

LAC SEUL FIRST NATION  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2015

LAC SEUL FIRST NATION  
MARCH 31, 2015

COUNCIL

Chief	Clifford Bull
Councillors	Leonard Trout
	Gerald Kejick
	Elvis Trout
	Raymond Angeconebe
	Selina Vincent
	E. Derek Maud
	Donald Dean Ross
	Samantha Kejick

FIRST NATION ADMINISTRATION

Administration Finance Administrator	Roylene Ogemah
Social Services Finance Administrator	Ida Brisket
Education Director	Jennifer Manitowabi
Education Finance Administrator	Dinah Maud
Health Director	Leroy Quoquat
Finance Manager	Grace Strang
Public Works Manager	William Quedent
Training Centre Director	Sam Manitowabi
Arena Manager	Barry King
Human Resources Manager	Dorothy Trout
ODC Finance	Andrea Ignace
Social Director	Chris Lawson

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FOR THE YEAR ENDED MARCH 31, 2015

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LAC SEUL FIRST NATION  
FINANCIAL STATEMENTS  
MARCH 31, 2015

## **MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements of Lac Seul First Nation are the responsibility of management and have been approved by Chief and Council.

Management is responsible for the integrity and objectivity of the financial statements. Estimates are necessary in the preparation of these financial statements and, based on careful judgments, have been properly reflected. Management has established systems of internal control, which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The consolidated financial statements have been audited by Holukoff Chiarella in accordance with Canadian generally accepted auditing standards on behalf of the Members. Holukoff Chiarella has full and free access to Council.

**CHIEF**

## COUNCILLOR

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**COUNCILLOR**

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**COUNCILLOR**

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**COUNCILLOR**

JOHN C. COUNCILMAN  
*John C. Councilman*



# Holukoff Chiarella

CHARTERED ACCOUNTANTS

## EXHIBIT "A"

Kevin Massee, B.Comm. (Hons), C.A.  
(Practising as Kevin Massee Chartered Accountant Ltd.)  
Ralph Orr, B.Comm. (Hons), C.A.  
(Practising as Ralph Orr Chartered Accountant Ltd.)  
Wayne H. Chiarella, B.A., C.A. (Retired 2011)  
Sam Holukoff, C.A. (Retired 2005)

101 - 1180 Pembina Highway  
Winnipeg, Manitoba R3T 2A4  
Telephone (204) 452-6449  
Fax (204) 452-3397

### INDEPENDENT AUDITORS' REPORT

To the Chief, Council and Members of  
Lac Seul First Nation

We have audited the accompanying financial statements of Lac Seul First Nation, which comprise the consolidated statement of financial position as at March 31, 2015 and the consolidated statement of accumulated surplus, consolidated statement of operations, consolidated statement of change in net debt and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted 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.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 Lac Seul First Nation as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

WINNIPEG, MANITOBA  
July 27, 2015.

EXHIBIT "B"

LAC SEUL FIRST NATION  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2015

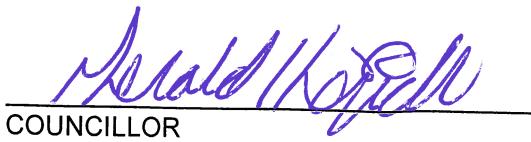
	<u>2015</u>	<u>2014</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 4,347,106	3,612,478
Restricted cash and trust funds, Note 2	314,238	579,754
Accounts receivable, Note 3	1,463,249	2,728,720
Mortgage receivable, Note 4		2,300,000
Long term investments, Note 5	4,822,064	5,925,109
	<u>10,946,657</u>	<u>15,146,061</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities, Note 6	2,084,969	1,096,460
Band trust funds refundable, Note 7	175,436	175,436
Deferred revenue, Note 8	2,975,551	2,822,410
Long term debt, Note 9	13,770,546	14,256,276
Native claims loan, Note 10	3,975,898	3,975,898
Reserves, Note 11	1,048,985	970,625
	<u>24,031,385</u>	<u>23,297,105</u>
<b>NET DEBT</b>	<u>(13,084,728)</u>	<u>(8,151,044)</u>
<b>NON FINANCIAL ASSETS</b>		
Goodwill	50,000	
Inventory	18,711	
Prepaid expenses	2,050	18,549
Tangible capital assets, Note 12	56,884,462	54,029,342
	<u>56,955,223</u>	<u>54,047,891</u>
<b>ACCUMULATED SURPLUS, Exhibit "C", Note 13</b>	<b>\$ 43,870,495</b>	<b>45,896,847</b>

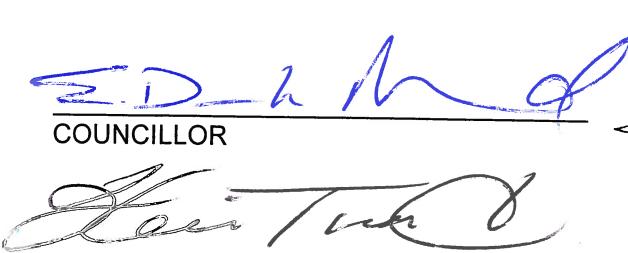
APPROVED BY:

  
CHIEF

  
COUNCILLOR

  
COUNCILLOR

  
COUNCILLOR

  
COUNCILLOR

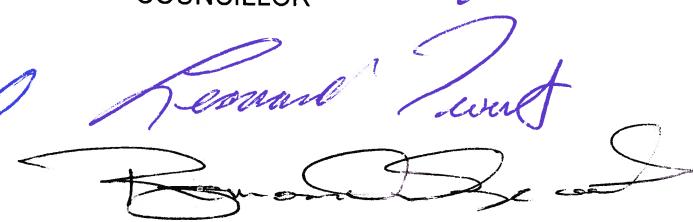
  
COUNCILLOR

EXHIBIT "C"

LAC SEUL FIRST NATION  
CONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS  
FOR THE YEAR ENDED MARCH 31, 2015

	<u>2015</u>	<u>2014</u>
BALANCE AT BEGINNING OF YEAR	\$ 45,896,847	44,569,506
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	<u>(2,026,352)</u>	<u>1,327,341</u>
BALANCE AT END OF YEAR	<b>\$ 43,870,495</b>	<b>45,896,847</b>

EXHIBIT "D"

LAC SEUL FIRST NATION  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2015

	<u>2015</u>	<u>2014</u>
ANNUAL SURPLUS (DEFICIT), OPERATIONS, Exhibit "D-2"	\$ (25,655)	1,757,258
ANNUAL SURPLUS (DEFICIT), TRUST/RESTRICTED, Exhibit "D-2"	<u>(193,835)</u>	<u>122,702</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS	(219,490)	1,879,960
PRIOR YEAR ADJUSTMENT	36,383	
WRITE-DOWN OF INVESTMENTS	(436,984)	
TRANSFER TO TANGIBLE CAPITAL ASSETS	2,351,945	3,060,940
AMORTIZATION NOT EXPENSED IN OPERATIONS	<u>(3,758,206)</u>	<u>(3,613,559)</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ (2,026,352)</u>	<u>1,327,341</u>

EXHIBIT "D-1"

LAC SEUL FIRST NATION  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2015

		2015	2014
		<u>Budget</u>	<u>Actual</u>
<b>REVENUE</b>			
Federal Government			
AANDC	\$ 7,236,258	7,251,072	8,090,067
Health Canada Funding Agreements	1,800,503	1,800,503	1,726,684
Canada Mortgage and Housing Corporation	484,967	484,967	433,565
Provincial government	3,521,584	4,317,523	4,325,985
Ontario First Nations Limited Partnership	1,563,576	1,563,576	1,524,562
Other	<u>5,747,312</u>	<u>13,580,354</u>	<u>12,538,293</u>
	<u>20,354,200</u>	<u>28,997,995</u>	<u>28,639,156</u>
<b>EXPENSES</b>			
Band Management	1,559,192	1,489,875	1,338,384
Social Services	4,054,473	3,970,114	3,564,242
Capital	3,485,740	3,644,494	6,402,445
Education	4,125,712	3,759,358	3,939,906
Economic Development	66,853	89,500	86,325
Operations and Maintenance	1,829,115	2,124,681	1,962,763
Health Services	2,027,050	2,395,087	2,246,202
CMHC Housing	671,706	727,383	634,849
Operating Programs	1,866,930	1,783,295	1,266,111
Rentals/Capital Buildings		34,620	40,084
Ke-Nawind Housing Development Authority	1,153,782	1,335,027	1,055,527
Obishikokaang Resources Corporation		2,368,518	2,661,154
OFNLP		730,053	686,856
Lac Seul Generating Station LP		51,967	84,825
Lac Seul Settlement Fund		865,892	440,906
Obish Development		1,080,778	348,600
OPG Scholarship and Training		17	17
2361701 Ontario Inc.		4,613	
Waaninaawagaang Developments LP		<u>2,658,362</u>	
	<u>20,840,553</u>	<u>29,113,634</u>	<u>26,759,196</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>			
<b>BEFORE OTHER ITEMS</b>	(486,353)	(115,639)	1,879,960
<b>OTHER ITEMS</b>			
Prior year adjustments		36,383	
Write-down of Investments		(436,984)	
Transfer to CMHC Operating Reserve		(103,851)	
Transfer to tangible capital assets		2,351,945	3,060,940
Amortization	<u>—</u>	<u>(3,758,206)</u>	<u>(3,613,559)</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ (486,353)</b>	<b>(2,026,352)</b>	<b>1,327,341</b>

EXHIBIT "D-2"

LAG SEUL FIRST NATION  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2015

Annual Surplus (Deficit)		Revenue				Expenses	
AANDC	Other	Transfers	Deferred	Total			
Band Management	\$ 788,181	1,013,118	1,801,299	1,489,875	(206,741)	104,683	
Social Services	652,907	3,418,115	4,071,022	3,970,114	(73,923)	26,985	
Capital	938,551	2,118,322	288,075	3,344,948	3,644,494	846,721	547,175
Lac Seul Education Authority	3,467,349	627,524	(434,298)	3,660,575	3,759,358	300,000	201,217
Economic Development	89,500	559,073	89,500	89,500			
Operations and Maintenance	1,223,084	2,393,267	(8,155)	1,782,157	2,124,681	177,500	(165,024)
Health Services		831,234	2,385,112	2,395,087	22,500	12,525	
CMHC Housing	91,500	1,909,285	93,237	831,234	727,383	(103,851)	
Operating Programs		170,068	2,094,022	1,783,295	(928,292)	(617,565)	
Rentals/Capital Buildings		1,202,348	170,068	34,620		135,448	
Ke-Nawind Housing Development Authority		2,373,325	1,202,348	1,335,027	(40,000)	(172,679)	
Obishikokaang Resources Corporation		1,563,576	2,373,325	2,368,518		4,807	
OFNLP		621,974	1,563,576	730,053	(833,523)		
Lac Seul Generating Station LP		5,134	621,974	51,967			
Lac Seul Settlement Fund		237,157	5,134	865,892		860,758	
Obish Development			237,157	1,080,778		175,000	(668,621)
2361701 Ontario Inc.				4,613			(4,613)
Waaninaaawagaang Developments LP							
Total Operations	<u>7,251,072</u>	<u>2,658,362</u>	<u>(61,141)</u>	<u>2,658,362</u>	<u>2,658,362</u>	<u>29,113,617</u>	<u>196,149</u>
Ontario Power Generation Scholarships and Training Funds		101,792	101,792	17		(300,000)	(198,225)
		4,390	4,390				4,390
Total Trust / Restricted		<u>106,182</u>	<u>106,182</u>	<u>17</u>	<u>17</u>	<u>(300,000)</u>	<u>(193,835)</u>
Grand Totals	<u>\$ 7,251,072</u>	<u>21,808,064</u>	<u>(61,141)</u>	<u>28,997,995</u>	<u>29,113,634</u>	<u>(103,851)</u>	<u>(219,490)</u>

Prior year adjustments -  
Waaninaawagaang Developments LP  
Write-down of Investments  
Transfer to Tangible Capital Assets  
Amortization

36,383  
(436,984)  
2,351,945  
(3,758,206)  
\$ 2,026,352)

EXHIBIT "E"

LAC SEUL FIRST NATION  
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT  
FOR THE YEAR ENDED MARCH 31, 2015

	<u>2015</u>	<u>2014</u>
ANNUAL SURPLUS, Exhibit "D"	\$ (2,026,352)	1,327,341
Acquisition of tangible capital assets	(7,127,889)	(4,652,940)
Amortization of tangible capital assets	4,272,769	3,874,044
Change in prepaid expenses and inventory	(2,212)	(339)
Change in goodwill	<u>(50,000)</u>	<u>      </u>
(INCREASE) DECREASE IN NET DEBT	(4,933,684)	548,106
NET DEBT AT BEGINNING OF YEAR	<u>(8,151,044)</u>	<u>(8,699,150)</u>
NET DEBT AT END OF YEAR	<u>\$ (13,084,728)</u>	<u>(8,151,044)</u>

EXHIBIT "F"

**LAC SEUL FIRST NATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED MARCH 31, 2015

	<u>2015</u>	<u>2014</u>
<b>OPERATING TRANSACTIONS</b>		
Annual surplus (deficit), Exhibit "D"	\$ (2,026,352)	1,327,341
Add non-cash items		
Amortization	4,272,769	3,874,044
Net change in financial assets/liabilities and prepaid expenses		
Accounts receivable	1,265,471	395,534
Mortgage receivable	2,300,000	
Accrued interest receivable		1,166
Goodwill	(50,000)	
Prepaid expense and inventory	(2,212)	(339)
Accounts payable	988,509	(1,641,148)
Deferred revenue	153,141	(325,366)
Principal repayment of long term debt	(1,843,419)	(1,458,590)
Obligations under capital lease	<u>5,057,907</u>	<u>(1,029,134)</u>
	<u>5,057,907</u>	<u>1,143,508</u>
<b>CAPITAL TRANSACTIONS</b>		
Acquisition of tangible capital assets	<u>(7,127,889)</u>	<u>(4,652,940)</u>
<b>FINANCING TRANSACTIONS</b>		
Loan proceeds	<u>1,357,689</u>	<u>6,050,271</u>
<b>INVESTING TRANSACTIONS</b>		
Change in restricted assets	265,516	(189,513)
Change in reserves	78,360	187,827
Change in long term investments	<u>1,103,045</u>	<u>(547,420)</u>
	<u>1,446,921</u>	<u>(549,106)</u>
<b>NET CHANGE IN CASH POSITION</b>	734,628	1,991,733
<b>CASH POSITION AT BEGINNING OF YEAR</b>	<u>3,612,478</u>	<u>1,620,745</u>
<b>CASH POSITION AT END OF YEAR</b>	<u>\$ 4,347,106</u>	<u>3,612,478</u>

LAC SEUL FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2015

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

The First Nation is a non-profit, non-taxable entity and is engaged in the social, cultural, educational and economic development of members of Lac Seul First Nation.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the Public Sector Accounting and Auditing Handbook of the Institute of Chartered Accountants.

**a) Fund Accounting**

The Lac Seul First Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established. The various funds have been amalgamated for the purpose of presentation in the Consolidated Financial Statements. Details of the operations of each fund are set out in the supplementary statements. The First Nation maintains the following funds:

- The Operations Fund which reports the general activities of the First Nation,
- The Flood Claims Fund which reports the activities related to the flood claims of the First Nation,
- The Trust / Restricted Fund which reports on the activities of the OFNLP, Ontario Power Generation Scholarship and Training and AANDC Trust Funds of the First Nation.

**b) Reporting Entity and Principles of Financial Reporting**

Lac Seul First Nation reporting entity includes the Lac Seul First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

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

Lac Seul First Nation  
Lac Seul CMHC Housing  
Ke-Nawind Housing Development Authority  
Lac Seul First Nation OFNLP  
Obishikokang Resources Corporation  
Waaninaawagaang Developments LP  
2361701 Ontario Inc.

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual statements.

Incorporated business entities, which are not controlled by the First Nation and are not dependent on the First Nation, are recorded by the cost method.

Long-term investments in non-controlled entities are recorded at the lower of cost or net realizable value.

**LAC SEUL FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2015**

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued**

**c) Tangible Capital Assets**

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods and delivering services. The organization does not capitalize computer software.

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

**d) Net Debt/Net Financial Assets**

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

**e) Amortization**

Capital assets recorded are amortized annually. Assets are amortized over their expected useful life using the straight-line method at the following rates:

Social housing	20 years
General housing	20 years
Buildings and improvements	25 years
General equipment	5 years
Infrastructure	25 years
Roads and bridges	25 years

In the year of acquisition, 50% of the normal amortization is recorded.

**f) Deferred Revenue**

Deferred revenue represents funding received or receivable under the terms of their respective funding arrangements for specified purposes and for which the related expenses have not been incurred. Unspent funding or expenses made which are not in accordance with the terms of the funding arrangements may constitute a debt to the funding authority upon review of the funding arrangement expenses. Note 8 contains a summary of deferred revenue by project.

**g) Revenue Recognition**

The First Nation follows the deferral method of account for restricted revenues. Revenues restricted by legislation, regulation or agreement and not available for general government purposes are deferred on the consolidated balance sheet. The revenue is recognized in the year in which it is used for the specified purpose. Unrestricted revenues are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

LAC SEUL FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2015

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

h) Reserves

The reserves accounts are funded by an annual charge against earnings as opposed to an appropriation of surplus.

i) Financial Instruments

The First Nation's financial instruments consist of cash, accounts receivable, investments, accounts payable, accrued liabilities, native claims loan and long-term debt. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying charges.

*Initial and subsequent measurement*

The First Nation initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The First Nation subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in the fair value of these financial instruments are recognized in net income in the period incurred.

Financial assets measured at amortized cost on a straight-line basis include cash, accounts receivable and investments.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities, native claims loan and long-term debt.

*Transaction costs*

Transactions costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in net income over the life of the instrument using the straight-line method.

j) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reported period. Actual results could differ from management's best estimates as additional information becomes available in the future.

EXHIBIT "G"

LAC SEUL FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2015

2. RESTRICTED CASH AND TRUST FUNDS

	<u>2015</u>	<u>2014</u>
OFNLP Funds		
Bank	\$ 137,301	208,982
Ottawa Trust Funds	159,436	155,046
Ontario Power Generation Scholarship and Training	<u>17,501</u>	<u>215,726</u>
	<u>\$ 314,238</u>	<u>579,754</u>

Changes in Ottawa Trust Funds during the year are as follows:

Balance at beginning of year	\$ 155,046	133,602
Interest	4,390	7,294
Deposit - Nexacor fees	<u>_____</u>	<u>14,150</u>
Balance at end of year	<u>\$ 159,436</u>	<u>155,046</u>

3. ACCOUNTS RECEIVABLE

	<u>2015</u>	<u>2014</u>
AANDC	\$ 26,453	831,949
Health Canada	25,275	304,837
CMHC	89,585	1,275
HST	32,712	38,892
Province of Ontario	338,331	129,678
Trade	892,128	1,399,973
Band members	<u>58,765</u>	<u>22,116</u>
	<u>\$ 1,463,249</u>	<u>2,728,720</u>

4. MORTGAGE RECEIVABLE

	<u>2015</u>	<u>2014</u>
Mortgage receivable from First Nation LP and 1450005 Ontario Inc.		
Collateral mortgage receivable Secured by property 12 Fifth Avenue, Sioux Lookout, general assignment of rents, leases, material contracts, and general security agreement. Interest the greater of prime plus 1.5% or 10%. Payment of interest last day of each month, principal payment on demand. Accrued interest has not been calculated and interest is recorded when received. The First Nation foreclosed and received title to the property. The mortgage and interest receivable was transferred to Tangible Capital Assets.	\$ _____	<u>2,300,000</u>

EXHIBIT "G"

**LAC SEUL FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2015**

**5. LONG TERM INVESTMENTS**

The First Nation has the following long term investments in non-controlled entities:

	<u>2015</u>	<u>2014</u>
Lac Seul GS LP		
Equity	\$ 4,391,000	4,462,000
Landmark Inn Limited Partnership		
3 Units	246,359	246,359
2137922 Ontario Ltd.		
3 Common shares	1,500	1,500
RBC Dominion Securities		
4,202,204 Shares Aurcrest Gold Inc. (M.V. \$63,041)	63,041	500,025
Cash account	291	291
191,637 Share Rubicon Minerals Corp. (M.V. \$224,215)	44,873	119,872
2361701 Ontario Inc.		
TDL Holdings		
Advance Aurcrest Gold Inc.	<u>75,000</u>	<u>549,062</u>
	<u><b>\$ 4,822,064</b></u>	<u><b>5,925,109</b></u>

The investment in TDL Holdings is in the funds advanced on behalf of the Tim Horton's franchise. No documentation was available on the company that will hold the investment and no financial statements were available for the Tim's operations.

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2015</u>	<u>2014</u>
AANDC	\$ 774,054	42,986
Health Canada	4,473	108,463
Canada Revenue Agency - source deductions	39,035	
Canada Revenue Agency - HST	400,102	
Trade	<u>867,305</u>	<u>945,011</u>
	<u><b>\$ 2,084,969</b></u>	<u><b>1,096,460</b></u>

**7. BAND TRUST FUNDS REFUNDABLE**

The Lac Seul First Nation has received funds for timber harvested on reserve. A portion of these funds are to be transferred to the Ottawa Trust Fund. No information has been provided since April 1, 2002. The balance of trust funds refundable as at March 31, 2015 remains at \$175,436.

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**8. DEFERRED REVENUE**

Funding received or receivable in the current period to be applied against subsequent period programs are recorded as deferred revenue in the financial statements.

Deferred revenue consists of the following:

	Opening Balance Mar 31, 2014	Funding Received	Revenue Recognized	Closing Balance Mar 31, 2015
<b>AANDC</b>				
- Water Treatment Plant Upgrade	\$ 50,746	70,800	114,333	7,213
- Frenchman's Head School	<u>120,000</u>	<u>71,578</u>	<u>87,480</u>	<u>104,098</u>
	170,746	142,378	201,813	111,311
<b>Mining Strategy</b>	228,503	634,480	727,056	135,927
<b>Wahsa</b>	75,000	197,712	222,712	50,000
<b>First Nation Student Success</b>	45,081	119,400	164,481	
<b>Outdoor Skills</b>	55,000	15,500	30,500	40,000
<b>Community Recreational Activator</b>	1,098	45,000	46,098	
<b>Shooniyaa Childcare</b>	50,000		33,725	16,275
<b>Lac Seul Generating Station LP</b>	1,101,028	621,974	621,974	1,101,028
<b>The Land is Our Teacher</b>	10,178		10,178	
<b>Education Administration</b>	158,293	221,060	279,353	100,000
<b>NNADAP</b>	10,032	239,030	249,062	
<b>Training Center</b>	136,064	73,207	209,271	
<b>Lac Seul Peacekeepers</b>	16,883	68,177	77,755	7,305
<b>Red Lake Mine Collaboration</b>	543,836	1,258,000	1,801,836	
<b>Lac Seul Cadet Corp</b>	5,000		5,000	
<b>Youth Skills Connections</b>		92,000		92,000
<b>Brighter Future Initiatives</b>		143,874	140,743	3,131
<b>Business Equity Fund</b>		500,000		500,000
<b>Micro Loan Fund</b>	13,175			13,175
<b>Gold Corp - Tim Horton's</b>	90,986			90,986
<b>Frenchman's Head Soccer Field</b>	111,507			111,507
<b>Instructional Services</b>		1,376,100	991,393	384,707
<b>Student Awards</b>			(200,000)	200,000
<b>After School Program</b>		30,459	27,316	3,143
<b>Health Services - Prevention/Promotion</b>	<u>        </u>	<u>413,683</u>	<u>398,627</u>	<u>15,056</u>
	<b>\$ 2,822,410</b>	<b>6,192,034</b>	<b>6,038,893</b>	<b>2,975,551</b>

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LAC SEUL FIRST NATION  
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9. LONG TERM DEBT

	<u>2015</u>	<u>2014</u>
Instalment loan Royal Bank for construction of Kejick Bay Police Detachment, repayable \$1,105 monthly including interest at 4.5%, secured by Band Council Resolution and assignment of Lac Seul Police Services rents. Due December 27, 2015.	\$ 8,655	21,214
Construction term loan - 2004/05 Housing and Safehouse Royal Bank repayable in monthly instalments of \$9,967 including interest at 4.45%, secured by Band Council Resolution, assignment of minor capital funds and rents. Due May 12, 2015.	513,048	607,682
Construction term loan - 2005/06 Log Cabins Royal Bank repayable in monthly instalments of \$3,100 including interest at 4.5%, secured by Band Council Resolution and assignment of Tikinagan rents. Due May 12, 2015.	183,973	212,227
Instalment loan - Royal Bank for Rona building improvements, interest at 4.3%, payable monthly. Principal due May 12, 2015.	200,000	
Instalment loan - Royal Bank for various Whitefish Bay projects, repayable \$56,945 annually including interest at 3.9%, secured by Band Council Resolution and irrevocable letter of direction to AANDC assigning a minimum of \$58,000 per annum for seven years from Minor Capital funds. Due July 15, 2014.	56,343	
Instalment loan - Royal Bank for investment in Lac Seul GS LP, repayable \$23,786 monthly including interest at 3.39%, secured by Band Council Resolution and an irrevocable assignment of return on equity and/or revenue distributions from Lac Seul GS LP and a general security interest in all personal property of the First Nation due June 2, 2015.	1,129,565	1,368,771
Instalment loan - Royal Bank repayable \$37,916 monthly including interest at 4.1%, secured by Band Council Resolution and assignment of OFNLP funds. Due November 1, 2015.	3,349,984	3,661,059
Instalment loan - Royal Bank repayable \$5,746 monthly including interest at 6375%, secured by Band Council Resolution. Due May 16, 2015.	359,373	

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LAC SEUL FIRST NATION  
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FOR THE YEAR ENDED MARCH 31, 2015

9. LONG TERM DEBT - continued

	<u>2015</u>	<u>2014</u>
Demand loan - Royal Bank for bridge financing of CMHC project interest paid monthly at RBC prime plus 2%, secured by Band Council Resolution and assignment of CMHC funds. Due June 30, 2014.	\$ 696,600	
<b>CMHC Social Housing</b> The First Nation obtained financing to build houses. Through this program the First Nation receives CMHC government assistance to operate the projects as rental units. These loans are secured by a guarantee from the Minister of Aboriginal Affairs and Northern Development Canada.		
CMHC Housing Mortgage, repayable \$2,138.66 monthly including interest at 2.04%, secured by a guarantee agreement with AANDC, maturing March 1, 2019.	200,540	221,937
CMHC Housing Mortgage, repayable at \$5,140.16 monthly including interest at 1.65%, secured by a guarantee agreement with AANDC, maturing June 1, 2017.	923,231	969,403
CMHC Housing Mortgage, repayable at \$3,157.12 monthly including interest at 1.71%, secured by a guarantee agreement with AANDC, maturing September 1, 2017.	573,478	601,387
CMHC Housing Mortgage, repayable at \$3,828.77 monthly including interest at 2.04%, maturing March 1, 2019.	724,977	755,930
CMHC Housing Mortgage, repayable at \$5,370.25 monthly including interest at 1.05%, maturing April 1, 2020.	1,168,676	1,211,380
CMHC Housing Mortgage, repayable at \$3,849.13 monthly including interest at 2.97%, maturing April 1, 2016.	723,862	748,402
CMHC Housing Mortgage, repayable at \$6,498.41 monthly including interest at 1.62%, maturing March 1, 2018.	1,499,429	1,552,836
CMHC Housing Mortgage, repayable at \$7,013.25 monthly including interest at 2.35%, maturing September 1, 2018.	1,523,012	1,571,105
CMHC Housing Mortgage, repayable at \$2,953.12 monthly including interest at 2.01%, maturing October 1, 2019.	<u>688,743</u>	<u>14,256,276</u>
Current portion	13,770,546	2,801,994
Term loans subject to refinancing	<u>5,535,943</u>	<u>5,092,227</u>
	<u>\$ 7,004,484</u>	<u>6,362,055</u>

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LAC SEUL FIRST NATION  
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9. LONG TERM DEBT - continued

Estimated principal repayments due in the next five years and thereafter based on the long term debt renewed on the maturity dates are as follows:

2016	\$ 6,766,062
2017	303,698
2018	2,911,307
2019	2,094,594
2020	1,607,904
Thereafter	<u>86,981</u>
	 \$ <b><u>13,770,546</u></b>

10. NATIVE CLAIMS LOAN AGREEMENT

The First Nation entered into a loan agreement with AANDC for funds to pursue its flood claim against the Federal Government. The loan is secured by a promissory note made by the First Nation payable to the Receiver General for Canada in the amount of the loan. The loan is repayable on the date on which the claim is settled. Once the claim is settled, the proceeds received to repay the loan will be recognized as revenue and will be applied to the cumulative balance of the expenditures incurred to the time of settlement. Negotiations have ceased and the First Nation is commencing legal action.

11. RESERVES

The First Nation establishes reserves for legal, contractual or voluntary basis as follows:

	<u>2015</u>	<u>2014</u>
Operating Fund Reserve - Social Housing		
- Post 1996 Section 95 Programs	\$ 549,809	445,958
Under the terms of the agreement with Canada Mortgage and Housing Corporation, any surplus remaining after the payment of all costs and expenses, including the allocation to the Replacement Reserve, should be retained by the First Nation in an Operating Fund Reserve. These funds, along with the accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be mutually agreed to by the First Nation and CMHC. The funds in this account may only be used for the ongoing operating costs of the project. Accordingly, future years' deficits may be recovered from this reserve. Withdrawals are credited to interest first and then principal.		

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LAC SEUL FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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11. RESERVES, continued

	<u>2015</u>	<u>2014</u>
Replacement Reserve - Social Housing Agreements with Canada Mortgage and Housing Corporation provide for the accumulation of a replacement reserve.	\$ 377,133	293,543
Replacement Reserve - Education The First Nation has voluntarily set up a replacement reserve account for school bus replacement. Funded by allocation from student transportation.	25,819	134,900
Replacement Reserve - Frenchman's Head Wahsa Centre The First Nation has voluntarily set up a replacement reserve for repairs to the Wahsa distance education building at Frenchman's Head. Funded by allocation from Frenchman's Head distance education.	90,601	90,601
Vehicle and Equipment Reserve - Health The First Nation has voluntarily set up a replacement reserve for vehicle and equipment replacement. Funded by allocation from Home and Community Care.	5,623	5,623
	<hr/>	<hr/>
	<hr/>	<hr/>
	<u>\$ 1,048,985</u>	<u>970,625</u>

The above reserves are unfunded at March 31, 2015.

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**LAC SEUL FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2015**

**12. TANGIBLE CAPITAL ASSETS**

		2015				
		Cost Mar. 31/14	Additions (Disposals)	Cost Mar. 31/15	Accumulated Amortization	Net Book Value
General equipment and vehicles	\$ 4,327,160	869,598	5,196,758	3,652,071	1,544,687	
Land improvements	857,115	41,044	898,159	388,538	509,621	
Buildings	28,442,649	3,505,043	31,947,692	8,486,493	23,461,199	
Infrastructure	12,803,692	771,624	13,575,316	7,195,221	6,380,095	
General housing	15,399,386		15,399,386	10,516,136	4,883,250	
Social housing	12,636,561	1,184,500	13,821,061	3,548,142	10,272,919	
Roads and bridges	11,485,425	75,638	11,561,063	2,372,292	9,188,771	
Franchise fee		680,442	680,442	36,522	643,920	
Assets under construction						
	<b>\$ 85,951,988</b>	<b>7,127,889</b>	<b>93,079,877</b>	<b>36,195,415</b>	<b>56,884,462</b>	

		2014				
		Cost Mar. 31/13	Additions (Disposals)	Cost Mar. 31/14	Accumulated Amortization	Net Book Value
General equipment and vehicles	\$ 4,241,348	85,812	4,327,160	2,788,207	1,538,953	
Land improvements	774,297	82,818	857,115	356,083	501,032	
Buildings	27,315,385	1,127,264	28,442,649	7,341,824	21,100,825	
Infrastructure	11,986,854	816,838	12,803,692	6,676,214	6,127,478	
General housing	13,739,639	1,659,747	15,399,386	9,950,835	5,448,551	
Social housing	10,812,969	1,823,592	12,636,561	2,890,986	9,745,575	
Roads and bridges	11,313,814	171,611	11,485,425	1,918,497	9,566,928	
Assets under construction	1,114,742	(1,114,742)				
	<b>\$ 81,299,048</b>	<b>4,652,940</b>	<b>85,951,988</b>	<b>31,922,646</b>	<b>54,029,342</b>	

Capital assets under construction are capitalized as expenditures are made. No amortization is taken until the projects are complete.

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LAC SEUL FIRST NATION  
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FOR THE YEAR ENDED MARCH 31, 2015

**13. ACCUMULATED SURPLUS**

A portion of this surplus balance includes surpluses and/or deficits from funds contributed by government agencies. Such surpluses/deficits may be subject to repayment or recovery by the contributing agencies, depending on the terms and conditions of the relevant agreements.

**14. ECONOMIC DEPENDENCE**

The Lac Seul First Nation receives the majority of its revenues pursuant to a funding arrangement with Aboriginal Affairs Northern Development Canada.

**15. COMPARATIVE FIGURES**

Certain comparative figures for the previous period have not been shown as the information is considered not to be meaningful for comparison with the current period.

The budget figures are unaudited.

**16. RECONCILIATION OF AANDC FUNDING**

AANDC funding per 2014/15 funding confirmation	\$ 7,921,528
Wastewater fixed funding on confirmation that is refundable As it should not have been funded	<u>(670,456)</u>
AANDC funding per Exhibit "D-1"	\$ <u>7,251,072</u>

EXHIBIT G

LAC SŒUL FIRST NATION  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2015

17. SEGMENT DISCLOSURE

	<u>Band I Management</u>	<u>Budget 2015</u>	<u>2014</u>	<u>Budget</u>	<u>2015</u>	<u>Social Services</u>	<u>2014</u>	<u>Budget</u>	<u>2015</u>	<u>Capital Programs</u>	<u>2014</u>
<b>REVENUE</b>											
Federal government	\$ 746,511	812,111	726,046	658,091	652,907	689,972	1,030,051	1,030,051	1,587,329		
Provincial government				3,351,089	3,388,899	2,975,768	135,000	1,029,795	1,350,217		
Economic activities								337,157	481,241		
Net income for investments in government business enterprises					21,444						
Other revenue	<u>394,005</u>	<u>989,188</u>	<u>2,144,532</u>	<u>49,084</u>	<u>29,216</u>	<u>(21,244)</u>	<u>3,572,826</u>	<u>10,773,355</u>	<u>11,393,186</u>		
<b>TOTAL REVENUE</b>	<u>1,140,516</u>	<u>1,801,299</u>	<u>2,892,022</u>	<u>4,058,264</u>	<u>4,071,022</u>	<u>3,644,496</u>	<u>4,737,877</u>	<u>13,170,358</u>	<u>14,811,973</u>		
<b>EXPENSES</b>											
Honoraria								50,000	4,999	49,998	
Chief and Councillors	359,549	358,348	364,988					6,000	6,040		
Elders and Board Members			200								
Wages and benefits	357,116	549,739	536,920	604,626	607,509	616,842	1,059,289	2,502,601	2,427,479		
Amortization		3,343,929	3,613,559					106,699	100,286		
Tangible Capital Assets		(2,351,945)	(3,060,940)								
Interest	<u>445,786</u>	<u>1,392,276</u>	<u>436,276</u>	<u>3,339,183</u>	<u>3,362,605</u>	<u>2,947,400</u>	<u>6,852</u>	<u>269,236</u>	<u>309,060</u>		
Other expenses											
<b>TOTAL EXPENSES</b>	<u>1,162,451</u>	<u>3,292,347</u>	<u>1,891,003</u>	<u>3,943,809</u>	<u>3,970,114</u>	<u>3,564,242</u>	<u>5,637,233</u>	<u>13,222,609</u>	<u>14,977,806</u>		
<b>SURPLUS (DEFICIT)</b>											
BEFORE TRANSFERS											
(21,935) (1,491,048)	1,001,019	114,455	100,908					899,356	(52,251)	(165,833)	
(36,741) (206,741)		—		(110,664)	(73,923)		—		284,563	(179,336)	—
<b>TRANSFERS</b>											
ANNUAL SURPLUS (DEFICIT)	\$ <u>(58,676)</u> <u>(1,697,789)</u>	<u>1,001,019</u>	<u>3,791</u>	<u>26,985</u>	<u>80,254</u>	<u>(614,793)</u>	<u>(231,587)</u>	<u>(165,833)</u>			

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LAC SŒUL FIRST NATION  
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17. SEGMENT DISCLOSURE, continued

	<u>Budget</u>	<u>Education</u>	<u>2014</u>	<u>Budget</u>	<u>2015</u>	<u>Economic Development</u>	<u>2014</u>	<u>Budget</u>	<u>2015</u>	<u>Public Works</u>	<u>2014</u>
<b>REVENUE</b>											
Federal government	\$ 3,522,042	3,469,005	3,842,329	89,500	89,500	89,500	1,223,084	1,223,084	1,154,891		
Provincial government	35,495	31,621									
Economic activities											
Net income for investments in government business enterprises	691,740	159,949	675,497	—	—	(3,175)	573,443	559,073	668,899		
Other revenue											
<b>TOTAL REVENUE</b>	4,249,277	3,660,575	4,517,826	89,500	89,500	86,325	1,796,527	1,782,157	1,823,790		
 <b>EXPENSES</b>											
Honoraria	49,998	4,999									
Chief and Councillors	1,500	1,720	3,607								
Elders and Board Members	1,662,975	1,549,895	1,536,542	30,845	62,326	52,466	645,599	630,038	683,185		
Wages and benefits											
Amortization											
Tangible Capital Assets											
Interest	2,428,358	2,202,744	2,399,757	36,008	27,174	33,859	1,191,016	1,494,643	1,279,578		
Other expenses											
<b>TOTAL EXPENSES</b>	4,142,831	3,759,358	3,939,906	66,853	89,500	86,325	1,836,615	2,124,681	1,962,763		
 <b>SURPLUS (DEFICIT)</b>											
BEFORE TRANSFERS	106,446	(98,783)	577,920	22,647				(40,088)	(342,524)	(138,973)	
TRANSFERS	17,119	300,000	—	—	—	—	—	7,500	177,500	—	
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ 123,565	201,217	577,920	22,647	—	—	(32,588)	(165,024)	(138,973)		

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LAC SŒUL FIRST NATION  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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17. SEGMENT DISCLOSURE, continued

	Health		CMHC & Housing Projects		<u>Budget</u>	<u>2014</u>	<u>Budget</u>	<u>Total</u>	<u>2015</u>	<u>2014</u>
	<u>Budget</u>	<u>2015</u>	<u>Budget</u>	<u>2015</u>						
<b>REVENUE</b>										
Federal government	\$ 1,800,503	1,800,503	1,726,684	451,946	484,967	433,565	9,521,728	9,562,128	10,250,316	
Provincial government						3,521,584	4,450,315	4,325,985		
Economic activities							337,157	481,241		
Net income for investments in government business enterprises	<u>587,218</u>	<u>584,609</u>	<u>535,567</u>	<u>1,442,572</u>	<u>1,548,615</u>	<u>1,212,263</u>	<u>7,310,888</u>	<u>14,644,005</u>	<u>16,605,525</u>	
Other revenue										21,444
<b>TOTAL REVENUE</b>	<u>2,387,721</u>	<u>2,385,112</u>	<u>2,262,251</u>	<u>1,894,518</u>	<u>2,033,582</u>	<u>1,645,828</u>	<u>20,354,200</u>	<u>28,993,605</u>	<u>31,684,511</u>	
<b>EXPENSES</b>										
Honoraria							459,547	368,346	414,986	
Chief and Councillors							3,600	17,100	12,360	7,407
Elders and Board Members	6,000	1,000	1,451,574	350,095	348,053	163,933	6,259,380	7,769,690	7,468,941	
Wages and benefits	1,548,835	1,519,529		272,888	307,578	260,485	272,888	3,758,206	3,974,330	
Amortization								(2,351,945)	(3,060,940)	
Tangible Capital Assets										460,626
Interest										21,093,273
Other expenses	<u>854,715</u>	<u>874,558</u>	<u>794,628</u>	<u>1,040,431</u>	<u>1,235,760</u>	<u>1,110,792</u>	<u>13,850,589</u>	<u>20,922,794</u>	<u>21,093,273</u>	
<b>TOTAL EXPENSES</b>	<u>2,409,550</u>	<u>2,395,087</u>	<u>2,246,202</u>	<u>1,825,488</u>	<u>2,062,410</u>	<u>1,690,376</u>	<u>21,024,830</u>	<u>30,916,106</u>	<u>30,358,623</u>	
<b>SURPLUS (DEFICIT) BEFORE TRANSFERS</b>	(21,829)	(9,975)	16,049	69,030	(28,828)	(44,548)	(670,630)	(1,922,501)	1,325,888	
<b>TRANSFERS</b>	<u>22,500</u>	<u>22,500</u>	—	—	<u>(143,851)</u>	—	—	<u>184,277</u>	<u>(103,851)</u>	
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ <u>671</u>	<u>12,525</u>	<u>16,049</u>	<u>69,030</u>	<u>(172,679)</u>	<u>(44,548)</u>	<u>(486,353)</u>	<u>(2,026,352)</u>	<u>1,325,888</u>	