
KITCHENUHMAKOOOSIB INNINUWUG

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

KITCHENUHMAKOOISIB INNINUWUG

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MARCH 31, 2016

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

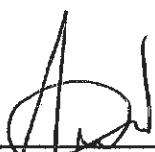
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and are ultimately responsible for reviewing and approving the consolidated financial statements.

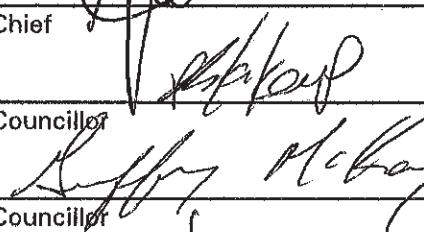
Chief and Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditors' report.

The external auditors, Collins Barrow HMA LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to the financial management of Kitchenuhmaykoosib Inninuwug and meet when required.

Chief



Councillor



Councillor

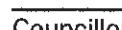


Councillor

Councillor



Councillor



Councillor



INDEPENDENT AUDITORS' REPORT

To the Chief, Council and Membership
Kitchenuhmaykoosib Inninuwug

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We have audited the accompanying consolidated financial statements of Kitchenuhmaykoosib Inninuwug, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 generally accepted auditing standards. Because of the matters described in the Basis of Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

During the year the entity demonstrated significant weaknesses in internal controls. As a result we were not able to gain satisfactory audit evidence in the following areas:

Cash and Cash Equivalents

We have been unable to satisfy ourselves with the completeness and existence of cash and its components. There were several bank accounts not reconciled, and there was a lack of supporting documentation to support these transactions. As a result, we were not able to assess whether potentially material adjustments were required to the cash, revenues, and expenditures.

Accounts Receivable and Accrued Receivables

We have been unable to satisfy ourselves with the completeness, valuation and existence of accounts receivable, due to the receivables not being properly maintained in the receivable sub-ledger, nor were documentation or agreements being retained. As a result, we were not able to assess whether potentially material adjustments were required to accounts receivables, amounts due from band members, accrued receivables and related revenues.

Inventory

We have been unable to satisfy ourselves with the completeness, existence, and valuation of inventory, for there was no inventory count sheet provided for fuel, groceries and other miscellaneous items, nor were we able to observe the inventory as at year end. As a result, we were not able to assess whether potentially material adjustments were required to the inventory and cost of goods sold.



Investments

We have been unable to satisfy ourselves with the completeness, existence, rights and obligations and valuation as on the date of the statement of financial position. We have not been provided any documentation to ascertain the existence and valuation of the investment. As a result, we were not able to assess whether potentially material adjustments were required.

Tangible Capital Assets

We have been unable to satisfy ourselves over the completeness, existence, and valuation of tangible capital assets as well as the accuracy of the amounts recorded in the accumulated amortization. There is a lack of documentation to support the additions and disposals during the year, specifically on the community buildings and infrastructure. As a result, we were not able to assess whether potentially material adjustments were required to tangible capital assets, accumulated amortization, and expenses.

Due to / from Related Parties

We have been unable to satisfy ourselves over the completeness, existence, and valuation of the amounts due to/from related parties as well as the completeness, classification, accuracy and occurrence of the revenues and expenditures related to these transactions. Many of these balances were not reconciled, and there was a lack of supporting documentation to support these transactions. As a result, we were not able to assess whether potentially material adjustments were required to amounts due to/from related parties, revenues, and expenditures.

Accounts Payable and Accrued Liabilities

We have been unable to satisfy ourselves with the existence and completeness of the recorded payables, due to the invoices not being entered or retained, and the sub-ledgers not being properly maintained. As a result, we were not able to assess whether potentially material adjustments were required to accounts payable, due to Indigenous and Northern Affairs Canada, and accrued liabilities and expenses.

Deferred Revenues

We have been unable to satisfy ourselves with the existence and completeness of recorded deferred revenues and the completeness, occurrence and accuracy of the related deferred revenue. This is due to inadequate support and errors in the recording of the related revenues and expenditures in the programs. As a result, we were not able to assess whether potentially material adjustments were required to the deferred revenues, due to Indigenous and Northern Affairs Canada, and expenses.

Contingencies and Commitments

We have been unable to satisfy ourselves with the completeness and existence of contingencies and commitments for or against the Kitchenuhmaykoosib Inninuwug. We have not been able to make the necessary enquiries nor were we able to obtain or review applicable documents. As a result, we were not able to assess whether potentially material adjustments were required to record the accruals and disclosures of contingencies and commitments.

Payroll

We have been unable to satisfy ourselves with the completeness, occurrence, and accuracy of payroll expenses, and completeness of vacation and source deduction payables, due to lack of documentation related to payroll records. As a result, we were not able to assess whether potentially material adjustments were required for accrued payroll and source deductions and payroll expenditures.

Disclaimer of Opinion

Due to the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Collins Barrow HMA LLP
Chartered Professional Accountants

Winnipeg, Manitoba
January 20, 2017

KITCHENUHMAKOOSIB INNINUWUG

STATEMENT 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

| | 2016 | 2015 (Restated) |
|--|------|--------------------|
|--|------|--------------------|

FINANCIAL ASSETS

| | | |
|------------------------------|------------------|------------------|
| Cash | \$ 541,773 | \$ 913,205 |
| Restricted cash (Note 3) | 21,028 | 10,444 |
| Accounts receivable (Note 4) | 245,781 | 144,353 |
| Investments (Note 5) | <u>3,592,842</u> | <u>3,592,842</u> |
| Total financial assets | <u>4,401,424</u> | <u>4,660,844</u> |

LIABILITIES

| | | |
|---|---------------------|---------------------|
| Bank indebtedness (Note 6) | 5,000 | |
| Accounts payable and accrued liabilities (Note 7) | 4,263,400 | 2,756,986 |
| Deferred revenue and other long-term liabilities (Note 8) | 128,324 | |
| Capital lease obligation (Note 9) | 143,403 | 251,185 |
| Long-term debt (Note 10) | <u>3,725,731</u> | <u>5,111,235</u> |
| Total liabilities | <u>8,265,858</u> | <u>8,119,406</u> |
| Net debt | <u>(3,864,434)</u> | <u>(3,458,562)</u> |

NON-FINANCIAL ASSETS

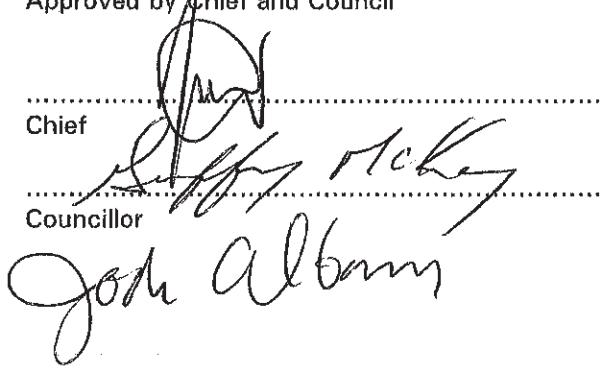
| | | |
|-----------------------------------|---------------------|----------------------|
| Tangible capital assets (Note 11) | 13,506,689 | 14,906,143 |
| Inventory | 201,222 | 722,686 |
| Prepaid expenses | - | 85,000 |
| Total non-financial assets | <u>13,707,911</u> | <u>15,713,829</u> |
| Accumulated surplus | <u>\$ 9,843,477</u> | <u>\$ 12,255,267</u> |

Contingent liabilities (Note 12)

Approved by Chief and Council

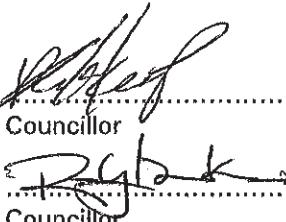
Chief

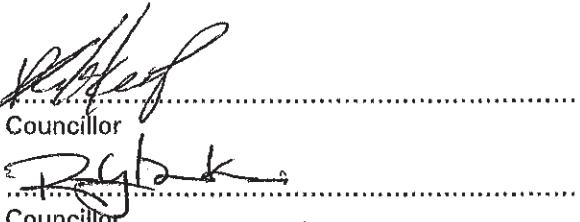
Councillor


John Albrecht

Councillor

Councillor


Régis


Delphine Rachielle


COLLINS
BARROW

KITCHENUHMAKOOSIB INNINUWUG

STATEMENT 2

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED MARCH 31

| | 2016 | 2015 (Restated) |
|---|---------------------|----------------------|
| REVENUE | | |
| Indigenous and Northern Affairs Canada (<i>Note 13</i>) | \$ 8,992,877 | \$ 9,777,124 |
| Health Canada | 1,946,228 | 1,821,958 |
| CMHC | 245,853 | 211,248 |
| Canada Post | 60,958 | 50,796 |
| Local revenue | 3,762,093 | 5,937,832 |
| Provincial Government | 443,733 | 134,108 |
| Other | 3,065,106 | 2,876,716 |
| OFNLP | 1,183,172 | 1,178,809 |
| SLAAMB | <u>128,373</u> | <u>62,405</u> |
| | <u>19,828,393</u> | <u>22,050,996</u> |
| EXPENDITURES | | |
| Band support and admin | 3,001,804 | 4,327,764 |
| Public works | 5,948,376 | 6,037,445 |
| Education | 3,283,686 | 4,348,087 |
| Housing | 1,619,817 | 1,200,721 |
| Capital projects | 251,082 | 535,014 |
| Social economic and development | 686,513 | 627,154 |
| Health care | 2,009,749 | 2,113,793 |
| KI Economic development | 155,184 | 151,277 |
| Local revenue | 4,478,280 | 2,888,220 |
| Equay Wuk Shelter | <u>805,692</u> | <u>774,196</u> |
| | <u>22,240,183</u> | <u>23,003,671</u> |
| ANNUAL DEFICIT | (2,411,790) | (952,675) |
| ACCUMULATED SURPLUS, <i>beginning of year</i> | 12,255,267 | 11,980,618 |
| Prior period adjustment (<i>Note 2</i>) | - | 1,227,324 |
| ACCUMULATED SURPLUS, <i>end of year</i> | \$ 9,843,477 | \$ 12,255,267 |

KITCHENUHMAKOOSIB INNINUWUG

STATEMENT 3

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED MARCH 31

| | 2016 | 2015 (Restated) |
|---|-------------------------------|-------------------------------|
| Annual deficit | <u><u>\$ (2,411,790)</u></u> | <u><u>\$ (952,675)</u></u> |
| Acquisition of tangible capital assets and construction in progress | <u><u>(657,642)</u></u> | <u><u>(2,239,970)</u></u> |
| Amortization of tangible capital assets | <u><u>2,057,091</u></u> | <u><u>1,766,993</u></u> |
| Acquisition of construction in progress | <u><u>-</u></u> | <u><u>(715,670)</u></u> |
| | <u><u>1,399,449</u></u> | <u><u>(1,188,647)</u></u> |
| Acquisition of fuel inventory | <u><u>(201,222)</u></u> | <u><u>(722,686)</u></u> |
| Acquisition of prepaid expenses | | <u><u>(85,000)</u></u> |
| Use of fuel inventory | <u><u>722,686</u></u> | <u><u>772,215</u></u> |
| Use of prepaid expenses | <u><u>85,000</u></u> | <u><u>500,000</u></u> |
| | <u><u>606,464</u></u> | <u><u>464,529</u></u> |
| CHANGE IN NET DEBT FOR YEAR | <u><u>(405,877)</u></u> | <u><u>(1,676,793)</u></u> |
| NET DEBT, <i>beginning of year</i> | <u><u>(3,458,562)</u></u> | <u><u>(1,781,769)</u></u> |
| NET DEBT, <i>end of year</i> | <u><u>\$ (3,864,439)</u></u> | <u><u>\$ (3,458,562)</u></u> |

KITCHENUHMAKOOSIB INNINUWUG

STATEMENT 4

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

| | 2016 | 2015 (Restated) |
|--|------|--------------------|
|--|------|--------------------|

CASH FLOW FROM

OPERATING ACTIVITIES

| | | |
|--|-------------------------|-------------------------|
| Cash received from funding and other sources | \$ 19,726,965 | \$ 22,796,335 |
| Cash paid to suppliers and employees | <u>(18,055,251)</u> | <u>(20,915,885)</u> |
| | <u><u>1,671,714</u></u> | <u><u>1,880,450</u></u> |

INVESTING ACTIVITIES

| | | |
|---|--------------------------|----------------------------|
| Acquisition of tangible capital assets and construction in progress | (657,642) | (2,239,970) |
| Repayment of advances by First Nation members | <u>-</u> | <u>430,414</u> |
| | <u><u>(657,642)</u></u> | <u><u>(1,809,556)</u></u> |

FINANCING ACTIVITIES

| | | |
|-------------------------------|----------------------------|-------------------------|
| Acquisition of long term debt | 1,428,611 | |
| Repayment of bank loan | <u>(1,385,504)</u> | <u>(1,472,745)</u> |
| | <u><u>(1,385,504)</u></u> | <u><u>(44,134)</u></u> |

NET INCREASE (DECREASE) IN CASH DURING YEAR

| | | |
|--------------------------------|--------------------------|--------------------------|
| CASH, <i>beginning of year</i> | <u>913,205</u> | <u>886,445</u> |
| CASH, <i>end of year</i> | <u><u>\$ 541,773</u></u> | <u><u>\$ 913,205</u></u> |

CASH COMPRISED OF

| | | |
|------|-------------------|-------------------|
| Cash | <u>\$ 541,773</u> | <u>\$ 913,205</u> |
|------|-------------------|-------------------|

KITCHENUHMAKOOSIB INNINUWUG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards, as defined by the Chartered Professional Accountants of Canada Public Sector Accounting Handbook, which encompasses the following principles:

REPORTING ENTITY

The Kitchenuhmaykoosib Inninuwug (the Nation) reporting entity includes the Kitchenuhmaykoosib Inninuwug Nation government and all related entities which are accountable to The Nation and are either owned or controlled by The Nation.

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

- Kitchenuhmaykoosib Inninuwug Band
- Kitchenuhmaykoosib Inninuwug Local Revenue
- Kitchenuhmaykoosib Inninuwug Equay Wuk Shelter

Incorporated and unincorporated business entities which are owned and controlled by The Nation but which are not dependent on The 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.

ASSET CLASSIFICATION

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

SHORT TERM INVESTMENTS

Short term investments are recorded at lower of cost and market value.

INVESTMENTS

Portfolio investments are recorded at cost, less an allowance to reflect any decline in value. the Nation investments in various commercial enterprises are accounted for using the modified equity method. Under the modified equity method, the cost of the investments are adjusted for the Nation's share of the commercial enterprises' income or loss less dividends.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2016****1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)******INVENTORY***

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

NET DEBT

The Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of The Nation is determined by its liabilities less its financial assets. Net debt combined with non-financial assets comprises a second indicator of financial position, accumulated surplus.

TANGIBLE CAPITAL ASSETS

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Social housing assets acquired under Canada Mortgage and Housing Corporation ("C.M.H.C.") sponsored programs are amortized over their estimated useful lives at a rate equivalent to the annual principle reduction in the related long term debt. Tangible capital assets are amortized annually using the straight line method (except where noted) at rates intended to amortize the cost of the assets over their estimated useful lives. Amortization of tangible capital assets is recorded on a straight line basis at the following annual rates:

| | |
|---------------------|-----|
| Infrastructure | 4% |
| Land and Building | 20% |
| Equipment & Vehicle | 20% |
| General Housing | 5% |

Amortization is computed at one-half of the annual amortization in the year of acquisition.

SEGMENTS

The Nation conducts its business through ten reportable segments. These operating segments are established by senior management to facilitate the achievement of the Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

REVENUErecognition

All revenue is recorded on the accrual basis whereby amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue.

Funding received under the terms of contribution agreements with the federal government is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted by the federal government for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2016**

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)****FINANCIAL INSTRUMENTS***

Financial instruments include cash, accounts receivable, investments, accounts payable and accrued liabilities and long term debt. Unless otherwise stated, it is management's opinion that the Nation is not exposed to significant interest, currency, or credit risks arising from these financial instruments. Unless otherwise stated, the carrying value of the Nation's financial assets and liabilities approximates their fair value.

FAIR VALUE

Due to the short term nature of all financial instruments other than long term debt and investments, the carrying value as presented in the financial statements is a reasonable estimate of fair value. Management has estimated fair value by reference to established financial markets. As is true for all estimates, actual fair value could differ from this estimate, and if so any difference would be accounted for in the period in which it becomes known. For long term investments and long term debt it is not practicable within constraints of timeliness or cost to determine the fair value with sufficient reliability because the instruments are not traded in an organized financial market.

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

2. PRIOR PERIOD ADJUSTMENT

The Nation has unrecorded transactions in Cash, Investments, Long Term Debt and Tangible Capital Assets. The prior year adjustment is recorded to corrections in comparative information as on March 31, 2015.

The Nation has an overstated account payable and accrued liabilities. To correct accounts payable, a prior year adjustment has been recorded.

The following table outlines the impact of this change on the prior period:

| | As previously reported | Increase (Decrease) | Restated |
|---|---------------------------|------------------------|--------------|
| <u>Consolidated Statement of Financial Position</u> | | | |
| Financial Assets | | | |
| Cash | \$ 711,373 | \$ 201,832 | \$ 913,205 |
| Investments | \$ 3,723,438 | \$(130,596) | \$ 3,592,842 |
| Liabilities | | | |
| Accounts payable and accrued liabilities | (4,023,764) | 1,266,778 | (2,756,986) |
| Long-term debt | (4,670,009) | (441,226) | (5,111,235) |
| Net Debt | (4,355,350) | 896,788 | (3,458,562) |
| Non-financial Assets | | | |
| Tangible capital assets | 13,859,937 | 1,046,206 | 14,906,143 |
| Accumulated Surplus | 10,312,273 | 1,942,994 | 12,255,267 |
| <u>Consolidated Statement of Operations</u> | | | |
| Accumulated Surplus, beginning of year | 11,980,618 | - | 11,980,618 |
| Accumulated Surplus, end of year | 10,312,273 | 1,942,994 | 12,255,267 |
| <u>Consolidated Statement of Change in Net Debt</u> | | | |
| Net Debt, beginning of the year | (3,009,093) | 1,227,324 | (1,781,769) |
| Net Debt, end of the year | (4,355,350) | 896,788 | (3,458,562) |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

3. RESTRICTED CASH

CMHC Replacement Reserve

As required, as part of the Nation's Canada Mortgage and Housing Corporation ("CMHC") Housing program, a separate bank account has been established for replacement of capital equipment and for major repairs to tangible capital assets. Under the terms of the agreements with CMHC, the replacement reserve must either be held in a separate bank account or invested in accounts or instruments secured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. At March 31, 2016, \$10,479 (2015 - \$114) had been deposited into separate accounts leaving an unfunded balance of \$280,111 (2015 -\$265,243)

Ottawa Trust Fund

The Ottawa Trust Fund arises 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. Revenue from the Ottawa Trust Fund is recognized in the year in which it is earned when it is measurable and collection is reasonably assured. Capital and revenue trust monies are transferred to The Nation on the authorization of the Minister of Indigenous and Northern Affairs Canada, with the consent of The Nation's Council.

| | 2 0 1 6 | 2 0 1 5 |
|----------------------------|------------------|-----------|
| CMHC Replacement Reserve | 10,479 | 114 |
| Ottawa Trust Fund | | |
| Balance, beginning of year | 10,330 | 10,046 |
| Interest | 219 | 284 |
| Balance, end of year | 10,549 | 10,330 |
| | \$ 21,028 | \$ 10,444 |

4. ACCOUNTS RECEIVABLE

| | 2 0 1 6 | 2 0 1 5 |
|---|---------------------------------------|----------------------|
| Indigenous and Northern Affairs Canada | | |
| Education planning, design and construction | \$ 38,806 | \$ 4,108 |
| Planning, design and construction | 6,000 | 38,806 |
| Special services | 7,000 | 37,594 |
| Local roads & bridges | 20,488 | 6,000 |
| FNWWAP Water <1.5 M | 73,709 | 40,845 |
| C.M.H.C. | 138,365 | 159,761 |
| Housing rents | Subtotal | 17,000 |
| Trade and other | Less: Allowance for doubtful accounts | 304,114 |
| Subtotal | Housing rents | (38,587) (159,761) |
| | \$ 245,781 | \$ 144,353 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

5. INVESTMENTS

| | 2 0 1 6 | 2 0 1 5 |
|----------------------------|----------------------------|----------------------------|
| Investments in enterprises | \$ 4,507,386 | \$ 4,507,386 |
| Share of income to date | <u>(914,544)</u> | <u>(914,544)</u> |
| | <u><u>\$ 3,592,842</u></u> | <u><u>\$ 3,592,842</u></u> |

6. BANK INDEBTEDNESS

2 0 1 6 2 0 1 5

Royal Bank of Canada, revolving line of credit, bearing interest at prime plus 3%, repayable on demand of principal 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.

\$ 5,000 \$ -

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

2 0 1 6 2 0 1 5

Payable to INAC

| | | |
|--------------------------|----------------------------|----------------------------|
| National Child Benefit | \$ 87,043 | \$ 87,043 |
| Equay Wuk Shelter | 40,129 | 18,104 |
| Trade and other payables | <u>4,136,228</u> | <u>2,651,839</u> |
| | <u><u>\$ 4,263,400</u></u> | <u><u>\$ 2,756,986</u></u> |

8. DEFERRED REVENUE

2 0 1 6 2 0 1 5

Indigenous and Northern Affairs Canada
Fuel assets and diesel generator sites

\$ 128,324 \$ -

9. OBLIGATIONS UNDER CAPITAL LEASE

2 0 1 6 2 0 1 5

Capital lease obligation, payable in monthly installments of \$3,223 including interest at 5.90%, due March 2017, secured by assignment of minor capital and lease equipment.

\$ 40,491 \$ 77,349

Capital lease obligation, payable in monthly installments of \$5,994 including interest at 6.03%, due August 2017, secured by assignment of minor capital and lease equipment.

102,912 173,836

\$ 143,403 \$ 251,185

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

10. LONG TERM DEBT

| | 2 0 1 6 | 2 0 1 5 |
|--|------------|-----------|
| 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, due February 26, 2016. | \$ 550,000 | |
| 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, due February 27, 2016. | 550,000 | |
| C.M.H.C. mortgage, 1.99%, repayable in monthly installments of \$3,067 (Principal & Interest), due May 2019, secured by Ministerial Guarantee. | 421,517 | 450,409 |
| C.M.H.C. mortgage, 1.62%, repayable in monthly installments of \$2,214 (Principal & Interest), due March 2018, secured by Ministerial Guarantee. | 391,398 | 412,020 |
| C.M.H.C. mortgage, 1.62%, repayable in monthly installments of \$5,802 (Principal & Interest), due March 2018, secured by Ministerial Guarantee. | 1,572,213 | 1,079,700 |
| C.M.H.C. mortgage, 1.85%, repayable in monthly installments of \$6,893 (Principal & Interest), due August 2039, secured by Ministerial Guarantee and assignment of fire insurance. | 1,025,686 | 1,627,880 |
| NADF, repayable in monthly installments of \$3,686 (Principal & Interest) due November 2018, secured by general security agreement, PPSA registration and promissory note. | 96,825 | 128,252 |
| John Deere Financial, repayable in monthly installments of \$5,706 (Principal & Interest) due March 2018, secured by instalment contract and title of ownership. | 149,151 | 192,113 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

10. LONG TERM DEBT *(continued)*

| | 2 0 1 6 | 2 0 1 5 |
|--|----------------------------|----------------------------|
| John Deere Financial, repayable in monthly installments of \$3,603 (Principal & Interest) due March 2018, secured by instalment contract and title of ownership. | 50,038 | 82,864 |
| John Deere Financial, repayable in monthly installments of \$1,758 (Principal & Interest) due March 2018, secured by instalment contract and title of ownership. | <u>18,903</u> | <u>37,997</u> |
| | \$ 3,725,731 | \$ 5,111,235 |
| Less current portion | <u>(328,243)</u> | <u>(253,825)</u> |
| | <u><u>\$ 3,397,488</u></u> | <u><u>\$ 4,857,410</u></u> |

The scheduled principal amounts payable within the next five years to meet retirement provisions are estimated to be as follows:

| | |
|----------------|----------------------------|
| March 31, 2017 | \$ 328,243 |
| 2018 | 257,311 |
| 2019 | 162,186 |
| 2020 | 165,074 |
| 2021 | 168,013 |
| Thereafter | <u>2,644,904</u> |
| | <u><u>\$ 3,725,731</u></u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

11. TANGIBLE CAPITAL ASSETS

| | Cost | | | | Accumulated Amortization | | | | Net Book Value | |
|--|----------------------|-------------------|---|----------------------|--------------------------|---------------------|---|----------------------|----------------------|----------------------|
| | Opening Balance | Additions | Disposals, Write-offs & Adjustments | Closing Balance | Opening Balance | Amortization | Disposals, Write-offs & Adjustments | Closing Balance | Total | Total |
| | | | | | | | | | 2016 | 2015 |
| Infrastructure Assets under construction | \$ 15,227,779 | \$ 412,942 | \$ 59,000 | \$ 15,581,721 | \$ 8,924,917 | \$ 611,739 | \$ | \$ 9,536,656 | \$ 6,045,065 | \$ 6,302,862 |
| Land & Building | 715,670 | | | 715,670 | | | | | 715,670 | 715,670 |
| Housing | 3,264,036 | | | 3,264,036 | 1,643,712 | 527,419 | | 2,171,131 | 1,092,905 | 1,620,324 |
| Equipment & Vehicle | 5,825,321 | | | 5,825,321 | 2,173,476 | 153,855 | | 2,327,331 | 3,497,990 | 3,651,845 |
| | <u>4,654,345</u> | <u>303,700</u> | <u>-</u> | <u>4,958,045</u> | <u>2,038,903</u> | <u>764,078</u> | <u>-</u> | <u>2,802,981</u> | <u>2,155,064</u> | <u>2,615,442</u> |
| | <u>\$ 29,687,151</u> | <u>\$ 716,642</u> | <u>\$ 59,000</u> | <u>\$ 30,344,793</u> | <u>\$ 14,781,008</u> | <u>\$ 2,057,091</u> | <u>\$ -</u> | <u>\$ 16,838,099</u> | <u>\$ 13,506,694</u> | <u>\$ 14,906,143</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2016****12. CONTINGENT LIABILITIES**

The Nation has signed agreements with various government bodies for funding of programs which may require that surpluses be returned. If any amounts become repayable, they will be accounted for in the year of determination.

13. RECONCILIATION OF INDIGENOUS AND NORTHERN AFFAIRS CANADA REVENUE

| | 2 0 1 6 | 2 0 1 5 |
|--|----------------------------|----------------------------|
| Agreement: #1415-ON-000004 | \$ 8,970,264 | \$ 9,694,171 |
| National Child Benefit #CIDM#583355 | <u>188,100</u> | <u>188,100</u> |
| | 9,158,364 | 9,882,271 |
| Less: Revenue deferred to subsequent year | | |
| Fuel assets and diesel generator sites | (128,324) | |
| Repayable to I.N.A.C. for Equay Wuk Shelter | (37,163) | (18,104) |
| Repayable to I.N.A.C. for National Child Benefit | <u>-</u> | <u>87,043</u> |
| TOTAL INAC REVENUE PER FINANCIAL STATEMENTS | <u>\$ 8,992,877</u> | <u>\$ 9,777,124</u> |

14. ECONOMIC DEPENDENCE

The Nation receives a majority of its revenue from the department of Indigenous and Northern Affairs Canada (I.N.A.C.) and Health Canada as a result of treaties entered into with the Government of Canada. These treaties are administered by I.N.A.C. and Health Canada under the terms and conditions of the Indian Act. The ability of the the Nation to continue its operation is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties. Simultaneously, the Nation is also attempting to develop alternate sources of revenue in order to become self-sufficient.

15. RELATED PARTY TRANSACTIONS

In the normal course of business the Nation enters into transactions with related parties. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Due to the significant volume of transactions between the Nation and related parties, aggregate revenue and expenditures derived from related parties is not determinable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2016****16. EXPENSES BY OBJECT**

The following is a summary of expenses by object:

| | 2 0 1 6 | 2 0 1 5 |
|---------------------------|-----------------------------|-----------------------------|
| Administration | \$ 134,674 | \$ 116,421 |
| Amortization | 2,057,091 | 1,766,993 |
| Bad debt | 657,874 | 160,467 |
| Bank charges | 206,665 | 133,020 |
| Contribution to community | 963,619 | 6,499,330 |
| Income assistance | 19,297 | 235,065 |
| Office expenses | 1,734,787 | 793,759 |
| Professional fees | 965,187 | 537,792 |
| Program costs | 4,425,971 | 2,464,633 |
| Rent | 3,501 | 11,169 |
| Salaries and benefits | 8,734,080 | 8,141,156 |
| Services | 201,808 | 1,419,722 |
| Social assistance | 75,022 | 104,692 |
| Travel | 1,117,108 | 483,220 |
| Utilities | 567,298 | 11,595 |
| Workshops & training | <u>376,201</u> | <u>124,637</u> |
| | <u>\$ 22,240,183</u> | <u>\$ 23,003,671</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31 2016

17. SEGMENT DISCLOSURE

The Nation provides a range of services to its members. For management reporting purposes, operations and activities are reported by department. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies in Note 1. The segment results for the year are as follows:

| | Band Support and Admin | | Public Works | | Education | | Housing | | Capital Projects | |
|-------------------------|------------------------|-----------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|--------------------|-------------------|--------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues | | | | | | | | | | |
| Federal Government | | | | | | | | | | |
| INAC | \$ 722,733 | \$ 717,766 | \$ 3,491,411 | \$ 3,059,985 | \$ 2,838,029 | \$ 4,078,196 | \$ 817,067 | \$ 805,076 | \$ 40,648 | |
| CMHC | | | | | | | 245,853 | 211,248 | | |
| Canada Post Corporation | 60,958 | 50,796 | | | | | | | | |
| Other | <u>1,694,625</u> | <u>1,271,586</u> | <u>1,867,744</u> | <u>1,875,008</u> | <u>167,076</u> | <u>98,820</u> | <u>372,026</u> | <u>254,148</u> | <u>249,021</u> | <u>475,519</u> |
| Total revenue | <u>2,478,316</u> | <u>2,040,148</u> | <u>5,359,155</u> | <u>4,934,993</u> | <u>3,005,105</u> | <u>4,177,016</u> | <u>1,434,946</u> | <u>1,270,472</u> | <u>249,021</u> | <u>516,167</u> |
| Expenses | | | | | | | | | | |
| Amortization | 1,185,006 | 1,572,177 | | | | | 153,855 | 143,461 | | |
| Other | 738,591 | 1,866,919 | 3,880,059 | 4,469,321 | 1,002,004 | 1,640,098 | 1,026,999 | 639,267 | 174,725 | 450,545 |
| Salaries and benefits | <u>1,078,207</u> | <u>888,668</u> | <u>2,068,317</u> | <u>1,568,124</u> | <u>2,281,682</u> | <u>2,707,989</u> | <u>438,963</u> | <u>417,993</u> | <u>76,357</u> | <u>84,469</u> |
| Total expenses | <u>3,001,804</u> | <u>4,327,764</u> | <u>5,948,376</u> | <u>6,037,445</u> | <u>3,283,686</u> | <u>4,348,087</u> | <u>1,619,817</u> | <u>1,200,721</u> | <u>251,082</u> | <u>535,014</u> |
| Surplus (Deficit) | <u>\$(523,488)</u> | <u>\$(2,287,616)</u> | <u>\$(589,221)</u> | <u>\$(1,102,452)</u> | <u>\$(278,581)</u> | <u>\$(171,071)</u> | <u>\$(184,871)</u> | <u>\$(69,751)</u> | <u>\$(2,061)</u> | <u>\$(18,847)</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31 2016

17. SEGMENT DISCLOSURE (continued)

| | Socio-Economic and Development | | Health Care | | KI Economic Development | | Local Revenue | | Equay Wuk Shelter | |
|--------------------------|--------------------------------|----------------------------|-------------------------|----------------------------|---------------------------|---------------------------|----------------------------|----------------------------|---------------------------|-------------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues | | | | | | | | | | |
| Federal Government | | | | | | | | | | |
| INAC | \$ 256,600 | \$ 188,557 | \$ 223,159 | \$ 200,575 | \$ 1,723,069 | \$ 1,621,383 | \$ 112,700 | \$ 112,700 | \$ 754,337 | \$ 774,196 |
| Health Canada | | | | | | | | | | |
| CMHC | | | | | | | | | | |
| Canada Post Corporation | | | | | | | | | | |
| Other | <u>167,515</u> | <u>124,802</u> | <u>289,500</u> | <u>141,663</u> | <u>9,000</u> | <u>-</u> | <u>3,762,094</u> | <u>5,937,832</u> | <u>3,876</u> | <u>10,492</u> |
| Total revenue | <u>647,274</u> | <u>513,934</u> | <u>2,012,569</u> | <u>1,763,046</u> | <u>121,700</u> | <u>112,700</u> | <u>3,762,094</u> | <u>5,937,832</u> | <u>758,213</u> | <u>784,688</u> |
| Expenses | | | | | | | | | | |
| Amortization | | | | | | | | | | |
| Other | 286,629 | 259,788 | 754,799 | 1,029,783 | 30,933 | 13,544 | 666,875 | 51,355 | 51,355 | |
| Salaries and benefits | <u>399,884</u> | <u>367,366</u> | <u>1,254,950</u> | <u>1,084,010</u> | <u>124,251</u> | <u>137,733</u> | <u>3,250,626</u> | <u>2,521,196</u> | <u>303,647</u> | <u>205,061</u> |
| Total expenses | <u>686,513</u> | <u>627,154</u> | <u>2,009,749</u> | <u>2,113,793</u> | <u>155,184</u> | <u>151,277</u> | <u>4,478,280</u> | <u>2,888,220</u> | <u>805,692</u> | <u>774,196</u> |
| Surplus (Deficit) | <u>\$(39,239)</u> | <u>\$(113,220)</u> | <u>\$ 2,820</u> | <u>\$(350,747)</u> | <u>\$(33,484)</u> | <u>\$(38,577)</u> | <u>\$(716,186)</u> | <u>\$ 3,049,612</u> | <u>\$(47,479)</u> | <u>\$ 10,492</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31 2016

17. SEGMENT DISCLOSURE *(continued)*

| | Elimination | | TOTAL | |
|-------------------------|-------------|-------------|-----------------------|---------------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Revenues | | | | |
| Federal Government | | | | |
| INAC | \$ | \$ | \$ 8,992,877 | \$ 9,777,124 |
| Health Canada | | | 1,946,228 | 1,821,958 |
| CMHC | | | 245,853 | 211,248 |
| Canada Post Corporation | | | 60,958 | 50,796 |
| Other | | | <u>8,582,477</u> | <u>10,189,870</u> |
| Total revenue | <u>-</u> | <u>-</u> | <u>19,828,393</u> | <u>22,050,996</u> |
| Expenses | | | | |
| Amortization | | | 2,057,091 | 1,766,993 |
| Other | | | 11,449,012 | 13,095,522 |
| Salaries and benefits | | | <u>8,734,080</u> | <u>8,141,156</u> |
| Total expenses | <u>-</u> | <u>-</u> | <u>22,240,183</u> | <u>23,003,671</u> |
| (Deficit) Surplus | \$ <u>-</u> | \$ <u>-</u> | <u>\$(2,411,790)</u> | <u>\$(952,675)</u> |