

KITCHENUHMAKOOSIB INNINUWUG
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

KITCHENUHMAKOOSIB INNINUWUG
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FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

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KITCHENUHMAKOOSIB INNINUWUG
FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013

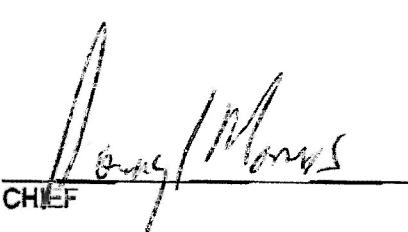
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements of Kitchenuhmaykoosib Inninuwug are the responsibility of management and have been approved by Chief and Council.

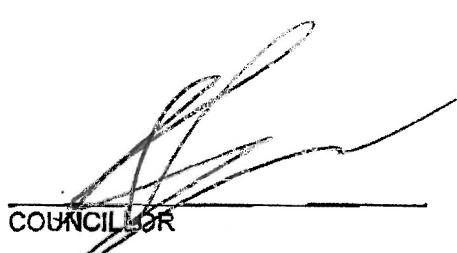
Management is responsible for the integrity and objectivity of the financial statements. Estimates are necessary in the preparation of these financial statements and, based on careful judgments, have been properly reflected. Management has established systems of internal control, which are designed to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

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

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



CHIEF



COUNCIL

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
Winnipeg, Manitoba R3T 2A4
Telephone (204) 452-6449
Fax (204) 452-3397

INDEPENDENT AUDITORS' REPORT

To the Chief, Council and Members of
Kitchenuhmaykoosib Innuuwug

We have audited the accompanying financial statements of Kitchenuhmaykoosib Innuuwug, which comprise the consolidated statements of financial position as at March 31, 2014 and 2013 and the consolidated statements of accumulated surplus, consolidated statements of operations, consolidated statements of change in net debt/net financial assets and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Inventory consists of fuel purchased for the community of Kitchenuhmaykoosib Inninuwug First Nation. We did not observe the inventory counts at the end of the year and alternative means did not provide us with the necessary assurance concerning the existence and valuation of the inventory. As a result, we were unable to determine what adjustments, if any, might be necessary to assets, annual surplus (deficit) and accumulated surplus.

The financial statements include investments in Wasaya Partnership, Wasaya Group Inc. and Pe-Tay-Ka-Win Development Corporation. The financial information for Wasaya Partnership, Wasaya Group Inc. and Pe-Tay-Ka-Win Development Corporation has not been audited. As a result, we were not able to determine if adjustments might have been found necessary in respect of the long-term investments and the elements making up the consolidated statement of financial position, consolidated statement of accumulated surplus, consolidated statement of operations, consolidated statement of change in net debt and consolidated statement of cash flows.

Our examination has indicated deficiencies in internal control over the recording of accounts payable and expenditures. As a consequence we were unable to satisfy ourselves that all expenditures and payables have been properly accrued or recorded, or that the classification of expenditures has been properly reflected in the financial statements. We were unable to determine by alternative means whether adjustments were required in respect of unrecorded accounts payable and accrued liabilities, expenditures, net surplus (deficit) for the year and the accumulated operating surplus.

The First Nation has undertaken to identify the total cost of tangible capital assets not previously recorded and any impairment or related amortization attributed to each of those assets. The full extent of these unrecorded assets and their appropriate amortization is not determinable as at the date of this audit report. As a result, we were unable to determine what further adjustments, if any, might be necessary to tangible capital assets, annual deficit and accumulated surplus.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements present fairly, in all material respects, the financial position of Kitchenuhmaykoosib Inninuwug as at March 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



WINNIPEG, MANITOBA
July 25, 2014

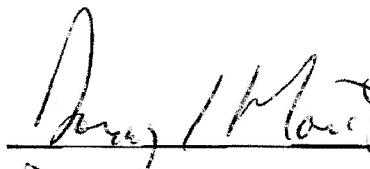
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

EXHIBIT "B"

KITCHENUHMAKOOOSIB INNINUWUG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Cash	\$ 362,092	491,419
Due from KI Enterprises, Note 2	362,702	237,570
Accounts receivable, Note 3	1,573,795	2,671,962
Investments, Note 4	4,637,982	4,637,982
Advances to First Nation members, Note 5	67,712	179,485
Investments in First Nation controlled entities, Note 6	(914,544)	(985,814)
Members of KI Trust Funds	2,871	1,467
Ottawa Trust Funds, Note 7	<u>10,046</u>	<u>9,796</u>
	<u>6,102,656</u>	<u>7,243,867</u>
LIABILITIES		
Bank loans, Note 8	1,200,000	800,000
Accounts payable and accrued liabilities, Note 9	3,284,768	2,041,222
Construction loan advance, Note 10	1,262,137	1,247,225
Deferred revenue, Note 11	277,550	954,564
Long term debt, Note 12	2,041,398	2,138,957
Reserves, Note 13	<u>232,047</u>	<u>209,593</u>
	<u>8,397,900</u>	<u>7,391,561</u>
NET FINANCIAL ASSETS (NET DEBT)	<u>(2,195,244)</u>	<u>(147,694)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets, Note 14	13,717,496	12,361,313
Fuel inventory, Note 15	772,215	
Prepaid expenses, Note 16	<u>500,000</u>	<u>400,000</u>
	<u>14,989,711</u>	<u>12,761,313</u>
ACCUMULATED SURPLUS, Note 17, Exhibit "C"	\$ <u>12,794,467</u>	<u>12,613,619</u>
CONTINGENT LIABILITY, Note 20		

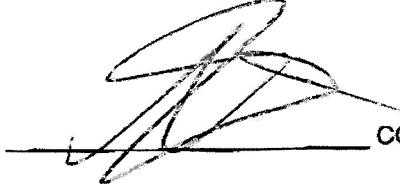
APPROVED BY:



CHIEF



COUNCILLOR



COUNCILLOR

EXHIBIT "C"

KITCHENUHMAKOOSIB INNINUWUG
CONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
BALANCE AT BEGINNING OF YEAR	\$ 12,613,619	12,727,738
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	<u>180,848</u>	<u>(114,119)</u>
BALANCE AT END OF YEAR	<u>\$ 12,794,467</u>	<u>12,613,619</u>

EXHIBIT "D"

KITCHENUHMAKOOOSIB INNINUWUG
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	2014			2013
	Revenue	Expenses	Annual Surplus (Deficit)	Annual Surplus (Deficit)
Operations Fund	\$ 3,437,990	3,852,344	(414,354)	48,920
Public Works Fund	6,726,576	7,455,224	(728,648)	204,472
Education Authority	3,518,392	3,022,003	496,389	(41,930)
Health Services	2,538,932	2,375,624	163,308	81,235
CMHC Housing Authority	338,965	410,223	(71,258)	55,933
KI Economic Development	802,743	1,030,835	(228,092)	184,559
Socio-Economic Research and Development	707,712	748,239	(40,527)	(102,182)
KI Accommodations	<u>122,170</u>	<u>116,573</u>	<u>5,597</u>	<u>(5,596)</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS	\$ <u>18,193,480</u>	<u>19,011,065</u>	(817,585)	425,411
OTHER ITEMS				
Transfer to tangible capital assets from Operations			1,481,831	777,122
Interest earned Ottawa Trust Funds			250	234
Amortization of tangible capital assets			(554,918)	(470,034)
CMHC family housing				(64,475)
Loss from investments				(55,749)
KI Trust Fund				(1,638)
Income (loss) on First Nation controlled entities			<u>71,270</u>	<u>(724,990)</u>
ANNUAL SURPLUS (DEFICIT)	\$	<u>180,848</u>	<u>(114,119)</u>	

EXHIBIT "D-1"

KITCHENUHMAKOOOSIB INNINUWUG
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
REVENUE		
Federal Government		
AANDC	\$ 9,246,424	9,751,320
Health Canada funding agreements	2,672,429	2,095,664
Canada Mortgage and Housing Corporation	139,782	202,818
Canada Post	15,173	54,979
Human Resources and Skills Development Canada		26,366
Provincial government	655,956	649,963
Other	4,815,637	4,071,952
OFNLP	541,716	429,279
SLAAMB	<u>106,363</u>	<u>137,780</u>
	<u>18,193,480</u>	<u>17,420,121</u>
EXPENSES, Exhibit "D"		
Operations Funds	3,852,344	4,344,784
Public Works Fund	7,455,224	5,029,178
Education Authority	3,022,003	2,781,424
Health Services	2,375,624	2,619,100
CMHC Housing	410,223	448,028
KI Economic Development	1,030,835	964,195
Socio-Economic Research and Development	748,239	722,671
KI Accommodations	<u>116,573</u>	<u>85,330</u>
	<u>19,011,065</u>	<u>16,994,710</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS	(817,585)	425,411
OTHER ITEMS		
Transfer to tangible capital assets from Operations	1,481,831	777,122
Amortization of tangible capital assets	(554,918)	(470,034)
Interest earned Ottawa Trust Fund	250	234
CMHC family housing		(64,475)
Loss from investments		(55,749)
KI Trust Fund		(1,638)
Income (loss) on First Nation controlled entities	<u>71,270</u>	<u>(724,990)</u>
ANNUAL SURPLUS (DEFICIT)	\$ 180,848	(114,119)

EXHIBIT "E"

KITCHENUHMAKOOSIB INNINUWUG
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT/NET FINANCIAL ASSETS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	\$ 180,848	(114,119)
Acquisition of tangible capital assets	(2,060,352)	(2,072,965)
Amortization of tangible capital assets	704,169	623,183
Change in inventory	(772,215)	
Change in prepaid expenses	<u>(100,000)</u>	<u>(362,436)</u>
DECREASE IN NET FINANCIAL ASSETS	(2,047,550)	(1,926,337)
NET FINANCIAL ASSETS (NET DEBT) AT BEGINNING OF YEAR	<u>(147,694)</u>	<u>1,778,643</u>
NET FINANCIAL ASSETS (NET DEBT) AT END OF YEAR	<u>\$ (2,195,244)</u>	<u>(147,694)</u>

EXHIBIT "F"

**KITCHENUHMAKOOSIB INNINUWUG
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
OPERATING TRANSACTIONS		
Annual surplus (deficit), Exhibit "D"	\$ 180,848	(114,119)
Add non-cash items		
Amortization of tangible capital assets	704,169	623,183
Net change in financial assets/liabilities and prepaid expenses		
Accounts receivable	1,098,167	(1,194,607)
Ottawa Trust Funds	(250)	(234)
Prepaid expenses	(100,000)	(362,436)
Fuel inventory	(772,215)	494,284
Replacement reserve	22,454	18,255
Accounts payable and accrued liabilities	1,243,546	145,074
Due from KI Enterprises	(125,132)	(105,332)
Members of KI Trust Fund	(1,404)	1,638
Deferred revenue	<u>(677,014)</u>	<u>233,494</u>
	<u>1,573,169</u>	<u>(260,800)</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	<u>(2,060,352)</u>	<u>(2,072,965)</u>
FINANCING TRANSACTIONS		
Construction loan advance	14,912	1,247,225
Principal repayments on long term debt	400,000	(65,906)
Increase in (repayment of) bank loans	<u>(97,559)</u>	<u>(400,000)</u>
	<u>317,353</u>	<u>781,319</u>
INVESTING TRANSACTIONS		
Decrease in advances to First Nation members	111,773	172,576
Decrease in investment in First Nation controlled entities		724,990
Decrease (increase) in investments	<u>(71,270)</u>	<u>55,749</u>
	<u>40,503</u>	<u>953,315</u>
NET CHANGE IN CASH POSITION	<u>(129,327)</u>	<u>(599,131)</u>
CASH POSITION AT BEGINNING OF YEAR	<u>491,419</u>	<u>1,090,550</u>
CASH POSITION AT END OF YEAR	<u>\$ 362,092</u>	<u>491,419</u>

KITCHENUHMAKOOSIB INNINUWUG
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These summarized financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the CICA Public Sector Accounting and Auditing Handbook, which encompasses the following principles:

a) Reporting Entity and Principles of Financial Reporting

Kitchenuhmaykoosib Innnuwug reporting entity includes the Kitchenuhmaykoosib Innnuwug First Nation government and all related unincorporated non-business entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

These financial statements summarize on a combined basis the assets, liabilities and results of operations for the following entities. The readers of these financial statements have access to the detailed information of each entity's financial statement.

Kitchenuhmaykoosib Innnuwug First Nation, Operations Fund
Kitchenuhmaykoosib Innnuwug Public Works Fund
Kitchenuhmaykoosib Innnuwug Education Authority
Kitchenuhmaykoosib Innnuwug Housing Authority
Kitchenuhmaykoosib Senior Citizens Complex
Kitchenuhmaykoosib Innnuwug Elders Care Home
KI Accommodations

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

Incorporated business entities, which are owned or controlled by Kitchenuhmaykoosib Innnuwug First Nation and which are not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method. These include:

Nu-Mah-Koos Non-Profit Building Development Corporation
Pe-Tay-Ka-Win Development Corporation and its subsidiary companies

Investments in non-controlled entities are recorded at the lower of cost and net realizable value.

b) Tangible Capital Assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods and delivering services.

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

KITCHENUHMAKOOOSIB INNINUWUG
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

c) Amortization

Tangible capital assets are recorded at cost and are amortized annually as a charge to operations. Assets are amortized over their expected useful life using the straight line method at following rates:

General housing	5%
General equipment	20%
Infrastructure	4%
Vehicles & heavy equipment	20%

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

Social Housing assets acquired under CMHC sponsored housing programs are amortized at a rate equivalent to the annual principal reduction in related long term debt, as required for CMHC reporting purposes.

d) Net Debt/Net Financial Assets

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

e) Revenue Recognition

The organization follows the deferral method of accounting for revenue. Revenue is recognized as it becomes receivable under the terms of applicable funding agreements and can reasonably estimated and collection is reasonably assured. Funding received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the statement of financial position.

f) Deferred Revenue

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

g) Reserves

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

h) Financial Instruments

The organization's financial instruments consist of cash, funds held on deposit and trust funds, advances to First Nations members, accounts receivable, bank loans, accounts payable and accrued liabilities and long-term debt. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair market value of these financial instruments approximate their carrying charges.

EXHIBIT "G"

KITCHENUHMAKOOSIB INNINUWUG
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

i) Comparative and Budget Figures

Prior year's comparative figures have been reclassified where necessary to conform to the current year's financial statement presentation. The budget figures are unaudited. Budget data was included when available.

j) Use of Estimates

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

2. DUE FROM (TO) KI ENTERPRISES

	<u>2014</u>	<u>2013</u>
Pe Tay Ka Win Development Corporation	\$ 255,904	281,835
Big Trout Lake Fuels	11,000	78,347
Tasona Atawekamik (Store) Inc.		22,737
Kapayshewekamik (Hotel) Inc.		(127,683)
Nu-May-Koos Corporation	120,434	
KI Telecom	(56,245)	22,591
Nu-Mah-Koos Non-Profit Building Development Corporation	115,845	
KI Slush Fund	(24,541)	(889)
Band Housing	150	
Weechitewin Fund	(9,755)	(9,368)
KI SERD	12,000	12,000
Nipii Nanokeewin	<u>(62,090)</u>	<u>(42,000)</u>
	 <u>\$ 362,702</u>	 <u>237,570</u>

EXHIBIT "G"

KITCHENUHMAKOOOSIB INNINUWUG
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

3. ACCOUNTS RECEIVABLE

Accounts receivable are reported net of allowance for doubtful accounts and are comprised of the following:

	<u>2014</u>	<u>2013</u>
Social Programs		
Trade receivables	\$ 3,870	
Public Works		
Trade receivables	399,607	400,856
AANDC		519,022
Health Canada	411,902	27,067
CMHC Housing		
Rents	51,367	48,705
CMHC - Subsidies	11,838	14,111
Health Services		
Health Canada	62,721	33,690
Trade receivables	15,604	17,920
Education Authority		
Trade receivables	2,170	20,012
Socio-Economic Research and Development		
Trade receivables	25,034	605
Ki Flow Through		
AANDC	336,260	1,181,597
Economic Development		
AANDC		16,270
Trade receivables	84,716	128,213
Lands & Environment		
Trade receivables	114,482	121,196
Capital Housing		
Trade receivables	54,224	
Administration		
Trade receivables		41,805
Capital Housing		
Trade receivables		37,310
Women's Shelter		
Trade receivables		<u>63,583</u>
	<u>\$ 1,573,795</u>	<u>2,671,962</u>

4. INVESTMENTS

The First Nation has the following investments:

	<u>2014</u>	<u>2013</u>
Wasaya Partnership	\$ 2,235,593	2,235,593
Wasaya Group Inc.	<u>2,402,389</u>	<u>2,402,389</u>
	<u>\$ 4,637,982</u>	<u>4,637,982</u>

KITCHENUHMAKOOSIB INNINUWUG
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

EXHIBIT "G"

5. ADVANCES TO FIRST NATION MEMBERS

Advances to First Nation members are reported net of allowance for doubtful accounts and are comprised of the following:

	<u>2014</u>	<u>2013</u>
Lands and Environment	\$ 19,658	11,692
Public Works	5,519	24,522
CMHC Housing Authority	18,726	8,170
Health Services	23,809	18,225
Administration	<u>116,876</u>	
	\$ 67,712	179,485

6. INVESTMENTS IN FIRST NATION CONTROLLED ENTITIES

		<u>2014</u>	<u>2013</u>
Nu-Mah-Koos Non-Profit Building Development Corporation			
Accumulated surplus		\$ <u>8,998</u>	<u>11,589</u>
Pe-Tay-Ka-Win Development Corporation			
Contributed capital		1,780,304	1,780,304
Accumulated deficit		<u>(2,703,846)</u>	<u>(2,777,707)</u>
		<u>(923,542)</u>	<u>(997,403)</u>
		<u>\$ (914,544)</u>	<u>(985,814)</u>

	<u>Assets</u>	<u>Liabilities</u>	<u>Gross Revenues</u>	<u>Net Income (Loss)</u>
Nu-Mah-Koos Non-Profit Building Development Corporation	\$ 85,243	76,245	1,151,498	(2,591)
Pe-Tay-Ka-Win Development Corporation	<u>1,276,666</u>	<u>2,200,208</u>	<u>1,609,073</u>	<u>73,861</u>
	\$ 1,361,909	2,276,453	2,760,571	71,270

EXHIBIT "G"

KITCHENUHMAKOOSIB INNINUWUG
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

7. OTTAWA TRUST FUNDS

The Ottawa Trust Accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act. Activity during the year in the Ottawa Trust Funds is as follows:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 9,796	9,562
Interest	250	234
Balance, end of year	<u>\$ 10,046</u>	<u>9,796</u>

8. BANK LOANS

	<u>2014</u>	<u>2013</u>
Bank loan #1 from Royal Bank of Canada, due on demand, bearing interest at prime plus 2.5%, repayable in monthly payments of principal of \$66,667 plus interest, secured by a general security agreement and guarantee by Nu-Mah-Koos Non-Profit Building Development Corporation, an irrevocable assignment of OFNLP Funds from the First Nation and Nu-Mah-Koos Non-Profit Building Development Corporation, and an irrevocable assignment of Minor Capital Funds, due February 28, 2014.	\$ 800,000	
Bank loan #1 from Royal Bank of Canada, due on demand, bearing interest at prime plus 2.5%, repayable in monthly payments of principal of \$50,000 plus interest, secured by a general security agreement and guarantee by Nu-Mah-Koos Non-Profit Building Development Corporation, an irrevocable assignment of OFNLP Funds from the First Nation and Nu-Mah-Koos Non-Profit Building Development Corporation, and an irrevocable assignment of Minor Capital Funds, due February 13, 2015.	600,000	
Bank loan #2 from Royal Bank of Canada, due on demand, bearing interest at prime plus 2.5%, repayable in monthly payments of principal of \$50,000 plus interest, secured as noted under Bank loan #1, due February 28, 2015.	<u>600,000</u>	<u>600,000</u>
	<u>\$ 1,200,000</u>	<u>800,000</u>

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KITCHENUHMAKOOSIB INNINUWUG
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2014</u>	<u>2013</u>
Health Services		
Trade payables	\$ 17,530	89,961
Receiver General	10,482	34,015
Socio-Economic Research and Development		
Trade payables	72,524	8,256
Receiver General	32,552	23,800
Administration		
Trade payables	168,377	225,631
Receiver General	28,225	
Lands and Environment		
Trade payables	218,605	224,601
Receiver General	7,124	5,214
Public Works		
Trade payables	1,072,449	194,585
Receiver General	142,103	86,964
Ki Capital Housing		
Trade payables	33,150	
Receiver General	32,029	88,357
CMHC Housing Authority		
Trade payables	286,345	302,455
Receiver General	3,690	2,410
Education		
Trade payables	380,326	378,161
Receiver General	292,187	243,248
Ki Economic Development		
Trade payables	78,773	95,403
Receiver General	8,666	644
KI Social Programs		
Trade payables	30	
KI Accommodations		
Trade payables	9,262	
	<u>\$ 3,284,768</u>	<u>2,041,222</u>

10. CONSTRUCTION LOAN ADVANCES

The Kitchenuhmaykoosib Inninuwug First Nation entered into an agreement with CMHC for an additional Section 95 social housing loan. Funds advanced to March 31, 2014 were \$1,262,137 (2013 - \$1,247,225) and the total approved loan was \$1,656,000 (2013 - \$1,656,000).

KITCHENUHMAYKOOSIB INNINUWUG
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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EXHIBIT "G"

11. DEFERRED REVENUE

		<u>Opening Balance</u>	<u>Funding Received</u>	<u>Revenue Recognized</u>	<u>Closing Balance</u>
Human Resources Implementation Project	\$		137,000	120,569	16,431
Community Strategy		42,367			42,367
Equipment - Contributions		146,897		146,897	
Fuel Storage Tanks		543,800		543,800	
Labour - Other Costs		221,500	428,260	649,760	
Nursing Air Conditioning Upgrades		_____	666,366	447,614	218,752
	\$	954,564	1,231,626	1,908,640	277,550

12. LONG TERM DEBT

2014 2013

The Housing Authority obtained financing to build the seven unit Elders Care Home. Through this program the housing authority receives government assistance of \$3,682 per month to operate the Care Home as rental units.

CMHC mortgage payable

Interest at 1.99% per annum repayable at \$3,067 per month principal and interest, due May 1, 2014.

\$ 478,073 505,173

The Housing Authority obtained financing to build seven houses. Through this program the housing authority receives government assistance of \$3,039 per month to operate the houses as rental units.

CMHC mortgage payable

Interest at 1.62% per annum, repayable at \$2,214 per month principal and interest, due March 1, 2018.

431,798 451,259

KITCHENUHMAKOOSIB INNINUWUG
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

12. LONG TERM DEBT, continued

	<u>2014</u>	<u>2013</u>
The Housing Authority obtained financing to build eleven houses. Through this program the housing authority receives government assistance of \$7,390 per month to operate the houses as rental units.		
CMHC mortgage payable		
Interest at 1.62% per annum, repayable at \$5,802 per month principal and interest, due March 1, 2018.	\$ 1,131,527	1,182,525
Restrictive provision on the loans may terminate the government assistance. The loans are guaranteed by the Aboriginal Affairs and Northern Development Canada.	2,041,398	2,138,957
The current portion of the long term debt has been calculated based on the term loans being refinanced on their respective renewal date.		
Current portion	<u>100,000</u>	<u>97,420</u>
	<u>\$ 1,941,398</u>	<u>2,041,537</u>

Estimated principal payments for the next five years and thereafter are as follows:

2015	\$ 100,000
2016	100,765
2017	102,601
2018	104,303
2019	106,000
Thereafter	<u>1,527,729</u>
	<u>\$ 2,041,398</u>

13. RESERVES

a) Seniors Complex

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Replacement Reserve account is to be credited in the amount of \$4,500 annually until it accumulates to \$45,000 plus interest. These funds along with accumulated interest are to be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal.

KITCHENUHMAKOOOSIB INNINUWUG
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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13. RESERVES, continued

b) 10 Unit CMHC Housing

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Replacement Reserve account is to be credited in the amount of \$3,500 annually until it accumulated \$35,000 plus interest. These funds along with accumulated interest are to be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal.

c) Elders Care Home

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Replacement Reserve account is to be credited in the amount of \$7,000 annually. These funds along with accumulated interest are to be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first then principal.

d) CMHC Family Housing

Under the terms of the agreement with Canada Mortgage and Housing Corporation, an annual allocation is to be credited to the Replacement Reserve account. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal.

	<u>Annual Allocation</u> <u>For Project</u>	<u>Maximum</u> <u>Cumulative Allocation</u>
7 Units - 2008	\$ 7,000	No maximum
11 Units - 2008	11,000	No maximum

The reserve funds are partially funded in separate interest bearing accounts that total \$8,015 at March 31, 2014.

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KITCHENUHMAKOOOSIB INNINUWUG
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14. TANGIBLE CAPITAL ASSETS

		2014				
		Cost Mar. 31/13	Additions (Disposals)	Cost Mar. 31/14	Accumulated Amortization	Net Book Value
Infrastructure-water and sewer	\$ 9,789,652			9,789,652	2,569,781	7,219,871
Assets under construction		689,257		689,257		689,257
Land and buildings						
Education Authority	359,618			359,618	259,848	99,770
Women's Shelter	122,776	15,744		138,520	14,782	123,738
Consolidated CMHC Housing	4,143,042			4,143,042	2,081,859	2,061,183
Economic Development	58,300			58,300		58,300
KI Accommodations	64,000	(64,000)				
Capital Housing	1,882,698	105,612		1,988,310		1,988,310
Equipment and vehicles	4,591,521	1,313,739		5,905,260	4,428,193	1,477,067
	\$ 21,011,607	2,060,352		23,071,959	9,354,463	13,717,496

		2013				
		Cost Mar. 31/12	Additions (Disposals)	Cost Mar. 31/13	Accumulated Amortization	Net Book Value
Infrastructure-water and sewer	\$ 9,789,652			9,789,652	2,325,040	7,464,612
Land and buildings						
Education Authority	359,618			359,618	248,763	110,855
Women's Shelter	122,776			122,776	9,556	113,220
Consolidated CMHC Housing	4,143,042			4,143,042	1,984,302	2,158,740
Economic Development	58,300			58,300		58,300
KI Accommodations		64,000		64,000	1,280	62,720
Capital Housing		1,882,698		1,882,698		1,882,698
Equipment and vehicles	4,465,254	126,267		4,591,521	4,081,353	510,168
	\$ 18,938,642	2,072,965		21,011,607	8,650,294	12,361,313

15. FUEL INVENTORY

Fuel inventory consists of gas and fuel oil held for resale on hand at year end, valued at purchase price at time of delivery.

16. PREPAID EXPENSES

Prepaid expenses consist of deposits at year end for future fuel purchases.

KITCHENUHMAKOOSIB INNINUWUG
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

17. ACCUMULATED SURPLUS

A portion of this balance includes surpluses and/or deficits from funds contributed by government agencies. Such surpluses/deficits may be subject to repayment or recovery by the contributing agencies, depending on the terms and conditions of the relevant contribution arrangements. Any repayment or recovery of previous surpluses is recorded in the period of repayments or recovery as an adjustment to revenue.

18. ECONOMIC DEPENDENCE

Kitchenuhmaykoosib Inninuwug receives a major portion of its revenues pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada and Health Canada.

19. FEDERAL ASSISTANCE PAYMENTS

The Seniors Complex, the Housing Authority, the Elders Care Home and CMHC Family Housing Units receive federal assistance through Canada Mortgage and Housing Corporation, pursuant to Section 56.1 of the National Housing Act to reduce mortgage interest expense to 2% to enable the projects to provide shelter to low income individuals. The amount of the assistance received for the years ended March 31, 2014 and 2013 was \$139,782 (2013 - \$202,818).

20. CONTINGENT LIABILITY

The First Nation is currently defending a lawsuit against it by Platinex Inc. in the amount of \$10 million in general damages, \$1 million in special damages, and \$500,000 in punitive damages and legal costs for disruption of its exploration activities. The likelihood and dollar value of a possible settlement or other resolution is not determinable at this time.

KITCHENUHMAKOOISIB INNINIWUG
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

21. SEGMENT DISCLOSURE

		Band Support	2013	Budget	2014	2013	Education	Budget	2014	2013	Economic Development	Budget	2014	2013
REVENUE														
Federal government	\$ 701,788	2,374,182	2,719,999	3,015,644	3,026,644	2,544,071					249,700	196,430		
Provincial government														
Economic activities		80,000		140,000										
Net income for investments in government business enterprises														
Tangible capital assets additions	1,481,831		777,122											
Other revenue	1,055,328		1,533,705		81,324	491,748	195,423							
TOTAL REVENUE	701,788	4,991,341	5,171,060	3,096,968	3,518,392	2,739,494					802,743	1,148,754		
EXPENSES														
Honoraria - Chief and Councillors	280,800	361,219	333,086	31,500										
Wages and benefits	306,588	1,734,158	1,783,696	1,902,365	1,842,770	2,105,785								
Amortization			558,074	473,979	22,267									
Interest		12,708		14,025										
Other expenses	114,400	1,741,103	2,992,409	1,035,030	1,156,966	675,639								
TOTAL EXPENSES	701,788	4,407,262	5,597,195	2,968,895	3,022,003	2,781,424					1,030,835	964,195		
ANNUAL SURPLUS (DEFICIT)	\$	584,079	(426,135)	128,073	496,389	(41,930)					(228,092)	184,559		

KITCHENUHMAKOOSIB INNINUWUG
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

21. SEGMENT DISCLOSURE, continued

	Health Services		Public Works		Capital Projects	
	Budget	2014	2013	Budget	2014	2013
REVENUE						
Federal government	\$ 1,700,235	2,006,063	2,122,030	4,175,337	4,272,187	139,782
Provincial government	356,728	361,643	361,126	214,313	148,837	202,818
Economic activities						
Net income for investments in government business enterprises						
Tangible capital assets additions						
Other revenue		<u>171,226</u>	<u>217,179</u>	<u>2,336,926</u>	<u>812,626</u>	<u>—</u>
TOTAL REVENUE	2,056,963	2,538,932	2,700,335	6,726,576	5,233,650	—
EXPENSES						
Honoraria, Chief and Councillors	1,020,029	1,070,123	1,091,306	2,359,866	2,067,056	65,025
Wages and benefits		43,942	41,259			97,559
Amortization				17,931	870	35,437
Interest				<u>5,077,427</u>	<u>2,961,252</u>	<u>76,169</u>
Other expenses						<u>328,775</u>
TOTAL EXPENSES	2,056,963	2,375,624	2,619,100	7,455,224	5,029,178	526,796
ANNUAL SURPLUS (DEFICIT)	\$ —	<u>163,308</u>	<u>81,235</u>	<u>(728,648)</u>	<u>204,472</u>	<u>(65,661)</u>
						<u>(14,138)</u>

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KITCHENUHMAKOOOSIB INNINIWUG
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

21. SEGMENT DISCLOSURE, continued

	Community Development			Total		
	<u>Budget</u>	<u>2014</u>	<u>2013</u>	<u>Budget</u>	<u>2014</u>	<u>2013</u>
REVENUE						
Federal government	\$ 102,100	73,612		5,417,667	12,073,808	12,131,147
Provincial government				356,728	655,956	649,963
Economic activities						
Net income for investments in government business enterprises						234
Tangible capital assets additions						777,122
Other revenue		605,612	546,877	81,324	5,535,236	4,639,011
TOTAL REVENUE		707,712	620,489	5,855,719	19,746,831	18,197,477
 EXPENSES						
Honoraria, Chief and Councillors	1,500	9,698		312,300	362,719	342,784
Wages and benefits	250,465	189,993		3,228,982	7,544,289	7,537,397
Amortization					727,718	623,183
Interest					101,752	126,817
Other expenses		496,274	522,980	2,186,364	10,829,505	9,681,415
TOTAL EXPENSES		748,239	722,671	5,727,646	19,565,983	18,311,596
 ANNUAL SURPLUS (DEFICIT)	\$ (40,527)	(102,182)		128,073	180,848	(114,119)