

PIKANGIKUM FIRST NATION  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

PIKANGIKUM FIRST NATION  
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FOR THE YEAR ENDED MARCH 31, 2016

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PIKANGIKUM FIRST NATION  
CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

**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.

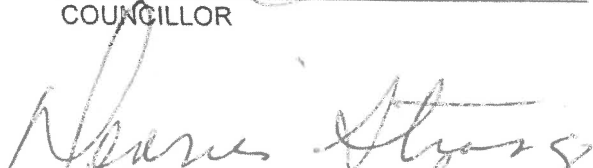


The consolidated financial statements have been audited by Holukoff Chiarella in accordance with Canadian generally accepted auditing standards on behalf of the members. Holukoff Chiarella has full and free access to Council.

05/07/16   
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.)

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

## 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, 2016 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.

# Holukoff Chiarella

CHARTERED ACCOUNTANTS

EXHIBIT "A"

Kevin Masse, B.Comm. (Hons), C.A.  
(Practising as Kevin Masse Chartered Accountant Ltd.)  
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## INDEPENDENT AUDITORS' REPORT, continued

### **Basis for Qualified Opinion**

We were unable to verify the completeness or occurrence of energy sales for year ended March 31, 2016 and the completeness and existence of the related energy sales receivables as at March 31, 2016. 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.

### **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, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



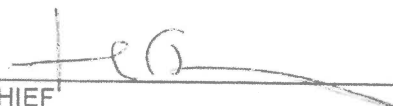
WINNIPEG, MANITOBA  
July 15, 2016.

CHARTERED PROFESSIONAL ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

PIKANGIKUM FIRST NATION  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 20,231,954	10,757,114
Restricted cash, Note 3	243,266	141,052
Accounts receivable, Note 4	<u>3,894,404</u>	<u>1,554,952</u>
	24,369,624	12,453,118
Long-term investments, Note 5	1	433,739
Funds held in Ottawa Trust Fund, Note 6	47,276	43,060
Deposits, Note 7	<u>1,263,000</u>	<u>1,000,000</u>
Total financial assets	<u>25,679,901</u>	<u>13,929,917</u>
<b>LIABILITIES</b>		
Bank indebtedness, Note 8		87,856
Accounts payable and accruals, Note 9	11,522,124	9,882,052
Deferred revenue, Note 10	11,501,015	2,875,924
Reserves, Note 21	805,927	705,945
Long term debt, Note 11	<u>8,205,582</u>	<u>10,219,864</u>
Total liabilities	<u>32,034,648</u>	<u>23,771,641</u>
NET DEBT, Exhibit "E"	<u>(6,354,747)</u>	<u>(9,841,724)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets, Note 12	94,315,847	72,120,669
Inventory of supplies, Note 13	448,545	1,473,195
Prepaid expenses and deposits, Note 14	<u>184,082</u>	<u>183,765</u>
Total non-financial assets	<u>94,948,474</u>	<u>73,777,629</u>
ACCUMULATED SURPLUS, Note 15	\$ <u>88,593,727</u>	<u>63,935,905</u>
CONTINGENT LIABILITIES, Note 17		

APPROVED BY:

CHIEF 

COUNCILLOR 

COUNCILLOR 

COUNCILLOR 

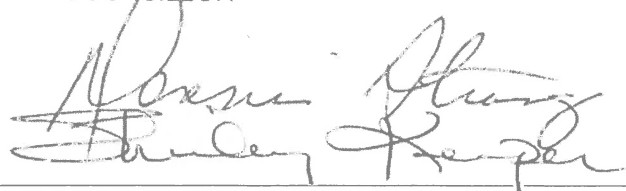




EXHIBIT "C"

PIKANGIKUM FIRST NATION  
CONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS  
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
BALANCE AT BEGINNING OF YEAR	\$ 63,935,905	34,622,470
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	<u>24,657,822</u>	<u>29,313,435</u>
BALANCE AT END OF YEAR	\$ <u>88,593,727</u>	<u>63,935,905</u>

PIKANGIKUM FIRST NATION  
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS  
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>		<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>REVENUE</b>			
Federal Government			
AANDC	\$ 17,210,445	48,590,097	47,630,950
Ministry of Community and Social Services	6,198,000	9,089,637	7,612,419
First Nations and Inuit Health	3,215,152	3,112,917	2,733,269
Canada Mortgage and Housing Corporation	393,132	385,602	405,371
Ontario First Nations Limited Partnership	1,434,000	1,473,377	1,450,580
First Nation Student Success Program	711,307	1,106,070	543,000
Other revenue	5,947,698	4,061,266	5,372,244
Ministry of Health and Long-Term Care	91,919	89,660	90,120
Province of Ontario	<u>69,277</u>	<u>47,141</u>	<u>63,141</u>
	<u>35,270,930</u>	<u>62,955,767</u>	<u>65,901,094</u>
<b>SEGMENT EXPENSES</b>			
Administration	3,517,014	1,785,602	3,194,867
Economic Development	904,244	935,804	866,078
Education	8,137,599	7,816,856	7,353,583
Pikangikum Health Authority	3,049,400	3,870,536	3,060,857
Capital Management	7,740,652	26,023,489	34,292,891
Public Works	4,331,185	2,832,467	3,777,979
Welfare Administration	7,484,122	11,436,437	9,762,704
CMHC Housing	628,953	558,624	499,311
OFNLP	641,410	1,473,377	1,450,580
Diesel Upgrade Project		458,249	747,458
Eshkotay Wayab Corporation, Power	3,596,574	2,932,733	4,528,544
Grid Design			<u>90,557</u>
	<u>40,031,153</u>	<u>60,124,174</u>	<u>69,625,409</u>
<b>ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEM</b>	<b>\$ <u>(4,760,223)</u></b>	2,831,593	(3,724,315)
<b>OTHER ITEMS</b>			
Transfer to Tangible Capital Assets, Note 25		26,744,563	33,287,750
Provision for write-down of investments		(433,736)	(250,000)
Amortization not expensed in programs		<u>(4,484,598)</u>	
<b>ANNUAL SURPLUS (DEFICIT)</b>		<b>\$ <u>24,657,822</u></b>	<b><u>29,313,435</u></b>



## EXHIBIT "E"

PIKANGIKUM FIRST NATIONS  
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT  
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	\$ <u>24,657,822</u>	<u>29,313,435</u>
Purchases of tangible capital assets	(26,744,563)	(33,369,806)
Amortization of tangible capital assets	4,549,385	4,397,353
(Gain) loss on sale/write-off of tangible capital assets	<u>45,755</u>	<u>45,755</u>
	<u>(22,195,178)</u>	<u>(28,926,698)</u>
Acquisition of prepaid expenses	(317)	
Use of prepaid expenses		3,807
Use of inventory	<u>1,024,650</u>	<u>444,212</u>
	<u>1,024,333</u>	<u>448,019</u>
DECREASE IN NET DEBT	3,486,977	834,756
NET DEBT AT BEGINNING OF YEAR	<u>(9,841,724)</u>	<u>(10,676,480)</u>
NET DEBT AT END OF YEAR	\$ <u>(6,354,747)</u>	<u>(9,841,724)</u>

PIKANGIKUM FIRST NATION  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING TRANSACTIONS		
Annual surplus (deficit)	\$ 24,657,822	29,313,435
Non-cash items		
Amortization	4,549,385	4,397,353
Gain (loss) on disposal/write-off of capital assets		45,754
Changes in working capital accounts		
Accounts receivable	(2,339,452)	1,043,542
Deposits	(263,000)	
Prepaid expenses and deposits	(317)	3,807
Inventory	1,024,650	444,213
Reserves	99,982	39,318
Accounts payable and accruals	1,640,072	6,077,598
Deferred revenue	<u>8,625,091</u>	<u>1,238,153</u>
	<u>37,994,233</u>	<u>42,603,173</u>
CAPITAL TRANSACTIONS		
Purchases of tangible capital assets	<u>(26,744,563)</u>	<u>(33,369,806)</u>
FINANCIAL TRANSACTIONS		
Advances of long-term debt		1,013,900
Repayment of long-term debt	<u>(2,014,282)</u>	<u>(1,210,922)</u>
	<u>(2,014,282)</u>	<u>(197,022)</u>
INVESTING TRANSACTIONS		
Decrease in investments	433,738	250,000
Increase in Ottawa Trust Funds	<u>(4,216)</u>	<u>(7,014)</u>
	<u>429,522</u>	<u>242,986</u>
NET CHANGE IN CASH POSITION	9,664,910	9,279,331
CASH POSITION AT BEGINNING OF YEAR	<u>10,810,310</u>	<u>1,530,979</u>
CASH POSITION AT END OF YEAR	<u>\$ 20,475,220</u>	<u>10,810,310</u>
CASH POSITION COMPOSED OF:		
Cash	\$ 20,231,954	10,757,114
Restricted cash	243,266	141,052
Bank indebtedness	<u>                    </u>	<u>(87,856)</u>
	<u>\$ 20,475,220</u>	<u>10,810,310</u>

PIKANGIKUM FIRST NATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

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, 2016

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, 2016

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, 2016

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.

PIKANGIKUM FIRST NATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

2. SIGNIFICANT ACCOUNTING PRINCIPLES, continued

o) Financial Instruments

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.

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.

PIKANGIKUM FIRST NATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016

## 3. RESTRICTED CASH

	<u>2016</u>	<u>2015</u>
CMHC Restricted replacement reserve	\$ <u>243,266</u>	<u>141,052</u>

## 4. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Aboriginal Affairs and Northern Development Canada	\$ 432,818	250,062
HST and PST receivable	719,555	332,245
First Nations and Inuit Health	15,448	145,819
First Nations Student Success Program	437,544	54,300
Trade	2,010,067	826,663
Province of Ontario	418,278	18,209
Members	<u>471,585</u>	<u>464,326</u>
	4,505,295	2,091,624
Allowance for doubtful accounts	<u>(610,891)</u>	<u>(536,672)</u>
	\$ <u>3,894,404</u>	<u>1,554,952</u>

## 5. LONG-TERM INVESTMENTS

	<u>2016</u>	<u>2015</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>(683,738)</u>	<u>(250,000)</u>
	\$ <u>1</u>	<u>433,739</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, 2016

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>2016</u>	<u>2015</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	41,411	34,397
Interest	891	1,014
Bell permit, other revenue	<u>3,325</u>	<u>6,000</u>
Balance at end of year	<u>45,627</u>	<u>41,411</u>
	\$ <u>47,276</u>	<u>43,060</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.

The First Nation has made a deposit of \$263,000 to purchase a camp.

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, 2016, the First Nation had lines of credit totalling \$500,000, of which \$NIL (2015 - \$87,856) 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  
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## 9. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals are comprised of the following amounts:

	<u>2016</u>	<u>2015</u>
Trade payables	\$ 11,145,762	9,865,195
AANDC	224,664	4,569
Wages and benefits	<u>151,698</u>	<u>4,288</u>
	<b><u>\$ 11,522,124</u></b>	<b><u>9,874,052</u></b>

## 10. DEFERRED REVENUE

	Balance Mar. 31, <u>2015</u>	Revenue <u>Received</u>	Revenue <u>Recognized</u>	Balance Mar. 31, <u>2016</u>
New School Project, Administration	\$ 29,952	118,636	148,588	
New School Project, Project Manager	275,860	32,253,156	22,899,108	9,629,908
Diesel Generator Replacement		432,818	297,574	135,244
Teacherage Project	1,165,253		650,216	515,037
FNIH - Nursing Station roof and floor		425,879	398,440	27,439
FNIH - Nursing Station A/C Upgrade	62,523		20,480	42,043
AANDC				
- Soil Remediation		145,000	81,320	63,680
- Diesel Upgrade Project	78,428		78,428	
Casino Rama - Economic Development	925,000	1,473,377	1,473,377	925,000
Education - First Nation Student Success Program	220,375	1,106,070	1,326,445	
Bus garage rebuild	8,236		8,236	
Whitefeather Training Centre	24,583		24,583	
Northern Store lease	85,714	303,943	308,705	80,952
Pennco Land Use	<u>          </u>	<u>120,000</u>	<u>38,288</u>	<u>81,712</u>
<b>TOTAL</b>	<b><u>\$ 2,875,924</u></b>	<b><u>36,378,879</u></b>	<b><u>27,753,788</u></b>	<b><u>11,501,015</u></b>

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## 11. LONG TERM DEBT

	<u>2016</u>	<u>2015</u>
Loan payable to CIBC at \$48,000 monthly, plus interest at prime plus 2%, (3.75% as at March 31, 2016), maturing April 27, 2019. Secured by an assignment of OFNLP revenue.	\$ 1,770,673	2,346,674
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.	1,861,119	1,932,673
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.	1,479,573	1,534,238
Loan payable to Canada Mortgage and Housing Corporation at \$6,241 monthly, payments include interest at 1.05%, maturing January 2035. Secured by Ministerial guarantee.	1,279,574	1,339,870
Loan payable to Canada Mortgage and Housing Corporation at \$5,286 monthly, payments include interest at 1.08%, maturing July 2034. Secured by Ministerial guarantee.	1,054,788	1,103,149
Loan payable to Northwest Company at \$22,245 monthly, payments include interest at 12%, maturing September 2019. Unsecured.	759,855	924,704
Loan payable to CIBC on demand, plus interest monthly at prime plus 2%, to be repaid in full out of April 30, 2015 AANDC funding. Unsecured.		1,013,900
Loan payable to CIBC at \$4,933 monthly, plus interest at prime plus 2%, maturing August 1, 2015		<u>24,656</u>
	<b>\$ <u>8,205,582</u></b>	<b><u>10,219,864</u></b>

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

2017	\$ 1,004,318
2018	1,027,281
2019	1,052,164
2020	443,794
2021	259,142
Thereafter	<u>4,418,883</u>
	<b>\$ <u>8,205,582</u></b>

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## 12. TANGIBLE CAPITAL ASSETS

	<u>Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Roads</u>	<u>Vehicles</u>	<u>Housing</u>	<u>2016</u>	<u>2015</u>
<b>Cost</b>								
Balance, beginning of year	\$ 48,923,820	4,339,878	23,314,599	7,686,364	2,043,700	62,707,071	149,015,432	132,298,327
Acquisition of tangible capital assets	418,920	454,928			411,286	2,568,351	3,853,485	82,056
Disposal, transfers and write-offs	<u>1,004,098</u>	<u>747,458</u>				<u>4,376,922</u>	<u>6,128,478</u>	<u>16,635,049</u>
Balance, end of year	<u>50,346,838</u>	<u>5,542,264</u>	<u>23,314,599</u>	<u>7,686,364</u>	<u>2,454,986</u>	<u>69,652,344</u>	<u>158,997,395</u>	<u>149,015,432</u>
<b>Construction in progress</b>								
Balance, beginning of year	34,311,780						34,311,780	34,311,780
Transfers	(6,128,478)						(6,128,478)	
Additions	<u>23,065,535</u>						<u>23,065,535</u>	
	<u>51,248,837</u>						<u>51,248,837</u>	<u>34,311,780</u>
Total cost, end of year	<u>101,595,675</u>	<u>5,542,264</u>	<u>23,314,599</u>	<u>7,686,364</u>	<u>2,454,986</u>	<u>69,652,344</u>	<u>210,246,232</u>	<u>183,327,212</u>
<b>Accumulated amortization</b>								
Balance, beginning of year	42,661,049	4,122,629	16,879,810	6,598,343	1,420,720	39,523,992	111,206,543	90,174,141
Annual amortization	708,643	56,910	652,531	195,928	201,063	2,669,523	4,484,598	4,397,353
Accumulated amortization adjustments						<u>239,244</u>	<u>239,244</u>	<u>16,635,049</u>
Balance, end of year	<u>43,369,692</u>	<u>4,179,539</u>	<u>17,532,341</u>	<u>6,794,271</u>	<u>1,621,783</u>	<u>42,432,759</u>	<u>115,930,385</u>	<u>111,206,543</u>
Net book value of tangible capital assets	\$ <u>58,225,983</u>	<u>1,362,725</u>	<u>5,782,258</u>	<u>892,093</u>	<u>833,203</u>	<u>27,219,585</u>	<u>94,315,847</u>	<u>72,120,669</u>
2015 Net book value of tangible capital assets	\$ <u>40,574,551</u>	<u>217,249</u>	<u>6,434,789</u>	<u>1,088,021</u>	<u>622,980</u>	<u>23,183,079</u>	<u>72,120,669</u>	<u>72,120,669</u>

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## 13. INVENTORY OF FUEL AND SUPPLIES

	<u>2016</u>	<u>2015</u>
Fuel and supplies - Eshkotay Wayab	\$ 265,623	566,570
Fuel - Public Works	182,922	371,895
Housing materials - Capital Management	<u>                    </u>	<u>534,730</u>
	<b>\$ <u>448,545</u></b>	<b><u>1,473,195</u></b>

The cost of inventories recognized as an expense and included in expenses amounted to \$1,024,650 (2015 - \$1,917,407).

## 14. PREPAID EXPENSES AND DEPOSITS

	<u>2016</u>	<u>2015</u>
Pikangikum First Nation	\$ 163,027	163,027
Eshkotay Wayab Corporation	<u>21,055</u>	<u>20,738</u>
	<b>\$ <u>184,082</u></b>	<b><u>183,765</u></b>

## 15. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	<u>2016</u>	<u>2015</u>
Equity in Ottawa Trust Funds, Note 6	\$ 47,276	43,060
Unrestricted surplus	<u>88,767,741</u>	<u>63,892,845</u>
	<b>\$ <u>88,815,017</u></b>	<b><u>63,935,905</u></b>

## 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).

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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 \$8,597 (2015 - \$82,147) 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 \$NIL (2015 - \$14,831) 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 (2015 - \$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 (2015 - \$NIL) to the Corporation.

PIKANGIKUM FIRST NATION  
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## 19. ECONOMIC DEPENDENCE

Pikangikum First Nation receives 77% (2015 - 71%) 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>2016</u>	<u>2015</u>
AANDC revenue from the Summary Statement of Revenues and Expenses	\$ <u>48,590,097</u>	<u>47,630,950</u>
AANDC Confirmation	\$ <u>48,590,097</u>	<u>47,630,950</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 \$242,545 (2015 - \$195,217). Actual funds on hand consisted of savings of \$243,266 (2015 - \$141,052).

Reserve Balances	<u>2016</u>	<u>2015</u>
Replacement Reserve - CMHC	\$ 242,545	195,217
Operating Reserve - CMHC	63,382	10,728
Capital Reserve	<u>500,000</u>	<u>500,000</u>
	\$ <u>805,927</u>	<u>705,945</u>

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## 22. GOVERNMENT TRANSFERS

	<u>2016</u>	<u>2015</u>
<u>Federal Government Transfers</u>		
Aboriginal Affairs and Northern Development Canada	\$ 48,590,097	47,630,950
First Nation and Inuit Health	3,112,917	7,612,419
Canada Mortgage and Housing Corporation	385,602	405,371
First Nation Student Success Program	<u>1,106,070</u>	<u>543,000</u>
Total Federal	<u>53,194,686</u>	<u>56,191,740</u>
<u>Provincial Government Transfers</u>		
Ministry of Community and Social Services	9,089,637	6,631,931
Ministry of Health and Long-Term Care	89,660	90,120
Province of Ontario	<u>47,141</u>	<u>63,141</u>
Total Provincial	<u>9,226,438</u>	<u>6,785,192</u>
TOTAL	\$ <u><b>62,421,124</b></u>	<u><b>62,976,932</b></u>

## 23. FINANCIAL RISKS AND CONCENTRATION OF RISK

## a) Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The accounts receivable are mainly due from funders and the government. There has been no change to the risk exposures from 2015.

## b) Liquidity risk

Liquidity risk is the risk that First Nation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The First Nation's exposure to liquidity risk is dependent on the collection of funding, collection of accounts receivable, purchasing commitments and obligations or raising of funds to meet commitments and sustain operations. Cash flow from operations provides a substantial portion of the First Nation's cash requirements. Additional cash requirements are provided by operating lines of credit as needed. Management is of the opinion that liquidity risk is not a significant risk and there has been no change to the risk exposures from 2015.

The First Nation's debt is structured with regularly recurring payments, secured by assets. Regularly recurring payments are required to service this debt, limiting the requirement to extinguish the debt in the short term. Interest rate fluctuations impact the cash flows but not to a significant effect.



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23. FINANCIAL RISKS AND CONCENTRATION OF RISK, continued

c) Currency risk

The First Nation is not exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the First Nation does not normally have purchases and sales denominated in U.S. dollars. There has been no change to the risk exposure from 2015.

d) Interest Rate risk

The First Nation has long-term fixed rate debts. A change in the variable rate does not impact cash flows to service the debt when such debt is outstanding. There has been no change to the risk exposure from 2015 and there is expected to be no substantive change in the next fiscal period.

24. BUDGET INFORMATION

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

25. COMPARATIVE FIGURES

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

26. TRANSFER TO TANGIBLE CAPITAL ASSETS OFFSETTING EXPENSES IN PROGRAMS

Teacherage Project	\$ 925,216
Nursing Station roof and flooring	398,440
Nursing Station A/C Upgrade	20,480
New School Project	23,065,535
Capital Housing Betterments	1,643,135
Water and sewer truck	144,500
Education - furniture and equipment	155,026
- vehicles	45,994
Health - vehicle	48,663
Diesel Upgrade	<u>297,574</u>
	<b>\$ <u>26,744,563</u></b>

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## 27. SEGMENT DISCLOSURE

	Band Support		Public Works		Social Services	
	Budget	2016	2015	Budget	2016	2015
REVENUE						
Federal government	\$ 1,396,633	1,553,175	1,519,259	2,772,876	2,610,802	2,675,423
Provincial government	36,000	47,141	63,141			
Economic activities						
Net income for investments in government business enterprises		4,216				
Other revenue	1,472,209	1,210,298	1,034,247	286,000	539,288	525,027
					18,119	8,975
TOTAL REVENUE	2,904,842	2,814,830	2,616,647	3,058,876	3,150,090	3,200,450
				7,481,219	11,166,678	9,769,242
EXPENSES						
Honoraria						
Chief and Councillors	748,766	719,428	686,888			
Elders and Board Members	84,240	105,000	24,408			
Wages and benefits	1,213,040	912,741	949,296	1,083,275	1,004,884	938,330
Amortization	609,559	4,484,598	609,559	944,938		944,938
Tangible Capital Assets		(26,630,106)	(33,287,750)			
Interest						
Other expenses	861,409	1,664,631	1,716,477	2,348,807	2,131,160	2,352,289
				6,099,327	9,213,637	7,817,896
TOTAL EXPENSES	3,517,014	(18,743,708)	(29,301,122)	4,377,020	3,136,044	4,235,557
				7,484,122	10,645,439	9,154,449
SURPLUS (DEFICIT) BEFORE TRANSFERS	(612,172)	21,558,538	31,917,769	(1,329,144)	14,046	(1,035,107)
				(2,903)	521,239	614,793
TRANSFERS		1,182,462	791,761	45,835	303,577	457,578
					(790,998)	(608,255)
ANNUAL SURPLUS (DEFICIT)	\$ (612,172)	22,741,000	32,709,530	(1,272,309)	317,623	(577,529)
				(2,903)	(269,759)	6,538

EXHIBIT G

PIKANGIKUM FIRST NATION  
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27. SEGMENT DISCLOSURE, continued

	<u>Economic Development</u>		<u>Education</u>		<u>CMHC Housing</u>	
	<u>Budget</u>	<u>2015</u>	<u>Budget</u>	<u>2016</u>	<u>Budget</u>	<u>2015</u>
REVENUE						
Federal government	\$ 283,911	168,400	6,219,879	6,894,799	393,132	405,371
Provincial government			711,307			
Economic activities	602,008	821,383				
Net income for investments in government business enterprises						
Other revenue		24,583	88,112	1,615,580	171,060	93,940
TOTAL REVENUE	885,919	1,014,366	7,019,298	8,510,379	564,192	499,311
EXPENSES						
Honoraria						
Chief and Councillors				113,930		106,584
Elders and Board Members				5,373,370		5,103,357
Wages and benefits	452,722	483,644	5,429,997	5,142,966	299,939	229,431
Amortization		34,957	1,142,966	(65,794)		
Tangible Capital Assets						
Interest	458,842	624,796	1,564,636	2,418,056	135,215	126,856
Other expenses	911,564	1,143,397	1,564,636	1,321,414	193,799	244,892
TOTAL EXPENSES	911,564	1,143,397	8,137,599	7,839,562	628,953	601,179
SURPLUS (DEFICIT) BEFORE TRANSFERS	(25,645)	(129,031)	(1,118,301)	(798,155)	(64,761)	(101,868)
TRANSFERS	7,320	207,593		88,500		101,868
ANNUAL SURPLUS (DEFICIT)	\$ (18,325)	78,562	(1,118,301)	759,317	(64,761)	

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## 27. SEGMENT DISCLOSURE, continued

	Health		Community Services		Total	
	<u>Budget</u>	<u>2016</u>	<u>Budget</u>	<u>2016</u>	<u>Budget</u>	<u>2015</u>
REVENUE						
Federal government	\$ 2,485,705	3,112,917	6,075,293	35,326,037	20,818,729	52,088,616
Provincial government	33,277	67,622			7,070,503	9,226,438
Economic activities					602,008	821,383
Net income for investments in government business enterprises						4,216
Other revenue	<u>213,923</u>	<u>527,788</u>	<u>4,548,386</u>	<u>(3,293,564)</u>	<u>6,779,690</u>	<u>815,114</u>
TOTAL REVENUE	<u>2,732,905</u>	<u>3,708,327</u>	<u>10,623,679</u>	<u>32,032,473</u>	<u>35,270,930</u>	<u>62,955,767</u>
						<u>65,901,094</u>
EXPENSES						
Honoraria					748,766	719,428
Chief and Councillors					84,240	218,930
Elders and Board Members				100,000		230,992
Wages and benefits	2,258,752	2,033,913	564,118	611,898	12,386,699	11,852,252
Amortization	91,329	38,353	1,357,815		4,549,385	4,397,353
Tangible Capital Assets		(48,663)			(26,744,563)	(33,327,337)
Interest				99,878	135,215	200,093
Other expenses	<u>699,319</u>	<u>1,453,924</u>	<u>9,664,273</u>	<u>29,529,284</u>	<u>21,890,412</u>	<u>47,502,420</u>
TOTAL EXPENSES	<u>3,049,400</u>	<u>3,477,527</u>	<u>11,586,206</u>	<u>30,241,060</u>	<u>39,691,878</u>	<u>38,297,945</u>
						<u>36,331,978</u>
SURPLUS (DEFICIT) BEFORE TRANSFERS	(316,495)	230,800	(962,527)	1,791,413	(4,420,948)	24,657,822
TRANSFERS		(344,346)	(392,430)	(646,788)	(339,275)	(5,681)
ANNUAL SURPLUS (DEFICIT)	\$ <u>(316,495)</u>	<u>(113,546)</u>	<u>(1,354,957)</u>	<u>1,144,625</u>	<u>(4,760,223)</u>	<u>29,563,435</u>
						<u>24,657,822</u>