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**RED EARTH FIRST NATION**  
**Consolidated Financial Statements**  
**Year Ended March 31, 2014**

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**RED EARTH FIRST NATION**  
**Index to Consolidated Financial Statements**  
**Year Ended March 31, 2014**

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**INDEPENDENT AUDITOR'S REPORT**

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To the Members of Red Earth First Nation

We have audited the accompanying consolidated financial statements of Red Earth First Nation, which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of operations, change in net debt and cash flow 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 generally accepted accounting principles, 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.

**Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Basis for Qualified Opinion**

Note 1 describes the First Nation's accounting policy with respect to Tangible Capital Assets. The note also indicates that the First Nation has not implemented Public Sector Accounting Handbook Section PS 3150. Therefore, balances for Tangible Capital Assets and Accumulated Surplus are incorrect. Additionally, balances for Amortization of Capital Assets, Expenses, Annual Surplus (Deficit) and Accumulated Surplus at the beginning of the year are also incorrect. Expenses only include amortization of the tangible capital assets that the First Nation has recognized in the Consolidated Statement of Financial Position.

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**Qualified Opinion**

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Nipawin, Saskatchewan  
November 25, 2014

  
Chartered Accountants

## Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Red Earth First Nation are the responsibility of management and have been approved by the First Nation's Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector accounting Board of the Canadian Institute of Chartered Accountants and as such include amount that are the best estimates and judgemental of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The First Nation's Council is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

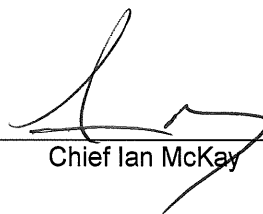
The First Nation's Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and external auditor's report.

The external auditors, NeuPath Group Chartered Accountants P.C. Inc., conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Red Earth First Nation and meet when required.

On behalf of Red Earth First Nation:



Don Morin, Accountant




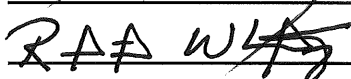
Chief Ian McKay


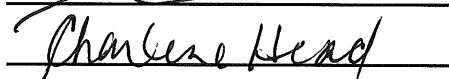
Red Earth, Saskatchewan  
November 25, 2014

**RED EARTH FIRST NATION**  
**Consolidated Statement of Financial Position**  
**March 31, 2014**

	2014	2013
<b>Financial Assets</b>		
Accounts receivable (Note 2)	\$ 244,021	\$ 115,310
Due from government and other government organizations (Note 3)	113,279	4,183,617
Investments in government business enterprises (Note 4)	2,097,206	2,276,602
Portfolio investments (Note 5)	5,000	5,000
Trust funds held by federal government (Note 6)	67,165	64,375
Restricted cash (Note 7)	4,013,437	4,950,119
	<b>6,540,108</b>	<b>11,595,023</b>
<b>Liabilities</b>		
Bank indebtedness (Note 8)	866,968	1,004,786
Accounts payable and accrued liabilities (Note 9)	2,601,883	1,319,553
Due to government and other government organizations (Note 10)	148,602	583,920
Deferred revenue (Note 11)	2,329,861	8,172,668
Long term debt (Note 12)	5,719,968	5,236,189
	<b>11,667,282</b>	<b>16,317,116</b>
<b>Net Debt</b>	<b>(5,127,174)</b>	<b>(4,722,093)</b>
<b>Non-Financial Assets</b>		
Tangible Capital Assets (Note 14)	32,655,106	22,114,538
Prepaid expenses	18,677	27,423
	<b>32,673,783</b>	<b>22,141,961</b>
<b>Accumulated Surplus (Note 15)</b>	<b>\$ 27,546,609</b>	<b>\$ 17,419,868</b>
<b>CONTINGENT LIABILITY (Note 16)</b>		

ON BEHALF OF THE FIRST NATION

  
 \_\_\_\_\_ Chief  
  
 \_\_\_\_\_ Councillor

  
 \_\_\_\_\_ Councillor  
  
 \_\_\_\_\_ Councillor

**RED EARTH FIRST NATION**  
**Consolidated Statement of Operations**  
**Year Ended March 31, 2014**

	Budget 2014	2014	2013
<b>REVENUE</b>			
Aboriginal and Northern Development Canada - capital	\$ -	\$ 11,298,478	\$ 5,611,746
Aboriginal Affairs and Northern Development Canada - operating	9,099,823	8,784,896	9,152,480
Prince Albert Grand Council	2,261,838	2,394,751	2,449,270
Other revenue - operating	433,711	694,021	715,841
Canada Mortgage and Housing Corporation	-	391,597	398,383
Rental revenue	38,950	325,601	293,324
Income from investment in government business enterprises (Note 17)	18,000	240,603	133,025
Health Canada - operating	197,797	186,296	201,570
Northern Lights Community Development Corporation - operating	121,375	102,410	66,700
Northern Lights Community Development Corporation - capital	-	6,000	33,715
Provincial Government - operating	56,531	4,734	26,090
Health Canada - capital	-	2,829	101,768
Amounts earned and held in trust by federal government	-	2,790	2,403
Other revenue - capital	-	-	106,528
	12,228,025	24,435,006	19,292,843
<b>EXPENDITURES</b>			
Education	5,349,195	5,263,544	5,212,944
Social Development	3,576,022	3,145,195	3,602,685
Band Government	1,053,046	1,596,087	1,363,464
Other Programs	604,584	1,542,347	1,293,929
Amortization	-	745,184	927,382
Public Works	539,817	692,639	824,651
Health	544,814	576,622	574,239
Housing	140,749	392,955	439,816
CMHC Rental Housing	-	234,221	245,805
Economic Development	85,635	143,931	112,256
Loss (gain) on disposal of tangible capital assets	-	(24,460)	-
	11,893,862	14,308,265	14,597,171
Annual Surplus (Deficit)	334,163	10,126,741	4,695,672
Accumulated surplus at beginning of year	-	17,419,868	12,724,196
<b>Accumulated surplus at end of year</b>	<b>\$ 334,163</b>	<b>\$ 27,546,609</b>	<b>\$ 17,419,868</b>

**RED EARTH FIRST NATION**  
**Consolidated Statement of Change in Net Debt**  
**Year Ended March 31, 2014**

	Budget 2014	2014	2013
Annual surplus (deficit)	334,163	10,126,741	4,695,672
Acquisition of tangible capital assets	(27,672)	(11,360,382)	(5,910,725)
Amortization of tangible capital assets	-	745,184	927,382
Loss (gain) on sale of tangible capital assets	-	(24,460)	-
Proceeds on disposal of tangible capital assets	-	99,090	-
Use (purchase) of prepaid expenses	-	8,746	1,037
<b>Change in net debt</b>	<b>306,491</b>	<b>(405,081)</b>	<b>(286,634)</b>
Net debt at beginning of year	(4,722,093)	(4,722,093)	(4,435,459)
<b>Net debt at end of year</b>	<b>\$ (4,415,602)</b>	<b>\$ (5,127,174)</b>	<b>\$ (4,722,093)</b>



**RED EARTH FIRST NATION**  
**Consolidated Statement of Cash Flow**  
**Year Ended March 31, 2014**

	2014	2013
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 10,126,741	\$ 4,695,672
Items not affecting cash:		
Amortization	745,184	927,382
Loss (gain) on disposal of tangible capital assets	(24,460)	-
Income from government business enterprises	(240,603)	(133,025)
	<b>10,606,862</b>	<b>5,490,029</b>
Changes in non-cash working capital:		
Accounts receivable	(128,714)	55,379
Due from government and other government organizations	4,070,338	1,161,449
Prepaid expenses	8,746	1,037
Accounts payable and accrued liabilities	1,282,332	260,760
Due to governments and other government organizations	(435,318)	209,514
Deferred revenue	(5,842,807)	3,225,334
	<b>(1,045,423)</b>	<b>4,913,473</b>
Cash flow from operating activities	<b>9,561,439</b>	<b>10,403,502</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	(11,360,382)	(5,910,725)
Proceeds on disposal of tangible capital assets	99,090	-
Increase in trust funds held by federal government	(2,790)	(2,403)
Distributions from government business enterprises	420,000	75,847
Decrease (increase) in restricted cash	936,682	(4,134,051)
Cash flow used by investing activities	<b>(9,907,400)</b>	<b>(9,971,332)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from long term financing	1,000,000	405,148
Repayment of long term debt	(516,221)	(735,237)
Cash flow from (used by) financing activities	<b>483,779</b>	<b>(330,089)</b>
<b>INCREASE IN CASH FLOW</b>	<b>137,818</b>	<b>102,081</b>
Cash resources (deficiency) - beginning of year	(1,004,786)	(1,106,867)
<b>CASH RESOURCES (DEFICIENCY) - END OF YEAR</b>	<b>\$ (866,968)</b>	<b>\$ (1,004,786)</b>

**RED EARTH FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Reporting entity

The Red Earth First Nation reporting entity includes the Red Earth First Nation government and all related entities that are either owned or controlled by the First Nation.

Principles of Consolidation

All controlled entities are fully consolidated on a line by line basis except for commercial enterprises which meet the definition of a government business enterprise, which are included in the Consolidated Financial Statements on a modified equity basis. Interorganizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only Red Earth First Nation's investment in the government business enterprise and the enterprise's net income and other change in equity are recorded. No adjustments are made for accounting policies of the enterprise that are different from those of Red Earth First Nation.

There are no entities included through the consolidation method in these financial statements.

Organizations accounted for on a modified equity basis include:

Red Earth Cree Developments Inc. (operating as Lionel Head Memorial Store)	100.00%
Red Earth Development Corporation	100.00%
Red Earth Developments Limited Partnership	100.00%
Prince Albert Development Corporation	8.33%
Prince Albert First Nations Business Development Limited Partnership	8.33%
Eastern Sector Community Development Corporation	33.33%
Eastern Sector Community Development Limited Partnership	33.33%

Cash Resources

Cash resources include cash on hand and bank balances.

Restricted Cash

Restricted cash consists of funds held in the CMHC replacement reserve and operating reserve bank accounts and the funds managed by a project manager. The project manager is responsible for the completion of the capital projects and the CMHC replacement and operating reserves are used to pay eligible expenditures of the CMHC housing units.

Trust Funds Held by Federal Government

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

- a) capital trust monies derived from non-renewable resource transactions on the sale of land or other First Nation capital assets; and

*(continues)*

**RED EARTH FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2014**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- b) 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.

Portfolio Investments

Portfolio investments consist of investments held by the First Nation in separate legal entities over which the First Nation does not have the ability to exercise control. Portfolio investments are recorded at cost. Portfolio investments are written down where there has been a loss that is other than a temporary decline. Entities included in portfolio investments are as follows:

Nipawin Biomass Ethanol New Generation Co-operative Ltd.

Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

In previous years, certain tangible capital assets acquired subsequent to April 1, 1996 by the First Nation, have been recorded on the Consolidated Statement of Financial Position at acquisition cost less amortization. Commencing in 2010, all current year purchases of tangible capital assets in use have been included in the Consolidated Statement of Financial Position. However, the First Nation has not fully implemented Public Sector Accounting Handbook Section PS 3150. Accordingly, infrastructure assets which have not previously been recognized are not included in the Consolidated Statement of Financial Position. Notwithstanding that fact, the First Nation believes PS 3150 does not appropriately value reserve lands or the inherent rights contained within. Accordingly, the First Nation sees little benefit to adopting PS 3150 and has no intentions of doing so. It is the First Nation's belief that the lack of adoption of PS 3150 should not result in a qualified audit opinion.

Leases that transfer substantially all the benefits and risk of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Red Earth First Nation's incremental cost of borrowing.

Amortization is provided for on a declining balance basis over the expected useful life of the assets in the table that follows. Assets under construction are not amortized.

Dams and water structures	50 years
Subdivision development	40 years
Schools	40 years
Gravel roads	40 years
Housing	25 years
Commercial buildings	20 years
Water and waste system equipment	10 years
Equipment and vehicles	5 years
Computer equipment	3 years

*(continues)*

**RED EARTH FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2014**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tangible capital assets are written down when conditions indicate that they no longer contribute to Red Earth First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net writedowns are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfer revenue is recognized on the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

Measurement uncertainty

In preparing the consolidated financial statements for Red Earth First Nation, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimate include allowance for doubtful accounts and amortization. Actual results could differ from these estimates.

*(continues)*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of Segmentation

The First Nation has adopted the Public Sector Accounting Board's recommendations requiring financial information to be provided on a segmented basis. Services have been segmented by grouping activities that have similar service objectives (by function). Revenues that are directly related to the costs of the function have been attributed to each segment.

The segments (functions) are as follows:

**Social Services:** The social services segment is comprised of adult care, home care, day care, headstart, basic needs, special needs, social administration and the National Child Benefit program.

**Band Government:** The band government segment provides for the administration of the First Nation.

**Public Works:** The public works segment provides for the delivery of water, collecting and treating of wastewater, collection and disposal of solid waste, maintenance of community buildings and roads, fire protection and fire suppression.

**Education:** The education segment provides for the delivery of educational services, student transportation services, maintenance of teacherages, and post secondary support.

**Housing:** The housing segment provides for the maintenance of band-owned housing as well as houses operated under the Section 95 Social Housing CMHC Program.

**Health:** The health segment delivers health services including prevention projects, medical transportation, mental health, solvent abuse, prenatal nutrition and oral health, among others.

**Economic Development:** The economic development segment delivers services aimed at stimulating economic development.

**Other Programs:** The other programs segment includes investment income earned from government business enterprises, income earned from trust funds held by the federal government, and the delivery of assistance and community services from the utilization of First Nations Trust gaming revenues.

Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

Net debt

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its financial assets less its liabilities. Accumulated surplus is comprised of two components, financial assets and non-financial assets.

*(continues)*

**RED EARTH FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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, 2016. Earlier adoption is permitted.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial instruments 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.

**2. ACCOUNTS RECEIVABLE**

	<b>2014</b>	<b>2013</b>
Northern Lights Community Development Corporation	\$ 96,251	\$ 68,001
Other	24,185	8,640
Prince Albert First Nations Business Development LP	-	15,847
Prince Albert Grand Council	36,000	3,872
Section 95 tenant rents	87,585	18,950
	<b>\$ 244,021</b>	<b>\$ 115,310</b>

**3. DUE FROM GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS**

	<b>2014</b>	<b>2013</b>
Aboriginal Affairs and Northern Development Canada	\$ 47,954	\$ 3,284,399
Canada Mortgage and Housing Corporation	31,670	896,671
Government of Canada - GST rebates	33,655	2,547
	<b>\$ 113,279</b>	<b>\$ 4,183,617</b>

**RED EARTH FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2014**

**4. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES**

Red Earth First Nation's investments in government business enterprises consists of the following:

	<b>2014</b>	<b>2013</b>
Red Earth Cree Developments Inc. (Lionel Head Memorial Store)	<b>\$ 386,598</b>	<b>\$ 372,542</b>
Prince Albert Development Corporation	<b>23,129</b>	<b>21,577</b>
Prince Albert First Nations Business Development LP	<b>1,730,794</b>	<b>1,955,193</b>
Eastern Sector Community Development Corporation	<b>(44,122)</b>	<b>(43,652)</b>
Eastern Sector Community Development LP	<b>(26,381)</b>	<b>(26,054)</b>
Red Earth Development Corporation	<b>(2,145)</b>	<b>(1,426)</b>
Red Earth Development Limited Partnership	<b>29,333</b>	<b>(1,578)</b>
	<b>\$ 2,097,206</b>	<b>\$ 2,276,602</b>

Summarized financial information for Red Earth Cree Development Inc. for the year ending November 30, 2014 is as follows:

Total assets	<b>505,699</b>	<b>531,975</b>
Total liabilities	<b>119,102</b>	<b>111,629</b>
Shareholders' equity	<b>386,597</b>	<b>420,346</b>
Sales	<b>3,256,289</b>	<b>3,390,746</b>
Cost of sales	<b>2,530,880</b>	<b>2,728,801</b>
Expenses	<b>772,510</b>	<b>724,173</b>
Net income (loss)	<b>(33,749)</b>	<b>15,231</b>

Red Earth Cree Developments Inc. (Operating as Lionel Head Memorial Store) operates a grocery/confectionary/gas bar retail outlet on the Red Earth First Nation reserve.

Summarized financial information for Prince Albert Development Corporation for the year ending March 31, 2014 is as follows:

Total assets	<b>281,955</b>	<b>261,664</b>
Total liabilities	<b>4,404</b>	<b>2,745</b>
Shareholder's equity	<b>277,551</b>	<b>258,919</b>
Income	<b>23,699</b>	<b>20,185</b>
Expenses	<b>5,067</b>	<b>2,740</b>
Net earnings	<b>18,632</b>	<b>17,445</b>

Summarized financial information for Prince Albert First Nations Business Development Limited Partnership for the year ending March 31, 2014 is as follows:

Total assets	<b>21,112,707</b>	<b>24,023,651</b>
Total liabilities	<b>61,224</b>	<b>299,671</b>
Partners' capital	<b>21,051,483</b>	<b>23,723,980</b>
Income	<b>2,631,886</b>	<b>2,389,392</b>
Expenses	<b>260,975</b>	<b>351,494</b>
Net earnings	<b>2,370,911</b>	<b>2,018,569</b>

Summarized financial information for Eastern Sector Development Corporation for the year ending March 31, 2014 is as follows:

*(continues)*

**RED EARTH FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2014**

**4. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES** *(continued)*

Total assets	<b>81,245</b>	82,653
Total liabilities	<b>213,610</b>	213,610
Shareholders' equity (deficiency)	<b>(132,365)</b>	(130,957)
Expenses	<b>1,408</b>	1,305
Net income (loss)	<b>(1,408)</b>	(1,305)

Summarized financial information for Eastern Sector Development LP for the year ending March 31, 2014 is as follows:

Total assets	<b>2,830</b>	5,098
Total liabilities	<b>1,500</b>	1,501
Partners' equity (deficiency)	<b>1,330</b>	3,597
Expenses	<b>980</b>	901
Net income (loss)	<b>(980)</b>	(901)

Summarized financial information for Red Earth Development Corporation for the year ending March 31, 2014 is as follows:

Total assets	<b>100</b>	100
Total liabilities	<b>2,245</b>	1,500
Shareholders' equity (deficiency)	<b>(2,145)</b>	(1,400)
Expenses	<b>775</b>	750
Net income (loss)	<b>(745)</b>	(750)

Summarized financial information for Red Earth Development Limited Partnership for the year ending March 31, 2014 is as follows:

Total assets	<b>29,588</b>	147
Total liabilities	<b>1,750</b>	1,750
Partners' equity (deficiency)	<b>29,838</b>	(1,603)
Revenues	<b>206,213</b>	5,000
Expenses	<b>175,245</b>	5,903
Net income (loss)	<b>30,968</b>	(903)

**5. PORTFOLIO INVESTMENTS**

Portfolio investments consist of 1 Class A share and 5 Class C shares of Nipawin Biomass Ethanol New Generation Co-operative Ltd. There is no active trading market for these shares.

**6. TRUST FUNDS**

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds are primarily governed by Sections 63 to 69 of the Indian Act.

	Capital	Revenue	<b>2014</b>	2013
Balance, beginning of year	\$ 48,250	\$ 16,125	\$ <b>64,375</b>	\$ 61,972
Increases - interest	-	1,853	<b>1,853</b>	1,467
Increases - other revenue	-	937	<b>937</b>	936
	<b>\$ 48,250</b>	<b>\$ 18,915</b>	<b>\$ 67,165</b>	<b>\$ 64,375</b>



**RED EARTH FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2014**

**7. RESTRICTED CASH**

	<b>2014</b>	<b>2013</b>
DNCU - CMHC Operating reserve	\$ 11,645	\$ 158,786
DNCU - CMHC Replacement Reserve chequing account	1	-
RBC - CMHC Replacement Reserve chequing account	454	-
RBC - CMHC Replacement Reserve GIC	794,720	-
TD Canada Trust - School addition capital project	1,577,917	4,417,812
TD Canada Trust - School addition holdback account	1,153,394	-
TD Canada Trust - Raw Water Reservoir capital project	316,649	373,497
TD Canada Trust - Lagoon capital project	25,542	-
TD Canada Trust - Water Supply capital project	47,780	-
TD Canada Trust - Emergency Bridge Repair capital project	37,142	-
TD Canada Trust - Band Based Capital projects	48,193	-
RBC - Church capital project	-	24
	<b>\$ 4,013,437</b>	<b>\$ 4,950,119</b>

**8. BANK INDEBTEDNESS**

Bank indebtedness consists of cheques issued in excess of deposits. At March 31, 2014 the First Nation had an authorized line-of-credit of \$675,000 bearing interest at prime + 5.0%.

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2014</b>	<b>2013</b>
Accounts payable and accrued liabilities	\$ 1,448,489	\$ 1,319,553
Construction holdback payable	1,153,394	-
	<b>\$ 2,601,883</b>	<b>\$ 1,319,553</b>

**10. DUE TO GOVERNMENTS AND OTHER GOVERNMENT ORGANIZATIONS**

	<b>2014</b>	<b>2013</b>
Aboriginal Affairs and Northern Development Canada	\$ 126,408	\$ 323,940
Federal government - source deductions	22,194	259,980
	<b>\$ 148,602</b>	<b>\$ 583,920</b>

**RED EARTH FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2014**

**11. DEFERRED REVENUE**

	<b>2014</b>	<b>2013</b>
AANDC - capital projects	<b>\$ 1,139,628</b>	\$ 7,059,745
AANDC - operating	<b>124,049</b>	100,000
Health Canada - capital project	<b>465,403</b>	468,232
NLCDC	<b>200,781</b>	139,691
Province of Saskatchewan	<b>-</b>	5,000
Saskatchewan Indian Training Assessment Group Inc. - capital project	<b>400,000</b>	400,000
	<b>\$ 2,329,861</b>	\$ 8,172,668

**12. LONG TERM DEBT**

	<b>2014</b>	<b>2013</b>
CMHC loan bearing interest at 2.35% per annum, repayable in monthly blended payments of \$7,040. The loan matures on September 1, 2018 and is guaranteed by the Government of Canada.	<b>\$ 1,312,805</b>	\$ 1,361,827
CMHC loan bearing interest at 2.67% per annum, repayable in monthly blended payments of \$6,289. The loan matures on February 1, 2015 and is guaranteed by the Government of Canada.	<b>972,815</b>	1,021,737
CMHC loan bearing interest at 2.84% per annum, repayable in monthly blended payments of \$3,420. The loan matures on April 1, 2015 and is guaranteed by the Government of Canada.	<b>387,660</b>	417,296
CMHC loan bearing interest at 2.56% per annum, repayable in monthly blended payments of \$2,757. The loan matures on December 1, 2015 and is guaranteed by the Government of Canada.	<b>335,594</b>	359,791
CMHC loan bearing interest at 2.35% per annum, repayable in monthly blended payments of \$3,474. The loan matures on September 1, 2018 and is guaranteed by the Government of Canada.	<b>652,307</b>	677,454
CMHC loan bearing interest at 1.92% per annum, repayable in monthly blended payments of \$3,085. The loan matures on April 1, 2014 and is guaranteed by the Government of Canada.	<b>488,624</b>	516,562
CMHC loan bearing interest at 1.65% per annum, repayable in monthly blended payments of \$2,255. The loan matures on June 1, 2012 and is guaranteed by the Government of Canada.	<b>294,518</b>	316,539

*(continues)*

**RED EARTH FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2014**

**12. LONG TERM DEBT (continued)**

	<b>2014</b>	2013
Peace Hills Trust loan bearing interest at 4.79% per annum, repayable in monthly blended payments of \$2,617. The loan matures on February 1, 2016 and is guaranteed by the Government of Canada.	<b>57,199</b>	85,053
CMHC loan bearing interest at 1.92% per annum, repayable in monthly blended payments of \$1,292. The loan matures on April 1, 2014 and is guaranteed by the Government of Canada.	<b>140,993</b>	153,751
CMHC loan bearing interest at 5.34% per annum, repayable in monthly blended payments of \$1,793. The loan matures on March 1, 2018 and is guaranteed by the Government of Canada.	<b>77,453</b>	93,779
Royal Bank loan repaid during the year.	-	35,847
Royal Bank loan repaid during the year.	-	196,553
Royal Bank loan bearing interest at 6% per annum, repayable in monthly blended payments of \$75,000. The loan matures on March 31, 2018 and is secured by accounts receivable.	<b>1,000,000</b>	-
Amounts payable within one year	-	-
	<b>\$ 5,719,968</b>	<b>\$ 5,236,189</b>

Principal repayment terms are approximately:

2015	\$ 1,159,845
2016	438,388
2017	281,111
2018	288,439
2019	274,083
Thereafter	3,278,102
	<u><b>\$ 5,719,968</b></u>

**13. CAPITAL COMMITMENT**

The First Nation has entered into a commitment for the construction of an addition to a school. The budget for the construction is \$19,376,400. Aboriginal Affairs and Northern Development Canada is funding the majority of the cost for this project. However, it anticipated that the First Nation will be required to contribute approximately \$718,000 to the project for Daycare/Headstart space.

## 14. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Dams and water structures	\$ 969,613	\$ 96,961	\$ 872,652	\$ 892,044
Subdivision development	3,474,396	347,440	3,126,956	3,213,816
Buildings	647,014	329,757	317,257	349,608
Housing	10,343,183	2,475,200	7,867,983	8,108,589
Schools	320,600	48,090	272,510	280,525
Equipment and vehicles	3,775,522	1,964,481	1,811,041	2,059,408
Computer equipment	31,788	22,596	9,192	12,651
Gravel roads	145,464	18,183	127,281	130,918
Capital projects under construction	18,250,234	-	18,250,234	7,066,979
	<b>\$ 37,957,814</b>	<b>\$ 5,302,708</b>	<b>\$ 32,655,106</b>	<b>\$ 22,114,538</b>

## 15. ACCUMULATED SURPLUS

	2014	2013
Invested in tangible capital assets	\$ 27,930,914	\$ 17,110,749
CMHC reserves	1,426,719	1,098,670
Invested in government business enterprises	2,097,206	2,276,602
Operating deficit	(3,908,230)	(3,066,153)
	<b>\$ 27,546,609</b>	<b>\$ 17,419,868</b>

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the First Nation has established a replacement reserve of \$795,596 (2013 - \$768,167) to ensure replacement of capital equipment and for major repairs to CMHC housing units. An operating reserve of \$626,761 (2013 - \$330,503) has also been established for housing units under the post 1997 Fixed Subsidy Program which requires surpluses to be deposited to an operating reserve bank account to offset future operating losses. At March 31, 2014 \$ 802,458 (2013 - \$158,786) has been set aside to fund these two reserves.

## 16. CONTINGENT LIABILITY

During the year AANDC performed a compliance review on the First Nation's Income Assistance program. This review has identified amounts that may not be in compliance with AANDC's policies, resulting in a potential recovery of approximately \$625,000 relating to the February 1, 2013 to January 31, 2014 period. The First Nation is in discussions with AANDC to allow it to provide additional evidence of compliance in order to reduce the potential recovery amount. Any recovery by AANDC will be recognized as an expense in the year the final recovery amount is confirmed.

These financial statements are subject to review by the First Nation's funding agents. It is possible that adjustments to funding amounts could be made based on the results of their reviews. Such adjustments will be recognized in the year the adjustment is made.

**RED EARTH FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2014**

**17. INCOME FROM INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES**

	<b>2014</b>	<b>2013</b>
Lionel Head Memorial Store	\$ 14,053	\$ (32,573)
Red Earth Development Corporation	(719)	(774)
Red Earth Development Limited Partnership	30,911	(879)
Share of earnings - PADC	1,553	1,454
Share of earnings - PAFNBDLP	195,601	166,532
Share of earnings - ESCDC	(469)	(435)
Share of earnings - ESCDLP	(327)	(300)
	<b>\$ 240,603</b>	<b>\$ 133,025</b>

**18. ECONOMIC DEPENDENCE**

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

**19. BUDGET AMOUNTS**

The First Nation's management prepares all the budget amounts disclosed in the consolidated financial statements. These amounts are presented for information purposes and have not been audited.

The disclosed budget information is required to be presented on the same basis as the actual results, therefore, \$252,934 of loan payments and \$27,672 of budgeted capital purchases have been removed from the budgeted expenses as presented on the Statement of Operations.

The First Nation has not budgeted for its CMHC housing program, amortization, and its government business entities.

**RED EARTH FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2014**

**20. EXPENDITURE BY OBJECT**

	<b>2014</b>	<b>2013</b>
Wages and benefits	\$ 5,303,875	\$ 5,507,564
Assistance	4,018,527	4,138,983
Travel, training and workshops	1,441,201	1,212,897
Amortization	745,184	927,382
Repairs and maintenance, vehicle expense	462,861	577,714
Utilities, fuel and telephone	462,061	312,447
Other expenses	362,108	319,973
Contracted services	355,481	465,908
Bank charges and loan interest	280,638	236,300
Materials and supplies	256,453	391,721
Insurance and licenses	169,164	155,244
Tuition and books	143,080	136,325
Board expense	122,040	111,225
Election	84,242	-
Professional fees	71,553	59,998
Rent	54,257	43,490
Gain/Loss on disposal	(24,460)	-
	<b>\$ 14,308,265</b>	<b>\$ 14,597,171</b>

**21. COMPARATIVE FIGURES**

Some of the comparative figures have been reclassified to conform to the current year's presentation.

**Red Earth First Nation**  
**Schedule of Revenue and Expenses by Segment (Schedule 1)**  
**For the year ended March 31, 2014**

	Social Development			Band Government			Public Works		
	Budget 2014	2014	2013	Budget 2014	2014	2013	Budget 2014	2014	2013
<b>Revenues:</b>									
AANDC - Operating	\$ 3,581,313	\$ 3,141,086	\$ 3,456,326	\$ 645,208	\$ 555,224	\$ 535,725	\$ 475,312	\$ 426,502	\$ 430,445
AANDC - Capital	-	-	-	-	-	-	-	-	-
Prince Albert Grand Council (PAGC)	-	-	-	-	10,015	9,052	-	-	-
Other revenue	-	22,010	3,900	53,400	196,065	81,341	56,200	23,884	60,979
CMHC	-	-	-	-	-	-	-	-	-
Rental revenue	-	-	-	-	-	-	-	-	-
Health Canada (FNIHIB) - operating	-	-	-	-	-	-	-	-	-
Income from government business enterprises	-	-	-	-	-	-	-	-	-
Other revenue - capital	-	-	-	-	-	-	-	-	-
Health Canada (FNIHIB) - capital	-	-	-	-	-	-	-	-	-
NLCDC	-	-	-	-	-	36,700	-	-	-
NLCDC - capital	-	-	-	-	-	33,715	-	-	-
Provincial Government - operating	-	-	-	-	-	-	-	-	-
Amounts earned and held in trust	-	-	-	-	2,790	2,403	-	-	-
	<b>3,581,313</b>	<b>3,163,096</b>	<b>3,460,226</b>	<b>698,608</b>	<b>764,094</b>	<b>698,936</b>	<b>531,512</b>	<b>450,386</b>	<b>491,424</b>
<b>Expenses:</b>									
Amortization	-	1,141	-	-	8,815	7,382	-	319,448	319,448
Assistance, community events, donations and grants	2,945,167	2,662,427	2,990,327	7,168	6,108	-	-	-	-
Bank charges and loan interest	-	-	-	19,886	123,361	67,993	-	1,167	-
Board expenses	-	-	-	52,389	55,933	54,838	-	-	-
Contracted services	123,154	19,657	136,963	117,000	128,110	144,478	104,425	83,087	93,983
Election	-	-	-	20,000	84,242	-	-	-	-
Insurance and licenses	-	-	-	-	-	-	33,565	32,208	29,162
Materials, supplies and office	-	-	-	9,999	14,632	25,533	21,310	49,011	104,809
Other expenses	99,338	100,794	109,211	9,235	48,152	52,310	-	-	-
Professional fees	-	-	-	42,000	56,553	39,605	-	-	-
Rent	-	-	-	18,141	24,885	18,041	-	-	-
Repairs and maintenance, vehicle expense	-	3,675	785	8,668	6,190	8,550	93,799	146,151	206,271
Travel, training and workshops	351,326	314,616	314,957	237,897	466,883	387,420	9,448	12,717	19,583
Tuition and books	-	-	-	-	-	-	-	-	-
Utilities and telephone	-	-	-	23,093	19,932	20,535	96,000	196,139	126,326
Wages and benefits	57,037	44,026	50,442	487,570	561,107	544,157	181,270	172,158	244,256
(Gain) loss on disposal of capital assets	-	-	-	-	-	-	-	-	-
	<b>3,576,022</b>	<b>3,146,336</b>	<b>3,602,685</b>	<b>1,053,046</b>	<b>1,604,903</b>	<b>1,370,843</b>	<b>539,817</b>	<b>1,012,086</b>	<b>1,143,838</b>
<b>Annual Surplus (Deficit)</b>	<b>\$ 5,291</b>	<b>\$ 16,760</b>	<b>\$ (142,459)</b>	<b>\$ (354,438)</b>	<b>\$ (840,809)</b>	<b>\$ (671,907)</b>	<b>\$ (8,305)</b>	<b>\$ (561,700)</b>	<b>\$ (652,414)</b>

**Red Earth First Nation**  
**Schedule of Revenue and Expenses by Segment (Schedule 1) Cont'd**  
**For the year ended March 31, 2014**

	Education		Housing and Capital		Health	
	Budget 2014	2014	Budget 2014	2014	Budget 2014	2014
<b>Revenues:</b>						
AANDC - Operating	\$ 4,317,294	\$ 4,290,718	\$ 4,302,047	\$ 80,696	\$ 332,224	\$ -
AANDC - Capital	-	-	-	-	-	-
Prince Albert Grand Council (PAGC)	1,160,825	1,168,294	1,221,111	-	5,611,746	-
Other revenue	234,035	318,558	473,365	-	-	424,296
CMHC	-	-	-	-	418,753	27,064
Rental revenue	38,950	43,590	13,510	-	7,088	-
Health Canada (FNIHB) - operating	-	-	-	-	-	-
Income from government business enterprises	-	-	-	-	197,797	201,570
Other revenue - capital	-	-	-	-	-	-
Health Canada (FNIHB) - capital	-	-	-	-	-	-
NLCDC	-	-	-	-	-	-
NLCDC - capital	-	-	-	-	-	-
Provincial Government - operating	-	-	-	-	-	-
Amounts earned and held in trust	-	-	-	-	-	-
	<b>5,751,104</b>	<b>5,821,160</b>	<b>6,010,032</b>	<b>80,696</b>	<b>6,844,002</b>	<b>637,909</b>
<b>Expenses:</b>						
Amortization	-	18,035	14,475	-	578,791	-
Assistance, community events, donations and grants	324,078	362,766	352,891	-	-	26,917
Bank charges and loan interest	-	-	-	-	24,349	-
Board expenses	27,413	20,914	18,199	9,000	159,235	-
Contracted services	8,250	-	2,325	-	9,055	700
Election	-	-	-	-	-	43,459
Insurance and licenses	13,366	8,374	10,932	35,618	113,193	-
Materials, supplies and office	162,057	109,456	165,116	575	1,958	1,957
Other expenses	63,357	45,670	142,609	-	46,486	68,612
Professional fees	-	-	-	-	-	-
Rent	27,761	29,120	25,449	-	15,000	-
Repairs and maintenance, vehicle expense	143,828	82,963	133,606	35,159	-	252
Travel, training and workshops	65,680	388,366	158,159	15,483	224,514	6,233
Tuition and books	159,681	143,080	136,325	-	36,089	95,611
Utilities and telephone	157,526	239,488	159,495	-	-	-
Wages and benefits	4,196,198	3,833,347	3,907,839	44,914	-	6,090
(Gain) loss on disposal of capital assets	-	-	-	-	351,509	324,661
	<b>5,349,195</b>	<b>5,281,579</b>	<b>5,227,419</b>	<b>140,749</b>	<b>1,264,411</b>	<b>574,239</b>
Annual Surplus (Deficit)	\$ 401,909	\$ 539,581	\$ 782,613	\$ (60,053)	\$ 5,579,591	\$ 63,670



**Red Earth First Nation**  
**Schedule of Revenue and Expenses by Segment (Schedule 1) Cont'd**  
**For the year ended March 31, 2014**

	Other Programs			Economic Development			Consolidated Totals		
	Budget 2014	2014	2013	Budget 2014	2014	2013	Budget 2014	2014	2013
<b>Revenues:</b>									
AANDC - Operating	\$ -	\$ 128,831	\$ 95,713	\$ -	\$ -	\$ -	\$ 9,099,823	\$ 8,784,896	\$ 9,152,480
AANDC - Capital	-	-	-	-	-	-	-	11,298,478	5,611,746
Prince Albert Grand Council (PAGC)	618,000	711,302	730,351	64,260	64,460	64,460	2,261,838	2,394,751	2,449,270
Other revenue	82,988	74,883	70,675	-	5,000	-	433,711	694,021	715,841
CMHC	-	-	-	-	-	-	-	391,597	398,383
Rental revenue	-	-	-	-	-	-	38,950	325,601	293,324
Health Canada (FNIHB) - operating	-	-	-	-	-	-	197,797	186,296	201,570
Income from government business enterprises	18,000	240,603	133,025	-	-	-	18,000	240,603	133,025
Other revenue - capital	-	-	-	-	-	-	-	-	106,528
Health Canada (FNIHB) - capital	-	-	-	-	-	-	-	2,829	101,768
NLCDC	100,000	-	5,000	21,375	102,410	25,000	121,375	102,410	66,700
NLCDC - capital	-	-	-	-	6,000	-	-	6,000	33,715
Provincial Government - operating	56,531	4,734	26,090	-	-	-	56,531	4,734	26,090
Amounts earned and held in trust	-	-	-	-	-	-	-	2,790	2,403
	<b>875,519</b>	<b>1,160,353</b>	<b>1,060,854</b>	<b>85,635</b>	<b>177,870</b>	<b>89,460</b>	<b>12,228,025</b>	<b>24,435,006</b>	<b>19,292,843</b>

<b>Expenses:</b>									
Amortization	-	-	-	-	7,287	7,287	-	745,184	927,382
Assistance, community events, donations and grants	333,862	931,565	765,295	-	26,246	26,602	3,634,624	4,018,527	4,162,032
Bank charges and loan interest	-	22,869	9,069	-	-	-	19,886	280,637	236,297
Board expenses	10,350	24,540	23,360	-	-	5,073	99,152	122,040	111,225
Contracted services	3,650	77,042	44,700	-	8,210	-	391,416	355,481	465,908
Election	-	-	-	-	-	-	20,000	84,242	-
Insurance and licenses	-	-	-	-	-	-	84,507	169,164	155,244
Materials, supplies and office	500	13,003	7,072	-	-	3,583	240,927	256,453	378,837
Other expenses	19,212	119,928	15,842	-	47,564	-	191,142	362,108	319,973
Professional fees	-	-	-	-	-	5,393	42,000	71,553	59,998
Rent	-	-	-	-	-	-	45,902	54,257	43,490
Repairs and maintenance, vehicle expense	11,540	11,697	10,638	-	-	-	304,339	462,862	590,598
Travel, training and workshops	54,462	78,789	142,360	12,100	29,379	35,672	814,944	1,441,201	1,189,849
Tuition and books	-	-	-	-	-	-	159,681	143,080	136,325
Utilities and telephone	-	-	-	-	-	-	282,301	462,061	312,447
Wages and benefits	207,400	262,914	275,855	37,143	32,532	35,934	5,563,041	5,303,875	5,507,564
(Gain) loss on disposal of capital assets	-	-	-	-	-	-	-	(24,460)	-
	<b>640,976</b>	<b>1,542,347</b>	<b>1,294,191</b>	<b>49,243</b>	<b>151,218</b>	<b>119,543</b>	<b>11,893,862</b>	<b>14,308,265</b>	<b>14,597,169</b>

Annual Surplus (Deficit)	\$ 234,543	\$ (381,994)	\$ (233,337)	\$ 36,392	\$ 26,652	\$ (30,083)	\$ 334,163	\$ 10,126,741	\$ 4,695,674
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