

**Lubicon Lake Band
Consolidated Financial Statements
March 31, 2016**

Lubicon Lake Band

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Lubicon Lake Band

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the **Lubicon Lake Band** are the responsibility of management and have been approved by the Chief and Administrator on behalf of Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgement. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Lubicon Lake Band maintains systems of internal accounting and administrative controls of high quality. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Band's assets are appropriately accounted for and adequately safeguarded.

The Band Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The financial statements have been audited by Doyle & Company in accordance with Canadian auditing standards on behalf of the members. Doyle & Company have full and free access to the Council.

Original signed by _____ Chief

Original signed by _____ Councillor

Original signed by _____ Councillor

_____ Councillor

_____ Councillor

_____ Councillor

DOYLE & COMPANY

CHARTERED ACCOUNTANTS

Allan J. Grykuliak, C.A.*
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INDEPENDENT AUDITORS' REPORT

To the Chief and Council

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the **Lubicon Lake Band**, which comprise the statement of financial position as at March 31, 2016 and the statements of activities, change in net financial assets and cash flows, change in accumulated surplus, tangible capital assets, financial activities by program and expenditures by object 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.

Auditor's Responsibility

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

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

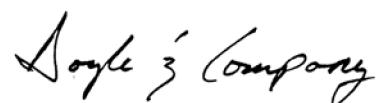
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Lubicon Lake Band as at March 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

July 29, 2016

Edmonton, Alberta



Chartered Accountants

Lubicon Lake Band
Consolidated Statement of Financial Position
As at March 31, 2016

	2016	2015 (Restated)
	\$	\$
FINANCIAL ASSETS		
Cash	57,263	595,927
Restricted cash (Note 2)	773,045	620,690
Accounts receivable (Note 3)	642,065	471,899
Investment in First Nation controlled entities (Note 4)	(3,426)	105,066
	1,468,947	1,793,582
LIABILITIES		
Accounts payable (Note 5)	225,288	252,222
Deferred revenue (Note 6)	510,902	594,095
Promissory note (Note 7)	500,000	-
	1,236,190	846,317
NET FINANCIAL ASSETS	232,757	947,265
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	9,046,564	5,864,856
Prepaid expenses	45,346	-
	9,091,910	5,864,856
ACCUMULATED SURPLUS (Schedule 1 and Note 11)	9,324,667	6,812,121

Approved by the First Nation:

Original signed by _____ Chief

Original signed by _____ Councillor

Original signed by _____ Councillor

_____ Councillor

_____ Councilor

_____ Councilor

Lubicon Lake Band
Consolidated Statement of Financial Activities
For the year ended March 31, 2016

	2016	2015 (Restated)
	\$	\$
REVENUE		
Indigenous and Northern Affairs Canada	1,771,747	2,264,076
Alberta Government Grant	342,672	582,269
First Nations Development Fund	355,564	453,788
Health Canada	686,014	686,014
Human Resource Development Canada	84,912	84,912
Other revenue	806,259	356,800
Revenue deferred from previous period	343,995	594,095
Revenue deferred to subsequent period	(84,814)	(510,902)
	4,306,349	4,511,052
	4,306,349	4,664,324
EXPENDITURES		
Administration and Governance	438,886	1,196,898
Alberta Government Programs	300,989	300,647
Aboriginal Skills Employment & Training	84,912	84,912
Consultation	67,672	153,653
Economic Development	89,000	91,898
Education	-	122,233
First Nations Development Fund	455,564	366,025
Health	820,600	763,629
Housing	303,257	373,184
Integrated Employment Training Program	140,424	142,270
Professional and Institutional Development Program	37,450	37,450
Public Works	826,700	486,515
Social Services	990,075	986,469
	4,555,529	5,105,783
	4,555,529	4,451,112
Excess of Revenue Over Expenditures		
- Before Other Revenue (Expenditures)	(249,180)	(594,731)
	(249,180)	213,212
Other Revenue (Expenditures)		
Capital funding		
Indigenous and Northern Affairs Canada	-	-
Alberta Government	-	3,515,000
Amortization	-	(418,420)
	-	3,096,580
	-	2,508,173
EXCESS OF REVENUE OVER EXPENDITURES	(249,180)	2,501,849
	(249,180)	2,721,385

The accompanying notes form part of these financial statements.

Lubicon Lake Band
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2016

	2016	2015 (Restated)
	\$	\$
EXCESS OF REVENUE OVER EXPENDITURES	2,512,546	2,720,563
Acquisition of tangible capital assets	(3,600,127)	(2,799,864)
Amortization of tangible capital assets	418,419	226,828
	(3,181,708)	(2,573,036)
Acquisition of prepaid assets	(45,346)	-
Use of prepaid assets	-	11,179
	(45,346)	11,179
INCREASE (DECREASE) IN NET ASSETS	(714,508)	158,706
NET FINANCIAL ASSETS, BEGINNING OF YEAR	947,265	788,559
NET FINANCIAL ASSETS, END OF YEAR	232,757	947,265

Lubicon Lake Band
Consolidated Statement of Cash Flows
For the year ended March 31, 2016

	2016	2015 (Restated)
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from funding agencies and other income	7,855,886	5,819,605
Cash paid to suppliers and employees	(5,902,915)	(4,640,028)
	1,952,971	1,179,577
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in long-term liabilities	500,000	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in investment in First Nation controlled entities	608,492	13,178
Tangible capital assets acquired	(3,600,127)	(564,866)
	(2,991,635)	(551,688)
INCREASE (DECREASE) IN CASH DURING THE YEAR	(538,664)	627,889
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR	595,927	(31,962)
CASH, END OF YEAR	57,263	595,927

Lubicon Lake Band
Consolidated Statement of Changes in Accumulated Surplus - Schedule 1
For the year ended March 31, 2016

	Unrestricted Surplus \$	Equity in Tangible Capital Assets \$	Equity in Enterprise Fund \$	Equity in Trust Funds \$	2016 \$	2015 (Restated) \$
Balance, Beginning of Year, as originally stated	221,509	3,629,856	105,066	620,690	4,577,121	4,074,468
Prior period adjustment (Note 12)	-	2,235,000	-	-	2,235,000	2,235,000
Balance, Beginning of Year, as originally restated	221,509	5,864,856	105,066	620,690	6,812,121	6,309,468
Excess of revenue over expenses	2,501,849	-	(2,470)	13,167	2,512,546	2,737,653
Current years funds used for tangible capital assets	(3,600,127)	3,600,127	-	-	-	-
Annual amortization expense	418,419	(418,419)	-	-	-	-
Change in accumulated surplus	(679,859)	3,181,708	(2,470)	13,167	2,512,546	2,737,653
Balance, End of Year	(458,350)	9,046,564	102,596	633,857	9,324,667	9,047,121

The accompanying notes form part of these financial statements.

Lubicon Lake Band
Consolidated Statement of Tangible Capital Assets - Schedule 2
For the year ended March 31, 2016

	Automotive	Buildings & Infrastructure	Housing	Furniture & Equipment	2016	2015 (Restated)
	\$	\$	\$	\$	\$	\$
COST:						
Balance, Beginning of Year	595,727	1,612,518	4,039,551	14,829	6,262,625	3,462,761
Acquisition of tangible capital assets	<u>63,900</u>	<u>99,449</u>	<u>3,436,778</u>	<u>-</u>	<u>3,600,127</u>	<u>2,799,864</u>
Balance, End of Year	659,627	1,711,967	7,476,329	14,829	9,862,752	6,262,625
ACCUMULATED AMORTIZATION:						
Balance, Beginning of Year	165,524	95,897	130,799	5,549	397,769	170,941
Annual amortization	<u>163,346</u>	<u>66,489</u>	<u>185,618</u>	<u>2,966</u>	<u>418,419</u>	<u>226,828</u>
Balance, End of Year	328,870	162,386	316,417	8,515	816,188	397,769
NET BOOK VALUE	330,757	1,549,581	7,159,912	6,314	9,046,564	5,864,856

The accompanying notes form part of these financial statements.

Lubicon Lake Band
Consolidated Statement of Financial Activities by Program - Schedule 3
For the year ended March 31, 2016

	INAC Revenue \$	Other Revenue \$	2016 Total Revenue \$	2016 Total Expenditures \$	Surplus (Deficit) \$	2015 Surplus (Deficit) \$
Administration and Governance	477,814	323,266	801,080	1,196,898	(395,818)	(225,654)
Alberta Government Programs	-	300,647	300,647	300,647	-	(501)
Aboriginal Skills Employment & Training Services	-	84,912	84,912	84,912	-	(5,869)
Consultation	-	134,269	134,269	153,653	(19,384)	372,078
Economic Development	55,433	-	55,433	91,898	(36,465)	(99,774)
Education	122,233	-	122,233	122,233	-	-
First Nation Development Fund	-	364,499	364,499	366,025	(1,526)	(103,013)
Health Services	-	820,600	820,600	763,629	56,971	(11,546)
Housing	215,100	3,593,900	3,809,000	373,184	3,435,816	3,180
Integrated Employment Training Program	-	139,883	139,883	142,270	(2,387)	85,712
Professional and Institutional Development Program	37,450	-	37,450	37,450	-	-
Public Works	419,684	-	419,684	486,515	(66,831)	682,213
Social Services	936,362	-	936,362	986,469	(50,107)	16,451
	2,264,076	5,761,976	8,026,052	5,105,783	2,920,269	713,277

The accompanying notes form part of these financial statements.

Lubicon Lake Band
Consolidated Statement of Expenditures by Object - Schedule 4
For the year ended March 31, 2016

	2016	2015
	\$	\$
EXPENDITURES		
Advertising	10,548	3,142
Bank charges	7,833	5,008
Contractors	203,439	65,332
Community/special events	110,000	16,165
Equipment	1,640	43,498
Garbage and water	59,356	60,441
Insurance and membership	34,843	33,555
Material and supplies	197,463	52,276
Meeting costs	141,055	80,878
Office	51,760	34,401
Professional fees	812,374	930,306
Propane	110,066	17,607
Program expense	1,089,951	1,026,567
Rent	19,987	13,425
Repairs and maintenance	76,080	117,937
Training	88,815	69,229
Travel	267,160	296,822
Telephone and utilities	248,853	300,001
Wages and employee benefits	1,574,564	1,284,522
TOTAL EXPENDITURES	5,105,783	4,451,112

Lubicon Lake Band
Notes to the Consolidated Financial Statements
March 31, 2016

NATURE OF OPERATIONS

Lubicon Lake Band provides local government, education and social development services to its members and was established under the Indian Act (Canada)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements include the assets, liabilities, and results of operations of Lubicon Lake Band (the "Band") and all related entities and organizations subject to control by Chief and Council. No inclusion has been made of assets, liabilities, revenues or expenses of Band members, individually or collectively, incorporated or unincorporated, that are not controlled by or the responsibility of Chief and Council.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government, as established by the Public Sector Accounting and Audit Boards ("PSAB"), which encompasses the following principles:

(a) Fund Accounting

The Lubicon Lake Band uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the financial statements. Details of the operations of each fund are set out in the supplementary schedules. The Lubicon Lake Band maintains the following funds:

- The Operating Fund which reports the general activities of the Band Administration.
- The Tangible Capital Assets Fund which reports the capital assets of the Band, together with their related financing.
- The Trust Fund which reports on trust funds owned by the Band and held by third parties.

(b) Investment in Controlled Entities

Investments in wholly-owned incorporated subsidiaries of Lubicon Lake Band are accounted for by the equity method. The equity method initially records the investment at cost and the carrying value thereafter is adjusted for the investor's pro-rata share of post acquisition earnings or losses of the subsidiary. Lubicon Lake Band owns the following subsidiary:

- 1769919 Alberta Ltd.

(c) Revenue Recognition

Government transfers and grant revenue are recognized as the Band becomes entitled to the funding under the terms of applicable funding agreements and are recorded in the period in which the recourses are used for the purpose specified in the agreements. Restricted funding received which relates to a subsequent fiscal period or which stipulations that give rise to an obligation are reported as deferred revenue until the resources are used for the purpose or purposes specified and/or the stipulations giving rise to an obligation have been met.

Other revenue, including rent and lease revenue, sales of goods and provision of services are recognized in the period the goods or services are provided and the related proceeds are received or receivable.

Lubicon Lake Band
Notes to the Consolidated Financial Statements
March 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations.

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a declining balance basis over the estimated useful life as follows:

	Rate
Automotive	30%
Buildings and infrastructure	4%
Furniture and equipment	20%

Annual amortization is charged in the year of acquisition and not in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(e) Trust Funds

The Ottawa Trust Accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

Band trust funds are included as revenue in these statements only to the extent they have been received from the Band's trust funds. The amounts on deposit with the Government of Canada are audited by the Auditor General of Canada.

(f) Financial Instruments

The Band's financial instruments consist of cash, accounts receivable, investments, trust funds, accounts payable, deferred revenue and long-term liabilities. Unless otherwise noted, it is management's opinion that the Nation is not exposed to significant market, currency or interest risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Credit Risk

The Band is exposed to credit risk resulting from the possibility that parties may default on their financial obligations.

Lubicon Lake Band
Notes to the Consolidated Financial Statements
March 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(g) 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. RESTRICTED CASH

	2016	2015
	\$	\$
Trust Funds		
Band Capital	29,392	29,392
Band Revenue	604,465	591,298
First Nation Development Fund	<u>139,188</u>	-
	773,045	620,690

3. ACCOUNTS RECEIVABLE

	2016	2015
	\$	\$
Kee Tee Kee Now Tribal Council	368,268	290,920
First Nation Development Fund	114,956	114,330
Alberta Government grant	99,871	66,649
Aboriginal Skills Employment & Training Services	35,640	-
Other	<u>23,330</u>	-
	642,065	471,899

4. INVESTMENTS IN BAND CONTROLLED ENTITIES

	2016	2015
	\$	\$
1769919 Alberta Ltd. (Venture) - 100% interest		
Shares	100	100
Advances	1,563	107,585
Accumulated surplus in earnings	<u>(5,089)</u>	(2,619)
	(3,426)	105,066

Lubicon Lake Band
Notes to the Consolidated Financial Statements
March 31, 2016

4. INVESTMENTS IN BAND CONTROLLED ENTITIES - continued

Unaudited financial information for each of the entities for their respective March 31, 2016 years ended are as follows:

	Assets	Liabilities	Revenues	Net Earnings (Loss)
	\$	\$	\$	\$
1769919 Alberta Ltd.	605,012	610,001	1,756,500	(2,470)

5. ACCOUNTS PAYABLE

	2016	2015
	\$	\$
Trade	222,911	215,381
Canada Revenue Agency - source deductions	2,377	36,841
	225,288	252,222

6. DEFERRED REVENUE

	2016	2015
	\$	\$
Kee Tee Kee Now Tribal Council	-	77,682
Alberta Government grants		
Capacity building	-	13,913
Traditional use study	-	125,989
Integrated employment training program	137,270	57,924
Career and employment counsellor	35,172	-
Trades coordinator	39,142	-
Graduation coach	26,028	-
First Nation Development Funds	247,794	158,505
Health Canada	25,496	160,082
	510,902	594,095

7. PROMISSORY NOTE

The promissory note due to Indigenous and Northern Affairs Canada is \$500,000 and is repayable on the earlier of March 31, 2018 or the date on which the claim is settled. The promissory note is interest free unless the First Nation defaults or the loan reaches maturity.

Lubicon Lake Band
Notes to the Consolidated Financial Statements
March 31, 2016

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	2016 \$	2015 \$
Tangible capital assets (Schedule 2)	9,862,752	6,262,625
Accumulated amortization (Schedule 2)	(816,188)	(397,769)
	9,046,564	5,864,856

9. EQUITY IN ENTERPRISE FUND

	2016 \$	2015 \$
Balance, beginning of year	105,066	118,244
Surplus (deficit) from subsidiary companies	(2,470)	(822)
Advances to controlled entities	-	(12,356)
Balance, end of year	102,596	105,066

10. EQUITY IN TRUST FUND

	Capital \$	Revenue \$	Total \$
Balance, beginning of year	29,392	591,298	620,690
Earnings	-	13,167	13,167
Balance, end of year	29,392	604,465	633,857

11. ACCUMULATED SURPLUS

	2016 \$	2015 \$
Unrestricted surplus	(458,350)	221,509
Equity in tangible capital assets	9,046,564	5,864,856
Equity in enterprise fund	102,596	105,066
Equity in trust funds	633,857	620,690
	9,324,667	6,812,121

Lubicon Lake Band
Notes to the Consolidated Financial Statements
March 31, 2016

12. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to record and account for homes purchased in 2015, with grant funding from the Government of Alberta.

The result of this adjustment was to increase the capital assets by \$2,235,000 and to increase the equity in capital assets by the same amount.