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WABASEEMOONG INDEPENDENT NATIONS

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014

WABASEEMOONG INDEPENDENT NATIONS

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WABASEEMOONG INDEPENDENT NATIONS

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014

The accompanying consolidated financial statements of Wabaseemoong Independent Nations are the responsibility of management and have been approved by Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, BDK and Company, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Wabaseemoong Independent Nations and meet when required.

J. M. J. Chief
J. M. J. Councillor

October 3, 2014



INDEPENDENT AUDITORS' REPORT

**To the Chief and Council of
WABASEEMOONG INDEPENDENT NATIONS**

We have audited the accompanying financial statements of Wabaseemoong Independent Nations, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statement of operations, consolidated statement of changes in net debt, and consolidated statement of cash flow 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 auditor's judgment, 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 auditor considers 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.

INDEPENDENT AUDITORS' REPORT (continued)

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

Basis for Qualified Opinion

As disclosed in Note 14, the First Nation has not recorded interest payable to the Government of Canada in the amount of \$10,600,000. If this interest payable had been recorded, long term debt would have been increased and accumulated surplus would have been decreased by this amount, and interest expense would have been increased by \$1,300,000 for the year.

Included in accounts payable and accrued liabilities is a balance payable to WSIB in the amount of \$532,523. We have been unable to satisfy ourselves as to the correctness of this balance as the account has not been current for a number of years and therefore the ultimate amount needed to settle the account is unknown. Accordingly, we have been unable to determine whether any adjustments might be necessary to accounts payable and accrued liabilities and to wages and benefits expense.

Included in accounts payable and accrued liabilities is a balance payable to Hydro One in the amount of \$5,119,666. We have been unable to satisfy ourselves as to the correctness of this balance as the amounts in question are part of ongoing negotiations with Hydro One and therefore the ultimate amount needed to settle the account is unknown. Accordingly, we have been unable to determine whether any adjustments might be necessary to accounts payable and accrued liabilities and to utilities expense.

Accounts receivable include \$4,156,890 due from Hydro One relating to payments-in-lieu and lease agreements with the First Nation. These draft agreements have not been executed as of the date of this audit report. Should these agreements not be executed, provisions favourable to the First Nation could be rescinded by Hydro One resulting in a material reduction in the receivable balance and revenue recognized in these financial statements, which is \$658,418 for the year.

Loans to related parties includes \$500,000 due from Wincrief Forestry Products Limited Partnership ("Wincrief"). Subsequent to year end, Wincrief filed for bankruptcy protection as described in Note 17, and security on the loan was inadequate. As a result, the ultimate amount that will be collected under this loan is unknown. Accordingly, we have been unable to determine whether any adjustments might be necessary to the balance of loans to related parties.

Note 7 provides information about the First Nation's investment in government business enterprises. Section 3070, Investments in Government Business Enterprises, of the Public Sector Accounting Board Handbook requires that the First Nation disclose condensed supplementary financial information relative to government business enterprises. The First Nation has been unable to obtain financial information for Wincrief Forestry Products Limited Partnership as at and for the year ended March 31, 2014, or for Lake of the Woods Forest Products LP as at and for the year ended January 31, 2014, and as a result has not disclosed the required supplementary financial information.

INDEPENDENT AUDITORS' REPORT (continued)

The Summary of Significant Accounting Policies describes the capitalization policy with respect to the First Nation's tangible capital assets. The First Nation has not fully adopted the recommendations of Section 3150, Tangible Capital Assets, of the Public Sector Accounting Board Handbook. Although the First Nation has recognized certain tangible capital assets and amortization as of the date these financial statements, the First Nation has not gathered the necessary information to be in a position to recognize and disclose a complete inventory of its major classes of tangible capital assets. Accordingly, we are unable to determine whether any adjustments might be necessary to tangible capital assets, amortization expense, and accumulated surplus.

As is common for public sector entities with education operations, the First Nation school operates a bank account for fundraising purposes, the completeness of which is not susceptible to satisfactory audit verification. The activity of this account has not been recorded in these financial statements. Accordingly, we have been unable to determine what adjustments might be necessary to revenues and expenses to properly record all fundraising activity for the year.

Section 1200, Financial Statement Presentation, of the Public Sector Accounting Board Handbook requires the disclosure of budget information. The First Nation has not prepared or approved consolidated budgets for the year ended March 31, 2014. As a result, budget information is not presented in these financial statements.

Qualified Opinion

In our opinion, except for the matters as described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements present fairly, in all material respects, the financial position of Wabaseemoong Independent Nations as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

BDK and Company

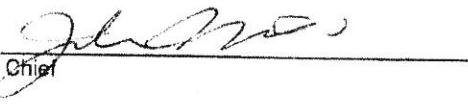
Chartered Professional Accountants
Licensed Public Accountants
Thunder Bay, Ontario
October 3, 2014

WABASEEMOONG INDEPENDENT NATIONS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31	2014	2013
FINANCIAL ASSETS		
Cash and bank (note 3)	\$ 304,613	\$ 479,290
Accounts receivable (note 4)	5,632,423	4,674,394
Loans to related parties (note 17)	500,000	-
Trust funds held by Federal Government (note 5)	75,426	73,395
	6,512,462	5,227,079
LIABILITIES		
Bank indebtedness (note 3)	60,000	250,000
Accounts payable and accrued liabilities (note 8)	8,282,136	6,722,897
Deferred revenue (note 9)	744,736	461,499
Long term debt (note 11)	3,448,164	3,033,372
	12,535,036	10,467,768
NET DEBT	(6,022,574)	(5,240,689)
NON-FINANCIAL ASSETS		
Construction in progress (note 6)	3,516,022	2,449,920
Tangible capital assets (note 19)	26,648,888	27,418,792
	30,164,910	29,868,712
ACCUMULATED SURPLUS	\$ 24,142,336	\$ 24,628,023

Contingencies and commitments (note 14)

Approved by:


 John Morris
 Councillor

The accompanying notes are an integral part of these financial statements.

WABASEEMOONG INDEPENDENT NATIONS

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended March 31	2014 Actual	2013 Actual
REVENUE		
Federal government transfers (note 16)	\$ 11,145,755	\$ 7,943,187
Provincial government transfers (note 16)	4,216,040	3,714,008
Ontario First Nations Limited Partnership	913,443	928,462
Other	1,670,115	1,598,507
Trust distributions	134,000	-
From prior year deferred revenue	461,499	238,794
Revenue deferred to subsequent year	(744,736)	(461,499)
Interest on Trust Funds	2,031	3,917
Less: surplus repayable	(182,464)	(541,961)
TOTAL REVENUE	17,615,683	13,423,415
EXPENSE		
Administration	4,951,844	5,094,253
Community infrastructure	915,127	1,687,526
Economic development	266,013	195,704
Education and training	4,114,081	4,171,631
Community services	2,514,382	1,925,846
Health	1,211,221	1,369,725
Major projects	1,199,205	802,771
Social services	2,875,931	2,597,224
TOTAL EXPENSE	18,047,804	17,844,680
TOTAL REVENUE LESS TOTAL EXPENSE	(432,121)	(4,421,265)
PRIOR YEARS' RECOVERIES/PAYMENTS	(53,566)	(38,816)
ANNUAL SURPLUS (DEFICIT)	(485,687)	(4,460,081)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	24,628,023	29,088,104
ACCUMULATED SURPLUS, END OF YEAR	\$ 24,142,336	\$ 24,628,023

The accompanying notes are an integral part of these financial statements.

WABASEEMOONG INDEPENDENT NATIONS
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

For the year ended March 31	2014 Actual	2013 Actual
ANNUAL SURPLUS (DEFICIT)	\$ (485,687)	\$ (4,460,081)
Acquisition of tangible capital assets	(3,725,998)	(1,312,894)
Amortization of tangible capital assets	3,429,800	3,309,387
CHANGES IN NET DEBT	(781,885)	(2,463,588)
NET DEBT - BEGINNING OF YEAR	(5,240,689)	(2,777,101)
NET DEBT - END OF YEAR	\$ (6,022,574)	\$ (5,240,689)

The accompanying notes are an integral part of these financial statements.

WABASEEMOONG INDEPENDENT NATIONS

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended March 31	2014	2013
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (485,687)	\$ (4,460,081)
Add back items not requiring a payment of cash:		
Amortization	3,429,800	3,309,387
	2,944,113	(1,150,694)
Changes in non-cash working capital items:		
Increase (decrease) in deferred revenue	283,237	222,705
Decrease (increase) in accounts receivable	(958,029)	(1,250,468)
Decrease (increase) in trust funds held by Federal Government	(2,031)	86,083
Increase (decrease) in accounts payable	1,559,239	1,176,459
CASH PROVIDED (USED) BY OPERATIONS	3,826,529	(915,915)
INVESTING ACTIVITIES		
Loans made to related parties	(500,000)	-
Purchase of tangible capital assets / construction in progress	(3,725,998)	(1,312,894)
CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(4,225,998)	(1,312,894)
FINANCING ACTIVITIES		
Proceeds of long-term debt	500,000	1,000,000
Repayment of long-term debt	(85,208)	(15,410)
CASH PROVIDED (USED) BY FINANCING ACTIVITIES	414,792	984,590
INCREASE (DECREASE) IN CASH	15,323	(1,244,219)
CASH - BEGINNING OF YEAR	229,290	1,473,509
CASH END OF YEAR	\$ 244,613	\$ 229,290
CASH CONSISTS OF:		
Cash and bank	\$ 304,613	479,290
Bank indebtedness	(60,000)	(250,000)
	\$ 244,613	229,290

SUPPLEMENTARY INFORMATION:

During the year tangible capital assets / construction in progress totaling \$3,275,998 (2013 - \$1,312,894) were purchased with cash.

The accompanying notes are an integral part of these financial statements.

WABASEEMOONG INDEPENDENT NATIONS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014

GENERAL

Wabaseemoong Independent Nations (the "First Nation") is a recognized First Nation under the Indian Act. The First Nation is located near of Kenora, Ontario. It conducts its operations guided by the provisions of the federal and provincial statutes.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the First Nation are as follows:

a) Basis of Consolidation

The Wabaseemoong Independent Nations reporting entity includes the Wabaseemoong Independent Nations government and all related entities that are controlled by the First Nation.

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the Consolidated Financial Statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation. Under the modified equity method of accounting, only Wabaseemoong Independent Nations' investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Wabaseemoong Independent Nations.

There are no other organizations consolidated into Wabaseemoong Independent Nations' financial statements. Organizations accounted for on a modified equity basis include Wincrief Forestry Products Limited Partnership, of which the First Nation owns 51%, and Lake of the Woods Forest Products LP, of which the First Nation owns 25.495% (see note 7).

The members of the First Nation are beneficiaries of various trusts which are not included in these consolidated financial statements as they are not under the control of Chief and Council.

b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

c) Loans Receivable

Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. Loans are reviewed on an annual basis by management. Interest income is accrued on loans receivable to the extent it is deemed collectable.

d) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

WABASEEMOONG INDEPENDENT NATIONS**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**March 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**d) Tangible Capital Assets (continued)**

For fiscal years commencing on or after January 1, 2009, Section 3150, Tangible Capital Assets, of the Public Sector Accounting Board Handbook requires that capital assets be capitalized and amortized over their estimated useful lives. The First Nation has not fully adopted these recommendations. Although the First Nation has recognized certain tangible capital assets and amortization as of the date of these financial statements, the First Nation is in the process of gathering the necessary information to be in a position to recognize and disclose a complete inventory of all of its major classes of tangible capital assets.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and the First Nation's incremental cost of borrowing.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

Amortization is provided for on a straight-line basis over the expected useful life of the assets, as follows:

Furniture and Equipment	4 years
Houses and Buildings	10 years
Roads	20 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

CMHC housing was to be amortized at the same rate as the repayment of the long-term debt. As described in Note 11, none of the debt has been repaid as of yet and as such no amortization has been recorded. The First Nation expects to amend this policy and retroactively restate the amortized balance when it completes the process of properly recording all of its major classes of tangible capital assets as described above.

WABASEEMOONG INDEPENDENT NATIONS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the consolidated statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose. Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

f) Measurement Uncertainty

In preparing the consolidated financial statements for the First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Items requiring the use of significant estimates include the following:

Accounts and loans receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Accounts payable and accruals are estimated based on historical charges for unbilled goods and services at year end.

Deferred revenue is estimated based on management's review of revenue received, but unspent at year end.

Tangible capital assets are stated at historical cost less accumulated amortization using amortization rates based on the estimated useful lives of the tangible capital asset. The actual fair value of the tangible capital asset may differ significantly from the current carrying value.

As discussed in Note 17, subsequent to March 31, 2014, a creditor of the First Nation filed for bankruptcy protection. The First Nation is commencing legal action in an attempt to recover the value of the loan, but the ultimate outcome of this action is not determinable at this time.

A portion of the accumulated surplus may include surpluses and/or deficits contributed by government agencies. Such surpluses/deficits may be subject to recovery by the contributing agencies depending on the terms and conditions of the relevant contribution agreements.

Certain expenses which pertain to the operations as a whole have been allocated to various projects at the discretion of Chief and Council.

WABASEEMOONG INDEPENDENT NATIONS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2014

2. BUDGETED FIGURES

Unaudited budgeted figures for comparison purposes have not been provided by management.

3. CASH AND BANK / BANK INDEBTEDNESS

The bank balance and bank indebtedness reported on the Consolidated Statement of Financial Position is comprised of the following accounts:

	2014	2013
<u>Royal Bank of Canada</u>		
Administration	\$ (507,083)	\$ (185,229)
Social Services	(27,030)	(5,406)
Casino	5,170	30
Water Treatment Project	250,599	-
Multi-Purpose Facility Project	15,280	610,752
Construction Account	561,529	4,375
Health Account	84	-
Christmas Fund	436	3,437
<u>CIBC</u>		
Major Capital	-	45,686
<u>Copperfin Credit Union</u>		
Administration	5,628	5,645
	<u>\$ 304,613</u>	<u>\$ 479,290</u>
Bank Indebtedness - Royal Bank of Canada	<u>\$ 60,000</u>	<u>\$ 250,000</u>

The bank indebtedness consists of a demand revolving line of credit to a maximum amount of \$250,000, and carries interest payable monthly at an annual rate of Prime plus 2.0% (5.0% at March 31, 2014).

WABASEEMOONG INDEPENDENT NATIONS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2014

4. ACCOUNTS RECEIVABLE

	2014	2013
Aboriginal Affairs and Northern Development Canada	\$ 966,375	\$ 779,813
Health Canada	298,286	58,429
Canada Revenue Agency - HST Rebate	-	87,947
Ministry of Community and Social Services	24,595	81,139
Ministry of Health and Long-Term Care	4,816	4,816
Ministry of Education	29,686	-
Ministry of Aboriginal Affairs	63,976	-
Northern Ontario Heritage Fund Corporation	-	38,665
Shoonya Wa Bitong	26,643	40,880
Hydro One Networks	4,156,890	3,498,472
Kenora Chiefs Advisory	21,657	58,140
Independent First Nations	17,718	6,736
Band Member Advances	39,065	61,898
Other	21,781	19,357
	5,671,488	4,736,292
Less: Allowance for Doubtful Accounts	(39,065)	(61,898)
	\$ 5,632,423	\$ 4,674,394

5. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

Trust fund 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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

	2014	2013
<u>Capital Account</u>		
Balance, beginning and end of year	\$ 25,165	\$ 25,165
<u>Revenue Account</u>		
Balance, beginning of year	48,230	134,313
Withdrawals	-	(90,000)
Interest earned	2,031	3,917
Balance, end of year	50,261	48,230
	\$ 75,426	\$ 73,395

WABASEEMOONG INDEPENDENT NATIONS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2014

6. CONSTRUCTION IN PROGRESS

The balance of construction in progress represents costs to construct tangible capital assets that are not yet available to be put into service. When the asset is ready to be put into service, these costs are transferred to tangible capital assets.

	2014	2013
Multi-purpose facility project	\$ -	\$ 2,189,619
Health facility project	<u>3,516,022</u>	<u>260,301</u>
 Balance, end of year	 <u>\$ 3,516,022</u>	 <u>\$ 2,449,920</u>

7. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

The commercial government business enterprises that are included in the First Nation reporting entity, as described in note 1 a) to these financial statements, include Wincrief Forestry Products Limited Partnership ("Wincrief") and Lake of the Woods Forest Products LP ("LOTWFP").

Wincrief Forestry Products Limited Partnership is engaged in the operation of building modular homes, logging, wood chipping, and road maintenance.

During the year ended March 31, 2014, the First Nation had no transactions with Wincrief. At March 31, 2014, the First Nation owed \$43,199 to Wincrief, which is included in accounts payable and accrued liabilities in these financial statements.

The audited financial statements of Wincrief for the year ended March 31, 2014 were not available at the time of approval of these financial statements. The audited financial statements of Wincrief for the year ended March 31, 2012 contained a note regarding going concern. Subsequent to March 31, 2014, Wincrief filed for bankruptcy protection.

Due to the losses of Wincrief since the time of the First Nation's investment, the value of the investment in Wincrief under the modified equity method is \$nil.

Lake of the Woods Forest Products LP is engaged in pole peeling and the operation of a sawmill. During the year ended March 31, 2014, the First Nation had no transactions with LOTWFP. At March 31, 2014, the First Nation had no balances owing to or from LOTWFP.

The audited financial statements of LOTWFP for the period ended January 31, 2014 were not available at the time of approval of these financial statements.

Due to the fact that the First Nation did not invest any assets into LOTWFP, the value of the investment in LOTWFP under the modified equity method is \$nil.

WABASEEMOONG INDEPENDENT NATIONS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2014

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013
Trade payables and accrued liabilities	\$ 6,934,947	\$ 5,472,800
Due to provincial funding agencies	305,703	123,239
Due to federal funding agencies	156,263	533,035
Accrued salaries and employee benefits	<u>885,223</u>	<u>593,823</u>
	<u><u>\$ 8,282,136</u></u>	<u><u>\$ 6,722,897</u></u>

9. DEFERRED REVENUE

	Balance 2013	Revenue Recognized	Revenue Deferred	Balance 2014
AANDC				
- Post Secondary	\$ 88	\$ (88)	\$ -	\$ -
- Student Transportation	15,680	(15,680)	6,353	6,353
- Guidance	34,605	(34,605)	24,870	24,870
- Welfare Administration	148,142	(148,142)	324,589	324,589
- Minor Capital	207,249	(207,249)	388,924	388,924
Shoonya Wa-Biitong				
- Comm. Based Training	13,573	(13,573)	-	-
MOHLTC				
- Homemakers	8,559	(8,559)	-	-
Health Canada				
- Health Facility Project	33,603	(33,603)	-	-
	<u>\$ 461,499</u>	<u>\$ (461,499)</u>	<u>\$ 744,736</u>	<u>\$ 744,736</u>

10. COMPARATIVE FIGURES / RESTATEMENT OF PRIOR YEAR

Certain comparative figures for the previous year have been restated and reclassified to conform to the current year's presentation.

11. LONG TERM DEBT

	2014	2013
Royal Bank of Canada	\$ 899,382	\$ 984,590
Government of Canada	2,048,782	2,048,782
The Toronto Dominion Bank	<u>500,000</u>	<u>-</u>
	<u><u>\$ 3,448,164</u></u>	<u><u>\$ 3,033,372</u></u>

WABASEEMOONG INDEPENDENT NATIONS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2014

11. LONG TERM DEBT (continued)

The balance of \$899,382 due to the Royal Bank of Canada is repayable at \$10,650 per month including interest at a rate of 4.5%. The loan matures on January 4, 2016, and is secured by assignment of no less than \$10,650 per month or \$128,000 per year of Ontario First Nations Limited Partnership funding.

The balance of \$2,048,782 due to the Government of Canada is due as a result of the First Nation defaulting on mortgages under the CMHC housing program, for which the Government of Canada had guaranteed. This balance represents principal only. There are currently no set terms of repayment. See Note 14 regarding the uncertainty surrounding the ultimate amount payable under this debt obligation as the Government of Canada is accruing interest on the balance at a rate of approximately 11% annually.

The balance of \$500,000 due to The Toronto Dominion Bank is repayable at \$3,453.08 per month including interest at a floating rate of TD Prime (3.0% at March 31, 2014). The loan matures on March 3, 2019. The First Nation provided no security for the loan as all security was provided by the Wabaseemoong 2011 Trust, an entity not under the control of the First Nation.

The aggregate amount of principal repayment over the next 5 years, assuming renewal of the Royal Bank of Canada loan on similar terms and assuming no repayment terms are agreed on the Government of Canada loan, is as follows:

2015	115,942
2016	120,853
2017	125,976
2018	131,321
2019	136,899
Thereafter	2,817,173
	<hr/> <u>3,448,164</u>

12. PENSION PLAN

The First Nation provides a defined contribution plan for eligible members of its staff. Pension benefits are determined by the performance of the sponsor's and employee's contributions. Contributions are split 50/50 between the employee and the First Nation. Actuarial valuations are normally not required as the pension obligation equals the net assets available for benefits. The First Nation contributed \$108,398 (2013: \$96,054) during the year for pension benefits.

13. ECONOMIC DEPENDENCE

The First Nation receives a major portion of its revenue from Aboriginal Affairs and Northern Development Canada, Ministry of Community and Social Services, and Health Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on these sources of revenue.

WABASEEMOONG INDEPENDENT NATIONS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2014

14. CONTINGENCIES AND COMMITMENTS

The First Nation has entered into contribution agreements with various federal and provincial government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

In addition, in the normal course of its operations, the First Nation may become involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the First Nation's financial statements.

As discussed in Note 11, there is an amount owing to the Government of Canada. Interest on this balance has been accrued by the Government in excess of \$10.6 million. Such interest has not been accrued in these financial statements as the First Nation expects the interest to be forgiven by the Government.

The First Nation has entered into a contract for the construction of a Health Centre. The contract is for the amount of \$3,721,134, of which approximately \$2,802,236 has been charged to the First Nation as at March 31, 2014.

See also Note 17 regarding loans to related parties.

15. UPCOMING ACCOUNTING PRONOUNCEMENTS

The Public Sector Accounting Board has various projects underway that have the potential to impact the financial reporting of the First Nation. At this time, the First Nation has not identified any specific changes as a result of upcoming accounting pronouncements.

16. GOVERNMENT TRANSFERS

	Operating	Capital	Total
	2014		
Federal			
AANDC	\$ 5,590,193	\$ 1,057,632	\$ 6,647,825
Health Canada	1,278,078	3,219,852	4,497,930
	<hr/> 6,868,271	<hr/> 4,277,484	<hr/> 11,145,755
Provincial			
Ministry of Aboriginal Affairs	128,651	-	128,651
Ministry of Natural Resources	30,000	-	30,000
Ministry of Community and Social Services	3,003,953	-	3,003,953
Ministry of Health and Long Term Care	212,750	-	212,750
Northern Ontario Heritage Fund Corporation	-	100,085	100,085
Ministry of Correctional Services	38,501	-	38,501
Ministry of Education	657,100	-	657,100
Ministry of Tourism, Culture, and Sport	45,000	-	45,000
	<hr/> \$ 10,984,226	<hr/> \$ 4,377,569	<hr/> \$ 15,361,795

WABASEEMOONG INDEPENDENT NATIONS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2014

16. GOVERNMENT TRANSFERS (continued)

	Operating	Capital	Total 2013
Federal			
AANDC	\$ 5,817,789	\$ 817,367	6,635,156
Health Canada	1,192,843	115,188	1,308,031
	<hr/> 7,010,632	<hr/> 932,555	<hr/> 7,943,187
Provincial			
Ministry of Aboriginal Affairs	80,000	-	80,000
Ministry of Natural Resources	-	-	-
Ministry of Community and Social Services	2,473,947	-	2,473,947
Ministry of Health and Long Term Care	211,253	-	211,253
Northern Ontario Heritage Fund Corporation	-	371,472	371,472
Ministry of Correctional Services	38,501	-	38,501
Ministry of Education	493,835	-	493,835
Ministry of Tourism, Culture, and Sport	45,000	-	45,000
	<hr/> \$ 10,353,168	<hr/> \$ 1,304,027	<hr/> \$ 11,657,195

17. LOANS TO RELATED PARTIES

During the year, the First Nation made a loan to Wincrief, a company that the First Nation holds an interest in as discussed in Note 1 and Note 7. The loan was made in the amount of \$500,000 at a floating rate of TD prime (3.00% at March 31, 2014) and an amortization period of 180 months. The loan is repayable in monthly installments of \$3,453.08 including interest. No payments were made on the loan before March 31, 2014.

Subsequent to March 31, 2014, Wincrief filed for bankruptcy protection. Specific equipment was listed as security for the loan, but the security has been determined to be inadequate. As a result, the First Nation is commencing legal action in an attempt to recover the value of the loan. The ultimate outcome of this action is not determinable at this time.

18. EXPENSES BY OBJECT

Expenses by object can be found in Note 20, Segmented Information.

WABASEEMOONG INDEPENDENT NATIONS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. TANGIBLE CAPITAL ASSETS

as at March 31, 2014	Cost - Beginning of Year	Additions During the Year	Cost - End of Year	Accumulated Amortization - Beginning of Year	Amortization During the Year	Accumulated Amortization - End of Year	2014 Net Book Value
CMHC Housing - Phase 1 (Note 1 e)	\$ 744,456	\$ -	\$ 744,456	\$ -	\$ -	\$ -	\$ 744,456
CMHC Housing - Phase 2 (Note 1 e)	1,449,831	-	1,449,831	-	-	-	1,449,831
Equipment	3,067,824	30,082	3,097,906	3,004,647	70,698	3,075,345	22,561
Heavy Equipment	1,204,099	-	1,204,099	1,154,101	49,998	1,204,099	-
Houses and buildings	17,641,336	-	17,641,336	15,205,051	401,257	15,606,308	2,035,028
Parkway Improvements	250,000	-	250,000	250,000	-	250,000	-
School (2012)	24,966,464	115,843	25,082,307	4,959,363	2,508,231	7,467,594	17,614,713
Roads (2012)	2,964,381	-	2,964,381	296,438	148,219	444,657	2,519,724
Multi-purpose facility (2014)	-	2,513,971	2,513,971	-	251,397	251,397	2,262,574
Prior to April 1, 1996 (Note 1 e)	7,655,300	-	7,655,300	7,655,299	-	7,655,299	1
	\$ 59,943,691	\$ 2,659,896	\$ 62,603,587	\$ 32,524,899	\$ 3,429,800	\$ 35,954,699	\$ 26,648,888
as at March 31, 2013	Cost - Beginning of Year	Additions During the Year	Cost - End of Year	Accumulated Amortization - Beginning of Year	Amortization During the Year	Accumulated Amortization - End of Year	2013 Net Book Value
CMHC Housing - Phase 1 (Note 1 e)	\$ 744,456	\$ -	\$ 744,456	\$ -	\$ -	\$ -	\$ 744,456
CMHC Housing - Phase 2 (Note 1 e)	1,449,831	-	1,449,831	-	-	-	1,449,831
Equipment	3,067,824	-	3,067,824	2,870,448	134,199	3,004,647	63,177
Heavy Equipment	1,204,099	-	1,204,099	1,025,036	129,065	1,154,101	49,998
Houses and buildings	17,641,336	-	17,641,336	14,803,794	401,257	15,205,051	2,436,285
Parkway Improvements	250,000	-	250,000	250,000	-	250,000	-
School (2012)	24,627,159	339,305	24,966,464	2,462,716	2,496,647	4,959,363	20,007,101
Roads (2012)	2,964,381	-	2,964,381	148,219	148,219	296,438	2,667,943
Prior to April 1, 1996 (Note 1 e)	7,655,300	-	7,655,300	7,655,299	-	7,655,299	1
	\$ 59,604,386	\$ 339,305	\$ 59,943,691	\$ 29,215,512	\$ 3,309,387	\$ 32,524,899	\$ 27,418,792

WABASEEMONG INDEPENDENT NATIONS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. SEGMENTED INFORMATION

The First Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by Program. Programs were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, restrictions or limitations. The activities can also be categorized into segments. The following segments have been identified and as such are separately disclosed.

Administration

Administration contains activities that are needed to run the First Nation organization.

Community Infrastructure

Community Infrastructure contains activities that provide infrastructure to the community such as road maintenance, sewer and water, and community buildings, etc.

Economic Development

Economic Development contains all the activities that provide economic development for the community.

Education and Training

Education and Training contains activities that provide education to band members for primary and secondary schooling, and sponsorship to attend post secondary institutions, as well as other short term training initiatives.

Community Services

Community Services contains activities that provide a benefit to the community.

Health

Health contains activities that provide health and medical services to band members.

Major Projects

Major Projects contains capital and renovation activities for which a specific project has been set up and separately monitored.

Social Services

Social Services contains activities that provide financial support or support by other means to band members that are aimed at developing both the individual as well as the community.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of significant accounting policies as described in Note 1. The segment results for the years ending March 31, 2014 and March 31, 2013 are presented in the following tables.

Reconciliation of the segmented information to the consolidated statement of operations is as follows:

	2014	2013
Deficit per segmented information	\$ (432,121)	\$ (4,421,265)
Prior years' recoveries/payments	<u>(\$53,566)</u>	<u>(38,816)</u>
Deficit per consolidated statement of operations	<u><u>\$ (486,687)</u></u>	<u><u>\$ (4,460,081)</u></u>

WABASEEMOONG INDEPENDENT NATIONS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. SEGMENTED INFORMATION (continued)

For the year ended March 31	Administration	Community Infrastructure	Economic Development	Education and Training	Community Services	Health	Major Projects	Social Services	2014 Total
Revenue									
Deferred revenue, opening	\$ -	\$ -	\$ 63,946	\$ 8,559	\$ -	\$ 240,852	\$ 148,142	\$ 461,499	
Federal	556,930	571,667	72,300	3,269,054	627,330	952,448	4,517,026	396,536	10,963,291
Provincial	45,000	-	158,651	-	1,190,233	97,880	100,085	2,624,191	4,216,040
OFNLP	913,443	-	-	-	-	-	-	-	913,443
Other	1,005,329	136,494	22,290	85,979	316,430	108,861	130,763	-	1,806,146
Deferred revenue, closing	-	-	(31,223)	-	-	(388,924)	(324,589)	(744,736)	
	2,520,702	708,161	253,241	3,387,756	2,142,552	1,159,189	4,599,802	2,844,280	17,616,683
Expenses									
Administration fees	4,800	-	9,000	-	75,000	37,750	-	15,000	141,550
Bad Debt expense (recovery)	(22,833)	-	-	-	-	-	-	-	(22,833)
Bank charges and interest	41,085	-	-	-	-	-	-	15,608	56,693
Donations	-	-	-	-	175,540	-	-	-	175,540
Honorarium	2,500	-	-	-	-	-	-	-	2,500
Insurance	23,765	35,000	-	90,000	10,000	10,000	25,000	6,000	199,765
Interest on long term debt	39,692	-	-	-	-	-	-	-	39,692
Materials and supplies	250,245	281,852	80,567	421,086	669,222	250,571	489,386	290,350	2,733,279
Professional fees	228,182	-	-	-	-	-	700	6,000	234,882
Rent	-	-	4,500	-	23,550	21,000	-	36,814	85,864
Amortization	3,429,800	-	-	-	-	-	-	-	3,429,800
Training	4,341	13,404	5,718	7,069	16,748	4,535	-	78,666	130,481
Travel	233,703	16,516	8,046	34,383	53,439	66,612	2,601	33,146	448,446
External transfers	49,044	-	-	357,913	331,656	-	-	1,837,316	2,575,929
Utilities, hydro, telephone	9,927	193,259	-	382,127	99,533	24,000	-	3,500	712,346
Wages and benefits	657,593	375,096	158,162	2,821,503	1,059,694	796,753	681,518	553,531	7,103,870
	4,951,844	915,127	266,013	4,114,081	2,514,382	1,211,221	1,199,205	2,875,931	18,047,804
	\$ (2,431,142)	\$ (206,966)	\$ (12,772)	\$ (726,325)	\$ (371,830)	\$ (52,032)	\$ 3,400,597	\$ (31,651)	\$ (432,121)

WABASEEMOONG INDEPENDENT NATIONS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. SEGMENTED INFORMATION (continued)

For the year ended March 31	Administration	Community Infrastructure	Economic Development	Education and Training	Community Services	Health	Major Projects	Social Services	2013 Total
Revenue									
Deferred revenue, opening	\$ -	\$ -	\$ 72,300	\$ 3,064,406	\$ 595,855	\$ 888,962	\$ 1,078,260	\$ 637,600	\$ 238,794
Federal	570,644	493,199	-	-	-	-	-	-	7,401,226
Provincial	45,000	-	80,000	-	1,072,519	51,932	371,472	2,093,085	3,714,008
OFNLP	150,034	177,428	-	-	86,000	285,000	230,000	-	928,462
Other	1,053,504	154,179	-	157,830	134,697	70,674	31,540	-	1,602,424
Deferred revenue, closing	-	-	-	(63,946)	(8,559)	-	(240,852)	(148,142)	(461,499)
	1,819,182	824,806	152,300	3,158,290	1,880,512	1,296,568	1,709,214	2,582,543	13,423,415
Expenses									
Administration fees	3,000	-	4,500	-	21,750	25,750	60,000	4,500	119,500
Bad Debt expense (recovery)	(110,639)	-	-	-	-	-	-	-	(110,639)
Bank charges and interest	36,118	-	-	-	-	-	-	4,500	40,618
Donations	208,210	-	-	400	-	-	-	-	208,610
Honorarium	7,900	-	-	-	-	-	-	-	7,900
Insurance	18,788	45,000	-	55,000	10,000	25,000	25,000	6,000	184,788
Interest on long term debt	5,890	-	-	-	-	-	-	-	5,890
Materials and supplies	241,670	301,510	34,357	373,784	527,502	317,257	91,237	262,713	2,150,030
Professional fees	300,418	-	-	4,886	-	-	-	6,500	311,804
Rent	3,750	8,987	7,500	-	31,300	31,000	-	35,375	117,912
Amortization	3,309,387	-	-	-	-	-	-	-	3,309,387
Training	11,796	300	850	6,583	11,496	6,119	1,173	45,316	83,633
Travel	233,499	12,361	14,732	46,487	83,557	151,374	756	20,710	561,476
External transfers	125,332	-	-	387,461	120,000	-	-	1,785,958	2,398,751
Utilities, hydro, telephone	25,299	1,033,646	-	623,347	89,060	113,198	63,565	8,388	1,956,603
Wages and benefits	673,835	285,722	133,765	2,693,683	1,031,181	700,027	561,040	417,264	6,496,517
	5,094,253	1,667,526	195,704	4,171,631	1,925,846	1,359,725	802,771	2,597,224	17,844,680
	\$ (3,275,071)	\$ (862,720)	\$ (43,404)	\$ (1,013,341)	\$ (45,334)	\$ (73,157)	\$ 906,443	\$ (14,681)	\$ (4,421,265)