

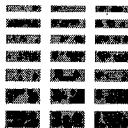
**CONSTANCE LAKE FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

CONSTANCE LAKE FIRST NATION

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YEAR ENDED MARCH 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Members of Constance Lake First Nation:

We have audited the accompanying consolidated financial statements of Constance Lake First Nation which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of financial activities 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 Consolidated Financial Statements

Management is responsible for the preparation and fair representation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian 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.

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

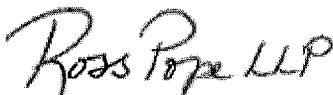
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the 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.

Other Matters

Our audit was made for the purposes 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 basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole.

Timmins, Ontario
August 15, 2014


Ross Pope LLP
Chartered Professional Accountants
Licensed Public Accountants

STATEMENT 1

CONSTANCE LAKE FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31

| | 2014 | 2013 |
|--|----------------------|----------------------|
| FINANCIAL ASSETS | | |
| Cash (Note 2) | \$ 2,812,603 | \$ 3,754,897 |
| Restricted cash and deposits | | |
| CMHC reserve fund | 533,193 | 436,002 |
| Funds held in trust (Note 3) | 1,592,046 | 1,518,089 |
| Accounts receivable (Note 4) | 1,800,345 | 1,533,178 |
| Housing loans receivable (Note 5) | 3,469 | 1,320,322 |
| Long-term investment (Note 6) | 56,500 | 56,500 |
| | 6,798,156 | 8,618,988 |
| FINANCIAL LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 8) | 2,346,659 | 2,137,608 |
| Deferred revenue (Note 9) | 707,734 | 953,423 |
| Obligations to government business enterprises and partnerships (Note 7) | 224,052 | 202,028 |
| Long-term debt (Note 10) | 11,719,201 | 11,015,207 |
| | 14,997,646 | 14,308,266 |
| NET DEBT | (8,199,490) | (5,689,278) |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Note 1, Schedule A) | 33,678,267 | 33,326,927 |
| Prepaid expenses | 60,663 | 57,147 |
| | 33,738,930 | 33,384,074 |
| ACCUMULATED SURPLUS (Note 16) | \$ 25,539,440 | \$ 27,694,796 |

CONTINGENCIES (Note 11)

Approved on behalf of Chief and Council:



Chief



Councilor

STATEMENT 2

CONSTANCE LAKE FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND ACCUMULATED SURPLUS

YEARS ENDED MARCH 31

| | 2014 | 2013 |
|--|----------------------|----------------------|
| REVENUE | | |
| Aboriginal Affairs and Northern Development Canada | \$ 4,789,827 | \$ 5,059,467 |
| Ontario First Nations Limited Partnership | 838,168 | 852,336 |
| Canada Mortgage and Housing Corporation | 715,069 | 653,203 |
| Health Canada | 1,128,065 | 1,123,055 |
| Province of Ontario | 2,038,174 | 2,613,219 |
| Rental Income | 840,181 | 732,702 |
| Weekoban Inc. hauling revenues | 1,466,382 | 1,224,895 |
| Other | 2,646,177 | 2,194,217 |
| Deferred revenue - opening (Note 9) | 953,424 | 470,787 |
| Deferred revenue - closing (Note 9) | (707,736) | (953,424) |
| | 14,707,731 | 13,970,457 |
| EXPENDITURES (Note 18) | | |
| Administration | 965,485 | 958,057 |
| Community property | 822,872 | 632,008 |
| Education | 4,489,477 | 4,339,441 |
| Employment and economic development | 2,057,536 | 1,623,694 |
| Interest on long term debt | 215,773 | 296,159 |
| Health services | 1,310,642 | 1,356,919 |
| Public works and facilities | 1,906,718 | 1,355,809 |
| Social assistance | 1,659,085 | 1,662,990 |
| Social housing | 1,834,634 | 1,052,118 |
| Weekoban Inc. hauling expenses | 1,578,841 | 1,283,618 |
| | 16,841,063 | 14,560,813 |
| Deficiency of revenue over expenditures before undernoted | (2,133,332) | (590,356) |
| Equity in income (loss) of government business enterprises and partnerships (Note 7) | (22,024) | 8,581 |
| ANNUAL DEFICIT | (2,155,356) | (581,775) |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | 27,694,796 | 28,276,571 |
| ACCUMULATED SURPLUS, END OF YEAR (Note 16) | \$ 25,539,440 | \$ 27,694,796 |

See accompanying notes.

STATEMENT 3**CONSTANCE LAKE FIRST NATION**
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
YEARS ENDED MARCH 31

| | 2014 | 2013 |
|---|-----------------------|-----------------------|
| ANNUAL DEFICIT | \$ (2,155,356) | \$ (581,775) |
| Acquisition of tangible capital assets | (2,133,733) | (2,406,960) |
| Amortization of tangible capital assets | 1,782,393 | 1,724,197 |
| Increase in prepaid expenses | (3,516) | (7,136) |
| | (354,856) | (689,899) |
| CHANGE IN NET DEBT | (2,510,212) | (1,271,674) |
| NET DEBT, BEGINNING OF YEAR | (5,689,278) | (4,417,604) |
| NET DEBT, END OF YEAR | \$ (8,199,490) | \$ (5,689,278) |

See accompanying notes.

CONSTANCE LAKE FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED MARCH 31

STATEMENT 4

| | 2014 | 2013 |
|--|---------------------|---------------------|
| OPERATING ACTIVITIES | | |
| ANNUAL DEFICIT | \$ (2,155,356) | \$ (581,775) |
| ITEMS NOT AFFECTING CASH: | | |
| Amortization | 1,782,393 | 1,724,197 |
| DECREASE (INCREASE) IN: | | |
| Accounts receivable | (215,346) | (111,347) |
| Housing loans receivable | 1,265,035 | 318,613 |
| Prepaid expenses | (3,516) | (7,136) |
| Investment in government business enterprises and partnerships | 22,024 | (8,581) |
| Restricted cash - CMHC reserve funds | (97,190) | (110,284) |
| Funds held in trust | (73,957) | (172,617) |
| INCREASE (DECREASE) IN: | | |
| Accounts payable and accrued liabilities | 209,047 | (100,727) |
| Deferred revenue | (245,689) | 482,637 |
| Repayable to funding agencies | - | - |
| CASH PROVIDED BY OPERATING ACTIVITIES | 487,445 | 1,432,980 |
| FINANCING ACTIVITIES | | |
| Repayment of long-term debt | (848,570) | (918,819) |
| Proceeds from long-term debt | 1,552,564 | 1,795,770 |
| CASH PROVIDED BY FINANCING ACTIVITIES | 703,994 | 876,951 |
| INVESTING ACTIVITIES | | |
| Acquisition and construction of tangible capital assets | (2,133,733) | (2,406,960) |
| CHANGE IN CASH | | |
| CASH, beginning of year | (942,294) | (97,029) |
| CASH, end of year | \$ 2,812,603 | \$ 3,754,897 |

See accompanying notes.

CONSTANCE LAKE FIRST NATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

NATURE OF ORGANIZATION

Constance Lake First Nation, an Indian Band located in Northern Ontario, administers programs and provides services on behalf of its members.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representation of management and have been prepared in accordance with generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. Further, the financial statements are prepared on the going concern assumption that the First Nation will be able to realize its assets and discharge its liabilities in the normal course of operations. Significant accounting policies are as follows:

(a) REPORTING ENTITY

The reporting entity includes the Constance Lake First Nation government and all related entities controlled by the First Nation.

(b) PRINCIPLES OF CONSOLIDATION

All controlled entities are fully consolidated on a line-by-line basis except for commercial enterprises which meet the definition of government business enterprises, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Organizations consolidated in Constance Lake First Nation's financial statements are as follows:

Constance Lake First Nation Band
Constance Lake Education Authority
Weekoban Inc.

Organizations accounted for on a modified equity basis are as follows:

Amik Logging Limited Partnership
Mahiihkanuk Construction Limited Partnership

The most current financial information available for these entities is summarized in the notes to these consolidated financial statements.

(c) ASSET CLASSIFICATION

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, prepaid expenses and inventories of supplies.

(d) INVESTMENTS

Investments are recorded at cost.

CONSTANCE LAKE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED MARCH 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) TANGIBLE CAPITAL ASSETS

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

| | |
|--------------------------------------|-----------------------|
| Buildings | 40 years |
| Education facilities | 20 years |
| Landfill | 20 years |
| Land improvements | 40 years |
| Housing | 40 years |
| Water and waste water infrastructure | 40 years |
| Water and waste water equipment | 30 years |
| Roads and related infrastructure | 50 years |
| Furniture, fixtures and equipment | 20 years, 20% and 45% |
| Computer hardware | 3 years |
| Computer software | 3 years |
| Vehicles - heavy | 25 years |
| Vehicles - trailers | 10 years and 30% |
| Vehicles - light | 5 years |
| Street lights | 40 years |

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until available for productive use.

(f) NET DEBT

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its financial assets less its financial liabilities.

(g) REVENUE

All revenue is recorded on the accrual basis whereby amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue. Funding received under the terms of contribution agreements with federal and provincial governments is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted by the funding government for a stated purpose, such as a specific program or the acquisition of tangible capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

CONSTANCE LAKE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED MARCH 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) MEASUREMENT UNCERTAINTY

In preparing the financial statements for Constance Lake First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. The main estimates used in preparing these financial statements include an allowance for doubtful accounts, amortization and contingencies. Actual results could differ from these estimates.

(i) PRIOR YEAR FUNDING ADJUSTMENTS

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 audit adjustments potentially repayable to the government in a subsequent period. These adjustments, if any, are charged to operations in the year they become known.

2. CASH

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Constance Lake First Nation must set aside funds annually for the repair, maintenance and replacement of assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as otherwise approved by Canada Mortgage and Housing Corporation, with any interest earned to be credited as revenue to the Apartment Replacement and Subsidy Fund.

At the year-end date the respective monies on hand were not sufficient to meet the CMHC reserve fund requirements. The deficiency amounted to \$40,524.

Cash is comprised of the following:

| | 2014 | 2013 |
|------------------------------|---------------------|---------------------|
| Internally restricted | | |
| Education | (29,457) | 430,513 |
| Housing | 37,179 | 217,132 |
| OFNLP Fund | <u>1,912,384</u> | <u>2,640,908</u> |
| | <u>1,920,106</u> | <u>3,288,553</u> |
| Unrestricted | | |
| Operating | <u>892,497</u> | <u>466,344</u> |
| | <u>\$ 2,812,603</u> | <u>\$ 3,754,897</u> |

CONSTANCE LAKE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED MARCH 31, 2014

3. FUNDS HELD IN TRUST

| | Opening Balance | Additions | Withdrawals | 2014 | 2013 |
|--|------------------|---------------|-------------|------------------|------------------|
| Trust funds held by Federal Government: | | | | | |
| Revenue | \$ 342,145 | \$ 50,159 | \$ - | \$ 392,304 | \$ 342,145 |
| Capital | 32,025 | - | - | 32,025 | 32,025 |
| | 374,170 | 50,159 | - | 424,329 | 374,170 |
| Other funds held in trust | 1,143,920 | 23,797 | - | 1,167,717 | 1,143,919 |
| | \$ 1,518,090 | \$ 73,956 | \$ - | \$ 1,592,046 | \$ 1,518,089 |

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.

Other funds held in trust relate to monies held by the Ontario Ministry of the Attorney General, as Accountant of the Superior Court of Justice, in relation to litigation presently underway (Note 11).

4. ACCOUNTS RECEIVABLE

| | 2014 | 2013 |
|---|---------------------|---------------------|
| Due from governments and government organizations: | | |
| Aboriginal Affairs and Northern Development Canada | \$ 390,336 | \$ 417,274 |
| Canadian Mortgage and Housing Corporation | 62,980 | 54,025 |
| Health Canada | 38,875 | 27,358 |
| Province of Ontario | 211,486 | 168,263 |
| | 703,677 | 666,920 |
| Due from members: | | |
| Housing rentals | 1,388,925 | 1,210,751 |
| Teacherages | 7,335 | 7,335 |
| User fees | 39,010 | 16,940 |
| Water and sewer charges | 606,538 | 576,019 |
| | 2,041,808 | 1,811,045 |
| Due from others: | | |
| Matawa First Nation | 47,931 | 43,822 |
| Nishnawbe Aski Nation | 53,585 | 77,751 |
| Weekoban Inc. trade accounts receivable | 113,564 | 129,041 |
| Other | 926,333 | 588,561 |
| | 1,141,413 | 839,175 |
| | 3,886,898 | 3,317,140 |
| Less: allowance for doubtful accounts | (2,086,553) | (1,783,962) |
| | \$ 1,800,345 | \$ 1,533,178 |

CONSTANCE LAKE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED MARCH 31, 2014

5. HOUSING LOANS RECEIVABLE

Housing loans receivable are due from First Nation members, bear interest at nominal rates, are amortized over 35 years, and are repayable with blended monthly payments. The loans are secured by specific housing units.

| | 2014 | 2013 |
|---------------------------------------|--------------|--------------|
| Housing Loans Receivable | \$ 1,605,799 | \$ 1,655,309 |
| Less: allowance for doubtful accounts | (1,602,330) | (334,987) |
| | \$ 3,469 | \$ 1,320,322 |

6. LONG-TERM INVESTMENT

The investment in Landmark Inn Limited Partnership, consisting of 1 unit of a total of 26 units issued and outstanding, is accounted for at cost.

7. INVESTMENT IN (OBLIGATIONS TO) GOVERNMENT BUSINESS ENTERPRISES

Amik Logging Limited Partnership ("Amik") is a partnership of which the First Nation is the sole owner of the limited partnership units. The First Nation does not control Amik but is entitled to 99.99% of the net income. Mahiihkanuk Construction Limited Partnership ("Mahiihkanuk") is a partnership of which the First Nation is the sole owner of the limited partnership units. The First Nation does not control Mahiihkanuk but is entitled to 99.99% of the net income. As these investments are business enterprises of the First Nation, they are accounted for on the modified equity basis in these financial statements.

(a) The following table provides condensed supplementary financial information for the years ended as indicated, which were the most recent available at the date of these financial statements:

| | May 2013 Amik | March 2013 Mahiihkanuk | 2014 Totals | 2013 Totals |
|----------------------------|--------------------|---------------------------|--------------------|-----------------|
| Financial Position | | | | |
| Current assets | \$ 419,663 | \$ 128,197 | \$ 547,860 | \$ 179,607 |
| Capital assets | 259,341 | 272,975 | 532,316 | 572,722 |
| Total Assets | 679,004 | 401,172 | 1,080,176 | 752,329 |
| Current liabilities | | | | |
| Long-term liabilities | 634,854 | 122,792 | 757,646 | 325,392 |
| Total liabilities | 397,536 | 149,046 | 546,582 | 628,965 |
| Net Assets | 1,032,390 | 271,838 | 1,304,228 | 954,357 |
| Results of operations: | | | | |
| Revenue | \$ 4,502,563 | \$ 195,659 | \$ 4,698,222 | \$ 294,348 |
| Expenses | 4,581,060 | 139,186 | 4,720,246 | 285,767 |
| Net Income (Loss) | \$ (78,497) | \$ 56,473 | \$ (22,024) | \$ 8,581 |

(b) The investment as reported on the consolidated statement of financial position consists of:

| | May 2013 Amik | March 2013 Mahiihkanuk | 2014 Totals | 2013 Totals |
|---|---------------------|---------------------------|---------------------|---------------------|
| Balance, beginning of year | \$ (274,889) | \$ 72,861 | \$ (202,028) | \$ (210,609) |
| First Nation's share of earnings (loss) for the year | (78,497) | 56,473 | (22,024) | 8,581 |
| Balance, end of year | \$ (353,386) | \$ 129,334 | \$ (224,052) | \$ (202,028) |

CONSTANCE LAKE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED MARCH 31, 2014

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2014 | 2013 |
|--|---------------------|---------------------|
| Due to government and government organizations | | |
| Federal government | \$ 18,263 | \$ 17,946 |
| Provincial government | 13,106 | 2,763 |
| Other | | |
| Trade accounts payable | 2,191,618 | 2,050,986 |
| Other accrued liabilities | 123,672 | 65,913 |
| | \$ 2,346,659 | \$ 2,137,608 |

9. DEFERRED REVENUE

Details of the deferred revenue balance are as follows:

| | Opening Balance | Funding Received | Revenue Recognized | Closing balance |
|-----------------------|-------------------|-------------------|--------------------|-------------------|
| Federal Government | | | | |
| AANDC: | | | | |
| Post Secondary (CLEA) | \$ 81,737 | \$ - | \$ 81,737 | \$ - |
| O & M (CLEA) | 82,400 | - | 82,400 | - |
| Other | 736,751 | 701,408 | 736,751 | 701,408 |
| OFNLP | 50,486 | - | 50,486 | - |
| Education | 2,049 | 6,326 | 2,049 | 6,326 |
| | \$ 953,423 | \$ 707,734 | \$ 953,423 | \$ 707,734 |

10. LONG-TERM DEBT

| | 2014 | 2013 |
|--|-------------|-------------|
| RBC term loan bearing interest at 4.98%, repayable at \$1,422 per month principal and interest, secured by general security agreement, maturing February 2018. | \$ 124,236 | \$ 135,022 |
| RBC term loan bearing interest at 4.60%, repayable at \$636 per month principal and interest, secured by general security agreement, maturing January 2017. | 36,003 | 41,837 |
| Related party loan, non-interest bearing with no fixed terms of repayment. | 50,000 | 50,000 |
| Caisse Populaire de Hearst loan bearing interest at 6.5%, repayable at \$3,696 per month principal and interest, guaranteed by general security agreement, maturing in 2016. | 56,203 | 96,994 |
| 1141553 Ontario Limited loan bearing interest at 18%, repayable at \$2,654 per month principal and interest, secured by specific equipment, due in 2017. | 82,326 | - |
| RBC term loan bearing interest at 8.00%, repaid during the year. | - | 363,100 |
| CMHC mortgage payable bearing interest at 1.67%, repayable at \$3,722 per month principal and interest, renewable April 2017, maturing March 2027. | 521,738 | 557,392 |
| CMHC mortgage payable bearing interest at 1.67%, repayable at \$5,330 per month principal and interest, renewable April 2017, maturing March 2027. | 747,215 | 798,277 |

CONSTANCE LAKE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED MARCH 31, 2014

| 10. LONG-TERM DEBT (CONT'D) | 2014 | 2013 |
|--|----------------------|---------------|
| CMHC mortgage payable bearing interest at 2.61%, repayable at \$6,120 per month principal and interest, renewable September 2014, maturing September 2029. | 936,242 | 984,689 |
| CMHC mortgage payable bearing interest at 2.65%, repayable at \$2,265 per month principal and interest, renewable April 2016, maturing March 2031. | 372,142 | 389,271 |
| CMHC mortgage payable bearing interest at 1.80%, repayable at \$10,777 per month principal and interest, renewable October 2016, maturing September 2021. | 906,861 | 1,018,826 |
| CMHC mortgage payable bearing interest at 1.64%, repayable at \$6,396 per month principal and interest, renewable February 2017, maturing January 2032. | 1,186,462 | 1,243,312 |
| CMHC mortgage payable bearing interest at 1.65%, repayable at \$2,848 per month principal and interest, renewable June 2017, maturing June 2032. | 538,503 | 563,600 |
| CMHC mortgage payable bearing interest at 1.71%, repayable at \$2,150 per month principal and interest, renewable September 2017, maturing September 2032. | 409,141 | 427,798 |
| CMHC mortgage payable bearing interest at 1.67%, repayable at \$4,583 per month principal and interest, renewable June 2018, maturing May 2033. | 901,867 | 939,525 |
| CMHC mortgage payable bearing interest at 2.23%, repayable at \$4,440 per month principal and interest, renewable August 2014, maturing June 2034. | 868,138 | 901,736 |
| CMHC mortgage payable bearing interest at 2.51%, repayable at \$2,238 per month principal and interest, renewable March 2015, maturing March 2035. | 438,521 | 454,216 |
| CMHC mortgage payable bearing interest at 3.13%, repayable at \$3,658 per month principal and interest, renewable June 2015, maturing May 2030. | 557,130 | 583,256 |
| CMHC mortgage payable bearing interest at 1.68%, repayable at \$5,551 per month principal and interest, renewable April 2018, maturing April 2038. | 1,319,331 | 1,323,555 |
| CMHC mortgage payable bearing interest at 2.04%, repayable at \$3,573 per month principal and interest, renewable March 2019, maturing March 2039. | 833,357 | 142,801 |
| CMHC mortgage payable, interest rate and terms of repayment to be determined once fully drawn, with a maximum amount drawable of \$1,280,000. | 833,785 | - |
| | \$ 11,719,201 | \$ 11,015,207 |

All of the above CMHC debt facilities are secured by Band Council Resolution, Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada, and specific housing units.

CONSTANCE LAKE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED MARCH 31, 2014

Principal portion of the credit facilities due in the next five years and thereafter is approximately as follows:

| | |
|------------|---------------|
| 2015 | \$ 668,404 |
| 2016 | 647,879 |
| 2017 | 635,099 |
| 2018 | 629,118 |
| 2019 | 642,066 |
| Thereafter | 8,496,635 |
| | <hr/> |
| | \$ 11,719,201 |

11. CONTINGENCIES

(a) 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.

(b) A statement of claim has been filed against the First Nation and Constance Lake Education Authority (CLEA), joint and severally, for damages for breach of contract and other relief, by a contractor in relation to construction of a school building in the amount of \$1,461,836. Also, additional damages for breach of mediated settlement of \$170,000, or, in the alternative, damages for delay in the amount of \$411,388 have been claimed. The First Nation and CLEA have submitted a set-off claim in the approximate amount of \$5,300,000 for breach of contract and delay.

Related to this matter, the First Nation and CLEA have claimed against their former legal counsel for negligence and breach of contract in the amount of \$5,300,000.

An amount of \$1,143,920 has been accrued in the accounts of CLEA, and funds totalling \$1,167,717 including accrued interest, are being held in trust by the Ontario Ministry of the Attorney General, as Accountant of the Superior Court of Justice, pending resolution of the above matters. As the outcome of these matters cannot be determined, any additional settlements or awards will be recorded in the period in which they occur.

(c) The First Nation is a joint applicant, along with other First Nations, on several ongoing Judicial Reviews against the governments of Ontario and Canada. Legal costs may be awarded for or against the applicants depending on the outcomes. As the outcomes of these matters cannot be determined at the date of the financial statements, any settlements or awards will be recorded in the period in which they occur.

(d) The First Nation has several potential claims from and against other parties which arose in the normal course of business. As the outcome of these matters cannot be determined at the date of the financial statements, any settlements or awards will be recorded in the period in which they occur.

12. ECONOMIC DEPENDENCE

The First Nation receives a major portion of its revenues from Aboriginal Affairs and Northern Development Canada, Health Canada, and the Province of Ontario. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on these sources of revenue. The ability of the First Nation to continue program delivery to its members is dependent on this funding.

13. DISTRIBUTIONS FROM ONTARIO FIRST NATIONS LIMITED PARTNERSHIP

The First Nation is entitled to a percentage of net revenues earned at certain gaming facilities located in the Province of Ontario. Net revenues are distributed in accordance with a formula agreed to by the participating First Nation Bands and the Province of Ontario.

CONSTANCE LAKE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED MARCH 31, 2014

14. FINANCIAL INSTRUMENTS

The First Nation is exposed to various risks through its financial instruments. The following analysis provides information about the First Nation's risk exposure and concentration as of March 31, 2014.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The First Nation is exposed to credit risk from members and customers. In order to reduce its credit risk, the First Nation reviews a new member/customer's history before extending credit and conducts regular reviews of its existing member/customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The First Nation has a significant number of member/customers which minimizes concentration of credit risk.

Interest Rate Risk

The First Nation has fixed rate interest bearing credit facilities which are renewable before maturity, and accordingly, is subject to prevailing interest rate fluctuations at the time of renewal. The First Nation does not use derivative instruments to reduce its exposure to interest rate risk.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The First Nation is exposed to this risk mainly in respect of its receipt of funds from its funders and other related sources, long-term debt, and accounts payable.

15. BUDGET FIGURES

Budget figures have not been presented as the information was not available from the management of certain entities.

16. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

| | 2014 | 2013 |
|---|----------------------|----------------------|
| Unrestricted: | | |
| Invested in tangible capital assets | \$ 12,316,930 | \$ 12,217,339 |
| Operating | (57,681) | 1,141,544 |
| Education | 8,828,511 | 9,293,355 |
| OFNLP - Equity | 1,912,384 | 2,640,908 |
| Investment in government business enterprises | (224,051) | (202,028) |
| Amounts repayable to funders | (48,826) | (48,826) |
| | 22,727,267 | 25,042,292 |
| Restricted: | | |
| AANDC - Trust Fund | 424,329 | 374,169 |
| Housing other | 1,814,126 | 1,814,126 |
| CMHC replacement reserve | 573,718 | 464,209 |
| | 2,812,173 | 2,652,504 |
| | \$ 25,539,440 | \$ 27,694,796 |

CONSTANCE LAKE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED MARCH 31, 2014

17. SEGMENTED INFORMATION

Constance Lake First Nation is a diversified local government that provides a wide range of services to its members, including water, fire protection, roadworks, technical services, recreation, social services, health services, education, social housing and economic development among others. For management reporting purposes, the First Nation's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, requirements or limitations.

The First Nation's services are provided by departments and their activities are recorded in these funds. Certain departments that have been disclosed in the segmented information, along with the services they provide, are as follows:

ADMINISTRATION

-Manages the administrative operations of the First Nation, undertakes governance initiatives through the activities of Chief and Council and engages in other activities relating to reserve lands, membership matters and other governance initiatives. Those costs that relate directly to the administration of the various segments have been allocated to the appropriate segment.

ECONOMIC DEVELOPMENT

-Manages the development of economic opportunities for First Nation entities and provides support to member entities.

EDUCATION

-Provides elementary and secondary education instructional services and provides financial support to post-secondary students.

HEALTH SERVICES

-Provides a variety of health care programs and support to First Nation members.

SOCIAL HOUSING

-Provides housing to members under CMHC programs and reports on the respective revenue and expenditures.

COMMUNITY PROPERTY

-Manages First Nation infrastructure programs including facilities operations and maintenance, capital projects, water and waste water plant operations and other related activities.

SOCIAL ASSISTANCE

-Administers the provision of social assistance to qualifying members.

PUBLIC WORKS AND FACILITIES

-Provides contract management services, heavy equipment operations, general labour services and other related activities.

For each reported segment, revenues and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

CONSTANCE LAKE FIRST NATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****YEAR ENDED MARCH 31, 2014**

18. EXPENDITURES BY OBJECT

| | 2014 | 2013 |
|---------------------------------------|----------------------|----------------------|
| Administration | \$ 434,201 | \$ 800,662 |
| Amortization | 1,782,392 | 1,724,199 |
| Utilities | 315,739 | 297,934 |
| Social assistance | 756,760 | 990,260 |
| Insurance | 315,320 | 219,432 |
| Other | 226,617 | 615,542 |
| Supplies | 499,817 | 816,231 |
| Operations and Maintenance | 1,733,539 | 1,570,170 |
| Travel | 474,946 | 448,859 |
| Honoraria | 1,578,841 | |
| Professional fees and services | 869,424 | 949,155 |
| Interest on long term debt | 215,774 | 296,158 |
| Program delivery | 614,757 | 619,232 |
| Subcontracts | 2,222,039 | 1,882,589 |
| Wages and employee benefits | 5,299,840 | 5,259,249 |
| Bad debts | 1,634,402 | 268,074 |
| Investment in tangible capital assets | (2,133,345) | (2,196,933) |
| | \$ 16,841,063 | \$ 14,560,813 |

SCHEDULE A

CONSTANCE LAKE FIRST NATION
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

March 31, 2014

| General Capital Assets | | | | | | | |
|--|------------|-----------------------------|--------------|------------|---------------|------------------------|-------------------|
| | Land | Building under construction | Buildings | Landfill | Housing | Furniture and Fixtures | Computer Hardware |
| Cost | | | | | | | Computer Software |
| Opening cost | \$ 211,085 | \$ 1,082,694 | \$ 2,592,036 | \$ 906,436 | \$ 17,582,965 | \$ 48,879 | \$ 242,191 |
| Additions during the year | | | | | \$ 571,480 | | |
| Closing cost | 211,085 | 1,082,694 | 2,750,257 | 906,436 | 18,154,445 | 48,879 | 242,191 |
| Accumulated Amortization | | | | | | | |
| Opening accum'd amortization | 10,150 | - | 1,241,648 | 278,131 | 4,059,677 | 41,018 | 218,759 |
| Amortization | 5,075 | - | 64,801 | 45,322 | 580,051 | 3,290 | 23,432 |
| Closing accum'd amortization | 15,225 | - | 1,306,449 | 323,453 | 4,639,728 | 44,308 | 242,191 |
| Net Book Value of Tangible Capital Assets | \$ 195,860 | \$ 1,082,694 | \$ 1,443,808 | \$ 582,983 | \$ 13,514,717 | \$ 4,571 | \$ - |
| | | | | | | \$ 4,112 | \$ 52,824 |
| | | | | | | | \$ 9,450 |

SCHEDULE A

CONSTANCE LAKE FIRST NATION
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS (CONT'D)

March 31, 2014

| | General Capital Assets | | | Infrastructure | | | Totals | |
|--|-------------------------------|----------------------|-------------------------------|----------------------------|--|------------------------|---------------|---------------|
| | Vehicles | Street Lights | Educational Facilities | Equipment and other | Roads, Bridges and Infrastructure | Water and Sewer | 2014 | 2013 |
| Cost | | | | | | | | |
| Opening cost | \$ 939,311 | \$ 59,119 | \$ 14,625,693 | \$ 782,393 | \$ 2,905,188 | \$ 9,356,488 | \$ 50,471,484 | \$ 48,079,211 |
| Additions during the year | - | - | - | 83,031 | - | 459,403 | 2,354,829 | 2,406,960 |
| Disposals during the year | 152,257 | - | - | - | - | - | 152,257 | - |
| Closing cost | 787,054 | 59,119 | 14,625,693 | 865,424 | 2,905,188 | 9,815,891 | 52,674,056 | 50,486,171 |
| Accumulated Amortization | | | | | | | | |
| Opening accum'd amortization | 574,164 | 28,824 | 4,451,170 | 682,336 | 1,402,852 | 4,033,993 | 17,159,241 | 15,435,047 |
| Amortization | 36,959 | 1,478 | 726,387 | 39,884 | 58,104 | 234,970 | 1,836,548 | 1,724,197 |
| Closing accum'd amortization | 611,123 | 30,302 | 5,177,557 | 722,220 | 1,460,956 | 4,268,963 | 18,995,789 | 17,159,244 |
| Net Book Value of Tangible Capital Assets | \$ 175,931 | \$ 28,817 | \$ 9,448,136 | \$ 143,204 | \$ 1,444,232 | \$ 5,546,928 | \$ 33,678,267 | \$ 33,326,927 |

CONSTANCE LAKE FIRST NATION

CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

YEARS ENDED MARCH 31

SCHEDULE B

| | Administration | | Health Services | | Education | |
|---|-----------------------|--------------------|------------------------|-------------------|---------------------|---------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| REVENUES | | | | | | |
| Aboriginal Affairs and Northern Development | \$ 566,959 | \$ 571,575 | \$ - | \$ - | \$ 2,740,990 | \$ 2,892,656 |
| Canada Mortgage and Housing Corporation | - | - | - | - | - | - |
| Canada | - | - | 1,120,565 | 1,123,055 | - | - |
| Matawa | - | - | - | - | - | - |
| Health Canada | - | - | - | - | - | - |
| Ontario First Nations Limited Partnership | - | 67 | 75 | - | - | - |
| Rental Income | - | - | - | - | 32,358 | 43,643 |
| Province of Ontario | - | - | - | - | 416,966 | 315,366 |
| Federal Subsidies | - | - | - | - | - | - |
| Other Income | 337,321 | 322,130 | 172,059 | 202,662 | 464,205 | 839,521 |
| Deferred revenue - beginning of year | 904,347 | 893,780 | 1,292,624 | 1,347,567 | 3,654,519 | 4,091,186 |
| Deferred revenue - end of year | - | - | (2,000) | 1,500 | 216,672 | 81,093 |
| Total Revenues | 904,347 | 893,780 | 1,290,624 | 1,349,067 | 3,864,864 | 3,955,607 |
| EXPENDITURES | | | | | | |
| Administration | (200,322) | (223,583) | 84,501 | 85,625 | 260,633 | 294,768 |
| Utilities | 7,299 | 7,633 | 13,716 | 12,660 | - | - |
| Social assistance | - | - | - | - | - | 12,316 |
| Insurance | 1,481 | - | 25,644 | 14,932 | 48,936 | 47,295 |
| Other | 55,694 | 117,932 | 21,971 | 39,702 | - | - |
| Supplies | 17,370 | 18,482 | 148,536 | 155,964 | 40,728 | 51,909 |
| Operations and Maintenance | 10,035 | 7,213 | 71,059 | 131,566 | 488,962 | 275,710 |
| Travel | 78,631 | 92,713 | 61,207 | 45,239 | 125,575 | 92,496 |
| Honoraria | - | - | - | - | - | - |
| Professional fees and services | 140,712 | 132,806 | 11,315 | 18,186 | 343,372 | 274,828 |
| Interest on long term debt | - | 506 | - | - | - | 81,010 |
| Program delivery | - | - | - | - | 614,757 | 619,157 |
| Subcontracts | 48,409 | 64,558 | 36,706 | 18,392 | - | - |
| Wages and employee benefits | 731,096 | 696,275 | 794,209 | 789,484 | 1,828,091 | 1,955,808 |
| Bad debts | 289,353 | 4,000 | - | 21,360 | 17,334 | 17,649 |
| Capital adjustments: | | | | | | |
| Amortization | 10,727 | 10,727 | 41,778 | 44,550 | 740,855 | 733,932 |
| Investment in tangible capital assets | - | - | - | (39,140) | (19,766) | (36,427) |
| Total expenditures (recoveries) | 1,190,485 | 929,562 | 1,310,642 | 1,338,520 | 4,489,477 | 4,420,451 |
| Surplus (deficit) before transfers | (286,138) | (35,782) | (20,018) | 10,547 | (624,613) | (464,844) |
| Transfers between programs | (225,000) | 29,000 | - | 14,900 | - | - |
| Surplus (deficit) | \$ (61,138) | \$ (64,782) | \$ (20,018) | \$ (4,353) | \$ (624,613) | \$ (464,844) |

CONSTANCE LAKE FIRST NATION

CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

YEARS ENDED MARCH 31

| | | Social Assistance | Public Works and Facilities | Employment and Economic Development |
|---|-------------|--------------------------|------------------------------------|--|
| | | 2014 | 2013 | 2014 |
| | | | | 2013 |
| REVENUES | | | | |
| Aboriginal Affairs and Northern Development | \$ 390,961 | \$ 470,900 | \$ 735,353 | \$ 578,186 |
| Canada | - | - | - | - |
| Canada Mortgage and Housing Corporation | - | - | - | - |
| Matawa | - | - | 7,500 | - |
| Health Canada | - | - | - | - |
| Ontario First Nations Limited Partnership | - | - | 106,242 | 127,353 |
| Rental Income | 1,213,355 | 1,250,846 | 110,398 | 552,208 |
| Province of Ontario | - | - | - | 297,455 |
| Federal Subsidies | - | - | - | (22,024) |
| Other Income | 5,615 | 1,184 | 52,775 | 52,540 |
| Deferred revenue - beginning of year | 1,609,931 | 1,722,930 | 1,012,268 | 1,310,287 |
| Deferred revenue - end of year | - | - | 497,937 | 78,000 |
| Total Revenues | 1,609,931 | 1,722,930 | 1,435,841 | 890,350 |
| EXPENDITURES | | | | |
| Administration | 101,352 | 111,166 | 33,952 | 32,678 |
| Utilities | - | 1,049 | 133,416 | 142,468 |
| Social assistance | 756,760 | 977,944 | - | 64,356 |
| Insurance | - | - | 44,040 | 122,404 |
| Other | 96,424 | 66,795 | 23,097 | - |
| Supplies | 50,606 | 49,812 | 98,915 | 20,194 |
| Operations and Maintenance | 40,756 | 39,926 | 759,536 | 28,856 |
| Travel | 57,235 | 37,295 | 12,567 | 76,668 |
| Honoraria | - | - | - | 76,976 |
| Professional fees and services | 41,254 | 13,364 | 93,942 | 110,146 |
| Interest on long term debt | - | - | - | 430,852 |
| Program delivery | - | - | - | 139,594 |
| Subcontracts | 4,075 | 8,010 | 155,706 | 1,578,841 |
| Wages and employee benefits | 510,625 | 431,161 | 297,846 | 223,560 |
| Bad debts | - | - | 532,284 | 119,094 |
| Capital adjustments: | 1,659,087 | 1,736,522 | 2,185,301 | 88,443 |
| Amortization | - | - | - | 10,928 |
| Investment in tangible capital assets | - | (31,531) | 360,252 | 2,951,311 |
| Total expenditures (recoveries) | 1,659,087 | 1,704,991 | 2,106,718 | 3,692,470 |
| Surplus (deficit) before transfers | (49,156) | 17,939 | (670,877) | 14,907 |
| Transfers between programs | - | (42,000) | (200,000) | (29,406) |
| Surplus (deficit) | \$ (49,156) | \$ 59,939 | \$ (470,877) | \$ (429,954) |
| | | | | \$ (214,234) |

CONSTANCE LAKE FIRST NATION

CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

YEARS ENDED MARCH 31

| | Social Housing - Operating | | | | | | Community Property | | Total |
|--|----------------------------|--------------------|------------------|------------------|--------------------|-------------------|--------------------|-------------|--------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | |
| REVENUES | | | | | | | | | |
| Aboriginal Affairs and Northern Development Canada | \$ 715,069 | \$ 653,203 | \$ 234,601 | \$ 428,407 | \$ 4,789,827 | \$ 5,059,467 | | | |
| Canada Mortgage and Housing Corporation | - | - | - | - | 715,069 | 653,203 | | | |
| Matawa | - | - | - | - | 1,466,382 | 128,878 | | | |
| Health Canada | - | - | 838,168 | 852,336 | 1,128,065 | 1,123,055 | | | |
| Ontario First Nations Limited Partnership | 585,639 | 538,753 | - | - | 838,168 | 852,336 | | | |
| Rental Income | - | - | - | - | 840,180 | 732,704 | | | |
| Province of Ontario | - | - | - | - | 2,038,174 | 2,613,219 | | | |
| Federal Subsidies | - | - | 200 | 1,530 | (22,024) | - | | | |
| Other Income | - | - | - | - | 2,646,177 | 3,298,814 | | | |
| Deferred revenue - beginning of year | 1,300,708 | 1,191,956 | 1,072,969 | 1,282,273 | 14,440,018 | 14,461,676 | | | |
| Deferred revenue - end of year | - | - | - | - | 953,425 | 470,787 | | | |
| Total Revenues | 1,300,708 | 1,191,956 | 1,072,969 | 1,282,273 | 14,685,707 | 13,979,038 | | | |
| EXPENDITURES | | | | | | | | | |
| Administration | 74,116 | 70,424 | 15,615 | 42,107 | 434,201 | 800,662 | | | |
| Utilities | 38,904 | 42,800 | - | - | 315,739 | 297,934 | | | |
| Social Assistance | - | - | - | - | 756,760 | 990,260 | | | |
| Insurance | 175,025 | 107,904 | - | - | 315,320 | 219,432 | | | |
| Other | 575 | - | - | 210,529 | 226,617 | 615,542 | | | |
| Supplies | 17,985 | 7,297 | 48,701 | 60,484 | 499,817 | 816,231 | | | |
| Operations and Maintenance | 227,741 | 191,593 | 25,304 | 101,615 | 1,733,539 | 1,570,170 | | | |
| Travel | - | 540 | 137 | 15,564 | 474,946 | 448,859 | | | |
| Honoraria | - | - | - | - | 1,578,841 | - | | | |
| Professional fees and services | - | - | 15,269 | 283,218 | 869,424 | 949,155 | | | |
| Interest on long term debt | 215,774 | 214,642 | - | - | 215,774 | 296,158 | | | |
| Program delivery | - | - | - | - | 614,757 | 619,232 | | | |
| Subcontracts | 1,293 | 4,458 | 1,860,869 | 1,638,744 | 2,222,039 | 1,882,589 | | | |
| Wages and employee benefits | 13,854 | 11,190 | - | 63,640 | 5,299,840 | 5,259,249 | | | |
| Bad debts | 706,988 | 95,043 | - | - | 1,634,402 | 268,074 | | | |
| | 1,472,255 | 745,891 | 1,965,895 | 2,415,901 | 17,192,016 | 15,033,547 | | | |
| Capital adjustments: | | | | | | | | | |
| Amortization | 578,152 | 518,872 | 35,721 | 35,540 | 1,782,392 | 1,724,199 | | | |
| Investment in tangible capital assets | - | - | (1,674,744) | (1,975,933) | (2,133,345) | (2,196,933) | | | |
| Total expenditures (recoveries) | 2,050,407 | 1,264,763 | 326,872 | 475,508 | 16,841,063 | 14,560,813 | | | |
| Surplus (deficit) before transfers | (749,699) | (72,807) | 746,097 | 806,765 | (2,155,356) | (581,775) | | | |
| Transfers between programs | - | 2,000 | 496,000 | 160,000 | - | - | | | |
| Surplus (deficit) | \$ (749,699) | \$ (74,807) | 250,097 | 646,765 | (2,155,356) | (581,775) | | | |