

Consolidated Financial Statements of

WEENUSK FIRST NATION

Year ended March 31, 2014

WEENUSK FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2014

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Weenusk First Nation are the responsibility of management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to these consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Weenusk First Nation's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.


The Chief and Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The consolidated financial statements have been audited by Freelandt Caldwell Reilly LLP, independent external auditors appointed by the Weenusk First Nation. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Weenusk First Nation's consolidated financial statements.


Chief


Councillor


Councillor


Councillor

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **Weenusk First Nation**, which comprise the consolidated statement of financial position as at **March 31, 2014**, and the consolidated statements of operations and accumulated surplus, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors' consider internal control relevant to the entity'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 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 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 Weenusk First Nation as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of Matter

We draw your attention to Note 1 in the financial statements which describe that the First Nation has a significant working capital deficiency, and pursuant to Aboriginal Affairs and Northern Development Canada directives is operating under a co-management agreement with a Remedial Management Plan in place. Certain First Nation operating activities and its ability to incur certain expenditures and discharge certain liabilities are or can be restricted by its financial condition, the co-management agreement and the Remedial Management Plan.

Other Matters

Our examination was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the schedules is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the examination of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

FREELANDT CALDWELL REILLY LLP

Freelandt Caldwell Reilly LLP

Chartered Professional Accountants
Licensed Public Accountants

Sudbury, Ontario
January 26, 2015

WEENUSK FIRST NATION

Consolidated Statement of Financial Position

March 31, 2014 with comparative figures for 2013


	2014	2013
Financial assets		
Cash	\$ 47,067	\$ 398,944
Restricted cash (note 3)	82,404	177,982
Restricted funds held in trust in Ottawa (note 4)	5,264	5,134
Accounts receivable	480,191	1,351,528
Due from Aboriginal Affairs and Northern Development Canada (note 5)	284,622	181,761
Government business enterprise - Investment and advances - Winisk 500 Corporation (note 6)	-	90,781
Total financial assets	899,548	2,206,130
Financial liabilities		
Accounts payable and accrued liabilities	3,565,624	3,141,031
Deferred contributions (note 7)	-	65,531
Long-term debt (note 8)	2,728,267	3,102,516
Government business enterprise - Investment and advances - Winisk 500 Corporation (note 6)	36,525	-
Total financial liabilities	6,330,416	6,309,078
Net debt	(5,430,868)	(4,102,948)
Non-financial assets (note 9)		
Tangible capital assets (note 10)	10,211,080	10,869,591
Fuel inventory (note 11)	364,069	385,289
Prepaid expenses	204,236	102,418
Total non-financial assets	10,779,385	11,357,298
Accumulated surplus (note 12)	\$ 5,348,517	\$ 7,254,350

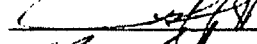
Going concern and remedial management plan (note 1)

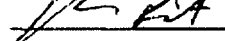
Commitments and contingent liabilities (note 13)

See accompanying notes to consolidated financial statements

Approved on behalf of the Chief and Council of Weenusk First Nation

Chief X 

Officer Y 

Council Y 

WEENUSK FIRST NATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2014 with comparative figures for 2013

	2014	2013
Revenues:		
Aboriginal Affairs and Northern Development Canada:		
Grant and other	\$ 460,636	\$ 449,914
Fixed contribution	2,251,353	2,355,870
Set contribution	1,089,357	1,227,781
	3,801,346	4,033,565
Other	3,805,941	7,510,480
Deferred contributions, beginning of year	65,531	118,639
Deferred contributions, end of year	-	(65,531)
Total revenues	7,672,818	11,597,153
Expenditures (by program area):		
Band Support	1,207,340	1,157,139
Community Infrastructure & Buildings	1,988,120	1,876,774
Economic Development and Other Funded Programs	1,414,301	988,359
Community Health	1,009,761	858,257
Education	2,271,533	2,028,636
Social Housing	691,306	626,548
Capital Projects and Major Repairs	196,522	276,548
Site 500 Project	242,679	1,609,949
Site 500 Camp Contract	279,073	2,043,608
Government Business Enterprise - Winisk 500 Corporation (note 6)	25,407	12,343
Ontario First Nations Limited Partnership Distributions	179	164
Total expenditures (note 16)	9,326,221	11,478,325
Excess (deficiency) of revenues over expenditures, before undernoted item	(1,653,403)	118,828
Funding repaid or repayable to funders	(252,430)	(332,490)
Deficiency of revenues over expenditures for the year	(1,905,833)	(213,662)
Accumulated surplus, beginning of year	7,254,350	7,468,012
Accumulated surplus, end of year	\$ 5,348,517	\$ 7,254,350

Budget (note 14)

See accompanying notes to consolidated financial statements

WEENUSK FIRST NATION**Consolidated Statement of Change in Net Debt**

Year ended March 31, 2014 with comparative figures for 2013

	2014	2013
Deficiency of revenues over expenditures for the year	\$ (1,905,833)	\$ (213,662)
Amortization of tangible capital assets	813,711	863,011
Loss on disposal of tangible capital assets	-	376,502
Proceeds on disposal of tangible capital assets	-	680,000
Acquisition of tangible capital assets	(155,200)	(525,837)
Change in fuel inventory	21,220	(150,396)
Change in prepaid expenses	(101,818)	123,092
(Increase) decrease in net debt for the year	(1,327,920)	1,152,710
Net debt, beginning of year	(4,102,948)	(5,255,658)
Net debt, end of year	\$ (5,430,868)	\$ (4,102,948)

Budget (note 14)

See accompanying notes to consolidated financial statements

WEENUSK FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2014 with comparative figures for 2013

	2014	2013
Cash flows from operating activities:		
Deficiency of revenues over expenditures for the year	\$ (1,905,833)	\$ (213,662)
Non-cash charges to operations:		
Amortization of tangible capital assets	813,711	863,011
Loss from government business enterprise	25,407	12,343
Loss on disposal of tangible capital assets	-	376,502
Change in non-cash assets relating to operations:		
Accounts receivable and Due from Aboriginal Affairs and Northern Development Canada	768,476	613,722
Fuel inventory	21,220	(150,396)
Prepaid expenses	(101,818)	123,092
Accounts payable and accrued liabilities	424,593	(960,538)
Deferred contributions	(65,531)	(53,108)
Net change in cash from operating activities	(19,775)	610,966
Cash flows from capital activities:		
Proceeds on disposal of tangible capital assets	-	680,000
Acquisition of tangible capital assets	(155,200)	(525,837)
Net change in cash from capital activities	(155,200)	154,163
Cash flows from financing activities:		
Proceeds of long-term debt	-	760,500
Principle repayments of long-term debt	(374,249)	(1,069,688)
Net change in cash from financing activities	(374,249)	(309,188)
Cash flows from investing activities:		
Transfers from (to) restricted cash	95,578	(166,464)
Earnings from restricted funds held in trust reinvested	(130)	(121)
Net transfer of funds from (net advances to) Investment in and advances to Winisk 500 Corporation	101,899	(48,828)
Net change in cash from investing activities	197,347	(215,413)
Net change in cash for the year	(351,877)	240,528
Cash, beginning of year	398,944	158,416
Cash, end of year	\$ 47,067	\$ 398,944

See accompanying notes to consolidated financial statements

WEENUSK FIRST NATION

Notes to Consolidated Financial Statements

March 31, 2014

Nature of operations

The Weenusk First Nation (the "First Nation") is a First Nation located in the James Bay region of Northern Ontario Canada. The First Nation, under the direction of its Chief and Council and management, operate various programs for the benefit of its members, including municipal services, health services, economic development, housing, education, and other services. The Weenusk First Nation is a not-for-profit entity and is not taxable under the Canadian Income Tax Act.

1. Going concern and Remedial Management Plan

These consolidated financial statements have been prepared on a going concern basis which assumes the First Nation will be able to realize its assets and settle its obligations in the normal course of operations. At the First Nation's fiscal year end date it had a working capital deficiency of \$(2,335,711), (2013 - \$(1,465,131)) and pursuant to Aboriginal Affairs and Northern Development Canada directives was operating under a co-management agreement with a Remedial Management Plan in place, as a result of its working capital deficiency and not meeting certain other financial benchmarks.

The co-management agreement and Remedial Management Plan included the appointment of a co-manager to assist the First Nation in managing its affairs. The Remedial Management Plan included plans to reduce certain program deficits, realize certain surpluses and reduce the First Nation's operating deficit.

During the 2014 fiscal year the First Nation's working capital deficiency increased by \$870,580. In the 2013 fiscal year the deficiency had been reduced by \$730,685.

During the 2014 fiscal year the First Nation incurred a deficiency of revenues over expenses of \$(1,905,833), (2013 - \$(213,662)) had an unrestricted accumulated operating deficit of \$(2,681,789), (2013 - \$(1,427,328)).

Certain First Nation operating activities and its ability to incur certain expenditures and discharge certain liabilities are or can be restricted by its financial condition, the co-management agreement and the Remedial Management Plan.

WEENUSK FIRST NATION

Notes to Consolidated Financial Statements

March 31, 2014

2. Basis of presentation and significant accounting policies:

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards for local government entities established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada and the Year-End Reporting Handbook of the Department of Aboriginal Affairs and Northern Development Canada. The significant accounting policies are summarized as follows:

(a) Reporting entity and basis of consolidation:

These consolidated financial statements include the assets, liabilities, accumulated surplus, revenues and expenses of the First Nation government functions that have been determined to be accountable to the Weenusk First Nation, ("the First Nation") and are either owned or under the control of the First Nation through its Chief and Council.

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

The First Nation's 100% ownership interest in Winisk 500 Corporation has been reflected in the consolidated financial statements using the modified equity method of accounting.

(b) Basis of accounting:

Revenues and expenditures are reported using the accrual basis of accounting. Revenues are recognized as they are earned and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

WEENUSK FIRST NATION

Notes to Consolidated Financial Statements

March 31, 2014

2. Significant accounting policies (continued):

(c) Financial instruments:

Measurement of financial instruments

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The organization subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities that are quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, restricted cash, restricted funds held in trust in Ottawa, accounts receivable, due from Aboriginal Affairs and Northern Development Canada.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

Impairment

Financial assets measured at other than fair value are tested for impairment when there are indicators of possible impairments. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets;
- the amount that could be realized by selling the assets or group of assets;
- the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

WEENUSK FIRST NATION

Notes to Consolidated Financial Statements

March 31, 2014

2. Significant accounting policies (continued):

(d) Cash and cash equivalents:

Cash and cash equivalents, including restricted cash, consist of cash on hand and balances held by major financial institutions.

(e) Tangible capital assets:

Tangible capital assets are recorded at cost. The First Nation provides for amortization using the straight line method designed to amortize the cost, less any residual value, of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

Asset	Basis	Rate
Buildings	straight line	15-30 years
Water & sewer infrastructure	straight line	75 years
Roads	straight line	25 years
Vehicles	straight line	3-7 years
Machinery & equipment	straight line	7 years
Landfill site	straight line	30 years
CMHC and rental units	straight line	25 years
Computer systems	straight line	4 years

(f) Fuel inventory:

Fuel inventory is valued at the lower of cost and net realizable value. Cost is determined using the purchase cost method.

(g) Revenue recognition and deferred contributions:

Revenues from government grants and contributions are recognized in the period that the events giving rise to the government transfer have occurred as long as: the transfer is authorized; the eligibility criteria, if any, have been met; and the amount can reasonably be estimated. Funding received under the funding arrangements, which relates to a subsequent fiscal period and the unexpended portions of contributions received for specific purposes are reflected as deferred contributions in the year of receipt and are recognized as revenue in the period in which all of the recognition criteria have been met.

Other revenues including certain user fees, rents, and interest are recorded on the accrual basis when earned and the amount can be reasonably estimated and collection is reasonably assured.

WEENUSK FIRST NATION

Notes to Consolidated Financial Statements

March 31, 2014

2. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and reported amounts of certain revenues and expenditures during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are certain accounts receivable, allowance for doubtful accounts, certain deferred contributions, amounts repayable to certain funders, original capital cost of certain tangible capital assets acquired in past years, and the estimated useful lives of tangible assets.

3. Restricted cash:

	2014	2013
Amounts held for Moccreebec First Nation	\$ 74,396	\$ 68,404
Amounts funding CMHC reserves	8,008	109,578
	\$ 82,404	\$ 177,982

Amounts funding CMHC reserves are comprised of bank account balances supporting CMHC replacement, subsidy surplus reserves, and operating reserves. Under the terms of agreements with Canada Mortgage and Housing Corporation, amounts are to be credited annually to replacement reserves and, where applicable, may be credited to the subsidy surplus and operating surplus reserves. These funds must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by Canada Mortgage and Housing Corporation. Withdrawals are credited to interest first and then principal. At the First Nation's fiscal year end the First Nation had underfunded the bank account supporting the reserves by \$225,535 (2013 underfunded - \$96,068).

Amounts held for Moccreebec First Nation are funds held in a designated bank account, received from Ontario First Nations Limited Partnership, which are to be distributed to the Moccreebec First Nation.

4. Restricted funds held in trust in Ottawa:

Restricted funds held in trust in Ottawa are comprised of funds held in Ottawa trust accounts and 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.

WEENUSK FIRST NATION

Notes to Consolidated Financial Statements

March 31, 2014

5. Due from Aboriginal Affairs and Northern Development Canada:

Due from Aboriginal Affairs and Northern Development Canada represents amounts receivable from Aboriginal Affairs and Northern Development Canada, ("AANDC") in accordance with funding arrangements between the First Nation and AANDC. The amounts are unsecured and non interest bearing.

6. Investment in and advances to Winisk 500 Corporation:

The First Nation holds a 100% ownership interest in Winisk 500 Corporation. The investment is accounted for using the modified equity basis of accounting, and reflects the First Nation's 100% share of Winisk 500 Corporation's operations since it began operations in 2010.

	2014	2013
Investment in Winisk 500 Corporation:		
Investment in share capital of Winisk 500 Corporation	\$ 1	\$ 1
Weenusk First Nation's share of the accumulated operating deficit of Winisk 500 Corporation:		
Opening balance	(555,155)	(542,812)
Operating deficit for the year	(25,407)	(12,343)
Ending Balance	(580,562)	(555,155)
Deficiency in investment:	(580,561)	(555,154)
Advances recorded to Winisk 500 Corporation:	544,036	645,935
Net investment (deficit in investment)	\$ (36,525)	\$ 90,781

Advances to Winisk 500 Corporation are unsecured, non interest bearing with no fixed terms of repayment.

WEENUSK FIRST NATION

Notes to Consolidated Financial Statements

March 31, 2014

6. Investment in and advances to Winisk 500 Corporation (continued):

The following summarizes the assets, liabilities, equity (deficit), revenues, and expenses of Winisk 500 Corporation:

	2014	2013
Assets:		
Current assets	\$ 7	\$ 132,653
Intangible assets	2,195	2,195
	<u>\$ 2,202</u>	<u>\$ 134,848</u>
Liabilities and Equity (deficit):		
Current liabilities	\$ 38,727	\$ 44,067
Advances from Weenusk First Nation	544,036	645,935
Equity (deficit)	(580,561)	(555,154)
	<u>\$ 2,202</u>	<u>\$ 134,848</u>
Revenues	\$ -	\$ 68,848
Expenses	25,407	81,211
Net loss	<u>\$ (25,407)</u>	<u>\$ (12,343)</u>

7. Deferred contributions:

Deferred contributions consist of the following:

	2014	2013
Ontario Ministry of Natural Resources		
– Land Use Planning	\$ -	\$ 27,709
Aboriginal Affairs and Northern Development Canada		
– Capacity Development	-	37,822
	<u>\$ -</u>	<u>\$ 65,531</u>

WEENUSK FIRST NATION

Notes to Consolidated Financial Statements

March 31, 2014

8. Long-term debt:

	2014	2013
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$3,079 including interest at 1.61% per annum, due Nov 2017. Insured by Canada Mortgage and Housing Corporation.	\$ 726,804	\$ 751,871
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$7,870 including interest at 2.56% per annum, due December 2015. Insured by Canada Mortgage and Housing Corporation.	946,382	1,015,753
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly instalments of \$4,735 including interest at 2.56% per annum, due December 2015. Insured by Canada Mortgage and Housing Corporation.	946,581	978,847
John Deere Credit commercial lease. Repayable by monthly instalments of \$1,869 including interest at 7.75% per annum, due March 2015. Secured by equipment with a carrying value of \$48,803.	21,511	41,422
John Deere Credit commercial lease. Repayable by monthly instalments of \$7,443 including interest at 4.90% per annum, due March 2015. Secured by equipment with a carrying value of \$206,089.	86,989	169,826
Royal Bank mortgage. Repayable by monthly instalments of \$3,749 including interest at 3.50% per annum, repaid during year. Insured by Canada Mortgage and Housing Corporation.	-	44,010
John Deere Credit commercial lease. Repayable by monthly instalments of \$4,048 including interest at 4.50% per annum, repaid during year	-	47,409
John Deere Credit commercial lease. Repayable by monthly instalments of \$5,959 including interest at 9.80% per annum, repaid during year	-	11,773
John Deere Credit commercial lease. Repayable by monthly instalments of \$3,946 including interest at 8.55% per annum, repaid during year	-	41,605
	<u>\$ 2,728,267</u>	<u>\$3,102,516</u>

WEENUSK FIRST NATION

Notes to Consolidated Financial Statements

March 31, 2014

8. Long-term debt (continued):

Principal payments required to retire outstanding long-term debt, assuming mortgages are renewed with similar terms and conditions are as follows:

Due within the next fiscal year 2015	\$ 237,940
2016	132,547
2017	135,730
2018	138,991
2019	142,333
2020 and future years	1,940,726
	<hr/> \$2,728,267

The mortgages with the Royal Bank of Canada and Canada Mortgage and Housing Corporation are secured by guarantees by the Weenusk First Nation and ministerial guarantees by Aboriginal Affairs and Northern Development Canada.

9. Non-financial assets:

Tangible capital assets, fuel inventory and prepaid expenses are accounted for as assets by the First Nation because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the First Nation unless they are sold.