

**Swan River First Nation
Consolidated Financial Statements
March 31, 2016**

Swan River First Nation

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Swan River First Nation



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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Swan River First Nation are the responsibility of management and have been approved by the Chief and 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 judgments. 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 First Nation 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 First Nation's assets are appropriately accounted for and adequately safeguarded.

The First Nation 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 _____ Councilor

Original signed by _____ Councilor

Original signed by _____ Councilor

DOYLE & COMPANY

CHARTERED ACCOUNTANTS

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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 **Swan River First Nation**, 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.

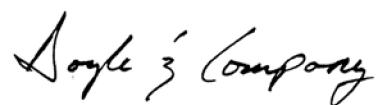
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Swan River First Nation 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 25, 2016

Edmonton, Alberta



Chartered Accountants

Swan River First Nation
Consolidated Statement of Financial Position
As at March 31, 2016

	2016	2015
	\$	\$
FINANCIAL ASSETS		
Cash	-	177,238
Restricted cash (Note 3)	928,362	1,062,582
Accounts receivable (Note 4)	1,221,371	861,285
Investment in First Nation controlled entities (Note 5)	326,352	529,678
	2,476,085	2,630,783
LIABILITIES		
Bank indebtedness (Note 6)	170,735	-
Accounts payable	971,840	639,385
Deferred revenue (Note 7)	297,609	27,622
Long-term liabilities (Note 8)	2,344,331	2,879,166
Replacement reserve	81,750	69,750
	3,866,265	3,615,923
NET FINANCIAL DEBT	(1,390,180)	(985,140)
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	7,681,536	8,439,237
Prepaid expenses	56,908	65,229
	7,738,444	8,504,466
ACCUMULATED SURPLUS (Schedule 1 and Note 12)	6,348,264	7,519,326

Approved by the First Nation:

Original signed by _____ Chief

Original signed by _____ Councilor

Original signed by _____ Councilor

Original signed by _____ Councilor

Swan River First Nation
Consolidated Statement of Financial Activities
For the year ended March 31, 2016

	2016 Budget \$	2016 Actual \$	2015 Actual \$
REVENUE			
Indigenous and Northern Affairs Canada	4,503,787	4,394,767	4,437,387
Lesser Slave Lake Indian Regional Council	223,375	180,728	131,112
Trust Funds - Revenue	-	105,075	-
Health Canada	1,192,943	1,118,602	1,206,843
First Nations Development Fund	-	569,437	583,488
Human Resource Development Canada	113,598	306,973	306,973
Canada Mortgage and Housing Corporation	255,780	100,463	261,571
Other revenue	998,338	1,716,992	1,788,701
Revenue deferred from previous period	-	27,622	65,000
Revenue deferred to subsequent period	-	(297,609)	(27,622)
	7,287,821	8,223,050	8,753,453
EXPENDITURES			
Administration	1,484,077	1,629,286	1,724,073
CMHC Housing #1	12,352	4,681	18,389
CMHC Housing #2	16,818	5,326	7,081
CMHC Multi-plex	-	68,205	57,169
Child Care Incentives	142,920	137,545	132,738
Child Welfare Committee	30,000	31,950	30,000
Child Welfare Community Service	-	150,728	101,112
Consultation	513,468	593,969	507,214
Economic Development	87,925	94,566	87,566
Education - Post Secondary	339,376	347,267	355,560
First Nations Development Fund	-	160,495	190,544
Health Services	1,239,449	1,242,041	1,314,712
Housing	690,684	479,978	731,037
Human Resources Development	193,371	213,306	208,856
School	1,686,860	1,813,148	1,770,828
Social Services	824,244	1,048,811	919,115
Water Treatment Plant	253,908	271,776	255,628
	7,515,452	8,293,078	8,411,622
Excess of Revenue Over Expenditures			
Before Other Expenditures	(227,631)	(70,028)	341,831
Other Expenditures			
Amortization	-	(806,448)	(752,964)
EXCESS OF REVENUE OVER EXPENDITURES	(227,631)	(876,476)	(411,133)

The accompanying notes form part of these financial statements.

Swan River First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2016

	2016 \$	2015 \$
EXCESS OF REVENUES OVER EXPENDITURES	(1,065,987)	(589,802)
Acquisition of tangible capital assets	(48,747)	(718,774)
Amortization of tangible capital assets	806,448	752,964
Trust funds used in year	(105,075)	-
	652,626	34,190
Acquisition of prepaid assets	(56,908)	(65,229)
Use of prepaid assets	65,229	59,317
	8,321	(5,912)
INCREASE IN NET DEBT	(405,040)	(561,524)
NET FINANCIAL DEBT, BEGINNING OF YEAR	(985,140)	(423,616)
NET FINANCIAL DEBT, END OF YEAR	(1,390,180)	(985,140)

Swan River First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2016

	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from funding agencies and other income	8,132,951	8,649,018
Cash paid to suppliers and employees	(8,143,628)	(8,032,522)
	(10,677)	616,496
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in long-term liabilities	(534,835)	188,013
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in trust funds	(91,260)	-
Decrease (increase) in investment in First Nation controlled entities	203,326	69,722
Tangible capital assets acquired	(48,747)	(718,774)
	63,319	(649,052)
INCREASE (DECREASE) IN CASH DURING THE YEAR	(482,193)	155,457
CASH - Beginning of year	1,239,820	1,084,363
CASH - End of year	757,627	1,239,820
Cash is Comprised of:		
Cash (bank indebtedness)	(170,735)	177,238
Restricted cash	928,362	1,062,582
	757,627	1,239,820

Swan River First Nation
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 \$
Balance, Beginning of Year	773,932	5,560,070	529,678	655,646	7,519,326	8,109,128
Excess of revenue over expenditures	(876,476)	-	(203,326)	13,815	(1,065,987)	(589,802)
Restricted funds used for operations	-	-	-	(105,075)	(105,075)	-
Current years funds used for tangible capital assets	(48,747)	48,747	-	-	-	-
Annual amortization expense	806,448	(806,448)	-	-	-	-
Long-term liabilities repaid	(534,836)	534,836	-	-	-	-
Change in accumulated surplus	(653,611)	(222,865)	(203,326)	(91,260)	(1,171,062)	(589,802)
Balance, End of Year	120,321	5,337,205	326,352	564,386	6,348,264	7,519,326

The accompanying notes form part of these financial statements.

Swan River First Nation
Consolidated Statement of Tangible Capital Assets - Schedule 2
For the year ended March 31, 2016

	Automotive	Buildings & Infrastructure	Furniture & Equipment	2016	2015
	\$	\$	\$	\$	\$
COST:					
Balance, Beginning of Year	719,287	14,328,992	844,447	15,892,726	15,186,952
Acquisition of tangible capital assets	48,747	-	-	48,747	718,774
Disposal of tangible capital assets	-	-	-	-	(13,000)
Balance, End of Year	768,034	14,328,992	844,447	15,941,473	15,892,726
ACCUMULATED AMORTIZATION:					
Balance, Beginning of Year	599,701	6,057,188	796,600	7,453,489	6,713,525
Annual amortization	79,366	716,449	10,633	806,448	752,964
Accumulated amortization on disposals	-	-	-	-	(13,000)
Balance, End of Year	679,067	6,773,637	807,233	8,259,937	7,453,489
NET BOOK VALUE	88,967	7,555,355	37,214	7,681,536	8,439,237

Swan River First Nation
Consolidated Statement of Financial Activities by Program - Schedule 3
For the year ended March 31, 2016

	2016		2015
	LSLIRC Revenue \$	INAC Revenue \$	Surplus (Deficit) \$
Aboriginal Skills and Employment	-	-	193,375
Administration	-	1,013,640	669,354
CMHC Housing - #1	-	-	37,295
CMHC Housing - #2	-	-	21,600
CMHC Multi-plex	-	-	136,586
Child Care Incentives	-	-	135,578
Child Welfare Community	150,728	-	150,728
Child Welfare Committee	30,000	-	30,000
Consultation	-	-	557,024
Economic Development	-	87,925	-
Education - Post Secondary	-	339,376	-
First Nation Development Fund	-	-	569,437
Health Services	-	-	1,162,474
Housing	-	463,160	-
School	-	1,581,810	32,110
Social Services	-	845,640	87,075
Water Treatment Plant	-	63,216	45,647
	180,728	4,394,767	3,647,555
	8,223,050		8,293,078
			(70,028)
			341,831

The accompanying notes form part of these financial statements.

Swan River First Nation
Consolidated Statement of Expenditures by Object - Schedule 4
For the year ended March 31, 2016

	2016	2015
	\$	\$
EXPENDITURES		
Administration	496,393	233,918
Advances to controlled entities	71	9,679
Contract labour	74,816	212,789
Donations	19,339	20,691
Equipment	-	370
Honorarium	68,439	86,265
Insurance	119,119	72,683
Interest and bank charges	89,060	93,728
Office	28,042	180,353
Professional fees	48,256	139,926
Program expenditures	2,225,504	2,359,081
Repairs and maintenance	180,104	190,118
Supplies and materials	181,282	232,584
Training	93,285	80,961
Travel	499,841	498,125
Tuition	1,329,821	1,321,815
Utilities	221,810	188,542
Wages and employee benefits	2,617,896	2,489,994
TOTAL EXPENDITURES	8,293,078	8,411,622

Swan River First Nation

Notes to the Consolidated Financial Statements

March 31, 2016

NATURE OF OPERATIONS

Swan River First Nation 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 Swan River First Nation (the "First Nation") 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 First Nations 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 Swan River First Nation 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 Swan River First Nation maintains the following funds:

- The Operating Fund which reports the general activities of the First Nation Administration.
- The Tangible Capital Assets Fund which reports the capital assets of the First Nation, together with their related financing.
- The Enterprise Fund which reports the investment made in controlled entities.
- The Trust Fund which reports on trust funds owned by the First Nation and held by third parties.

(b) Reporting Entity and Principles of Financial Reporting

The Swan River First Nation reporting entity includes the Swan River First Nation's government and all related entities which are accountable to the First Nation and are either owned or controlled by the Swan River First Nation.

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

- Swan River First Nation Operating Fund
- Swan River First Nation Trust Funds

Swan River First Nation
Notes to the Consolidated Financial Statements
March 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

(b) Reporting Entity and Principles of Financial Reporting

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.

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

- Swan River Tribal Enterprises Ltd.
- Wapsewsepi Enterprises Ltd.
- Creeland Resources Inc.
- 18805424 Alberta Ltd.

(c) Revenue Recognition

Government transfers and grant revenue are recognized as the First Nations becomes entitled to the funding under the terms of applicable funding agreements and are recorded in the period in which the resources 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.

(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:

	Years
Automotive	3-10
Buildings and infrastructure	25-50
Furniture and equipment	5-20

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.

Swan River First Nation
Notes to the Consolidated Financial Statements
March 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

(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.

First Nation trust funds are included as revenue in these statements only to the extent they have been received from the First Nation's trust funds.

(f) Financial Instruments

The Nation'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 or currency risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Credit Risk

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

Interest Rate Risk

The Nation is exposed to risk that the fair value of financial instruments or future cash flows associated with the instrument will fluctuate due to changes in market interest rates.

(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 expenditures during the reporting period. Actual results could differ from those estimates.

2. ECONOMIC DEPENDENCE

The Swan River First Nation receives a major portion of its revenues pursuant to a funding arrangement with Indigenous and Northern Affairs Canada.

Swan River First Nation
Notes to the Consolidated Financial Statements
March 31, 2016

3. RESTRICTED CASH

	2016	2015
	\$	\$
Trust Funds		
Band Capital	334,392	334,392
Band Revenue	229,994	321,254
First Nation Development Fund	283,049	307,676
Canada Mortgage and Housing Corporation	80,927	99,260
	928,362	1,062,582

4. ACCOUNTS RECEIVABLE

	2016	2015
	\$	\$
Trade	755,715	541,899
Indigenous and Northern Affairs Canada	21,695	-
Lesser Slave Lake Indian Regional Council	101,763	76,699
First Nation Development Fund	144,253	143,597
Canada Housing and Mortgage Corporation	-	110,022
Northern Gateway Pipelines	290,000	-
Goods and Service Tax	51,285	46,448
Members		
Rent and other	712,248	603,952
Water	36,662	38,152
Less: Allowance for doubtful accounts	(892,250)	(699,484)
	1,221,371	861,285

5. INVESTMENTS IN FIRST NATION CONTROLLED ENTITIES

	2016	2015
	\$	\$
Creeland Resources Inc.		
Shares	100	100
Advances	20,599	20,599
Accumulated surplus in earnings	16,153	26,475
	36,852	47,174
Wapsewsepi Enterprises Ltd.		
Shares	100	100
Advances	2,413,709	2,413,709
Accumulated deficit in earnings	(2,230,709)	(2,037,705)
	183,100	376,104

Swan River First Nation
Notes to the Consolidated Financial Statements
March 31, 2016

5. INVESTMENTS IN FIRST NATION CONTROLLED ENTITIES - continued

18805424 Alberta Ltd.

Advances	106,400	106,400
Total investment in controlled entities	326,352	529,678

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

	Assets	Liabilities	Revenues	Net Earnings (Loss)
	\$	\$	\$	\$
Creeland Resources Inc. (100%)	38,138	21,885	37,021	(10,322)
Wapsewsepi Enterprises Ltd. (100%)	242,211	2,472,818	401,119	(193,004)
18805424 Alberta Ltd. (100%)	106,400	-	-	-

6. BANK INDEBTEDNESS

Bank indebtedness represents cheque written in excess of the bank balance.

Swan River First Nation has a \$200,000 line of credit with Peace Hills Trust, which bears interest at prime plus 2% (5.75%).

7. DEFERRED REVENUE

	2016	2015
	\$	\$
Government of Alberta	7,609	-
Northern Gateway Pipelines	290,000	-
Health Canada	-	27,622
	297,609	27,622

Swan River First Nation
Notes to the Consolidated Financial Statements
March 31, 2016

8. LONG-TERM LIABILITIES

	2016	2015
	\$	\$
Peace Hills Trust loan, secured by ministerial guarantee of the Minister of Indigenous and Northern Affairs Canada, is repayable in monthly instalments of \$1,625 including interest charged at 5.09%.		
- CMHC #1 loan	25,280	43,088
Peace Hills Trust loan, secured by ministerial guarantee of the Minister of Indigenous and Northern Affairs Canada, is repayable in monthly instalments of \$2,026 including interest charged at 5.04%.		
- 7 trailers loan	-	19,965
Peace Hills Trust loan, secured by ministerial guarantee of the Minister of Indigenous and Northern Affairs Canada, is repayable in monthly instalments of \$2,844 including interest charged at 4.84%.		
- 12 trailers loan	25,214	57,429
Canada Mortgage and Housing Corporation mortgage loan, is due May, 2038 and is repayable in monthly instalments of \$6,266 including interest charged at 1.52%.		
- Multi-plex loan	1,416,232	1,469,579
Bank of Montreal Loan, is due March, 2019 and is repayable in quarterly instalments of \$102,875 including interest charged at prime plus 2%.		
- Gymnasium	877,605	1,289,105
	2,344,331	2,879,166

Future minimum principal repayments required to meet existing obligations are as follows:

	\$
2017	470,834
2018	452,896
2019	225,694
2020	56,539
2021	57,455
Thereafter	1,080,913
	2,344,331

Swan River First Nation
Notes to the Consolidated Financial Statements
March 31, 2016

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2016 \$	2015 \$
Tangible capital assets (Schedule 2)	15,941,473	15,892,726
Accumulated amortization (Schedule 2)	(8,259,937)	(7,453,489)
Long-term liabilities (Note 8)	(2,344,331)	(2,879,167)
	5,337,205	5,560,070

10. EQUITY IN ENTERPRISE FUND

	2016 \$	2015 \$
Balance, beginning of year	529,678	599,400
Advances to controlled entities	-	126,999
Deficit from controlled entities	(203,326)	(196,721)
Balance, end of year	326,352	529,678

11. EQUITY IN TRUST FUND

	Capital \$	Revenue \$	Total \$
Balance, beginning of year	334,392	321,254	655,646
Earnings	-	13,815	13,815
Balance, end of year	334,392	335,069	669,461
BCR NUMBER	DATES FUNDS RELEASED	PURPOSE OF EXPENDITURE	
15-45702	2015/07/13	Severance	-
15-45724	2015/03/08	Elder assistance	-
			18,000
			87,075
			105,075
Balance, end of year	334,392	229,994	564,386

Swan River First Nation
Notes to the Consolidated Financial Statements
March 31, 2016

12. ACCUMULATED SURPLUS

	2016	2015
	\$	\$
Unrestricted surplus	120,321	773,932
Equity in tangible capital assets	5,337,205	5,560,070
Equity in enterprise fund	326,352	529,678
<u>Equity in trust funds</u>	564,386	655,646
	6,348,264	7,519,326