

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

PIKANGIKUM FIRST NATION
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FOR THE YEAR ENDED MARCH 31, 2015

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PIKANGIKUM FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

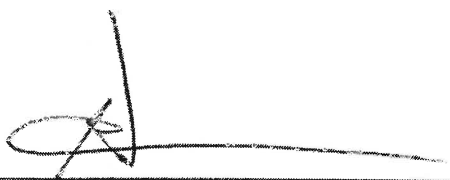
MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

Management is responsible for the integrity and objectivity of the consolidated financial statements. Estimates are necessary in the preparation of these consolidated 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 Nations Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated 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

COUNCILLOR

COUNCILLOR

Holukoff Chiarella

CHARTERED ACCOUNTANTS

EXHIBIT "A"

Kevin Masse, B.Comm. (Hons), C.A.
(Practising as Kevin Masse 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
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INDEPENDENT AUDITORS' REPORT

To the Chief, Councillors and Members of
Pikangikum Lake First Nation

We have audited the accompanying financial statements of Pikangikum 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 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 public sector accounting 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.

Basis for Qualified Opinion

Inventory consists of fuel purchased for the community of Pikangikum First Nation plus materials for projects and operations. We did not observe the inventory counts at the beginning of the year and alternative means did not provide us with the necessary assurance concerning the cost of inventory.

We were unable to verify the completeness or occurrence of energy sales for year ended March 31, 2015 and the completeness and existence of the related energy sales receivables as at March 31, 2015. Our testing indicated deficiencies in the hydro meter equipment, the recording of monthly meter readings and the recording of deposits against the appropriate hydro accounts.

As a result, we were unable to determine what adjustments, if any, might be necessary to assets, annual surplus (deficit) and accumulated surplus.

Holukoff Chiarella

CHARTERED ACCOUNTANTS

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Kevin Masse, B.Comm. (Hons), C.A.
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INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements present fairly, in all material respects, the financial position of Pikangikum First Nation as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



WINNIPEG, MANITOBA
July 24, 2015

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

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

	<u>2015</u>	<u>2014</u> (Restated)
FINANCIAL ASSETS		
Cash	\$ 10,757,114	1,696,294
Restricted cash, Note 3	141,052	78,694
Accounts receivable, Note 4	<u>1,554,952</u>	<u>2,598,494</u>
	12,453,118	4,373,482
Long-term investments, Note 5	433,739	683,739
Funds held in Ottawa Trust Fund, Note 6	43,060	36,046
Intangible asset, Note 7	<u>1,000,000</u>	<u>1,000,000</u>
Total financial assets	<u>13,929,917</u>	<u>6,093,267</u>
LIABILITIES		
Bank indebtedness, Note 8	87,856	244,009
Accounts payable and accruals, Note 9	9,882,052	3,804,454
Deferred revenue, Note 10	2,875,924	1,637,771
Reserves, Note 21	705,945	666,627
Long term debt, Note 11	<u>10,219,864</u>	<u>10,416,886</u>
Total liabilities	<u>23,771,641</u>	<u>16,769,747</u>
NET DEBT, Exhibit "E"	<u>(9,841,724)</u>	<u>(10,676,480)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets, Note 12	72,120,669	43,193,971
Inventory of supplies, Note 13	1,473,195	1,917,407
Prepaid expenses and deposits, Note 14	<u>183,765</u>	<u>187,572</u>
Total non-financial assets	<u>73,777,629</u>	<u>45,298,950</u>
ACCUMULATED SURPLUS, Note 15	\$ <u>63,935,905</u>	<u>34,622,470</u>
CONTINGENT LIABILITIES, Note 17		

APPROVED BY:


 CHIEF


 COUNCILLOR


 COUNCILLOR


 COUNCILLOR

EXHIBIT "C"

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

	<u>2015</u>	<u>2014</u> (Restated)
BALANCE AT BEGINNING OF YEAR	\$ 34,622,470	38,334,863
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	<u>29,313,435</u>	<u>(2,931,372)</u>
BALANCE AT END OF YEAR	\$ <u>63,935,905</u>	35,403,491
CORRECTION OF PRIOR PERIOD:		
Restate reserves to liabilities from surplus		(666,627)
Restate CMHC net assets to agree to mortgage		(32,824)
Unrecorded consolidation entries		(73,570)
Set up unrecorded accounts payable		<u>(8,000)</u>
RESTATED BALANCE AT END OF YEAR		\$ <u>34,622,470</u>

PIKANGIKUM FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2015

	<u>2015</u>		<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	(Restated)
REVENUE			
Federal Government			
AANDC	\$ 83,326,852	47,630,950	15,111,321
Ministry of Community and Social Services	6,662,513	7,612,419	6,118,776
First Nations and Inuit Health	2,733,269	2,733,269	3,622,719
Canada Mortgage and Housing Corporation	405,371	405,371	435,521
Ontario First Nations Limited Partnership	1,435,983	1,450,580	1,414,420
First Nation Student Success Program	543,000	543,000	444,000
Other revenue	3,237,538	5,372,244	7,175,207
Ministry of Health and Long-Term Care	90,120	90,120	96,861
Province of Ontario	63,141	63,141	58,000
	<u>98,497,787</u>	<u>65,901,094</u>	<u>34,476,825</u>
SEGMENT EXPENSES			
Administration	3,084,087	3,194,867	4,745,309
Economic Development	820,319	866,078	1,085,452
Education	8,112,313	7,353,583	7,477,047
Pikangikum Health Authority	3,087,369	3,060,857	3,733,426
Capital Management	68,934,734	34,292,891	2,696,968
Public Works	3,989,197	3,777,979	4,022,428
Welfare Administration	8,608,483	9,762,704	7,544,803
CMHC Housing	588,291	499,311	548,386
OFNLP	852,055	1,450,580	
Diesel Upgrade Project	740,249	747,458	919
Eshkotay Wayab Corporation, Power	3,977,966	4,528,544	5,305,935
Grid Design	115,817	90,557	145
	<u>102,910,880</u>	<u>69,625,409</u>	<u>37,160,818</u>
DEFICIT BEFORE OTHER ITEM	(4,413,093)	(3,724,315)	(2,683,993)
OTHER ITEMS			
Transfer to Assets Under Construction, not expensed in Programs, Note 25	(73,685)	33,287,750	
Provision for write-down of investments		(250,000)	
Gain (loss) on disposal of capital assets			(255,379)
ANNUAL SURPLUS (DEFICIT)	\$ (4,486,778)	29,313,435	(2,939,372)

PIKANGIKUM FIRST NATIONS
 CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
 FOR THE YEAR ENDED MARCH 31, 2015

	<u>2015</u>	<u>2014</u> (Restated)
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	\$ <u>29,313,435</u>	<u>(2,939,372)</u>
Purchases of tangible capital assets	(33,369,806)	(2,886,983)
Amortization of tangible capital assets	4,397,353	4,615,575
Restatement of surplus		(620,659)
(Gain) loss on sale/write-off of tangible capital assets	<u>45,755</u>	<u>255,379</u>
	<u>(28,926,698)</u>	<u>1,363,312</u>
Acquisition of prepaid expenses		(187,573)
Use of prepaid expenses	3,807	219,800
Acquisition of inventory		(1,917,400)
Use of inventory	<u>444,212</u>	<u>1,231,551</u>
	<u>448,019</u>	<u>(653,622)</u>
(INCREASE) DECREASE IN NET DEBT	834,756	(2,229,682)
NET DEBT AT BEGINNING OF YEAR	<u>(10,676,480)</u>	<u>(8,446,798)</u>
NET DEBT AT END OF YEAR	\$ <u>(9,841,724)</u>	<u>(10,676,480)</u>

PIKANGIKUM FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2015

	<u>2015</u>	<u>2014</u> (Restated)
OPERATING TRANSACTIONS		
Annual surplus (deficit)	\$ 29,313,435	(2,939,372)
Non-cash items		
Amortization	4,397,353	4,615,575
Gain (loss) on disposal/write-off of capital assets	45,754	255,379
Changes in working capital accounts		
Accounts receivable	1,043,542	1,447,599
Prepaid expenses and deposits	3,807	32,227
Inventory	444,213	(685,856)
Reserves	39,318	
Accounts payable and accruals	6,077,598	(141,361)
Deferred revenue	<u>1,238,153</u>	<u>(269,076)</u>
	<u>42,603,173</u>	<u>2,315,115</u>
CAPITAL TRANSACTIONS		
Purchases of tangible capital assets	<u>(33,369,806)</u>	<u>(2,886,983)</u>
FINANCIAL TRANSACTIONS		
Advances of long-term debt	1,013,900	1,600,000
Repayment of long-term debt	<u>(1,210,922)</u>	<u>(861,677)</u>
	<u>(197,022)</u>	<u>738,323</u>
INVESTING TRANSACTIONS		
Decrease in investments	250,000	
Increase in Ottawa Trust Funds	<u>(7,014)</u>	<u>(9,668)</u>
	<u>242,986</u>	<u>(9,668)</u>
NET CHANGE IN CASH POSITION	9,279,331	156,787
CASH POSITION AT BEGINNING OF YEAR	<u>1,530,979</u>	<u>1,374,192</u>
CASH POSITION AT END OF YEAR	<u>\$ 10,810,310</u>	<u>1,530,979</u>
CASH POSITION COMPOSED OF:		
Cash	\$ 10,757,114	1,696,294
Temporary investments	141,052	78,694
Bank indebtedness	<u>(87,856)</u>	<u>(244,009)</u>
	<u>\$ 10,810,310</u>	<u>1,530,979</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 241,601	152,556

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

1. OPERATIONS

The Pikangikum First Nation (the "First Nation") is located in the Province of Ontario, and provides various services to its members. Pikangikum First Nation financial reporting entity includes all related entities, which are accountable to the First Nation and are either owned or controlled by the First Nation.

2. SIGNIFICANT ACCOUNTING PRINCIPLES

The consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting principles and include the following significant accounting policies:

a) Reporting Entity

The Pikangikum First Nation reporting entity includes the First Nation Government and all related enterprises that are accountable to the First Nation and are either owned or controlled by the First Nation. Trusts administered by Pikangikum First Nation are excluded from the First Nation reporting entity.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following enterprises:

- Pikangikum First Nation
- Eshkotay Wayab Corporation
- Waabameeagwan (Whitefeather) Community Economic Development Corporation
- Pikangikum Health Authority

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

b) Basis of Presentation

Sources of financing and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

c) Funds Held in Ottawa Trust Fund

Funds held in trust on behalf of the First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position. Trust monies consist of:

- Capital trust monies derived from non-renewable resource transactions on the sale of land or other First Nation capital assets, and
- Revenue trust monies generated primarily through land leasing transactions or interest earned on deposits held in trust.

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

2. SIGNIFICANT ACCOUNTING PRINCIPLES, continued

d) Cash Resources

Cash resources includes balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

e) Long-Term Investments

Long-term investments in entities that are not owned, controlled or influenced by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

f) Inventories of Supplies

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

g) Tangible Capital Assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible capital assets are recorded at their fair value at the date of contribution.

h) Amortization

Amortization for tangible capital assets is provided using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives. No amortization is taken in the year of acquisition.

Tangible capital assets that are not yet ready for use are recorded as construction in progress. No amortization is recorded until the asset is ready for use.

	<u>Method</u>	<u>Rate</u>
Buildings	straight-line	4 - 15 years
Equipment	straight-line	3 years
Infrastructure	straight-line	25 years
Roads	straight-line	20 years
Vehicles	straight-line	2 - 5 years
Housing	straight-line	5 - 25 years

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

2. SIGNIFICANT ACCOUNTING PRINCIPLES, continued

i) Long-Lived Assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in the statement of operations for the year in which the asset becomes impaired.

Prices for similar items are used to measure fair value of long-lived assets.

j) Intangible Asset

An intangible asset not subject to amortization is recorded at cost, less any provision for permanent impairment. Impairment is tested if events or changes in circumstances indicate that the asset may be impaired. The impairment test consists of a comparison of the carrying value of the First Nation's intangible asset with its fair value, and any excess is recorded as a charge to surplus (deficit). Fair value of the First Nation's intangible asset is determined through discounted cash flow analysis.

k) Non-Financial Assets

The First Nation's tangible capital assets and other non-financial assets are accounted for as assets because they can be used to provide Government services in future periods. These assets do not normally provide resources to discharge the liabilities of the Government unless they are sold.

l) 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 liabilities. Net debt is comprised of two components, non-financial assets and accumulated surplus.

m) Revenue Recognition

Government transfer revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period is reflected as deferred revenue on the statement of financial position in the year of receipt, and is matched with the related department expenses in the year of their occurrence. Certain revenues may be repayable if surpluses exist or if certain reporting requirements are not met.

Energy sales are recognized when service is provided and collectability is reasonably assured.

Other revenue, such as user fees, rent and administration fees are recognized when services are provided and collectability is reasonably assured.

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

2. SIGNIFICANT ACCOUNTING PRINCIPLES, continued

n) Government Transfers

The Pikangikum First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

o) Financial Instruments

All significant financial assets, financial liabilities and equity instruments of the First Nation are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows and interest rate, currency or credit risk.

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, deferred revenue and long-term debt.

Financial assets measured at fair value include quoted shares.

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.

Measurement Uncertainty

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of the tangible capital assets. Accounts payable and accruals are based on historical charges for unbilled goods and services at year end.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the operations in the periods in which they become known.

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

2. SIGNIFICANT ACCOUNTING PRINCIPLES, continued

p) Segments

The First Nation conducts its business through a number of reportable segments: Administration, Waabameeagway (Whitefeather) Community Economic Development, Whitefeather Forest Management Corporation, Education, Pikangikum Health Authority, Capital Management, Public Works, Welfare Administration, CMHC Housing, Diesel Upgrade Project, Eshkotay Wayab Corporation and Grid Design. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses 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. Administration fees have been apportioned based on a percentage of budgeted revenue, where permitted by the funder.

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

q) Recent Accounting Pronouncements

Financial instruments

In June 2011, the Public Sector Accounting Board (PSAB) issued PS 3450 Financial Instruments to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2012. Earlier adoption is permitted. The PSAB plan is to review the application of this section by governments by December 2013.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. The First Nation does not expect the adoption of these new standards to have a material impact on its financial statements.

3. RESTRICTED CASH

	<u>2015</u>	<u>2014</u>
CMHC Restricted replacement reserve	\$ 141,052	78,694

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

4. ACCOUNTS RECEIVABLE

	<u>2015</u>	<u>2014</u>
Aboriginal Affairs and Northern Development Canada	\$ 250,062	530,561
HST and PST receivable	332,245	440,112
First Nations and Inuit Health	145,819	292,943
First Nations Student Success Program	54,300	206,250
Trade	826,663	713,984
Province of Ontario	18,209	166,841
Members	<u>464,326</u>	<u>308,707</u>
	2,091,624	2,659,398
Allowance for doubtful accounts	<u>(536,672)</u>	<u>(60,904)</u>
	<u>\$ 1,554,952</u>	<u>2,598,494</u>

5. LONG-TERM INVESTMENTS

	<u>2015</u>	<u>2014</u>
Ontario First Nations Limited Partnership		
- 1 common share	\$ 1	1
Wasaya Airways Limited Partnership		
- opening and ending capital 4.53% partnership interest	604,738	604,738
Wasaya Group Inc.		
- opening and ending capital 4.53% of common shares (cost)	<u>79,000</u>	<u>79,000</u>
	683,739	683,739
Provision for write-down	<u>(250,000)</u>	<u> </u>
	<u>\$ 433,739</u>	<u>683,739</u>

Current financial information has not been received or reported on for the investment in Wasaya Airways Limited Partnership or Wasaya Group Inc.

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

6. OTTAWA TRUST FUNDS

Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Aboriginal Affairs and Northern Development Canada, with the consent of the First Nation's Council.

	<u>2015</u>	<u>2014</u>
AANDC Capital Trust		
Balance at beginning of year	\$ <u>1,649</u>	<u>1,649</u>
Balance at end of year	<u>1,649</u>	<u>1,649</u>
Revenue Trust		
Balance at beginning of year	34,397	24,728
Interest	1,014	669
Bell permit, other revenue	<u>6,000</u>	<u>9,000</u>
Balance at end of year	<u>41,411</u>	<u>34,397</u>
	\$ <u>43,060</u>	<u>36,046</u>

7. INTANGIBLE ASSET

The First Nation has made a \$1,000,000 deposit to purchase shares of the L.K.G.H. group of companies. The terms and conditions relating to the deposit entitles it to a right to a 1/6 interest in the proceeds from the sale of shares should the First Nation not complete the share purchase and the shares of the companies be sold to a third party.

8. BANK INDEBTEDNESS

Bank indebtedness includes accounts overdrawn at year-end as well as cheques issued in excess of cash on hand. At March 31, 2015, the First Nation had lines of credit totalling \$500,000, of which \$87,856 (2014 - \$244,009) were drawn. The following has been collateralized in connection with this line of credit:

- General security agreement; and
- Accounts receivable.

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

9. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals are comprised of the following amounts:

	<u>2015</u>	<u>2014</u>
Trade payables	\$ 9,865,195	3,643,002
AANDC	4,569	
Government remittances	<u>4,288</u>	<u>33,914</u>
	<u>\$ 9,874,052</u>	<u>3,676,916</u>

10. DEFERRED REVENUE

	Balance March 31, <u>2014</u>	Revenue Received	Revenue Recognized	Balance March 31, <u>2015</u>
Federal Government				
Capital Projects				
- New School Project, Administration	\$ 35,099	133,164	138,311	29,952
- New School Project, Project Manager		28,029,271	27,753,411	275,860
- Teacherage Project		<u>3,700,000</u>	<u>2,534,747</u>	<u>1,165,253</u>
	<u>35,099</u>	<u>31,862,435</u>	<u>30,426,469</u>	<u>1,471,065</u>
Other				
FNIH - Pikangikum Health Authority	108,373	3,099,341	3,207,714	
FNIH - Nursing Station A/C Upgrade		218,239	155,716	62,523
AANDC				
- Grid Design	115,817		115,817	
- Diesel Upgrade Project	<u>79,360</u>	<u>740,249</u>	<u>741,181</u>	<u>78,428</u>
	<u>303,550</u>	<u>4,057,829</u>	<u>4,220,428</u>	<u>140,951</u>
Other				
Casino Rama				
- Economic Development	925,000	15,317	15,317	925,000
Education - First Nation Student Success Program	259,063	543,000	581,688	220,375
Bus Garage Rebuild		124,168	115,932	8,236
Whitefeather Training Centre	24,583			24,583
Northern Store lease	<u>90,476</u>	<u>297,681</u>	<u>302,443</u>	<u>85,714</u>
	<u>1,299,122</u>	<u>980,166</u>	<u>1,015,380</u>	<u>1,263,908</u>
TOTAL	<u>\$ 1,637,771</u>	<u>36,900,430</u>	<u>35,662,277</u>	<u>2,875,924</u>

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

11. LONG TERM DEBT

	<u>2015</u>	<u>2014</u>
Loan payable to CIBC at \$48,000 monthly, plus interest at prime plus 2%, (4.85% as at March 31, 2015), maturing April 27, 2019. Secured by an assignment of OFNLP revenue.	\$ 2,346,674	2,922,674
Loan payable to Canada Mortgage and Housing Corporation at \$8,383 monthly, payments include interest at 1.53%, maturing December 2037. Secured by Ministerial guarantee.	1,932,673	2,005,804
Loan payable to Canada Mortgage and Housing Corporation at \$7,853 monthly, payments include interest at 2.63%, maturing June 2036. Secured by Ministerial guarantee.	1,534,238	1,591,106
Loan payable to Canada Mortgage and Housing Corporation at \$7,258 monthly, payments include interest at 2.67%, maturing January 2035. Secured by Ministerial guarantee.	1,339,870	1,393,785
Loan payable to Canada Mortgage and Housing Corporation at \$6,232 monthly, payments include interest at 2.86%, maturing July 2034. Secured by Ministerial guarantee.	1,103,149	1,148,665
Loan payable to Northwest Company at \$22,245 monthly, payments include interest at 12%, maturing September 2019. Unsecured.	924,704	1,071,000
Loan payable to CIBC on demand, plus interest monthly at prime plus 2% (4.85% as at March 31, 2015), to be repaid in full out of April 30, 2015 AANDC funding. Unsecured.	1,013,900	200,000
Loan payable to CIBC at \$4,933 monthly, plus interest at prime plus 2% (4.85% as at March 31, 2015), maturing August 1, 2015, secured by school buses with a net book value of \$NIL (2014 - \$NIL).	<u>24,656</u>	<u>83,852</u>
	\$ <u>10,219,864</u>	<u>10,416,886</u>

Estimated annual principal payments for the next five fiscal years are as follows:

2016	\$ 1,816,810
2017	773,102
2018	754,025
2019	759,335
2020	764,645
Thereafter	<u>5,351,947</u>
	\$ <u>10,219,864</u>

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

12. TANGIBLE CAPITAL ASSETS

	<u>Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Roads</u>	<u>Vehicles</u>	<u>Housing</u>	<u>2015</u>	<u>2014</u> (Restated)
Cost								
Balance, beginning of year	\$ 38,189,399	3,855,870	23,435,979	7,686,364	2,192,967	62,653,040	138,013,619	136,319,856
Acquisition of tangible capital assets		42,468			39,588		82,056	1,345,433
Construction in progress	29,187,400		747,458			4,376,922	34,311,780	1,541,550
Disposal of tangible capital assets and write-offs	<u>(82,959)</u>	<u>(1,950,655)</u>	<u>(95,080)</u>		<u>(144,813)</u>	<u>(3,474,610)</u>	<u>(5,748,117)</u>	<u>(1,193,220)</u>
Balance, end of year	<u>67,293,840</u>	<u>1,947,683</u>	<u>24,088,357</u>	<u>7,686,364</u>	<u>2,087,742</u>	<u>63,555,352</u>	<u>166,659,338</u>	<u>138,013,619</u>
Accumulated amortization								
Balance, beginning of year	30,397,537	3,471,436	16,241,121	6,402,415	1,199,899	37,107,240	94,819,648	91,141,914
Annual amortization	1,648,796	21,776	756,098	195,928	154,619	1,620,136	4,397,353	4,615,575
Accumulated amortization on disposals and write-offs	<u>(82,959)</u>	<u>(1,950,655)</u>	<u>(95,080)</u>			<u>(2,549,638)</u>	<u>(4,678,332)</u>	<u>(937,841)</u>
Balance, end of year	<u>31,963,374</u>	<u>1,542,557</u>	<u>16,902,139</u>	<u>6,598,343</u>	<u>1,354,518</u>	<u>36,177,738</u>	<u>94,538,669</u>	<u>94,819,648</u>
Net book value of tangible capital assets	\$ 35,330,466	405,126	7,186,218	1,088,021	733,224	27,377,614	72,120,669	43,193,971
2014 Net book value of tangible capital assets	\$ 7,791,862	384,434	7,194,858	1,283,949	993,068	25,545,800		43,193,971

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

13. INVENTORY OF FUEL AND SUPPLIES

	<u>2015</u>	<u>2014</u>
Fuel and supplies - Eshkotay Wayab	\$ 566,570	1,042,640
Fuel - Public Works	371,895	543,437
Housing materials - Capital Management	<u>534,730</u>	<u>331,330</u>
	\$ <u>1,473,195</u>	<u>1,917,407</u>

The cost of inventories recognized as an expense and included in expenses amounted to \$1,917,407 (2014 - \$2,486,354).

14. PREPAID EXPENSES AND DEPOSITS

	<u>2015</u>	<u>2014</u>
Pikangikum First Nation	\$ 163,027	168,581
Eshkotay Wayab Corporation	<u>20,738</u>	<u>18,991</u>
	\$ <u>183,765</u>	<u>187,572</u>

15. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	<u>2015</u>	<u>2014</u>
Equity in Ottawa Trust Funds, Note 6	\$ 43,060	36,046
Unrestricted surplus	<u>64,081,779</u>	<u>34,594,424</u>
	\$ <u>64,124,839</u>	<u>34,630,470</u>

16. ONTARIO FIRST NATIONS LIMITED PARTNERSHIP

Commencing with the 2012 fiscal year and in each fiscal year thereafter during the initial and renewal terms of the agreement between the Province of Ontario and Ontario First Nations Limited Partnership (OFNLP), the Province of Ontario shall pay to OFNLP twelve monthly payments equal to one-twelfth of 1.7% of the aggregate provincial gross gaming revenues. OFNLP then distributed to the First Nation its share of these revenues according to a formula used for that purpose. The use of these funds, according to agreements, is restricted to community development, health, education, cultural development and economic development.

The First Nation holds a unit in the Ontario First Nations Limited Partnership and a share in a related company, Ontario First Nations General Partner Inc., the carrying values of which are nominal and are therefore not recorded in these financial statements (see Note 5).

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

17. CONTINGENT LIABILITIES

Moncrief Construction Ltd.

The First Nation is contingently liable to Moncrief Construction Ltd. relating to work done on the Gridline Capital Project. A settlement in the amount of \$725,667 has been negotiated but was not finalized.

The First Nation and Moncrief Construction Ltd. have agreed that Moncrief Construction Ltd. will sell equipment and materials owned by the First Nation and use the proceeds to settle the amount of \$725,667. If proceeds from the sale of equipment and materials are insufficient to cover the liability, the First Nation will be liable for this amount. The likelihood of proceeds being insufficient is unlikely.

18. RELATED PARTY TRANSACTIONS

During the year, the First Nation participated in business transactions with Waabameeagway (Whitefeather) Community Development Corporation, a corporation economically dependent on the First Nation. The transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The transactions were as follows:

- The First Nation contributed \$82,147 (2014 - \$59,182) to the Corporation.
- The Corporation operated under the terms and conditions of an operating agreement with the First Nation, which sets out certain criteria with respect to the management and operation of the corporation.

During the year, the First Nation participated in business transactions with Whitefeather Forest Management Corporation, a corporation wholly owned by Waabameeagway (Whitefeather) Community Development Corporation. The Corporation is economically dependent on the First Nation. The transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The transactions were as follows:

- The First Nation contributed \$14,831 (2014 - \$140,000) to the Corporation.

During the year, the First Nation participated in business transactions with Pikangikum Health Authority, a corporation economically dependent on the First Nation. The transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The transactions were as follows:

- The First Nation recovered \$NIL (2014 - \$NIL) to the Corporation.

During the year, the First Nation participated in business transactions with Eshkotay Wayab Corporation, a corporation economically dependent on the First Nation. The transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The transactions were as follows:

- The First Nation contributed \$NIL (2014 - \$750,000) to the Corporation.

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

19. ECONOMIC DEPENDENCE

Pikangikum First Nation receives 71% (2014 - 48%) of its revenue from Aboriginal Affairs and Northern Development Canada (AANDC) as a result of treaties entered into with the Government of Canada. These treaties are administered by AANDC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

20. AANDC FUNDING RECONCILIATION

	<u>2015</u>	<u>2014</u>
AANDC revenue from the Summary Statement of Revenues and Expenses	\$ <u>47,630,950</u>	<u>15,111,321</u>
AANDC Confirmation	\$ <u>47,630,950</u>	<u>15,111,321</u>

21. REPLACEMENT RESERVE

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the First Nation has established the following:

- A replacement reserve, established by an annual allocation of \$47,090 to ensure replacement buildings financed by CMHC.
- A subsidy surplus reserve established by retaining excess federal assistance payments received plus interest. Reserve funds may be used to meet future subsidy requirements of income test occupants, over and above the maximum federal assistance.

In accordance with the terms of the agreements, CMHC reserve monies must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal. At year end, the funds in the reserve were required to be \$195,217 (2014 - \$147,751). Actual funds on hand consisted of savings of \$141,052 (2014 - \$78,694).

Reserve Balances	<u>2015</u>	<u>2014</u>
Replacement Reserve - CMHC	\$ 195,217	147,751
Operating Reserve - CMHC	10,728	18,876
Capital Reserve	<u>500,000</u>	<u>500,000</u>
	\$ <u>705,945</u>	<u>666,627</u>

PIKANGIKUM FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22. GOVERNMENT TRANSFERS

	<u>2015</u>	<u>2014</u>
<u>Federal Government Transfers</u>		
Aboriginal Affairs and Northern Development Canada	\$ 47,630,950	15,111,321
First Nation and Inuit Health	7,612,419	3,622,719
Canada Mortgage and Housing Corporation	405,371	435,521
First Nation Student Success Program	<u>543,000</u>	<u>444,000</u>
Total Federal	<u>56,191,740</u>	<u>19,613,561</u>
<u>Provincial Government Transfers</u>		
Ministry of Community and Social Services	6,631,931	6,118,776
Ministry of Health and Long-Term Care	90,120	96,861
Ministry of Aboriginal Affairs		240,195
Province of Ontario	63,141	54,550
Ministry of Natural Resources	<u> </u>	<u>3,450</u>
Total Provincial	<u>6,785,192</u>	<u>6,513,832</u>
TOTAL	\$ <u>62,976,932</u>	<u>26,127,393</u>

23. BUDGET INFORMATION

The disclosed budget information has been approved by Chief and Council.

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

25. TRANSFER TO TANGIBLE CAPITAL ASSETS NOT RECORDED IN PROGRAMS

Teacherage Project	\$ 2,534,747
Bus Garage Rebuild	115,932
Nursing Station A/C Upgrade	155,716
New School Project	27,891,722
Capital Housing Betterments	1,177,715
Multi-Unit Housing	664,460
Diesel Upgrade	<u>747,458</u>
	\$ <u>33,287,750</u>

PIKANGIKUM FIRST NATION
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26. SEGMENT DISCLOSURE

	Band Support		Public Works		Social Services	
	<u>Budget</u>	<u>2015</u>	<u>Budget</u>	<u>2015</u>	<u>Budget</u>	<u>2015</u>
		<u>2014</u>		<u>2014</u>		<u>2014</u>
REVENUE						
Federal government	\$ 1,519,259	1,519,259	1,739,820	2,675,423	2,690,598	1,853,647
Provincial government	63,140	63,141	44,550			2,011,613
Economic activities						1,895,965
Net income for investments in government business enterprises						6,239,894
Other revenue	834,385	1,034,247	1,319,114	368,834	525,027	137,584
						8,975
TOTAL REVENUE	2,416,784	2,616,647	3,103,484	3,044,257	3,200,450	2,828,182
						8,135,859
EXPENSES						
Honoraria						
Chief and Councillors	697,124	686,888	674,842			
Elders and Board Members	120,085	24,408	96,244			
Wages and benefits	901,424	949,296	1,086,005	868,868	938,330	903,546
Amortization	609,559	609,559	1,360,923	944,938	944,938	426,891
Tangible Capital Assets		(33,287,750)				
Interest			2,469			49
Other expenses	1,244,626	1,716,477	1,111,567	2,707,904	2,352,289	2,717,675
						6,734,362
TOTAL EXPENSES	3,572,818	(29,301,122)	4,332,050	4,521,710	4,235,557	4,048,161
						8,000,228
						9,154,449
						7,538,804
SURPLUS (DEFICIT) BEFORE TRANSFERS	(1,156,034)	31,917,769	(1,228,566)	(1,477,453)	(1,035,107)	(1,219,979)
						607,851
						614,793
TRANSFERS	488,731	791,761	(615,775)	532,513	457,578	642,605
						(608,255)
						(472,688)
ANNUAL SURPLUS (DEFICIT)	\$ (667,303)	32,709,530	(1,844,341)	(944,940)	(577,529)	(577,374)
						(404)
						6,538
						124,367

PIKANGIKUM FIRST NATION
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26. SEGMENT DISCLOSURE, continued

	Economic Development		Education		Housing	
	<u>Budget</u>	<u>2015</u>	<u>Budget</u>	<u>2015</u>	<u>Budget</u>	<u>2015</u>
REVENUE		<u>2014</u>		<u>2014</u>		<u>2014</u>
Federal government	\$ 168,400	168,400	168,400	6,088,777	6,158,436	6,339,759
Provincial government				543,000		425,348
Economic activities	652,952	722,328	1,400,513		393,144	405,371
Net income for investments in government business enterprises		15,317		399,974	717,730	125,070
Other revenue					171,060	94,480
TOTAL REVENUE	821,352	906,045	1,568,913	7,031,751	6,876,166	6,890,177
					564,204	499,851
EXPENSES						
Honoraria						
Chief and Councillors				121,142	106,584	
Elders and Board Members				5,375,118	5,103,357	5,140,112
Wages and benefits	428,942	417,202	562,547	1,142,966	1,142,966	1,042,066
Amortization		35,655	8,801		307,523	229,431
Tangible Capital Assets				2,836		
Interest	434,001	537,992	835,221	1,656,051	1,321,414	1,542,443
Other expenses					49,194	109,544
TOTAL EXPENSES	862,943	990,849	1,406,569	8,298,113	7,674,321	7,730,424
					604,892	548,386
SURPLUS (DEFICIT) BEFORE TRANSFERS	(41,591)	(84,804)	162,344	(1,266,362)	(798,155)	(840,247)
					(40,688)	(48,535)
TRANSFERS	42,624	124,771	70,536	185,800	320,738	218,963
					16,601	101,868
ANNUAL SURPLUS (DEFICIT)	\$ 1,033	39,967	232,880	(1,080,562)	(477,417)	(621,284)
					(24,087)	(48,535)

PIKANGIKUM FIRST NATION
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26. SEGMENT DISCLOSURE, continued

	Health		Community Services		Total	
	<u>Budget</u>	<u>2015</u>	<u>Budget</u>	<u>2015</u>	<u>Budget</u>	<u>2015</u>
		<u>2014</u>		<u>2014</u>		<u>2014</u>
REVENUE						
Federal government	\$ 2,605,689	2,515,030	68,022,513	35,316,058	83,326,852	50,769,590
Provincial government	33,277	2,930,319	3,017,981		7,393,849	19,188,213
Economic activities					652,952	7,811,795
Net income for investments in government business enterprises						1,390,513
Other revenue	<u>268,012</u>	<u>380,986</u>	<u>5,081,869</u>	<u>3,821,159</u>	<u>7,124,134</u>	<u>6,597,381</u>
TOTAL REVENUE	<u>2,906,978</u>	<u>2,896,016</u>	<u>73,104,382</u>	<u>39,137,217</u>	<u>98,497,787</u>	<u>65,901,094</u>
						<u>34,051,477</u>
EXPENSES						
Honoraria					697,124	686,888
Chief and Councillors					341,277	230,992
Elders and Board Members			100,000	100,000		96,244
Wages and benefits	2,098,924	1,972,791	911,511	613,672	11,850,653	11,331,201
Amortization		30,436	56,040	1,404,368	3,061,026	4,397,353
Tangible Capital Assets	73,685	(39,587)			73,685	(33,327,337)
Interest			6,895		58,925	126,856
Other expenses	<u>984,513</u>	<u>1,166,970</u>	<u>73,156,094</u>	<u>37,728,095</u>	<u>87,165,726</u>	<u>52,886,025</u>
TOTAL EXPENSES	<u>3,157,122</u>	<u>3,130,610</u>	<u>74,230,540</u>	<u>39,846,135</u>	<u>103,248,366</u>	<u>36,331,978</u>
						<u>36,727,470</u>
SURPLUS (DEFICIT) BEFORE TRANSFERS	(250,144)	(234,594)	(1,126,158)	(709,918)	(4,750,579)	29,569,116
TRANSFERS	<u>(3,932)</u>	<u>69,753</u>	<u>(390,281)</u>	<u>(1,263,895)</u>	<u>263,801</u>	<u>(5,681)</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ (254,076)</u>	<u>(164,841)</u>	<u>(1,516,439)</u>	<u>(1,972,813)</u>	<u>(4,486,778)</u>	<u>(2,931,372)</u>