

Hatchet Lake Denesuline Nation
Consolidated Financial Statements
March 31, 2014

Hatchet Lake Denesuline Nation

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For the year ended March 31, 2014

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Management's Responsibility

To the Members of Hatchet Lake Denesuline Nation:

The accompanying consolidated financial statements of Hatchet Lake Denesuline 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 Hatchet Lake Denesuline 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 Members to audit the consolidated financial statements and report directly to them; 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.

August 8, 2014

(signed)

Marlene Joseyounen
Finance Manager

Finance Manager

Independent Auditors' Report

To the Members of Hatchet Lake Denesuline Nation:

We have audited the accompanying consolidated financial statements of Hatchet Lake Denesuline Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, cash flows and the related schedules 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 statement.

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

The Hatchet Lake Development Limited Partnership ("HLDLP"), an investment owned 99.99% by the Nation (see note 5), operates an on-reserve store which had a receivable of which the valuation could not be supported. As such, we were unable to satisfy ourselves regarding the valuation of the investment and the completeness, occurrence, and accuracy of the earnings from the investment. We were unable to determine the effect on surplus, financial assets, and accumulated surplus.

Qualified Opinion

In our opinion, except for the possible 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 the Hatchet Lake Denesuline Nation as at March 31, 2014 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.

Other Matter

The auditor's procedures on subsequent events are restricted solely to the amendment of the financial statements as described in Note 20 to the financial statements.

Prince Albert, Saskatchewan

August 8, 2014, except as to Note 20, which is as of October 6, 2014.

MNP LLP

Chartered Accountants

MNP

Hatchet Lake Denesuline Nation

Consolidated Statement of Financial Position

As at March 31, 2014

	2014	2013
Financial assets		
Current		
Accounts receivable (Note 3)	223,132	549,308
Restricted cash (Note 4)	288,313	578,062
	511,445	1,127,370
Investment in Nation business partnerships (Note 5)	26,126,570	21,885,239
Investment in Nation businesses and business entities (Note 5)	199,948	197,611
Ottawa Trust funds (Note 6)	20,281	19,720
Restricted cash for CMHC housing (Note 4)	466,151	302,073
Total financial assets	27,324,395	23,532,013
Liabilities		
Current		
Bank indebtedness (Note 7)	77,657	191,090
Accounts payable and accruals (Note 8)	1,351,790	1,134,428
Deferred revenue (Note 9)	160,097	217,682
Advances from related Nation entities (Note 10)	8,866	41,678
Current portion of long-term debt (Note 11)	1,432,556	530,469
	3,030,966	2,115,347
Long-term debt (Note 11)	3,630,354	3,031,002
Total financial liabilities	6,661,320	5,146,349
Net financial assets	20,663,075	18,385,664
Contingencies (Note 19)		
Non-financial assets		
Tangible capital assets (Note 12) (Schedule 1)	19,028,596	17,553,628
Inventories held for use	150,000	145,628
Total non-financial assets	19,178,596	17,699,256
Accumulated surplus (Note 13)	39,841,671	36,084,920
Approved on behalf of the Council		
(signed) _____	Chief	(signed) _____
Bart Tsannie		George Tsannie
		Councilor

The accompanying notes are an integral part of these financial statements

Hatchet Lake Denesuline Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2014

	<i>Schedules</i>	<i>2014 Budget</i>	<i>2014</i>	<i>2013</i>
Revenue				
Federal government funding <i>(Note 14)</i>				
Aboriginal Affairs and Northern Development Canada		10,035,824	10,307,321	10,476,038
Health Canada		-	222,555	230,118
Canada Mortgage and Housing Corporation		-	235,792	178,428
		10,035,824	10,765,668	10,884,584
Earnings (loss) from investment in Nation business entities <i>(Note 5)</i>		-	4,483,667	4,357,884
Tribal council		712,000	1,239,740	1,260,120
Miscellaneous		824,792	796,524	418,020
First Nations Trust (gaming allocation)		756,000	631,117	634,508
Tuition revenue		-	442,712	413,929
Rental income		108,000	259,454	266,868
Corporate donations for capital asset purchase		-	100,000	425,639
User fees		-	12,713	95,693
		12,436,616	18,731,595	18,757,245
Expenses				
Administration	3	5,770,955	6,930,256	6,235,616
Housing	4	458,792	967,652	715,614
Education	5	5,787,346	6,358,109	6,474,614
Health	6	-	718,827	806,059
		12,017,093	14,974,844	14,231,903
Surplus before other items		419,523	3,756,751	4,525,342
Other income (expense)				
Gain (loss) on disposal of tangible capital assets		-	-	392,783
Surplus		419,523	3,756,751	4,918,125
Accumulated surplus, beginning of year		36,084,920	36,084,920	31,166,795
Accumulated surplus, end of year <i>(Note 13)</i>		36,504,443	39,841,671	36,084,920

Hatchet Lake Denesuline Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2014

	2014 Budget	2014	2013
Annual surplus	419,523	3,756,751	4,918,125
Purchases of tangible capital assets	-	(2,965,743)	(2,250,193)
Amortization of tangible capital assets	-	1,490,775	1,399,605
Gain on sale of tangible capital assets	-	-	(392,783)
Proceeds of disposal of tangible capital assets	-	-	483,446
	-	(1,474,968)	(759,925)
Change in inventories held for use	-	(4,372)	122,156
Use of prepaid expenses	-	-	28,364
	-	(4,372)	150,520
Increase in Net financial assets	419,523	2,277,411	4,308,720
Net financial assets, beginning of year	18,385,664	18,385,664	14,076,944
Net financial assets, end of year	18,805,187	20,663,075	18,385,664

The accompanying notes are an integral part of these financial statements

Hatchet Lake Denesuline Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2014

	2014	2013
Cash provided by (used for) the following activities		
Operating activities		
Surplus	3,756,751	4,918,125
Non-cash items		
Amortization	1,490,775	1,399,605
Gain on disposal of tangible capital assets	-	(392,783)
Earnings from investment in Nation business partnership and business entities	(4,483,667)	(4,357,884)
	763,859	1,567,063
Changes in working capital accounts		
Accounts receivable	326,176	162,934
Prepaid expenses	-	28,364
Restricted cash	289,749	86,679
Accounts payable and accruals	217,362	(181,972)
Deferred revenue	(57,585)	(282,851)
Inventory held for use	(4,372)	122,155
	1,535,189	1,502,372
Financing activities		
Advances of long-term debt	2,057,384	701,212
Repayment of long-term debt	(555,945)	(656,498)
Change in bank indebtedness	(113,434)	(169,814)
Repayment of Advances from related Nation entities	(32,812)	(7,972)
	1,355,193	(133,072)
Capital activities		
Purchases of tangible capital assets	(2,965,743)	(2,250,193)
Proceeds of disposal of tangible capital assets	-	483,446
	(2,965,743)	(1,766,747)
Investing activities		
Withdrawals from Nation business partnerships	240,000	263,000
Change in long-term restricted cash	(164,078)	134,898
Change in Ottawa Trust funds	(561)	(451)
	75,361	397,447
Increase in cash resources	-	-
Cash resources, end of year	-	-

The accompanying notes are an integral part of these financial statements

Hatchet Lake Denesuline Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

1. Operations

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

2. Significant accounting policies

These 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

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

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

- Hatchet Lake Denesuline Nation (which includes administration, housing, education, and health departments)

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.

Incorporated business enterprises and government business enterprises that are owned or controlled by the Nation but not dependent on the Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to extent that the business entity accounting principles are not adjusted to conform to those of the Nation. Thus, the 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:

- Hatchet Lake Denesuline First Nation Economic Development Corporation;
- Hatchet Lake Development Limited Partnership;
- Waterfound Development LP; and,
- Waterfound Development Ltd.

Other economic interests

The 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 the Hatchet Lake Denesuline Nation.

The 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 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.

The Nation is a member of the Athabasca Enterprise Region Corporation ("AERC"; previously Athabasca Economic Development and Training Corporation). The AERC is an organization of three Nations and four municipalities. The AERC is mandated to maximize economic capacity and achieve business competitiveness for the region.

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.

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

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.

Temporary investments

Temporary investments are valued at the lower of cost and market value.

Funds held in Ottawa Trust Fund

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

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

Revenues from Trust moneys are recognized when measurable, earned and collection is reasonably assured. These monies 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.

Amortization

Tangible capital assets are amortized using the straight line method at rates intended to amortize the cost of the assets over their estimated useful lives:

	Rate
Buildings	4 %
Housing	4 %
Equipment	10 - 45 %
Infrastructure	2.5 %

Construction in progress

Assets under construction in progress are not amortized until the assets are complete and put into service.

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 Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the assets' carrying amount. Impairment is measured as the amount by which the assets' carrying value exceeds its fair value. Any impairment is included in surplus for the year.

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

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

Revenue recognition

Non-government funding

Non-government funding is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the statement of financial position in the year of receipt.

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.

Other income

Investment and interest income is recognized when earned. Rent is recognized during the rental term. Other revenue is recognized when the related services are provided.

Measurement uncertainty

The preparation of 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 financial statements, and the reported amounts of revenue and expenditures during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. These estimates/assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the records in the periods in which they become known.

Segments

The Nation conducts its business through four (4) reportable segments: administration, education, housing, and health. These operating segments are established by senior management to facilitate the achievement of the Nation's long-term objectives, to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenues and expenditures 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.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements. Inter-segment transfers are recorded at their exchange amount.

Administration - includes general government operations, infrastructure management and all special funding arrangements not managed by other segments.

Housing - Includes management of community owned houses, including those houses part of Canada Mortgage and Housing Corporation operating and financing agreements.

Education - Includes management of primary, secondary, and post-secondary programs.

Health - Includes management of community health services (primary health services in the community are managed by a member Tribal Council and are not included in these financial statements).

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, prepaid expenses and inventories of supplies.

Hatchet Lake Denesuline Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

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

Recent accounting pronouncements

Financial instruments

In June 2011, the Public Sector Accounting Board (PSAB) issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2015. Earlier adoption is permitted. The PSAB plans to review application of this Section by governments by December 31, 2013.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. The First Nation has not yet determined the effect of these new standards on its consolidated financial statements.

3. Accounts receivable

	2014	2013
Rent receivable	216,614	168,360
Aboriginal Affairs and Northern Development Canada	-	123,170
Tribal Council	155,832	95,470
Loans and advances to members	4,284	22,768
Other government agencies	-	18,728
CMHC subsidy assistance receivable	17,659	10,724
Other accounts receivables	103,724	289,637
	498,113	728,857
Allowance for doubtful accounts	(274,981)	(179,549)
	223,132	549,308

4. Restricted cash

The Nation has \$466,151 (2013 - \$302,073) of cash restricted to fund CMHC reserves. In accordance with terms of the agreements, CMHC reserve monies 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, 2014, the reserves are fully funded (2013 - \$143,037 under funded). The CMHC reserve cash is comprised of seventeen guaranteed investment certificates with one year terms, maturing in throughout the year, carrying interest at 0.8% for all seventeen certificates.

The Nation has \$128,111 (2013 - \$112,469) of cash received from Aboriginal Affairs and Northern Development Canada to fund major capital projects which was not spent prior to March 31, 2014. Included in accounts payable is \$nil (2013 - \$224,026) of eligible expenditures of these capital projects.

The Nation has \$160,202 (2013 - \$465,593) of cash received from various donors or funders for the planned purchase of a new fire hall.

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

5. Investments in Nation business partnerships and business entities

The Nation has investments in the following entities:

	<i>Investment, beginning of year</i>	<i>Contributions (withdrawals)</i>	<i>Share of earnings (loss)</i>	<i>Investment, end of year</i>
Nation business entities				
Hatchet Lake Denesuline First Nation Economic Development Corporation - 100% ("HLDNFEDC")	197,611	-	418	198,029
Waterfound Development Ltd. - 33%	-	1,917	2	1,919
	197,611	1,917	420	199,948
Nation business partnerships				
Hatchet Lake Development Limited Partnership - 99.99% ("HLDLP")	21,885,239	(1,453,075)	4,182,383	24,614,547
Waterfound Development LP - 33%	-	1,211,158	300,865	1,512,023
	21,885,239	(241,917)	4,483,248	26,126,570
	22,082,850	(240,000)	4,483,668	26,326,518

The Nation's investment in the Hatchet Lake Development group was established to assist with job creation, community services, operation of a retail store, and acquiring, managing, and holding investments. Waterfound Development group was established to hold investments with the other two Nation partners.

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

	<i>Hatchet Lake Developments As at March 31, 2014</i>	<i>Waterfound Developments As at December 31, 2013</i>
Assets		
Cash	452,604	-
Accounts receivable	822,449	-
Inventory	1,416,202	-
Other current assets	44,642	-
Investments	20,325,100	4,539,474
Property, plant and equipment	4,291,561	-
Total assets	27,352,558	4,539,474
Liabilities		
Accounts payable and accruals	648,710	3,400
Long-term debt	1,758,251	-
Total liabilities	2,406,961	3,400
Partner/shareholder equity	24,945,597	4,536,074
Total revenue	13,034,068	906,000
Total expenses	8,656,084	3,400
Net income	4,377,984	902,600
Other comprehensive income (loss)	(195,601)	-
Comprehensive income	4,182,383	902,600

Hatchet Lake Denesuline Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

5. Investments in nation business partnerships and business entities *(Continued from previous page)*

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

Hatchet Lake Development Limited Partnership has the following long-term debt which the First Nation has issued a guarantee for repayment:

- Demand and bridge loans with Canadian Imperial Bank of Commerce ("CIBC") for capital purchases including an airplane, new store building, and new maintenance shop. Interest rates are all variable rate loans ranging from prime plus 1.00% to prime plus 2.00%. Related capital assets are held as first security and the Nation has guaranteed the CIBC access to the reserve to repossess movable assets pledged as security through a Band Council Resolution. As at March 31, 2014, HLDLP has term debt due to CIBC of \$1,725,639 (2013 - \$1,717,250) and available lines of credit, credit cards, and letters of credit of \$175,000. The Nation has guaranteed the full amount of the debt outstanding to the CIBC and payment under this guarantee, which will remain in place indefinitely, is required only in the event the repayment of loans are in default.

6. Ottawa Trust funds

Capital and revenue trust monies are transferred to the Nation on the authorization of the Minister of Aboriginal Affairs and Northern Development Canada, with the consent of the Nation's Council.

	2014	2013
Capital Trust		
Balance, beginning and end of year	87	87
Revenue Trust		
Balance, beginning of year	19,633	19,182
Interest	561	451
Balance, end of year	20,194	19,633
	20,281	19,720

7. Bank indebtedness

Bank indebtedness includes an operating line authorized to \$360,000 for all accounts of the Nation and charges interest at prime plus 1% (4.00% at March 31, 2014). As of March 31, 2014, the Nation has drawn on \$85,304 (2013 - \$95,685) of the operating line. The operating line is secured by a general security agreement on all property and Band Council Resolution directing all present and future funding to Canadian Imperial Bank of Canada for deposit to the Nation's various accounts.

The remaining bank indebtedness is represented by the operating line of credit and bank balances less outstanding cheques.

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

8. Accounts payable and accruals

	2014	2013
Aboriginal Affairs and Northern Development Canada	137,779	39,695
Tribal Council	104,189	117,338
Major capital projects	-	224,026
Payroll remittances	68,058	101,405
Accrued liabilities	76,913	76,913
Trade payables	759,740	575,051
Social assistance suppliers payable	205,111	-
	1,351,790	1,134,428

9. Deferred revenue

	2014	2013
AANDC - major capital projects	160,097	202,189
Police management board funding	-	15,493
	160,097	217,682

10. Related party transactions

During the year, the Nation conducted purchases with related entities that are under the control of Hatchet Lake Denesuline Nation. All purchases were undertaken at normal market prices for similar goods and services and have been reported as expenses in the financial statements at the exchange amounts. The Nation had amounts due to and from these related entities at March 31, 2014 and 2013 as follows (no terms for repayment, unsecured, and no interest charged on amounts owing or receivable):

	2014	2013
Advances to Hatchet Lake Development Limited Partnership ("HLDLP")	8,866	41,678
Included in Accounts payable are amounts owing to HLDLP	64,147	112,436
Included in Accounts receivable are amounts collectible from HLDLP	-	11,430

11. Long-term debt

	2014	2013
CIBC Demand Instalment Loan (Debt Restructure)		
Monthly payments of \$12,500 and quarterly payments of \$37,500 plus interest at prime plus 1.50%, secured by GSA including inventory, equipment and receivables, due 2015	280,000	580,000
CMHC Housing Mortgage		
Monthly payments of \$1,668 including interest at 2.84%, loan is guaranteed by Government of Canada, due 2015	174,190	189,056
CMHC Housing Mortgage		
Monthly payments of \$343 including interest at 2.65%, loan is guaranteed by Government of Canada, due 2015	37,933	41,002
CMHC Housing Mortgage		
Monthly payments of \$1,384 including interest at 1.62%, loan is guaranteed by Government of Canada, due 2018	205,705	218,870

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

11. Long-term debt *(Continued from previous page)*

	2014	2013
CMHC Housing Mortgage Monthly payments of \$1,536 including interest at 2.75%, loan is guaranteed by Government of Canada, due 2016	186,091	199,235
CMHC Housing Mortgage Monthly payments of \$7,063 including interest at 2.57%, loan is guaranteed by Government of Canada, due 2015	948,030	1,008,357
CMHC Housing Mortgage Monthly payments of \$3,421 including interest at 1.64%, loan is guaranteed by Government of Canada, due 2017	636,499	666,879
CMHC Housing Mortgage Monthly payments of \$3,431 including interest at 1.67%, loan is guaranteed by Government of Canada, due 2019	679,006	506,902
CIBC Demand Instalment Loan Annual regular payments of \$100,000 plus monthly interest payments at prime plus 1.25%, secured by general security agreement over all Nation assets, due September 1, 2014.	51,170	151,170
CIBC Demand Instalment Loan Annual regular payments of \$185,714 plus monthly interest payments at prime plus 1.25%, secured by general security agreement over all Nation assets, due April 1, 2019.	1,114,286	-
First Nations Bank of Canada Loan Monthly interest only payments of \$2,500, interest calculated at 4.0% until payment terms determined, secured by general security agreement and assignment of dividends from Hatchet Lake Development Limited Partnership.	750,000	-
	5,062,910	3,561,471
Less: Current Portion	1,432,556	530,469
	3,630,354	3,031,002

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

2015	1,432,556
2016	355,048
2017	358,795
2018	362,629
2019	366,553

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

12. Tangible capital assets

The tangible capital assets reconciliation is included in Schedule 1.

Included in infrastructure are three projects with carrying values of \$1,172,926 (fire hall), \$225,016 (propane tank farm upgrade) and \$118,873 (water and sewer study) for which no amortization was recorded during the year because they were under construction.

Tangible capital assets include buildings constructed before 1990 disclosed at a nominal amount. The buildings are used for various community purposes, such as recreation, administration, and storage.

The 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.

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

13. Accumulated surplus

The 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 and agreements.

Accumulated surplus consists of the following:

	2014	2013
Equity in Ottawa Trust Funds		
Balance, beginning of year	19,720	19,269
Contributions	561	451
	20,281	19,720
Equity in CMHC reserves		
Balance, beginning of year	472,258	419,682
Contributions	50,837	55,071
Withdrawals	(57,907)	(2,495)
	465,188	472,258
Equity in tangible capital assets		
Balance, beginning of year	14,572,157	14,156,946
Amortization	(1,490,775)	(1,399,605)
Purchases	2,965,743	2,250,193
Disposals	-	(90,663)
Loan advances received/receivable	(2,243,098)	(701,212)
Loan repayment	441,659	356,498
	14,245,686	14,572,157
Equity in business investments		
Balance, beginning of year	22,082,850	17,987,966
Share of earnings	4,483,667	4,357,884
Withdrawals	(240,000)	(263,000)
	26,326,517	22,082,850
Unrestricted operating deficit		
Balance, beginning of year	(1,062,065)	(1,417,068)
Transfer from (to) Ottawa Trust funds	(561)	(451)
Transfer from (to) CMHC reserves	7,070	(52,576)
Transfer from (to) tangible capital assets	326,471	(415,211)
Transfer from (to) business investments	(4,243,667)	(4,094,884)
Surplus	3,756,751	4,918,125
	(1,216,001)	(1,062,065)
	39,841,671	36,084,920

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

13. Accumulated Surplus *(Continued from previous page)*

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

The unrestricted operating equity (deficit) represents amounts available to offset future operational revenue requirements (future revenue required for past operational activities).

The invested in capital assets represents accumulated surplus amounts not available for operations, but rather past transactions creating capital assets that will be used to provide future services.

The CMHC reserves are replacement and operating reserves required to be funded for future housing replacements, as per agreements with CMHC.

The business investments represents amounts not readily available for operations as the investments are not likely to be liquidated within the next year.

14. Federal government funding reconciliation

	2014	2013
Aboriginal Affairs and Northern Development Canada		
AANDC revenue per agreement	10,495,748	10,302,663
(Deferred) recognized - propane tank farm upgrade	11,965	(31,947)
(Deferred) recognized - fire hall	-	227,830
(Deferred) recognized - sewage pumping station	-	10,807
(Deferred) recognized - CEAP TZ10 Housing project	-	10,500
(Deferred) recognized - Water and sewer study	(50,036)	57,178
(Deferred) recognized - 2012 School renovations	80,163	(111,666)
Special needs funding (over) short	(15,233)	(30,625)
Basic needs funding (over) short	(90,955)	(6,458)
Band employee benefits funding (over) short	(31,591)	92,740
2013 Band employee benefits funding recovered	(92,740)	-
2012 Band employee benefits funding recovered	-	(33,375)
2012 National Child Benefit funding recovered	-	(11,609)
	10,307,321	10,476,038
Health Canada		
Health Canada revenue per agreement	222,555	230,118
S95 housing subsidy per agreement	201,102	174,628
RRAP per confirmation	34,690	3,800
	235,792	178,428
	10,765,668	10,884,584

15. Economic dependence

The Nation receives substantially all of its revenues from Aboriginal Affairs and Northern Development Canada ("AANDC") as a result of Treaties entered into with the Government of Canada. These Treaties are administered by AANDC under the terms and conditions of the Indian Act. The ability of the Nation to continue operations is dependent upon the government of Canada's continued financial commitments as guaranteed by these Treaties.

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

16. Comparative figures

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

17. Budget information

The disclosed budget information has been approved by the Chief and Council of the Hatchet Lake Denesuline Nation as part of its Remedial Management Plan required by Aboriginal Affairs and Northern Development Canada and approved in June of 2011 (multi-year budget - 2014 is the final year).

18. Compliance with authorities

The Nation is required to make its financial statements publically available and submit its consolidated financial statements to Aboriginal Affairs and Northern Development Canada by July 29, 2014. As the audit report is dated after July 29, 2014, the Nation is in breach of this requirement. The possible effect of this breach has not yet been determined.

19. Contingent liabilities

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

20. Reissuing of audit report

In preparation of the consolidated financial statements, the First Nation understated its cash resources, tangible capital assets, long-term debt, interest on long-term debt and amortization expense for the audit report dated August 8, 2014.

Subsequent to year end, the First Nation identified an additional \$24,397 in cash resources, \$713,758 in tangible capital assets, \$750,000 in long term debt, \$11,780 in interest on long term debt, and \$28,550 in amortization expense.

The auditor's procedures subsequent to the initial audit report date of August 8, 2014 were restricted to the subsequent amendment of the financial statements.

Hatchet Lake Denesuline Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2014

	<i>Buildings</i>	<i>Housing</i>	<i>Equipment</i>	<i>Infrastructure</i>	<i>2014</i>	<i>2013</i>
Cost						
Balance, beginning of year	19,546,925	11,322,951	1,622,735	5,675,101	38,167,712	36,107,123
Acquisition of tangible capital assets	7,500	953,103	251,199	34,778	1,246,580	128,588
Construction-in-progress	-	1,894,215	(213,051)	37,999	1,719,163	2,121,605
Disposal of tangible capital assets	-	-	-	-	-	(189,604)
Balance, end of year	19,554,425	14,170,269	1,660,883	5,747,878	41,133,455	38,167,712
Accumulated amortization						
Balance, beginning of year	11,959,124	6,191,149	1,164,419	1,299,392	20,614,084	19,313,420
Annual amortization	782,177	498,891	97,268	112,439	1,490,775	1,399,605
Accumulated amortization on disposals	-	-	-	-	-	(98,941)
Balance, end of year	12,741,301	6,690,040	1,261,687	1,411,831	22,104,859	20,614,084
Net book value of tangible capital assets	6,813,124	7,480,229	399,196	4,336,047	19,028,596	17,553,628
Net book value of tangible capital assets 2013	7,587,801	5,131,802	458,316	4,375,709	17,553,628	

Hatchet Lake Denesuline Nation

Schedule 2 - Consolidated Schedule of Expenses by Object

For the year ended March 31, 2014

	2014 Budget	2014	2013
Consolidated expenses by object			
Salaries and benefits	5,445,951	6,001,434	6,174,526
Social assistance	2,650,931	2,783,991	2,599,354
Amortization	-	1,490,775	1,399,605
Utilities	394,481	1,023,620	697,928
Travel	406,695	780,475	754,219
Supplies	235,556	582,545	605,791
Tuition	240,000	337,116	271,175
Student expenses	369,360	328,180	321,482
Community donations	372,400	224,556	192,288
Vehicle	141,602	214,653	187,459
Band support	365,000	189,895	163,778
Insurance	30,017	170,686	96,130
Bad debts	-	145,270	66,303
Postage and freight	40,800	127,627	64,816
Interest on long-term debt	24,000	118,032	98,465
Professional fees	41,100	77,918	78,777
Telephone	52,800	62,587	51,150
Economic - landfill management	54,500	54,500	54,500
Office equipment lease	32,400	45,525	33,484
Miscellaneous	61,200	37,388	47,951
Consulting	30,000	35,626	45,094
Office supplies	25,200	30,653	51,667
Honouraria	16,800	29,625	12,625
Bank charges and interest	18,000	23,572	18,196
Repairs and maintenance	341,492	22,937	64,278
Election	15,000	15,404	7,586
Professional development	-	13,292	46,777
Computer software	7,200	3,150	7,433
Program expense	-	2,950	17,668
Office rent	14,630	862	1,398
Administration	589,978	-	-
	12,017,093	14,974,844	14,231,903

Hatchet Lake Denesuline Nation
Administration
Schedule 3 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2014

	<i>2014 Budget</i>	<i>2014</i>	<i>2013</i>
Revenue			
Aboriginal Affairs and Northern Development Canada	5,079,025	4,667,856	4,899,057
Earnings from investment in Nation business entities	-	4,483,667	4,357,884
First Nations Trust (gaming allocation)	756,000	631,117	634,508
Corporate donations for capital asset purchase	-	100,000	425,639
Tuition revenue	-	442,712	413,929
Tribal council	22,000	192,099	185,805
User fees	-	12,713	95,693
Miscellaneous	366,000	629,296	401,712
	6,223,025	11,159,460	11,414,227
Expenses			
Social assistance	2,650,931	2,783,991	2,599,354
Salaries and benefits	916,076	1,353,908	1,218,076
Travel	298,995	616,013	523,642
Supplies	42,000	372,980	398,090
Utilities	134,520	248,675	279,480
Tuition	-	239,055	109,346
Amortization	-	224,697	270,059
Community donations	367,600	223,039	184,758
Band support	365,000	189,895	163,778
Vehicle	55,838	160,709	72,056
Bad debts	-	98,949	16,303
Professional fees	41,100	71,660	73,410
Economic - landfill management	54,500	54,500	54,500
Telephone	26,400	47,678	32,217
Interest on long-term debt	24,000	43,878	32,947
Miscellaneous	60,000	37,388	47,951
Consulting	13,200	35,626	44,704
Insurance	30,017	31,135	28,000
Office equipment lease	8,400	26,507	7,938
Postage and freight	6,600	24,662	14,397
Honouraria	13,200	22,250	8,950
Bank charges and interest	18,000	19,883	14,161
Election	15,000	15,404	7,586
Office supplies	7,200	9,892	1,814
Professional development	-	6,500	15,252
Computer software	6,000	3,150	7,233
Repairs and maintenance	26,400	(418)	36,539
Administration	589,978	(31,350)	(26,925)
	5,770,955	6,930,256	6,235,616
Operating surplus	452,070	4,229,204	5,178,611

Hatchet Lake Denesuline Nation
Housing
Schedule 4 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2014

	<i>2014 Budget</i>	<i>2014</i>	<i>2013</i>
Revenue			
Aboriginal Affairs and Northern Development Canada	-	458,792	458,792
Canada Mortgage and Housing Corporation	-	235,792	178,428
Rental income	-	163,610	148,635
Miscellaneous	458,792	164,975	2,871
	458,792	1,023,169	788,726
Expenses			
Amortization	-	423,681	311,881
Insurance	-	133,548	50,130
Salaries and benefits	186,000	130,669	140,823
Postage and freight	-	74,728	21,444
Interest on long-term debt	-	74,154	65,518
Bad debts	-	40,774	50,000
Administration	-	31,350	26,925
Travel	8,700	20,840	16,697
Utilities	-	17,891	-
Professional fees	-	6,258	5,367
Supplies	-	6,251	-
Vehicle	-	5,184	4,211
Repairs and maintenance	264,092	2,324	22,603
Bank charges and interest	-	-	15
	458,792	967,652	715,614
Operating deficit before other income (expense)	-	55,517	73,112
Other income (expense)			
Gain (loss) on disposal of tangible capital assets	-	-	392,783
Operating surplus	-	55,517	465,895

Hatchet Lake Denesuline Nation
Education
Schedule 5 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2014

	<i>2014 Budget</i>	<i>2014</i>	<i>2013</i>
Revenue			
Aboriginal Affairs and Northern Development Canada	4,956,799	5,108,369	5,045,885
Tribal council	690,000	661,998	703,411
Rental income	108,000	95,844	118,233
	5,754,799	5,866,211	5,867,529
Expenses			
Salaries and benefits	4,343,875	3,887,390	4,146,591
Amortization	-	842,397	817,666
Utilities	259,961	757,054	418,448
Student expenses	369,360	328,180	321,482
Supplies	193,556	174,172	201,228
Travel	99,000	123,788	163,106
Tuition	240,000	98,061	161,829
Vehicle	85,764	48,760	111,192
Postage and freight	34,200	28,237	28,974
Repairs and maintenance	51,000	21,031	5,135
Office equipment lease	24,000	19,018	25,546
Telephone	26,400	12,258	16,774
Honouraria	3,600	7,375	3,675
Insurance	-	6,003	18,000
Office supplies	18,000	2,007	25,448
Community donations	4,800	1,517	7,530
Office rent	14,630	861	1,400
Consulting	16,800	-	390
Computer software	1,200	-	200
Miscellaneous	1,200	-	-
	5,787,346	6,358,109	6,474,614
Operating deficit	(32,547)	(491,898)	(607,085)

Hatchet Lake Denesuline Nation
Health
Schedule 6 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2014

	2014 Budget	2014	2013
Revenue			
Aboriginal Affairs and Northern Development Canada	-	72,303	72,303
Health Canada	-	222,555	230,118
Tribal council	-	385,643	370,904
Miscellaneous	-	2,253	13,437
	-	682,754	686,762
Expenses			
Salaries and benefits	-	629,467	669,036
Supplies	-	29,142	6,473
Travel	-	19,835	50,774
Office supplies	-	18,754	24,404
Professional development	-	6,792	31,525
Bank charges and interest	-	3,689	4,020
Program expense	-	2,950	17,668
Telephone	-	2,651	2,159
Bad debts	-	5,547	-
	-	718,827	806,059
Operating deficit	-	(36,073)	(119,297)