

Hatchet Lake Denesuline Nation
Consolidated Financial Statements
March 31, 2017

Hatchet Lake Denesuline Nation

Contents

For the year ended March 31, 2017

Page

Management's Responsibility

Independent Auditors' Report

Consolidated Financial Statements

Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Changes in Net Financial Assets.....	3
Consolidated Statement of Cash Flows.....	4

Notes to the Consolidated Financial Statements.....	5
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Schedules

Schedule 1 - Consolidated Schedule of Tangible Capital Assets.....	20
Schedule 2 - Consolidated Schedule of Expenses by Object.....	21
Schedule 3 - Consolidated Schedule of Revenue and Expenses - Administration.....	22
Schedule 4 - Consolidated Schedule of Revenue and Expenses - Housing.....	23
Schedule 5 - Consolidated Schedule of Revenue and Expenses - Education.....	24
Schedule 6 - Consolidated Schedule of Revenue and Expenses - Health.....	25

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.

November 27, 2017

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, 2017, 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, 2017, 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
November 27, 2017

Chalupiak & Associates

Chartered Professional Accountants

Hatchet Lake Denesuline Nation

Consolidated Statement of Financial Position

As at March 31, 2017

	2017	2016
Financial assets		
Current		
Cash	642,278	-
Accounts receivable (Note 3)	1,357,492	380,417
Restricted cash (Note 4)	2,243,878	144,884
	4,243,648	525,301
Investment in Nation business partnerships (Note 5)	32,211,777	31,174,518
Investment in Nation businesses and business entities (Note 5)	199,901	199,784
Ottawa Trust funds (Note 6)	21,376	21,196
Restricted cash for CMHC housing (Note 4)	900,290	737,351
Total financial assets	37,576,992	32,658,150
Liabilities		
Current		
Bank indebtedness (Note 7)	-	330,274
Accounts payable and accruals (Note 8)	1,518,624	796,685
Deferred revenue (Note 9)	2,278,438	132,430
Advances from related Nation entities (Note 10)	158,819	89,219
Current portion of long-term debt (Note 11)	696,624	654,599
	4,652,505	2,003,207
Long-term debt (Note 11)	5,033,338	4,801,618
Total financial liabilities	9,685,843	6,804,825
Net financial assets	27,891,149	25,853,325
Contingencies (Note 18)		
Non-financial assets		
Tangible capital assets (Note 12) (Schedule 1)	25,699,916	18,380,812
Inventories held for use	201,905	146,070
Total non-financial assets	25,901,821	18,526,882
Accumulated surplus (Note 13)	53,792,970	44,380,207

Approved on behalf of the Council

Signature on file _____

Chief

Signature on file _____

Councilor

Hatchet Lake Denesuline Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2017

	<i>Schedules</i>	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
Revenue				
Federal government funding <i>(Note 14)</i>				
Indigenous and Northern Affairs Canada		9,470,353	18,405,195	11,931,869
Health Canada		-	274,487	248,703
Canada Mortgage and Housing Corporation		188,582	420,437	328,769
		9,658,935	19,100,119	12,509,341
Initial Benefit Agreement		-	2,135,552	-
Tribal council		686,654	2,002,175	1,226,180
Earnings (loss) from investment in Nation business entities <i>(Note 5)</i>		3,300,000	1,460,160	1,443,370
Miscellaneous		1,499,688	1,980,801	1,057,705
First Nations Trust (gaming allocation)		-	581,239	619,340
Rental income		84,000	315,480	283,023
User fees		38,790	7,604	10,306
		15,268,067	27,583,130	17,149,265
Expenses				
Administration	3	5,015,486	7,614,221	7,716,611
Housing	4	1,031,556	1,882,350	1,340,669
Education	5	6,197,976	8,058,804	6,483,319
Health	6	-	636,420	715,479
		12,245,018	18,191,795	16,256,078
Other income (expense)				
Gain (loss) on disposal of tangible capital assets		-	21,428	-
Surplus				
Accumulated surplus, beginning of year		3,023,049	9,412,763	893,187
		44,380,207	44,380,207	43,487,020
Accumulated surplus, end of year <i>(Note 13)</i>				
		47,403,256	53,792,970	44,380,207

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, 2017

	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
Annual surplus	3,023,048	9,412,763	893,187
Purchases of tangible capital assets	(164,000)	(9,048,647)	(1,293,070)
Amortization of tangible capital assets	581,938	1,684,971	1,616,634
Gain on sale of tangible capital assets	-	(21,428)	-
Proceeds of disposal of tangible capital assets	-	66,000	-
	417,938	(7,319,104)	323,564
Change in inventories held for use	-	(55,835)	69,930
Increase in Net financial assets	3,440,986	2,037,824	1,286,681
Net financial assets, beginning of year	25,853,324	25,853,325	24,566,644
Net financial assets, end of year	29,294,310	27,891,149	25,853,325

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, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating activities		
Surplus	9,412,763	893,187
Non-cash items		
Amortization	1,684,971	1,616,634
Gain on disposal of tangible capital assets	(21,428)	-
Earnings from investment in Nation business partnership and business entities	(1,460,160)	(1,443,370)
	9,616,146	1,066,451
Changes in working capital accounts		
Accounts receivable	(977,075)	35,416
Restricted cash	(2,098,994)	204,504
Accounts payable and accruals	721,939	31,104
Deferred revenue	2,146,008	(211,289)
Inventory held for use	(55,835)	69,930
	9,352,189	1,196,116
Financing activities		
Advances of long-term debt	960,723	502,530
Repayment of long-term debt	(686,978)	(609,599)
Change in bank indebtedness	(330,274)	102,039
Advances from related Nation entities & department	69,600	25,758
	13,071	20,728
Capital activities		
Purchases of tangible capital assets	(9,048,647)	(1,293,070)
Proceeds of disposal of tangible capital assets	66,000	-
	(8,982,647)	(1,293,070)
Investing activities		
Contributions to Nation business partnerships	-	(83,000)
Withdrawals from Nation business partnerships	422,784	599,906
Change in long-term restricted cash	(162,939)	(440,253)
Change in Ottawa Trust funds	(180)	(427)
	259,665	76,226
Increase in cash resources	642,278	-
Cash resources, end of year	642,278	-

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, 2017

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 monies 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, 2017

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.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Cost of inventories of items that are segregated for specific projects is assigned by using specific identification of their individual costs. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

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 First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2017.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation has not recognized a liability for contaminated sites at March 31, 2017 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 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 September 2015, the effective date for governments was extended by three years. PS 3450 is effective for fiscal years beginning on or after April 1, 2019. In the period that a public sector entity applies PS 3450, it also applies PS 1201, PS 2601 and PS 3041. Early adoption is permitted.

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.

This section is 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.

Inter-entity Transactions

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

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

The main features of the new Section are:

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

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

Hatchet Lake Denesuline Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

3. Accounts receivable

	2017	2016
Rent receivable	425,967	290,204
Indigenous and Northern Affairs Canada	364,080	62,669
Tribal Council	376,905	192,358
Other accounts receivables	583,872	111,398
CMHC subsidy assistance receivable	28,946	22,440
Loans and advances to members	11,725	11,725
	1,791,495	690,794
Allowance for doubtful accounts	(434,003)	(310,377)
	1,357,492	380,417

4. Restricted cash

The Nation has \$900,290 (2016 - \$737,351) 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, 2017, the reserves are fully funded (2016 - fully funded). 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 \$1,544,445 (2016 - \$144,884) of cash received from Indigenous and Northern Affairs Canada to fund major capital projects which was not spent prior to March 31, 2017.

The Nation has \$699,433 (2016 - \$nil) of cash received from the Athabasca Community Trust under the Ya'Thi Nene Collaboration Agreement which was not spent prior to March 31, 2017. This includes a one time payout of \$2,429,985 received during the year.

5. Investments in Nation business partnerships and business entities

The First Nation has investments in the following entities:

	<i>Investment, beginning of year</i>	<i>Contributions (withdrawals)</i>	<i>Share of earnings (loss)</i>	2017 <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%	1,755	-	117	1,872
	199,784	-	117	199,901
Nation business partnerships				
Hatchet Lake Development Limited Partnership - 99.99% ("HLDLP")	29,807,632	-	1,247,123	31,054,755
Waterfound Development LP - 33%	1,366,886	(422,784)	212,920	1,157,022
	31,174,518	(422,784)	1,460,043	32,211,777
	31,374,302	(422,784)	1,460,160	32,411,678

Hatchet Lake Denesuline Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

5. Investments in Nation business partnerships and business entities *(continued from previous page)*

2016

	<i>Investment, beginning of year</i>	<i>Contributions (withdrawals)</i>	<i>Share of earnings (loss)</i>	<i>Investment, end of year</i>
Nation business entities				
Hatchet Lake Denesuline First Nation Economic Development Corporation - 100% ("HLDNFEDC")	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

The First 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 First 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, 2017</i>	<i>Waterfound Development LP As at December 31, 2016</i>
Assets		
Cash	1,221,583	12,433
Accounts receivable	1,444,521	-
Inventory	1,626,318	-
Other current assets	32,645	-
Investments	25,029,011	3,659,397
Property, plant and equipment	4,682,855	-
Total assets	34,036,933	3,671,830
Liabilities		
Accounts payable and accruals	1,247,703	4,997
Deferred revenue	364,911	-
Long-term debt	1,170,940	-
Total liabilities	2,783,554	4,997
Partner/shareholder equity	31,253,379	3,666,833
Total revenue	12,889,059	648,551
Total expenses	11,760,564	9,152
Net income	1,128,495	639,399
Other comprehensive income (loss)	118,628	-
Comprehensive income	1,247,123	639,399

Hatchet Lake Denesuline Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

5. Investments in Nation business partnerships and business entities *(continued from previous page)*

The First 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, 2017, HLDLP has term debt due to CIBC of \$1,170,940 (2016 - \$1,346,826) available lines of credit, credit cards, and letters of credit of \$175,000 (2016 - \$175,000). The Nation has guaranteed the full amount of the debt outstanding to the CIBC and payment under this guarantee, which will remain in place indefinitely, is required only in the event the repayment of loans are in default.

6. Ottawa Trust funds

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

	2017	2016
Capital Trust		
Balance, beginning and end of year	87	87
Revenue Trust		
Balance, beginning of year	21,109	20,682
Interest	180	427
Balance, end of year	21,289	21,109
	21,376	21,196

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% (3.70% at March 31, 2016). As of March 31, 2017, the Nation has drawn on \$nil (2016 - \$464,754) 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.

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

8. Accounts payable and accruals

	2017	2016
Indigenous and Northern Affairs Canada	-	67,954
Tribal Council	158,978	129,784
Payroll remittances	128,682	31,680
Accrued liabilities	321,127	125,835
Trade payables	909,837	441,432
	1,518,624	796,685

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	45,018	6,844,000	5,499,682	1,389,336
INAC - School renovations	87,412	377,543	275,286	189,669
Initial Benefit Agreement	-	2,834,985	2,135,552	699,433
	132,430	10,056,528	7,910,520	2,278,438

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, 2017 and 2016 as follows (no terms for repayment, unsecured, and no interest charged on amounts owing or receivable):

	2017	2016
Advances from Hatchet Lake Development Limited Partnership ("HLDLP")	158,819	89,219
Included in Accounts payable are amounts owing to HLDLP and its subsidiaries	428,890	203,228

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

11. Long-term debt

	2017	2016
CMHC Housing Mortgage Monthly payments of \$6,203 including interest at 1.83%, loan is guaranteed by Government of Canada, due December 1, 2019.	846,231	904,696
First Nations Bank of Canada Loan Quarterly payments of \$18,750 with interest paid monthly, interest calculated at prime plus 1%, secured by general security agreement and assignment of dividends from Waterfound Development LP, due July 1, 2025.	637,500	712,500
CMHC Housing Mortgage Monthly payments of \$3,431 including interest at 1.67%, loan is guaranteed by Government of Canada, due June 1, 2018.	587,106	618,274
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.	557,143	742,857
CMHC Housing Mortgage Monthly payments of \$3,368 including interest at 1.44%, loan is guaranteed by Government of Canada, due February 1, 2022.	542,293	574,250
CIBC Demand Instalment Loan Monthly payments of \$4,583 including interest at 4.2%, secured by general security agreement over all Nation assets, due March 1, 2029.	517,917	-
CMHC Housing Mortgage Monthly payments of \$2,218 including interest at 1.05%, loan is guaranteed by Government of Canada, due April 1, 2020.	438,225	460,132
CMHC Housing Mortgage Monthly payments of \$2,006 including interest at 1.14%, loan is guaranteed by Government of Canada, due June 1, 2021.	416,043	-
CMHC Housing Mortgage Monthly payments of \$2,761 including interest at 1.04%, loan is guaranteed by Government of Canada, due October 1, 2020.	419,539	448,163
CIBC Demand Instalment Loan Monthly loan payment of \$12,500 plus monthly interest payments at 3.7%, loan is guaranteed by Government of Canada, due March 1, 2019.	300,000	450,000
CMHC Housing Mortgage Monthly payments of \$1,384 including interest at 1.62%, loan is guaranteed by Government of Canada, due March 1, 2018.	164,911	178,735

Hatchet Lake Denesuline Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

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

	2017	2016
CMHC Housing Mortgage Monthly payments of \$1,413 including interest at 1.01%, loan is guaranteed by Government of Canada, due February 1, 2021.	143,191	158,617
CMHC Housing Mortgage Monthly payments of \$1,544 including interest at 1.05%, loan is guaranteed by Government of Canada, due April 1, 2020.	124,961	142,080
CMHC Housing Mortgage Monthly payments of \$319 including interest at 1.12%, loan is guaranteed by Government of Canada, due February 1, 2020.	27,814	31,310
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.	7,088	28,353
CIBC Demand Instalment Loan.	-	6,250
	5,729,962	5,456,217
Less: Current Portion	696,624	654,599
	5,033,338	4,801,618

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:

2018	696,624
2019	694,451
2020	549,480
2021	368,912
2022	374,179

12. Tangible capital assets

The tangible capital assets reconciliation is included in Schedule 1.

Included in infrastructure are projects with carrying values of \$6,253,322 and included in Housing are projects with carrying values of \$1,069,473 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, 2017

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:

	2017	2016
Equity in Ottawa Trust Funds		
Balance, beginning of year	21,196	20,769
Contributions	180	427
	21,376	21,196
Equity in CMHC reserves		
Balance, beginning of year	511,364	472,389
Contributions	66,210	59,268
Withdrawals	(11,163)	(20,293)
	566,411	511,364
Equity in tangible capital assets		
Balance, beginning of year	13,374,595	13,741,090
Amortization	(1,684,971)	(1,616,634)
Purchases	9,048,646	1,293,070
Disposals	(44,572)	-
Loan advances received/receivable	(960,723)	(502,530)
Loan repayment	536,978	459,599
	20,269,953	13,374,595
Equity in business investments		
Balance, beginning of year	31,374,302	30,447,838
Contributions	-	83,000
Share of earnings	1,460,043	1,443,370
Withdrawals	(422,784)	(599,906)
	32,411,561	31,374,302
Unrestricted operating deficit		
Balance, beginning of year	(901,250)	(1,195,066)
Transfer from (to) Ottawa Trust funds	(180)	(427)
Transfer from (to) CMHC reserves	(55,047)	(38,975)
Transfer from (to) tangible capital assets	(6,895,358)	366,495
Transfer from (to) business investments	(1,037,259)	(926,464)
Surplus	9,412,763	893,187
	523,669	(901,250)
	53,792,970	44,380,207

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, 2017

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

	2017	2016
Indigenous and Northern Affairs Canada		
INAC revenue per agreement	19,749,854	11,901,612
(Deferred) recognized - propane tank farm upgrade	-	63,858
(Deferred) recognized - FNWWAP-Water	(1,345,470)	160,461
(Deferred) recognized - School heating system	(52,257)	(13,295)
(Deferred) recognized - Water and sewer study	1,152	-
(Deferred) recognized - 2012 School renovations	(50,000)	265
CORP funding adjustment	-	(11,466)
Special needs funding (over) short	-	(67,235)
Basic needs funding (over) short	64,153	(101,612)
Band employee benefits funding (over) short	37,763	(719)
	18,405,195	11,931,869
Health Canada		
Health Canada revenue per agreement	274,487	248,703
Canada Mortgage and Housing Corporation		
S95 housing subsidy per agreement	291,041	253,953
RRAP per confirmation	129,396	74,816
	420,437	328,769
	19,100,119	12,509,341

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 (multi-year budget).

Hatchet Lake Denesuline Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

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, 2017 is \$18,045,792 (2016 \$17,019,741). A potential settlement agreement has been offered which would indicate a significant portion of the loan balance would be forgiven, with the remaining balance applied against the settlement amount. Due to the uncertainty whether the loans will actually be repayable and that the three First Nations have not agreed to an allocation of the responsibility for the loan nor the potential settlement payout, no amount related to the loans has been reported in these financial statements. It is possible the Nation could be responsible for a portion of the loans.

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

<i>Year</i>	<i>Assets</i>	<i>Liabilities</i>	<i>Net Assets</i>	<i>Revenues</i>	<i>Expenses</i>	<i>Surplus (Deficit)</i>
March 2017	730,209	239,272	490,937	1,758,835	1,607,934	150,901
March 2016	564,599	239,273	340,036	1,695,523	1,700,407	(4,884)

Note: The loan proceeds are reported as revenue by the government partnership as a government transfer from the First Nations. If the 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, 2017

	<i>Buildings</i>	<i>Housing</i>	<i>Equipment</i>	<i>Infrastructure</i>	<i>2017</i>	<i>2016</i>
Cost						
Balance, beginning of year	19,974,517	15,140,600	1,794,928	6,722,148	43,632,193	42,339,123
Acquisition of tangible capital assets	275,286	2,028,085	176,121	-	2,479,492	477,952
Construction-in-progress	-	1,069,473	-	5,499,682	6,569,155	815,118
Disposal of tangible capital assets	-	(123,618)	-	-	(123,618)	-
Balance, end of year	20,249,803	18,114,540	1,971,049	12,221,830	52,557,222	43,632,193
Accumulated amortization						
Balance, beginning of year	14,331,344	7,727,883	1,451,218	1,740,936	25,251,381	23,634,747
Annual amortization	864,122	580,427	127,983	112,439	1,684,971	1,616,634
Accumulated amortization on disposals	-	(79,046)	-	-	(79,046)	-
Balance, end of year	15,195,466	8,229,264	1,579,201	1,853,375	26,857,306	25,251,381
Net book value of tangible capital assets	5,054,337	9,885,276	391,848	10,368,455	25,699,916	18,380,812
2016 Net book value of tangible capital assets	5,643,173	7,412,717	343,710	4,981,212	18,380,812	

Hatchet Lake Denesuline Nation

Schedule 2 - Consolidated Schedule of Expenses by Object

For the year ended March 31, 2017

	2017	2017	2016
Consolidated expenses by object			
Salaries and benefits	5,128,446	7,563,667	6,071,419
Social assistance	2,376,077	3,089,474	3,117,547
Amortization	581,938	1,684,971	1,616,634
Supplies	381,967	1,048,797	1,095,077
Travel	554,615	909,675	1,008,502
Repairs and maintenance	190,000	531,569	164,068
Utilities	848,720	492,839	497,231
Student expenses	361,960	454,022	401,222
Consulting	144,000	338,888	253,137
Band member support	160,000	345,753	303,572
Vehicle	99,438	298,775	237,287
Community donations and event prizes	372,600	247,455	238,758
Tuition	367,802	161,349	153,477
Bad debts	50,000	145,667	57,333
Insurance	196,950	134,281	155,138
Postage and freight	95,001	114,046	75,091
Interest on long-term debt	104,600	112,353	173,264
Administration	-	92,849	-
Office equipment lease	36,970	75,642	57,498
Telephone	43,134	73,159	83,797
Professional fees	46,100	62,855	27,250
Economic - landfill management	54,500	54,500	54,500
Professional development	-	50,104	61,152
Honouraria	21,000	43,732	17,550
Office supplies	14,200	33,412	10,363
Bank charges and interest	14,000	26,111	28,263
Economic Development	-	5,850	282,170
Election	-	-	12,754
Office rent	1,000	-	2,025
	12,245,018	18,191,795	16,256,079

Hatchet Lake Denesuline Nation
Administration
Schedule 3 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
Revenue			
Indigenous and Northern Affairs Canada	4,227,755	10,757,297	5,444,805
Initial Benefit Agreement	-	2,135,552	-
Earnings from investment in Nation business entities	3,300,000	1,460,160	1,443,370
Miscellaneous	1,123,688	1,003,838	966,725
First Nations Trust (gaming allocation)	-	581,239	619,340
Tribal council	92,000	192,499	206,862
User fees	38,790	7,604	10,306
	8,782,233	16,138,189	8,691,408
Expenses			
Social assistance	2,376,077	3,089,474	3,117,547
Salaries and benefits	998,976	1,786,938	1,544,122
Travel	413,495	608,011	782,293
Supplies	176,400	607,751	651,845
Consulting	137,000	338,388	250,376
Band member support	160,000	345,753	303,572
Amortization	270,057	292,482	278,072
Community donations and event prizes	372,600	240,305	238,445
Vehicle	55,438	212,190	155,916
Utilities	188,720	157,144	170,342
Insurance	32,500	69,767	89,446
Professional fees	41,100	57,355	22,000
Economic - landfill management	54,500	54,500	54,500
Telephone	35,634	44,932	54,949
Postage and freight	11,600	37,488	18,559
Interest on long-term debt	12,600	36,497	109,387
Tuition	140,902	34,284	18,802
Honouraria	13,500	26,777	-
Repairs and maintenance	1,500	22,776	59,618
Bank charges and interest	14,000	22,137	22,569
Office supplies	11,700	15,589	10,363
Office equipment lease	22,200	7,050	3,776
Economic Development	-	5,850	282,170
Bad debts	-	5,781	2,306
Election	-	-	12,754
Professional development	-	-	5,522
Office rent	-	-	375
Administration	(525,013)	(504,998)	(543,015)
	5,015,486	7,614,221	7,716,611
Other income (expense)			
Gain (loss) on disposal of tangible capital assets	-	21,428	-
Surplus before transfers	3,766,747	8,545,396	974,797
Transfer to Housing	-	(1,839,800)	-
Surplus	3,766,747	6,705,596	974,797

Hatchet Lake Denesuline Nation
Housing
Schedule 4 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	2017 Budget	2017	2016
Revenue			
Indigenous and Northern Affairs Canada	410,206	1,989,296	1,017,706
Canada Mortgage and Housing Corporation	188,582	420,437	328,769
Rental income	-	208,890	191,820
Miscellaneous	-	5,236	88,371
	598,788	2,623,859	1,626,666
Expenses			
Amortization	311,881	505,218	446,494
Repairs and maintenance	173,500	480,927	96,378
Salaries and benefits	130,500	469,339	426,005
Bad debts	50,000	139,886	55,026
Interest on long-term debt	92,000	75,857	63,877
Insurance	164,450	64,514	65,692
Administration	27,525	41,970	38,160
Travel	8,700	38,710	16,492
Supplies	35,000	25,519	75,239
Postage and freight	20,000	10,985	32,801
Utilities	-	10,661	5,398
Vehicle	6,000	10,509	9,328
Professional fees	5,000	5,500	5,250
Bank charges and interest	-	2,755	1,768
Consulting	7,000	-	2,761
	1,031,556	1,882,350	1,340,669
Surplus before transfers	(432,768)	741,509	285,997
Transfer from Administration	-	1,839,800	-
Surplus	(432,768)	2,581,309	285,997

Hatchet Lake Denesuline Nation
Education

Schedule 5 - Consolidated Schedule of Revenue and Expenses

For the year ended March 31, 2017

	2017 Budget	2017	2016
Revenue			
Indigenous and Northern Affairs Canada	4,832,392	5,586,300	5,397,055
Tribal council	594,654	1,402,362	622,187
Miscellaneous	376,000	971,727	-
Rental income	84,000	106,590	91,203
	5,887,046	8,066,979	6,110,445
Expenses			
Salaries and benefits	3,998,970	4,781,886	3,562,697
Amortization	-	887,272	892,068
Administration	497,488	555,877	504,855
Student expenses	361,960	454,022	401,222
Supplies	170,567	389,287	319,424
Utilities	660,000	325,035	321,491
Travel	132,420	211,777	145,060
Tuition	226,900	127,065	134,675
Vehicle	38,000	76,076	68,074
Office equipment lease	14,770	68,592	53,722
Postage and freight	63,401	64,308	22,228
Repairs and maintenance	15,000	27,866	7,816
Telephone	7,500	24,160	24,490
Professional development	-	23,153	5,985
Office supplies	2,500	17,823	-
Honouraria	7,500	16,955	17,550
Community donations and event prizes	-	7,150	312
Consulting	-	500	-
Office rent	1,000	-	1,650
	6,197,976	8,058,804	6,483,319
Surplus (deficit)	(310,930)	8,175	(372,874)

Hatchet Lake Denesuline Nation
Health
Schedule 6 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	2017 Budget	2017	2016
Revenue			
Health Canada	-	274,487	248,703
Indigenous and Northern Affairs Canada	-	72,303	72,303
Tribal council	-	407,313	397,132
Miscellaneous	-	-	2,608
	-	754,103	720,746
Expenses			
Salaries and benefits	-	525,504	538,595
Travel	-	51,176	64,658
Professional development	-	26,951	49,645
Supplies	-	26,237	48,569
Telephone	-	4,068	4,358
Postage and freight	-	1,265	1,502
Bank charges and interest	-	1,219	3,926
Vehicle	-	-	3,970
Repairs and maintenance	-	-	256
	-	636,420	715,479
Surplus	-	117,683	5,267