

Financial Statements of

WEENUSK FIRST NATION

Year ended March 31, 2015

WEENUSK FIRST NATION

FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying 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 3 to these financial statements. The preparation of the 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 financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The 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 financial statements.



Chief



Councillor



Councillor

Councillor

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Report on the Financial Statements

We have audited the accompanying financial statements of **Weenusk First Nation**, which comprise the statement of financial position as at **March 31, 2015**, and the 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.

Auditors' 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, the consolidated financial statements present fairly, in all material respects, the financial position of Weenusk First Nation as at March 31, 2015, 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 2 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 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 financial statements. Such information has been subjected to the auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

FREELANDT CALDWELL REILLY LLP

Freelandt Caldwell Reilly LLP

Chartered Professional Accountants
Licensed Public Accountants

Sudbury, Ontario
November 16, 2015

WEENUSK FIRST NATION
Statement of Financial Position

March 31, 2015 with comparative figures for 2014

	2015	2014
Financial assets		
Cash		
Restricted cash (note 4)	\$ 249,785	\$ 47,067
Restricted funds held in trust in Ottawa (note 5)	13,927	82,404
Accounts receivable	5,413	5,264
Due from Aboriginal Affairs and Northern Development Canada (note 6)	880,821	480,191
Total financial assets	97,390	284,622
	1,247,336	899,548
Financial liabilities		
Accounts payable and accrued liabilities		
Long-term debt (note 8)	4,429,626	3,565,624
Government business enterprise - Investment and advances:	2,523,093	2,728,267
Winisk 500 Corporation (note 7)	34,095	36,525
Total financial liabilities	6,986,814	6,330,416
Net debt	(5,739,478)	(5,430,868)
Non-financial assets (note 9)		
Tangible capital assets (note 10)	9,061,570	10,211,080
Fuel inventory (note 11)	274,295	364,069
Prepaid expenses	218,145	204,236
Total non-financial assets	9,554,010	10,779,385
Accumulated surplus (note 12)	\$ 3,814,532	\$ 5,348,517

Going concern and remedial management plan (note 2)
Commitments and contingent liabilities (note 13)

See accompanying notes to financial statements

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



WEENUSK FIRST NATION
Statement of Operations and Accumulated Surplus

Year ended March 31, 2015 with comparative figures for 2014

	2015	2014
Revenues:		
Aboriginal Affairs and Northern Development Canada:		
Grant and other	\$ 443,128	\$ 460,636
Fixed contribution	2,222,683	2,251,353
Set contribution	1,132,096	1,089,357
Other	3,797,907	3,801,346
Deferred contributions, beginning of year	5,213,084	3,805,941
Total revenues	9,010,991	7,672,818
Expenditures (by program area):		
Band Support	1,095,043	1,207,340
Community Infrastructure & Buildings	1,850,283	1,988,120
Economic Development and Other Funded Programs	1,006,144	1,414,301
Community Health	1,017,617	1,009,761
Education	2,222,630	2,271,533
Social Housing	631,145	691,306
Capital Projects and Major Repairs	500,000	196,522
Site 500 Project	1,657,435	521,752
Government Business Enterprise - Winisk 500 Corporation (note 7)	-	25,407
Ontario First Nations Limited Partnership Distributions	163	179
Total expenditures (note 16)	9,980,460	9,326,221
Deficiency of revenues over expenditures, before undernoted item	(969,469)	(1,653,403)
Funding repaid or repayable to funders	(564,516)	(252,430)
Deficiency of revenues over expenditures for the year	(1,533,985)	(1,905,833)
Accumulated surplus, beginning of year	5,348,517	7,254,350
Accumulated surplus, end of year	\$ 3,814,532	\$ 5,348,517

Budget (note 14)

See accompanying notes to financial statements

WEENUSK FIRST NATION

Statement of Change in Net Debt

Year ended March 31, 2015 with comparative figures for 2014

	2015	2014
Deficiency of revenues over expenditures for the year	\$ (1,533,985)	\$ (1,905,833)
Amortization of tangible capital assets	785,115	813,711
Acquisition of tangible capital assets	(135,605)	(155,200)
Loss on write down of capital assets	500,000	-
Change in fuel inventory	89,774	21,220
Change in prepaid expenses	(13,909)	(101,818)
Increase in net debt for the year	(308,610)	(1,327,920)
Net debt, beginning of year	(5,430,868)	(4,102,948)
Net debt, end of year	\$ (5,739,478)	\$ (5,430,868)

Budget (note 14)

See accompanying notes to financial statements

WEENUSK FIRST NATION

Statement of Cash Flows

Year ended March 31, 2015 with comparative figures for 2014

	2015	2014
Cash flows from operating activities:		
Deficiency of revenues over expenditures for the year	\$ (1,533,985)	\$ (1,905,833)
Non-cash charges to operations:		
Amortization of tangible capital assets	785,115	813,711
Loss on write down of capital assets	500,000	-
(Gain) loss from government business enterprise	(1,311)	25,407
Change in non-cash assets relating to operations:		
Accounts receivable and Due from Aboriginal Affairs and Northern Development Canada	(213,398)	768,476
Fuel inventory	89,774	21,220
Prepaid expenses	(13,909)	(101,818)
Accounts payable and accrued liabilities	864,002	424,593
Deferred contributions	-	(65,531)
<u>Net change in cash from operating activities</u>	<u>476,288</u>	<u>(19,775)</u>
Cash flows from capital activities:		
Acquisition of tangible capital assets	(135,605)	(155,200)
Cash flows from financing activities:		
Principal repayments of long-term debt	(205,174)	(374,249)
Cash flows from investing activities:		
Transfers from restricted cash	68,477	95,578
Earnings from restricted funds held in trust reinvested	(149)	(130)
Net transfer of funds from (net advances to) Investment in and advances to Winisk 500 Corporation	(1,119)	101,899
<u>Net change in cash from investing activities</u>	<u>67,209</u>	<u>197,347</u>
<u>Net change in cash for the year</u>	<u>202,718</u>	<u>(351,877)</u>
Cash, beginning of year	47,067	398,944
Cash, end of year	\$ 249,785	\$ 47,067

See accompanying notes to financial statements

Weenusk First Nation
Notes to the Financial Statements
Year ended March 31, 2015

1. 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.

2. Going concern and Remedial Management Plan

These 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 \$(2,831,094), (2014 - \$(2,335,711)) 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 2015 fiscal year the First Nation's working capital deficiency increased by \$495,383. In the 2014 fiscal year the deficiency increased by \$870,580.

During the 2015 fiscal year the First Nation incurred a deficiency of revenues over expenses of \$(1,533,985), (2014 - \$(1,905,833)) had an unrestricted accumulated operating deficit of \$(1,981,493), (2014 - \$(2,681,789)) and other operating deficits of \$(971,049), (2014 \$(64,972)).

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 the Financial Statements
Year ended March 31, 2015

3. Significant accounting policies

These 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

These 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, 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 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 the Financial Statements
Year ended March 31, 2015

3. Significant accounting policies, continued

(c) Financial instruments

(i) 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, and due from Aboriginal Affairs and Northern Development Canada.

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

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. 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 the Financial Statements

Year ended March 31, 2015

3. **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:

Buildings	15-30 years
Water & sewer infrastructure	75 years
Roads	25 years
Vehicles	3-7 years
Machinery & equipment	7 years
Landfill site	30 years
CMHC and rental units	25 years
Computer systems	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 the Financial Statements
Year ended March 31, 2015

3. 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 assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses 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 costs of certain tangible capital assets acquired in past years, and the estimated useful lives of tangible assets.

4. Restricted cash

	2015	2014
Amounts funding CMHC reserves	\$ 13,927	\$ 8,008
Amounts held for Moosseebec First Nation	-	74,396
	<u>\$ 13,927</u>	<u>\$ 82,404</u>

Amounts funding CMHC reserves are comprised of bank account balances supporting CMHC replacement 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 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 \$207,115 (2014 underfunded - \$225,535).

5. 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 the Financial Statements
Year ended March 31, 2015

6. **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.

7. **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.

	2015	2014
Weenusk First Nation's share of the accumulated operating deficit of Winisk 500 Corporation		
Opening balance	\$ (580,562)	\$ (555,155)
Weenusk First Nation's share of operating surplus (deficit) of Winisk 500 Corporation for the year	1,311	(25,407)
Ending Balance	\$ (579,251)	\$ (580,562)
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	(579,252)	(580,562)
Advances to Winisk 500 Corporation	545,156	544,036
Net investment (deficit in investment)	\$ (34,095)	\$ (36,525)

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

Weenusk First Nation
Notes to the Financial Statements
Year ended March 31, 2015

7. **Investment in and advances to Winisk 500 Corporation, continued**

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

	2015	2014
Current assets	\$ 8	\$ 7
Intangible assets	2,195	2,195
	\$ 2,203	\$ 2,202
Current liabilities	\$ 36,297	\$ 38,727
Advances from Weenusk First Nation	545,156	544,036
Equity (deficit)	(579,250)	(580,561)
	\$ 2,203	\$ 2,202
Revenues	\$ 1,311	\$ -
Expenses	-	(25,407)
Net earnings (loss)	\$ 1,311	\$ (25,407)

Weenusk First Nation
Notes to the Financial Statements
Year ended March 31, 2015

8. Long-term debt	2015	2014
John Deere Credit commercial lease. Repayable by monthly installments of \$1,869 including interest at 7.75% per annum, due April 2015. Secured by equipment with a carrying value of \$37,244.	\$ 1,869	\$ 21,511
John Deere Credit commercial lease. Repayable by monthly installments of \$7,443 including interest at 4.90% per annum, due April 2015. Secured by equipment with a carrying value of \$157,346.	7,443	86,989
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly installments of \$4,735 including interest at 2.56% per annum, due December 2015. Insured by Canada Mortgage and Housing Corporation.	913,483	946,581
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly installments of \$7,870 including interest at 2.56% per annum, due December 2015. Insured by Canada Mortgage and Housing Corporation.	898,964	946,382
Canada Mortgage and Housing Corporation mortgage. Repayable by monthly installments of \$3,079 including interest at 1.61% per annum, due Nov 2017. Insured by Canada Mortgage and Housing Corporation.	701,334	726,804
	\$ 2,523,093	\$ 2,728,267

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

2016	\$ 141,244
2017	135,099
2018	138,344
2019	141,669
2020	145,076
Subsequent years	1,821,661
	\$ 2,523,093

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

Weenusk First Nation
Notes to the Financial Statements
Year ended March 31, 2015

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.

Notes to the Financial Statements
Year ended March 31, 2015 with comparative figures for 2014

Notes to the Financial Statements
Year ended March 31, 2015 with comparative figures for 2014

2015										
Cost										
Balance, beginning of year	\$ 6,188,163	\$ 2,642,387	\$ 703,505	\$ 987,476	\$ 2,362,943	\$ 202,793	\$ 472,746	\$ 6,306,283	\$ 500,000	\$ 20,366,296
Additions	-	-	-	16,000	-	20,294	-	-	99,311	135,605
Disposals	-	-	-	-	-	-	-	-	(500,000)	(500,000)
Balance, end of year	6,188,163	2,642,387	703,505	1,003,476	2,362,943	223,087	472,746	6,306,283	99,311	20,001,901
Accumulated Amortization										
Balance, beginning of year	3,061,028	896,921	561,914	633,590	1,157,100	104,877	127,640	3,612,146	-	10,155,216
Disposals	-	-	-	-	-	-	-	-	-	-
Amortization expense	161,638	31,515	5,957	127,364	275,561	43,385	14,182	125,513	-	785,115
Balance, end of year	3,222,666	928,436	567,871	760,954	1,432,661	148,262	141,822	3,737,659	-	10,940,331
Net book value										
Balance, beginning of year	\$ 2,965,497	\$ 1,713,951	\$ 135,634	\$ 242,522	\$ 930,282	\$ 74,825	\$ 330,924	\$ 2,568,624	\$ 99,311	\$ 9,061,570
Balance, end of year	3,222,666	928,436	567,871	760,954	1,432,661	148,262	141,822	3,737,659	-	10,940,331
2014										
Cost										
Balance, beginning of year	\$ 6,188,163	\$ 2,642,387	\$ 703,505	\$ 832,276	\$ 2,362,943	\$ 202,793	\$ 472,746	\$ 6,306,283	\$ 500,000	\$ 20,211,096
Additions	-	-	-	155,200	-	-	-	-	-	155,200
Disposals	-	-	-	-	-	-	-	-	-	-
Balance, end of year	6,188,163	2,642,387	703,505	987,476	2,362,943	202,793	472,746	6,306,283	500,000	20,366,296
Accumulated Amortization										
Balance, beginning of year	2,899,390	865,405	555,957	491,556	869,101	60,005	113,458	3,486,633	-	9,341,505
Disposals	-	-	-	-	-	-	-	-	-	-
Amortization expense	161,638	31,516	5,957	142,034	287,999	44,872	14,182	125,513	-	813,711
Balance, end of year	3,061,028	896,921	561,914	633,590	1,157,100	104,877	127,640	3,612,146	-	10,155,216
Net book value										
Balance, beginning of year	\$ 3,127,135	\$ 1,745,466	\$ 141,591	\$ 353,886	\$ 1,205,843	\$ 97,916	\$ 345,106	\$ 2,694,137	\$ 500,000	\$ 10,211,080
Balance, end of year	3,127,135	1,745,466	141,591	353,886	1,205,843	97,916	345,106	2,694,137	500,000	10,211,080

Weenusk First Nation
Notes to the Financial Statements
Year ended March 31, 2015

11. Fuel inventory

The fuel inventory represents gasoline for resale to First Nation members and for use by operating functions of the First Nation.

12. Accumulated surplus

Accumulated surplus (deficit) consists of the following:

	2015	2014
Unrestricted operating accumulated deficit	\$ (1,981,493)	\$ (2,681,789)
Internally restricted deferred revenue (expenditure)	(971,049)	(64,972)
Restricted Ontario First Nations Limited Partnership distributions, 11.1 reporting, regular funds	646	9,787
Restricted Ontario First Nations Limited Partnership distributions, 11.1 reporting, Future Generations' funds	298	362,957
Restricted Ontario First Nations Limited Partnership distributions, 9.1 reporting	1,198	914
Restricted funds held in trust in Ottawa	5,413	5,264
Restricted social housing operating surplus reserve (CMHC)	32,402	32,402
Restricted social housing replacement reserve (CMHC)	188,640	201,141
Equity in tangible capital assets	6,538,477	7,482,813
	\$ 3,814,532	\$ 5,348,517

Weenusk First Nation
Notes to the Financial Statements
Year ended March 31, 2015

13. **Commitments and contingent liabilities**

The First Nation is required to provide for replacement reserve funding under the terms of agreements with Canada Mortgage and Housing Corporation. At the First Nation's fiscal year end the First Nation had underfunded the bank account supporting the reserves by \$207,115 (2014 underfunded - \$225,535).

Government funding:

The First Nation has entered into accountable contribution arrangements with several government funding agencies. All such programs are subject to audit by the various governments, with repayable audit adjustments to the funding agency government. Audit adjustments, if any, are recorded in the accounts in the year in which the liability is determined.

Other matter:

The First Nation is currently in discussion with All-Fab Building Components Inc., carrying on business as Olympic Building Centre, with regards to amounts owing to Olympic for the supply of building and construction materials to the First Nation. A potential claim of Olympic against the First Nation exists in the amount of \$431,973. The First Nation has recorded provisions in regards to this matter in the amount of \$399,351. As of August 2015, the First Nation proposed to pay the principal cost of the materials without interest by monthly payments of \$30,000, which has been instituted and which continue to the present time. Therefore, no additional provision regarding this matter has been recorded in the accompanying financial statements.

14. **Budget information**

The First Nation does not prepare a consolidated budget, does not prepare budgets for all programs, and certain program budgets have not been prepared in a format consistent with the accompanying financial statements; accordingly budget information has not been presented, as it does not provide meaningful information for the financial statements taken as a whole.

15. **Economic dependence**

The First Nation receives a major portion of its revenues pursuant to funding agreements with Aboriginal Affairs and Northern Development Canada. As these funding arrangements provide the First Nation's major source of revenue, its ability to continue viable operations is dependent upon maintaining these funding arrangements.

Weenusk First Nation
Notes to the Financial Statements
Year ended March 31, 2015

16. **Expenditure by object**

As required by Section 1700 of the Public Sector Accounting Board reporting requirements, these financial statements report on expenditures by functions. The First Nation's expenditures by object are as follows:

	2015	2014
Salaries, wages and benefits	\$ 2,999,699	\$ 3,056,276
Amortization	785,115	813,711
Interest on long-term debt	70,673	74,448
Other	6,124,973	5,381,786
	\$ 9,980,460	\$ 9,326,221

17. **Financial instruments**

Transactions in financial instruments may result in an entity assuming or transferring financial risks to or from another party. The First Nation is exposed to the following financial risks associated with financial instruments and transactions it is a party to:

(a) Credit risk

Credit risk is the risk that one party to a financial transaction will fail to discharge a financial obligation and cause the other party to incur a financial loss. The First Nation's main credit risks relate to its cash, restricted cash, accounts receivable and due from Aboriginal Affairs and Northern Development Canada.

Credit risk associated with cash and restricted cash is minimized by ensuring these financial assets are placed with large reputable institutions with high credit ratings.

The First Nation is exposed to credit risk through its accounts receivable balances of \$880,821 (2014 - \$480,191) and due from Aboriginal Affairs and Northern Development Canada of \$97,390 (2014 - \$284,622), of which the majority is comprised of amounts due from governments and government funded organizations, but also includes amounts due from First Nation members and other receivables. The First Nation measures its exposure to credit risk in accounts receivable and due from Aboriginal Affairs and Northern Development Canada based on how long the accounts have been outstanding and manages this risk through management's ongoing analysis and monitoring of the accounts. The accounts are written down or an allowance for doubtful accounts is recorded when applicable.

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17. Financial instruments, continued

(b) Liquidity risk

Liquidity risk is the risk that the organization cannot repay its obligations when they become due to its creditors. The First Nation has liquidity risk associated with its accounts payable and accrued liabilities of \$4,429,626 (2014 - \$3,565,624). The First Nation reduces its exposure to liquidity risk through its budgeting and program expense monitoring processes, and documenting when authorized payments become due. Refer to note 2 regarding the First Nation's financial constraints including its working capital deficiency.

(c) Interest rate risk

Interest rate risk is the risk that the organization has interest rate exposure on certain long-term debts which will mature and require renewal at interest rates to be determined in a future period. Changes in future interest rates will be determined by a variety of financial market factors and can result in changes in interest expense and cash flows. The First Nation does not use derivative instruments to reduce its exposure to interest rate risk.

18. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.