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SHOAL LAKE CREE NATION
Consolidated Financial Statements
Year Ended March 31, 2016

SHOAL LAKE CREE NATION
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Year Ended March 31, 2016

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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, 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.



Chief Carlton Bear



Bernelda Young, Band Manager

Pakwaw Lake, Saskatchewan
October 20, 2017

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, 2016 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, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

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Independent Auditor's Report to the Members of Shoal Lake Cree Nation *(continued)*

Other Matter

The consolidated financial statements of Shoal Lake Cree Nation for the year ended March 31, 2015 were reported on by another auditor who expressed an unmodified opinion on those consolidated financial statements on December 23, 2015.

Nipawin, Saskatchewan
October 20, 2017

NeuPath Group
Chartered Accountants

SHOAL LAKE CREE NATION
Consolidated Statement of Financial Position
As at March 31, 2016

	2016	2015 (Restated)
Financial Assets		
Cash	\$ 44,151	\$ 274,888
Accounts receivable (Note 3)	690,299	523,312
Restricted cash - capital projects (Note 4)	253,435	708,510
Restricted cash - CMHC replacement reserve (Note 5)	609,094	305,335
Portfolio investments (Note 6)	20,000	20,000
Investments in government business enterprises (Note 7)	1,882,701	1,917,593
Trust funds held by federal government (Note 8)	34,231	33,541
	3,533,911	3,783,179
Liabilities		
Bank indebtedness (Note 9)	32,815	305,614
Accounts payable and accrued liabilities (Note 10)	733,426	1,252,779
Deferred revenue (Note 11)	209,070	57,958
Long term debt (Note 12)	5,537,872	4,187,552
	6,513,183	5,803,903
Net Debt	(2,979,272)	(2,020,724)
Non-Financial Assets		
Tangible Capital Assets (Schedule 1)	19,762,307	17,137,808
Prepaid expenses	5,400	13,948
	19,767,707	17,151,756
Accumulated Surplus (Note 14)	\$ 16,788,435	\$ 15,131,032

ON BEHALF OF THE FIRST NATION

John Alder Chief
Agreement Council

John Bannister Councillor
John Bannister Councillor

SHOAL LAKE CREE NATION
Consolidated Statement of Operations
Year Ended March 31, 2016

	Budget 2016	2016	(Restated) 2015
REVENUE			
Indigenous and Northern Affairs Canada	\$ 4,324,006	\$ 6,359,994	\$ 7,736,081
Prince Albert Grand Council	948,469	1,169,191	959,362
First Nations and Inuit Health Branch	530,684	989,285	537,940
Other revenue	89,000	475,273	74,197
Canada Mortgage and Housing Corporation	1	346,306	261,107
First Nations Trust	270,400	340,874	337,213
Rental revenue	43,400	319,736	305,867
Northern Lights Community Development Corp.	34,209	132,438	136,034
Government business enterprises (Note 15)	50,000	37,573	213,670
FNIHB forfeited funding	-	-	(654)
INAC forfeited funding	-	(55,209)	(284,498)
	6,290,169	10,115,461	10,276,319
EXPENDITURES			
Band Administration (Schedule 2)	325,286	595,421	367,054
Band Based Capital\Housing (Schedule 3)	216,360	992,392	864,059
Community Infrastructure (Schedule 5)	204,938	440,629	367,592
Economic Development (Schedule 6)	2,620	9,078	18,282
Education (Schedule 7)	2,452,168	2,946,159	2,706,287
Health (Schedule 8)	1,019,466	1,170,958	1,070,835
Other Programs (Schedule 9)	373,952	551,064	544,091
Social Development (Schedule 10)	1,506,012	1,752,357	1,565,505
	6,100,802	8,458,058	7,503,705
Annual Surplus (Deficit)	189,367	1,657,403	2,772,614
Accumulated surplus at beginning of year	15,131,032	15,131,032	12,358,418
Accumulated surplus at end of year	\$ 15,320,399	\$ 16,788,435	\$ 15,131,032

SHOAL LAKE CREE NATION
Consolidated Statement of Change in Net Debt
Year Ended March 31, 2016

	Budget 2016	2016	(Restated) 2015
Annual surplus (deficit)	189,367	1,657,403	2,772,614
Acquisition of tangible capital assets	-	(3,488,508)	(3,917,470)
Proceeds on disposal of tangible capital assets	-	83,694	61,959
Amortization of tangible capital assets	-	834,599	814,455
Loss (gain) on sale of tangible capital assets	-	(54,284)	1,485
Use (purchase) of prepaid expenses	-	8,548	(3,317)
Change in net debt	189,367	(958,548)	(270,274)
Net debt at beginning of year	(2,020,724)	(2,020,724)	(1,750,450)
Net debt at end of year	\$ (1,831,357)	\$ (2,979,272)	\$ (2,020,724)

SHOAL LAKE CREE NATION
Consolidated Statement of Cash Flow
Year Ended March 31, 2016

	2016	2015 (Restated)
OPERATING ACTIVITIES		
Net income	\$ 1,657,403	\$ 2,772,614
Items not affecting cash:		
Amortization	834,599	814,455
Loss (gain) on disposal of tangible capital assets	(54,284)	1,485
Net income from government business enterprises	(37,573)	(213,670)
	2,400,145	3,374,884
Changes in non-cash working capital:		
Accounts receivable	(166,987)	(420,231)
Restricted cash - capital projects	455,075	(444,436)
Accounts payable and accrued liabilities	(519,352)	737,226
Deferred revenue	151,112	(221,230)
Prepaid expenses	8,548	(3,317)
	(71,604)	(351,988)
Cash flow from operating activities	2,328,541	3,022,896
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(3,488,508)	(3,917,470)
Proceeds on disposal of tangible capital assets	83,694	61,959
Increase in trust funds held by federal government	(690)	(789)
Distributions from government business enterprises	72,464	50,000
Decrease (increase) in restricted cash - CMHC replacement reserve	(303,759)	180,908
Cash flow used by investing activities	(3,636,799)	(3,625,392)
FINANCING ACTIVITIES		
Proceeds from long term financing	2,453,994	906,343
Repayment of long term debt	(1,103,674)	(658,369)
Cash flow from financing activities	1,350,320	247,974
INCREASE (DECREASE) IN CASH FLOW	42,062	(354,522)
Cash resources (deficiency) - beginning of year	(30,726)	323,796
CASH RESOURCES - END OF YEAR	\$ 11,336	\$ (30,726)
CASH (DEFICIENCY) CONSISTS OF:		
Cash resources	\$ 44,151	\$ 274,888
Bank indebtedness	(32,815)	(305,614)
	\$ 11,336	\$ (30,726)

SHOAL LAKE CREE NATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2016

1. NATURE OF OPERATIONS

The Shoal Lake 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

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 CPA Canada.

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.

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

Shoal Lake Cree Nation Section 95 Social Housing Operation

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%

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Cash Resources

Cash resources include cash on hand and bank balances.

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

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 impractical.

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 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.

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 Development: The social development 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.

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

Community Infrastructure: The community infrastructure segment provides for the delivery of water, collecting and treating of wastewater, collection and disposal of solid waste, maintenance of community buildings and roads and fire protection.

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

Band Based Capital: The band based capital 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 and Northern Lights Community Development Corporation 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.

Recent accounting pronouncements

A number of new standards and amendments to standards which may impact the First Nation are not yet effective for the year ended March 31, 2016, and have not been applied in preparing these consolidated financial statements.

Assets (PS 3210)

This standard, which is effective April 1, 2017, provides guidance for applying the definition of assets and establishes general disclosure standards for assets. Disclosure information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate cannot be made, the reason(s) for this should be disclosed.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Related Party Disclosures (PS 2200) and Inter-entity Transactions (PS 3420)**

These standards, which are effective January 1, 2017, address the reporting of transactions between entities controlled by the government's reporting entity from both a provider and recipient perspective. Disclosure of this information is required whether or not the transaction is given accounting recognition.

Foreign Currency Translation (PS 2601)

This standard, which is effective April 1, 2019, 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. Unrealised 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.

Contingent Assets (PS 3320)

This standard, which is effective April 1, 2017, addresses the reporting of 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. Disclosure 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.

Contractual Rights (PS 3380)

This standard, which is effective April 1, 2017, addresses the reporting of rights to economic resources arising from contracts or agreement 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.

Restructuring Transactions (PS 3430)

This standard, which is effective April 1, 2018, provides guidance to transfers of an integrated set of assets and/or liabilities, together with related program or operating responsibilities that do not involve an exchange of consideration. Individual assets and liabilities transferred in a restructuring transaction are unrecognised 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.

(continues)

SHOAL LAKE CREE NATION**Notes to Consolidated Financial Statements****Year Ended March 31, 2016****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial Instruments (PS 3450)**

This standard, which is effective April 1, 2019, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments that are quoted in an active market; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the First Nation. Unrealised gains and losses are presented in a new statement of remeasurement gains and losses. There is a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities.

Portfolio Investments (PS 3041)

This standard, which is effective April 1, 2019, has removed the distinction between temporary and portfolio investments. This section was amended to conform to Financial Instruments (PS 3450), and will include pooled investments in its scope. Upon adoption of PS 3450 and PS 3041, Temporary Investments (PS 3030) will no longer apply.

Financial Statement Presentation (PS 1201)

This standard, which is effective April 1, 2019, was amended to conform to Financial Instruments (PS 3450), and requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealised 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.

3. ACCOUNTS RECEIVABLE

	2016	2015
Due from members	\$ 496,588	\$ 483,427
Less: allowance for doubtful accounts	(448,209)	(438,533)
	48,379	44,894
Canada Mortgage and Housing Corporation	64,225	29,746
First Nations and Inuit Health Branch	272,913	111,750
First Nations Trust	-	77,139
Government of Canada - GST rebates	20,985	6,924
Indigenous and Northern Affairs Canada	16,377	81,903
Northern Lights Community Development Corporation	36,582	26,455
Other	114,975	5,396
Prince Albert Grand Council	97,499	139,105
Rent	18,364	-
	\$ 690,299	\$ 523,312

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 Indigenous and Northern Affairs Canada.

SHOAL LAKE CREE NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

5. RESTRICTED CASH - CMHC REPLACEMENT RESERVE

Shoal Lake Cree Nation is required under agreement with CMHC to set aside funds to finance future qualifying housing expenditures. The First Nation has \$609,094 (2015 - \$305,335) of cash restricted to fund CMHC reserves. As at March 31, 2016, the reserves are underfunded by \$207,633 (2015 - \$435,938). The CMHC reserve cash consists of funds on deposit with financial institutions for the purpose of funding the CMHC Housing Replacement Reserve.

6. PORTFOLIO INVESTMENTS

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

7. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES

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

	2016	2015
Prince Albert Development Corporation	\$ 24,456	\$ 24,246
Prince Albert First Nations Business Development LP	<u>1,858,245</u>	<u>1,893,347</u>
	<u>1,882,701</u>	<u>1,917,593</u>

Summarized financial information for Prince Albert Development Corporation for the year ending March 31, 2016 is as follows:

Total assets	298,989	302,175
Total liabilities	5,513	11,225
Shareholder's equity	293,476	290,950
Income	4,526	25,762
Expenses	2,000	10,632
Net earnings	2,526	15,130

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

Total assets	22,973,343	23,122,361
Total liabilities	375,413	100,022
Partners' capital	22,597,930	23,022,339
Income	795,967	2,879,500
Expenses	343,097	303,102
Net earnings	452,870	2,576,398

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SHOAL LAKE CREE NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

7. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES (continued)

Financial statements for Eastern Sector Development Corporation have not been prepared for the year ending March 31, 2016. 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, 2016. 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)

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 the Sections 63 to 69 of the Indian Act.

	Capital	Revenue	2016	2015
Balance, beginning of year	\$ -	\$ 33,541	\$ 33,541	\$ 32,752
Interest earned	-	690	690	789
	\$ -	\$ 34,231	\$ 34,231	\$ 33,541

9. BANK INDEBTEDNESS

Bank indebtedness consists of cheques issued in excess of deposits. Unauthorized overdraft interest at Diamond North Credit Union is charged at a rate of 30%.

The First Nation has an operating loan with an authorized credit limit of \$200,000 with First Nations Bank, bearing interest at prime plus 1.85%. The operating loan is secured by a Band Council Resolution authorizing redirection of INAC funding, a general security agreement and access to on-reserve assets.

SHOAL LAKE CREE NATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2016

10. ACCOUNTS PAYABLE

	2016	2015
Indigenous and Northern Affairs Canada	\$ 321,901	\$ 252,432
Trade payables - operating	385,249	336,277
Trade payables - construction	26,276	664,070
	\$ 733,426	\$ 1,252,779

11. DEFERRED REVENUE

	2016	2015
Drainage capital project	\$ 9,903	\$ 9,903
Water treatment plant capital project	189,167	-
Northern Lights Community Development Corporation	10,000	48,055
	\$ 209,070	\$ 57,958

12. LONG TERM DEBT

	2016	2015
Scotiabank Phase III 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 secured by guarantee of the Government of Canada.	\$ 14,568	\$ 28,489
Scotiabank Phase IV loan bearing interest at 5.19% per annum, repayable in monthly blended payments of \$1,352. The loan matures on February 1, 2018 and is secured by guarantee of the Government of Canada.	29,524	43,851
CMHC Phase V loan bearing interest at 1.82% per annum, repayable in monthly blended payments of \$803. The loan matures on September 1, 2019 and is secured by guarantee of the Government of Canada.	73,737	81,946
CMHC Phase VI loan bearing interest at 2.56% per annum, repayable in monthly blended payments of \$1,594. The loan matures on May 1, 2016 and is secured by guarantee of the Government of Canada.	162,518	177,295
CMHC Phase VII loan bearing interest at 2.11% per annum, repayable in monthly blended payments of \$1,364. The loan matures on January 1, 2019 and is secured by guarantee of the Government of Canada.	181,843	194,235
CMHC Phase VIII loan bearing interest at 1.92% per annum, repayable in monthly blended payments of \$4,146. The loan matures on April 1, 2019 and is secured by guarantee of the Government of Canada.	568,999	607,441

(continues)

SHOAL LAKE CREE NATION**Notes to Consolidated Financial Statements****Year Ended March 31, 2016****12. LONG TERM DEBT (continued)**

CMHC Phase IX loan bearing interest at 1.04% per annum, repayable in monthly blended payments of \$2,066. The loan matures on October 1, 2020 and is secured by guarantee of the Government of Canada.	226,053	247,439
CMHC Phase X loan bearing interest at 2.63% per annum, repayable in monthly blended payments of \$4,283. The loan matures on June 1, 2016 and is secured by guarantee of the Government of Canada.	458,347	497,165
CMHC Phase XI loan bearing interest at 2.11% per annum, repayable in monthly blended payments of \$3,714. The loan matures on January 1, 2019 and is secured by guarantee of the Government of Canada.	498,130	531,823
CMHC Phase XII loan bearing interest at 1.92% per annum, repayable in monthly blended payments of \$2,609. The loan matures on April 1, 2019 and is secured by guarantee of the Government of Canada.	362,094	386,206
CMHC Phase XIII loan bearing interest at 1.01% per annum, repayable in monthly blended payments of \$3,222. The loan matures on February 1, 2021 and is secured by guarantee of the Government of Canada.	700,559	508,065
FNB loan bearing interest at 4.8% per annum, repayable in monthly principal payments of \$19,097 plus interest. The loan matures on March 1, 2021 and is secured by a Band Council Resolution authorizing redirection of 100% of First Nations Trust gaming distributions and 100% of Northern Lights Community Development Corporation distributions to FNB.	1,375,000	-
FNB loan bearing interest at 3.45% per annum, repayable in monthly principal payments of \$4,948 plus interest. The loan matures on March 1, 2021 and is secured by a Band Council Resolution authorizing redirection of 100% of First Nations Trust gaming distributions and 100% of Northern Lights Community Development Corporation distributions to FNB and assignment of term deposits and credit balances issued by the First Nation in the amount of \$475,000.	475,000	-
FNB loan bearing interest at prime plus 2.10% per annum, repayable in quarterly principal payments of \$20,188 plus monthly interest and a one-time principal payment of \$250,000 no later than June 1, 2016. The loan matures on January 1, 2018 and is secured by a Band Council Resolution authorizing redirection of 100% of First Nations Trust gaming distributions and 100% of Northern Lights Community Development Corporation distributions to FNB and assignment of term deposits and credit balances issued by the First Nation in the amount of \$475,000.	411,500	-

(continues)

SHOAL LAKE CREE NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

12. LONG TERM DEBT (continued)

DNCU loan repaid during the year.	-	681,019
DNCU loan repaid during the year.	-	202,578
	\$ 5,537,872	\$ 4,187,552

Principal repayment terms are approximately:

2017	\$ 878,024
2018	616,309
2019	606,789
2020	611,361
2021	616,029
Thereafter	<u>2,209,360</u>
	<u>\$ 5,537,872</u>

13. 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.

14. ACCUMULATED SURPLUS

	2016	2015
Invested in tangible capital assets	\$ 16,485,935	\$ 13,833,853
CMHC reserves	816,727	741,273
Equity in government business enterprises	1,882,701	1,917,593
Operating deficit	<u>(2,396,928)</u>	<u>(1,361,687)</u>
	<u>\$ 16,788,435</u>	<u>\$ 15,131,032</u>

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the First Nation has established a replacement reserve of \$654,870 (2015 - \$578,175) to ensure replacement of capital equipment and for major repairs to CMHC housing units. An operating reserve of \$161,857 (2015 - \$163,098) 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, 2016 \$609,094 (2015 - \$305,335) has been set aside to fund these two reserves.

SHOAL LAKE CREE NATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2016

15. INCOME FROM INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

	2016	2015
Share of earnings - PADC	\$ 211	\$ 1,117
Share of earnings - PAFNBDLP	37,362	212,553
	\$ 37,573	\$ 213,670

16. 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.

17. 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.

18. EXPENDITURE BY OBJECT

	Budget 2016	Actual 2016	Actual 2015
Administration fees	\$ 8,727	\$ -	\$ (3,017)
Amortization	12,000	834,599	814,455
Bad debts	-	22,983	15,112
Bank charges and interest	8,400	51,639	12,070
Basic needs	1,096,683	1,330,905	1,283,487
CMHC rent paid on behalf of members	-	138,465	114,013
Contracted services	37,918	46,203	78,893
Insurance	72,964	152,631	155,390
Interest on long-term debt	75,000	121,357	132,244
Loss (gain) on disposal of capital assets	-	(54,284)	1,485
Member assistance	160,610	246,124	308,585
Professional fees	40,000	85,655	38,283
Program activities	341,004	460,189	274,728
Repairs and maintenance	228,946	416,513	174,133
Salaries and benefits	2,759,587	2,879,673	2,694,760
Special needs	103,576	69,575	72,320
Student expenses	268,100	300,892	223,413
Supplies	134,384	295,334	257,514
Telephone and utilities	174,215	189,732	159,995
Transportation program costs	412,000	442,947	404,470
Travel	166,688	426,926	291,372
	\$ 6,100,802	\$ 8,458,058	\$ 7,503,705

SHOAL LAKE CREE NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

19. COMPARATIVE FIGURES

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

20. PRIOR PERIOD ADJUSTMENT

During the year, it was determined that the investment in Prince Albert Development Corporation, Prince Albert First Nation Business Development Limited Partnership, Eastern Sector Community Development Corporation and Eastern Sector Community Development Limited Partnership should be recorded using the modified equity method as recommended by CPA Canada Public Sector Accounting Handbook PS 3060 Government Partnerships rather than at cost as portfolio investments. As a result, the March 31, 2015 financial statements have been adjusted as follows:

	As Previously Stated	Adjustment	As Restated
Investments in government business enterprises	\$ -	\$ 1,917,593	\$ 1,917,593
Portfolio investments	59,600	(39,600)	20,000
Accumulated surplus, beginning of the year	10,644,095	1,714,323	12,358,418
Accumulated surplus, end of the year	13,253,039	1,877,993	15,131,032
Equity in government business enterprises	-	1,917,593	1,917,593
Income from government business enterprises	-	213,670	213,670
Income from portfolio investments	50,000	(50,000)	-
Annual surplus	2,608,944	163,670	2,772,614

Consolidated Schedule of Tangible Capital Assets (Schedule 1)

Year Ended March 31, 2016

	Cost				Accumulated Amortization				Net Book Value	
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Amortization	Disposals, Write-offs & Other Adjustments	Closing Balance	Total 2016	Total 2015
Tangible Capital Assets										
Commercial buildings	\$ 14,788,138	\$ -	\$ -	\$ 14,788,138	\$ 10,980,537	\$ 380,759	\$ -	\$ 11,361,296	\$ 3,426,842	\$ 3,807,603
Residential buildings	9,835,341	796,035	85,000	10,546,376	5,551,904	188,518	55,592	5,684,830	4,861,546	4,283,437
Roads	264,475	-	-	264,475	172,243	4,612	-	176,855	87,620	92,232
Water and sanitation systems	4,881,892	-	-	4,881,892	2,573,895	115,400	-	2,689,295	2,192,597	2,307,997
Land improvements	4,406,464	-	-	4,406,464	2,172,987	111,674	-	2,284,661	2,121,803	2,233,476
Automotive equipment	732,620	27,500	-	760,120	668,995	21,279	-	690,274	69,846	63,626
Other equipment	513,887	-	-	513,887	452,100	12,357	-	464,457	49,430	61,787
	35,422,817	823,535	85,000	36,161,352	22,572,661	834,599	55,592	23,351,668	12,809,684	12,850,158
Assets Under Construction										
Residential Buildings	537,833	258,202	796,035	-	-	-	-	-	-	537,833
Water and Sanitation systems	3,682,117	2,203,833	-	5,885,950	-	-	-	-	5,885,950	3,682,117
Commercial buildings	67,700	998,973	-	1,066,673	-	-	-	-	1,066,673	67,700
	4,287,650	3,461,008	796,035	6,952,623	-	-	-	-	6,952,623	4,287,650
Total	\$ 39,710,467	\$ 4,284,543	\$ 881,035	\$ 43,113,975	\$ 22,572,661	\$ 834,599	\$ 55,592	\$ 23,351,668	\$ 19,762,307	\$ 17,137,808

SHOAL LAKE CREE NATION
Consolidated Schedule of Revenues and Expenses - Band Administration (Schedule 2)

Year Ended March 31, 2016

	Budget 2016	Actual 2016	Actual 2015
Revenues			
Indigenous and Northern Affairs Canada	\$ 455,969	\$ 403,014	\$ 487,604
Other revenue	40,000	154,442	45,464
Prince Albert Grand Council	-	6,231	-
Rental revenue	3,600	-	2,800
INAC forfeited funding	-	(62)	(61,919)
	499,569	563,625	473,949
Expenses			
Administration fees	(273,773)	(319,759)	(336,976)
Amortization	12,000	12,890	16,227
Bad Debts	-	22,983	15,112
Bank charges and interest	8,400	51,640	12,354
Contracted services	1,034	8,422	23,120
Insurance	18,053	24,546	27,757
Interest on long term debt	75,000	58,137	66,084
Member assistance	4,000	3,660	250
Professional fees	40,000	70,581	30,590
Program activities	-	4,370	-
Salaries and benefits	363,927	378,628	327,896
Supplies	12,000	54,517	38,742
Telephone and utilities	22,145	9,306	14,744
Travel	42,500	215,500	131,154
	325,286	595,421	367,054
Annual Surplus (Deficit)	\$ 174,283	\$ (31,796)	\$ 106,895

SHOAL LAKE CREE NATION
Consolidated Schedule of Revenues and Expenses - Band Based Capital\Housing
(Schedule 3)

Year Ended March 31, 2016

	Budget 2016	Actual 2016	Actual 2015
Revenues			
Canada Mortgage and Housing Corporation	\$ 1	\$ 346,306	\$ 261,107
Rental revenue	-	286,816	278,280
Indigenous and Northern Affairs Canada	216,360	182,483	216,360
Other revenue	-	3,936	21,093
	216,361	819,541	776,840
Expenses			
Administration fees	32,100	73,380	72,280
Amortization	-	304,521	300,404
Bank charges and interest	-	-	(287)
CMHC rent paid on behalf of members	-	138,465	114,013
Contracted services	-	-	17,990
Insurance	37,656	117,093	127,634
Interest on long-term debt	-	63,220	66,160
Loss (gain) on disposal of capital assets	-	(54,284)	1,485
Professional fees	-	10,925	7,693
Repairs and maintenance	136,604	298,995	110,221
Salaries and benefits	-	26,765	28,468
Supplies	10,000	4,089	11,499
Travel	-	9,223	6,499
	216,360	992,392	864,059
Annual Surplus (Deficit)	\$ 1	\$ (172,851)	\$ (87,219)

SHOAL LAKE CREE NATION
Consolidated Schedule of Revenues and Expenses - Capital Projects (Schedule 4)

Year Ended March 31, 2016

	Budget 2016	Actual 2016	Actual 2015
Revenues			
Indigenous and Northern Affairs Canada	\$ -	\$ 2,203,833	\$ 3,321,230
First Nations and Inuit Health Branch	-	450,000	-
Other revenue	-	250,000	-
Prince Albert Grand Council	-	150,000	-
Northern Lights Community Development Corp.	34,209	64,388	-
	\$ 34,209	\$ 3,118,221	\$ 3,321,230

SHOAL LAKE CREE NATION
Consolidated Schedule of Revenues and Expenses - Community Infrastructure
(Schedule 5)

Year Ended March 31, 2016

	Budget 2016	Actual 2016	Actual 2015
Revenues			
Indigenous and Northern Affairs Canada	\$ 175,360	\$ 236,007	\$ 175,360
Other revenue	22,000	13,367	-
Prince Albert Grand Council	10,500	10,500	10,500
INAC forfeited funding	-	-	(2,672)
	207,860	259,874	183,188
Expenses			
Administration fees	6,000	9,767	8,737
Amortization	-	122,803	102,972
Contracted services	36,884	37,781	35,281
Insurance	8,421	4,400	-
Repairs and maintenance	32,206	56,055	16,428
Salaries and benefits	59,013	86,020	88,587
Supplies	18,681	35,924	43,270
Telephone and utilities	30,233	70,347	52,454
Travel	13,500	17,532	19,863
	204,938	440,629	367,592
Loss from operations	\$ 2,922	\$ (180,755)	\$ (184,404)

SHOAL LAKE CREE NATION
Consolidated Schedule of Revenues and Expenses-Economic Development (Schedule 6)
Year Ended March 31, 2016

	Budget 2016	Actual 2016	Actual 2015
Revenues			
Prince Albert Grand Council	\$ 3,100	\$ 18,100	\$ 18,100
Expenses			
Professional fees	-	4,149	-
Program activities	-	-	3,542
Repairs and maintenance	-	-	300
Supplies	500	80	2,310
Travel	2,120	4,849	12,130
	2,620	9,078	18,282
Annual Surplus (Deficit)	\$ 480	\$ 9,022	\$ (182)

SHOAL LAKE CREE NATION
Consolidated Schedule of Revenues and Expenses - Education (Schedule 7)

Year Ended March 31, 2016

	Budget 2016	Actual 2016	Actual 2015
Revenues			
Indigenous and Northern Affairs Canada	\$ 1,992,909	\$ 2,000,649	\$ 2,014,821
Prince Albert Grand Council	396,190	381,395	403,429
Rental revenue	39,800	32,920	24,787
Other revenue	-	2,013	695
	2,428,899	2,416,977	2,443,732
Expenses			
Administration fees	151,250	142,996	161,600
Amortization	-	375,663	373,234
Insurance	7,200	3,800	-
Program activities	11,610	11,584	23,870
Repairs and maintenance	46,511	37,666	33,631
Salaries and benefits	1,792,749	1,813,831	1,710,637
Student expenses	268,100	300,892	223,413
Supplies	53,750	114,104	76,603
Telephone and utilities	91,616	92,110	61,444
Travel	29,382	53,513	41,855
	2,452,168	2,946,159	2,706,287
Loss from operations	\$ (23,269)	\$ (529,182)	\$ (262,555)

SHOAL LAKE CREE NATION
Consolidated Schedule of Revenues and Expenses - Health (Schedule 8)

Year Ended March 31, 2016

	Budget 2016	Actual 2016	Actual 2015
Revenues			
First Nations and Inuit Health Branch	\$ 530,684	\$ 539,285	\$ 537,940
Prince Albert Grand Council	461,782	485,614	439,435
Other revenue	27,000	44,178	3,946
FNIHB forfeited funding	-	-	(654)
	1,019,466	1,069,077	980,667
Expenses			
Administration fees	25,892	26,358	27,892
Amortization	-	18,723	21,617
Insurance	1,634	2,792	-
Program activities	90,278	122,409	113,242
Repairs and maintenance	11,800	17,411	8,376
Salaries and benefits	359,084	364,374	333,609
Supplies	33,133	72,946	76,786
Telephone and utilities	30,221	17,968	31,353
Transportation	412,000	442,947	404,470
Travel	55,424	85,030	53,490
	1,019,466	1,170,958	1,070,835
Loss from operations	\$ -	\$ (101,881)	\$ (90,168)

SHOAL LAKE CREE NATION
Consolidated Schedule of Revenues and Expenses - Other Programs (Schedule 9)

Year Ended March 31, 2016

	Budget 2016	Actual 2016	Actual 2015
Revenues			
First Nations Trust	\$ 270,400	\$ 340,874	\$ 337,213
Prince Albert Grand Council	53,553	94,006	64,554
Northern Lights Community Development Corp.	-	68,050	136,034
Investment income	50,000	37,573	213,670
Other revenue	-	7,339	3,000
	373,953	547,842	754,471
Expenses			
Administration fees	52,250	52,250	52,250
Contracted services	-	-	2,502
Member assistance	156,610	242,464	308,335
Program activities	85,540	160,638	91,450
Repairs and maintenance	1,825	6,385	5,177
Salaries and benefits	77,727	89,327	84,377
	373,952	551,064	544,091
Income (loss) from operations	\$ 1	\$ (3,222)	\$ 210,380

SHOAL LAKE CREE NATION
Consolidated Schedule of Revenues and Expenses - Social Development (Schedule 10)

Year Ended March 31, 2016

	Budget 2016	Actual 2016	Actual 2015
Revenues			
Indigenous and Northern Affairs Canada	\$ 1,483,408	\$ 1,334,008	\$ 1,520,706
Prince Albert Grand Council	23,345	23,345	23,345
INAC forfeited funding	-	(55,147)	(219,907)
	1,506,753	1,302,206	1,324,144
Expenses			
Administration fees	15,008	15,008	11,200
Basic needs	1,096,683	1,330,905	1,283,487
Program activities	153,576	161,188	46,166
Salaries and benefits	107,087	120,729	121,188
Special needs	103,576	69,575	68,778
Supplies	6,320	13,674	8,304
Travel	23,762	41,278	26,382
	1,506,012	1,752,357	1,565,505
Loss from operations	\$ 741	\$ (450,151)	\$ (241,361)