
RED EARTH CREE NATION
Consolidated Financial Statements
Year Ended March 31, 2017

RED EARTH CREE NATION
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Year Ended March 31, 2017

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Management's Responsibility for Financial Reporting

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

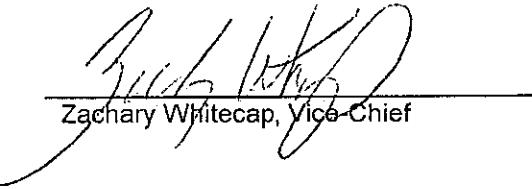
The consolidated financial statements of Red Earth Cree Nation have been prepared by management in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

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 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. Council also considers the engagement or re-appointment of the external auditors.

The external auditors, NeuPath Group Chartered Professional Accountants, 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 Cree Nation and meet when required.



Zachary Whitecap, Vice Chief

Red Earth, Saskatchewan
April 09, 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Red Earth Cree Nation

We have audited the accompanying consolidated financial statements of Red Earth Cree Nation, which comprise the consolidated statement of financial position as at March 31, 2017 and the consolidated statements of operations, changes in net financial assets (debt) and cash flows 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.

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. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

We were unable to obtain satisfactory audit evidence pertaining to expenditures made. Specifically, there is a lack of documents supporting the nature of expenditures.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements.

Emphasis of Matter

Note 2 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. Amortization expense includes only amortization of the tangible capital assets that the First Nation has recognized in the Consolidated Statement of Financial Position.



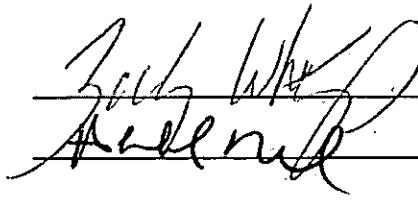
RED EARTH CREE NATION
Consolidated Statement of Financial Position
March 31, 2017

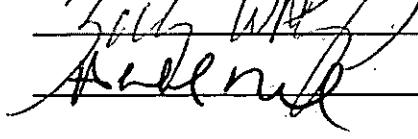
	2017	(restated) 2016
FINANCIAL ASSETS		
Accounts receivable (Note 3)	\$ 705,556	\$ 418,755
Restricted cash - capital projects (Note 4)	3,420,194	1,061,807
Restricted cash - CMHC reserves (Note 5)	298,454	341,495
Investments in government business enterprises (Note 6)	2,258,429	2,146,984
Portfolio investments (Note 7)	5,000	5,000
Trust funds held by federal government (Note 8)	100,143	89,814
	6,787,776	4,063,855
LIABILITIES		
Bank indebtedness (Note 9)	55,597	481,637
PAGC advances payable (Note 10)	1,020,603	690,000
Accounts payable and accrued liabilities (Note 11)	2,657,231	2,817,199
Deferred revenue (Note 12)	4,040,955	1,471,303
Long term debt (Note 13)	6,035,949	6,064,942
	13,810,335	11,525,081
NET FINANCIAL DEBT	(7,022,559)	(7,461,226)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 15)	42,277,384	41,096,680
Prepaid expenses	110,386	389,650
	42,387,770	41,486,330
ACCUMULATED SURPLUS (Note 16)	\$ 35,365,211	\$ 34,025,104

CONTINGENT LIABILITY (Note 17)

ON BEHALF OF THE FIRST NATION


 Charlie Relay
 Councillor


 Zack Whiteduck
 Councillor


 Andrew
 Councillor

RED EARTH CREE NATION
Consolidated Statement of Operations
Year Ended March 31, 2017

	Budget 2017	2017	(restated) 2016
REVENUES			
Indigenous and Northern Affairs Canada	\$ 8,593,915	\$ 11,449,635	\$ 12,012,855
Prince Albert Grand Council	2,290,474	3,392,003	2,457,538
Other revenue	348,620	471,436	555,819
First Nations and Inuit Health Branch	206,098	381,849	209,034
Canada Mortgage and Housing Corporation	-	352,683	371,612
Rental revenue	38,000	310,406	280,034
Northern Lights Community Development Corp	144,082	176,079	190,083
Government business enterprises (Note 18)	-	161,445	38,348
	11,621,189	16,695,536	16,115,323
EXPENDITURES			
Social Development	2,725,013	2,991,040	2,685,471
Band Government	998,952	1,492,162	1,100,266
Community Infrastructure	548,713	617,331	913,611
Education	5,363,488	5,894,143	5,892,895
Housing and Capital	140,540	604,304	493,585
CMHC Rental Housing	-	328,081	307,826
Community Health	703,745	907,317	784,501
Other Programs	409,506	1,310,822	986,081
Economic Development	152,300	139,942	245,889
Amortization	-	1,070,287	1,085,970
	11,042,257	15,355,429	14,496,095
Annual surplus	578,932	1,340,107	1,619,228
Accumulated surplus - beginning of year	34,025,104	34,025,104	32,405,876
Accumulated surplus - end of year	\$ 34,604,036	\$ 35,365,211	\$ 34,025,104

RED EARTH CREE NATION
Consolidated Statement of Changes in Net Financial Assets (Debt)
Year Ended March 31, 2017

	Budget 2017	2017	(restated) 2016
Annual surplus	\$ 578,932	\$ 1,340,107	\$ 1,619,228
Purchase of tangible capital assets	-	(2,250,990)	(3,418,807)
Amortization of tangible capital assets	-	1,070,287	1,085,970
Decrease (increase) in prepaid expenses	-	279,263	(335,042)
	-	(901,440)	(2,667,879)
Decrease (increase) in net financial debt	578,932	438,667	(1,048,651)
Net financial assets (debt) - beginning of year	-	(7,461,226)	(6,412,575)
Net financial assets (debt) - end of year	\$ 578,932	\$ (7,022,559)	\$ (7,461,226)

RED EARTH CREE NATION
Consolidated Statement of Cash Flows
Year Ended March 31, 2017

	2017	(restated) 2016
OPERATING ACTIVITIES		
Surplus	\$ 1,340,107	\$ 1,619,228
Items not affecting cash:		
Amortization	1,070,287	1,085,970
Government business enterprises	(161,445)	(38,348)
	2,248,949	2,666,850
Changes in non-cash working capital:		
Accounts receivable	(286,801)	1,340,090
Restricted cash - capital projects	(2,358,387)	1,611,578
Restricted cash - CMHC reserves	43,041	(96,487)
PAGC advances payable	330,603	690,000
Accounts payable and accrued liabilities	(159,972)	(1,539,240)
Deferred revenue	2,569,652	(1,837,710)
Prepaid expenses	279,265	(335,041)
	417,401	(166,810)
Cash flow from operating activities	2,666,350	2,500,040
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(2,250,990)	(3,418,807)
Trust funds held by federal government	(10,329)	(20,463)
Distributions from government business enterprises	50,000	72,464
Cash flow used by investing activities	(2,211,319)	(3,366,806)
FINANCING ACTIVITIES		
Proceeds from long term financing	52,204	2,055,000
Repayment of long term debt	(81,195)	(1,163,290)
Cash flow from (used by) financing activities	(28,991)	891,710
INCREASE IN CASH FLOW	426,040	24,944
Deficiency - beginning of year	(481,637)	(506,581)
DEFICIENCY - END OF YEAR	\$ (55,597)	\$ (481,637)

1. NATURE OF OPERATIONS

The Red Earth Cree Nation (the "First Nation") is located in the province of Saskatchewan and provides various essential services to its members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 CPA Canada.

Reporting entity

The Red Earth Cree Nation reporting entity includes the Red Earth Cree 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 Cree 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 Cree Nation.

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

Red Earth Cree Nation Section 95 Social Housing Operation
Red Earth Cree Nation Health Operation

Organizations accounted for on a modified equity basis include:

	<u>% Ownership</u>
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%

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*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
- 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.

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

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 Cree Nation's incremental cost of borrowing.

Amortization is provided for on a straight-line 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
Bridges	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

Tangible capital assets are written down when conditions indicate that they no longer contribute to Red Earth Cree 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Measurement uncertainty**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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.

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

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.

The implementation date has been deferred to years beginning on or after April 1, 2019.

Related Party Disclosures and Inter-Entity Transactions

In March 2015, the 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.

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

Restructuring Transactions

In June 2015, the PSAB issued PS 3430 Restructuring Transactions. A restructuring transaction is defined as a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities that does not involve an exchange of consideration. Individual assets and liabilities transferred in a restructuring transaction are derecognized by the transferor at their carrying amount and recognized by the recipient at their carrying amount with applicable adjustments. The increase in net assets or net liabilities resulting from recognition and derecognition of individual assets and liabilities received from all transferors, and transferred to all recipients in a restructuring transaction, is recognized as revenue or as an expense. The financial position and results of operations prior to the restructuring date are not restated.

The section is effective for new restructuring transactions that occur in fiscal periods beginning on or after April 1, 2018. Earlier adoption is encouraged.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Assets**

In June 2015, the PSAB issued PS 3210 Assets. The new section provides guidance for applying the definition of assets set out in PS 1000 Financial Statement Concepts. Assets are defined as economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained. An economic resource may meet the definition of an asset, but would not be recognized if there is no appropriate basis for measurement and a reasonable estimate cannot be made, or if another Handbook Section prohibits its recognition. Information about assets not recognized should be disclosed in the notes.

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

Contractual Rights

In June 2015, the PSAB issued PS 3380 Contractual Rights. 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. Disclosures should include descriptions about nature, extent and timing.

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

Contingent Assets

In June 2015, the PSAB issued PS 3320 Contingent Assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset. Disclosures should include existence, nature and extent of contingent assets, as well as the reasons for any non-disclosure of extent, and the bases for any estimates of extent made. When a reasonable estimate can be made, disclosure should include a best estimate and a range of possible amounts, unless such a disclosure would have an adverse impact on the outcome.

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

Portfolio Investments

In March 2012, the PSAB issued PS 3041 Portfolio Investments. This new standard has removed the distinction between temporary and portfolio investments. It was amended to conform to PS 3450 Financial Instruments, and will include pooled investments in its scope. Upon adoption of PS 3450 and PS 3041, PS 3030 Temporary Investments will no longer apply.

The standard is effective for fiscal years beginning on or after April 1, 2019.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*Financial Statement Presentation

In June 2011 the PSAB issued PS 1201 Financial Statement Presentation. This standard was amended to conform to PS 3450 Financial Instruments, and requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships.

The standard is effective for fiscal years beginning on or after April 1, 2019.

Foreign Currency Translation

In May 2012 the PSAB issued PS 2601 Foreign Currency Translation. This standard requires exchange rates to be adjusted to the rate in effect at the financial statement date for monetary assets and liabilities denominated in foreign currency and non-monetary items included in the fair value category. Unrealized gains and losses are to be presented in the statement of re-measurement gains and losses. Gains and losses on long-term monetary assets and liabilities are amortized over the remaining term of the item.

The standard is effective for fiscal years beginning on or after April 1, 2019.

3. ACCOUNTS RECEIVABLE

	2017	2016
Canada Mortgage and Housing Corporation (CMHC)	\$ 661,454	\$ 308,771
Government of Canada - GST rebates	16,349	4,317
Northern Inter-Tribal Health Authority Inc. (NITHA)	-	569
Northern Lights Community Development Corporation (NLCDC)	8,496	21,000
Other	9,207	25,340
Prince Albert First Nations Business Development LP	-	22,464
First Nations Inuit and Health Branch (FNIHB)	-	837
Prince Albert Grand Council	10,050	35,457
	<hr/> \$ 705,556	<hr/> \$ 418,755

4. RESTRICTED CASH - CAPITAL PROJECTS

Restricted cash relating to capital projects consists of funds managed by capital project managers who are responsible for payment of expenses relating to capital project funding by government funding agencies.

5. RESTRICTED CASH - CMHC RESERVES

The First Nation is required under agreement with CMHC to set aside funds to finance future qualifying housing expenditures. The First Nation has \$298,454 (2016 - \$341,495) of cash restricted to fund CMHC reserves. As at March 31, 2017, the reserves are underfunded by \$1,331,779 (2016 - \$1,271,713). The CMHC reserve cash consists of funds on deposit with financial institutions for the purpose of funding the CMHC Housing Replacement Reserve and the CMHC Operating Reserve.

6. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

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

	2017	2016
Red Earth Cree Developments Inc. (Lionel Head Memorial Store)	\$ 443,667	\$ 338,650
Prince Albert Development Corporation	24,815	24,456
Prince Albert First Nations Business Development LP	1,860,148	1,858,245
Eastern Sector Community Development Corporation	(44,522)	(44,522)
Eastern Sector Community Development LP	(26,672)	(26,672)
Red Earth Development Corporation	(4,215)	(3,149)
Red Earth Development Limited Partnership	5,208	(25)
	\$ 2,258,429	\$ 2,146,983

Summarized financial information for Red Earth Cree Development Inc. for the year ending November 30, 2016 is as follows:

Total assets	501,138	445,896
Total liabilities	57,471	107,246
Shareholders' equity	443,667	338,650
Sales	2,666,693	2,666,416
Cost of sales	1,956,162	2,052,904
Expenses	605,514	651,555
Net income (loss)	105,017	(932)

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

Summarized financial information for Prince Albert Development Corporation for the year ending March 31, 2017 is as follows:

Total assets	305,287	298,989
Total liabilities	7,513	5,513
Shareholder's equity	297,774	293,476
Income	6,298	4,526
Expenses	2,000	2,000
Net earnings	4,298	2,526

Summarized financial information for Prince Albert First Nations Business Development Limited Partnership for the year ending March 31, 2017 is as follows:

Total assets	22,716,433	22,973,343
Total liabilities	89,376	375,413
Partners' capital	22,627,057	22,597,930
Income	930,943	795,967
Expenses	301,817	343,097
Net earnings	629,126	452,870

(continues)

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

Financial statements for Eastern Sector Development Corporation have not been prepared for the year ending March 31, 2017. It is anticipated that little change occurred during the year as the corporation was inactive. Summarized financial information for Eastern Sector Development Corporation for the year ending March 31, 2015 is as follows:

Total assets	80,045	-
Total liabilities	213,610	-
Shareholders' equity (deficiency)	(133,565)	-
Expenses	1,200	-
Net income (loss)	(1,200)	-

Financial statements for Eastern Sector Development LP have not been prepared for the year ending March 31, 2017. It is anticipated that little change occurred during the year as the partnership was inactive. Summarized financial information for Eastern Sector Development LP for the year ending March 31, 2015 is as follows:

Total assets	876	-
Total liabilities	1,500	-
Partners' equity (deficiency)	(624)	-
Expenses	875	-
Net income (loss)	(875)	-

Summarized financial information for Red Earth Cree Development Corporation for the year ending March 31, 2017 is as follows:

Total liabilities	4,215	3,149
Shareholders' equity (deficiency)	(4,215)	(3,149)
Revenue	5	845
Expenses	1,071	916
Net income (loss)	(1,066)	(71)

Summarized financial information for Red Earth Development Limited Partnership for the year ending March 31, 2017 is as follows:

Total assets	8,433	1,451
Total liabilities	4,500	3,001
Partners' equity (deficiency)	3,933	(1,550)
Revenues	103,750	121,414
Expenses	98,267	119,635
Net income (loss)	5,483	1,779

7. 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.

RED EARTH CREE NATION**Notes to Consolidated Financial Statements****Year Ended March 31, 2017****8. 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	2017	2016
Balance, beginning of year	\$ 48,250	\$ 41,564	\$ 89,814	\$ 69,351
Increases - interest	-	1,792	1,792	1,866
Increases - other revenue	-	6,737	6,737	937
Increases - RCMP lease	-	1,800	1,800	17,660
	\$ 48,250	\$ 51,893	\$ 100,143	\$ 89,814

9. BANK INDEBTEDNESS

Bank indebtedness consists of cheques issued in excess of deposits. The First Nation does not have an authorized line-of-credit.

10. PAGC ADVANCES PAYABLE

Prince Albert Grand Council (PAGC) advances are non-interest bearing, unsecured, and have no set repayment terms.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Accounts payable and accrued liabilities	\$ 920,473	\$ 1,448,241
Federal government - source deductions	952,423	583,125
Indigenous and Northern Affairs Canada	784,335	785,833
	\$ 2,657,231	\$ 2,817,199

12. DEFERRED REVENUE

	2017	2016
Indigenous and Northern Affairs Canada	\$ 4,027,455	\$ 1,457,803
Northern Lights Community Development Corporation	13,500	13,500
	\$ 4,040,955	\$ 1,471,303

13. LONG TERM DEBT

	2017	2016
Royal Bank loan bearing interest at prime plus 3.15% per annum, repayable in quarterly blended payments of \$27,500 and an annual principal payment of \$203,000. The loan matures on July 31, 2019 and is secured by accounts receivable and irrevocable letter of direction to INAC.	\$ 1,063,495	\$ 1,109,507
Royal Bank loan bearing interest at 5% per annum, repayable in annual blended payments of \$67,449. The loan matures on June 30, 2020 and is secured by accounts receivable and irrevocable letter of direction to INAC.	604,847	640,031
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.	58,421	55,397
CMHC loan bearing interest at 1.92% per annum, repayable in monthly blended payments of \$1,292. The loan matures on April 1, 2019 and is secured by guaranteed by the Government of Canada.	119,855	124,000
CMHC loan bearing interest at 1.84% per annum, repayable in monthly blended payments of \$2,273. The loan matures on January 6, 2022 and is guaranteed by the Government of Canada.	269,650	267,493
CMHC loan bearing interest at 1.92% per annum, repayable in monthly blended payments of \$3,110. The loan matures on April 1, 2019 and is guaranteed by the Government of Canada.	462,294	456,630
CMHC loan bearing interest at 1.05% per annum, repayable in monthly blended payments of \$3,139. The loan matures on April 1, 2020 and is guaranteed by the Government of Canada.	349,043	348,527
CMHC loan bearing interest at 1.84% per annum, repayable in monthly blended payments of \$1,750. The loan matures on January 5, 2022 and is guaranteed by the Government of Canada.	312,642	307,550
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.	1,253,062	1,231,163
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.	633,886	622,696

(continues)

RED EARTH CREE NATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

13. LONG TERM DEBT (continued)

	2017	2016
CMHC loan bearing interest at 1.39% per annum, repayable in monthly blended payments of \$5,745. The loan matures on June 1, 2020 and is guaranteed by the Government of Canada.	908,754	901,948
	<u>\$ 6,035,949</u>	<u>\$ 6,064,942</u>

Principal repayment terms are approximately:

2018	\$ 570,627
2019	593,755
2020	616,765
2021	544,058
2022	318,007
Thereafter	<u>3,392,737</u>
	<u><u>\$ 6,035,949</u></u>

At March 31, 2017, the First Nation is in arrears on mortgages with CMHC in the amount of \$523,782 (2016 - \$200,420).

14. CONTRACTUAL OBLIGATIONS

The First Nation has entered into a lease arrangement with RBC for the lease of a 72 passenger school bus. The lease arrangement requires monthly payments of \$1,587 commencing Sept 17, 2015 and continuing for a five year term. The First Nation has the option to purchase the school bus for the amount of \$1 on September 16, 2020.

15. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Dams and water structures	\$ 4,338,835	\$ 289,851	\$ 4,048,984	\$ 4,132,939
Subdivision development	3,474,396	608,019	2,866,377	2,953,237
Buildings	917,457	464,846	452,611	478,440
Housing	10,340,512	2,934,308	7,406,204	7,425,275
Schools	21,300,828	1,121,146	20,179,682	20,712,202
Equipment and vehicles	4,788,717	2,662,297	2,126,420	2,276,976
Computer equipment	31,788	31,788	-	-
Roads	805,398	45,591	759,807	120,008
Bridges	3,350,012	67,000	3,283,012	-
Capital projects under construction	1,154,287	-	1,154,287	2,997,603
	<u>\$ 50,502,230</u>	<u>\$ 8,224,846</u>	<u>\$ 42,277,384</u>	<u>\$ 41,096,680</u>

RED EARTH CREE NATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

16. ACCUMULATED SURPLUS

	2017	(restated) 2016
Invested in tangible capital assets	\$ 37,304,095	\$ 36,141,245
CMHC reserves	1,630,233	1,613,208
Invested in government business enterprises	2,258,429	2,146,984
Operating deficit	(5,827,546)	(5,876,333)
	\$ 35,365,211	\$ 34,025,104

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the First Nation has established a replacement reserve of \$1,012,807 (2016 - \$997,407) to ensure replacement of capital equipment and for major repairs to CMHC housing units. An operating reserve of 617,426 (2016 - \$615,801) has also been established for housing units under the post 1996 Fixed Subsidy Program which requires surpluses to be deposited to an operating reserve bank account to offset future operating losses. At March 31, 2017 \$298,454 (2016 - \$341,495) has been set aside to fund these two reserves.

17. CONTINGENT LIABILITY

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.

18. INCOME FROM INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

	2017	2016
Lionel Head Memorial Store	\$ 105,017	\$ (932)
Red Earth Development Corporation	(1,066)	(71)
Red Earth Development Limited Partnership	5,233	1,778
Share of earnings - PADC	358	211
Share of earnings - PAFNB DLP	51,903	37,362
	\$ 161,445	\$ 38,348

19. ECONOMIC DEPENDENCE

The First Nation receives a significant portion 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 First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

20. 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 First Nation did not prepare a budget for its CMHC housing program, band based capital program, amortization, and its share of earnings of government business entities.

21. EXPENDITURE BY OBJECT

	Budget	2017	2016
Wages and benefits	\$ 5,211,743	\$ 6,115,293	\$ 5,647,436
Assistance	2,681,805	3,444,452	2,795,918
Travel, training and workshops	587,899	875,733	947,067
Program expenditures	364,410	389,114	433,125
Other expenses	357,243	447,195	415,073
Contracted services	317,010	612,841	491,127
Utilities and telephone	266,730	344,358	417,641
Tuition and books	240,123	139,229	206,214
Materials and supplies	228,243	289,774	306,701
Repairs and maintenance - buildings	200,118	626,288	769,991
Vehicle expenses	153,846	150,348	232,827
Insurance	119,520	214,473	215,026
Rent	79,909	70,825	73,178
Board expenses	76,808	81,963	122,046
Professional fees	56,000	98,624	97,500
Election	52,250	46,439	-
Repairs and maintenance - equipment	24,600	34,534	21,065
Bank charges and loan interest	24,000	303,659	218,190
Amortization	-	1,070,287	1,085,970
	\$ 11,042,257	\$ 15,355,429	\$ 14,496,095

22. COMPARATIVE FIGURES

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

23. PRIOR PERIOD ADJUSTMENTS

During the year, certain payables to INAC, Canada Revenue Agency and to Sask Power reported in prior years were determined to have been understated. Additionally, an adjustment was made to CMHC reserves to conform to CMHC's reporting requirements and to correct a classification error. As a result, the March 31, 2016 financial statements have been retroactively adjusted as follows:

	As Previously Stated	Adjustment	As Restated
Accounts payable and accrued liabilities	\$ 2,247,090	\$ 570,109	\$ 2,817,199
Net financial debt	(6,891,117)	(570,109)	(7,461,226)
Utilities and telephone expense	226,365	191,276	417,641
Annual surplus	1,810,504	(191,276)	1,619,228
Accumulated surplus, beginning of the year	32,784,709	(378,833)	32,405,876
Accumulated surplus, end of the year	34,595,213	(570,109)	34,025,104
Change in net debt	(857,375)	(191,276)	(1,048,651)
CMHC reserves	1,695,049	(81,841)	1,613,208
Accumulated operating deficit	(5,388,065)	(488,268)	(5,876,333)

Red Earth First Nation
 Schedule of Revenue and Expenses by Segment (Schedule 1)
 For the year ended March 31, 2017

	Social Development			Band Government			Community Infrastructure		
	Budget			Budget			Budget		
	2017	2017	2016	2017	2017	2016	2017	2017	2016
Revenues:									
Indigenous and Northern Affairs Canada	\$ 2,667,764	\$ 2,831,211	\$ 2,604,630	\$ 589,425	\$ 693,230	\$ 582,439	\$ 483,119	\$ 436,537	\$ 516,641
Prince Albert Grand Council	-	-	-	-	7,495	8,832	-	-	-
Other revenue	57,249	9,108	-	24,000	126,660	158,731	45,647	39,933	41,345
Canada Mortgage and Housing Corporation	-	-	-	-	-	-	-	-	-
Rental revenue	-	-	-	-	-	-	-	-	-
Health Canada (FNIHB)	-	-	-	-	-	-	-	-	-
Income from government business enterprises	-	-	-	-	-	-	-	-	-
NLCDC	-	-	-	-	-	-	-	-	-
	2,725,013	2,840,319	2,604,630	613,425	827,385	750,002	528,766	476,470	557,986
Expenses:									
Amortization	-	-	-	-	1,141	2,575	-	392,458	307,923
Assistance, community events, donations and grants	2,243,869	2,274,589	1,904,786	-	55,879	-	-	-	-
Bank charges and loan interest	-	-	-	24,000	120,360	20,877	-	-	-
Board expenses	-	-	-	22,800	20,581	50,070	-	-	-
Contracted services	19,650	297,889	281,647	117,000	144,556	120,750	98,800	27,850	28,235
Election	-	-	-	52,250	46,439	-	-	-	-
Insurance and licenses	-	-	-	-	-	-	33,565	31,732	29,537
Materials, supplies and office	-	-	-	19,864	14,201	38,354	62,248	58,095	76,679
Other expenses	63,584	81,345	64,898	27,000	208,207	52,203	-	-	-
Professional fees	-	-	-	50,000	61,074	52,500	-	-	-
Program expenditures	316,410	307,241	315,741	-	-	-	-	-	-
Rent	-	-	-	12,009	26,789	3,579	-	-	-
Repairs and maintenance - buildings	-	-	-	8,247	8,244	8,244	27,400	110,276	165,210
Repairs and maintenance - equipment	-	-	-	9,000	4,941	450	-	20,344	12,792
Travel, training and workshops	-	-	43,539	405,518	478,285	542,526	8,800	7,345	18,922
Tuition and books	81,500	29,976	74,860	-	-	-	-	-	-
Utilities and telephone	-	-	-	24,000	21,470	18,750	101,000	112,954	195,023
Vehicle expenses	-	-	-	-	-	-	92,471	49,933	143,024
Wages and benefits	-	-	-	227,264	281,136	191,963	124,429	198,802	244,189
(Gain) loss on disposal of capital assets	-	-	-	-	-	-	-	-	-
	2,725,013	2,991,040	2,685,471	998,952	1,493,303	1,102,841	548,713	1,009,789	1,221,534
Annual Surplus (Deficit)	\$ -	\$ (150,721)	\$ (80,841)	\$ (385,527)	\$ (665,918)	\$ (352,839)	\$ (19,947)	\$ (533,319)	\$ (663,548)

Red Earth First Nation
 Schedule of Revenue and Expenses by Segment (Schedule 1) *Cont'd*
 For the year ended March 31, 2017

	Education			Band Based Capital \ Housing			Community Health		
	Budget 2017	2017	2016	Budget 2017	2017	2016	Budget 2017	2017	2016
Revenues:									
Indigenous and Northern Affairs Canada	\$ 4,358,039	\$ 4,697,529	\$ 4,371,070	\$ 410,540	\$ 2,609,364	\$ 3,810,030	\$ 85,028	\$ 63,026	\$ 63,026
Prince Albert Grand Council	1,222,568	2,216,695	1,149,781	-	-	-	400,406	439,956	489,056
Other revenue	171,500	122,493	183,982	24,000	3,347	15,669	7,918	79,414	39,116
Canada Mortgage and Housing Corporation	-	-	-	-	352,683	371,612	-	-	-
Rental revenue	38,000	47,166	54,163	-	263,240	225,871	-	-	-
Health Canada (FNIHB)	-	-	-	-	48,503	-	206,098	333,346	209,034
Income from government business enterprises	-	-	-	-	-	-	-	-	-
Northern Lights Community Development Corporation	-	-	-	-	-	-	-	25,400	-
	5,790,107	7,083,883	5,758,996	434,540	3,277,137	4,423,182	699,450	941,142	800,232
Expenses:									
Amortization	-	546,776	542,540	-	118,527	226,189	-	4,642	-
Assistance, community events, donations and grants	283,625	338,993	338,081	-	-	-	40,956	133,264	60,959
Bank charges and loan interest	-	-	-	-	86,183	95,502	-	1,786	1,677
Board expenses	34,200	34,837	31,347	-	5,925	7,473	6,286	17,789	8,245
Contracted services	-	-	-	-	26,396	-	41,060	40,903	40,283
Election	-	-	-	-	-	-	-	-	-
Insurance and licenses	13,366	48,926	45,542	71,610	131,562	137,022	979	2,253	2,925
Materials, supplies and office	87,384	135,973	117,198	-	-	2,152	45,441	68,775	53,387
Other expenses	79,659	7,297	63,220	-	24,300	-	-	-	4,663
Professional fees	-	-	-	-	15,000	15,000	6,000	12,550	10,000
Program expenditures	48,000	81,873	117,384	-	-	-	-	-	-
Rent	67,900	44,036	69,599	-	-	-	-	-	-
Repairs and maintenance - buildings	94,929	63,050	131,611	68,930	434,819	463,006	612	710	1,920
Repairs and maintenance - equipment	15,600	9,249	7,823	-	-	-	-	-	-
Travel, training and workshops	75,839	237,866	225,438	-	14,142	17,296	84,742	114,210	89,638
Tuition and books	158,623	109,253	131,354	-	-	-	-	-	-
Utilities and telephone	140,046	207,466	199,709	-	-	-	1,684	2,468	4,159
Vehicle expenses	44,056	57,772	61,241	-	500	-	8,477	18,354	10,918
Wages and benefits	4,220,261	4,517,552	4,353,348	-	193,558	63,960	467,508	494,255	495,727
(Gain) loss on disposal of capital assets	-	-	-	-	-	-	-	-	-
	5,363,488	6,440,919	6,435,435	140,540	1,050,912	1,027,600	703,745	911,959	784,501
Annual Surplus (Deficit)	\$ 426,619	\$ 642,964	\$ (676,439)	\$ 294,000	\$ 2,226,225	\$ 3,395,582	\$ (4,295)	\$ 29,183	\$ 15,731

Red Earth First Nation
Schedule of Revenue and Expenses by Segment (Schedule 1) Cont'd
For the year ended March 31, 2017

	Other Programs			Economic Development			Consolidated Totals		
	Budget 2017	2017	2016	Budget 2017	2017	2016	Budget 2017	2017	2016
Revenues:									
Indigenous and Northern Affairs Canada	\$ -	\$ 106,418	\$ 65,019	\$ -	\$ 12,320	\$ -	\$ 8,593,915	\$ 11,449,635	\$ 12,012,855
Prince Albert Grand Council (PAGC)	615,200	675,157	757,169	52,300	52,700	52,700	2,290,474	3,392,003	2,457,538
Other revenue	18,306	90,480	116,976	-	-	-	348,620	471,436	555,819
Canada Mortgage and Housing Corporation	-	-	-	-	-	-	-	352,683	371,612
Rental revenue	-	-	-	-	-	-	38,000	310,406	280,034
Health Canada (FNIHB)	-	-	-	-	-	-	206,098	381,849	209,034
Income from government business enterprises	-	161,445	38,348	-	-	-	-	161,445	38,348
Northern Lights Community Development Corporation	44,082	62,000	1,450	100,000	88,679	188,633	144,082	176,079	190,083
	677,588	1,095,500	978,962	152,300	153,699	241,333	11,621,189	16,695,536	16,115,323
Expenses:									
Amortization	-	-	-	-	6,743	6,743	-	1,070,287	1,085,970
Assistance, community events, donations and grants	111,000	638,537	488,557	2,355	3,190	3,535	2,681,805	3,444,452	2,795,918
Bank charges and loan interest	-	95,330	100,134	-	-	-	24,000	303,659	218,190
Board expenses	12,522	2,274	23,911	1,000	557	1,000	76,808	81,963	122,046
Contracted services	40,500	75,247	20,212	-	-	-	317,010	612,841	491,127
Election	-	-	-	-	-	-	52,250	46,439	-
Insurance	-	-	-	-	-	-	119,520	214,473	215,026
Materials, supplies and office	13,306	12,730	18,931	-	-	-	228,243	289,774	306,701
Other expenses	85,000	37,040	34,448	102,000	89,006	195,641	357,243	447,195	415,073
Professional fees	-	10,000	20,000	-	-	-	56,000	98,624	97,500
Program expenditures	-	-	-	-	-	-	364,410	389,114	433,125
Rent	-	-	-	-	-	-	79,909	70,825	73,178
Repairs and maintenance - buildings	-	9,189	-	-	-	-	200,118	626,288	769,991
Repairs and maintenance - equipment	-	-	-	-	-	-	24,600	34,534	21,065
Travel, training and workshops	6,000	16,858	4,208	7,000	7,027	5,500	587,899	875,733	947,067
Tuition and books	-	-	-	-	-	-	240,123	139,229	206,214
Utilities and telephone	-	-	-	-	-	-	266,730	344,358	417,641
Vehicle expenses	8,842	23,789	17,644	-	-	-	153,846	150,348	232,827
Wages and benefits	132,336	389,828	258,036	39,945	40,162	40,213	5,211,743	6,115,293	5,647,436
(Gain) loss on disposal of capital assets	-	-	-	-	-	-	-	-	-
	409,506	1,310,822	986,081	152,300	146,685	252,632	11,042,257	15,355,429	14,496,095
Annual Surplus (Deficit)	\$ 268,082	\$ (215,322)	\$ (7,119)	\$ -	\$ 7,014	\$ (11,299)	\$ 578,932	\$ 1,340,107	\$ 1,619,228