

Fond du Lac Denesuline First Nation
Consolidated Financial Statements
March 31, 2017

Fond du Lac Denesuline First Nation

Contents

For the year ended March 31, 2017

	Page
Management's Responsibility	
Independent Auditors' Report	
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Change in Net Financial Assets.....	3
Consolidated Statement of Cash Flows.....	4
Notes to the Consolidated Financial Statements.....	5
Schedules	
Schedule 1 - Consolidated Schedule of Tangible Capital Assets.....	17
Schedule 2 - Schedule of Consolidated Expenses by Object.....	18
Schedule 3 - Consolidated Schedule of Revenue and Expenses - Band Government.....	19
Schedule 4 - Consolidated Schedule of Revenue and Expenses - Community Infrastructure.....	20
Schedule 5 - Consolidated Schedule of Revenue and Expenses - Education.....	21
Schedule 6 - Consolidated Schedule of Revenue and Expenses - Health.....	22
Schedule 7 - Consolidated Schedule of Revenue and Expenses - Social Development.....	23

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.

December 22, 2017

(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, 2017, 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 and ratification of budget information for comparison to the First Nation's actual revenue and expenses. The consolidated budgeted revenue, expenses and surplus have been reported in these financial statements, however, the budget was not ratified. 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, 2017 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

December 22, 2017

MNP LLP

Chartered Professional Accountants

Fond du Lac Denesuline First Nation

Consolidated Statement of Financial Position

As at March 31, 2017

	2017	2016
Financial assets		
Current		
Cash and cash equivalents	17,312	36,782
Accounts receivable (Note 3)	1,082,096	695,648
Restricted cash (Note 4)	1,132,908	326,183
	2,232,316	1,058,613
CMHC restricted cash (Note 5)	44,274	44,252
Investments in Nation business entities (Note 6)	25,908,522	24,447,095
Portfolio investments (Note 7)	111,268	111,268
Funds held in trust (Note 8)	276,540	265,164
Total financial assets	28,572,920	25,926,392
Liabilities		
Current		
Bank indebtedness (Note 9)	1,253,607	595,455
Accounts payable and accruals	768,273	817,802
Deferred revenue (Note 10)	1,128,920	306,993
Current portion of long-term debt (Note 11)	369,163	374,714
	3,519,963	2,094,964
Long-term debt (Note 11)	2,522,606	2,891,906
Total financial liabilities	6,042,569	4,986,870
Net financial assets	22,530,351	20,939,522
Guarantees (Note 6)		
Contingent liabilities (Note 18)		
Non-financial assets		
Tangible capital assets (Note 13) (Schedule 1)	42,124,686	43,380,996
Accumulated surplus (Note 12)	64,655,037	64,320,518

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, 2017

	<i>Schedules</i>	<i>2017 Budget</i>	<i>2017 Actual</i>	<i>2016 Actual</i>
Revenue				
Federal government funding <i>(Note 14)</i>				
Indigenous and Northern Affairs Canada		6,192,178	7,408,287	7,248,346
Canada Mortgage and Housing Corporation		-	154,940	135,703
First Nations Inuit and Health Branch		66,000	108,000	66,000
		6,258,178	7,671,227	7,450,049
Athabasca Health Authority		1,072,534	1,146,556	1,071,864
Impact Benefit Agreement		-	2,430,000	-
Earnings from investment in Nation business entities		-	1,799,124	1,041,086
Prince Albert Grand Council		1,273,888	1,524,900	895,328
First Nations Trust		665,490	635,505	682,230
Other revenue		213,753	288,452	604,630
Rental income		208,985	133,697	154,638
Northern Lights Community Development Corporation		135,926	115,321	122,400
Portfolio investment income		50,000	60,000	72,464
Goods and Services Tax rebates		307	47,703	47,879
User fees		20,886	32,163	30,907
Interest income		-	8,495	5,425
Grants for recreation and cultural activities		47,700	5,950	47,930
CMHC youth internship		139,033	4,620	7,170
Forfeited federal government funding <i>(Note 15)</i>		-	(71,077)	(156,431)
		10,086,680	15,832,636	12,077,569
Program expenses				
Band Government	3	2,466,383	3,167,638	2,370,301
Community Infrastructure	4	948,781	3,554,353	3,363,678
Education	5	5,103,650	5,197,988	4,908,955
Health	6	1,385,236	1,784,807	1,580,710
Social Development	7	182,630	1,694,399	1,799,848
		10,086,680	15,399,185	14,023,492
Surplus (deficit) before other items		-	433,451	(1,945,923)
Other income				
Gain on disposal of tangible capital asset		-	(98,932)	-
		-	334,519	(1,945,923)
Surplus (deficit)		-	334,519	(1,945,923)
Accumulated surplus, beginning of year		-	64,320,518	66,266,441
		-	64,655,037	64,320,518
Accumulated surplus, end of year <i>(Note 12)</i>		-	64,655,037	64,320,518

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, 2017

	<i>2017</i>	<i>2017</i>	<i>2016</i>
Annual surplus (deficit)	-	334,519	(1,945,923)
Purchases of tangible capital assets	-	(1,467,788)	(115,449)
Amortization of tangible capital assets	-	2,625,166	2,658,328
Gain on sale of tangible capital assets	-	98,932	-
Increase in net financial assets	-	1,590,829	596,956
Net financial assets, beginning of year	-	20,939,522	20,342,566
Net financial assets, end of year	-	22,530,351	20,939,522

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, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	334,519	(1,945,923)
Non-cash items		
Amortization	2,625,166	2,658,328
Gain (loss) on disposal of capital assets	98,932	-
Earnings from investment in Nation business	(1,799,124)	(1,041,086)
	1,259,493	(328,681)
Changes in working capital accounts		
Accounts receivable	(386,448)	(292,817)
Restricted cash	(806,725)	(300,180)
Accounts payable and accruals	(49,529)	(27,051)
Deferred revenue	821,927	306,993
	838,718	(641,736)
Financing activities		
Repayment of long-term debt	(374,851)	(369,891)
Change in bank indebtedness	658,152	60,437
	283,301	(309,454)
Capital activities		
Purchases of tangible capital assets	(1,467,788)	(115,449)
Investing activities		
Withdrawals from investment in First Nation business entities	542,697	1,095,250
Contributions	(205,000)	-
Increase in funds held in trust	(11,376)	(11,543)
Increase in CMHC restricted cash	(22)	(15,019)
	326,299	1,068,688
Increase (decrease) in cash resources	(19,470)	2,049
Cash resources, beginning of year	36,782	34,733
Cash resources, end of year	17,312	36,782
Supplementary cash flow information		
Interest paid	85,682	108,157

Fond du Lac Denesuline First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

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 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; Education , and Health Departments
- Fond du Lac Denesuline First Nation CMHC Rental Housing;
- Fond du Lac Mineral Resources Inc.;
- Fond Du Lac power Corporation; and
- Fond Du Lac Hydro 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 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%).

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.

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

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.

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.

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

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 Trust

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.

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.

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

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, 2017.

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.

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.

Fond du Lac Denesuline First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

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

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.

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.

3. Accounts receivable

	2017	2016
Indigenous and Northern Affairs Canada	361,970	78,197
Prince Albert Grand Council	281,459	209,956
Athabasca Health Authority	207,369	226,296
Northern Lights Community Development Corporation	129,071	45,750
Employee and member loans and advances	53,140	42,352
CMHC subsidy assistance	37,859	11,309
Northern Sport, Cultural, and Recreation Inc.	24,550	47,700
Goods and Services Tax	15,000	15,000
Other	1,767	49,177
	1,112,185	725,737
Allowance for doubtful accounts	(30,089)	(30,089)
	1,082,096	695,648

Fond du Lac Denesuline First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

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.

	2017	2016
INAC - Water	988,637	138,610
INAC - School Renovation	144,271	187,573
	1,132,908	326,183

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 \$44,274 (2017 - \$44,252) 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, 2017, the reserves are underfunded by \$118,166 (2016 - \$94,898). The CMHC reserve cash consists of funds on deposit with financial institutions for the purpose of funding the CMHC Housing Replacement Reserve.

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>	2017 <i>Investment, end of year</i>
Nation business entities:				
Fond du Lac First Nation (2008) Development Corporation - 100% ("FDLFNDC")	15,245	-	759	16,004
Waterfound Development Corporation - 33.33%	1,755	-	117	1,872
	17,000	-	876	17,876
First Nation Business Partnerships:				
Fond du Lac First Nation Development Limited Partnership - 99.9% ("FDLFNDLP")	24,274,367	20,087	1,585,328	25,879,782
Waterfound Development Limited Partnership - 33.33%	155,728	(357,784)	212,920	10,864
	24,430,095	(337,697)	1,798,248	25,890,646
	24,447,095	(337,697)	1,799,124	25,908,522

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.

Fond du Lac Denesuline First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

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</i> <i>As at March 31,</i> <i>2017</i>	<i>Waterfound</i> <i>Development LP</i> <i>As at December</i> <i>31, 2016</i>
Assets		
Cash	592,064	12,433
Accounts receivable	200,791	-
Prepays	4,454	-
Investments	23,786,165	3,659,397
Property and equipment	1,328,934	-
Investment property	712,010	-
Total assets	26,624,418	3,671,830
Liabilities		
Accounts payable and accruals	128,202	4,997
Long-term debt	596,678	-
Total liabilities	724,880	4,997
Net assets	25,899,538	3,666,833
Total revenue	2,306,078	648,551
Total expenses	835,889	9,152
Net income	1,470,189	639,399
Other comprehensive income	116,726	-
Comprehensive income	1,586,915	639,399

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 4.52%. 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. FDLFNDLP has demand loans due to First Nations Bank of \$654,498 (2016 - \$707,996). 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:

2018	57,820
2019	60,905
2020	64,095
2021	67,579
2022	35,349
- No liability has been recorded associated with this guarantee.

Fond du Lac Denesuline First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

7. Portfolio investments

	2017	2016
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, 2017 of \$204,000.

Summarized financial information as at March 31, 2017 for non-publicly traded portfolio investments is presented below:

	Assets	Liabilities	Revenue	Expenses	Net Income
PADC	305,287	7,513	6,298	2,000	4,298
PAFNBDLP	22,713,163	89,377	1,422,933	771,833	651,100

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.

	2017	2016
Capital Trust		
Balance, beginning and end of year	1,980	1,980
Revenue Trust		
Balance, beginning of year	263,184	251,641
Interest	5,155	5,322
Rental income	6,000	6,000
Other	221	221
Balance, end of year	274,560	263,184
	276,540	265,164

9. Bank indebtedness and other credit arrangements

Bank indebtedness includes three separate operating lines authorized to \$500,000, \$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, 2017 the First Nation has drawn on \$651,793 (2016 - \$497,169) of the operating lines (\$448,742 for General, \$106,079 for Social Development, and \$96,971 for Education).

As at March 31, 2017, 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, 2017

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	124,293	1,000,000	139,395	984,898
INAC - School renovation project	182,700	-	38,678	144,022
	306,993	1,000,000	178,073	1,128,920

11. Long-term debt

	2017	2016
Canada Mortgage and Housing Corporation Phase I repayable in monthly installments of \$4,029 including interest at 2.11%; secured by band council resolution and ministerial guarantee; matures October 1, 2028.	496,688	534,197
Canada Mortgage and Housing Corporation Phase II repayable in monthly installments of \$2,772 including interest at 1.14%; secured by Ministerial guarantee; matures May 1, 2036.	572,656	598,223
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.	567,043	598,782
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.	180,000	360,000
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 4.20%; secured by re-direction of dividends from Athabasca Basin Development LP; matures October 1, 2027.	1,075,382	1,175,418
	2,891,769	3,266,620
Less: current portion	369,163	374,714
	2,522,606	2,891,906

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:

2018	369,163
2019	198,815
2020	200,460
2021	202,133
2022	203,837

Fond du Lac Denesuline First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

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:

	2017	2016
Equity in funds held in trust		
Balance, beginning of year	265,164	253,621
Interest, lease, royalties and other revenue	11,376	11,543
	276,540	265,164
Equity in CMHC reserves		
Balance, beginning of year	139,150	115,520
Reserve allocation for the year	24,000	24,000
Interest	21	19
Withdrawals	(731)	(389)
	162,440	139,150
Equity in tangible capital assets		
Balance, beginning of year	40,114,376	42,287,364
Tangible capital assets acquired	1,467,789	115,449
Loans repaid	374,850	369,891
Amortization	(2,625,166)	(2,658,328)
Gain on disposal of tangible capital assets	(98,932)	-
	39,232,917	40,114,376
Equity in investments		
Balance, beginning of year	24,558,363	24,612,527
Income	1,799,124	1,041,086
Contributions (withdrawals)	(337,697)	(1,095,250)
	26,019,790	24,558,363
Unrestricted operating accumulated surplus (deficit)		
Balance, beginning of year	(756,535)	(1,002,591)
Transfer to equity in funds held in trust	(11,376)	(11,543)
Transfer to equity in CMHC reserves	(23,290)	(23,630)
Transfer (to) from equity in tangible capital assets	881,459	2,172,988
Transfer (to) from equity in investments	(1,461,427)	54,164
Current surplus (deficit)	334,519	(1,945,923)
	(1,036,650)	(756,535)
	64,655,037	64,320,518

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, 2017

13. Tangible capital assets

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

	2017	2016
Indigenous and Northern Affairs Canada		
INAC funding per confirmation	8,293,965	7,455,339
Less: Sewage pumping station repairs deferred revenue	(860,605)	(124,293)
Less: Special Needs payable at year end	(41,383)	-
Less: Institutional care payable at year end	(30,914)	-
Less: BEB (Statutory) payable at year end	(34,187)	-
Less: In-Home Care accrual at year end	(5,731)	-
Add (less): School renovation project deferred revenue	38,678	(182,699)
Add (less): A&C Wastewater <1.5M revenue	-	100,000
Add : Basic Needs accrual at year end	40,675	-
Add: Special Needs accrual at year end	7,789	-
	7,408,287	7,248,347
First Nations and Inuit Health Branch		
FNIHB funding per confirmation	108,000	66,000
Canada Mortgage and Housing Corporation		
Loan subsidy	131,190	135,703
RRAP Agency fees	23,750	-
	154,940	135,703
	7,671,227	7,450,050

15. Forfeited federal government funding reconciliation

	2017	2016
Indigenous and Northern Affairs Canada		
National Child benefit recovery	158,058	-
Basic Needs year end reconciliation	-	109,853
Band Employee Benefits (statutory) year end reconciliation	(31,695)	31,695
Special Needs year end reconciliation	-	14,883
Band Employee Benefits (pension)	(55,286)	-
	71,077	156,431

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.

Fond du Lac Denesuline First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

17. Comparative figures

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

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, 2017 is \$18,045,792 (2016 - \$17,019,741). 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 2017	720,209	239,272	490,937	1,758,835	1,607,934	150,901
March 2016	564,599	239,273	340,036	1,695,523	1,700,407	(4,884)

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 Nation is required to make its financial statements publicly available and submit its financial statements to Indigenous and Northern Affairs Canada by July 29, 2017. As the report date is dated after July 29, 2017, the Nation is in breach of this agreement. 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, 2017

	<i>Infrastructure</i>	<i>Housing</i>	<i>Other Buildings</i>	<i>Equipment, Vehicles, Office & Other</i>	<i>Assets Under Construction</i>	<i>2017</i>	<i>2016</i>
Cost							
Balance, beginning of year	45,702,094	15,283,303	23,273,628	1,859,104	701,644	86,819,773	86,704,324
Acquisition of tangible capital assets	-	-	171,789	219,277	1,076,722	1,467,788	115,449
Disposal of tangible capital assets	-	-	(112,423)	-	-	(112,423)	-
Balance, end of year	45,702,094	15,283,303	23,332,994	2,078,381	1,778,366	88,175,138	86,819,773
Accumulated amortization							
Balance, beginning of year	15,937,791	9,879,397	15,892,472	1,729,117	-	43,438,777	40,780,449
Annual amortization	1,371,063	537,765	577,298	139,040	-	2,625,166	2,658,328
Disposal of tangible capital assets	-	-	(13,491)	-	-	(13,491)	-
Balance, end of year	17,308,854	10,417,162	16,456,279	1,868,157	-	46,050,452	43,438,777
Net book value of tangible capital assets	28,393,240	4,866,141	6,876,715	210,224	1,778,366	42,124,686	43,380,996
2016 Net book value of tangible capital assets	29,764,303	5,403,906	7,381,156	129,987	701,644	43,380,996	

Fond du Lac Denesuline First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2017

	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
Salaries and benefits	5,445,005	5,219,007	5,190,739
Amortization	-	2,625,166	2,658,328
Social assistance	-	1,383,467	1,459,771
Supplies	524,045	1,145,214	480,383
Student expenses	886,416	894,345	786,021
Travel	551,953	637,611	543,942
Member assistance	139,942	779,052	272,136
Community events	451,687	473,007	583,791
Utilities	275,178	369,663	367,436
Program expense	187,309	330,241	137,054
Repairs and maintenance	167,673	352,866	196,360
Funeral	218,157	173,943	179,070
Insurance	112,671	105,578	137,929
Freight	96,483	97,309	74,557
Vehicle	21,602	87,872	77,783
Professional fees	98,288	86,394	61,668
Interest on long-term debt	266,142	85,682	108,157
Bank charges and interest	18,652	74,230	60,030
Board travel, training and honouraria	15,197	73,815	6,245
Telephone	57,360	71,813	52,399
National child benefit - projects	200,630	59,029	119,208
Subcontracts	180,606	75,285	59,110
Arena maintenance and utilities	57,757	44,871	43,808
Homecare	13,334	41,212	20,394
Office rent	24,417	36,993	31,247
Consulting	21,751	33,598	55,602
Training	49,323	29,577	25,850
Administration	4,602	11,384	8,435
Election	-	500	11,809
Community donations	-	381	2,000
Miscellaneous	500	80	133
Bad debts (recovery)	-	-	(20,310)
Economic development	-	-	232,407
	10,086,680	15,399,185	14,023,492

Fond du Lac Denesuline First Nation
Band Government
Schedule 3 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
Revenue			
Indigenous and Northern Affairs Canada	733,412	802,945	759,151
Impact Benefit Agreement	-	2,430,000	-
Investment in Nation business entities	-	1,799,124	1,041,086
First Nations Trust	665,490	635,505	682,230
Northern Lights Community Development Corporation	135,926	115,321	122,400
Other revenue	185,228	97,013	413,156
Prince Albert Grand Council	-	91,000	41,579
Portfolio investment income	50,000	60,000	72,464
Goods and Services Tax rebates	307	36,062	27,004
User fees	20,886	32,263	30,907
Interest income	-	7,457	5,322
Rental income	-	6,000	11,898
	1,791,249	6,112,690	3,207,197
Expenses			
Member assistance	139,942	656,777	147,469
Supplies	14,704	619,248	48,838
Salaries and benefits	1,055,237	573,932	636,303
Community events	422,437	437,728	567,630
Travel	293,980	357,500	317,552
Funeral	218,157	173,943	179,070
Board travel, training and honouraria	-	54,878	-
Professional fees	66,781	45,039	27,696
Arena maintenance and utilities	57,757	44,871	-
Bank charges and interest	2,932	42,405	37,798
Office rent	24,417	36,993	31,247
Telephone	17,760	28,352	19,517
Utilities	15,298	20,819	17,093
Vehicle	(5,800)	14,139	3,300
Consulting	1,251	13,345	38,119
Training	26,328	10,796	11,171
Repairs and maintenance	-	10,742	20,167
Student expenses	3,229	9,516	2,900
Subcontracts	111,473	6,675	10,985
Freight	-	3,741	5,204
Administration (recovery)	-	3,350	500
Program expense	-	2,339	-
Election	-	500	11,809
Miscellaneous	500	10	132
Economic development	-	-	232,407
Community donations	-	-	2,000
Insurance	-	-	1,394
	2,466,383	3,167,638	2,370,301
Surplus	(675,134)	2,945,052	836,896

Fond du Lac Denesuline First Nation
Community Infrastructure
Schedule 4 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
Revenue			
Government funding			
Indigenous and Northern Affairs Canada			
Indigenous and Northern Affairs Canada	-	2,076,068	1,519,114
Deferred revenue - current year	-	(1,128,920)	(306,993)
Deferred revenue - prior year	-	306,993	-
Canada Mortgage and Housing Corporation			
Non-profit on-reserve housing	-	131,190	135,703
RRAP conversions	-	23,750	-
Prince Albert Grand Council	66,440	112,863	103,778
Rental income	97,635	48,591	41,153
Other revenue	25	41,652	-
CMHC youth internship	139,033	4,620	7,170
Interest income	-	1,038	103
User fees	-	(100)	-
	303,133	1,617,745	1,500,028
Expenses			
Amortization	-	2,235,152	2,234,981
Salaries and benefits	-	464,049	323,404
Utilities	118,080	194,358	192,316
Repairs and maintenance	92,438	177,900	60,927
Supplies	182,333	165,590	161,848
Interest on long-term debt	266,142	85,682	108,157
Insurance	92,970	77,949	104,310
Vehicle	6,892	45,891	47,045
Subcontracts	39,133	39,935	31,050
Travel	100,238	32,123	8,286
Freight	47,253	16,057	30,840
Professional fees	-	11,779	7,578
Administration	3,302	6,820	2,776
Consulting	-	692	-
Bank charges and interest	-	272	269
Telephone	-	104	-
Community events	-	-	420
Member assistance	-	-	5,663
Arena maintenance and utilities	-	-	43,808
	948,781	3,554,353	3,363,678
Deficit before other items	(645,648)	(1,936,608)	(1,863,650)
Other income (expense)			
Gain (loss) on disposal of capital assets	-	(98,932)	-
Deficit	(645,648)	(2,035,540)	(1,863,650)

Fond du Lac Denesuline First Nation
Education
Schedule 5 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
Revenue			
Indigenous and Northern Affairs Canada	3,898,583	3,660,013	3,480,897
Prince Albert Grand Council	1,032,518	1,093,502	534,758
Rental income	111,350	67,106	89,588
Forfeited federal government funding	-	86,981	(31,695)
Other revenue	13,500	130,144	28,447
Goods and Services Tax rebates	-	-	14,911
Grants for recreation and cultural activities	47,700	5,950	47,930
	5,103,651	5,043,696	4,164,836
Expenses			
Salaries and benefits	3,433,808	3,003,000	3,103,065
Student expenses	883,187	884,829	783,121
Amortization	-	374,066	413,638
Supplies	291,216	286,753	224,312
Utilities	120,000	124,446	129,761
Travel	91,200	103,170	81,287
Program expense	3,500	88,717	1,606
Repairs and maintenance	62,361	86,427	46,271
Freight	48,030	73,740	37,078
Subcontracts	30,000	28,675	16,055
Bank charges and interest	12,720	26,788	9,958
Vehicle	20,510	25,721	27,438
Telephone	23,400	22,246	12,602
Board travel, training and honouraria	15,197	18,936	6,245
Professional fees	20,720	18,325	15,750
Consulting	15,500	13,250	17,484
Training	10,600	9,547	8,126
Insurance	3,701	7,955	9,792
Administration	-	1,014	322
Community donations	-	383	-
National child benefit - projects	18,000	-	(14,646)
Bad debts (recovery)	-	-	(20,310)
	5,103,650	5,197,988	4,908,955
Deficit	1	(154,292)	(744,119)

Fond du Lac Denesuline First Nation
Health

Schedule 6 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
Revenue			
Indigenous and Northern Affairs Canada	56,772	51,037	56,768
First Nations Inuit and Health Branch	66,000	108,000	66,000
Athabasca Health Authority	1,072,534	1,146,556	1,071,864
Prince Albert Grand Council	174,930	227,535	215,214
Other revenue	15,000	19,643	163,028
Rental income	-	12,000	12,000
Goods and Services Tax rebates	-	11,642	5,965
	1,385,236	1,576,413	1,590,839
Expenses			
Salaries and benefits	955,960	1,070,610	1,051,764
Program expense	183,809	239,185	135,448
Travel	66,535	139,957	127,662
Repairs and maintenance	12,873	72,398	68,994
Supplies	35,793	71,415	44,635
Homecare	13,334	41,212	20,394
Community events	29,250	35,280	15,742
Utilities	21,800	30,040	28,266
Telephone	16,200	20,848	20,279
Insurance	16,000	19,674	22,433
Amortization	-	15,948	9,709
Training	12,395	9,234	6,554
Consulting	5,000	6,310	-
Bank charges and interest	3,000	4,765	12,005
Freight	1,200	3,615	1,324
Professional fees	10,787	2,126	10,644
Vehicle	-	2,121	-
Miscellaneous	-	69	-
Subcontracts	-	-	1,020
Administration	1,300	-	3,837
	1,385,236	1,784,807	1,580,710
Surplus (deficit)	-	(208,394)	10,129

Fond du Lac Denesuline First Nation
Social Development
Schedule 7 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
Revenue			
Indigenous and Northern Affairs Canada	1,503,411	1,640,151	1,739,409
Forfeited federal government funding	-	(158,058)	(124,736)
	1,503,411	1,482,093	1,614,673
Expenses			
Social assistance	-	1,383,467	1,459,771
Member assistance	-	122,275	119,004
Salaries and benefits	-	107,416	76,202
National child benefit - projects	182,630	59,029	133,854
Professional fees	-	9,125	-
Repairs and maintenance	-	5,400	-
Travel	-	4,861	9,156
Supplies	-	2,208	750
Telephone	-	263	-
Administration	-	200	1,000
Freight	-	155	111
	182,630	1,694,399	1,799,848
Deficit	1,320,781	(212,306)	(185,175)