

Fond du Lac Denesuline First Nation
Consolidated Financial Statements
March 31, 2016

Fond du Lac Denesuline First Nation

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For the year ended March 31, 2016

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Management's Responsibility

To the Members of Fond du Lac Denesuline First Nation:

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

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Fond du Lac Denesuline First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP is appointed by the Chief and Council to audit the consolidated financial statements and report directly to the Members; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

September 7, 2016

(signature on file) Administrator

Independent Auditors' Report

To the Members of Fond du Lac Denesuline First Nation:

We have audited the accompanying consolidated financial statements of Fond du Lac Denesuline First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

Canadian public sector accounting standards require the disclosure of budget information for comparison to the First Nation's actual revenue and expenses. The consolidated budgeted revenue, expenses and surplus have not been reported in these financial statements. While having no effect on reporting revenue, expenses and surplus, omission of this information is considered a departure from Canadian public sector accounting standards.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Fond du Lac Denesuline First Nation as at March 31, 2016 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Prince Albert, Saskatchewan

September 7, 2016

MNP LLP

Chartered Professional Accountants

Fond du Lac Denesuline First Nation

Consolidated Statement of Financial Position

As at March 31, 2016

	2016	2015
Financial assets		
Current		
Cash and cash equivalents	36,782	34,733
Accounts receivable (Note 3)	695,648	402,831
Restricted cash (Note 4)	326,183	26,003
	1,058,613	463,567
CMHC restricted cash (Note 5)	44,252	29,233
Investments in Nation business entities (Note 6)	24,447,095	24,501,259
Portfolio investments (Note 7)	111,268	111,268
Funds held in trust (Note 8)	265,164	253,621
Total financial assets	25,926,392	25,358,948
Liabilities		
Current		
Bank indebtedness (Note 9)	595,455	535,018
Accounts payable and accruals	817,802	844,853
Deferred revenue (Note 10)	306,993	-
Current portion of long-term debt (Note 11)	374,714	369,805
	2,094,964	1,749,676
Long-term debt (Note 11)	2,891,906	3,266,706
Total financial liabilities	4,986,870	5,016,382
Net financial assets	20,939,522	20,342,566
Guarantees (Note 6)		
Contingent liabilities (Note 18)		
Non-financial assets		
Tangible capital assets (Note 13)	43,380,996	45,923,875
Accumulated surplus (Note 12)	64,320,518	66,266,441

Approved on behalf of Chief and Council

(signature on file)

Chief

(signature on file)

Councillor

Fond du Lac Denesuline First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2016

	<i>Schedules</i>	<i>2016</i>	<i>2015</i>
Revenue			
Federal government funding <i>(Note 14)</i>			
Indigenous and Northern Affairs Canada		7,248,346	7,194,352
Canada Mortgage and Housing Corporation		135,703	135,703
First Nations Inuit and Health Branch		66,000	66,000
		7,450,049	7,396,055
Athabasca Health Authority		1,071,864	1,036,839
Earnings from investment in Nation business entities		1,041,086	4,005,098
Prince Albert Grand Council		895,328	788,220
First Nations Trust		682,230	665,490
Other revenue		604,630	222,208
Rental income		154,638	164,243
Northern Lights Community Development Corporation		122,400	135,926
Portfolio investment income		72,464	50,000
Grants for recreation and cultural activities		47,930	47,678
Goods and Services Tax rebates		47,879	57,715
User fees		30,907	23,447
CMHC youth internship		7,170	6,400
Interest income		5,425	8,086
Forfeited federal government funding <i>(Note 15)</i>		(156,431)	(112,958)
		12,077,569	14,494,447
Program expenses			
Band Government	3	2,370,301	2,248,001
Community Infrastructure	4	3,363,678	3,381,095
Education	5	4,908,955	4,851,383
Health	6	1,580,710	1,367,708
Social Development	7	1,799,848	1,747,352
		14,023,492	13,595,539
Surplus (deficit) before other items		(1,945,923)	898,908
Other income			
Gain on disposal of tangible capital asset		-	126,563
Surplus (deficit)		(1,945,923)	1,025,471
Accumulated surplus, beginning of year		66,266,441	65,240,970
Accumulated surplus, end of year <i>(Note 12)</i>		64,320,518	66,266,441

The accompanying notes are an integral part of these financial statements

Fond du Lac Denesuline First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2016

	2016	2015
Annual surplus (deficit)	(1,945,923)	1,025,471
Purchases of tangible capital assets	(115,449)	(132,967)
Amortization of tangible capital assets	2,658,328	2,679,206
Gain on sale of tangible capital assets	-	(126,563)
Proceeds on sale of tangible capital assets	-	126,563
Use of prepaid expenses	-	31,100
Increase in net financial assets	596,956	3,602,810
Net financial assets, beginning of year	20,342,566	16,739,756
Net financial assets, end of year	20,939,522	20,342,566

The accompanying notes are an integral part of these financial statements

Fond du Lac Denesuline First Nation

Consolidated Statement of Cash Flows

For the year ended March 31, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	(1,945,923)	1,025,471
Non-cash items		
Amortization	2,658,328	2,679,206
Earnings (loss) from investment in Nation business	(1,041,086)	(4,005,098)
	(328,681)	(300,421)
Changes in working capital accounts		
Accounts receivable	(292,817)	255,597
Prepaid expenses	-	31,100
Restricted cash	(300,180)	(1,334)
Accounts payable and accruals	(27,051)	266,729
Deferred revenue	306,993	-
	(641,736)	251,671
Financing activities		
Repayment of long-term debt	(369,891)	(368,149)
Change in bank indebtedness	60,437	(311,936)
	(309,454)	(680,085)
Capital activities		
Purchases of tangible capital assets	(115,449)	(132,967)
Investing activities		
Withdrawals from investment in First Nation business entities (net)	1,095,250	446,420
Increase in funds held in trust	(11,543)	(52,833)
Increase in CMHC restricted cash	(15,019)	(5,058)
	1,068,688	388,529
Increase (decrease) in cash resources	2,049	(172,852)
Cash resources, beginning of year	34,733	207,585
Cash resources, end of year	36,782	34,733
Supplementary cash flow information		
Interest paid	108,157	125,388

The accompanying notes are an integral part of these financial statements

Fond du Lac Denesuline First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016

1. Operations

The Fond du Lac Denesuline First Nation (the "First Nation") is located in the province of Saskatchewan, and provides various services to its members. Fond du Lac Denesuline First Nation includes the First Nation's members, government and all related entities that are accountable to the First Nation and are either owned or controlled by the First Nation.

2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

Reporting entity consolidated

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Fond du Lac Denesuline First Nation - Administration;
- Fond du Lac Denesuline First Nation - Education;
- Fond du Lac Denesuline First Nation - Health;
- Fond du Lac Denesuline First Nation CMHC Rental Housing; and,
- Fond du Lac Mineral Resources Inc.

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Fond du Lac Denesuline First Nation business entities, owned, controlled or jointly controlled by the First Nation's Council but not dependent on the First Nation for their continuing operations, are included in the financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- Fond du Lac First Nation Development Limited Partnership;
- Fond du Lac First Nation (2008) Development Corporation;
- Waterfound Development LP (33%); and,
- Waterfound Development Corporation (33%).

Investments in First Nation partnerships are accounted for using the proportionate consolidation method. The First Nation's pro-rata share of the assets, liabilities, revenue, and expenses of the First Nation partnership have been combined on a line-by-line basis with similar items of the First Nation. Entities accounted for by the proportionate consolidation method include:

- Deneusline Development Corporation (33%)

Fond du Lac Denesuline First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016

2. Significant accounting policies *(Continued from previous page)*

Other economic interests

The First Nation does not either share in the control or the profit or loss of the following entities. As a result, the financial statements of the following entities have not been consolidated or proportionately consolidated with the financial statements of Fond du Lac Denesuline First Nation.

- The First Nation is a member of the Prince Albert Grand Council (PAGC Management Co. Ltd. or "PAGC"). The PAGC is an organization of twelve Nations. The PAGC is mandated to enhance the services provided to the member Nations.
- The First Nation is a member of the Athabasca Child and Family Services Inc. ("AC&FS"). AC&FS is an organization of three Nations. The mandate of AC&FS is to provide child and family protection and prevention services on reserve to the three member Nations.

Basis of presentation

Sources of financing and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Cash resources

Cash resources includes balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Restricted cash

Restricted cash consists of funds held in the CMHC replacement reserve bank, as well as, funds managed by a project manager. The CMHC reserve is used to pay eligible expenditures of the CMHC housing units and the project manager is responsible for completion of the capital projects.

Portfolio investments

Long-term investments in entities that are not controlled or influenced by the Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund and consist of:

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

Revenues from trust moneys are recognized when received. These moneys are reported on by the Government of Canada.

Fond du Lac Denesuline First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

2. Significant accounting policies *(Continued from previous page)*

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible assets are recorded at their fair value at the date of contribution. Land purchased is recorded at purchase price plus acquisition costs.

Amortization

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	Method	Rate
Infrastructure	straight-line	3 %
Housing	straight-line	5 %
Other buildings	straight-line	4 %
Equipment, vehicles, office & other	straight-line	20 %

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in surplus for the year.

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 normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

Net financial assets

The First Nation's financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprises a second indicator of financial position, accumulated surplus.

Revenue recognition

Government transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Funds held in Ottawa Trust Fund

Due to measurement uncertainty, revenue related to the receipt of funds held in the Ottawa Trust Fund is recognized when it is received.

Other revenue

Investment and interest income is recognized when earned. Rent and other revenue is recognized when the related services are provided.

2. Significant accounting policies *(Continued from previous page)*

Segments

The First Nation conducts its business through five (5) reportable segments: Band Government, Community Infrastructure, Education, Health, and Social Development. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates/assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the records in the periods in which they come known.

Accounts receivable, and amounts due from related First Nation entities and departments, are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Legal provisions are recorded when the likelihood of loss and amount of settlement can be determined. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites for which the First Nation is responsible.

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2016.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Recent accounting pronouncements

PS 2200 Related Party Disclosures (New)

In March 2015, the Public Sector Accounting Board (PSAB) issued a new standard, PS 2200 Related Party Disclosures.

This new Section defines a related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

This Section is effective for fiscal years beginning on or after April 1, 2017. Early adoption is permitted.

2. Significant accounting policies *(Continued from previous page)*

PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights

In June 2015, new PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights were included in the CPA Canada Public Sector Accounting Handbook (PSA HB).

PS 3210 Assets provides additional guidance to clarify the definition of assets set out in PS 1000 Financial Statement Concepts.

PS 3320 Contingent Assets establishes disclosure standards on contingent assets. Under previous standards contingent assets could not be disclosed.

PS 3380 Contractual Rights establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Standard are as follows:

- Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.
- Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.
- Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

These standards are effective for fiscal years beginning on or after April 1, 2017.

PS 3420 Inter-entity Transactions (New)

In March 2015, the Public Sector Accounting Board (PSAB) issued new PS 3420 Inter-entity Transactions.

The new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

The main features of the new Section are:

- Under a policy of cost allocation, revenue and expenses are recognized on a gross basis.
- Transactions are measured at the carrying amount, except in specific circumstances.
- A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice.
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.
- Inter-entity transactions are considered in conjunction with PS 2200 Related Party Disclosures.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

PS 3450 Financial Instruments (Amendment)

In September 2015, the effective date for governments was extended by three years. PS 3450 is effective for fiscal years beginning on or after April 1, 2019. In the period that a public sector entity applies PS 3450, it also applies PS 1201, PS 2601 and PS 3041. Early adoption is permitted.

Fond du Lac Denesuline First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

3. Accounts receivable

	2016	2015
Athabasca Health Authority	226,296	124,872
Prince Albert Grand Council	209,956	101,718
Indigenous and Northern Affairs Canada	78,197	16,225
Other	49,177	9,134
Northern Sport, Cultural, and Recreation Inc.	47,700	23,150
Northern Lights Community Development Corporation	45,750	30,000
Employee and member loans and advances	42,352	64,247
Goods and Services Tax	15,000	72,575
CMHC subsidy assistance	11,309	11,309
	725,737	453,230
Allowance for doubtful accounts	(30,089)	(50,399)
	695,648	402,831

4. Restricted cash

Restricted cash consists of funds managed by capital project managers who are responsible for payment of expenses relating to capital project funding by INAC.

	2016	2015
Water	138,610	26,003
School Renovation	187,573	-
	326,183	26,003

5. CMHC restricted cash

Fond du Lac Denesuline First Nation is required under agreement with CMHC to set aside funds to finance future qualifying housing expenditures. The First Nation has \$44,252 (2015 - \$29,233) of cash restricted to fund CMHC reserves. In accordance with the terms of the agreements, CMHC reserve moneys must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal. As of March 31, 2016, the reserves are underfunded by \$94,898 (2015 - \$86,287). The CMHC reserve cash consists of funds on deposit with financial institutions for the purpose of funding the CMHC Housing Replacement Reserve.

Fond du Lac Denesuline First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

6. Investments in Nation business entities

The First Nation has investments in the following entities:

	<i>Investment, beginning of year</i>	<i>Contributions (withdrawals)</i>	<i>Cumulative share of earnings (loss)</i>	<i>Investment, end of year</i>
Nation business entities:				
Fond du Lac First Nation (2008) Development Corporation - 100% ("FDLFNDC")	15,456	-	(211)	15,245
Waterfound Development Corporation - 33.33%	1,956	-	(201)	1,755
	17,412	-	(412)	17,000
First Nation Business Partnerships:				
Fond du Lac First Nation Development Limited Partnership - 99.9% ("FDLFNDLP")	23,847,385	(512,844)	939,826	24,274,367
Waterfound Development Limited Partnership - 33.33%	636,462	(582,406)	101,672	155,728
	24,483,847	(1,095,250)	1,041,498	24,430,095
	24,501,259	(1,095,250)	1,041,086	24,447,095

The First Nation's investment in Fond du Lac First Nation Development Limited Partnership and its general partner, Fond du Lac First Nation (2008) Development Corporation was established for the purposes of managing, evaluating and building its investments and operating its for-profit enterprises. Waterfound Development Group was established to hold investments with the other two Nation partners.

Summary financial information for each First Nation partnership, accounted for using the modified equity method, for their respective year-end is as follows:

	<i>FDLFNDLP As at March 31, 2016</i>	<i>Waterfound Development LP As at December 31, 2015</i>
Assets		
Cash	149,209	569,609
Accounts receivable	26,433	-
Prepays	4,454	-
Investments	22,716,677	4,210,846
Property and equipment	1,570,916	-
Investment property	792,136	-
Advances to related parties	-	22,550
Total assets	25,259,825	4,803,005
Liabilities		
Accounts payable and accruals	314,186	4,998
Long-term debt	653,105	-
Total liabilities	967,291	4,998
Net assets	24,292,534	4,798,007
Total revenue	1,949,783	358,386
Total expenses	1,141,808	53,066
Net income	807,975	305,320
Other comprehensive income	132,791	-
Comprehensive income	940,766	305,320

Fond du Lac Denesuline First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

6. Investments in First Nation Business partnerships and business entities *(Continued from previous page)*

An adjustment to net assets of \$1,211,158, due to a reorganization of the entity resulting in a permanent timing difference in the cost of the investment, has been recorded in the financial statement of Waterfound Development LP, to arrive at the amount included in the First Nation's consolidated financial statements.

The First Nation has guaranteed the following debt on behalf of its First Nation business enterprise:

Fond du Lac First Nation Limited partnership has the following long-term debt which the First Nation has issued a guarantee for repayment:

- Demand loans with First Nations Bank of Canada for capital purchases such as airplanes and rental buildings. Interest rates are fixed at rates between 4.65% and 5.04%. Related capital assets are held as first security and the First Nation has guaranteed the First Nations Bank access to the reserve to repossess movable assets pledged as security through a Band Council Resolution. FDLFNL has demand loans due to First Nations Bank of \$707,996 (2015 - \$760,015). The First Nation has guaranteed the full amount of the debt outstanding to the First Nations Bank and repayment under this guarantee, which will remain in place indefinitely, is required in the event the repayment of loans are in default.
- Principal repayments on the demand loans in each of the next five years are estimated as follows:

2017	54,891
2018	57,820
2019	60,905
2020	64,095
2021	67,579
- No liability has been recorded associated with this guarantee.

One of the First Nation's investees have a different year-end than March 31, 2016. The First Nation uses the investees' year-end financial statements to account for its investment in these investees. During the period between the year-end for Waterfound Development LP and March 31, 2016, there were significant events and transactions that occurred. The following investee has a different year-end:

<i>Name of investee</i>	<i>Year-end</i>	<i>Significant events and transactions</i>
Waterfound Development LP	December 31, 2015	Cash withdrawal of \$550,000 to finance the payment of the Denesuline Development Corporation tax expense.

Fond du Lac Denesuline First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

7. Portfolio investments

	2016	2015
CanAlaska Uranium Ltd. shares	71,668	71,668
Prince Albert Development Corporation (8.33%)	39,600	39,600
Prince Albert First Nation Business Development Limited Partnership (8.25%)	-	-
	111,268	111,268

CanAlaska Uranium Ltd. shares have a fair market value as of March 31, 2016 of \$204,000.

Summarized financial information as at March 31, 2016 for non-publicly traded portfolio investments is presented below:

	Assets	Liabilities	Revenue	Expenses	Net Income
PADC	298,989	5,513	4,526	2,000	2,526
PAFNBDLP	22,973,343	375,413	1,307,258	854,388	452,870

8. Funds held in trust

Capital and revenue trust moneys are transferred to the First Nation on the authorization of the Minister of Indigenous and Northern Affairs Canada, with the consent of the First Nation's Council.

Capital Trust

Balance, beginning and end of year	1,980	1,980
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Revenue Trust

Balance, beginning of year	251,641	198,808
Interest	5,322	5,697
Rental income	6,000	6,000
Other	221	41,136
Balance, end of year	263,184	251,641
	265,164	253,621

9. Bank indebtedness and other credit arrangements

Bank indebtedness includes three separate operating lines authorized to \$400,000, \$100,000, and \$75,000 for the General, Social Development, and Education bank accounts respectively of the First Nation and bear interest at prime plus 1.5%. As of March 31, 2016 the First Nation has drawn on \$497,169 (2015 - \$322,217) of the operating lines (\$313,736 for General, \$102,341 for Social Development, and \$81,092 for Education).

As at March 31, 2016, cheques issued in excess of deposits are also included in bank indebtedness.

Fond du Lac Denesuline First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016

10. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Amount recognized as revenue</i>	<i>Balance, end of year</i>
INAC - Emergency repairs to sewage pumping station	-	200,000	75,707	124,293
INAC - School renovation project	-	200,000	17,300	182,700
	-	400,000	93,007	306,993

11. Long-term debt

Canada Mortgage and Housing Corporation Phase I repayable in monthly instalments of \$4,029 including interest at 2.11%; secured by band council resolution and ministerial guarantee; matures October 1, 2028. 534,197 570,877

Canada Mortgage and Housing Corporation Phase II repayable in monthly instalments of \$3,224 including interest at 2.75%; secured by Ministerial guarantee; matures May 1, 2036. 598,223 620,182

Canada Mortgage and Housing Corporation Phase III repayable in monthly installments of \$3,386 including interest at 1.53%; secured by Ministerial guarantee; matures December 1, 2032. 598,782 629,999

First Nation Bank mortgage, for the purpose of construction of five non-CMHC housing units, repayable at \$180,000 per annum plus interest paid monthly at 4.65%; secured by re-direction of \$190,000 of annual INAC band based capital funds; matures April 1, 2018. 360,000 540,000

First Nation Bank mortgage, for the purpose of construction of new on-reserve arena, repayable at \$25,009 per quarter plus interest paid monthly at 4.35%; secured by re-direction of dividends from Athabasca Basin Development LP; matures October 1, 2027. 1,175,418 1,275,453

3,266,620 3,636,511

Less: current portion 374,714 369,805

2,891,906 3,266,706

Principal repayments on long-term debt in each of the next five years, assuming all term debt is subject to contractual terms of repayment and long-term debt subject to refinancing is renewed, are estimated as follows:

1	374,714
2	373,661
3	195,618
4	197,617
5	199,661

Fond du Lac Denesuline First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

12. Accumulated surplus

The First Nation designates and tracks separately the following funds and reserves in accordance with internal management policies. These funds are designated to assist with fund management and to comply with legislation:

Accumulated surplus consists of the following:

	2016	2015
Equity in funds held in trust		
Balance, beginning of year	253,621	200,788
Interest, lease, royalties and other revenue	11,543	52,833
	265,164	253,621
Equity in CMHC reserves		
Balance, beginning of year	115,520	80,166
Reserve allocation for the year	24,000	24,000
Interest	19	58
Transfer of surplus capital	-	11,296
Withdrawals	(389)	-
	139,150	115,520
Equity in tangible capital assets		
Balance, beginning of year	42,287,364	44,465,453
Tangible capital assets acquired	115,449	132,968
Loans repaid	369,891	368,149
Amortization	(2,658,328)	(2,679,206)
Gain on disposal of tangible capital assets	-	126,563
Proceeds on disposal of tangible capital assets	-	(126,563)
	40,114,376	42,287,364
Equity in investments		
Balance, beginning of year	24,612,527	21,053,849
Income	1,041,086	4,005,098
Contributions (withdrawals)	(1,095,250)	(446,420)
	24,558,363	24,612,527
Unrestricted operating accumulated surplus (deficit)		
Balance, beginning of year	(1,002,591)	(559,286)
Transfer to equity in funds held in trust	(11,543)	(52,833)
Transfer to equity in CMHC reserves	(23,630)	(35,354)
Transfer (to) from equity in tangible capital assets	2,172,988	2,178,089
Transfer (to) from equity in investments	54,164	(3,558,678)
Current surplus (deficit)	(1,945,923)	1,025,471
	(756,535)	(1,002,591)
	64,320,518	66,266,441

The First Nation does not have a movable capital asset reserve.

Fond du Lac Denesuline First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

13. Tangible capital assets

The tangible capital assets reconciliation is included in Schedule 1.

The First Nation holds culturally significant works of art and historical treasures, which have not been included in tangible capital assets due to the inability of estimating future benefits associated with such property.

14. Federal government funding reconciliation

	2016	2015
Indigenous and Northern Affairs Canada		
INAC funding per confirmation	7,455,339	7,397,173
Add (less): A&C Wastewater <1.5M revenue	100,000	(100,000)
Less: School renovation project deferred revenue	(182,700)	-
Less: Sewage pumping station repairs deferred revenue	(124,293)	-
Less: Basic Needs reconciliation	-	(102,821)
	7,248,346	7,194,352
First Nations and Inuit Health Branch		
FNIHB funding per confirmation	66,000	66,000
Canada Mortgage and Housing Corporation		
Loan subsidy	135,703	135,703
	7,450,049	7,396,055

15. Forfeited federal government funding reconciliation

	2016	2015
Indigenous and Northern Affairs Canada		
Basic Needs year end reconciliation	109,853	94,285
Band Employee Benefits (statutory) year end reconciliation	31,695	3,313
Special Needs year end reconciliation	14,883	15,360
	156,431	112,958

16. Economic dependence

Fond du Lac Denesuline First Nation receives a significant portion of its revenue from Indigenous and Northern Affairs Canada (INAC) as a result of Treaties entered into with the Government of Canada. These Treaties are administered by INAC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these Treaties.

17. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

Fond du Lac Denesuline First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

18. Contingent liabilities

These financial statements are subject to review by the First Nation's funding agents. It is possible that adjustments could be made based on the results of their reviews.

The First Nation is party to a government partnership operating as a non-profit corporation with two other First Nations. The three First Nations as a group have signed loan agreements with the Government of Canada to finance a land claim process. The total of the loans outstanding as at March 31, 2016 is \$17,019,741 (2015 - \$15,948,493). A potential settlement agreement has been offered which would indicate a significant portion of the loan balance would be forgiven, with the remaining balance applied against the settlement amount. Due to the uncertainty whether the loans will actually be repayable and that the three First Nations have not agreed to an allocation of the responsibility for the loan nor the potential settlement payout, no amount related to the loans has been reported in these financial statements. It is possible the First Nation could be responsible for a portion of the loans.

The government partnership has not been reported in these financial statements on a proportionate basis as a result of the First Nations not agreeing to an allocation of the responsibilities for the loan nor the potential settlement payout, and as a result the 'ownership' of the government partnership. Summary financial information from the government partnership's audited financial statements is as follows:

<i>Year</i>	<i>Assets</i>	<i>Liabilities</i>	<i>Net assets</i>	<i>Revenues</i>	<i>Expenses</i>	<i>Surplus (deficit)</i>
March 2016	554,529	224,561	337,110	1,695,523	1,700,407	(4,884)
March 2015	559,631	222,521	337,110	1,110,189	1,318,180	(207,991)

Note: The loan proceeds are reported as revenue by the government partnership as a government transfer from the First Nations. If the First Nation was to proportionately report the operations of the government partnership, the revenue would be reported as a liability of the First Nation as part of the loan repayable.

19. Compliance with authorities

The First Nation is required to make its financial statements publicly available and submit its consolidated financial statements to Indigenous and Northern Affairs Canada by July 29, 2016. The First Nation did not submit its consolidated financial statements by this date. The possible effect of this breach has not yet been determined.

Fond du Lac Denesuline First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2016

	<i>Infrastructure</i>	<i>Housing</i>	<i>Other Buildings</i>	<i>Equipment, Vehicles, Office & Other</i>	<i>Assets Under Construction</i>	<i>2016</i>	<i>2015</i>
Cost							
Balance, beginning of year	45,702,094	15,283,303	23,179,702	1,859,104	680,121	86,704,324	86,621,357
Acquisition of tangible capital assets	-	-	-	-	115,449	115,449	132,967
Construction-in-progress	-	-	93,926	-	(93,926)	-	-
Disposal of tangible capital assets	-	-	-	-	-	-	(50,000)
Balance, end of year	45,702,094	15,283,303	23,273,628	1,859,104	701,644	86,819,773	86,704,324
Accumulated amortization							
Balance, beginning of year	14,566,727	9,322,734	15,263,696	1,627,292	-	40,780,449	38,151,243
Annual amortization	1,371,064	556,663	628,776	101,825	-	2,658,328	2,679,206
Disposal of tangible capital assets	-	-	-	-	-	-	(50,000)
Balance, end of year	15,937,791	9,879,397	15,892,472	1,729,117	-	43,438,777	40,780,449
Net book value of tangible capital assets	29,764,303	5,403,906	7,381,156	129,987	701,644	43,380,996	45,923,875
Net book value of tangible capital assets	31,135,367	5,960,569	7,916,006	231,812	680,121	45,923,875	

Fond du Lac Denesuline First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2016

	2016	2015
Salaries and benefits	5,190,739	4,919,057
Amortization	2,658,328	2,679,206
Social assistance	1,459,771	1,458,920
Student expenses	786,021	810,321
Community events	583,791	370,379
Travel	543,942	632,674
Supplies	480,383	395,188
Utilities	367,436	392,152
Member assistance	272,136	205,712
Economic development	232,407	-
Repairs and maintenance	196,360	285,755
Funeral	179,070	220,922
Insurance	137,929	123,386
Program expense	137,054	147,341
National child benefit - projects	119,208	154,090
Interest on long-term debt	108,157	125,330
Vehicle	77,783	76,126
Freight	74,557	80,858
Professional fees	61,668	124,005
Bank charges and interest	60,031	56,189
Subcontracts	59,110	103,203
Consulting	55,602	23,954
Telephone	52,399	74,228
Arena maintenance and utilities	43,808	57,757
Office rent	31,247	12,759
Training	25,850	52,457
Homecare	20,394	14,382
Election	11,809	-
Administration (recovery)	8,435	(5,427)
Board travel, training and honouraria	6,245	9,561
Community donations	2,000	1,827
Miscellaneous	132	3,609
Bad debts (recovery)	(20,310)	(10,382)
	14,023,492	13,595,539

Fond du Lac Denesuline First Nation
Band Government
Schedule 3 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada	759,151	747,442
Investment in Nation business entities	1,041,086	4,005,098
First Nations Trust	682,230	665,490
Other revenue	413,156	141,689
Northern Lights Community Development Corporation	122,400	135,926
Portfolio investment income	72,464	50,000
Prince Albert Grand Council	41,579	91,207
User fees	30,907	23,447
Goods and Services Tax rebates	27,004	37,021
Rental income	11,898	10,300
Interest income	5,322	5,698
Forfeited federal government funding	-	(3,313)
	3,207,197	5,910,005
Expenses		
Salaries and benefits	636,303	673,953
Community events	567,630	370,379
Travel	317,552	408,402
Economic development	232,407	-
Funeral	179,070	220,922
Member assistance	147,469	205,712
Supplies	48,838	55,333
Consulting	38,119	16,445
Bank charges and interest	37,798	44,159
Office rent	31,247	11,659
Professional fees	27,696	94,153
Repairs and maintenance	20,167	7,856
Telephone	19,517	39,042
Utilities	17,093	15,298
Election	11,809	-
Training	11,171	12,953
Subcontracts	10,985	47,508
Freight	5,204	4,865
Vehicle	3,300	9,990
Student expenses	2,900	6,367
Community donations	2,000	827
Insurance	1,394	697
Administration (recovery)	500	800
Miscellaneous	132	681
	2,370,301	2,248,001
Surplus	836,896	3,662,004

Fond du Lac Denesuline First Nation
Community Infrastructure
Schedule 4 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada	1,212,121	1,066,387
Canada Mortgage and Housing Corporation	135,703	135,703
Prince Albert Grand Council	103,778	31,800
Rental income	41,153	59,348
CMHC youth internship	7,170	6,400
Interest income	103	2,387
Other revenue	-	25
	1,500,028	1,302,050
Expenses		
Amortization	2,234,981	2,248,380
Salaries and benefits	323,404	266,393
Utilities	192,316	193,549
Supplies	161,848	91,333
Interest on long-term debt	108,157	125,330
Insurance	104,310	100,372
Repairs and maintenance	60,927	165,024
Vehicle	47,045	46,036
Arena maintenance and utilities	43,808	57,757
Subcontracts	31,050	41,746
Freight	30,840	39,231
Travel	8,286	6,581
Professional fees	7,578	6,781
Member assistance	5,663	-
Administration	2,776	(8,572)
Community events	420	-
Bank charges and interest	269	232
Miscellaneous	-	922
	3,363,678	3,381,095
Deficit before other items	(1,863,650)	(2,079,045)
Other income		
Gain on disposal of tangible capital assets	-	126,563
Deficit	(1,863,650)	(1,952,482)

Fond du Lac Denesuline First Nation
Education
Schedule 5 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada	3,480,897	3,625,190
Prince Albert Grand Council	534,758	554,213
Rental income	89,588	82,595
Grants for recreation and cultural activities	47,930	47,678
Other revenue	28,447	63,359
Goods and Services Tax rebates	14,911	14,080
Forfeited federal government funding	(31,695)	-
	4,164,836	4,387,115
Expenses		
Salaries and benefits	3,103,065	2,985,030
Student expenses	783,121	803,954
Amortization	413,638	409,881
Supplies	224,312	203,684
Utilities	129,761	157,729
Travel	81,287	77,011
Repairs and maintenance	46,271	79,723
Freight	37,078	34,564
Vehicle	27,438	19,211
Consulting	17,484	-
Subcontracts	16,055	13,950
Professional fees	15,750	17,220
Telephone	12,602	18,131
Bank charges and interest	9,958	9,325
Insurance	9,792	3,332
Training	8,126	8,282
Board travel, training and honouraria	6,245	9,561
Program expense	1,606	7,332
Administration	322	1,045
Community donations	-	1,000
Miscellaneous	-	1,800
National child benefit - projects	(14,646)	-
Bad debts (recovery)	(20,310)	(10,382)
	4,908,955	4,851,383
Deficit	(744,119)	(464,268)

Fond du Lac Denesuline First Nation
Health
Schedule 6 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada	56,768	92,911
First Nations Inuit and Health Branch	66,000	66,000
Athabasca Health Authority	1,071,864	1,036,839
Prince Albert Grand Council	215,214	111,000
Other revenue	163,028	17,134
Rental income	12,000	12,000
Goods and Services Tax rebates	5,965	6,614
Interest income	-	2
	1,590,839	1,342,500
Expenses		
Salaries and benefits	1,051,764	892,832
Program expense	135,448	140,008
Travel	127,662	127,449
Repairs and maintenance	68,994	17,351
Supplies	44,635	43,429
Utilities	28,266	25,576
Insurance	22,433	18,985
Homecare	20,394	14,382
Telephone	20,279	17,055
Community events	15,742	-
Bank charges and interest	12,005	2,475
Professional fees	10,644	5,851
Amortization	9,709	20,944
Training	6,554	31,222
Administration	3,837	1,300
Freight	1,324	1,935
Subcontracts	1,020	-
Consulting	-	6,914
	1,580,710	1,367,708
Surplus (deficit)	10,129	(25,208)

Fond du Lac Denesuline First Nation
Social Development
Schedule 7 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada	1,739,409	1,662,422
Forfeited federal government funding	(124,736)	(109,645)
	1,614,673	1,552,777
Expenses		
Social assistance	1,459,771	1,458,920
National child benefit - projects	133,854	154,090
Member assistance	119,004	-
Salaries and benefits	76,202	100,848
Travel	9,156	13,232
Administration	1,000	-
Supplies	750	1,409
Freight	111	263
Consulting	-	595
Vehicle	-	889
Miscellaneous	-	206
Office rent	-	1,100
Repairs and maintenance	-	15,800
	1,799,848	1,747,352
Deficit	(185,175)	(194,575)