
SHOAL LAKE CREE NATION
Consolidated Financial Statements
Year Ended March 31, 2014

SHOAL LAKE CREE NATION
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Year Ended March 31, 2014

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NeuPath Group, PC Inc.

Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of Shoal Lake Cree Nation

We have audited the accompanying consolidated financial statements of Shoal Lake Cree 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 public 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. 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Shoal Lake Cree Nation as at March 31, 2014 and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Nipawin, Saskatchewan
October 10, 2014

NeuPath Group
Chartered Accountants

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Shoal Lake Cree 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 amounts that are the best estimates and judgments of management.

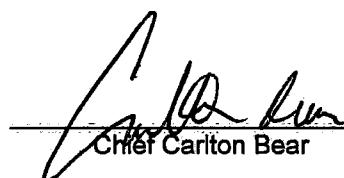
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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 Shoal Lake Cree Nation and meet when required.

On behalf of Shoal Lake Cree Nation:



Chief Carlton Bear



Brad Cook, Band Manager

Pakwaw Lake, Saskatchewan
October 10, 2014

SHOAL LAKE CREE NATION
Consolidated Statement of Financial Position
As at March 31, 2014

	2014	2013
Financial Assets		
Cash resources	\$ 323,796	\$ 55,595
Accounts receivable (Note 2)	31,605	188,639
Due from government and other government organizations (Note 3)	71,476	49,748
Investments in government business enterprises (Note 4)	1,683,421	1,907,063
Portfolio investments (Note 5)	20,000	20,000
Trust funds held by federal government (Note 6)	32,752	31,846
Restricted cash (Note 7)	750,317	1,157,929
	2,913,367	3,410,820
Liabilities		
Accounts payable and accrued liabilities	369,102	317,196
Due to governments and other organizations (Note 8)	146,450	353,193
Deferred revenue (Note 9)	279,188	788,423
Long term debt (Note 10)	3,939,579	4,378,683
	4,734,319	5,837,495
Net Debt	(1,820,952)	(2,426,675)
Non-Financial Assets		
Tangible Capital Assets (Schedule 1)	14,098,237	13,714,130
Prepaid expenses	10,631	-
	14,108,868	13,714,130
Accumulated Surplus	\$ 12,287,916	\$ 11,287,455
CONTINGENT LIABILITY (Note 11)		

ON BEHALF OF THE FIRST NATION

John Ben Chieftain
John Ben Councillor

SHOAL LAKE CREE NATION
Consolidated Statement of Operations
Year Ended March 31, 2014

	Budget 2014	2014	2013
REVENUE			
Aboriginal Affairs and Northern Development			
Canada - operating	\$ 4,468,119	\$ 4,640,242	\$ 4,621,712
Prince Albert Grand Council - operating	944,914	1,021,683	943,379
Aboriginal Affairs and Northern Development			
Canada - capital	-	1,109,589	839,349
First Nations Trust	270,400	350,156	349,550
Canada Mortgage and Housing Corporation	-	267,805	291,583
Rental revenue	35,900	272,048	211,462
Income from investment in government business enterprises (Note 13)	50,000	196,357	167,251
Other revenue	86,718	85,576	77,699
First Nations and Inuit Health Branch	533,012	536,440	125,012
Amounts earned and held in trust by federal government (Note 6)	-	906	729
Other Revenue - capital	-	5,196	-
Northern Lights Community Development Corporation - capital	-	52,031	-
Northern Lights Community Development Corporation - operating	-	44,600	58,049
	6,389,063	8,582,629	7,685,775
EXPENDITURES			
Education	2,238,556	2,086,687	2,217,626
Social Development	1,805,963	1,909,841	2,024,366
Amortization	-	816,593	1,065,066
Band Government	478,351	548,474	473,772
Health	823,373	934,421	388,805
Other Programs	242,150	495,235	293,093
Pubic Works	244,061	294,803	300,556
CMHC Rental Housing	-	283,373	252,929
Housing	138,360	127,808	160,604
Interest	62,274	72,282	74,429
Economic Development	3,100	12,651	17,532
Loss (gain) on disposal of tangible capital assets	-	-	(60,508)
	6,036,188	7,582,168	7,208,270
Annual Surplus (Deficit)	352,875	1,000,461	477,505
Accumulated surplus at beginning of year	11,287,455	11,287,455	10,809,950
Accumulated surplus at end of year	\$ 11,640,330	\$ 12,287,916	\$ 11,287,455

SHOAL LAKE CREE NATION
Consolidated Statement of Change in Net Debt
Year Ended March 31, 2014

	Budget 2014	2014	2013
Annual surplus (deficit)	352,875	1,000,461	477,505
Acquisition of tangible capital assets	-	(1,200,700)	(1,061,075)
Proceeds on disposal of tangible capital assets	-	-	121,777
Amortization of tangible capital assets	-	816,593	1,065,066
Loss (gain) on sale of tangible capital assets	-	-	(60,508)
<u>Use (purchase) of prepaid expenses</u>	<u>-</u>	<u>(10,631)</u>	<u>-</u>
Change in net debt	352,875	605,723	542,765
Net debt at beginning of year	(2,426,675)	(2,426,675)	(2,969,440)
Net debt at end of year	\$ (2,073,800)	\$ (1,820,952)	\$ (2,426,675)

SHOAL LAKE CREE NATION
Consolidated Statement of Cash Flow
Year Ended March 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Net income	\$ 1,000,461	\$ 477,505
Items not affecting cash:		
Amortization	816,593	1,065,066
Loss (gain) on disposal of tangible capital assets	-	(60,508)
Net income from government business enterprises	(196,357)	(167,251)
	1,620,697	1,314,812
Changes in non-cash working capital:		
Accounts receivable	157,034	(91,137)
Due from government and other government organizations	(21,728)	136,887
Accounts payable and accrued liabilities	51,906	(428,962)
Due to governments and other organizations	(206,743)	(25,357)
Deferred revenue	(509,235)	750,352
Prepaid expenses	(10,631)	-
	(539,397)	341,783
Cash flow from operating activities	1,081,300	1,656,595
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(1,200,700)	(1,061,075)
Proceeds on disposal of tangible capital assets	-	121,777
Increase in trust funds held by federal government	(906)	(729)
Distributions from government business enterprises	420,000	75,846
Decrease (increase) in restricted cash	407,612	(922,371)
Cash flow used by investing activities	(373,994)	(1,786,552)
FINANCING ACTIVITIES		
Proceeds from long term financing	-	831,357
Repayment of long term debt	(439,104)	(476,844)
Cash flow from (used by) financing activities	(439,104)	354,513
INCREASE IN CASH FLOW	268,202	224,556
Cash resources (deficiency) - beginning of year	55,595	(168,961)
CASH RESOURCES - END OF YEAR	\$ 323,797	\$ 55,595

SHOAL LAKE CREE NATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2014

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 Shoal Lake Cree Nation reporting entity includes the Shoal Lake Cree Nation government and all related entities that are controlled by the First Nation.

Principles of Consolidation

All controlled entities are fully consolidated on a line by line basis except for the 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 Shoal Lake 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 Shoal Lake Cree Nation.

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

Organizations accounted for on a modified equity basis include:

Prince Albert Development Corporation	8.33%
Prince Albert First Nations Business Development LP	8.33%
Eastern Sector Community Development Corporation	33.33%
Eastern Sector Community Development LP	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
- b) revenue trust monies generated primarily through land leasing transactions or interest earned on deposits held in trust.

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SHOAL LAKE CREE NATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

Automotive equipment	30%
Furniture and equipment	20%
Schools	10%
Commercial buildings	10%
Firetruck	10%
Pipeline, water, sanitation and drainage	5%
Roadways	5%
Housing	4%

Tangible capital assets are written down when conditions indicate that they no longer contribute to Shoal Lake 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 write-downs 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

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the balance sheet in the year of receipt.

Rental revenue is recognized over the rental term. Other revenues are earned from other services provided by the First Nation and are recognized when the service has been provided.

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SHOAL LAKE CREE NATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2014

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

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. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in 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 Shoal Lake Cree Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimates include allowance for doubtful accounts and amortization. Actual results could differ from these estimates.

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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.

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SHOAL LAKE CREE 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

	2014	2013
Fire insurance proceeds	\$ -	\$ 53,797
Other	- -	13,898
Prince Albert First Nations Business Development LP	- -	15,847
Prince Albert Grand Council	31,605	105,097
	\$ 31,605	\$ 188,639

3. DUE FROM GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

	2014	2013
Aboriginal Affairs and Northern Development Canada	\$ 46,296	\$ 6,292
Canada Mortgage and Housing Corporation - RRAP	- -	17,302
Canada Mortgage and Housing Corporation	21,728	22,024
Government of Canada - GST rebates	3,452	4,130
	\$ 71,476	\$ 49,748

SHOAL LAKE CREE NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

4. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES

Shoal Lake Cree Nation's investments in government business enterprises consists of the following:

	2014	2013
Prince Albert Development Corporation	\$ 23,130	\$ 21,576
Prince Albert First Nations Business Development LP	1,730,794	1,955,193
Eastern Sector Community Development Corporation	(44,122)	(43,652)
Eastern Sector Community Development LP	(26,381)	(26,054)
	1,683,421	1,907,063

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

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

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

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

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

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

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

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

5. PORTFOLIO INVESTMENTS

Portfolio investments consist of 40 Class C shares in Nipawin Biomass Ethanol New Generation Cooperative Ltd. There is no active trading market for these shares.

SHOAL LAKE CREE NATION**Notes to Consolidated Financial Statements****Year Ended March 31, 2014****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 the Sections 63 to 69 of the Indian Act.

	Capital	Revenue	2014	2013
Balance, beginning of year	\$ -	\$ 31,846	\$ 31,846	\$ 31,117
Interest earned	-	906	906	729
	\$ -	\$ 32,752	\$ 32,752	\$ 31,846

7. RESTRICTED CASH

	2014	2013
DNCU - CMHC Replacement Reserve 2% Program Plan 24	\$ 159	\$ (2)
DNCU - CMHC Replacement Reserve Fixed Program Plan 24	159,495	160,006
DNCU - CMHC Replacement Reserve Term Deposit	217,162	145,035
DNCU - CMHC Replacement Reserve Term Deposit	16,065	16,065
DNCU - CMHC Replacement Reserve Term Deposit	43,362	42,933
DNCU - CMHC Replacement Reserve Term Deposit	50,000	50,000
PHT - Capital Projects	226,004	743,892
PHT - Daycare Project	38,070	-
	\$ 750,317	\$ 1,157,929

8. DUE TO GOVERNMENTS AND OTHER GOVERNMENT ORGANIZATIONS

	2014	2013
Aboriginal Affairs and Northern Development Canada	\$ 127,424	\$ 315,141
First Nations and Inuit Health Branch	19,026	38,052
	\$ 146,450	\$ 353,193

9. DEFERRED REVENUE

	2014	2013
AANDC - Capital projects	\$ 231,132	\$ 738,721
CMHC - RRAP	-	4,702
Northern Lights Community Development Corporation	48,056	45,000
	\$ 279,188	\$ 788,423

SHOAL LAKE CREE NATION**Notes to Consolidated Financial Statements****Year Ended March 31, 2014****10. LONG TERM DEBT**

	2014	2013
DNCU loan bearing interest at 6.99% per annum, repayable in monthly blended payments of \$25,500. The loan matures on November 1, 2017 and is secured by a general security agreement.	\$ 929,812	\$ 1,161,860
CMHC loan bearing interest at 1.92% per annum, repayable in monthly blended payments of \$4,146. The loan matures on February 1, 2029 and is guaranteed by Government of Canada.	645,207	682,569
CMHC loan bearing interest at 2.11% per annum, repayable in monthly blended payments of \$3,714. The loan matures on December 1, 2028 and is guaranteed by Government of Canada.	564,841	595,912
CMHC loan bearing interest at 2.63% per annum, repayable in monthly blended payments of \$4,283. The loan matures on May 1, 2026 and is guaranteed by Government of Canada.	535,010	571,878
CMHC loan bearing interest at 1.92% per annum, repayable in monthly blended payments of \$2,609. The loan matures on April 1, 2029 and is guaranteed by Government of Canada.	409,898	433,383
CMHC loan bearing interest at 2.4% per annum, repayable in monthly blended payments of \$2,207. The loan matures on October 1, 2025 and is guaranteed by Government of Canada.	267,749	287,579
CMHC loan bearing interest at 2.11% per annum, repayable in monthly blended payments of \$1,364. The loan matures on November 1, 2028 and is guaranteed by Government of Canada.	206,378	217,735
CMHC loan bearing interest at 2.56% per annum, repayable in monthly blended payments of \$1,594. The loan matures on October 1, 2025 and is guaranteed by Government of Canada.	191,710	205,762
CMHC loan bearing interest at 2.61% per annum, repayable in monthly blended payments of \$833. The loan matures on June 1, 2024 and is guaranteed by Government of Canada.	89,845	97,399
Scotiabank loan bearing interest at 5.19% per annum, repayable in monthly blended payments of \$1,352. The loan matures on February 1, 2016 and is guaranteed by Government of Canada.	57,439	70,349

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SHOAL LAKE CREE NATION**Notes to Consolidated Financial Statements****Year Ended March 31, 2014****10. LONG TERM DEBT (continued)**

Scotiabank loan bearing interest at 5.19% per annum, repayable in monthly blended payments of \$1,255. The loan matures on March 1, 2017 and is guaranteed by Government of Canada.

	41,690	54,257
	\$ 3,939,579	\$ 4,378,683

Principal repayment terms are approximately:

2015	\$ 462,620
2016	486,206
2017	511,139
2018	342,308
2019	204,352
Thereafter	<u>1,932,954</u>
	\$ 3,939,579

11. 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 \$455,000 relating to the 2013-14 fiscal year. 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.

12. ACCUMULATED SURPLUS

	2014	2013
Invested in tangible capital assets	\$ 11,093,471	\$ 10,497,307
CMHC reserves	651,702	662,929
Invested in government business enterprises	1,683,421	1,907,063
Operating deficit	<u>(1,140,678)</u>	<u>(1,779,845)</u>
	\$ 12,287,916	\$ 11,287,454

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the First Nation has established a replacement reserve of \$508,870 (2013 - \$502,282) to ensure replacement of capital equipment and for major repairs to CMHC housing units. An operating reserve of \$142,832 (2013 - \$160,648) 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 \$486,243 (2013 - \$414,037) has been set aside to fund these two reserves.

SHOAL LAKE CREE NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

13. INCOME FROM INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

	2014	2013
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)
	\$ 196,358	\$ 167,251

14. 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.

15. 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.

16. EXPENDITURE BY OBJECT

	2014	2013
Wages and benefits	\$ 2,450,140	\$ 2,517,384
Assistance, community events, donations, grants	2,066,774	1,969,589
Amortization	816,593	1,065,066
Contracted Services	434,712	2,264
Workshops, training, travel and per diem	374,280	241,867
Telephone and utilities	256,591	195,757
Student and youth support	225,814	294,370
Materials, supplies and office	238,424	252,394
Housing renovations and repairs	187,183	197,789
Bank charges and loan interest	157,988	162,732
Insurance	147,785	120,638
Repairs, maintenance, fuel	119,340	158,878
Consulting and professional fees	85,249	63,868
Board expenses	21,295	16,802
Governance, justice and health initiatives	-	9,380
(Gain) loss on disposal of assets	-	(60,508)
	\$ 7,582,168	\$ 7,208,270

17. COMPARATIVE FIGURES

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

	Cost				Accumulated Amortization				Net Book Value	
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Amortization	Disposals, Write-offs & Other Adjustments	Closing Balance	Total 2014	Total 2013
Tangible Capital Assets										
Commercial buildings	\$ 14,118,042	\$ -	\$ -	\$ 14,118,042	\$ 10,203,214	\$ 391,483	\$ -	\$ 10,594,697	\$ 3,523,344	\$ 3,914,827
Residential buildings	9,788,955	127,232	-	9,916,187	5,206,390	185,847	-	5,392,237	4,523,950	4,582,565
Roads	264,475	-	-	264,475	162,279	5,110	-	167,389	97,086	102,196
Water and sanitation systems	3,886,494	-	-	3,886,494	2,404,517	74,099	-	2,478,616	1,407,878	1,481,977
Land improvements	4,406,464	-	-	4,406,464	1,931,697	123,738	-	2,055,435	2,351,028	2,474,766
Automotive equipment	705,620	-	-	705,620	630,401	20,179	-	650,580	55,040	75,219
Other equipment	488,513	25,375	-	513,888	420,516	16,137	-	436,653	77,236	67,998
	33,658,562	152,607	-	33,811,169	20,959,015	816,593	-	21,775,608	12,035,561	12,699,547
Assets Under Construction										
Residential Buildings	121,777	5,455	127,232	(0)	-	-	-	-	(0)	121,777
Transfer station/landfill	742,109	252,256	-	994,365	-	-	-	-	994,365	742,109
Water and Sanitation systems	96,181	323,726	-	419,907	-	-	-	-	419,907	96,181
Commercial buildings	54,517	593,888	-	648,405	-	-	-	-	648,405	54,517
	1,014,583	1,175,325	127,232	2,062,676	-	-	-	-	2,062,676	1,014,583
Total	\$ 34,673,145	\$ 1,327,932	\$ 127,232	\$ 35,873,845	\$ 20,959,015	\$ 816,593	\$ -	\$ 21,775,608	\$ 14,098,237	\$ 13,714,130

Shoal Lake Cree Nation
Schedule of Revenues and Expenses by Segment (Schedule 2)
Year ended March 31, 2014

	Social Services			Band Government			Public Works		
	Budget 2014	2014	2013	Budget 2014	2014	2013	Budget 2014	2014	2013
Revenues:									
AANDC - Operating	\$ 1,652,046	\$ 1,647,057	\$ 1,738,177	\$ 428,380	\$ 469,083	\$ 436,516	\$ 144,279	\$ 229,413	\$ 202,144
Prince Albert Grand Council (PAGC)	155,466	169,938	160,556	-	4,552	-	75,300	60,462	74,414
AANDC - Capital	-	-	-	-	-	-	-	1,109,588	784,832
First Nations Trust	-	-	-	-	-	-	-	-	-
CMHC	-	-	-	-	-	-	-	-	-
Rental Revenue	-	-	-	9,600	11,200	19,200	-	-	-
Investment Income	-	-	-	-	-	-	-	-	-
Other revenue	10,000	10,286	11,917	40,000	44,117	40,472	21,718	60,439	16,372
Income from Ottawa trust funds	-	-	-	-	-	-	-	-	-
Health Canada (FNIHB)	-	-	-	-	-	-	-	-	-
	1,817,512	1,827,281	1,910,650	477,980	528,952	496,188	241,297	1,459,902	1,077,762
Expenses:									
Wages and benefits	234,547	226,049	215,515	322,404	347,622	308,986	122,044	135,450	112,227
Assistance, community events, donations and grants	1,514,702	1,601,032	1,689,693	3,000	2,768	3,000	-	164,358	172,134
Amortization	-	-	-	-	11,273	10,527	-	164,358	172,134
Contracted services	-	-	-	-	-	-	6,647	22,440	-
Student and youth support	1,750	2,050	1,750	-	-	-	-	-	-
Repairs and maintenance, fuel	6,131	12,283	8,626	-	-	-	38,259	60,824	114,604
Materials, supplies and office	20,186	26,628	27,771	15,298	11,759	12,337	20,480	16,728	23,873
Workshops, training, travel and per diem	16,793	28,199	28,400	37,000	91,625	63,861	4,954	4,221	8,519
Telephone and utilities	10,220	12,967	9,687	22,500	20,919	24,372	39,336	48,746	35,841
Bank charges and loan interest	-	-	-	73,712	20,983	18,419	-	7,935	6,616
Housing renovations and repairs	-	-	-	-	-	-	-	-	-
Insurance	1,634	633	1,390	10,300	18,053	10,976	5,604	6,394	5,492
Consulting and professional fees	-	-	-	49,000	45,713	43,989	-	-	-
Governance, justice and health initiatives	-	-	-	-	-	-	-	-	-
Board expenses	-	-	-	-	-	-	-	-	-
Equipment rent	-	-	-	7,411	-	-	6,737	-	-
(Gain) loss on disposal of capital assets	-	-	-	-	-	-	-	-	-
	1,805,963	1,909,841	1,982,832	540,625	570,715	496,467	244,061	467,096	479,305
Annual Surplus (Deficit)	\$ 11,549	\$ (82,560)	\$ (72,182)	\$ (62,645)	\$ (41,763)	\$ (279)	\$ (2,764)	\$ 992,806	\$ 598,457

Shoal Lake Cree Nation
Schedule of Revenues and Expenses by Segment (Schedule 2) Cont'd
Year ended March 31, 2014

	Education			Housing			Health		
	Budget 2014	2014	2013	Budget 2014	2014	2013	Budget 2014	2014	2013
Revenues:									
AANDC - Operating	\$ 2,027,054	\$ 2,331,928	\$ 2,028,515	\$ 216,360	\$ 216,360	\$ 216,360	\$ -	\$ 51,275	\$ -
Prince Albert Grand Council (PAGC)	396,739	133,212	358,200	-	-	-	314,309	316,286	305,308
AANDC - Capital	-	-	54,517	-	-	-	-	-	-
First Nations Trust	-	-	-	-	-	-	-	-	-
CMHC	-	-	-	-	267,805	291,583	-	-	-
Rental Revenue	26,300	21,456	9,313	-	239,391	182,949	-	-	-
Investment Income	-	-	-	-	3,525	-	-	-	-
Other revenue	-	2,586	-	-	5,197	2,319	15,000	454	2,500
Income from Ottawa trust funds	-	-	-	-	-	-	533,012	535,440	125,012
Health Canada (FNIHB)	-	-	-	-	-	-	-	-	-
	2,450,093	2,489,182	2,450,544	216,360	732,278	693,211	862,321	903,455	432,820
Expenses:									
Wages and benefits	1,625,914	1,503,004	1,638,916	21,600	16,810	21,785	222,259	221,209	205,671
Assistance, community events, donations and grants	-	-	-	-	-	-	-	-	-
Amortization	-	378,161	424,463	-	235,545	430,102	-	22,028	24,764
Contracted services	-	-	-	-	-	-	412,000	412,272	-
Student and youth support	268,150	212,912	296,937	-	-	-	-	-	-
Repairs and maintenance, fuel	74,624	30,603	32,372	-	-	2,014	3,500	14,911	2,950
Materials, supplies and office	104,465	113,457	85,132	-	589	585	61,002	61,681	69,869
Workshops, training, travel and per diem	61,150	75,272	46,594	-	4,297	2,584	81,437	150,984	47,996
Telephone and utilities	81,300	140,156	107,856	-	-	-	18,300	33,805	18,001
Bank charges and loan interest	-	48,052	49,237	-	80,682	87,674	-	-	-
Housing renovations and repairs	-	-	-	80,901	187,182	197,789	-	-	-
Insurance	7,100	7,005	6,269	35,859	115,699	96,512	-	-	-
Consulting and professional fees	-	-	-	-	11,250	11,000	-	22,540	-
Governance, justice and health initiatives	-	-	-	-	-	-	4,000	-	31,064
Board expenses	4,000	4,275	3,550	-	-	-	17,375	17,021	13,252
Equipment rent	11,853	-	-	-	-	-	7,500	-	-
(Gain) loss on disposal of capital assets	-	-	-	-	(60,508)	-	-	-	-
	2,238,556	2,512,897	2,691,327	138,360	652,054	789,537	827,373	956,451	413,569
Annual Surplus (Deficit)	\$ 211,537	\$ (23,715)	\$ (240,782)	\$ 78,000	\$ 80,224	\$ (96,326)	\$ 34,948	\$ (52,996)	\$ 19,252

Shoal Lake Cree Nation
Schedule of Revenues and Expenses by Segment (Schedule 2) Cont'd
Year ended March 31, 2014

	Other Programs			Economic Development			Consolidated Totals		
	Budget		2013	Budget		2013	Budget		2013
	2014	2014		2014	2014		2014	2014	
Revenues:									
AANDC - Operating	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,468,119	\$ 4,945,116	\$ 4,621,712
Prince Albert Grand Council (PAGC)	-	3,500	15,041	3,100	29,860	29,860	944,914	717,810	943,379
AANDC - Capital	-	-	-	-	-	-	-	1,109,588	839,349
First Nations Trust	270,400	350,156	349,550	-	-	-	270,400	350,156	349,550
CMHC	-	-	-	-	-	-	-	267,805	291,583
Rental Revenue	-	-	-	-	-	-	35,900	272,047	211,462
Investment Income	50,000	196,357	167,251	-	-	-	50,000	199,882	167,251
Other revenue	60,800	62,169	-	-	-	-	86,718	183,879	135,749
Income from Ottawa trust funds	-	906	729	-	-	-	-	906	729
Health Canada (FNIHB)	-	-	-	-	-	-	533,012	535,440	125,012
	320,400	611,719	594,739	3,100	29,860	29,860	6,389,063	8,582,629	7,685,775
Expenses:									
Wages and benefits	-	-	14,286	-	-	-	\$ 2,548,768	\$ 2,450,144	\$ 2,517,386
Assistance, community events, donations and grants	229,459	462,974	276,896	-	-	-	1,747,161	2,066,774	1,969,589
Amortization	-	-	-	-	5,228	3,075	-	816,593	1,065,065
Contracted services	-	-	-	-	-	-	418,647	434,712	-
Student and youth support	8,691	10,850	5,000	-	-	-	278,591	225,812	303,687
Repairs and maintenance, fuel	-	-	-	-	717	575	122,514	119,338	161,142
Materials, supplies and office	-	-	5,344	3,100	7,580	10,626	224,531	238,422	235,537
Workshops, training, travel and per diem	15,329	18,436	-	-	4,353	6,331	201,334	374,280	222,721
Telephone and utilities	-	-	-	-	-	-	171,656	256,593	195,757
Bank charges and loan interest	-	-	785	-	337	-	73,712	157,989	162,732
Housing renovations and repairs	-	-	-	-	-	-	80,901	187,182	197,789
Insurance	-	-	-	-	-	-	60,497	147,784	120,638
Consulting and professional fees	-	5,746	8,879	-	-	-	49,000	85,249	63,868
Governance, justice and health initiatives	-	-	5,000	-	-	-	4,000	-	36,064
Board expenses	-	-	-	-	-	-	21,375	21,296	16,802
Equipment rent	-	-	-	-	-	-	33,501	-	-
(Gain) loss on disposal of capital assets	-	-	-	-	-	-	-	-	(60,508)
	238,150	494,899	334,627	3,100	18,215	20,607	6,036,188	7,582,168	7,208,270
Annual Surplus (Deficit)	\$ 82,250	\$ 116,820	\$ 260,112	\$ -	\$ 11,645	\$ 9,253	\$ 352,875	\$ 1,000,461	\$ 477,505