

Hatchet Lake Denesuline Nation
Consolidated Financial Statements
March 31, 2016

Hatchet Lake Denesuline Nation

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For the year ended March 31, 2016

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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.

Chalupiak & Associates 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.

September 9, 2016

Signature on file

Finance Manager

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, 2016, 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, 2016, and the results of its operations, 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
September 9, 2016

Chartered Professional Accountants

Hatchet Lake Denesuline Nation

Consolidated Statement of Financial Position

As at March 31, 2016

	2016	2015
Financial assets		
Current		
Accounts receivable (Note 3)	380,417	415,833
Restricted cash (Note 4)	144,884	349,388
	525,301	765,221
Investment in Nation business partnerships (Note 5)	31,174,518	30,247,855
Investment in Nation businesses and business entities (Note 5)	199,784	199,983
Ottawa Trust funds (Note 6)	21,196	20,769
Restricted cash for CMHC housing (Note 4)	737,351	297,098
Total financial assets	32,658,150	31,530,926
Liabilities		
Current		
Bank indebtedness (Note 7)	330,274	228,235
Accounts payable and accruals (Note 8)	796,686	765,582
Deferred revenue (Note 9)	132,430	343,719
Advances from related Nation entities (Note 10)	89,219	63,461
Current portion of long-term debt (Note 11)	654,599	621,445
	2,003,208	2,022,442
Long-term debt (Note 11)	4,801,618	4,941,841
Total financial liabilities	6,804,826	6,964,283
Net financial assets	25,853,324	24,566,643
Contingencies (Note 18)		
Non-financial assets		
Tangible capital assets (Note 12) (Schedule 1)	18,380,812	18,704,376
Inventories held for use	146,070	216,000
Total non-financial assets	18,526,882	18,920,376
Accumulated surplus (Note 13)	44,380,206	43,487,019
Approved on behalf of the Council		
<u>Signature on file</u> Chief	<u>Signature on file</u> 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, 2016

	<i>Schedules</i>	<i>2016 Budget</i>	<i>2016</i>	<i>2015</i>
Revenue				
Federal government funding <i>(Note 14)</i>				
Indigenous and Northern Affairs Canada		9,470,353	11,931,869	10,958,096
Health Canada		-	248,703	228,182
Canada Mortgage and Housing Corporation		188,582	328,769	261,989
		9,658,935	12,509,341	11,448,267
Earnings (loss) from investment in Nation business entities <i>(Note 5)</i>		3,300,000	1,443,370	4,095,321
Tribal council		686,654	1,226,180	1,284,152
Miscellaneous		1,499,688	1,068,011	989,425
First Nations Trust (gaming allocation)		-	619,340	609,832
Rental income		84,000	283,023	289,195
Tuition revenue		-	-	327,383
User fees		38,790	-	22,895
		15,268,067	17,149,265	19,066,470
Expenses				
Administration	3	5,540,499	7,716,611	7,451,932
Housing	4	1,031,556	1,340,669	1,317,382
Education	5	6,210,476	6,483,319	5,990,254
Health	6	-	715,479	661,550
		12,782,531	16,256,078	15,421,118
Surplus		2,485,536	893,187	3,645,352
Accumulated surplus, beginning of year		43,497,019	43,487,019	39,841,667
Accumulated surplus, end of year <i>(Note 13)</i>		45,982,555	44,380,206	43,487,019

The accompanying notes are an integral part of these financial statements

Hatchet Lake Denesuline Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2016

	<i>2016 Budget</i>	<i>2016</i>	<i>2015</i>
Annual surplus	1,535,210	893,187	3,645,352
Purchases of tangible capital assets	(164,000)	(1,293,070)	(1,205,668)
Amortization of tangible capital assets	581,938	1,616,634	1,529,888
	417,938	323,564	324,220
Change in inventories held for use	-	69,930	(66,000)
Increase in Net financial assets	1,953,148	1,286,681	3,903,572
Net financial assets, beginning of year	24,566,643	24,566,643	20,663,071
Net financial assets, end of year	26,519,791	25,853,324	24,566,643

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, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating activities		
Surplus	893,187	3,645,352
Non-cash items		
Amortization	1,616,634	1,529,888
Earnings from investment in Nation business partnership and business entities	(1,443,370)	(4,095,321)
	1,066,451	1,079,919
Changes in working capital accounts		
Accounts receivable	35,416	(192,701)
Restricted cash	204,504	(61,075)
Accounts payable and accruals	31,104	(586,211)
Deferred revenue	(211,289)	183,622
Inventory held for use	69,930	(66,000)
	1,196,116	357,554
Financing activities		
Advances of long-term debt	502,530	1,203,855
Repayment of long-term debt	(609,599)	(703,479)
Change in bank indebtedness	102,039	150,578
Advances from related Nation entities & department	25,758	54,595
	20,728	705,549
Capital activities		
Purchases of tangible capital assets	(1,293,070)	(1,205,668)
Investing activities		
Contributions to Nation business partnerships	(83,000)	(84,000)
Withdrawals from Nation business partnerships	599,906	58,000
Change in long-term restricted cash	(440,253)	169,053
Change in Ottawa Trust funds	(427)	(488)
	76,226	142,565
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, 2016

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 and a government partnership as disclosed in Note 5.

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 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.

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)*

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.

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.

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

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

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible assets are recorded at their fair value at the date of contribution.

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, 2016.

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, 2016 because it is not expected that economic benefits will be given up.

No provision for contaminated sites has been reported in these consolidated financial statements.

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.

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, 2016

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

Related Party Disclosures and Inter-Entity Transactions

In March 2015, PSAB issued PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions. These new Sections define related parties and establish disclosures required for related party transactions. Disclosure is required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

They also establish standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

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

Assets, Contingent Assets and Contractual Rights

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

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

PS 3320 Contingent Assets establishes disclosure standards on contingent assets.

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

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.

Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.

Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

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

The First Nation has not yet determined the effect of these new standards on its financial statements.

3. Accounts receivable

	2016	2015
Rent receivable	290,204	246,030
Tribal Council	192,358	207,061
Other accounts receivables	111,398	53,454
Indigenous and Northern Affairs Canada	62,669	135,747
CMHC subsidy assistance receivable	22,440	17,629
Loans and advances to members	11,725	9,406
	690,794	669,327
Allowance for doubtful accounts	(310,377)	(253,494)
	380,417	415,833

Hatchet Lake Denesuline Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016

4. Restricted cash

The Nation has \$737,351 (2015 - \$297,098) 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, 2016, the reserves are fully funded (2015 - 175,291 underfunded). The CMHC reserve cash is comprised of six guaranteed investment certificates with one year terms, maturing throughout the year, carrying interest at 0.8% for two certificates and 0.5% for the remaining certificates.

The Nation has \$144,884 (2015 - \$349,388) of cash received from Indigenous and Northern Affairs Canada to fund major capital projects which was not spent prior to March 31, 2016.

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>2016 Investment, end of year</i>
Nation business entities				
Hatchet Lake Denesuline First Nation Economic Development Corporation - 100% ("HLDNFNEDC")	198,029	-	-	198,029
Waterfound Development Ltd. - 33%	1,954	-	(199)	1,755
	199,983	-	(199)	199,784
Nation business partnerships				
Hatchet Lake Development Limited Partnership - 99.99% ("HLDLP")	28,400,235	65,500	1,341,897	29,807,632
Waterfound Development LP - 33%	1,847,620	(582,406)	101,672	1,366,886
	30,247,855	(516,906)	1,443,569	31,174,518
	30,447,838	(516,906)	1,443,370	31,374,302
2015				
	<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% ("HLDNFNEDC")	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

Hatchet Lake Denesuline Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016

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

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, 2016</i>	<i>Waterfound Development LP As at December 31, 2015</i>
Assets		
Cash	867,522	569,609
Accounts receivable	1,153,962	-
Inventory	1,465,515	-
Other current assets	51,778	-
Investments	24,605,654	4,210,846
Property, plant and equipment	4,532,432	-
Total assets	32,676,863	4,780,455
Liabilities		
Accounts payable and accruals	1,275,871	4,998
Deferred revenue	244,514	-
Long-term debt	1,346,826	-
Total liabilities	2,867,211	4,998
Partner/shareholder equity	29,809,652	4,775,457
Total revenue	11,930,896	358,386
Total expenses	10,872,758	53,066
Net income	1,058,138	305,320
Other comprehensive income (loss)	147,689	-
Comprehensive income	1,205,827	305,320

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, 2016, HLDLP has term debt due to CIBC of \$1,346,826 (2015 - \$1,753,546) available lines of credit, credit cards, and letters of credit of \$175,000 (2015 - \$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.

Hatchet Lake Denesuline Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016

6. Ottawa Trust funds

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

	2016	2015
Capital Trust		
Balance, beginning and end of year	87	87
Revenue Trust		
Balance, beginning of year	20,682	20,194
Interest	427	488
Balance, end of year	21,109	20,682
	21,196	20,769

7. Bank indebtedness

Bank indebtedness includes an operating line authorized to \$385,000 for all accounts of the Nation and charges interest at prime plus 1% (3.85% at March 31, 2015). As of March 31, 2016, the Nation has drawn on \$464,754 (2015 - \$71,200) 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.

8. Accounts payable and accruals

	2016	2015
Indigenous and Northern Affairs Canada	67,954	25,424
Tribal Council	129,784	49,632
Payroll remittances	31,680	56,969
Accrued liabilities	125,835	63,575
Trade payables	441,433	569,982
	796,686	765,582

9. Deferred revenue

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

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Amount recognized as revenue</i>	<i>Balance, end of year</i>
INAC - Infrastructure	269,336	250,000	474,318	45,018
INAC - School renovations	74,383	211,000	197,971	87,412
	343,719	461,000	672,289	132,430

Hatchet Lake Denesuline Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016

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, 2016 and 2015 as follows (no terms for repayment, unsecured, and no interest charged on amounts owing or receivable):

	2016	2015
Advances from Hatchet Lake Development Limited Partnership ("HLDLP")	89,219	63,461
Included in Accounts payable are amounts owing to HLDLP and its subsidiaries	203,228	50,046

11. Long-term debt

	2016	2015
CMHC Housing Mortgage Monthly payments of \$6,203 including interest at 1.83%, loan is guaranteed by Government of Canada, due 2020	904,696	962,032
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.	742,857	928,571
First Nations Bank of Canada Loan Quarterly payments of \$18,750 with interest paid monthly, interest calculated at prime plus 1% (3.70%, secured by general security agreement and assignment of dividends from Waterfound Development LP, due 2018	712,500	750,000
CMHC Housing Mortgage Monthly payments of \$3,431 including interest at 1.67%, loan is guaranteed by Government of Canada, due 2019	618,274	647,241
CMHC Housing Mortgage Monthly payments of \$3,421 including interest at 1.64%, loan is guaranteed by Government of Canada, due 2017	574,250	605,618
CMHC Housing Mortgage Monthly payments of \$2,218 including interest at 1.05%, loan is guaranteed by Government of Canada, due 2021	460,132	480,000
CIBC Demand Instalment Loan Monthly loan payment of \$12,500	450,000	600,000
CMHC Housing Mortgage Monthly payments of \$2,761 including interest at 1.04%, loan is guaranteed by Government of Canada, due 2021	448,163	-
CMHC Housing Mortgage Monthly payments of \$1,384 including interest at 1.62%, loan is guaranteed by Government of Canada, due 2018	178,735	192,326

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

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

	2016	2015
CMHC Housing Mortgage Monthly payments of \$1,413 including interest at 1.01%, loan is guaranteed by Government of Canada, due 2021	158,617	172,584
CMHC Housing Mortgage Monthly payments of \$1,544 including interest at 1.05%, loan is guaranteed by Government of Canada, due 2021	142,080	158,898
CMHC Housing Mortgage Monthly payments of \$319 including interest at 1.12%, loan is guaranteed by Government of Canada, due 2020	31,310	34,766
CIBC Demand Instalment Loan Monthly payments of \$1,772 plus monthly interest payments at prime plus 1.25%, secured by a recreation van with a net book value of \$28,355, due July 1, 2017.	28,353	-
CIBC Demand Instalment Loan Quarterly payments of \$6,250	6,250	31,250
	5,456,217	5,563,286
Less: Current Portion	654,599	621,445
	4,801,618	4,941,841

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:

2017	654,599
2018	640,588
2019	636,763
2020	489,918
2021	307,568

12. Tangible capital assets

The tangible capital assets reconciliation is included in Schedule 1.

Included in infrastructure is a projects with a carrying value of \$753,641 and included in Housing is project with a carrying value of \$400,000 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, 2016

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:

	2016	2015
Equity in Ottawa Trust Funds		
Balance, beginning of year	20,769	20,281
Contributions	427	488
	21,196	20,769
Equity in CMHC reserves		
Balance, beginning of year	472,389	465,188
Contributions	59,268	54,264
Withdrawals	(20,293)	(47,063)
	511,364	472,389
Equity in tangible capital assets		
Balance, beginning of year	13,741,090	14,245,686
Amortization	(1,616,634)	(1,529,888)
Purchases	1,293,070	1,205,668
Loan advances received/receivable	(502,530)	(603,855)
Loan repayment	459,599	423,479
	13,374,595	13,741,090
Equity in business investments		
Balance, beginning of year	30,447,838	26,326,517
Contributions	83,000	84,000
Share of earnings	1,443,370	4,095,321
Withdrawals	(599,906)	(58,000)
	31,374,302	30,447,838
Unrestricted operating deficit		
Balance, beginning of year	(1,195,067)	(1,216,005)
Transfer from (to) Ottawa Trust funds	(427)	(488)
Transfer from (to) CMHC reserves	(38,975)	(7,201)
Transfer from (to) tangible capital assets	366,495	504,596
Transfer from (to) business investments	(926,464)	(4,121,321)
Surplus	893,187	3,645,352
	(901,251)	(1,195,067)
	44,380,206	43,487,019

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).

Hatchet Lake Denesuline Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016

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

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

	2016	2015
Indigenous and Northern Affairs Canada		
INAC revenue per agreement	11,901,612	11,041,395
(Deferred) recognized - propane tank farm upgrade	63,858	16,772
(Deferred) recognized - FNWWAP-Water	160,461	(198,817)
(Deferred) recognized - School heating system	(13,295)	(46,622)
(Deferred) recognized - Water and sewer study	-	41,303
(Deferred) recognized - 2012 School renovations	265	3,742
CORP funding adjustment	(11,466)	-
Special needs funding (over) short	(67,235)	(3,476)
Basic needs funding (over) short	(101,612)	125,747
Band employee benefits funding (over) short	(719)	(21,948)
	11,931,869	10,958,096
Health Canada		
Health Canada revenue per agreement	248,703	228,182
Canada Mortgage and Housing Corporation		
S95 housing subsidy per agreement	253,953	211,852
RRAP per confirmation	74,816	50,137
	328,769	261,989
	12,509,341	11,448,267

15. Economic dependence

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

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 INAC and approved in June of 2011 (multi-year budget).

Hatchet Lake Denesuline Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016

18. Contingent liabilities

These financial statements are subject to review by the 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, 2016 is \$17,019,741 (2015 \$15,948,493). A potential settlement agreement has been offered which would indicate a significant portion of the loan balance would be forgiven, with the remaining balance applied against the settlement amount. Due to the uncertainty whether the loans will actually be repayable and that the three First Nations have not agreed to an allocation of the responsibility for the loan nor the potential settlement payout, no amount related to the loans has been reported in these financial statements. It is possible the Nation could be responsible for a portion of the loans.

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

<i>Year</i>	<i>Assets</i>	<i>Liabilities</i>	<i>Net Assets</i>	<i>Revenues</i>	<i>Expenses</i>	<i>Surplus (Deficit)</i>
March 2016	554,529	224,561	344,922	1,695,523	1,700,407	(4,884)
March 2015	559,631	214,709	344,922	1,118,001	1,318,178	(200,177)

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, 2016

	<i>Buildings</i>	<i>Housing</i>	<i>Equipment</i>	<i>Infrastructure</i>	<i>2016</i>	<i>2015</i>
Cost						
Balance, beginning of year	19,776,546	14,601,468	1,729,583	6,231,526	42,339,123	41,133,455
Acquisition of tangible capital assets	197,971	139,132	65,345	75,504	477,952	722,020
Construction-in-progress	-	400,000	-	415,118	815,118	483,648
Balance, end of year	19,974,517	15,140,600	1,794,928	6,722,148	43,632,193	42,339,123
Accumulated amortization						
Balance, beginning of year	13,532,363	7,206,179	1,371,935	1,524,270	23,634,747	22,104,859
Annual amortization	798,981	521,704	79,283	216,666	1,616,634	1,529,888
Balance, end of year	14,331,344	7,727,883	1,451,218	1,740,936	25,251,381	23,634,747
Net book value of tangible capital assets	5,643,173	7,412,717	343,710	4,981,212	18,380,812	18,704,376
2015 Net book value of tangible capital assets	6,244,183	7,395,289	357,648	4,707,256	18,704,376	

Hatchet Lake Denesuline Nation

Schedule 2 - Consolidated Schedule of Expenses by Object

For the year ended March 31, 2016

	<i>2016 Budget</i>	<i>2016</i>	<i>2015</i>
Consolidated expenses by object			
Salaries and benefits	5,140,946	6,071,419	5,750,272
Social assistance	2,376,077	3,117,547	3,320,169
Amortization	581,938	1,616,634	1,529,888
Supplies	381,967	1,091,077	895,962
Travel	552,815	1,008,502	671,192
Utilities	848,720	497,231	590,824
Student expenses	361,960	401,222	462,732
Band member support	160,000	303,572	324,128
Economic Development	-	282,170	-
Consulting	144,000	253,137	245,231
Community donations and event prizes	372,600	238,758	250,637
Vehicle	99,438	237,287	189,140
Interest on long-term debt	104,600	173,264	111,983
Repairs and maintenance	190,000	164,068	168,216
Insurance	196,950	155,138	187,803
Tuition	367,802	153,477	255,629
Telephone	43,134	83,797	70,470
Postage and freight	95,001	75,091	26,952
Professional development	1,800	61,152	61,519
Office equipment lease	36,970	57,498	66,797
Bad debts	50,000	57,333	34,889
Economic - landfill management	54,500	54,500	54,500
Bank charges and interest	14,000	28,263	18,328
Professional fees	46,100	27,250	77,002
Honouraria	21,000	17,550	29,775
Election	-	12,754	7,927
Office supplies	14,200	10,362	2,554
Program expense	-	4,000	15,000
Office rent	1,000	2,025	-
Administration	525,013	-	1,599
	12,782,531	16,256,078	15,421,118

Hatchet Lake Denesuline Nation
Administration
Schedule 3 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2016

	<i>2016 Budget</i>	<i>2016</i>	<i>2015</i>
Revenue			
Indigenous and Northern Affairs Canada	4,227,755	5,706,633	5,677,366
Miscellaneous	1,099,688	977,031	934,026
First Nations Trust (gaming allocation)	-	619,340	609,832
Tribal council	92,000	206,862	205,378
Earnings from investment in Nation business entities	3,300,000	1,443,370	4,095,321
Tuition revenue	-	-	327,383
User fees	38,790	-	22,895
	8,758,233	8,953,236	11,872,201
Expenses			
Social assistance	2,376,077	3,117,547	3,320,169
Salaries and benefits	998,976	1,544,122	1,360,111
Travel	411,695	782,293	485,295
Supplies	176,400	651,845	510,428
Band member support	160,000	303,572	324,128
Economic Development	-	282,170	-
Amortization	270,057	278,072	236,000
Consulting	137,000	250,376	245,231
Community donations and event prizes	372,600	238,445	249,602
Utilities	188,720	170,342	141,477
Vehicle	55,438	155,916	123,377
Interest on long-term debt	12,600	109,387	23,560
Insurance	32,500	89,446	32,464
Repairs and maintenance	1,500	59,618	15,322
Telephone	35,634	54,949	44,081
Economic - landfill management	54,500	54,500	54,500
Bank charges and interest	14,000	22,569	13,822
Professional fees	41,100	22,000	71,752
Tuition	140,902	18,802	100,000
Postage and freight	11,600	18,559	15,097
Election	-	12,754	7,927
Office supplies	11,700	10,363	2,551
Professional development	1,800	5,522	-
Office equipment lease	22,200	3,776	57,337
Bad debts	-	2,306	15,976
Office rent	-	375	-
Honouraria	13,500	-	20,525
Program expense	-	-	13,000
Administration	-	(543,015)	(31,800)
	5,540,499	7,716,611	7,451,932
Surplus	3,217,734	1,236,625	4,420,269

Hatchet Lake Denesuline Nation
Housing
Schedule 4 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2016

	2016 Budget	2016	2015
Revenue			
Canada Mortgage and Housing Corporation	188,582	328,769	261,989
Indigenous and Northern Affairs Canada	410,206	1,017,706	458,792
Rental income	-	191,820	167,260
Miscellaneous	-	88,371	53,205
	598,788	1,626,666	941,246
Expenses			
Amortization	311,881	446,494	440,929
Salaries and benefits	130,500	426,005	431,541
Repairs and maintenance	173,500	96,378	93,143
Supplies	35,000	75,239	16,436
Insurance	164,450	65,692	155,339
Interest on long-term debt	92,000	63,877	88,423
Bad debts	50,000	55,026	18,913
Administration	27,525	38,160	32,400
Postage and freight	20,000	32,801	405
Travel	8,700	16,492	14,368
Vehicle	6,000	9,328	18,895
Utilities	-	5,398	-
Professional fees	5,000	5,250	5,250
Consulting	7,000	2,761	-
Bank charges and interest	-	1,768	1,340
	1,031,556	1,340,669	1,317,382
Surplus (deficit)	(432,768)	285,997	(376,136)

Hatchet Lake Denesuline Nation
Education
Schedule 5 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2016

	2016 Budget	2016	2015
Revenue			
Indigenous and Northern Affairs Canada	4,832,392	5,135,227	4,749,635
Tribal council	594,654	622,187	682,004
Rental income	84,000	91,203	121,935
Miscellaneous	400,000	-	-
	5,911,046	5,848,617	5,553,574
Expenses			
Salaries and benefits	4,011,470	3,562,697	3,481,982
Amortization	-	892,068	852,959
Administration	497,488	504,855	-
Student expenses	361,960	401,222	462,732
Utilities	660,000	321,491	449,347
Supplies	170,567	319,424	305,468
Travel	132,420	145,060	121,033
Tuition	226,900	134,675	155,629
Vehicle	38,000	68,074	46,868
Office equipment lease	14,770	53,722	9,461
Telephone	7,500	24,490	23,289
Postage and freight	63,401	22,228	11,450
Honouraria	7,500	17,550	9,250
Repairs and maintenance	15,000	7,816	59,751
Professional development	-	5,985	-
Office rent	1,000	1,650	-
Community donations and event prizes	-	312	1,035
Office supplies	2,500	-	-
	6,210,476	6,483,319	5,990,254
Deficit	(299,430)	(634,702)	(436,680)

Hatchet Lake Denesuline Nation
Health
Schedule 6 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2016

	2016 Budget	2016	2015
Revenue			
Health Canada	-	248,703	228,182
Indigenous and Northern Affairs Canada	-	72,303	72,303
Tribal council	-	397,132	396,770
Miscellaneous	-	2,608	2,194
	-	720,746	699,449
Expenses			
Salaries and benefits	-	538,595	476,638
Travel	-	64,658	50,497
Professional development	-	49,645	61,519
Supplies	-	44,569	63,631
Telephone	-	4,358	3,100
Program expense	-	4,000	2,000
Vehicle	-	3,970	-
Bank charges and interest	-	3,926	3,166
Postage and freight	-	1,502	-
Repairs and maintenance	-	256	-
Administration	-	-	999
	-	715,479	661,550
Surplus	-	5,267	37,899