

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

KASABONIKA LAKE FIRST NATION
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FOR THE YEAR ENDED MARCH 31, 2015

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KASABONIKA LAKE FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

Management is responsible for the integrity and objectivity of the 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 all 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 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 have full and free access to Council.


CHIEF
COUNCILLOR
COUNCILLOR
COUNCILLOR

Holukoff Chiarella

CHARTERED ACCOUNTANTS

EXHIBIT "A"

Kevin Masse, B.Comm. (Hons), C.A.
(Practising as Kevin Masse Chartered Accountant Ltd.)

Ralph Orr, B.Comm. (Hons), C.A.
(Practising as Ralph Orr Chartered Accountant Ltd.)

Wayne H. Chiarella, B.A., C.A. (Retired 2011)

Sam Holukoff, C.A. (Retired 2005)

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Kasabonika Lake First Nation, which comprise the consolidated statement of financial position as at March 31, 2015 and the consolidated statements of accumulated surplus, operations, change 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 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kasabonika Lake First Nation as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

WINNIPEG, MANITOBA
August 17, 2015.



CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

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

	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash, Note 3	\$ 2,687,625	4,237,830
Accounts receivable, Note 4	3,912,925	1,322,118
Investments, Note 5	176,197	158,277
Equity in commercial enterprises, Note 5	(65,069)	28,057
Funds on deposit with Aboriginal Affairs and Northern Development Canada, Note 6	<u>13,091</u>	<u>12,731</u>
Total financial assets	<u>6,724,769</u>	<u>5,759,013</u>
LIABILITIES		
Bank indebtedness, Note 7	165,000	110,000
Accounts payable, Note 8	1,782,590	2,505,599
Deferred revenue, Note 9	4,723,536	3,490,226
Long term debt, Note 10	7,702,601	5,415,274
Reserves, Note 11	<u>118,624</u>	<u>124,860</u>
Total liabilities	<u>14,492,351</u>	<u>11,645,959</u>
NET DEBT, Exhibit "E"	<u>(7,767,582)</u>	<u>(5,886,946)</u>
NON-FINANCIAL ASSETS		
Inventory and prepaid expenses, Note 12		508,927
Tangible capital assets, Note 13	14,212,734	16,275,773
Tangible capital assets under construction, Note 13	<u>10,344,976</u>	<u>2,517,917</u>
	<u>24,557,710</u>	<u>19,302,617</u>
ACCUMULATED SURPLUS, Exhibit "C"	\$ <u>16,790,128</u>	<u>13,415,671</u>

CONTINGENCIES AND COMMITMENTS, Notes 19 and 20

APPROVED BY:


CHIEF


COUNCILLOR


COUNCILLOR


COUNCILLOR

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

	<u>2015</u>	<u>2014</u>
BALANCE AT BEGINNING OF YEAR	\$ 13,415,671	11,500,729
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	<u>3,374,457</u>	<u>1,914,942</u>
BALANCE AT END OF YEAR	\$ <u>16,790,128</u>	<u>13,415,671</u>

KASABONIKA LAKE FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2015

	2015		2014
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
REVENUE			
Federal Government			
AANDC	\$ 20,381,547	12,670,619	12,514,796
Health Canada			
Funding agreements	1,526,718	1,526,718	1,598,787
Capital renovations			55,638
Canada Mortgage and Housing Corporation	345,240	345,240	435,083
Provincial government	2,905,718	2,723,365	2,701,208
Ontario First Nations Limited Partnership	1,030,292	1,030,292	1,158,581
Other	<u>6,461,493</u>	<u>2,993,664</u>	<u>365,909</u>
	<u>32,651,008</u>	<u>21,289,898</u>	<u>18,830,002</u>
EXPENSES			
Band Support	1,142,990	1,044,587	1,434,349
Municipal Services	2,063,528	2,593,301	2,318,448
Sineonokway Education Authority	3,103,338	3,085,924	3,113,945
Social Services	2,107,626	2,653,767	2,483,291
Economic Development	82,300	219,824	82,692
Capital Projects	874,931	2,919,460	1,383,827
Kasabonika Lake Housing Authority	263,099	280,504	314,162
OFNLP	1,085,571	33	28
Health Services	1,717,499	1,779,565	1,622,695
Other Programs	<u>21,438,158</u>	<u>9,084,873</u>	<u>6,117,494</u>
	<u>33,879,040</u>	<u>23,661,238</u>	<u>18,870,931</u>
ANNUAL SURPLUS (DEFICIT)			
BEFORE OTHER ITEMS	(1,228,032)	(2,371,940)	(40,929)
OTHER ITEMS			
Transfer to tangible capital assets	7,630,593	7,821,605	3,855,939
Amortization	<u>(2,075,208)</u>	<u>(2,075,208)</u>	<u>(1,900,068)</u>
ANNUAL SURPLUS (DEFICIT)	\$ <u>4,327,353</u>	<u>3,374,457</u>	<u>1,914,942</u>

EXHIBIT "D-1"

KASABONIKA LAKE FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2015

	Revenue		Expenses	Transfers	Annual Surplus (Deficit)	Fund Balance at Beginning of Year	Fund Balance at End of Year
	AANDC	Other					
Band Support	\$ 979,236	337,615	1,044,587	59,155	331,419	2,248,060	2,579,479
Municipal Services	1,963,594	172,121	2,593,301	64,951	(392,635)	(244,751)	(637,386)
Sineonokway Education Authority	2,695,056	284,182	3,085,924	60,512	(46,174)	485,366	439,192
Social Services	434,077	2,235,291	2,653,767		15,601	(83,793)	(68,192)
Economic Development	82,300	4,897	219,824	130,176	(2,451)	(1,763)	(4,214)
Capital Projects	727,985	106,255	2,919,460	(64,405)	(2,149,625)	(509,002)	(2,658,627)
Kasabonika Lake Housing Authority		472,455	472,455				
OFNLP		1,030,292	33	(1,030,259)			
Health Services		1,627,718	1,779,565	50,000	(101,847)	(82,513)	(184,360)
Other Programs	5,788,371	2,348,453	9,084,873	729,870	(218,179)	(998,394)	(1,216,573)
OTHER ITEMS	\$ 12,670,619	8,619,279	23,853,789		(2,563,891)	813,210	(1,750,681)
Transfer to tangible capital assets					7,821,605	23,237,237	31,058,842
Amortization					(1,883,257)	(10,634,776)	(12,518,033)
AANDC Funding Per Confirmation	\$ 12,670,619			\$	3,374,457	13,415,671	16,790,128

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

	<u>2015</u>	<u>2014</u>
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	\$ 3,374,457	1,914,942
Acquisitions/disposal of tangible capital assets and capital assets under construction	(7,821,605)	(4,555,156)
Amortization of tangible capital assets	2,075,208	1,900,068
Gain on disposal of capital assets	(17,623)	
Acquisition (use) of inventory and prepaid expenses	<u>508,927</u>	<u>152,483</u>
INCREASE IN NET DEBT	(1,880,636)	(587,663)
NET DEBT AT BEGINNING OF YEAR	<u>(5,886,946)</u>	<u>(5,299,283)</u>
NET DEBT AT END OF YEAR	\$ <u>(7,767,582)</u>	<u>(5,886,946)</u>

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

	<u>2015</u>	<u>2014</u>
OPERATING TRANSACTIONS		
Annual surplus (deficit)	\$ 3,374,457	1,914,942
Non-cash items		
Amortization	2,075,208	1,900,068
Gain on disposal of capital assets	(17,623)	
Change in reserve	(6,236)	(15,745)
Business enterprise equity	93,126	(35,372)
Changes in financial assets/liabilities		
Accounts receivable	(2,590,807)	(204,124)
Ottawa Trust Funds	(360)	(309)
Accounts payable	(723,009)	404,024
Deferred revenue	1,233,310	3,081,154
Changes in inventory and prepaids	<u>508,927</u>	<u>152,483</u>
	<u>3,946,993</u>	<u>7,197,121</u>
CAPITAL TRANSACTIONS		
Acquisitions/disposal of tangible capital costs and assets under construction	<u>(7,821,605)</u>	<u>(4,555,156)</u>
FINANCIAL TRANSACTIONS		
Principal repayments on long-term debt	(548,726)	(238,774)
Increase in bank indebtedness	55,000	50,000
Increase in long-term debt	<u>2,836,053</u>	<u>725,671</u>
	<u>2,342,327</u>	<u>536,897</u>
INVESTING TRANSACTIONS		
(Increase) decrease in long-term investments	<u>(17,920)</u>	<u>(58,277)</u>
NET CHANGE IN CASH POSITION	(1,550,205)	3,120,585
CASH POSITION AT BEGINNING OF YEAR	<u>4,237,830</u>	<u>1,117,245</u>
CASH POSITION AT END OF YEAR	\$ <u>2,687,625</u>	<u>4,237,830</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 137,462	133,805
Interest received	360	309

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

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING PRINCIPLES

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

a) Nature and Purpose of Organization

The purpose of the organization is the management and administration of all aspects of the Kasabonika Lake First Nation. The organization operates with a Chief and Council, who are ultimately responsible for the establishment and administration of all programs of the First Nation.

b) Reporting Entity and Principles of Financial Reporting

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

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

Kasabonika Lake First Nation Administration
 Sineonokway Education Authority
 Kasabonika Lake Housing Authority
 Kasabonika Social Services

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

Incorporated business entities, which are owned or controlled by Kasabonika Lake First Nation Council 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:

Petrokas Ltd.
 Kasabonika Lake Construction Ltd.
 Kasabonika Lake Community Development Corporation
 846129 Ontario Inc.

c) Tangible Capital Assets

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

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

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

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING PRINCIPLES

d) Amortization

Amortization is provided for on a straight-line basis over the expected useful life of the assets in the table that follows. One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

Infrastructure	10-15 years
Buildings and improvements	10-15 years
General equipment	3 years
Vehicles and heavy equipment	3-5 years

The Housing Authority's assets acquired under CMHC sponsored housing programs are amortized at a rate equivalent to the annual principal reduction on related long-term debt. For consolidation CMHC Housing is amortized on a straight line basis over 15 years.

e) Revenue Recognition

The First Nation follows the deferral method of accounting for revenue. Revenue is recognized as it becomes receivable under the terms of applicable funding agreements and can be 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 balance sheet.

Other income, primarily fees for service, is recognized upon transfer of title of the product or upon performance of the service and when collectability is reasonably assured.

f) Financial Instruments

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 and 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.

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.

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

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING PRINCIPLES, continued

g) Reserve Funds

The replacement reserve for the Kasabonika Lake Housing Authority is funded by an annual charge against earnings as opposed to an appropriation of surplus.

The operating reserve for the Kasabonika Lake Housing Authority is funded by an appropriation of surplus as specified by CMHC.

h) 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 expenditures during the reported period. Actual results could differ from management's best estimates as additional information becomes available in the future.

i) 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. Net financial assets are comprised of two components, non-financial assets and accumulated surplus.

2. ECONOMIC DEPENDENCE

Kasabonika Lake First Nation receives a major portion of its revenues pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada.

3. CASH

	<u>2015</u>	<u>2014</u>
Administration	\$ (48,433)	(49,938)
Diesel Upgrade	1,537,678	3,031,473
Nursing Station	11,315	11,335
School fuel	36,876	347,973
Lagoon project	599,207	48,753
OFNLP	30	772
Revenue account	13,153	13,153
Social Services	299,955	330,283
Small Business Center		266,036
Sineonokway Education Authority	(43,462)	(30,141)
Kasabonika CMHC Housing Authority Operating account	123,002	109,827
Restricted Cash, CMHC Housing Authority	14,787	14,787
Kasabonika CMHC Housing Authority Replacement Reserve	<u>143,517</u>	<u>143,517</u>
	\$ <u>2,687,625</u>	<u>4,237,830</u>

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

4. ACCOUNTS RECEIVABLE

	<u>2015</u>	<u>2014</u>
SINEONOKWAY EDUCATION AUTHORITY		
Employee advances	\$ 35,564	19,485
Keewatinook and Kwayaciiwin	50,600	96,858
GST receivable		1,105
Allowance for doubtful accounts	<u>(35,564)</u>	<u>(19,485)</u>
	<u>50,600</u>	<u>97,963</u>
KASABONIKA LAKE HOUSING AUTHORITY		
CMHC subsidies	24,426	25,034
Due from Band Members	89,189	68,036
Allowance for doubtful accounts	<u>(53,513)</u>	<u>(40,822)</u>
	<u>60,102</u>	<u>52,248</u>
ADMINISTRATION		
AANDC	2,129,686	147,158
CRA - GST Refunds		247,313
Health Canada		2,379
KLFN Trust	11,000	11,000
Nishnawbe-Aski Nation	19,053	24,868
SLAAMB	60,376	17,979
Ministry of Health and Long Term Care - Homemakers		6,148
Ministry of Northern Development Mines and Forestry	18,213	80,000
Ministry of Aboriginal Affairs	20,000	
Members loans/advances	257,894	61,901
Other	1,471,256	789,782
Ministry of Community and Social Services	<u>96,570</u>	<u>55,204</u>
	4,084,048	1,443,732
Less allowance for doubtful accounts	<u>(281,825)</u>	<u>(281,825)</u>
	<u>3,802,223</u>	<u>1,161,907</u>
TOTAL ACCOUNTS RECEIVABLE	\$ <u>3,912,925</u>	<u>1,312,118</u>

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

5. INVESTMENTS

Investments in First Nation Controlled Entities

	<u>2015</u>	<u>2014</u>
846129 Ontario Inc. (100%)		
- share	\$ <u>1</u>	<u>1</u>
Kasabonika Lake Community Development Corporation (100%)		
- advance (to) from	6,511	(53,452)
- accumulated (deficit) surplus	<u>18,804</u>	<u>3,795</u>
	\$ <u>25,315</u>	<u>(49,657)</u>
Kasabonika Lake Construction Ltd. (100%)		
- share	\$ 1	1
- advances to (from)	11,631	11,631
- accumulated deficit	<u>(12,632)</u>	<u>(12,632)</u>
	\$ <u>(1,000)</u>	<u>(1,000)</u>
Petrokas Ltd. (100%)		
- share	\$ 1	1
- contributed capital	739,051	739,051
- advances to (from)	(781,676)	(338,102)
- accumulated deficit	<u>(46,761)</u>	<u>(322,236)</u>
	\$ <u>(89,385)</u>	<u>78,714</u>
Total Investments in First Nation Controlled Entities	\$ <u>(65,069)</u>	<u>28,057</u>
Investment in Landmark Inn, a Non-Controlled Entity	\$ <u>176,197</u>	<u>158,277</u>

The operations of RONA - Sioux Lookout ceased during 2009. As of June 30, 2011 the First Nation's capital account balance in Landmark Inn Limited Partnership was \$142,758. No new financial statements have been received.

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

5. INVESTMENTS, continued

Financial information for the Kasabonika Lake First Nation controlled entities for the year ending March 31, 2015 is as follows:

	<u>Kasabonika Lake Community Development Corporation</u>	<u>Kasabonika Lake Construction</u>	<u>Petrokas Ltd.</u>
Cash	\$ 210,461		914,816
Accounts receivable	2,484		15,520
Inventory	11,954		402,260
Tangible capital assets	2,569,654		293,399
Other assets	<u>144,515</u>		<u>630,651</u>
Total Assets	<u>2,939,068</u>		<u>2,256,646</u>
Accounts payable	101,635	1,000	273,871
Long-term debt	880,956		1,290,484
Other liabilities	<u>1,937,673</u>	<u>11,631</u>	
Total Liabilities	<u>2,920,264</u>	<u>12,631</u>	<u>1,564,355</u>
Equity (Deficiency)	<u>18,804</u>	<u>(12,631)</u>	<u>692,291</u>
Total Liabilities and Equity	<u>2,939,068</u>		<u>2,256,646</u>
 Revenue	 <u>899,541</u>		 <u>2,412,517</u>
Expenses	835,312		2,119,034
Debt servicing	<u>49,220</u>		<u>18,008</u>
Total expenses	<u>884,532</u>		<u>2,137,042</u>
 Net Income (Deficit)	 \$ <u>15,009</u>		 <u>275,475</u>

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

6. OTTAWA TRUST ACCOUNT

The Ottawa Trust Account arises from monies derived from capital or revenue source 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 Section 63 to 69 of the Indian Act.

	<u>2015</u>	<u>2014</u>
Funds On Deposit With AANDC		
Balance at beginning of year	\$ 12,731	12,422
Interest and other income	<u>360</u>	<u>309</u>
Balance at end of year	\$ <u>13,091</u>	<u>12,731</u>

7. BANK INDEBTEDNESS

The First Nation has the following credit facilities with the Royal Bank:

- a) \$125,000 revolving demand facility repayable in \$5,000 increments with interest at Royal Bank prime rate plus 1.5%.
- b) \$75,000 revolving demand facility repayable in \$5,000 increments with interest at Royal Bank prime rate plus 1.5%.
- c) \$70,000 revolving demand facility repayable in \$5,000 increments with interest at Royal Bank prime rate plus 1.5%.

The First Nation has utilized \$110,000 of the operating line as at March 31, 2015.

The First Nation has provided the Royal Bank the following security for the above facilities:

Security for the Borrowings and all other obligations of the Borrower to the Bank, including without limitation any amounts outstanding under any Leases (collectively, the "Security") shall include:

- a) General security agreement on the Bank's form 924 signed by the Borrower constituting a first ranking security interest in all personal property of the Borrower.
- b) Band Council resolutions signed by a quorum of the Chief and Council of the Borrower authorizing the Borrowings as contemplated in this agreement.
- c) Assignment signed by the Chief and Council of the Borrower and the Bank assigning and directing funds from OFNLP to the Bank
- d) Band Council resolution certified by a quorum of Chief and Council of the Borrower, granting the Bank and its agents, employees, successors and assigns access to the Reserve.
- e) Irrevocable letter of direction from the Borrower to Aboriginal Affairs and Northern Development Canada directing the Borrower to deposit all funds received from AANDC into the account(s) in the name of the Borrower.

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

8. ACCOUNTS PAYABLE

	<u>2015</u>			<u>2014</u>
	<u>Administration</u>	<u>Sineonokway Education Authority</u>	<u>Total</u>	<u>Total</u>
Trade	\$ 1,628,410		1,628,410	2,369,858
GST				60,713
Salaries and benefits	<u>45,242</u>	<u>125,438</u>	<u>170,680</u>	<u>75,028</u>
Total Accounts Payable	\$ <u>1,673,652</u>	<u>125,438</u>	<u>1,799,090</u>	<u>2,505,599</u>

9. DEFERRED REVENUE

Funding (expenditures) in the current period to be applied against subsequent period programs are recorded as incomplete projects in the financial statements.

Deferred revenue consists of the following:

	<u>Schedule</u>	<u>Opening Balance</u>	<u>Funding Received</u>	<u>Revenue Recognized</u>	<u>Closing Balance</u>
Small Business Center	10-17	\$ 35,015		35,015	
Health Programs	9-1	145,000	1,526,718	1,627,718	44,000
Lagoon Project	10-13	17,749	2,465,945	16,500	2,467,194
MTO Gravel Haul	10-15	270,000	520,238	790,238	
Diesel Project Upgrade	10-15	3,022,462	2,020,914	2,972,276	2,071,100
Resource Policy Project	10-20		129,000	71,090	57,910
Resource Development Project	10-23		<u>101,200</u>	<u>17,868</u>	<u>83,332</u>
		\$ <u>3,490,226</u>	<u>6,764,015</u>	<u>5,530,705</u>	<u>4,723,536</u>

10. LONG TERM DEBT

	<u>2015</u>	<u>2014</u>
Royal Bank of Canada Capital Lease, interest at 5.36% per annum, repayable at \$4,634.79 per month principal and interest, maturing July 8, 2016 with option to purchase for \$1.00. Secured by 2011 John Deere Dozer with a cost of \$154,500.	\$ 66,554	117,124
Royal Bank of Canada Capital Lease, interest at 4.8283% per annum, repayable at \$2,476.02 per month principal and interest, maturing February 24, 2019 with option to purchase for \$1.00. Secured by two 2014 Thunderbird School buses with a cost of \$131,908.	103,882	127,999

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

10. LONG TERM DEBT, continued

	<u>2015</u>	<u>2014</u>
Royal Bank of Canada Capital Lease, interest at 4.4873% per annum, repayable monthly at \$11,512.29 principal and interest, maturing February 12, 2016 with option to purchase for \$1.00. Secured by a 2010 John Deere Dump Truck with a cost of \$263,900.	\$	242,792
Royal Bank of Canada Capital Lease, interest at 4.8281% per annum, repayable at \$1,535.32 per month principal and interest, maturing March 2, 2019 with option to purchase for \$1.00. Secured by EMS Van with a cost of \$81,794.	65,958	80,854
Royal Bank of Canada Capital Lease, interest at 4.7876% per annum, repayable at \$2,385.18 per month principal and interest, maturing February 24, 2018 with option to purchase for \$1.00. Secured by 2014 Freightliner septic truck with a cost of \$104,102.	75,746	100,146
Royal Bank of Canada demand term loan, to build ten housing units, interest at RBC prime plus 1.55%, maturing January 15, 2016. Secured by Band Council resolution and general security agreement.	2,014,204	
The First Nation has obtained financing to build houses through Section 95 CMHC housing loans. Through this program the First Nation receives government assistance to operate as rental units. The following loans are guaranteed by Aboriginal Affairs and Northern Development Canada.		
CMHC loan payable, interest at 2.63% per annum, repayable at \$4,783 per month principal and interest, maturing June 1, 2016.	753,651	790,394
CMHC loan payable, interest at 2.11% per annum, repayable at \$5,489 per month principal and interest, maturing January 1, 2019.	1,018,051	1,062,137
CMHC loan payable, interest at 2.35% per annum, repayable at \$2,039 per month principal and interest, maturing September 1, 2018.	365,301	381,079
CMHC loan payable, interest at 1.83% per annum, repayable at \$8,647 per month principal and interest, maturing December 1, 2019.	1,710,424	1,779,363
CMHC loan payable, interest at 1.67% per annum, repayable at \$3,196 per month principal and interest, maturing March 1, 2017.	706,981	733,386

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

10. LONG TERM DEBT, continued

	<u>2015</u>	<u>2014</u>
CMHC loan payable, interest at 1.05% per annum, repayable at \$3,138.42 per month principal and interest, maturing April 1, 2020.	<u>821,849</u>	<u> </u>
	7,702,601	5,415,274
Less current portion	<u>2,361,662</u>	<u>432,981</u>
	\$ <u>5,340,939</u>	<u>4,982,293</u>

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

2016	\$ 2,361,662
2017	313,981
2018	305,227
2019	282,267
2020	245,987
Thereafter	<u>4,193,477</u>
	\$ <u>7,702,601</u>

11. RESERVES

Replacement Reserve

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.

The reserve has been fully funded in a separate interest bearing account.

The Housing Authority has approved eligible replacement expenditures totalling \$44,740 for the year ended March 31, 2015.

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

11. RESERVES, continued

Operating Reserve Fund - Post 1996 Section 95 Programs

Under the terms of the agreement with Canada Mortgage and Housing Corporation, any surplus remaining after the payment of all costs and expenses, including the allocation to the Replacement Reserve, should be retained by the First Nation in an Operating Reserve Fund. These funds, along with the accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as many otherwise be mutually agreed to by the First Nation and CMHC. The funds in this account may only be used for the ongoing operating costs of the project. Accordingly, future years' deficit may be recovered from this fund. Withdrawals are credited to interest first and then principal.

The reserve has been fully funded in a separate interest bearing account.

Reserves are comprised of:

	<u>2015</u>	<u>2014</u>
Kasabonika Lake Housing Authority		
Replacement reserve	\$ 113,014	117,714
Operating reserve	<u>5,610</u>	<u>7,146</u>
	\$ <u>118,624</u>	<u>124,860</u>

12. INVENTORY AND PREPAID EXPENSES

Inventory balance is comprised of the following, based on an invoice price at the time of purchase.

	<u>2015</u>	<u>2014</u>
Culverts	\$	
Building material		505,320
Fuel	<u> </u>	<u>505,320</u>
Prepaid expenses	<u> </u>	<u>3,607</u>
	\$ <u> </u>	<u>508,927</u>

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

13. TANGIBLE CAPITAL ASSETS AND ASSETS UNDER CONSTRUCTION

	2015				2014					
	Cost Mar. 31/14	Additions (Disposals)	Cost Mar. 31/15	Accumulated Amortization	Net Book Value	Cost Mar. 31/13	Additions (Disposals)	Cost Mar. 31/14	Accumulated Amortization	Net Book Value
Equipment	\$ 1,990,155		1,990,155	1,105,802	884,353	966,974	1,023,181	1,990,155	797,101	1,193,054
Vehicles	2,115,916	(5,454)	2,110,462	1,797,922	312,540	1,555,634	560,282	2,115,916	1,621,301	494,615
Buildings and improvements	8,184,098		8,184,098	3,247,829	4,936,269	6,320,386	1,863,712	8,184,098	2,702,223	5,481,875
Infrastructure	9,060,659		9,060,659	4,803,143	4,257,516	9,060,659		9,060,659	4,199,099	4,861,560
CMHC Housing										
Land - 6 units 1987	50,000		50,000		50,000	50,000		50,000		50,000
Buildings - 6 units 1987						546,167	(546,167)			
Buildings - 7 units 2006	1,025,367		1,025,367	649,399	375,968	1,025,367		1,025,367	581,041	444,326
Buildings - 8 units 2009	1,255,050		1,255,050	543,855	711,195	1,255,050		1,255,050	460,185	794,865
Buildings - 6 units 2009 ⁴	50,000		450,000	195,000	255,000	450,000		450,000	165,000	285,000
Buildings - 10 units 2010	2,526,341		2,526,341	926,325	1,600,016	2,526,341		2,526,341	757,903	1,768,438
Buildings - 4 units 2012	1,082,448		1,082,448	252,571	829,877	1,082,448		1,082,448	180,408	902,040
	<u>27,740,034</u>	<u>(5,454)</u>	<u>27,734,580</u>	<u>13,521,846</u>	<u>14,212,734</u>	<u>24,839,026</u>	<u>2,901,008</u>	<u>27,740,034</u>	<u>11,464,261</u>	<u>16,275,773</u>
Assets Under Construction										
Diesel plant construction	977,538	2,972,277	3,949,815		3,949,815		977,538	977,538		977,538
CMHC 4-Unit Project		1,155,233	1,155,233		1,155,233					
Diesel plant upgrade						813,547	(813,547)			
Band office renovations						93,443	(93,443)			
Community center renovations						25,549	(25,549)			
Housing renovations						44,767	(44,767)			
School & tank farm fuel project	962,386	515,054	1,477,440		1,477,440		962,386	962,386		962,386
Nursing stations						334,912	(334,912)			
AHP Housing Project		2,089,218	2,089,218		2,089,218					
Arena						95,846	(95,846)			
Small Business Center	567,805	622,525	1,190,330		1,190,330	32,751	535,054	567,805		567,805
Sewage Lagoon, Dept. #3080	10,188	342,207	352,395		352,395	20	10,168	10,188		10,188
Sewage Lagoon, Dept. #3081		130,545	130,545		130,545					
Capital assets under construction	<u>2,517,917</u>	<u>7,827,059</u>	<u>10,344,976</u>	<u>10,344,976</u>	<u>10,344,976</u>	<u>1,440,835</u>	<u>1,077,082</u>	<u>2,517,917</u>	<u>11,464,261</u>	<u>2,517,917</u>
	\$ 30,257,951	7,821,605	38,079,556	13,521,846	24,557,710	26,279,861	3,978,090	30,257,951	11,464,261	18,793,690

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

14. FUND BALANCE

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.

15. FEDERAL ASSISTANCE PAYMENTS

The Housing Authority has received federal assistance through Canada Mortgage and Housing Corporation to enable the project to provide housing to low-income individuals. The amount of assistance received in 2015 was \$297,975 (2014 - \$306,858).

16. COMPARATIVE FIGURES

Some of the comparative figures for the previous years have not been shown as the information is considered not to be meaningful for comparison with the current year. Certain comparative figures for the previous year have been reclassified to conform with the presentation of the current year.

17. BUDGET INFORMATION

Budget data was included when available. The budget figures are unaudited.

18. RELATED PARTY TRANSACTIONS

During the year the First Nation had numerous related party transactions with Kasabonika Lake Construction Ltd, Petrokas Ltd. and Kasabonika Lake Community Development Corporation. These transactions were incurred in the normal course of operations and are measured at the exchange amount.

At the end of the year the amounts due from (to) related parties were as follows:

	<u>2015</u>	<u>2014</u>
Kasabonika Lake Construction Ltd.	\$ 11,630	11,630
Petrokas Ltd.	(843,107)	(373,309)
Kasabonika Lake Community Development Corporation	20,449	153,376
Kasabonika Lake First Nation Trust	<u>11,000</u>	<u>11,000</u>
	\$ <u>(800,028)</u>	<u>(197,303)</u>

These balances are unsecured, interest free and payable on demand.

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

19. CONTINGENCIES AND COMMITMENTS

The First Nation has provided a guarantee for the non-revolving credit facilities of Petrokas Ltd., a wholly owned company. The balance outstanding at March 31, 2015 was \$1,290,484.

The First Nation has a 60 month lease for the phone systems with monthly payments of \$588.00 commencing February 15, 2015.

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

20. SEGMENT DISCLOSURE

	Band Support		Municipal Services		Social Services	
	Budget	2015	2014	Budget	2015	2014
REVENUE						
Federal government	\$ 915,706	979,236	915,406	1,966,674	1,963,594	2,159,455
Provincial government					432,500	458,000
Economic activities		273,197			1,696,100	2,231,828
Net income for investments in government business enterprises		360	309			
Other revenue	126,032	64,058	824,306	150,429	172,121	73,959
					3,463	(117,540)
TOTAL REVENUE	<u>1,041,738</u>	<u>1,316,851</u>	<u>1,740,021</u>	<u>2,117,103</u>	<u>2,135,715</u>	<u>2,233,414</u>
					2,669,368	2,472,833
EXPENSES						
Honoraria						
Chief and Councillors	394,940	406,922	425,246			
Elders and Board Members		22,168	7,900	20,000	20,000	20,000
Wages and benefits	501,248	496,359	689,007	439,054	436,870	433,352
Amortization	1,865,852	1,883,257	1,685,660			
Tangible Capital Assets	(7,630,593)	(7,661,605)	(3,855,939)			
Interest						
Other expenses	246,802	59,983	312,196	1,604,474	2,071,480	1,865,096
					1,688,979	2,246,734
TOTAL EXPENSES	<u>(4,621,751)</u>	<u>(4,792,916)</u>	<u>(735,930)</u>	<u>2,063,528</u>	<u>2,528,350</u>	<u>2,318,448</u>
					2,107,626	2,653,767
ANNUAL SURPLUS (DEFICIT)	<u>\$ 5,663,489</u>	<u>6,109,767</u>	<u>2,475,951</u>	<u>53,575</u>	<u>(392,635)</u>	<u>(85,034)</u>
					20,974	(10,458)

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

20. SEGMENT DISCLOSURE, continued

	Economic Development			Education			Housing	
	Budget	2015	2014	Budget	2015	2014	Budget	2015
REVENUE								
Federal government	\$ 82,300	82,300	82,300	2,528,597	2,695,056	2,761,962	297,975	306,858
Provincial government								
Economic activities								
Net income for investments in government business enterprises								
Other revenue	5,704	4,897		294,808	284,182	416,541	174,480	189,321
TOTAL REVENUE	88,004	87,197	82,300	2,823,405	2,979,238	3,178,503	472,455	496,179
EXPENSES								
Honoraria								
Chief and Councillors								
Elders and Board Members	12,000	9,600	5,000	7,200	7,200	11,247		
Wages and benefits	178,000	167,894	75,667	2,262,205	2,220,759	2,260,655		
Amortization						32,391	209,356	182,017
Tangible Capital Assets								
Interest	(107,700)	(87,846)	2,025	833,933	797,453	842,043	94,818	121,934
Other expenses							177,667	192,228
TOTAL EXPENSES	82,300	89,648	82,692	3,103,338	3,025,412	3,146,336	472,455	496,179
ANNUAL SURPLUS (DEFICIT)	\$ 5,704	(2,451)	(392)	(279,933)	(46,174)	32,167		

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

20. SEGMENT DISCLOSURE, continued

	Health		Community Services		Total	
	<u>Budget</u>	<u>2015</u>	<u>Budget</u>	<u>2015</u>	<u>Budget</u>	<u>2015</u>
REVENUE						
Federal government	\$ 1,572,130	1,526,718	1,654,904	14,457,623	7,546,648	6,265,898
Provincial government				22,253,505	15,525,604	14,604,304
Economic activities				2,737,460	2,701,208	2,701,208
Net income for investments in government business enterprises				273,197		
Other revenue	145,000	101,000	(127,603)	6,595,332	1,949,076	265,505
				7,491,785	360	309
TOTAL REVENUE	1,717,130	1,627,718	1,526,822	22,262,573	10,001,356	7,099,900
				32,651,008	21,289,898	18,829,972
EXPENSES						
Honoraria						
Chief and Councillors				394,940	406,922	425,246
Elders and Board Members	13,800	7,700	9,030	73,800	88,199	79,802
Wages and benefits	873,866	862,107	862,076	1,892,820	2,045,017	1,920,018
Amortization				6,565,840	6,636,039	6,676,691
Tangible Capital Assets				2,075,208	2,075,208	1,900,068
Interest				(7,630,593)	(7,821,605)	(3,855,939)
Other expenses	829,833	859,758	751,589	190,423	30,776	10,496
				21,294,617	10,271,836	5,544,210
TOTAL EXPENSES	1,717,499	1,729,565	1,622,695	23,398,660	12,369,160	7,501,349
				28,323,655	17,915,441	16,915,060
ANNUAL SURPLUS (DEFICIT)	\$ (369)	(101,847)	(95,873)	(1,136,087)	(2,367,804)	(401,449)
				4,327,353	3,374,457	1,914,912