

FLYING DUST FIRST NATION

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

for the year ended March 31, 2017

FLYING DUST FIRST NATION

INDEX TO THE FINANCIAL STATEMENT

<u>PAGE</u>	
1	MANAGEMENT'S LETTER OF RESPONSIBILITY
2	INDEPENDENT AUDITOR'S REPORT
4	STATEMENT OF FINANCIAL POSITION
5	STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
6	STATEMENT OF OPERATIONS
8	STATEMENT OF SURPLUS / EQUITY BALANCES
11	STATEMENT OF CASH FLOWS
12	NOTES TO THE FINANCIAL STATEMENT
29	SUMMARY OF REVENUE AND EXPENSE SCHEDULES
32	SCHEDULE OF REVENUE AND EXPENSES BY ACTIVITY

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.

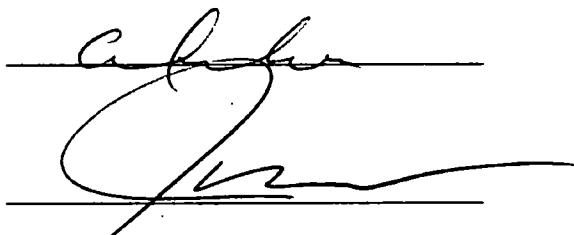
These financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board. Management is responsible for such internal control as management determines is necessary to enable 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 "John" or "John J.," is written over three horizontal lines.



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, 2017 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.



Bjorn Sigurdson CPA, CA
Accountant | Financial Consultant

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 financial statements present fairly, in all material aspects, the financial position of **Flying Dust First Nation** as at March 31, 2017, and the results of its operation and its cash flows for the year then 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 C.P.A. Prof Corp.

Saskatoon, Saskatchewan
September 8, 2017

Chartered Professional
Accountant

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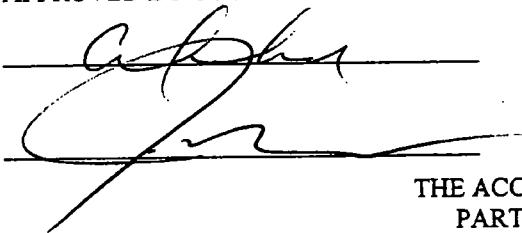
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FLYING DUST FIRST NATION

STATEMENT OF FINANCIAL POSITION as at March 31, 2017

	<u>2017</u>	<u>2016</u> (as restated)
<u>FINANCIAL ASSETS</u>		
Bank	\$ 1,155,150	\$ 619,877
Restricted deposits (Notes 9 & 10)	1,868,457	1,929,788
Term deposits (Note 9)	570,901	-
Marketable securities (Note 2)	250,000	-
Accounts receivable (Note 3)	386,669	459,781
Advances receivable (Note 4)	854,579	1,298,554
Trust funds (Note 5)	339,829	197,159
Investments (Note 6)	3,141,243	3,029,661
Limited partnership interests (Note 7)	<u>5,766,891</u>	<u>5,720,369</u>
	<u>14,333,719</u>	<u>13,255,189</u>
<u>FINANCIAL LIABILITIES</u>		
Accounts payable (Note 8)	1,405,710	321,794
Unexpended revenue (Note 9)	3,160,575	1,590,387
Funded reserves (Note 10)	582,468	578,914
Bank loan (Note 11)	227,115	292,245
Term debt (Note 12 & 13)	4,814,241	5,198,101
Funding loan (Note 14)	124,958	-
Advances payable (Note 15)	<u>2,944,957</u>	<u>3,858,693</u>
	<u>13,260,024</u>	<u>11,840,134</u>
NET FINANCIAL ASSETS	1,073,695	1,415,055
<u>NON-FINANCIAL ASSETS</u>		
Tangible capital assets (Note 16)	16,835,235	16,635,317
Prepaid expense	<u>220,457</u>	<u>42,921</u>
SURPLUS	\$ 18,129,387	\$ 18,093,293

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, 2017

	<u>2017</u>	<u>2016</u>
		(as restated)
SURPLUS (DEFICIT) FOR THE YEAR	\$ 952,468	\$ (25,419)
Gain on the sale of capital assets	(11,000)	(35,500)
Receipt of capital transfer	-	94,546
Sale of capital assets	11,000	50,500
Purchase of capital assets	(1,523,818)	(2,210,128)
Amortization of capital assets	408,919	456,614
Prior period surplus adjustment	(248,948)	1,623
Prepaid expenses	(177,536)	<u>25,666</u>
 INCREASE (DECREASE) IN NET FINANCIAL ASSETS	 (588,915)	 (1,642,098)
 BALANCE, beginning of the year	 <u>1,415,055</u>	 <u>3,057,153</u>
 BALANCE, end of the year	 <u>\$ 1,073,695</u>	 <u>\$ 1,415,055</u>

FLYING DUST FIRST NATION

STATEMENT OF OPERATIONS for the year ended March 31, 2017

	Budget 2017 (Unaudited)	2017 (Unaudited)	2016 (Unaudited) (as restated)
REVENUE:			
Grants and Contributions:			
- Aboriginal Affairs and Northern Development Canada (Note 18)	\$ 10,185,302	\$ 10,185,302	\$ 7,862,677
- Meadow Lake Tribal Council	1,762,324	1,762,324	1,709,243
- First Nations Trust	450,000	460,826	473,294
- Northern Lights Community Development	112,809	112,809	84,000
- Canadian National Railway	-	583,200	-
- Canada Mortgage & Housing	100,000	183,108	15,224
- Health Canada	40,000	38,085	27,796
- Human Resource Canada	4,200	-	3,672
- FSIN Taxation Commission	7,250	7,250	10,000
- Government of Saskatchewan	7,981	7,981	30,771
- Saskatchewan Lotteries	4,958	4,958	-
Sales tax rebates	2,022,677	2,158,641	2,296,566
Limited partnership earnings (Note 7)	100,000	1,382,465	(238,644)
Fuel station earnings rebate	250,000	229,000	349,000
Tuition charges	407,524	396,817	372,717
Housing rentals and subsidy	237,836	237,836	237,836
Rentals	265,600	233,348	174,015
Expense recoveries	259,468	280,980	367,449
Earnings distributions (Note 6)	100,000	250,000	173,259
Administration fees	110,476	248,347	133,589
Revenue trust leases and interest (Note 5)	100,000	272,669	135,826
Contracting and service fees	155,000	169,475	62,880
Community development revenue	40,000	41,447	53,420
Management fees (Note 19)	25,000	25,000	25,000
Patronage dividend (Note 6)	1,650	1,632	1,259
Interest	500	13,655	2,420
Contributed capital recovery	-	-	322,300
Gain on sale of capital assets	-	11,000	35,500
	<u>16,750,555</u>	<u>19,298,155</u>	<u>14,721,069</u>

FLYING DUST FIRST NATION

STATEMENT OF OPERATIONS
for the year ended March 31, 2017

	<u>Budget</u>	<u>2017</u>	<u>2016</u>
			(as restated)
REVENUE	\$ 16,750,555	\$ 19,298,155	\$ 14,721,069
Unexpended revenue - prior year	1,590,837	1,590,387	109,700
- current year	(2,900.209)	(3,160.575)	(1,590.387)
	15,441,183	17,727,967	13,240,382
EXPENSES	<u>15,187,042</u>	<u>16,768,969</u>	<u>13,199,276</u>
SURPLUS (DEFICIT) BEFORE THE UNDERNOTED	354,141	958,998	41,106
Change in investment equity (Note 6)	<u>-</u>	<u>(6,530)</u>	<u>(66,525)</u>
SURPLUS (DEFICIT) FOR THE YEAR	<u>\$ 354,141</u>	<u>\$ 952,468</u>	<u>\$ (25,419)</u>

FLYING DUST FIRST NATION

STATEMENT OF SURPLUS / EQUITY BALANCES
for the year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
<u>SURPLUS, APPROPRIATED FOR INVESTMENTS</u>		
BALANCE, beginning of the year	\$ 3,029,661	\$ 2,306,186
609045 Saskatchewan Ltd. - earnings (loss) for the year	362,862	(124,322)
625706 Saskatchewan Ltd. - earnings (loss) for the year	(7,976)	(7,975)
FDB Farms Inc. - capital redemption	(83,025)	
- earnings (loss) for the year	129,899	(33,362)
FDB Fuels Inc. - earnings (loss) for the year	650	5,018
FDB Holding Corporation - earnings (loss) for the year	(228,350)	287,341
- amortization of contributed surplus	(4,027)	(4,027)
- dividend distributed	(250,000)	(173,259)
Flying Energy Inc. - earnings (loss) for the year	(30)	46
Meadow Lake Co-op - equity change	739	(36)
Flying Dust Market Garden Inc. - contributed surplus receipt	181,117	-
- capital contributed	269,920	680,000
- earnings (loss) for the year	(260,197)	(15,949)
BALANCE, end of the year	<u>\$ 3,141,243</u>	<u>\$ 3,029,661</u>

FLYING DUST FIRST NATION

STATEMENT OF SURPLUS / EQUITY BALANCES
for the year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
<u>SURPLUS, APPROPRIATED FOR HOUSING RENTALS</u>		
BALANCE, beginning of the year	\$ 8,814	\$ 7,191
Adjustments by funding agency	(1,393)	1,623
	7,421	8,814
SURPLUS (DEFICIT) FOR THE YEAR	-	-
BALANCE, end of the year	\$ 7,421	\$ 8,814
	=====	=====
<u>SURPLUS, DEFERRED CAPITAL TRANSFERS</u>		
BALANCE, beginning of the year	\$ 7,443,372	\$ 8,253,492
Plus: receipt of capital transfers	-	94,546
Less: amortization recorded	(914,981)	(904,666)
BALANCE, end of the year	\$ 6,528,391	\$ 7,443,372
	=====	=====

FLYING DUST FIRST NATION

STATEMENT OF SURPLUS / EQUITY BALANCES
for the year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
<u>SURPLUS, UNAPPROPRIATED</u>		
BALANCE, beginning of the year	\$ 7,859,001	\$ 8,250,340
PRIOR PERIOD ADJUSTMENT		
Correct earnings of limited partnership earnings (Note 7)	(247,555)	-
BALANCE, as restated	7,611,446	8,250,340
SURPLUS (DEFICIT) FOR THE YEAR	<u>952,468</u>	<u>(25,419)</u>
	8,563,914	8,224,921
ALLOCATION OF SURPLUS IN INVESTMENTS		
- Investment equity	(111,582)	(613,475)
BALANCE, end of the year	<u>\$ 8,452,332</u>	<u>\$ 7,611,446</u>

FLYING DUST FIRST NATION

STATEMENT OF CASH FLOWS
for the year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
		(as restated)
OPERATIONS:		
Surplus (Deficit) for the year	\$ 952,468	\$ (25,419)
Plus: amortization	408,919	456,614
: surplus adjustment housing	(1,393)	1,623
Less: gain on disposal	(11,000)	(35,500)
	<u>1,348,994</u>	<u>397,318</u>
Changes in non-cash Working Capital items:		
Marketable securities (Note 2)	(250,000)	-
Accounts receivable	73,112	(94,635)
Prepaid expenses	(177,536)	25,666
Accounts payable	1,083,916	(1,149,694)
Unexpended revenue	<u>1,570,188</u>	<u>1,480,687</u>
	<u>3,648,674</u>	<u>659,342</u>
INVESTING ACTIVITIES:		
Change in investment equity/trust equity	(300,774)	960,301
Purchase of capital assets	(1,523,818)	(2,210,128)
Advances receivable/payable	(469,761)	3,631,314
Sale of capital assets	11,000	50,500
	<u>(2,283,353)</u>	<u>2,431,987</u>
FINANCING ACTIVITIES:		
Receipt of funding loans	124,958	-
Receipt of capital transfers	-	94,546
Proceeds of term debt	-	2,010,094
Bank loan proceeds (repayment)	(65,130)	189,760
Repayment of term debt	<u>(383,860)</u>	<u>(2,434,667)</u>
	<u>(324,032)</u>	<u>(140,267)</u>
INCREASE (DECREASE) IN CASH RESOURCES		
	1,041,289	2,951,062
CASH RESOURCES, beginning of the year	<u>1,970,751</u>	<u>(980,311)</u>
CASH RESOURCES, end of the year	<u>\$ 3,012,040</u>	<u>1,970,751</u>
CASH RESOURCES ARE REPRESENTED BY:		
Bank balances	\$ 1,155,150	\$ 619,877
Restricted deposits	1,868,457	1,929,788
Term deposits	570,901	-
Funded reserves	<u>(582,468)</u>	<u>(578,914)</u>
	<u>\$ 3,012,040</u>	<u>\$ 1,970,751</u>

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2017

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, 2017

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, 2017

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, 2017

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, 2017

2. MARKETABLE SECURITIES:

The First Nation owns shares and warrants in Gensource Potash Corporation – the holdings are as follows:

	<u>Cost</u>
2,142,857 common shares	\$ 150,000
909,090 common shares	100,000
1,070,428 warrants to buy common shares at \$.12 before May 6, 2018	-
450,450 warrants to buy common shares at \$.17 before January 20, 2019	-
	<hr/>
	\$ 250,000
	<hr/>

The market value of the common shares at March 31, 2017 was \$549,350.

3. ACCOUNTS RECEIVABLE:

The First Nation holds the following account receivables:

	<u>2017</u>	<u>2016</u>
Aboriginal Affairs and Northern Development Canada	\$ -	\$ 81,205
TLE Revenue Trust	145,001	112,999
Northern Lights Development	26,640	80,688
625706 Saskatchewan Ltd.	22,060	47,060
Housing rental subsidy	11,335	11,335
Meadow Lake Tribal Council	16,186	34,143
Sales tax refund	14,927	12,081
Pow Wow Committee	-	8,398
Health Canada	5,493	5,319
Arena rentals	4,514	12,037
Member advances	24,999	20,600
Other accounts	<u>115,514</u>	<u>33,916</u>
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	\$ 386,669	\$ 459,781
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FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

4. 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>2017</u>	<u>2016</u>
FDB Fuels Inc.	\$ 318,319	\$ 614,319
FDB Market Garden Inc.	- 124,000	
609245 Saskatchewan Ltd. (Flying Dust Gravel)	124,691 302,691	
FDB Farms Inc.	- 58,975	
FDB Holdings Corp	<u>311,569</u>	<u>198,569</u>
	\$ 854,579	\$ 1,298,554

5. 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, 2016	\$ 159,801	\$ 37,358	\$ 197,159
Plus: Land leases and interest	194,637	78,033	272,670
	354,438	115,391	469,829
Less: Payments to the First Nation	(130,000)	-	(130,000)
Balance, March 31, 2017	\$ 224,438	\$ 115,391	\$ 339,829

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

6. INVESTMENTS:

The First Nation holds the following investments:

	<u>2017</u>	<u>2016</u>
609045 Saskatchewan Ltd.		
- 100 Class A common shares	\$ 100	\$ 100
- Contributed capital	497,022	497,022
- Deficit	(262,940)	(625,802)
625706 Saskatchewan Ltd.		
- 100 Class A common shares	100	100
- Deficit	(2,154)	5,822
FDB Farms Inc.		
- Contribution capital	366,043	449,068
- Deficit	(359,313)	(489,212)
FDB Fuels Inc.		
- 100 Class A common shares	100	100
- retained earnings	39,953	39,303
FDB Holding Corporation		
- 10 Class A Shares	10	10
- Contributed surplus	72,483	76,510
- Contributed capital	1,632,896	1,632,896
- Retained earnings	299,864	778,214
First Nations Bank		
- 537 Class A common shares	940	940
Flying Energy Inc.		
- 1000 Class A shares	10	10
- Deficit	(863)	(833)
Meadow Lake Co-operative	2,098	1,359
Flying Dust Market Garden Inc.		
- Contributed capital	949,920	680,000
- Contributed surplus	181,117	-
- Deficit	(276,146)	(15,949)

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

6. INVESTMENTS: (Continued)

	<u>2017</u>	<u>2016</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/> \$ 3,141,243	<hr/> \$ 3,029,656
	<hr/>	<hr/>

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

FDB Holding Corp	\$ 250,000	\$ 173,259
Meadow Lake Co-operative	<hr/> 1,632	<hr/> 1,295
	<hr/>	<hr/>
	\$ 251,632	\$ 174,554
	<hr/>	<hr/>

7. LIMITED PARTNERSHIP:

The First Nation has interest in the following limited partnerships:

	<u>2017</u>	<u>2016</u>
MLTC Resource Development LP	\$ 5,079,177	\$ 3,842,343
Flying Energy Oil and Gas LP	580,268	2,180,624
FDB Holding LP	<hr/> 107,446	(55,043)
	<hr/>	<hr/>
	\$ 5,766,891	\$ 5,967,924
	<hr/>	<hr/>

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

7. LIMITED PARTNERSHIP: (Continued)

Details of the ownership are:

MLTC Resource Development LP (11.1% interest)

	<u>2017</u>	<u>2016</u>
Balance, beginning of the year	\$ 3,842,434	\$ 4,686,541
Earnings (loss) for the year	1,236,834	(394,198)
Distributions received	- <hr/>	(450,000)
BALANCE, end of the year	<hr/> \$ 5,079,177	<hr/> \$ 3,842,343

Flying Energy Oil and Gas LP (99.9% interest)

Balance, beginning of the year	\$ 2,180,624	\$ 1,722,472
Earnings (loss) for the year	(16,858)	458,152
Prior period adjustment	(247,555)	-
Distributions received	(1,335,943)	- <hr/>
BALANCE, end of the year	<hr/> \$ 580,268	<hr/> \$ 2,180,624

FDB Holdings LP (99.9% interest)

Balance, beginning of the year	\$ (55,043)	\$ -
Earnings (loss) for the year	<hr/> 162,489	(55,043)
BALANCE, end of the year	<hr/> \$ 107,446	<hr/> \$ (55,043)

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2017

8. ACCOUNTS PAYABLE:

The First Nation holds the following accounts payable:

	<u>2017</u>	<u>2016</u>
School division tuition billings	\$ 926,749	\$ -
Trade creditors	454,402	293,221
Payroll remittances	23,356	26,308
Housing fund accruals	<u>1,203</u>	<u>2,265</u>
	<u>\$ 1,405,710</u>	<u>\$ 321,794</u>
	<u>_____</u>	<u>_____</u>

9. UNEXPENDED REVENUE:

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

Sch	<u>2017</u>	<u>2016</u>
Lands	2	\$ -
Land Contamination *	3	234,653
Land Transition	4	-
Land use	4	82,853
Institutional Care	13	(3,070)
Capital - School *	24	2,532,815
- Cultural *	24	313,324
Police Management Board	42	-
	<u>\$ 3,160,575</u>	<u>\$ 1,590,387</u>
	<u>_____</u>	<u>_____</u>

The First Nation has restricted deposits of \$1,285,969 in its capital project accounts and \$530,621 in term deposits. These deposits are to fund projects related to ongoing capital projects (*).

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

10. 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>2017</u>	<u>2016</u>
Total obligation	\$ 558,419	\$ 554,118
Funded amount on deposit	<u>582,488</u>	<u>578,914</u>
Outstanding obligation (overpayment -see Note 7)	\$ (24,069)	\$ (24,796)

11. 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, 2017

12. TERM DEBT:

The First Nation has the following term debt:

	<u>2017</u>	<u>2016</u>
1) First Nations Bank: for the construction of the arena, repayable quarterly at \$29,855 plus interest at 5.15% payable monthly.	\$ 1,821,202	\$ 1,940,625
2) Canadian Imperial Bank of Commerce:	-	20,000
3) CNH Capital: finance contract, repayable at \$1,176 semi-annually including interest at 5.67%.	7,360	9,209
4) Toronto Dominion Bank, for the construction of the arena, repayable quarterly at \$47,552 including interest at 5.15%. The loan is subject to renewal on April 1,2018.	1,910,325	2,000,000
	<hr/>	<hr/>
	\$ 3,738,887	\$ 3,969,834
	<hr/>	<hr/>

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

March 31, 2018	\$ 224,988
2019	221,628
2020	226,000
2021	233,000
2022	240,000
Subsequent years	<u>2,593,271</u>
	<hr/>
	\$ 3,738,887
	<hr/>

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2017

13. RENTAL MORTGAGES:

The Fund has the following housing mortgages outstanding:

	<u>2017</u>	<u>2016</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.	\$ 17,681	\$ 27,998
2) <u>Phase IV CMHC</u> Mortgage with payments of \$407 per month including interest at 1.92%. Maturity date is Apr 1/2019.	9,959	14,601
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.	74,312	125,509
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.	568,510	616,833
5) <u>Phase VII CMHC</u> Mortgage with payments of \$800 per month including interest at 1.12%. Renewal date is Feb 1/2020.	115,388	123,650
6) <u>Equity</u> Loan from First Nations Bank of Canada repayable at \$3,803 per month including interest at prime plus 5.05%.	289,505	319,676
	<hr/> \$ 1,075,354	<hr/> \$ 1,228,267
	<hr/> <hr/>	<hr/> <hr/>

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2017

13. 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 2018	\$ 125,052	\$ 31,742	\$ 156,794
2019	92,392	33,383	125,775
2020	59,600	35,108	94,708
2021	60,700	37,000	97,700
2022	61,800	39,000	100,800
Subsequent years	<u>386,305</u>	<u>113,271</u>	<u>499,576</u>
	<hr/>	<hr/>	<hr/>
	\$ 785,849	\$ 289,504	\$ 1,075,353
	<hr/>	<hr/>	<hr/>

14. FUNDING LOAN:

The First Nation has received a loan from Indigenous and Northern Affairs Canada which is based upon expenditures for a specific claim filed with the Government. The loan is repayable on the earlier of March 31, 2021 or the date on which the specific claim is settled. If at that time the claim is in negotiation, the repayment term can be extended by five years. The loan is interest free unless the First Nation is in default when the promissory note come to maturity.

15. 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>2017</u>	<u>2016</u>
Flying Energy LP	\$ -	\$ 913,736
FDB Holding LP	<u>2,944,957</u>	<u>2,944,957</u>
	<hr/>	<hr/>
	\$ 2,944,957	\$ 3,858,693
	<hr/>	<hr/>

Flying Dust holds an equity interest in both of the limited partnerships – see Note 7.

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2017

16. TANGIBLE CAPITAL ASSETS:

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

	<u>2017</u>	<u>2016</u>
<u>Cost</u>		
Houses	\$ 10,468,280	\$ 10,468,280
Buildings	14,047,725	13,080,075
Infrastructure	5,145,550	5,145,550
Rental housing	2,859,123	2,595,545
Machinery and equipment	913,702	897,738
Roads	627,052	627,052
Office equipment and furniture	538,511	530,631
Vehicles and trailers	771,523	635,613
Buses	<u>407,707</u>	<u>339,416</u>
	<u>35,779,173</u>	<u>34,319,900</u>
<u>Accumulated Amortization</u>		
Houses	\$ 9,401,751	\$ 8,992,619
Buildings	3,717,471	3,280,148
Infrastructure	2,348,840	2,143,018
Rental housing	875,679	752,938
Machinery and equipment	684,746	625,846
Roads	627,052	627,052
Office equipment and furniture	530,631	520,234
Vehicles and trailers	453,652	437,431
Bus	<u>304,116</u>	<u>305,297</u>
	<u>18,943,938</u>	<u>17,684,583</u>
Net Book Value	\$ 16,835,235	\$ 16,635,317

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2017

17. CONTINGENT LIABILITIES:

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

<u>Borrower</u>	<u>2017</u>	<u>2016</u>
625706 Saskatchewan Ltd.	\$ 2,607,287	\$ 2,929,892
FDB Holding Corporation	3,682,706	3,991,742
FDB Holdings LP	<u>2,837,500</u>	<u>3,000,000</u>
	<hr/>	<hr/>
	\$ 9,127,493	\$ 9,921,634
	<hr/>	<hr/>

The loans were in a current position at March 31, 2017. The First Nations owns 100% of the corporations (see Note 5) and 99.9% of the limited partnership (see Note 6).

18. 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.

19. MANAGEMENT FEES:

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

	<u>2017</u>	<u>2016</u>
625706 Saskatchewan Ltd (Note 6)	\$ 25,000	\$ 25,000
	<hr/>	<hr/>

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2017

20. 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.

21. BUDGETED FIGURES:

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

22. 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.

23. COMPARATIVE FIGURES:

Comparative figures for 2015/2016 have been restated to match current reporting practices.

FLYING DUST FIRST NATION

SUMMARY OF REVENUE AND EXPENSE SCHEDULES for the year ended March 31, 2017 (unaudited)

	<u>Sch</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Unexpended Revenue</u>	<u>Surplus (Deficit)</u>
LANDS:					
Land Operational	1	\$ 252,385	\$ 286,256	\$ -	\$ (33,871)
Lands - Government	2	7,981	14,502	10,000	3,479
Lands - Research	2	24,600	26,296	-	(1,696)
Contaminated sights	3	2,183,200	1,997,471	(185,729)	-
Land transition	4	-	20,507	20,480	(27)
Land use plan	5	120,000	37,147	(82,853)	-
		<u>2,588,166</u>	<u>2,382,179</u>	<u>(238,102)</u>	<u>(32,115)</u>
RESERVES:					
Registry	5	<u>8,973</u>	<u>10,505</u>	<u>-</u>	<u>(1,532)</u>
EDUCATION:					
Instructional Services	6	997,165	701,224	-	295,941
Ancillary Services	7	25,438	26,212	-	(774)
Tuition	7	1,325,378	1,291,303	-	34,075
Student Transportation	8	138,517	172,659	-	(34,142)
Salary Retro	8	52,550	52,550	-	-
Post Secondary	9	459,246	445,435	-	13,811
Instructional Support	10	106,946	106,619	-	327
Behaviour Modification	11	142,556	142,601	-	(45)
Behavior Provincial	12	45,269	45,309	-	(40)
First Nations Student Success	12	<u>288,612</u>	<u>293,809</u>	<u>-</u>	<u>(5,197)</u>
		<u>3,581,677</u>	<u>3,277,721</u>	<u>-</u>	<u>303,956</u>
SOCIAL SERVICES:					
Assistance	13	945,118	1,069,518	-	(124,400)
Institutional Care	13	29,124	39,068	9,944	-
National Child Benefit	14	198,420	264,087	-	(65,667)
Home Care	15	<u>130,519</u>	<u>157,929</u>	<u>-</u>	<u>(27,410)</u>
		<u>1,303,181</u>	<u>1,530,602</u>	<u>9,944</u>	<u>(217,477)</u>

FLYING DUST FIRST NATION

SUMMARY OF REVENUE AND EXPENSE SCHEDULES
for the year ended March 31, 2017
(unaudited)

	<u>Sch</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Unexpended Revenue</u>	<u>Surplus (Deficit)</u>
INFRASTRUCTURE:					
Water	16	\$ 17,550	\$ 17,685	-	\$ (135)
Electrification	16	15,262	15,264	-	(2)
Infrastructure	17	364,393	529,707	-	(165,314)
Community Building	18	51,176	129,331	-	(78,155)
Municipal	19	127,193	151,092	-	(23,899)
School Maintenance	19	<u>111,853</u>	<u>108,759</u>	<u>-</u>	<u>3,094</u>
		<u>687,427</u>	<u>951,838</u>	<u>-</u>	<u>(264,411)</u>
BAND SUPPORT:					
Administration	20	698,489	838,718	-	(140,229)
Service Delivery	21	71,227	72,068	-	(841)
Band Employee Benefits	21	155,620	155,620	-	-
Enhanced Service Delivery	22	32,500	32,710	-	(210)
Capacity	22	<u>12,000</u>	<u>12,086</u>	<u>-</u>	<u>(86)</u>
		<u>933,774</u>	<u>1,111,202</u>	<u>-</u>	<u>(177,428)</u>
CAPITAL:					
Housing and Renovations	23	-	308,576	-	(308,576)
School	24	1,513,557	480,951	(1,032,606)	-
Culture	24	<u>350,000</u>	<u>36,676</u>	<u>(313,324)</u>	<u>-</u>
		<u>1,863,557</u>	<u>826,203</u>	<u>(1,345,930)</u>	<u>(308,576)</u>
HEALTH:					
Management Support	25	131,654	131,274	-	380
Health Programming	26	59,284	61,981	-	(2,697)
Addictions	27	68,986	69,907	-	(921)
Medical Transportation	27	38,085	40,262	-	(2,177)
Maternal Child	28	34,746	42,523	-	(7,777)
Community Health	29	51,108	52,948	-	(1,840)
Nursing	30	264,564	267,093	-	(2,529)
Community Wellness	31	84,450	86,568	-	(2,118)
Child and Family Services	32	234,731	234,402	-	329
Daycare	33	113,355	176,401	-	(63,046)
Health Facility	33	44,778	44,778	-	-
Headstart	34	<u>82,060</u>	<u>95,384</u>	<u>-</u>	<u>(13,324)</u>
		<u>1,207,801</u>	<u>1,303,521</u>	<u>-</u>	<u>(95,720)</u>

FLYING DUST FIRST NATION

SUMMARY OF REVENUE AND EXPENSE SCHEDULES
for the year ended March 31, 2017
(b unaudited)

	<u>Sch</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Unexpended Revenue</u>	<u>Surplus (Deficit)</u>
ECONOMIC:					
Economic Development	35	\$ 56,274	\$ 185,214	\$ -	\$ (128,940)
Youth Work Experience	36	34,771	34,572	-	199
Community Development	37	85,000	88,633	-	(3,633)
Community Event	37	52,690	52,699	-	(9)
Power Generation	39	173,050	193,711	-	(20,661)
Solid Waste	40	91,519	91,494	-	25
Salt Conference	40	<u>35,200</u>	<u>35,200</u>	<u>-</u>	<u>-</u>
		<u>528,504</u>	<u>652,335</u>	<u>-</u>	<u>(123,831)</u>
OTHER PROGRAMS:					
Justice	41	37,288	37,288	-	-
Police Management Board	42	-	-	3,900	3,900
Northern Lights	42	2,500	2,500	-	-
Fire Suppression	43	146,907	179,308	-	(32,401)
Office Rentals	44	99,326	91,608	-	7,718
Pow Wow Employment	44	15,840	15,840	-	-
Elder's Program	45	30,677	140,123	-	(109,446)
Summer Student	45	-	6,083	-	(6,083)
Funeral	46	-	38,092	-	(38,092)
Revenue/Capital Trust	47	142,669	-	-	142,669
Gaming Regulation	47	99,036	99,036	-	-
Recreation	48	106,708	120,044	-	(13,336)
Band Revenue	49	1,861,465	-	-	1,861,465
FSIN Gaming	49	-	-	-	-
Sales Tax Rebate	50	2,074,114	1,864,632	-	209,482
Arena Operations	51	486,377	652,848	-	(166,471)
Elder's Lodge	52	82,137	39,133	-	43,004
Specific Claims	53	<u>2,337</u>	<u>127,295</u>	<u>-</u>	<u>(124,958)</u>
		<u>5,187,381</u>	<u>3,413,830</u>	<u>3,900</u>	<u>1,777,451</u>
UNAPPROPRIATED PROGRAMS:					
Community Develop	49	41,475	23,389	-	18,086
CMHC Housing	50	237,836	237,836	-	-
Housing Corporation	51	<u>1,128,403</u>	<u>1,047,808</u>	<u>-</u>	<u>80,595</u>
		<u>1,407,714</u>	<u>1,309,033</u>	<u>-</u>	<u>98,681</u>
		\$ 19,298,155	\$ 16,768,969	\$ (1,570,188)	\$ 958,998