u>Current Amort</u> | <u>End Accum Amort</u> | <u>2015 Net</u> | <u>2014 Net</u> |
|--------------------------|-----------------------|-----------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|----------------------|
| Land | \$ 3,315,931 | | \$ 3,315,931 | | | | \$ 3,315,931 | \$ 3,315,931 |
| Community buildings | 1,666,130 | | 1,666,130 | \$ 816,751 | \$ 42,966 | \$ 859,717 | 806,413 | 849,379 |
| CMHC housing | 3,086,808 | \$ 95,596 | 3,182,404 | \$ 516,013 | \$ 113,173 | \$ 629,186 | 2,553,218 | 2,570,795 |
| Social housing | 1,756,190 | | 1,756,190 | \$ 869,544 | \$ 44,332 | \$ 913,876 | 842,314 | 886,646 |
| Mobile homes | 416,054 | | 416,054 | 230,941 | 9,256 | 240,197 | 175,857 | 185,113 |
| RRAP renovations | 291,703 | | 291,703 | 184,380 | 5,366 | 189,746 | 101,957 | 107,323 |
| Gymnasium | 2,546,363 | | 2,546,363 | 1,015,181 | 76,558 | 1,091,739 | 1,454,624 | 1,531,182 |
| Store | 74,860 | | 74,860 | 52,509 | 1,118 | 53,627 | 21,233 | 22,351 |
| Community Infrastructure | 3,866,309 | 743,584 | 4,609,893 | 1,463,424 | 102,259 | 1,565,683 | 3,044,210 | 2,402,885 |
| Equipment | 336,197 | 27,654 | 363,851 | 272,877 | 18,885 | 291,762 | 72,089 | 63,320 |
| | <u>\$ 17,356,545</u> | <u>\$ 866,834</u> | <u>\$ 18,223,379</u> | <u>\$ 5,421,620</u> | <u>\$ 413,913</u> | <u>\$ 5,835,533</u> | <u>\$ 12,387,846</u> | <u>\$ 11,934,925</u> |

SWEETGRASS FIRST NATIONNotes to the Consolidated Financial Statements
March 31, 2015

10. Treaty Land Entitlement Trust

The year end of the trust is December 31 and is summarized as follows:

| | <u>2014</u> (unaudited) | <u>2014</u> (unaudited) |
|---------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| Capital Fund | | |
| Balance at beginning and end of year | \$ 3,474,330 | \$ 3,474,330 |
| Transfer of land and land acquisition costs to reserve status | <u> </u> | <u> </u> |
| Balance at end of year | <u> </u> \$ 3,474,330 | <u> </u> \$ 3,474,330 |
| Revenue Fund | | |
| Balance at beginning of year | \$ NIL | \$ NIL |
| Net income for the year | 311,468 | 295,195 |
| Distributions to Sweetgrass First Nation | <u>(311,468)</u> | <u>(295,195)</u> |
| Balance at end of year | <u> </u> \$ NIL | <u> </u> \$ NIL |

11. Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and deferred revenue approximates fair value due to the relatively short-term maturities of these instruments.

Credit Risk

The First Nation in the normal course of operations derives revenues from the rental of farmland and certain residential housing. It is exposed to credit risk from its tenants.

Line of Credit

The First Nation has an authorized line of credit with the Royal Bank of \$350,000 at a rate of prime plus 1.5%. The terms of the loan facility agreement are negotiated annually.

12. Budgeted Figures

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by Chief and Council.

13. Comparative Figures

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

SWEETGRASS FIRST NATIONNotes to the Consolidated Financial Statements
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14. Segment Disclosure

The First Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by segment. The segments of the First Nation and the services they provide by each are as follows:

- Education - provides a variety of services for students from nursery school to a complete grade 12 that meets all provincial criteria with a cultural influence that reflects the first nation's identity. Services also include access to post secondary level opportunities, nutrition program, student counselling, Cree language and cultural program and a community school program.
- Community Infrastructure - provides for operating and maintaining basic community facilities and services such as waste water systems, roads, fire prevention, etc. Services also include ensuring the community facilities and services meet recognized standards and are comparable to services in nearby communities.
- Band Government - handles the finances and administration of the First Nation including support to Chief and Council and all other departments to ensure the efficient and effective operation of the First Nation.
- Capital - Capital projects include new housing, infrastructure upgrades, and is responsible for larger maintenance projects that are non-recurring in nature and requires both capital funding and Band funding.
- Health and Welfare - provides programming aimed towards the well-being and health of the First Nation's members. Programming includes health initiatives for home care, counselling for addictions, etc.
- Other - a variety of different programs that vary based on own source revenues or specific criteria as determined by the funding agency.
- TLE Administration - provides for the management of Treaty Land Entitlement Trust until lands achieve reserve status.

SWEETGRASS FIRST NATIONNotes to the Consolidated Financial Statements
March 31, 2015

14. Segment Disclosure (continued)

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as those described in Note 1. Inter-segment transfers are recorded at their exchange amount.

| | Education | | Social Development | | Community Infrastructure | |
|----------------------------------------|---------------------|------------------|--------------------|---------------|--------------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Federal Government | \$ 1,655,087 | \$ 1,638,492 | \$ 4,064 | | \$ 532,332 | \$ 533,782 |
| Other | | | | | | 39,808 |
| Total Revenues | 1,655,087 | 1,642,556 | | | 532,332 | 573,590 |
| Administration and training | 5,499 | | 4,001 | | 1,286 | 1,339 |
| Amortization | | | | | 120,643 | 126,469 |
| Assistance | 716,799 | 548,498 | 2,747 | | | |
| Bank charges and interest | 5,948 | 2,747 | | | | |
| Honorarium and travel | 20,892 | 21,285 | | | | |
| Insurance | 15,673 | 14,540 | | | | |
| Interest | 10,099 | 11,667 | | | | |
| Materials and sub-contract | | | | | | |
| Office supplies | 24,751 | 15,784 | | | | |
| Other | 20,313 | 10,061 | | | | |
| Professional fees | 41 | | | | | |
| Repairs and maintenance | | | | | | |
| Utilities, telephone and property tax | | | | | | |
| Wages, contracts and employee benefits | 1,044,912 | 1,003,519 | 2,377 | | | |
| Total Expenses | <u>1,864,927</u> | <u>1,634,479</u> | | | <u>975,328</u> | <u>844,773</u> |
| Annual Deficit | <u>\$ (209,840)</u> | <u>\$ 8,077</u> | <u>\$ NIL</u> | <u>\$ NIL</u> | <u>\$ (442,996)</u> | <u>\$ (271,183)</u> |

SWEETGRASS FIRST NATIONNotes to the Consolidated Financial Statements
March 31, 2015

14. Segment Disclosure (continued)

| | Band Government | | Capital | | Health & Welfare Programs | |
|----------------------------------------|-----------------|----------------|----------------|----------------|---------------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Federal Government | \$ 610,820 | \$ 639,250 | \$ 572,045 | \$ 194,557 | \$ 184,794 | \$ 1,063,706 |
| Tribal Council | | 477 | | 480 | 69,118 | 49,662 |
| Other | | | | | 913 | 1,131 |
| Total Revenues | 610,820 | 639,727 | 572,525 | 194,669 | 254,825 | 1,114,499 |
| Administration and training | 19,521 | 12,578 | 155,847 | 138,721 | | |
| Amortization | 18,884 | 11,272 | 35 | | | 499 |
| Assistance | | | 7,450 | 6,638 | | |
| Bank charges and interest | 1,040 | 150,585 | 2,256 | 143 | | |
| Honorarium and travel | 60,484 | 13,341 | 1,782 | 67,612 | | |
| Insurance | 1,000 | 22,343 | | 12,215 | | |
| Interest | 11,413 | | | 64 | 224,900 | |
| Materials and sub-contract | 2,134 | | 26,524 | | | |
| Office supplies | 28,581 | | (19) | | | |
| Other | 13,198 | 121,529 | | 522 | | |
| Professional fees | 283,218 | 391 | 183,554 | | | |
| Repairs and maintenance | 9,028 | 12,463 | | | 210 | |
| Utilities, telephone and property tax | 11,528 | 343,570 | 39,000 | | 4,583 | |
| Wages, contracts and employee benefits | 447,629 | | | | 3,305 | |
| Total Expenses | 907,658 | 722,062 | 389,141 | 444,113 | 64,213 | 59,251 |
| Annual Deficit | \$ (296,838) | \$ (82,335) | \$ 183,384 | \$ (249,444) | \$ 190,612 | \$ 1,055,248 |

SWEETGRASS FIRST NATIONNotes to the Consolidated Financial Statements
March 31, 2015

14. Segment Disclosure (continued)

| | Other | | TLE Administration | | Total (Note 13) |
|----------------------------------------|------------------|------------------|--------------------|-------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 | |
| Federal Government | \$ 174,536 | \$ 145,025 | | | \$ 4,214,812 |
| Tribal Council | 281,413 | 194,614 | | | 350,531 |
| Other | 698,643 | 1,896,819 | \$ 312,008 | \$ 295,760 | 244,276 |
| Total Revenues | 1,154,592 | 2,236,458 | \$ 312,008 | \$ 295,760 | 6,697,259 |
| Administration and training | | 5,060 | | | 26,306 |
| Amortization | 118,539 | 103,570 | | | 413,913 |
| Assistance | 483,182 | 776,822 | | | 380,032 |
| Bank charges and interest | 47,514 | 830 | | | 1,199,981 |
| Capital asset purchases | 94,958 | 125,107 | 29,511 | 13,374 | 96,346 |
| Honorarium and travel | 26,730 | 27,681 | | | 384,262 |
| Insurance | 44,741 | 86,081 | 736 | 77 | 270,229 |
| Interest | 38,361 | 38,184 | 42,510 | | 259,069 |
| Materials and sub-contract | 23,668 | 36,606 | 3,063 | | 132,730 |
| Office supplies | 250,244 | 165,656 | 9,475 | 543 | 84,243 |
| Other | 85,687 | 33,039 | 29,108 | 680 | 266,604 |
| Professional fees | 74,866 | 109,054 | 189 | | 82,180 |
| Repairs and maintenance | 98,466 | 50,778 | 37,223 | 36,127 | 177,048 |
| Utilities, telephone and property tax | 284,159 | 153,983 | 10,154 | 17,087 | 156,588 |
| Wages, contracts and employee benefits | | | | | 354,252 |
| Total Expenses | 1,671,115 | 1,808,797 | \$ 161,969 | \$ 68,757 | 196,261 |
| Annual Deficit | \$ (516,523) | \$ 427,661 | \$ 150,039 | \$ 227,003 | \$ (942,162) |
| | ===== | ===== | ===== | ===== | ===== |
| | | | | | 5,582,232 |
| | | | | | \$ 1,115,027 |

SWEETGRASS FIRST NATIONNotes to the Consolidated Financial Statements
March 31, 2015

15. Expenses by Object

| | <u>2015</u> | <u>2014</u> |
|----------------------------------------|---------------------|---------------------|
| (Note 13) | | |
| Administration and training | \$ 26,306 | \$ 23,477 |
| Amortization | 413,913 | 380,032 |
| Assistance | 1,199,981 | 1,325,355 |
| Bank charges and interest | 61,140 | 11,170 |
| Capital asset purchases | | 96,346 |
| Honorarium and travel | 286,157 | 384,262 |
| Insurance | 270,229 | 259,069 |
| Interest | 67,614 | 132,730 |
| Materials and sub-contract | 84,243 | 266,604 |
| Office supplies | 107,281 | 82,180 |
| Other | 313,034 | 177,048 |
| Professional fees | 398,054 | 156,588 |
| Repairs and maintenance | 491,847 | 354,252 |
| Utilities, telephone and property tax | 259,305 | 196,261 |
| Wages, contracts and employee benefits | 2,055,247 | 1,736,858 |
| | <hr/> | <hr/> |
| | <u>\$ 6,034,351</u> | <u>\$ 5,582,232</u> |