

FLYING DUST FIRST NATION

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

for the year ended March 31, 2016

FLYING DUST FIRST NATION
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Management's Responsibility for the Financial Statements

To the Members of Flying Dust First Nation:

The accompanying financial statements of Flying Dust First Nation are the responsibility of management and have been approved by the Council.

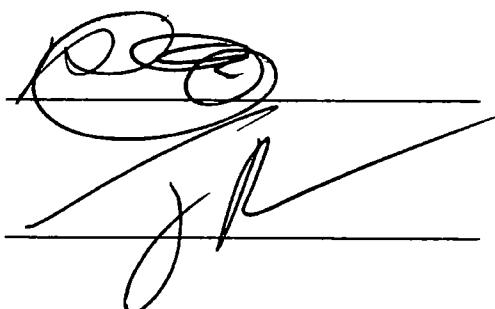
These financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board. Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the financial statements.

The 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 financial statements and the external auditor's report.

The external auditors, Bjorn Sigurdson CPA PC Inc., conduct an audit in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. The external auditors have access to financial management of Flying Dust First Nation and meet when required.

On behalf of Flying Dust First Nation:

A handwritten signature in black ink, appearing to read "J. M.," is placed over two horizontal lines. The signature is fluid and cursive, with a large, stylized initial 'J' and a smaller 'M' following it.



INDEPENDENT AUDITOR'S REPORT

To the Members of the **Flying Dust First Nation**:

We have audited the accompanying consolidated financial statements of **Flying Dust First Nation** which is comprised of the consolidated statement of financial position as of March 31, 2016 and the consolidated statements of operations, changes in net financial assets, surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility of the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these 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.

The 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 First Nation's preparation and fair presentation of the 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 First Nation'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.



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

Basis for Qualified Opinion

In common with many not-for-profit organizations, **Flying Dust First Nation** derives revenue from fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the record of **Flying Dust First Nation** therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenue over expenses, cash flows from operations for the year ended March 31, 2016, current assets and net asset balances as at March 31, 2016. Our audit opinion on the financial statements for the year ended March 31, 2016 was modified accordingly because of the possible effects of this limitation of scope.

Qualified Opinion

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

The supplementary information contained in the accompanying schedules is presented for purposes of additional information to the membership and Aboriginal Affairs and Northern Development Canada and does not form part of the consolidated financial statements. The schedules have not been audited other than in the course of our audit of the financial statements to the extent necessary to allow us to render an opinion thereon.

Bjorn Sigurdson CPA Pro Corp

Chartered Professional
Accountants

Saskatoon, Saskatchewan
August 28, 2016



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FLYING DUST FIRST NATION

STATEMENT OF FINANCIAL POSITION
as at March 31, 2016

	2016	2015
<u>FINANCIAL ASSETS</u>		
Bank	\$ 619,877	\$ -
Restricted deposits	1,929,788	439,001
Term deposits	-	15,245
Accounts receivable (Note 2)	459,781	365,146
Advances receivable (Note 3)	1,298,554	1,071,175
Trust funds (Note 4)	197,159	1,082,291
Investments (Note 5)	3,029,661	2,416,186
Limited partnership interests (Note 6)	<u>5,967,924</u>	<u>6,409,013</u>
	<u>13,502.744</u>	<u>11,798,057</u>
<u>FINANCIAL LIABILITIES</u>		
Bank indebtedness	-	995,556
Accounts payable (Note 7)	321,794	1,471,488
Unexpended revenue (Note 8)	1,590,387	109,700
Funded reserves (Note 9)	578,914	439,001
Bank loan (Note 10)	292,245	102,485
Term debt (Note 11 & 12)	5,198,101	5,622,674
Advances payable (Note 13)	<u>3,858,693</u>	-
	<u>11,840.134</u>	<u>8,740,904</u>
NET FINANCIAL ASSETS	1,662,610	3,057,153
<u>NON-FINANCIAL ASSETS</u>		
Tangible capital assets (Note 14)	16,635,317	15,801,469
Prepaid expense	<u>42,921</u>	<u>68,587</u>
SURPLUS	\$ 18,340,848	\$ 18,927,209

APPROVED BY COUNCIL:

**THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS**

FLYING DUST FIRST NATION

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
for the year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
SURPLUS (DEFICIT) FOR THE YEAR	\$ 222,136	\$ 1,658,709
Gain on the sale of capital assets	(35,500)	(10,200)
Receipt of capital transfer	94,546	40,000
Sale of capital assets	50,500	303,224
Purchase of capital assets	(2,210,128)	(123,079)
Amortization of capital assets	456,614	359,989
Prior period surplus adjustment	1,623	7,191
Prepaid expenses	<u>25,666</u>	<u>(68,587)</u>
 INCREASE (DECREASE) IN NET FINANCIAL ASSETS	 (1,394,543)	 2,167,247
 BALANCE, beginning of the year	 <u>3,057,153</u>	 <u>889,906</u>
 BALANCE, end of the year	 <u>\$ 1,662,610</u>	 <u>\$ 3,057,153</u>

FLYING DUST FIRST NATION

STATEMENT OF OPERATIONS
for the year ended March 31, 2016

	<u>2016</u> <u>Budget</u>	<u>2016</u>	<u>2015</u>
REVENUE:			
Grants and Contributions:			
- Aboriginal Affairs and Northern Development Canada (Note 15)	\$ 7,862,677	\$ 7,862,677	\$ 5,966,838
- Meadow Lake Tribal Council	1,709,243	1,709,243	1,595,067
- First Nations Trust	427,500	473,294	472,991
- Northern Lights Community Development	74,000	84,000	106,752
- Flying Energy Oil & Gas	-	-	79,000
- Canada Mortgage & Housing	-	15,224	60,114
- Health Canada	15,000	27,796	38,144
- Human Resource Canada	3,672	3,672	-
- FSIN Taxation Commission	10,000	10,000	-
- Government of Saskatchewan	40,000	30,771	27,470
- Saskatchewan Lotteries	-	-	12,171
Sales tax rebates	2,000,000	2,296,566	2,062,306
Limited partnership earnings (Note 6)	400,000	8,911	1,769,353
Fuel station earnings rebate	300,000	349,000	360,000
Tuition charges	350,000	372,717	283,385
Housing rentals and subsidy	237,836	237,836	222,451
Rentals	247,000	174,015	212,370
Expense recoveries	101,958	333,654	200,411
Earnings distributions (Note 5)	157,000	173,259	160,000
Administration fees	134,532	133,589	115,086
Revenue trust leases and interest (Note 4)	100,000	135,826	100,450
Contracting and service fees	79,660	62,880	66,210
Community development revenue	50,000	53,420	65,118
Fundraising	108,153	69,295	45,890
Management fees (Note 16)	25,000	25,000	25,000
Patronage dividend (Note 5)	3,212	1,259	3,133
Interest	1,060	2,420	1,071
Contributed capital recovery	-	322,300	-
	<u>14,468,274</u>	<u>14,968,624</u>	<u>14,050,781</u>

FLYING DUST FIRST NATION

STATEMENT OF OPERATIONS
for the year ended March 31, 2016

	<u>2016</u> <u>Budget</u>	<u>2016</u>	<u>2015</u>
REVENUE	\$ 14,468,274	\$ 14,968,624	\$ 14,050,781
Unexpended revenue - prior year	109,700	109,700	135,494
- current year	<u>(1,500,000)</u>	<u>(1,590,387)</u>	<u>(109,700)</u>
	13,077,974	13,487,937	14,076,575
EXPENSES	<u>12,485,514</u>	<u>13,199,276</u>	<u>12,689,868</u>
SURPLUS (DEFICIT) BEFORE THE UNDERNOTED	592,460	288,661	1,386,707
Change in investment equity (Note 5)	<u>50,000</u>	<u>(66,525)</u>	<u>272,002</u>
SURPLUS (DEFICIT) FOR THE YEAR	<u>\$ 642,460</u>	<u>\$ 222,136</u>	<u>\$ 1,658,709</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>

FLYING DUST FIRST NATION

STATEMENT OF SURPLUS / EQUITY BALANCES
for the year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
<u>SURPLUS, APPROPRIATED FOR INVESTMENTS</u>		
BALANCE, beginning of the year	\$ 2,306,186	\$ 2,034,184
609045 Saskatchewan Ltd. - earnings (loss) for the year	(124,322)	(14,811)
625706 Saskatchewan Ltd. - earnings (loss) for the year	(7,975)	(1,574)
FDB Broadcasting Inc. - earnings (loss) for the year	-	4,133
FDB Farms Inc. - earnings (loss) for the year	(33,362)	73,515
FDB Fuels Inc. - earnings (loss) for the year	5,018	14,879
FDB Holding Corporation - earnings (loss) for the year	287,341	361,786
- amortization of contributed surplus	(4,027)	(4,026)
- dividend distributed	(173,259)	(160,000)
Flying Energy Inc. - earnings (loss) for the year	46	(63)
Meadow Lake Co-op - equity change	(36)	(1,837)
Flying Dust Market Garden Inc. - capital contributed	680,000	-
- earnings (loss) for the year	(15,949)	-
BALANCE, end of the year	<u>\$ 2,919,661</u>	<u>\$ 2,306,186</u>

FLYING DUST FIRST NATION

STATEMENT OF SURPLUS / EQUITY BALANCES
for the year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
<u>SURPLUS, APPROPRIATED FOR HOUSING RENTALS</u>		
BALANCE, beginning of the year	\$ 7,191	\$ -
Adjustments by funding agency	1,623	7,191
	8,814	7,191
SURPLUS (DEFICIT) FOR THE YEAR		
TRANSFER TO (FROM) UNAPPROPRIATED SURPLUS	- -	- -
BALANCE, end of the year	\$ 8,814	\$ 7,191
<u>SURPLUS, DEFERRED CAPITAL TRANSFERS</u>		
BALANCE, beginning of the year	\$ 8,253,492	\$ 8,656,977
Plus: receipt of capital transfers	94,546	40,000
Less: amortization recorded	(904,666)	(443,485)
BALANCE, end of the year	\$ 7,443,372	\$ 8,253,492

FLYING DUST FIRST NATION

STATEMENT OF SURPLUS / EQUITY BALANCES
for the year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
<u>SURPLUS, UNAPPROPRIATED</u>		
BALANCE, beginning of the year	\$ 8,360,340	\$ 6,973,633
SURPLUS (DEFICIT) FOR THE YEAR	<u>222,136</u>	<u>1,658,709</u>
	<u>8,582,476</u>	<u>8,632,342</u>
ALLOCATION OF SURPLUS IN INVESTMENTS		
- Investment equity	(613,475)	(272,002)
- Appropriated surplus	<u>-</u>	<u>-</u>
BALANCE, end of the year	<u><u>\$ 7,969,001</u></u>	<u><u>\$ 8,360,340</u></u>

FLYING DUST FIRST NATION

STATEMENT OF CASH FLOWS
for the year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATIONS:		
Surplus (Deficit) for the year	\$ 222,136	\$ 1,658,709
Plus: amortization	456,614	359,989
: surplus adjustment housing	1,623	7,191
Less: gain on disposal	(35,500)	(10,200)
	644,873	2,015,689
Changes in non-cash Working Capital items:		
Accounts receivable	(94,635)	652,424
Prepaid expenses	25,666	(68,587)
Accounts payable	(1,149,694)	(1,376,840)
Unexpended revenue	1,480,687	(25,794)
	<u>906,897</u>	<u>1,196,892</u>
INVESTING ACTIVITIES:		
Change in investment equity/trust equity	712,746	(1,960,541)
Purchase of capital assets	(2,210,128)	(123,079)
Advances receivable/payable	3,631,314	(581,618)
Sale of capital assets	<u>50,500</u>	<u>303,224</u>
	<u>2,184,432</u>	<u>(2,362,014)</u>
FINANCING ACTIVITIES:		
Receipt of capital transfers	94,546	40,000
Proceeds of term debt	2,010,094	50,000
Bank loan proceeds (repayment)	189,760	(59,538)
Repayment of term debt	(2,434,667)	(486,820)
	<u>(140,267)</u>	<u>(456,358)</u>
INCREASE (DECREASE) IN CASH RESOURCES	2,951,062	(1,621,480)
CASH RESOURCES, beginning of the year	(980,311)	641,169
CASH RESOURCES, end of the year	\$ 1,970,751	\$ (980,311)
CASH RESOURCED ARE REPRESENTED BY:		
Bank balances	\$ 619,877	\$ (995,556)
Restricted deposits	1,929,788	439,001
Term deposits	-	15,245
Funded reserves	(578,914)	(439,001)
	<u>\$ 1,970,751</u>	<u>\$ (980,311)</u>

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES:

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

Reporting Entity and Principles of Financial Reporting

The Flying Dust First Nation reporting entity includes the Flying Dust First Nation government and all related entities, which are accountable to the First Nation and are either owned or controlled by the First Nation.

These financial statements consolidate the assets, liabilities and results of operations for the following entities, which use accounting principles, which lend themselves to consolidation:

Flying Dust First Nation – Operations
Flying Dust First Nation – CMHC Housing Fund
Flying Dust First Nation – Community Development Fund
Flying Dust Housing Corporation

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

Net Financial Assets

Net financial assets are the net amount of financial assets less financial liabilities outstanding. Financial assets represent items which could provide resources to the First Nation to discharge existing liability or finance future operations.

Non-Financial Assets

Tangible capital assets and other non-financial assets are accounted for as assets by the First Nation as they can be used to provide services in future periods. These assets do not provide resources to discharge the liabilities of the First Nation unless they are sold.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with bank and term deposit having a maturity of three months or less at acquisition which are held for the purpose of meeting short term cash commitments.

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments

Incorporated business entities, which are owned or controlled by the Flying Dust First Nation council and which are not dependent on the First Nation for their continuing operations, are included in the financial statements using the modified equity method. These include:

FDB Broadcasting Ltd.
 FDB Farms Inc.
 625706 Saskatchewan Ltd.
 609045 Saskatchewan Ltd.
 FDB Holding Corporation
 Flying Energy Inc.
 FDB Fuels Inc.
 Flying Dust Market Garden Inc.

Long-term investments in non-controlled entities are recorded at the lower of cost or net realizable value.

Revenue Recognition

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

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulation gives rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled. Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose. Restricted contributions that must be maintained in perpetuity are recorded as revenue when received or receivable, and are presented as non-financial assets in the statement of financial operations.

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

Pension Plan

Flying Dust First Nation provides a defined contribution pension plan for its employees. The pension costs are charged to operations as contributions are due. Contributions are a defined amount whereby the employer matches that paid by the employee.

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Tangible Capital Assets

Tangible capital asset acquisitions are recorded at their acquisition cost and include amounts that are directly related to the acquisition, design, construction, development, improvement, or betterment of the assets. Cost include overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Assets under construction are not amortized until available for use.

Amortization

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nation's ability to provide 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-down would be accounted for as expenses in the statement of operations. The cost of these tangible capital assets, less any residual value, is amortized over the asset's useful life using the straight-line method of amortization as recorded are amortized annually over their expected useful life using the straight line method at the following rates:

Arena	25%
Houses	4%
Buildings and Houses	5%
Roads and Infrastructure	4%
Office Equipment and Furniture	20%
Vehicles	25%
Trailers	10%
Machinery	20%
Equipment	25%
Buses	20%

No amortization is recorded in the year of acquisition.

Government Funding for Capital Assets

Funding received for the purchase of or construction of capital assets is accumulated as an equity account, Deferred Capital Transfers, and is amortized at the same rate as the applicable capital assets are amortized.

FLYING DUST FIRST NATION**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended March 31, 2016**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES: (Continued)****Financial Instruments**

Financial instruments consist of bank, portfolio investments, accounts receivable, trust funds, accounts payable and unexpended revenue. The First Nation's financial instruments are measured at cost or amortized cost. Interest attributable to financial instruments is reported in the statement of operations. All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Due to the short-term nature of all financial instruments other than long-term investments and long-term debt, the carrying values are presented in the financial statements are reasonable estimates of fair value. As is true for all estimates, actual fair value could differ from this estimate and, if so, any difference could be accounted for in the period in which it becomes known. Since long-term investments are not traded in an organized financial market, it is not practicable within constraints of timeliness or cost to determine the fair value with sufficient reliability.

Use of Estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenditures during the year.

Accounts receivable and members advance are assessed for collectability annually and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from estimates.

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2016

2. ACCOUNTS RECEIVABLE:

The First Nation holds the following account receivables:

	<u>2016</u>	<u>2015</u>
Aboriginal Affairs and Northern Development Canada	\$ 81,205	\$ 113,822
TLE Revenue Trust	112,999	122,585
Northern Lights Development	80,688	31,688
625706 Saskatchewan Ltd.	47,060	25,560
Housing rental subsidy	11,335	11,335
Meadow Lake Tribal Council	34,143	7,703
Sales tax refund	12,081	-
Pow Wow Committee	8,398	-
Health Canada	5,319	-
Arena rentals	12,037	-
Member advances	20,600	-
Other accounts	<u>33,916</u>	<u>52,453</u>
	<hr/> \$ 459,781	<hr/> \$ 365,146
	<hr/> <hr/>	<hr/> <hr/>

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2016

3. ADVANCES RECEIVABLE:

The First Nation has made the following advances, which are unsecured, non-interest bearing and not subject to a fixed repayment schedule.

	<u>2016</u>	<u>2015</u>
FDB Fuels Inc.	\$ 614,319	\$ 365,319
FDB Market Garden Inc.	124,000	357,700
609245 Saskatchewan Ltd. (Flying Dust Gravel)	302,691	224,691
TLE Revenue Fund	-	63,449
FDB Farms Inc.	58,975	58,975
Flying Energy LP	-	1,041
FDB Holdings Corp	<u>198,569</u>	<u>-</u>
	<u>\$ 1,298,554</u>	<u>\$ 1,071,175</u>

4. TRUST FUNDS:

The following funds are held in trust for the First Nation by the Aboriginal Affairs and Northern Development Canada:

	<u>Capital</u>	<u>Revenue</u>	<u>Total</u>
Balance, March 31, 2015	\$ 1,035,883	\$ 46,408	\$ 1,082,291
Plus: Land leases and interest	<u>58,918</u>	<u>76,908</u>	<u>135,826</u>
	<u>1,094,801</u>	<u>123,316</u>	<u>1,218,117</u>
Less: Payments to the First Nation	<u>(935,000)</u>	<u>(85,958)</u>	<u>(1,020,958)</u>
Balance, March 31, 2016	<u>\$ 159,801</u>	<u>\$ 37,358</u>	<u>\$ 197,159</u>

The First Nation remitted \$85,958 of land lease revenue to FDB Holding Corp during the year.

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2016

5. INVESTMENTS:

The First Nation holds the following investments:

	<u>2016</u>	<u>2015</u>
609045 Saskatchewan Ltd.		
- 100 Class A common shares	\$ 100	\$ 100
- Contributed capital	497,022	497,022
- Deficit	(625,802)	(501,480)
625706 Saskatchewan Ltd.		
- 100 Class A common shares	100	100
- Deficit	5,822	13,797
FDB Broadcasting Inc.		
- Contributed capital	100,000	100,000
- Deficit	(100,000)	(100,000)
FDB Farms Inc.		
- Contribution capital	449,068	449,068
- Deficit	(489,212)	(455,850)
FDB Fuels Inc.		
- 100 Class A common shares	100	100
- retained earnings	39,303	34,285
FDB Holding Corporation		
- 10 Class A Shares	10	10
- Contributed surplus	76,510	80,537
- Contributed capital	1,632,896	1,632,896
- Retained earnings	778,214	664,132
First Nations Bank		
- 537 Class A common shares	940	940
Flying Energy Inc.		
- 1000 Class A shares	10	10
- Deficit	(833)	(879)
Meadow Lake Co-operative	1,359	1,395
Flying Dust Market Garden Inc.		
- Contributed capital	680,000	-
- Deficit	(15,949)	-

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2016

5. INVESTMENTS: (Continued)

	<u>2016</u>	<u>2015</u>
MLDC Program Services Inc.		
- 1 Class A common share (11%)	\$ 1	\$ 1
MLDC Investment Co. Ltd.		
- 1 Class A common share (11%)	1	1
MLTC Resource Development Inc.		
- 1 Class A common share	1	1
	<hr/> \$ 3,029,661	<hr/> \$ 2,416,186
	<hr/>	<hr/>

During the fiscal year the First Nation received the following earnings distributions:

FDB Holding Corp	\$ 173,259	\$ 160,000
Meadow Lake Co-operative	<hr/> 1,295	<hr/> 3,133
	<hr/>	<hr/>
	\$ 174,554	\$ 163,133
	<hr/>	<hr/>

During the year the First Nation recovered \$322,300 of capital that had been contributed to the Flying Dust Cree 8 Market Garden Co-op when the activities of the Co-op were wound up.

6. LIMITED PARTNERSHIP:

The First Nation has interest in the following limited partnerships:

	<u>2016</u>	<u>2015</u>
MLTC Resource Development LP	\$ 3,842,343	\$ 4,686,541
Flying Energy Oil and Gas LP	2,180,624	1,722,472
FDB Holding LP	(55,043)	-
	<hr/> \$ 5,967,924	<hr/> \$ 6,409,013
	<hr/>	<hr/>

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2016

6. LIMITED PARTNERSHIP: (Continued)

Details of the ownership are:

MLTC Resource Development LP (11.1% interest)

	<u>2016</u>	<u>2015</u>
Balance, beginning of the year	\$ 4,686,541	\$ 4,789,660
Prior period adjustment	-	68,786
Earnings (loss) for the year	(394,198)	(21,905)
Distributions received	(450,000)	(150,000)
BALANCE, end of the year	\$ 3,842,343	\$ 4,686,541
	<hr/>	<hr/>

Flying Energy Oil and Gas LP (99.9% interest)

Balance, beginning of the year	\$ 1,722,472	\$ -
Earnings (loss) for the year	458,152	1,722,472
Distributions received	-	-
BALANCE, end of the year	\$ 2,180,624	\$ 1,722,472
	<hr/>	<hr/>

FDB Holdings LP (99.9% interest)

Balance, beginning of the year	\$ -	\$ -
Earnings (loss) for the year	(55,043)	-
BALANCE, end of the year	\$ (55,043)	\$ -
	<hr/>	<hr/>

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2016

7. ACCOUNTS PAYABLE:

The First Nation holds the following accounts payable:

	<u>2016</u>	<u>2015</u>
School division tuition billings	\$ -	\$ 979,929
Trade creditors	293,221	307,375
Housing reserve obligation (Note 9)	-	157,034
Payroll remittances	26,308	25,764
Housing fund accruals	<u>2,265</u>	<u>1,386</u>
	\$ 321,794	\$ 1,471,488

8. UNEXPENDED REVENUE:

The First Nation has the following unexpended (overexpended) revenue:

	<u>Sch</u>		<u>2016</u>		<u>2015</u>
Lands	1	\$	10,000	\$	-
Land Contamination	2		48,924		-
Land Transition	2		20,480		37,430
Institutional Care	11		6,874		-
Capital - School	22		1,500,209		59,863
CEOP - Aboriginal Skills	36		-		12,407
Police Management Board	40		3,900		-
		\$	1,590,387	\$	109,700

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2016

9. FUNDED RESERVES:

Under the terms of an agreement with Canada Mortgage and Housing Corporation, the First Nation is required to fund both an asset replacement reserve and an operating surplus reserve. Use of the funded reserves is subject to the terms of the agreement. As for the fiscal year end the reserve obligation is:

	<u>2016</u>	<u>2015</u>
Total obligation	\$ 554,118	\$ 596,035
Funded amount on deposit	<u>578,914</u>	<u>439,001</u>
Outstanding obligation (overpayment -see Note 7)	\$ (24,796)	\$ 157,034

10. **BANK LOAN:**

The housing corporation has short term bank financing from the Bank of Montreal to fund the home ownership program receivables. The receivable is collected from mortgage proceeds paid to individuals for their personal mortgages.

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2016

11. TERM DEBT:

The First Nation has the following term debt:

	<u>2016</u>	<u>2015</u>
1) First Nations Bank: for the construction of the arena, repayable quarterly at \$29,855 plus interest at 5.15% payable monthly.	\$ 1,940,625	\$ 4,183,125
2) Canadian Imperial Bank of Commerce: loan repayable at the rate of \$3,333 per month plus interest at prime plus 1.50%.	20,000	60,000
3) CNH Capital: finance contract, repayable at \$2,639 semi-annually including interest at 8.99%.	-	2,100
4) CNH Capital: finance contract, repayable at \$1,176 semi-annually including interest at 5.67%.	9,209	-
5) Toronto Dominion Bank, for the construction of the arena, repayable quarterly at \$47,552 including interest at 5.15%. The loan matures on April 1, 2017.	2,000,000	-
	<hr/> 3,969,834	<hr/> 4,245,225
Less current portion	<hr/> 356,556	<hr/> 284,600
	<hr/> \$ 3,613,278	<hr/> \$ 3,960,625
	<hr/>	<hr/>

The amount of debt repayable in subsequent periods is estimated at:

March 31, 2017	\$ 356,556
2018	2,152,248
2019	244,570
2020	244,691
2021	243,644
Subsequent years	<hr/> 728,125
	<hr/> \$ 3,969,834
	<hr/>

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2016

12. RENTAL MORTGAGES:

The Fund has the following housing mortgages outstanding:

	<u>2016</u>	<u>2015</u>
1) <u>Phase III CMHC</u> Mortgage with payments of \$900 per month including interest at 2.11%. Maturity date is Nov 1/2018.	\$ 27,998	\$ 38,098
2) <u>Phase IV CMHC</u> Mortgage with payments of \$407 per month including interest at 1.92%. Maturity date is Apr 1/2019.	14,601	19,153
3) <u>Phase V CMHC</u> Mortgage with payments of \$4,437 per month including interest at 2.02%. Renewal date is Aug 1/2018.	125,509	175,678
4) <u>Phase VI CMHC</u> Mortgage with payments of \$4,781 per month including interest at 1.53%. Renewal date is Dec 1/2017.	616,833	664,383
5) <u>Phase VII CMHC</u> Mortgage with payments of \$800 per month including interest at 1.12%. Renewal date is Feb 1/2020.	\$ 123,650	\$ 131,814
6) <u>Equity</u> Loan from First Nations Bank of Canada repayable at \$3,803 per month including interest at prime plus 5.05%.	319,676	348,323
	<hr/> 1,228,267	<hr/> 1,377,449
Less current portion	<hr/> 152,482	<hr/> 138,200
	<hr/> \$ 1,075,785	<hr/> \$ 1,239,249
	<hr/> <hr/>	<hr/> <hr/>

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2016

12. RENTAL MORTGAGES: (Continued)

The amount of debt repayable in subsequent years is estimated at:

	<u>Phase 3 - 7</u>	<u>Equity</u>	<u>Total</u>
Year ended 2017	\$ 122,300	\$ 30,182	\$ 152,482
2018	124,200	31,742	155,942
2019	122,000	33,383	155,383
2020	125,000	35,108	160,108
2021	126,000	37,000	163,000
Subsequent years	<u>289,091</u>	<u>152,261</u>	<u>441,352</u>
	<hr/>	<hr/>	<hr/>
	\$ 908,591	\$ 319,676	\$ 1,228,267
	<hr/>	<hr/>	<hr/>

13. ADVANCES PAYABLE:

The First Nation has received the following advances which are unsecured, non-interest bearing and not subject to a fixed repayment schedule:

	<u>2016</u>	<u>2015</u>
Flying Energy LP	\$ 913,736	\$ -
FDB Holding LP	<u>2,944,957</u>	<u>-</u>
	<hr/>	<hr/>
	\$ 3,858,693	\$ -
	<hr/>	<hr/>

Flying Dust holds an equity interest in both of the limited partnerships – see Note 6.

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2016

14. TANGIBLE CAPITAL ASSETS:

The major categories of the Flying Dust First Nation tangible capital assets are:

<u>Cost</u>	<u>2016</u>	<u>2015</u>
Houses	\$ 10,468,280	\$ 10,468,280
Buildings	13,080,075	11,606,106
Infrastructure	5,145,550	5,145,550
Rental housing	2,595,545	2,248,025
Machinery and equipment	897,738	790,397
Roads	627,052	627,052
Office equipment and furniture	530,631	530,631
Vehicles and trailers	635,613	430,766
Buses	<u>339,416</u>	<u>339,416</u>
	<u>34,319,900</u>	<u>32,186,223</u>

<u>Accumulated Amortization</u>	<u>2016</u>	<u>2015</u>
Houses	\$ 8,992,619	\$ 8,583,487
Buildings	3,280,148	2,842,825
Infrastructure	2,143,018	1,937,196
Rental housing	752,938	632,403
Machinery and equipment	625,846	636,492
Roads	627,052	627,052
Office equipment and furniture	520,234	484,379
Vehicles and trailers	437,431	403,506
Bus	<u>305,297</u>	<u>237,414</u>
	<u>17,684,583</u>	<u>16,384,754</u>
Net Book Value	<u>\$ 16,635,317</u>	<u>\$ 15,801,469</u>

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2016

15. CONTINGENT LIABILITIES:

The First Nation is contingently liable for the following bank loans:

<u>Borrower</u>	<u>2016</u>	<u>2015</u>
625706 Saskatchewan Ltd.	\$ 2,929,892	\$ 3,307,118
FDB Holding Corporation	3,991,742	4,300,778
FDB Holdings LP	<u>3,000,000</u>	<u>-</u>
	<hr/>	<hr/>
	\$ 9,921,634	\$ 7,607,896
	<hr/>	<hr/>

The loans were in a current position at March 31, 2016. The First Nations owns 100% of the corporations (see Note 5) and 99.9% of the limited partnership (see Note 6).

16. ABORIGINAL AFFAIRS AND NORTHERN DEVELOPMENT CANADA:

The First Nation has entered into funding arrangements with Aboriginal Affairs and Northern Development Canada. The funds are used by the First Nation to administer its operations and provide service to its members in accordance with the terms of the funding arrangement. Funding received under these contribution agreements is subjected to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

17. MANAGEMENT FEES:

The First Nation has received management fees from the following sources:

	<u>2016</u>	<u>2015</u>
625706 Saskatchewan Ltd (Note 5)	\$ 25,000	\$ 25,000
	<hr/>	<hr/>

18. LOSS ON BUILDER DEPOSIT:

The First Nation was building a housing project for the CMHC Housing Fund. The project was halted in 2015 when the builder defaulted and the deposit of \$237,155 was not refunded. The First Nation sued and was awarded a judgement but there has been no recovery.

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS **for the year ended March 31, 2016**

19. PENSION AGREEMENT:

The First Nation provides a defined contribution plan for eligible members of its staff. The First Nation matches employees' contributions. The amount to be received by employees will be the amount of retirement annuity that could be purchased based on the employee's share of the pension plan at the time the employee's withdrawal from the plan.

20. BUDGETED FIGURES:

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates supplied by management.

21. RISK MANAGEMENT

The First Nation is exposed to credit risk, liquidity risk, and other price risk from its financial instruments.

The First Nation's member advances are exposed to credit risk. The First Nation manages its exposure to credit risk by actively limiting the amount of non-funding accounts receivable outstanding.

The First Nation is exposed to liquidity risk which are limitations on the ability of the First Nation to convert financial assets to cash in order to meet financial liabilities as a result of being economically dependent on funding from AANDC. The First Nation's approach to managing its liquidity risk is to ensure that it will have sufficient cash flows to fund its operations and to meet its obligations when due, under both normal and stressed conditions.

The First Nation is exposed to other price risk on its portfolio investments, which are subjected to market fluctuation.

22. COMPARATIVE FIGURES:

Comparative figures for 2014/2015 have been restated to match current reporting practices.

FLYING DUST FIRST NATION

SUMMARY OF SCHEDULES
for the year ended March 31, 2016
(unaudited)

	<u>Sch</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Unexpended Revenue</u>	<u>Surplus (Deficit)</u>
LANDS:					
Land Operational	1	\$ 252,386	\$ 255,017	\$ -	\$ (2,631)
Lands	1	19,771	8,601	(10,000)	1,170
Contaminated sights	2	417,851	368,927	(48,924)	-
Land transition	2	-	16,950	16,950	-
Site assessment	3	<u>72,890</u>	<u>77,646</u>	<u>-</u>	<u>(4,756)</u>
		<u>762,898</u>	<u>727,141</u>	<u>(41,974)</u>	<u>(6,217)</u>
RESERVES:					
Registry	3	<u>8,760</u>	<u>10,808</u>	<u>-</u>	<u>(2,048)</u>
EDUCATION:					
Instructional Services	4	957,717	721,660	-	236,057
Ancillary Services	5	24,000	24,397	-	(397)
Tuition	5	1,328,044	1,328,910	-	(866)
Student Transportation	6	117,000	185,230	-	(68,230)
Post Secondary	7	435,890	416,868	-	19,022
Instructional Support	8	88,230	86,856	-	1,374
Behaviour Modification	9	78,532	78,572	-	(40)
Tuition Development	9	16,700	16,734	-	(34)
Behavior Provincial	10	70,585	70,598	-	(13)
First Nations Student Support	10	<u>164,956</u>	<u>180,110</u>	<u>-</u>	<u>(15,154)</u>
		<u>3,281,654</u>	<u>3,109,935</u>	<u>-</u>	<u>171,719</u>
SOCIAL SERVICES:					
Assistance	11	943,000	995,382	-	(52,382)
Institutional Care	11	42,304	35,439	(6,874)	(9)
National Child Benefit	12	180,929	201,291	-	(20,362)
Home Care	13	<u>127,801</u>	<u>143,999</u>	<u>-</u>	<u>(16,198)</u>
		<u>1,294,034</u>	<u>1,376,111</u>	<u>(6,874)</u>	<u>(88,951)</u>

FLYING DUST FIRST NATION

SUMMARY OF SCHEDULES
for the year ended March 31, 2016
(unaudited)

	<u>Sch</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Unexpended Revenue</u>	<u>Surplus (Deficit)</u>
INFRASTRUCTURE:					
Water	14	\$ 17,550	\$ 18,864	-	\$ (1,314)
Electrification	14	15,000	13,318	-	1,682
Infrastructure	15	464,342	442,777	-	21,565
Community Building	16	48,857	95,537	-	(46,680)
Municipal	17	135,000	141,922	-	(6,922)
School Maintenance	17	<u>109,198</u>	<u>95,808</u>	<u>-</u>	<u>13,390</u>
		<u>789,947</u>	<u>808,226</u>	<u>-</u>	<u>(18,279)</u>
BAND SUPPORT:					
Administration	18	736,995	784,346	-	(47,351)
Service Delivery	19	62,000	71,370	-	(9,370)
Band Employee Benefits	19	145,000	145,263	-	(263)
Enhanced Service Delivery	20	<u>22,932</u>	<u>23,052</u>	<u>-</u>	<u>(120)</u>
		<u>966,927</u>	<u>1,024,031</u>	<u>-</u>	<u>(57,104)</u>
CAPITAL:					
Housing and Renovations	21	-	241,465	-	(241,465)
School	22	<u>1,500,000</u>	<u>59,654</u>	<u>(1,440,346)</u>	<u>-</u>
		<u>1,500,000</u>	<u>301,119</u>	<u>(1,440,346)</u>	<u>(241,465)</u>
HEALTH:					
Management Support	23	121,965	127,440	-	(5,475)
Health Programming	24	62,148	66,440	-	(4,292)
Addictions	25	71,633	71,592	-	41
Medical Transportation	25	27,976	32,219	-	(4,243)
Maternal Child	26	34,696	42,107	-	(7,411)
Community Health	26	50,408	54,409	-	(4,001)
Nursing	27	252,359	251,397	-	962
M-CARR	28	41,258	41,258	-	-
Community Wellness	29	82,794	81,464	-	1,330
Child and Family Services	30	234,731	234,815	-	(84)
Daycare	31	138,799	169,713	-	(30,914)
Health Facility	31	43,900	43,900	-	-
Headstart	32	<u>124,040</u>	<u>126,999</u>	<u>-</u>	<u>(2,959)</u>
		<u>1,286,707</u>	<u>1,343,753</u>	<u>-</u>	<u>(57,046)</u>

FLYING DUST FIRST NATION

SUMMARY OF SCHEDULES
for the year ended March 31, 2016
(b unaudited)

	<u>Sch</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Unexpended Revenue</u>	<u>Surplus (Deficit)</u>
ECONOMIC:					
Economic Development	33	\$ 55,773	\$ 95,521	\$ -	\$ (39,748)
Forum	34	22,500	22,500	-	-
Youth Work Experience	34	29,805	43,353	-	(13,548)
Business Development	35	94,410	95,942	-	(1,532)
Aboriginal Skills	36	-	12,661	12,407	(254)
Power Generation	37	135,000	150,245	-	(15,245)
Economic Dev. Capacity	38	<u>43,200</u>	<u>43,480</u>	<u>-</u>	<u>(280)</u>
		<u>380,688</u>	<u>463,702</u>	<u>12,407</u>	<u>(70,607)</u>
OTHER PROGRAMS:					
Justice	39	40,771	44,012	-	(3,241)
Police Management Board	40	21,000	17,100	(3,900)	-
Fire Suppression	41	178,403	203,889	-	(25,486)
Office Rentals	43	65,284	90,954	-	(25,670)
Pow Wow Employment	43	13,996	13,995	-	1
Elder's Program	44	124,195	123,973	-	222
Summer Student	44	3,672	6,010	-	(2,338)
Funeral	45	23,000	28,061	-	(5,061)
Revenue/Capital Trust	46	135,826	85,959	-	49,867
Recreation	47	104,135	93,372	-	10,763
Band Revenue	48	445,211	150,000	-	295,211
Sales Tax Rebate	49	2,113,228	1,712,363	-	400,865
Arena Operations	50	504,005	576,951	-	(72,946)
Elder's Lodge	51	<u>63,655</u>	<u>71,869</u>	<u>-</u>	<u>(8,214)</u>
		<u>3,836,381</u>	<u>3,218,508</u>	<u>(3,900)</u>	<u>613,973</u>
UNAPPROPRIATED PROGRAMS:					
Community Develop	49	53,489	51,621	-	1,868
CMHC Housing	50	237,836	237,836	-	-
Housing Corporation	51	<u>569,303</u>	<u>526,485</u>	<u>-</u>	<u>42,818</u>
		<u>860,628</u>	<u>815,942</u>	<u>-</u>	<u>44,686</u>
		<hr/>	<hr/>	<hr/>	<hr/>
		\$ 14,968,624	\$ 13,199,276	\$ (1,480,687)	\$ 288,661
		<hr/>	<hr/>	<hr/>	<hr/>