

**The Key First Nation  
Consolidated Financial Statements**

*March 31, 2016*

# The Key First Nation Contents

For the year ended March 31, 2016

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	Page
<b>Management's Responsibility</b>	
<b>Independent Auditors' Report</b>	
<b>Consolidated Financial Statements</b>	
Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Change in Net Debt.....	3
Consolidated Statement of Cash Flows.....	4
<b>Notes to the Consolidated Financial Statements.....</b>	<b>5</b>
<b>Schedules</b>	
Schedule 1 - Consolidated Schedule of Tangible Capital Assets.....	17
Schedule 2 - Schedule of Consolidated Expenses by Object.....	19
Schedule 3 - Schedule of Revenue and Expenses - Band Government.....	20
Schedule 4 - Schedule of Revenue and Expenses - Education.....	21
Schedule 5 - Schedule of Revenue and Expenses - Economic Development.....	22
Schedule 6 - Schedule of Revenue and Expenses - Social.....	23
Schedule 7 - Schedule of Revenue and Expenses - Community.....	24
Schedule 8 - Schedule of Revenue and Expenses - Housing.....	25
Schedule 9 - Schedule of Revenue and Expenses - Community Health.....	26
Schedule 10 - Schedule of Revenue and Expenses - Other.....	27

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## **Management's Responsibility**

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To the Members of The Key First Nation:

The accompanying consolidated financial statements of The Key First Nation are the responsibility of management and have been approved by Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Key First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for appointing the Nation's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by Council to audit the consolidated financial statements and report directly to the Members of The Key First Nation; their report follows. The external auditors have full and free access to, and may meet periodically and separately with, both Council and management to discuss their audit findings.

March 30, 2017

"Original Signed By"

Melody Brass

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## Independent Auditors' Report

To the Members of The Key First Nation:

We have audited the accompanying consolidated financial statements of The Key First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus, changes in net 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 financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

### *Basis for Qualified Opinion*

The First Nation's statements of operations and changes in net debt do not present a comparison of the results for the accounting period with those originally planned, which constitutes a departure from Canadian public sector accounting standards.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of The Key First Nation as at March 31, 2016 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan

March 30, 2017

*MNP LLP*

Chartered Professional Accountants

**MNP**

**The Key First Nation**  
**Consolidated Statement of Financial Position**  
*As at March 31, 2016*

	<b>2016</b>	<b>2015</b>
<b>Financial assets</b>		
<b>Current</b>		
Cash (Note 3)	1,130,209	732,269
Accounts receivable (Note 4)	154,105	785,999
	1,284,314	1,518,268
<b>Portfolio investments (Note 5)</b>	331,558	331,558
<b>Advances to related Nation entities (Note 6)</b>	1,307	905
<b>Funds held in trust (Note 7)</b>	27,777	24,560
<b>Co-op equity</b>	15,000	15,000
<b>Total financial assets</b>	<b>1,659,956</b>	1,890,291
<b>Liabilities</b>		
<b>Current</b>		
Bank indebtedness (Note 8)	183,009	143,477
Accounts payable and accruals	481,984	351,266
Deferred revenue (Note 9)	191,706	243,496
Current portion of long-term debt (Note 10)	453,452	704,696
	1,310,151	1,442,935
<b>Long-term debt (Note 10)</b>	2,129,468	886,449
<b>Total financial liabilities</b>	<b>3,439,619</b>	2,329,384
<b>Net debt</b>	<b>(1,779,663)</b>	(439,093)
<b>Contingencies (Note 11)</b>		
<b>Subsequent events (Note 20)</b>		
<b>Non-financial assets</b>		
Tangible capital assets (Note 12) (Schedule 1)	9,585,587	8,621,164
Prepaid expenses	37,664	20,904
<b>Total non-financial assets</b>	<b>9,623,251</b>	8,642,068
<b>Accumulated surplus (Note 14)</b>	<b>7,843,588</b>	8,202,975

**Approved on behalf of the Chief and Council**

“Original Signed By”  


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Glen O'Soup

Councilor

“Original Signed By”  


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Angela Desjarlais

Councilor

**The Key First Nation**  
**Consolidated Statement of Operations and Accumulated Surplus**  
*For the year ended March 31, 2016*

	<b>2016</b>	<b>2015</b>
<b>Revenue</b>		
Indigenous and Northern Affairs Canada (Note 16)	2,420,995	2,416,682
Health Canada (Note 17)	369,605	368,307
Canada Mortgage and Housing Corporation	203,757	152,821
Pelly Haylands	1,066,684	2,512,774
Lease income	495,692	473,684
First Nations Trust	458,734	380,609
Yorkton Tribal Council	234,127	219,570
Other	186,711	149,922
Painted Hand CDC	129,262	222,833
Rental income	86,941	79,037
Interest income	2,340	5,440
Earnings from portfolio investments	-	20,493
	<b>5,654,848</b>	7,002,172
<b>Program expenses</b>		
Band Government	3 1,372,345	944,171
Education	4 1,236,326	1,113,720
Economic Development	5 295,055	304,391
Social	6 512,919	557,627
Community	7 506,073	508,750
Housing	8 788,949	647,039
Community Health	9 654,423	681,658
Other	10 648,145	751,142
<b>Total expenditures</b>	<b>6,014,235</b>	5,508,498
<b>Annual surplus (deficit)</b>	<b>(359,387)</b>	1,493,674
<b>Accumulated surplus, beginning of year</b>	<b>8,202,975</b>	6,709,301
<b>Accumulated surplus, end of year (Note 14)</b>	<b>7,843,588</b>	8,202,975

*The accompanying notes are an integral part of these financial statements*

**The Key First Nation**  
**Consolidated Statement of Change in Net Debt**  
*For the year ended March 31, 2016*

	<b>2016</b>	<b>2015</b>
<b>Annual surplus (deficit)</b>	<b>(359,387)</b>	1,493,674
Purchases of tangible capital assets	(1,337,349)	(2,422,254)
Amortization of tangible capital assets	372,926	380,517
	<b>(964,423)</b>	(2,041,737)
Acquisition of prepaid expenses (net)	(16,760)	(1,018)
<b>Increase in net debt</b>	<b>(1,340,570)</b>	(549,081)
<b>Net financial assets (net debt), beginning of year</b>	<b>(439,093)</b>	109,988
<b>Net debt, end of year</b>	<b>(1,779,663)</b>	(439,093)

*The accompanying notes are an integral part of these financial statements*

**The Key First Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2016*

	<b>2016</b>	<b>2015</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Annual surplus (deficit)	(359,387)	1,493,674
Non-cash items		
Amortization	372,926	380,517
Bad debts	8,180	11,175
	<b>21,719</b>	1,885,366
Changes in working capital accounts		
Accounts receivable	623,714	(401,468)
Prepaid expenses	(16,760)	(1,018)
Accounts payable and accruals	130,718	109,579
Deferred revenue	(51,790)	(117,498)
	<b>707,601</b>	1,474,961
<b>Financing activities</b>		
Advances of long-term debt	1,750,000	650,000
Repayment of long-term debt	(758,225)	(206,351)
Increase in funds held in trust	(3,217)	(18,514)
Increase in bank indebtedness	39,532	143,477
	<b>1,028,090</b>	568,612
<b>Capital activities</b>		
Purchases of tangible capital assets	(1,337,349)	(2,422,254)
<b>Investing activities</b>		
Advances to related Nation entities	(402)	(905)
Increase in portfolio investment	-	(20,493)
Decrease in Co-op equity	-	18,998
	<b>(402)</b>	(2,400)
<b>Increase (decrease) in cash resources</b>	<b>397,940</b>	(381,081)
<b>Cash resources, beginning of year</b>	<b>732,269</b>	1,113,350
<b>Cash resources, end of year</b>	<b>1,130,209</b>	732,269
<b>Supplementary cash flow information</b>		
Interest paid	78,265	43,613

*The accompanying notes are an integral part of these financial statements*

**The Key First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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**1. Operations**

The The Key First Nation (the "First Nation") is located in the province of Saskatchewan, and provides various services to its members. The Key First Nation includes the Nation's members, government and all related entities that are accountable to the Nation and are either owned or controlled by the First Nation.

**2. Significant accounting policies**

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

***Basis of presentation***

Sources of financing and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

***Reporting entity***

The financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity.

The Nation has consolidated the assets, liabilities, revenues and expenses of the following entities:

- Key First Nation
- Key First Nation CMHC Housing
- Key First Nation Pelly Haylands Corp.
- Key First Nation Band Land Holdings Corp.
- Key First Nation Pelly Haylands Authorized Expense Account
- Key First Nation Pelly Haylands Band Account

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. Key First Nation Pelly Haylands Band Account and Key First Nation Pelly Haylands Authorized Expense Account have a year end December 31, 2015 which are not co-terminous with the Nation's year end. Significant events during the intervening period were adjusted.

The financial statement of Key First Nation Pelly Hayland Trust is not included in the consolidated financial statements of The Key First Nation as the entity is administered and controlled by Trustees of the Trust.

These entities are related by common ownership.

***Other economic interests***

The Key First Nation is a member of the Yorkton Tribal Council Child and Family Services Incorporated. The Yorkton Tribal Council Child and Family Services Incorporated is an organization of thirteen member First Nations, whose purpose is to be provided Child and Family Services to the thirteen member Nations.

***Portfolio investments***

Long-term investments in entities that are not owned, controlled or influenced by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment. The First Nation's investment in PHC Holdings Limited Partnership is accounted for using the cost method.

**The Key First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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**2. Significant accounting policies** *(Continued from previous page)*

**Cash resources**

Cash resources include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Funds held in trust by INAC for the First Nation and the cash on deposit in CMHC reserve accounts are recorded as restricted assets.

Restricted cash is disclosed in Note 3.

**Funds held in Ottawa Trust Fund**

Funds are held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund. Cash is subject to restrictions that prevent its use for current purposes is included in restricted cash.

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other Nation capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Revenues from trust fund moneys are recognized when measurable, earned and collection is reasonably assured. These moneys are reported on by the Government of Canada.

**Tangible capital assets**

Tangible capital assets are initially recorded at cost based on historical accounting records. Contributed tangible capital assets are recorded at their fair value at the date of contribution.

**Amortization**

Amortization for tangible capital assets is provided using the following methods at rates intended to amortize the cost over their estimated useful lives. In the year of acquisition, amortization is taken at 1/2 of the annual amount.

	<b>Method</b>	<b>Rate</b>
Buildings	straight-line	20 years
Equipment	straight-line	5 years
Housing	straight-line	10 - 25 years
Water & Sewer	straight-line	20 - 40 years
Vehicles	straight-line	5 years

Land is not amortized.

**Long-lived assets**

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Any impairment is included in surplus for the year. Prices for similar items are used to measure fair value of long-lived assets.

**The Key First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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**2. Significant accounting policies** *(Continued from previous page)*

**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. Net debt is comprised of two components, non-financial assets and accumulated surplus.

**Revenue recognition**

**Non-government funding**

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 statement of financial position in the year of receipt.

**Government Transfers**

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

**Other Revenue**

Lease revenue is recognized over the rental term. Investment income is recognized when received or receivable. Other revenues are earned from other services provided by the First Nation and are recognized when the service has been provided, amount is measurable and collectibility is reasonably assured.

**Measurement uncertainty**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period.

Accounts receivable and amounts due from related Nation entities are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the First Nation is responsible for.

These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the records in the periods in which they become known.

**The Key First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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**2. Significant accounting policies** *(Continued from previous page)*

***Liability for contaminated sites***

A liability for remediation of contaminated sites is recognized at the best estimate of the amount required to remediate the contaminated sites when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2016.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. No liability for remediation of contaminated sites exists at March 31, 2016.

***Segments***

The First Nation conducts its business through 8 of reportable segments as identified in the attached schedules. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance and as part of its funding requirements.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information and are apportioned based on a percentage of budgeted revenue, where permitted by the funding agencies.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

***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, 2019.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. The First Nation has not yet determined the effect of these new standards on its financial statements.

***Related Party Disclosures and Inter-Entity Transactions***

In March 2015, the Public Sector Accounting Board (PSAB) issued PS 2200 *Related Party Disclosures* and PS 3420 *Inter-Entity Transactions*. These new Sections define related parties and establish disclosures required for related party transactions. Disclosure is required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

They also establish standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

This standards are effective for fiscal years beginning on or after April 1, 2017. Early adoption is permitted. The Nation has not yet determined the effect of these new standards on its financial statements.

**The Key First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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**2. Significant accounting policies** *(Continued from previous page)*

**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. The Nation has not yet determined the effect of these new standards on its financial statements.

**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 events 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. The Nation has not yet determined the effect of these new standards on its financial statements.

**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 (or a narrower range of more likely amounts), unless such 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. The Nation has not yet determined the effect of these new standards on its financial statements.

**3. Restricted cash**

Restricted cash consists of amounts relating to CMHC replacement reserve of \$147,568 (2015 - \$nil) and of cash managed by capital project managers who are responsible for payment of expenses relating to capital projects funded by INAC. At March 31, 2016 this amounted to \$9,356 (2015 - \$nil).

**The Key First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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**4. Accounts receivable**

	<b>2016</b>	<b>2015</b>
Indian and Northern Affairs Canada	-	141,621
Health and Welfare Canada	680	38,292
CMHC subsidy assistance receivable	14,520	13,294
Members	116,215	115,894
Due from Ottawa Trust Fund	-	352,733
Other	138,014	238,228
	<b>269,429</b>	900,062
Less: Allowance for doubtful accounts	<b>115,324</b>	114,063
	<b>154,105</b>	785,999

Amounts due from Ottawa Trust Fund are for amounts approved for transfer at March 31, 2015 but for which the cash was not received by the First Nation as at March 31, 2015.

**5. Portfolio investments**

	<b>2016</b>	<b>2015</b>
Measured at cost:		
PHC Holdings Limited Partnership - 14.28%	<b>331,558</b>	<b>331,558</b>

Summarized financial information as at December 31, 2015 for the partnership is presented below:

	<i>Assets</i>	<i>Liabilities</i>	<i>Revenue</i>	<i>Expenses</i>	<i>Income</i>
PHC Holdings Limited Partnership	10,674,966	7,419,571	2,015,482	1,121,007	894,475

The Key First Nations partners' capital account in PHC Holdings Limited Partnership as at December 31, 2015 is \$459,289.

**6. Advances to related Nation entities**

Advances to related Nation entities are unsecured, non-interest bearing and without fixed terms of repayment. All transactions with related parties are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	<b>2016</b>	<b>2015</b>
Advances to Pelly Haylands Trust	1,307	1,805
Advances from Key First Nation Pelly Haylands Band Account	-	(2,175)
Advances to Key First Nation Pelly Haylands Authorized Expense Account	-	1,275
	<b>1,307</b>	905

**The Key First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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**7. Funds held in trust**

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

	<b>2016</b>	<b>2015</b>
<b>Capital Trust</b>		
Balance, beginning and end of year	<b>506</b>	506
<b>Revenue Trust</b>		
Balance, beginning of year	24,054	5,540
Interest	2,328	5,413
Land leases	399,092	365,834
	425,474	376,787
Less: withdrawals	398,203	352,733
	27,271	24,054
Balance, end of year		
Total funds held in trust	<b>27,777</b>	24,560

During the year, \$398,203 of funds transferred in the current year was expended as follows:

BCR #58 - 2015/2016      \$120,579 (Band Revenue)  
 BCR #57 - 2015/2016      \$58,690 (Band Revenue)  
 BCR #12 - 2015/2016      \$132,467 (\$40,000 - Housing, \$39,941 - Band Administration, \$52,526 - Band Revenue)

Unexpended funds relating to transfers in the current year are \$86,467 (BCR #12 - \$7,500; BCR #58 - \$78,967)

**8. Bank indebtedness**

At March 31, 2016, the First Nation had lines of credit totaling \$183,500 (2015 - \$183,500), none of which were drawn on. The 2011 Case 580N Back Hoe and mortgage proceeds on CMHC loans are pledged as collateral. Bank indebtedness consists of \$183,009 (2015 - \$143,477) in outstanding cheques.

**The Key First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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**9. Deferred revenue**

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Recognized as revenue</i>	<i>Balance, end of year</i>
INAC	129,004	112,000	121,748	119,256
First Nations Trust	42,042	416,692	458,734	-
KFN Pelly Haylands Holding Corp	72,450	-	-	72,450
	<b>243,496</b>	<b>528,692</b>	<b>580,482</b>	<b>191,706</b>

INAC Deferred revenue relates to the following:

	<b><u>2016</u></b>	<b><u>2015</u></b>
Sewage Pumping Station	75,000	-
Water Treatment Plant	34,356	25,000
P&ID Custom Election Code	9,900	-
Lands	-	84,004
Solid Waste	-	20,000
	<b>119,256</b>	<b>129,004</b>

**The Key First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

**10. Long-term debt**

The following CMHC loans are secured by government guarantees, and relate to the construction of on-reserve housing. The First Nation receives a subsidy from Canada Mortgage and Housing Corporation to assist with the payment of principal and interest on the following loans:

<u>CMHC Phase</u>	<u>Monthly Payment Including Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2016</u>	<u>2015</u>
I	1,747	18.50%	Mar. 1, 2017	19,045	35,013
II	1,776	18.25%	Jun. 1, 2017	23,680	39,284
V	709	2.99%	Mar. 1, 2017	8,383	16,510
VI	1,876	3.35%	Dec. 1, 2017	38,211	59,068
VII	587	4.39%	Mar 1, 2017	6,881	13,478
VIII	363	1.92%	Apr. 1, 2024	32,612	36,306
IX	1,171	2.63%	Mar. 1, 2026	123,529	134,190
X	1,172	1.53%	Nov. 1, 2027	150,196	161,865
XI	748	1.92%	Jan. 1, 2029	102,204	109,160
XII	1,987	2.37%	Jul. 1, 2036	384,201	398,773
XIII	3,848	1.39%	Jun 1, 2030	596,741	-
				1,485,683	1,003,647
Royal Bank term loan, interest at prime rate plus 2%, paid in full in July 2015.				-	400,000
Royal Bank term loan, interest at prime rate plus 2.75%, quarterly payments of \$20,834, matures July 2017 (secured by 2011 Case 580N Back Hoe with a net book value of \$12,370).				104,162	187,498
Royal Bank term loan, interest at prime plus 2.00%, quarterly payments of \$53,800, matures July 2020.				818,075	-
Royal Bank term loan, interest at prime plus 1.50%, quarterly payments of \$10,937, matures July 2020.				175,000	-
				2,582,920	1,591,145
Less: current portion				453,452	704,696
				2,129,468	886,449

Principal repayments on long-term debt in each of the next five years, assuming loans subject to renewal are renewed with similar terms, are estimated as follows:

2017	453,452
2018	347,441
2019	316,192
2020	330,973
2021	159,584
	1,607,642
Thereafter	975,278

Interest on long-term debt amounted to \$78,265 (2015 - \$43,613).

**The Key First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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**11. Contingencies**

The First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements. This amount cannot be reasonably estimated at this point in time.

**12. Tangible capital assets**

The tangible capital assets reconciliation is included in Schedule 1.

**13. CMHC Reserves**

Operating reserve

The First Nation's CMHC Housing Program receives funding to the Post 1997 - Fixed Subsidy Program. Any surpluses are externally restricted and reserved for future operating losses that relate to the operation of houses under this program. Any operating surpluses are retained in an operating reserve fund, which can be used to recover future operating deficits.

Replacement reserve

A replacement reserve has been established for replacement of capital equipment and for major repairs to the houses. Pursuant to CMHC agreements, operating provisions of \$40 per unit per month are made for phases I, II, V, VI, and VII, \$50 for phases VIII, \$101 for phase IX, \$98 for phase X, \$95 for phase XI and \$100 for phase XII and XIII. Any applicable expenditure is charged against the reserve.

Surplus reserve

For phases 1 through 7 (pre 1997 - 2% program), if a project has a surplus, a maximum of \$500 per house may be charged to operations and reserved for future operating losses.

At March 31, 2016 the replacement reserve is under-funded by \$46,721 (2015 - under-funded by \$202,353) and the operating reserve fund is under-funded by \$76,482 (2015 - under-funded by \$84,088).

**14. Accumulated surplus**

Accumulated surplus consists of the following:

	2016	2015
Equity in Ottawa Trust Funds	27,777	24,560
Equity in CMHC operating reserve	76,482	84,088
Equity in CMHC replacement reserve	194,290	185,158
Equity in CMHC subsidy surplus	(122,693)	(122,693)
Equity in tangible capital assets	7,177,668	7,030,019
Unexpended Ottawa Trust Funds	86,467	-
Unrestricted surplus	<u>403,597</u>	<u>1,001,843</u>
	<hr/> <u>7,843,588</u>	<hr/> <u>8,202,975</u>

The First Nation does not maintain a moveable asset reserve.

**The Key First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

**15. Economic dependence**

The Key First Nation receives a significant portion of its revenue 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.

**16. INAC Reconciliation**

	<b>2016</b>	<b>2015</b>
INAC funding per confirmation	2,431,608	2,259,124
Less: reversal of prior year receivables	-	(6,788)
	<b>2,431,608</b>	2,252,336
<b>Less: recovery of funding</b>		
High school tuition	718	13,108
Special needs	(10,703)	(9,308)
National child benefit	(1,460)	(439)
Basic needs	(4,278)	521
Band administration	-	(7,342)
Band employee benefits	(4,638)	(967)
	<b>(20,361)</b>	(4,427)
Deferred revenue - beginning of year	129,004	297,777
Deferred revenue - end of year	(119,256)	(129,004)
	<b>9,748</b>	168,773
	<b>2,420,995</b>	2,416,682

**17. Reconciliation of funding from Health Canada**

	<b>2016</b>	<b>2015</b>
Funding per Health Canada confirmation	379,883	354,969
<b>Less: recoveries</b>		
Community health representative	-	(2,640)
Medical transportation	(7,193)	(5,767)
Health committee	-	(580)
Brighter futures	-	(696)
CPNP	-	(956)
CDC/CDHE	(711)	(540)
HIV/AIDS	(2,374)	-
	<b>(10,278)</b>	(11,179)
Deferred revenue - beginning of year	-	24,517
	<b>369,605</b>	368,307

**The Key First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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**18. Segments**

The First Nation has 8 reportable segments. These segments are differentiated by the major activities or services they provide. The First Nation's segments are as follows:

**Band Government** - includes administration and governance activities.

**Education** - includes the operations of education programs.

**Economic Development** - includes activities for the development of the First Nation's land and resources.

**Social** - activities include delivering social programs.

**Community** - includes activities for the maintenance of the community and its infrastructure.

**Housing** - includes the operations of housing programs.

**Community Health** - includes operation of health programs.

**Other** - other band programs which do not meet the criteria for the other segments.

Inter-segment transfers are recorded at their exchange amount. The accounting policies of the segments are the same as those described in Note 2.

**19. Comparative figures**

Certain comparative figures have been reclassified to conform with current year's presentation.

**20. Issuance of financial statements after July 29, 2016**

The First Nation is required to post its consolidated financial statements on a website and submit the consolidated financial statements to INAC by July 29, 2016. As the audit report date is dated after this date, the First Nation is in violation of this requirement. The possible effect on this violation has not yet been determined.

**21. Budget information**

Canadian public sector accounting (PSA) standards require the disclosure of budget information for comparison to the First Nation's actual revenue and expenses. The consolidated budgeted revenue and expenses, and surplus have not been reported in these financial statements. While having no effect on reported revenue, expenses, and surplus, omission of this information is considered a departure from PSA standards.

**The Key First Nation**  
**Schedule 1 - Consolidated Schedule of Tangible Capital Assets**  
*For the year ended March 31, 2016*

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	<i>Buildings</i>	<i>Housing</i>	<i>Equipment</i>	<i>Water &amp; Sewer</i>	<i>Land</i>	<i>Subtotal</i>
<b>Cost</b>						
Balance, beginning of year	3,839,135	4,821,578	579,419	614,560	3,349,353	13,204,045
Acquisition of tangible capital assets	-	355,037	-	15,645	966,667	1,337,349
Balance, end of year	3,839,135	5,176,615	579,419	630,205	4,316,020	14,541,394
<b>Accumulated amortization</b>						
Balance, beginning of year	1,826,155	1,965,721	539,800	293,606	-	4,625,282
Annual amortization	159,607	143,973	21,419	28,227	-	353,226
Balance, end of year	1,985,762	2,109,694	561,219	321,833	-	4,978,508
<b>Net book value of tangible capital assets</b>	<b>1,853,373</b>	<b>3,066,921</b>	<b>18,200</b>	<b>308,372</b>	<b>4,316,020</b>	<b>9,562,886</b>
2015 Net book value of tangible capital assets	2,012,980	2,855,857	39,619	320,954	3,349,353	8,578,763

**The Key First Nation**  
**Schedule 1 - Consolidated Schedule of Tangible Capital Assets**  
*For the year ended March 31, 2016*

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	<i>Subtotal</i>	<i>Vehicles</i>	<i>2016</i>	<i>2015</i>
<b>Cost</b>				
Balance, beginning of year	13,204,045	154,066	13,358,111	10,935,857
Acquisition of tangible capital assets	1,337,349	-	1,337,349	2,422,254
<b>Balance, end of year</b>	<b>14,541,394</b>	<b>154,066</b>	<b>14,695,460</b>	<b>13,358,111</b>
<b>Accumulated amortization</b>				
Balance, beginning of year	4,625,282	111,665	4,736,947	4,356,430
Annual amortization	353,226	19,700	372,926	380,517
<b>Balance, end of year</b>	<b>4,978,508</b>	<b>131,365</b>	<b>5,109,873</b>	<b>4,736,947</b>
<b>Net book value of tangible capital assets</b>	<b>9,562,886</b>	<b>22,701</b>	<b>9,585,587</b>	<b>8,621,164</b>
2015 Net book value of tangible capital assets	8,578,763	42,401	8,621,164	

**The Key First Nation**  
**Schedule 2 - Schedule of Consolidated Expenses by Object**  
*For the year ended March 31, 2016*

	<b>2016</b>	<b>2015</b>
<b>Consolidated expenses by object</b>		
Salaries and benefits	1,211,240	1,013,580
Student expenses	1,072,105	917,683
Repairs and maintenance	633,758	744,521
Contracted services	486,081	330,560
Social assistance	427,412	462,287
Band support	424,247	525,806
Amortization	372,926	380,517
Travel	287,791	201,522
Community development costs	144,251	206,913
Professional fees	139,207	67,436
Meeting	137,664	76,484
Per capital distributions	85,524	60,905
Wakes and funerals	84,490	72,390
Interest on long-term debt	78,265	43,613
Training	53,478	15,239
Consulting	50,559	40,394
Insurance	50,225	86,743
Community events	39,288	18,008
Utilities	38,498	65,904
Office supplies	35,496	38,249
Supplies	35,371	22,443
Telephone	33,809	30,431
Bank charges and interest	23,528	20,118
Property tax	17,991	12,086
Community donations	15,000	-
Elders	12,552	6,250
Program expense	10,870	13,746
Bad debts	8,180	11,175
Advertising	3,939	5,632
Election costs	490	17,863
	<b>6,014,235</b>	<b>5,508,498</b>

**The Key First Nation  
Band Government**  
**Schedule 3 - Schedule of Revenue and Expenses**  
*For the year ended March 31, 2016*

	<b>2016</b>	<b>2015</b>
<b>Revenue</b>		
Indigenous and Northern Affairs Canada	360,314	332,651
Other	44,239	113,795
Earnings from portfolio investments	-	20,493
	<b>404,553</b>	466,939
<b>Expenses</b>		
Salaries and benefits	610,106	467,832
Contracted services	173,941	92,634
Travel	113,765	111,960
Band support	113,447	157,407
Wakes and funerals	84,490	72,390
Professional fees	78,089	29,830
Consulting	43,559	35,394
Training	29,192	911
Meeting	27,403	18,510
Office supplies	23,960	26,540
Telephone	20,684	19,396
Bank charges and interest	16,696	15,965
Elders	12,552	6,250
Amortization	8,891	8,890
Bad debts	8,180	11,175
Repairs and maintenance	4,277	6,743
Advertising	3,939	3,686
Insurance	3,388	1,863
Election costs	490	17,863
Administration (recovery)	(13,512)	(161,068)
	<b>1,363,537</b>	944,171
<b>Deficit before transfers</b>	<b>(958,984)</b>	(477,232)
<b>Transfers between programs</b>	<b>656,979</b>	495,714
<b>Surplus (deficit)</b>	<b>(302,005)</b>	18,482

**The Key First Nation**  
**Education**  
**Schedule 4 - Schedule of Revenue and Expenses**  
*For the year ended March 31, 2016*

	<b>2016</b>	<b>2015</b>
<b>Revenue</b>		
Indigenous and Northern Affairs Canada	<b>1,154,456</b>	1,192,152
<b>Expenses</b>		
Student expenses	1,072,105	917,683
Salaries and benefits	61,738	45,974
Contracted services	34,136	36,529
Amortization	19,700	24,760
Repairs and maintenance	16,928	17,349
Community donations	15,000	-
Travel	7,205	5,394
Meeting	6,011	3,137
Social assistance	1,346	1,700
Training	1,250	-
Insurance	481	1,475
Bank charges and interest	426	77
Administration	-	59,628
Office supplies	-	14
	<b>1,236,326</b>	1,113,720
<b>Surplus (deficit)</b>	<b>(81,870)</b>	78,432

**The Key First Nation  
Economic Development**  
**Schedule 5 - Schedule of Revenue and Expenses**  
*For the year ended March 31, 2016*

	<b>2016</b>	<b>2015</b>
<b>Revenue</b>		
Indigenous and Northern Affairs Canada	182,500	144,770
Painted Hand CDC	129,262	222,833
Yorkton Tribal Council	46,700	46,700
	<b>358,462</b>	414,303
<b>Expenses</b>		
Community development costs	144,251	206,913
Salaries and benefits	72,178	43,817
Contracted services	22,339	7,398
Travel	18,916	8,938
Repairs and maintenance	14,141	8,627
Professional fees	12,500	5,331
Meeting	4,928	8,751
Training	3,390	1,500
Program expense	1,500	-
Supplies	407	70
Office supplies	305	24
Telephone	200	-
Administration	-	12,536
Utilities	-	486
	<b>295,055</b>	304,391
<b>Surplus</b>	<b>63,407</b>	109,912

**The Key First Nation**  
**Social**  
**Schedule 6 - Schedule of Revenue and Expenses**  
*For the year ended March 31, 2016*

	<b>2016</b>	<b>2015</b>
<b>Revenue</b>		
Indigenous and Northern Affairs Canada	<b>446,468</b>	470,162
<b>Expenses</b>		
Social assistance	426,066	460,587
Contracted services	34,017	31,125
Salaries and benefits	31,050	39,491
Training	16,462	11,028
Travel	3,021	89
Bank charges and interest	2,303	1,745
Administration	-	13,562
	<b>512,919</b>	557,627
<b>Deficit</b>	<b>(66,451)</b>	(87,465)

**The Key First Nation**  
**Community**  
**Schedule 7 - Schedule of Revenue and Expenses**  
*For the year ended March 31, 2016*

	<b>2016</b>	<b>2015</b>
<b>Revenue</b>		
Indigenous and Northern Affairs Canada	211,912	215,679
Other revenue	1,700	3,135
Interest income	2	-
	<b>213,614</b>	218,814
<b>Expenses</b>		
Amortization	200,203	219,710
Repairs and maintenance	122,633	110,448
Salaries and benefits	71,818	59,301
Contracted services	70,637	41,872
Utilities	23,206	38,657
Insurance	11,796	22,676
Travel	3,147	1,307
Training	2,258	-
Telephone	375	-
Administration	-	14,659
Bank charges and interest	-	120
	<b>506,073</b>	508,750
<b>Deficit</b>	<b>(292,459)</b>	(289,936)

**The Key First Nation**  
**Housing**  
**Schedule 8 - Schedule of Revenue and Expenses**  
*For the year ended March 31, 2016*

	<b>2016</b>	<b>2015</b>
<b>Revenue</b>		
Indigenous and Northern Affairs Canada	65,345	61,268
Canada Mortgage and Housing Corporation	203,757	152,821
Rental income	86,941	79,037
Other revenue	4,437	16,746
Interest income	11	27
	<b>360,491</b>	309,899
<b>Expenses</b>		
Repairs and maintenance	456,922	350,457
Amortization	143,973	126,957
Salaries and benefits	44,737	35,631
Interest on long-term debt	39,982	35,985
Insurance	27,511	47,619
Contracted services	25,296	14,443
Meeting	23,840	8,351
Travel	15,578	7,974
Professional fees	10,621	8,000
Bank charges and interest	455	-
Office supplies	33	214
Administration	-	11,408
	<b>788,948</b>	647,039
<b>Deficit before transfers</b>	<b>(428,457)</b>	(337,140)
Transfers between programs	40,000	167,646
<b>Deficit</b>	<b>(388,457)</b>	(169,494)

**The Key First Nation**  
**Community Health**  
**Schedule 9 - Schedule of Revenue and Expenses**  
*For the year ended March 31, 2016*

	<b>2016</b>	<b>2015</b>
<b>Revenue</b>		
Health Canada	369,605	368,307
Yorkton Tribal Council	187,427	172,870
Other	1,425	9,946
	<b>558,457</b>	551,123
<b>Expenses</b>		
Salaries and benefits	294,595	291,397
Contracted services	116,702	104,079
Travel	45,265	53,859
Community events	39,288	18,008
Meeting	37,196	15,010
Supplies	31,264	22,314
Repairs and maintenance	18,857	48,418
Utilities	15,292	26,760
Administration	13,512	49,277
Telephone	12,550	11,035
Office supplies	11,199	11,458
Program expense	9,370	13,746
Insurance	7,048	13,109
Bank charges and interest	1,360	1,388
Training	925	1,800
	<b>654,423</b>	681,658
<b>Deficit</b>	<b>(95,966)</b>	(130,535)

**The Key First Nation**  
**Other**  
**Schedule 10 - Schedule of Revenue and Expenses**  
*For the year ended March 31, 2016*

	<b>2016</b>	<b>2015</b>
<b>Revenue</b>		
Pelly Haylands	1,066,684	2,512,774
Lease income	495,692	473,684
First Nations Trust	458,734	380,609
Other	134,910	6,300
Interest income	2,328	5,413
	<b>2,158,348</b>	3,378,780
<b>Expenses</b>		
Band support	310,800	368,399
Per capital distributions	85,524	60,905
Travel	80,895	12,000
Meeting	38,285	22,725
Professional fees	37,998	24,275
Interest on long-term debt	29,475	7,628
Salaries and benefits	25,018	30,137
Property tax	17,991	12,086
Contracted services	9,013	2,480
Consulting	7,000	5,000
Supplies	3,700	59
Bank charges and interest	2,287	823
Amortization	159	201
Advertising	-	1,945
Repairs and maintenance	-	202,479
	<b>648,145</b>	751,142
<b>Surplus before transfers</b>	<b>1,510,203</b>	2,627,638
<b>Transfers between programs</b>	<b>(696,979)</b>	(663,360)
<b>Surplus</b>	<b>813,224</b>	1,964,278