

Hatchet Lake Denesuline Nation
Consolidated Financial Statements
March 31, 2015

Hatchet Lake Denesuline Nation Contents

For the year ended March 31, 2015

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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 fulfills 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.

July 29, 2015

(signature on file)

Finance Manager

Marlene Joseyounen

Chalupiak & Associates
Chartered Professional Accountants
3261 Saskatchewan Drive, Regina, SK S4T 6S4
Phone (306) 359-3711 Fax (306) 569-3030

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, 2015, and the consolidated statements of operations, accumulated surplus, change 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 consolidated 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 First Nation'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 First Nation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hatchet Lake Denesuline Nation as at March 31, 2015, and the results of its operations, accumulated surplus, the changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Regina, Saskatchewan
July 29, 2015

Chartered Professional Accountants

Hatchet Lake Denesuline Nation
Consolidated Statement of Financial Position

As at March 31, 2015

	2015	2014
Financial assets		
Current		
Accounts receivable (Note 4)	415,833	223,132
Restricted cash (Note 5)	349,388	288,313
Investment in Nation business partnerships (Note 6)	765,221	511,445
Investment in Nation businesses and business entities (Note 6)	30,247,855	26,126,570
Ottawa Trust funds (Note 7)	199,983	199,948
Restricted cash for CMHC housing (Note 5)	20,769	20,281
Total financial assets	31,530,926	27,324,395
Liabilities		
Current		
Bank indebtedness (Note 8)	228,235	77,657
Accounts payable and accruals (Note 9)	765,582	1,351,794
Deferred revenue (Note 10)	343,719	160,097
Advances from related Nation entities (Note 11)	63,461	8,866
Current portion of long-term debt (Note 12)	621,445	1,432,556
Long-term debt (Note 12)	2,022,442	3,030,970
Total financial liabilities	6,964,283	6,661,324
Net financial assets	24,566,643	20,663,071
Contingencies (Note 19)		
Non-financial assets		
Tangible capital assets (Note 13) (Schedule 1)	18,704,376	19,028,596
Inventories held for use	216,000	150,000
Total non-financial assets	18,920,376	19,178,596
Accumulated surplus (Note 14)	43,487,019	39,841,667

Approved on behalf of the Council

(signature on file)
 Bart Tsannie

Chief

(signature on file)
 Annie Joseyounen

Councilor

Hatchet Lake Denesuline Nation
Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2015

	<i>Schedules</i>	<i>2015 Budget</i>	<i>2015</i>	<i>2014</i>
Revenue				
Federal government funding (Note 15)				
Aboriginal Affairs and Northern Development Canada		9,551,233	10,958,096	10,307,321
Health Canada		-	228,182	222,555
Canada Mortgage and Housing Corporation		188,582	261,989	235,792
Earnings (loss) from investment in Nation business entities (Note 6)		9,739,815	11,448,267	10,765,668
Tribal council		3,300,000	4,095,321	4,483,667
Miscellaneous		782,000	1,284,152	1,239,740
First Nations Trust (gaming allocation)		739,229	989,425	796,524
Tuition revenue		620,000	609,832	631,117
Rental income		-	327,383	442,712
Corporate donations for capital asset purchase		96,000	289,195	259,454
User fees		23,282	-	100,000
		38,790	22,895	12,713
		15,339,116	19,066,470	18,731,595
Expenses				
Administration	3	5,540,499	7,451,932	6,930,257
Housing	4	1,031,556	1,317,382	967,652
Education	5	7,231,851	5,990,254	6,358,109
Health	6	-	661,550	718,827
		13,803,906	15,421,118	14,974,845
Surplus				
Accumulated surplus, beginning of year		1,535,210	3,645,352	3,756,750
Accumulated surplus, end of year (Note 14)		39,841,668	39,841,667	36,084,917
		41,376,878	43,487,019	39,841,667

Hatchet Lake Denesuline Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2015

	2015 Budget	2015	2014
Annual surplus	1,535,210	3,645,352	3,756,750
Purchases of tangible capital assets	(164,000)	(1,205,668)	(2,965,743)
Amortization of tangible capital assets	1,399,604	1,529,888	1,490,775
	1,235,604	324,220	(1,474,968)
Change in inventories held for use	-	(66,000)	(4,372)
Increase in Net financial assets	2,770,814	3,903,572	2,277,410
Net financial assets, beginning of year	20,663,071	20,663,071	18,385,661
Net financial assets, end of year	23,433,885	24,566,643	20,663,071

Hatchet Lake Denesuline Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2015

	2015	2014
Cash provided by (used for) the following activities		
Operating activities		
Surplus	3,645,352	3,756,750
Non-cash items		
Amortization	1,529,888	1,490,775
Earnings from investment in Nation business partnership and business entities	(4,095,321)	(4,483,667)
	1,079,919	763,858
Changes in working capital accounts		
Accounts receivable	(192,701)	326,176
Restricted cash	(61,075)	289,749
Accounts payable and accruals	(586,211)	217,362
Deferred revenue	183,622	(57,584)
Inventory held for use	(66,000)	(4,372)
	357,554	1,535,189
Financing activities		
Advances of long-term debt	1,203,855	2,057,384
Repayment of long-term debt	(703,479)	(555,945)
Change in bank indebtedness	150,578	(113,434)
Advances from related Nation entities & department	54,595	-
Repayment of Advances from related Nation entities	-	(32,812)
	705,549	1,355,193
Capital activities		
Purchases of tangible capital assets	(1,205,668)	(2,965,743)
Investing activities		
Contributions to Nation business partnerships	(84,000)	-
Withdrawals from Nation business partnerships	58,000	240,000
Change in long-term restricted cash	169,053	(164,078)
Change in Ottawa Trust funds	(488)	(561)
	142,565	75,361
Increase in cash resources	-	-
Cash resources, end of year	-	-

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

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. Change in accounting policy

Effective April 1, 2014, the Nation adopted the recommendations relating to PS3260, *Liability for Contaminated Sites*, as set out in the Canadian public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

Previously, no accounting policy existed to account for a liability for contaminated sites. Under the new recommendations, the Nation is required to recognize a liability for contaminated sites when economic benefits will be given up, as described in Note 3, *Significant Accounting Policies*.

There was no effect on the Nation's financial statements of adopting the above-noted change in accounting policy.

3. 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 Option 1

The financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity, except for Nation business entities and a government partnership as disclosed in Note 19.

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.

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

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

Other economic interests

The Nation does not 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 (PADC 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.

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.

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. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the Nation is responsible for.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the records in the periods in which they become known.

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.

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.

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

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

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.

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 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, 2015.

At each financial reporting date, the 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 Nation has not recognized a liability for contaminated sites at March 31, 2015 because it is not expected that economic benefits will be given up.

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

3. 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.

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).

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, 2019. Earlier adoption is permitted.

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.

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

4. Accounts receivable

	2015	2014
Aboriginal Affairs and Northern Development Canada	135,747	-
Tribal Council	207,061	155,832
CMHC subsidy assistance receivable	17,629	17,659
Rent receivable	246,030	216,614
Loans and advances to members	9,406	4,284
Other accounts receivables	53,454	103,724
Allowance for doubtful accounts	669,327	498,113
	(253,494)	(274,981)
	415,833	223,132

5. Restricted cash

The Nation has \$297,098 (2014 - \$466,151) 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, 2015, the reserves are underfunded by \$175,291 (2014 - fully funded). The CMHC reserve cash is comprised of six guaranteed investment certificates with one year terms, maturing in throughout the year, carrying interest at 0.8% for two certificates and 0.5% for the remaining certificates. Subsequent to March 31, 2015, \$200,000 was deposited to the replacement reserve account.

The Nation has \$349,388 (2014 - \$160,202) of cash received from Aboriginal Affairs and Northern Development Canada to fund major capital projects which was not spent prior to March 31, 2015.

The Nation has \$nil (2014 - \$128,111) 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, 2015

6. 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% ("HLDFNEDC")	198,029	-	-	198,029
Waterfound Development Ltd. - 33%	1,919	-	35	1,954
	199,948	-	35	199,983
Nation business partnerships				
Hatchet Lake Development Limited Partnership - 99.99% ("HLDLP")	24,614,547	26,000	3,759,688	28,400,235
Waterfound Development LP - 33%	1,512,023	-	335,597	1,847,620
	26,126,570	26,000	4,095,285	30,247,855
	26,326,518	26,000	4,095,320	30,447,838

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 two other First 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, 2015</i>	<i>Waterfound Development As at December 31, 2014</i>
Assets		
Cash	1,344,559	699,609
Accounts receivable	655,677	200,150
Inventory	1,293,401	-
Other current assets	129,056	-
Investments	23,721,752	4,659,993
Property, plant and equipment	4,398,867	-
Total assets	31,543,312	5,559,752
Liabilities		
Accounts payable and accruals	1,251,440	9,111
Long-term debt	1,753,546	-
Total liabilities	3,004,986	9,111
Partner/shareholder equity	28,538,326	5,550,641
Total revenue	13,378,644	1,013,994
Total expenses	9,647,503	6,087
Net income	3,731,141	1,007,907
Other comprehensive income (loss)	162,553	-
Comprehensive income	3,893,694	1,007,907

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

6. 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, 2015, HDLDP has term debt due to CIBC of \$1,753,546 (2014 - \$1,725,639) 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.

7. 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.

	2015	2014
Capital Trust		
Balance, beginning and end of year	87	87
Revenue Trust		
Balance, beginning of year	20,194	19,633
Interest	488	561
Balance, end of year	20,682	20,194
	20,769	20,281

8. 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% (3.85% at March 31, 2015). As of March 31, 2015, the Nation has drawn on \$71,200 (2014 - \$85,304) 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, 2015

9. Accounts payable and accruals

	2015	2014
Aboriginal Affairs and Northern Development Canada	25,424	137,779
Tribal Council	49,632	104,189
Payroll remittances	56,969	68,058
Accrued liabilities	63,575	76,913
Trade payables	569,982	759,744
Social assistance suppliers payable	-	205,111
	765,582	1,351,794

10. Deferred revenue

	2015	2014
AANDC - major capital projects	343,719	160,097

11. 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):

	2015	2014
Advances from Hatchet Lake Development Limited Partnership ("HLDLP")	63,461	8,866
Included in Accounts payable are amounts owing to HLDLP and its subsidiaries	50,046	64,147

12. Long-term debt

	2015	2014
CMHC Housing Mortgage Monthly payments of \$1,544 including interest at 1.05%, loan is guaranteed by Government of Canada, due 2021	158,898	174,190
CMHC Housing Mortgage Monthly payments of \$319 including interest at 1.12%, loan is guaranteed by Government of Canada, due 2020	34,766	37,933
CMHC Housing Mortgage Monthly payments of \$1,384 including interest at 1.62%, loan is guaranteed by Government of Canada, due 2018	192,326	205,705
CMHC Housing Mortgage Monthly payments of \$1,536 including interest at 2.75%, loan is guaranteed by Government of Canada, due 2016	172,584	186,091

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

12. Long-term debt (Continued from previous page)

	2015	2014
CMHC Housing Mortgage Monthly payments of \$6,203 including interest at 1.83%, loan is guaranteed by Government of Canada, due 2020	962,032	948,030
CMHC Housing Mortgage Monthly payments of \$3,421 including interest at 1.64%, loan is guaranteed by Government of Canada, due 2017	605,618	636,499
CMHC Housing Mortgage Monthly payments of \$3,431 including interest at 1.67%, loan is guaranteed by Government of Canada, due 2019	647,241	679,006
CMHC Housing Mortgage Monthly payments of \$2,218 including interest at 1.05%, loan is guaranteed by Government of Canada, due 2021	480,000	-
First Nations Bank of Canada Loan Quarterly payments of \$18,750 with interest paid monthly, interest calculated at prime plus 1% (3.85%, secured by general security agreement and assignment of dividends from Waterfound Development LP, due 2018	750,000	750,000
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.	928,571	1,114,286
CIBC Demand Instalment Loan Monthly loan payment of \$12,500	600,000	-
CIBC Demand Instalment Loan Quarterly payments of \$6,250	31,250	-
CIBC Demand Instalment Loan (Debt Restructure)	-	280,000
CIBC Demand Instalment Loan	-	51,170
	5,563,286	5,062,910
Less: Current Portion	621,445	1,432,556
	4,941,841	3,630,354

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:

2016	621,445
2017	609,032
2018	605,973
2019	609,221
2020	462,528

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

13. 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.

14. 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:

	2015	2014
Equity in Ottawa Trust Funds		
Balance, beginning of year	20,281	19,720
Contributions	488	561
	<hr/> 20,769	20,281
Equity in CMHC reserves		
Balance, beginning of year	465,188	472,258
Contributions	54,264	50,837
Withdrawals	(47,063)	(57,907)
	<hr/> 472,389	465,188
Equity in tangible capital assets		
Balance, beginning of year	14,245,686	14,572,157
Amortization	(1,529,888)	(1,490,775)
Purchases	1,205,668	2,965,743
Loan advances received/receivable	(603,855)	(2,243,098)
Loan repayment	423,479	441,659
	<hr/> 13,741,090	14,245,686
Equity in business investments		
Balance, beginning of year	26,326,517	22,082,850
Contributions	84,000	-
Share of earnings	4,095,321	4,483,667
Withdrawals	(58,000)	(240,000)
	<hr/> 30,447,838	26,326,517

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

14. Accumulated Surplus (Continued from previous page)

Unrestricted operating deficit	(1,216,005)	(1,062,069)
Balance, beginning of year	(488)	(561)
Transfer from (to) Ottawa Trust funds	(7,201)	7,070
Transfer from (to) CMHC reserves	504,596	326,471
Transfer from (to) tangible capital assets	(4,121,321)	(4,243,667)
Transfer from (to) business investments	3,645,352	3,756,751
Surplus	(1,195,067)	(1,216,005)
	43,487,019	39,841,667

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.

15. Federal government funding reconciliation

	2015	2014
Aboriginal Affairs and Northern Development Canada		
AANDC revenue per agreement	11,041,395	10,495,748
(Deferred) recognized - propane tank farm upgrade	16,772	11,965
(Deferred) recognized - FNWWAP-Water	(198,817)	-
(Deferred) recognized - School heating system	(46,622)	-
(Deferred) recognized - Water and sewer study	41,303	(50,036)
(Deferred) recognized - 2012 School renovations	3,742	80,163
Special needs funding (over) short	(3,476)	(15,233)
Basic needs funding (over) short	125,747	(90,955)
Band employee benefits funding (over) short	(21,948)	(31,591)
2013 Band employee benefits funding recovered	-	(92,740)
	10,958,096	10,307,321
Health Canada		
Health Canada revenue per agreement	228,182	222,555
S95 housing subsidy per agreement	211,852	201,102
RRAP per confirmation	50,137	34,690
	261,989	235,792
	11,448,267	10,765,668

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

16. 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.

17. Comparative figures

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

18. 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).

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.

The 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 of March 31, 2015 is \$15,226,024 (2014 \$14,172,766). 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 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:

Year	Assets	Liabilities	Net Assets	Revenues	Expenses	Surplus (Deficit)
March 2015	559,631	222,521	337,110	1,110,189	1,318,180	(207,991)
March 2014	878,482	333,381	545,101	1,510,217	1,422,391	87,826

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

Hatchet Lake Denesuline Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2015

	<i>Buildings</i>	<i>Housing</i>	<i>Equipment</i>	<i>Infrastructure</i>	<i>2015</i>	<i>2014</i>
Cost						
Balance, beginning of year	19,554,425	14,170,269	1,660,883	5,747,878	41,133,455	38,167,712
Acquisition of tangible capital assets	222,121	431,199	68,700	-	722,020	1,246,580
Construction-in-progress	-	-	-	483,648	483,648	1,719,163
Balance, end of year	19,776,546	14,601,468	1,729,583	6,231,526	42,339,123	41,133,455
Accumulated amortization						
Balance, beginning of year	12,741,301	6,690,040	1,261,687	1,411,831	22,104,859	20,614,084
Annual amortization	791,062	516,139	110,248	112,439	1,529,888	1,490,775
Balance, end of year	13,532,363	7,206,179	1,371,935	1,524,270	23,634,747	22,104,859
Net book value of tangible capital assets	6,244,183	7,395,289	357,648	4,707,256	18,704,376	19,028,596
2014 Net book value of tangible capital assets	6,813,124	7,480,229	399,196	4,336,047	19,028,596	

Hatchet Lake Denesuline Nation
Schedule 2 - Consolidated Schedule of Expenses by Object
For the year ended March 31, 2015

	2015 Budget	2015	2014
Consolidated expenses by object			
Salaries and benefits	5,466,284	5,750,272	6,001,434
Social assistance	2,376,077	3,321,344	2,783,991
Amortization	1,399,604	1,529,888	1,490,775
Supplies	424,600	926,065	601,300
Travel	545,095	671,192	780,475
Utilities	1,103,720	590,824	1,023,620
Student expenses	324,460	462,732	328,280
Band member support	160,000	324,128	200,790
Tuition	367,802	255,629	337,116
Community donations and event prizes	372,600	250,637	224,556
Consulting	160,800	245,231	35,626
Vehicle	140,555	189,140	214,553
Insurance	196,950	187,803	170,686
Repairs and maintenance	276,000	136,938	22,937
Interest on long-term debt	104,600	111,983	118,032
Professional fees	46,100	77,002	77,918
Telephone	47,634	70,470	62,587
Office equipment lease	28,300	66,797	45,525
Professional development	1,800	61,519	13,292
Economic - landfill management	54,500	54,500	54,500
Bad debts	50,000	34,297	145,270
Honouraria	21,700	30,367	29,625
Postage and freight	62,300	26,952	127,627
Bank charges and interest	14,000	18,928	23,572
Program expense	-	15,000	28,218
Election	-	7,927	15,404
Office supplies	30,900	2,551	16,275
Administration	27,525	1,002	-
Office rent	-	-	861
	13,803,906	15,421,118	14,974,845

Hatchet Lake Denesuline Nation
Administration
Schedule 3 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2015

	2015 Budget	2015	2014
Revenue			
Aboriginal Affairs and Northern Development Canada	4,227,755	5,752,152	4,667,856
Earnings from investment in Nation business entities	3,300,000	4,095,321	4,483,667
Miscellaneous	480,406	934,026	629,296
First Nations Trust (gaming allocation)	620,000	609,832	631,117
Tuition revenue	-	327,383	442,712
Tribal council	92,000	205,378	192,099
User fees	38,790	22,895	12,713
Corporate donations for capital asset purchase	23,282	-	100,000
	8,782,233	11,946,987	11,159,460
Expenses			
Social assistance	2,376,077	3,321,344	2,783,991
Salaries and benefits	998,976	1,360,111	1,353,908
Supplies	176,400	509,253	372,980
Travel	411,695	485,295	616,013
Band member support	160,000	324,128	200,790
Community donations and event prizes	372,600	249,602	223,039
Consulting	137,000	245,231	35,626
Amortization	270,057	236,000	224,697
Utilities	188,720	141,477	248,675
Vehicle	55,438	123,377	160,709
Tuition	140,902	100,000	239,055
Professional fees	41,100	71,752	71,660
Office equipment lease	22,200	57,337	26,507
Economic - landfill management	54,500	54,500	54,500
Telephone	35,634	44,081	47,678
Insurance	32,500	32,464	31,135
Interest on long-term debt	12,600	23,560	43,878
Honouraria	13,500	21,117	22,250
Bad debts	-	15,384	98,949
Repairs and maintenance	1,500	15,322	(418)
Postage and freight	11,600	15,097	24,662
Bank charges and interest	14,000	14,422	19,883
Program expense	-	13,000	25,268
Election	-	7,927	15,404
Office supplies	11,700	2,551	14,268
Professional development	1,800	-	6,500
Administration	-	(32,400)	(31,350)
	5,540,499	7,451,932	6,930,257
Surplus	3,241,734	4,495,055	4,229,203

Hatchet Lake Denesuline Nation
Housing
Schedule 4 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2015

	2015 Budget	2015	2014
Revenue			
Aboriginal Affairs and Northern Development Canada	410,206	384,006	458,792
Canada Mortgage and Housing Corporation	188,582	261,989	235,792
Rental income	-	167,260	163,610
Miscellaneous	-	53,205	164,975
	598,788	866,460	1,023,169
Expenses			
Amortization	311,881	440,929	423,681
Salaries and benefits	130,500	431,541	130,669
Insurance	164,450	155,339	133,548
Interest on long-term debt	92,000	88,423	74,154
Repairs and maintenance	173,500	61,865	2,324
Supplies	35,000	47,714	6,251
Administration	27,525	32,400	31,350
Bad debts	50,000	18,913	40,774
Vehicle	6,000	18,895	5,184
Travel	8,700	14,368	20,840
Professional fees	5,000	5,250	6,258
Bank charges and interest	-	1,340	-
Postage and freight	20,000	405	74,728
Utilities	-	-	17,891
Consulting	7,000	-	-
	1,031,556	1,317,382	967,652
Surplus (deficit)	(432,768)	(450,922)	55,517

Hatchet Lake Denesuline Nation
Education
Schedule 5 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2015

	2015 Budget	2015	2014
Revenue			
Aboriginal Affairs and Northern Development Canada	4,913,272	4,749,635	5,108,369
Tribal council	690,000	682,004	661,998
Rental income	96,000	121,935	95,844
Miscellaneous	258,823	-	-
	5,958,095	5,553,574	5,866,211
Expenses			
Salaries and benefits	4,336,808	3,481,982	3,887,390
Amortization	817,666	852,959	842,397
Utilities	915,000	449,347	757,054
Student expenses	324,460	462,732	328,280
Supplies	213,200	305,468	174,172
Tuition	226,900	155,629	98,061
Travel	124,700	121,033	123,788
Vehicle	79,117	46,868	48,660
Repairs and maintenance	101,000	59,751	21,031
Telephone	12,000	23,289	12,258
Postage and freight	30,700	11,450	28,237
Office equipment lease	6,100	9,461	19,018
Honouraria	8,200	9,250	7,375
Community donations and event prizes	-	1,035	1,517
Office supplies	19,200	-	2,007
Insurance	-	-	6,003
Office rent	-	-	861
Consulting	16,800	-	-
	7,231,851	5,990,254	6,358,109
Deficit	(1,273,756)	(436,680)	(491,898)

Hatchet Lake Denesuline Nation
Health
Schedule 6 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2015

	2015 Budget	2015	2014
Revenue			
Aboriginal Affairs and Northern Development Canada	-	72,303	72,303
Health Canada	-	228,182	222,555
Tribal council	-	396,770	385,643
Miscellaneous	-	2,194	2,253
	-	699,449	682,754
Expenses			
Salaries and benefits	-	476,638	629,467
Supplies	-	63,631	47,896
Professional development	-	61,519	6,792
Travel	-	50,497	19,835
Bank charges and interest	-	3,166	3,689
Telephone	-	3,100	2,651
Program expense	-	2,000	2,950
Administration	-	999	-
Bad debts	-	-	5,547
	-	661,550	718,827
Surplus (deficit)	-	37,899	(36,073)