

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

KASABONIKA LAKE FIRST NATION
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FOR THE YEAR ENDED MARCH 31, 2016

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KASABONIKA LAKE FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

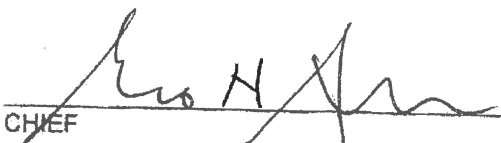
MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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.)

101 - 1180 Pembina Highway
Winnipeg, Manitoba R3T 2A4
Telephone (204) 452-6449
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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, 2016 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, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

WINNIPEG, MANITOBA
August 18, 2016.


CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

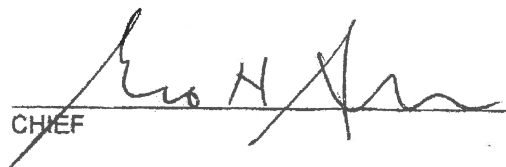
KASABONIKA LAKE FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016

EXHIBIT "B"

	<u>2016</u>	<u>2015</u> Restated
FINANCIAL ASSETS		
Cash, Note 3	\$ 2,645,986	2,687,625
Accounts receivable, Note 4	1,393,016	3,912,925
Investments, Note 5	176,197	176,197
Equity in commercial enterprises, Note 5	(319,127)	(807,298)
Funds on deposit with Aboriginal Affairs and Northern Development Canada, Note 6	<u>13,969</u>	<u>13,091</u>
Total financial assets	<u>3,910,041</u>	<u>5,982,540</u>
LIABILITIES		
Bank indebtedness, Note 7	395,000	165,000
Accounts payable, Note 8	2,035,802	1,782,590
Deferred revenue, Note 9	2,911,948	4,723,536
Long term debt, Note 10	10,276,054	7,702,601
Reserves, Note 11	<u>103,258</u>	<u>118,624</u>
Total liabilities	<u>15,722,062</u>	<u>14,492,351</u>
NET DEBT, Exhibit "E"	<u>(11,812,021)</u>	<u>(8,509,811)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets, Note 12	20,395,154	14,212,734
Tangible capital assets under construction, Note 12	<u>16,553,893</u>	<u>10,344,976</u>
	<u>36,949,047</u>	<u>24,557,710</u>
ACCUMULATED SURPLUS, Exhibit "C"	\$ <u>25,137,026</u>	<u>16,047,899</u>

CONTINGENCIES AND COMMITMENTS, Note 19

APPROVED BY:


 CHIEF


 COUNCILLOR


 COUNCILLOR


 COUNCILLOR

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

EXHIBIT "C"

	<u>2016</u>	<u>2015</u> Restated
BALANCE AT BEGINNING OF YEAR	\$ 16,047,899	13,415,671
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	<u>9,089,127</u>	<u>3,374,457</u>
BALANCE AT END OF YEAR	\$ <u>25,137,026</u>	16,790,128
PRIOR YEAR'S MINERALS CORPORATION LOSSES		<u>(742,229)</u>
RESTATED BALANCE AT END OF YEAR	\$	<u>16,047,899</u>

KASABONIKA LAKE FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>		<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
REVENUE			
Federal Government			
AANDC	\$ 22,706,499	17,291,652	12,670,619
Health Canada			
Funding agreements	1,619,790	2,073,816	1,526,718
Canada Mortgage and Housing Corporation	434,128	336,536	345,240
Provincial government	3,137,204	3,315,278	2,723,365
Ontario First Nations Limited Partnership	996,000	1,040,480	1,030,292
Other	<u>12,248,920</u>	<u>5,030,622</u>	<u>2,993,664</u>
	<u>41,142,541</u>	<u>29,088,384</u>	<u>21,289,898</u>
EXPENSES			
Band Support	1,320,897	1,424,514	1,044,587
Municipal Services	2,235,502	2,191,606	2,593,301
Sineonokway Education Authority	2,803,083	3,259,405	3,085,924
Social Services	2,157,109	2,853,798	2,653,767
Economic Development	97,413	204,085	219,824
Capital Projects	2,909,998	3,365,433	2,919,460
Kasabonika Lake Housing Authority	595,412	311,732	280,504
OFNLP	962,880	149	33
Health Services	1,684,887	2,177,384	1,779,565
Other Programs	<u>28,202,850</u>	<u>16,118,567</u>	<u>9,084,873</u>
	<u>42,970,031</u>	<u>31,906,673</u>	<u>23,661,838</u>
ANNUAL SURPLUS (DEFICIT)			
BEFORE OTHER ITEMS	(1,827,490)	(2,818,289)	(2,371,940)
OTHER ITEMS			
Transfer to tangible capital assets		14,163,886	7,821,605
Amortization		<u>(2,256,470)</u>	<u>(2,075,208)</u>
ANNUAL SURPLUS (DEFICIT)	\$ <u>(1,827,490)</u>	<u>9,089,127</u>	<u>3,374,457</u>

KASABONIKA LAKE FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2016

Holukoff Chiarella CHARTERED PROFESSIONAL ACCOUNTANTS

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

	<u>2016</u>	<u>2015</u> Restated
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	\$ 9,089,127	3,374,457
Acquisitions/disposal of tangible capital assets and capital assets under construction	(14,647,807)	(7,821,605)
Amortization of tangible capital assets	2,256,470	2,075,208
Gain on disposal of capital assets		(17,623)
Acquisition (use) of inventory and prepaid expenses	<u> </u>	<u>508,927</u>
INCREASE IN NET DEBT	(3,302,210)	(1,880,636)
NET DEBT AT BEGINNING OF YEAR	<u>(8,509,811)</u>	<u>(5,886,946)</u>
NET DEBT AT END OF YEAR	\$ <u>(11,812,021)</u>	(7,767,582)
PRIOR YEAR'S MINERALS CORPORATION LOSS		<u>(742,229)</u>
	\$	<u>(8,509,811)</u>

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

	<u>2016</u>	<u>2015</u>
OPERATING TRANSACTIONS		
Annual surplus (deficit)	\$ 9,089,127	3,374,457
Non-cash items		
Amortization	2,256,470	2,075,208
Gain on disposal of capital assets		(17,623)
Change in reserve	(15,366)	(6,236)
Business enterprise equity	(488,171)	93,126
Changes in financial assets/liabilities		
Accounts receivable	2,519,909	(2,590,807)
Ottawa Trust Funds	(878)	(360)
Accounts payable	253,212	(723,009)
Deferred revenue	(1,811,588)	1,233,310
Changes in inventory and prepaids	<u>11,802,715</u>	<u>508,927</u>
		<u>3,946,993</u>
CAPITAL TRANSACTIONS		
Acquisitions/disposal of tangible capital costs and assets under construction	<u>(14,647,807)</u>	<u>(7,821,605)</u>
FINANCIAL TRANSACTIONS		
Principal repayments on long-term debt	(2,361,662)	(548,726)
Increase in bank indebtedness	230,000	55,000
Increase in long-term debt	<u>4,935,115</u>	<u>2,836,053</u>
	<u>2,803,453</u>	<u>2,342,327</u>
INVESTING TRANSACTIONS		
(Increase) decrease in long-term investments	<u> </u>	<u>(17,920)</u>
NET CHANGE IN CASH POSITION	(41,639)	(1,550,205)
CASH POSITION AT BEGINNING OF YEAR	<u>2,687,625</u>	<u>4,237,830</u>
CASH POSITION AT END OF YEAR	\$ <u>2,645,986</u>	<u>2,687,625</u>

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

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 Professional 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, 2016

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, 2016

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>2016</u>	<u>2015</u>
Administration	\$ (563,868)	(48,433)
Diesel Upgrade	19,197	1,537,678
Nursing Station	11,308	11,315
School fuel	52,303	36,876
Lagoon project	2,850,902	599,207
OFNLP	493	30
Revenue account		13,153
Social Services	66,324	299,955
Sineonokway Education Authority	(91,558)	(43,462)
Kasabonika CMHC Housing Authority Operating account	142,140	123,002
Restricted Cash, CMHC Housing Authority	14,767	14,787
Kasabonika CMHC Housing Authority Replacement Reserve	143,496	143,517
JM Fund	56	
DGS HB	129	
RBC Dialysis	297	
	<u>\$ 2,645,986</u>	<u>2,687,625</u>

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

4. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
SINEONOKWAY EDUCATION AUTHORITY		
Employee advances	\$ 33,782	35,564
Keewatinook and Kwayaciiwin		50,600
Allowance for doubtful accounts	<u>(33,782)</u>	<u>(35,564)</u>
	<u> </u>	<u>50,600</u>
KASABONIKA LAKE HOUSING AUTHORITY		
CMHC subsidies	28,044	24,426
Due from Band Members	96,713	89,189
Allowance for doubtful accounts	<u>(73,971)</u>	<u>(53,513)</u>
	<u>50,786</u>	<u>60,102</u>
ADMINISTRATION		
AANDC	233,984	2,129,686
NOHFC	417,249	
KLFN Trust	11,000	11,000
Nishnawbe-Aski Nation	34,554	19,053
SLAAMB	55,654	60,376
Revenue	111,655	
Ministry of Northern Development Mines and Forestry	70,935	18,213
Ministry of Aboriginal Affairs	19,866	20,000
Members loans/advances	246,628	257,894
Other	271,611	1,471,256
Ministry of Community and Social Services	46,925	96,570
Ministry of Education	130,951	
FEDNOR	86,155	
FNSSP	<u>75,000</u>	
	1,812,167	4,084,048
Less allowance for doubtful accounts	<u>(419,151)</u>	<u>(281,825)</u>
	<u>1,393,016</u>	<u>3,802,223</u>
 TOTAL ACCOUNTS RECEIVABLE	 \$ <u>1,393,016</u>	 <u>3,912,925</u>

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

5. INVESTMENTS

Investments in First Nation Controlled Entities

	<u>2016</u>	<u>2015</u>
846129 Ontario Inc. (100%)		
- share	\$ <u>1</u>	<u>1</u>
Kasabonika Lake Community Development Corporation (100%)		
- advance (to) from	924,385	6,511
- accumulated (deficit) surplus	<u>(642,815)</u>	<u>18,804</u>
	\$ <u>281,570</u>	<u>25,315</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)	(1,258,447)	(781,676)
- accumulated deficit	<u>(80,303)</u>	<u>(46,761)</u>
	\$ <u>(599,698)</u>	<u>(89,385)</u>
Total Investments in First Nation Controlled Entities	\$ <u>(319,127)</u>	<u>(65,069)</u>
Investment in Landmark Inn, a Non-Controlled Entity	\$ <u>176,197</u>	<u>176,197</u>

As of June 30, 2014 the First Nation's capital account balance in Landmark Inn Limited Partnership was \$176,197. No new financial statements have been received.

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

5. INVESTMENTS, continued

Financial information for the Kasabonika Lake First Nation controlled entities for the year ending March 31, 2016 is as follows:

	Consolidated Kasabonika Lake Community Development Corporation	Kasabonika Lake Construction	Petrokas Ltd.
Cash	\$ 142,449		630,108
Accounts receivable	308,148		169,664
Inventory	22,550		76,174
Tangible capital assets	2,254,375		384,997
Other assets			<u>1,057,422</u>
Total Assets	<u>2,727,522</u>		<u>2,318,365</u>
Accounts payable	176,674	1,000	273,871
Long-term debt	731,399		1,385,745
Other liabilities	<u>2,462,266</u>	<u>11,631</u>	
Total Liabilities	<u>3,370,339</u>	<u>12,631</u>	<u>1,659,616</u>
Equity (Deficiency)	<u>(642,817)</u>	<u>(12,631)</u>	<u>658,749</u>
Total Liabilities and Equity	<u>2,727,522</u>		<u>2,318,365</u>
 Revenue	 <u>1,982,854</u>		 <u>2,467,363</u>
Expenses	1,876,834		2,481,401
Debt servicing	<u>25,413</u>		<u>19,504</u>
Total expenses	<u>1,902,247</u>		<u>2,500,905</u>
 Net Income (Deficit)	 \$ <u>80,607</u>		 <u>(33,542)</u>

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

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>2016</u>	<u>2015</u>
Funds On Deposit With AANDC		
Balance at beginning of year	\$ 13,091	12,731
Interest and other income	<u>878</u>	<u>360</u>
Balance at end of year	\$ <u>13,969</u>	<u>13,091</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) \$125,000 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%.
- d) \$125,000 revolving demand facility made available at the sole discretion of RBC and repayable on demand.
- e) Up to \$850,000 for lease financing supported by band council resolution and access to the community/reserve for seizure purposes.

The First Nation has utilized \$110,000 of the operating line as at March 31, 2016.

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, 2016

8. ACCOUNTS PAYABLE

	<u>2016</u>			<u>2015</u>
	<u>Administration</u>	<u>Sineonokway Education Authority</u>	<u>Total</u>	<u>Total</u>
Trade	\$ 1,773,911	168,900	1,942,811	1,628,410
Salaries and benefits	<u>44,994</u>	<u>47,997</u>	<u>92,991</u>	<u>170,680</u>
Total Accounts Payable	\$ <u>1,818,905</u>	<u>216,897</u>	<u>2,035,802</u>	<u>1,799,090</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>
Health Programs	9-1	\$ 44,000	2,073,816	2,117,816	
Mining Sector Business Advisor	10-12		136,611	52,988	83,623
Lagoon Project	10-13	2,467,194	4,738,500	4,493,934	2,711,760
Diesel Project Upgrade	10-15	2,071,100	5,049,169	7,120,269	
Governance	10-16		35,000	16,267	18,733
Resource Policy Project	10-20	57,910		29,659	28,251
Resource Development Project	10-23	83,332	82,300	165,632	
Governance Capacity Development	10-24		<u>75,000</u>	<u>5,419</u>	<u>69,581</u>
		\$ <u>4,723,536</u>	<u>12,190,396</u>	<u>14,001,984</u>	<u>2,911,948</u>

10. LONG TERM DEBT

	<u>2016</u>	<u>2015</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.	\$ 13,205	66,554
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.	80,741	103,882

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

10. LONG TERM DEBT, continued

	<u>2016</u>	<u>2015</u>
Royal Bank of Canada Capital Lease, interest at 4.909% per annum, repayable monthly at \$4,328.26 principal and interest, maturing March 4, 2020. Secured by a 2011 John Deere 624K loader with a cost of \$189,050.	\$ 189,050	
Royal Bank of Canada Capital Lease, interest at 3.621% per annum, repayable monthly at \$3,789.54 principal and interest, maturing March 10, 2019. Secured by a 2014 Crawler Tractor 650K with a cost of \$169,100.	129,090	
Royal Bank of Canada Capital Lease, interest at 4.7119% per annum, repayable monthly at \$2,834.21 principal and interest, maturing December 21, 2019 with option to purchase for \$1.00. Secured by a 2015 Ford F150 Truck with a cost of \$123,770	116,698	
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.	51,396	65,958
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.	52,341	75,746
Royal Bank of Canada demand term loan, to build ten housing units, interest at RBC prime plus 3.3%, repayable at \$31,631 per month principal and interest, maturing March 31, 2031. Secured by Band Council resolution and general security agreement and assignment of Ontario First Nations (2008) Limited Partnership revenues.	4,486,000	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.	715,974	753,651

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

10. LONG TERM DEBT, continued

	<u>2016</u>	<u>2015</u>
CMHC loan payable, interest at 2.11% per annum, repayable at \$5,489 per month principal and interest, maturing January 1, 2019.	\$ 973,071	1,018,051
CMHC loan payable, interest at 2.35% per annum, repayable at \$2,039 per month principal and interest, maturing September 1, 2018.	349,167	365,301
CMHC loan payable, interest at 1.83% per annum, repayable at \$8,647 per month principal and interest, maturing December 1, 2019.	1,637,132	1,710,424
CMHC loan payable, interest at 1.67% per annum, repayable at \$3,196 per month principal and interest, maturing March 1, 2017.	680,158	706,981
CMHC loan payable, interest at 1.05% per annum, repayable at \$3,138.42 per month principal and interest, maturing April 1, 2020.	<u>802,031</u>	<u>821,849</u>
	10,276,054	7,702,601
Less current portion	<u>663,537</u>	<u>2,361,662</u>
	\$ <u>9,612,517</u>	<u>5,340,939</u>

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

2017	\$ 663,537
2018	668,858
2019	660,534
2020	581,217
2021	518,228
Thereafter	<u>7,183,680</u>
	\$ <u>10,276,054</u>

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

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 \$49,463 for the year ended March 31, 2016.

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>2016</u>	<u>2015</u>
Kasabonika Lake Housing Authority		
Replacement reserve	\$ 109,032	113,014
Operating reserve	<u>(5,774)</u>	<u>5,610</u>
	\$ <u>103,258</u>	<u>118,624</u>

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

12. TANGIBLE CAPITAL ASSETS AND ASSETS UNDER CONSTRUCTION

	2016					2015				
	Cost Mar. 31/15	Additions (Disposals)	Cost Mar. 31/16	Accumulated Amortization	Net Book Value	Cost Mar. 31/14	Additions (Disposals)	Cost Mar. 31/15	Accumulated Amortization	Net Book Value
Equipment	\$ 1,990,155	481,920	2,472,075	1,462,695	1,009,380	1,990,155		1,990,155	1,105,802	884,353
Vehicles	2,110,462		2,110,462	1,991,194	119,268	2,115,916	(5,454)	2,110,462	1,797,922	312,540
Buildings and improvements	8,184,098	7,128,970	15,313,068	3,988,753	11,324,315	8,184,098		8,184,098	3,247,829	4,936,269
Infrastructure	9,060,659		9,060,659	5,318,311	3,742,348	9,060,659		9,060,659	4,803,143	4,257,516
CMHC Housing										
Land - 6 units 1987	50,000		50,000		50,000	50,000		50,000		50,000
Buildings - 4 units 2016		828,000	828,000	27,600	800,400					
Buildings - 7 units 2006	1,025,367		1,025,367	717,756	307,611	1,025,367		1,025,367	649,399	375,968
Buildings - 8 units 2009	1,255,050		1,255,050	627,525	627,525	1,255,050		1,255,050	543,855	711,195
Buildings - 6 units 2009	450,000		450,000	225,000	225,000	450,000		450,000	195,000	255,000
Buildings - 10 units 2010	2,526,341		2,526,341	1,094,748	1,431,593	2,526,341		2,526,341	926,325	1,600,016
Buildings - 4 units 2012	1,082,448		1,082,448	324,734	757,714	1,082,448		1,082,448	252,571	829,877
	<u>27,740,034</u>	<u>8,438,890</u>	<u>26,178,924</u>	<u>15,783,770</u>	<u>20,395,154</u>	<u>27,740,034</u>	<u>(5,454)</u>	<u>27,734,580</u>	<u>13,521,846</u>	<u>14,212,734</u>
Assets Under Construction										
Diesel plant construction	3,949,815	7,227,326	11,177,141		11,177,141	977,538	2,972,277	3,949,815		3,949,815
CMHC 4-Unit Project	1,155,233	(1,155,233)					1,155,233	1,155,233		1,155,233
School & tank farm fuel project	1,477,440	(1,477,440)				962,386	515,054	1,477,440		1,477,440
Nursing stations										
AHP Housing Project	2,089,218	(2,089,218)					2,089,218	2,089,218		2,089,218
AHP Housing Project 2		435,600	435,600		435,600					
Mattagamt modular		94,823	94,823		94,823					
Small Business Center	1,190,330	(1,190,330)				567,805	622,525	1,190,330		1,190,330
Sewage Lagoon, Dept. #3080	352,395	4,493,934	4,846,329		4,846,329	10,188	342,207	352,395		352,395
Sewage Lagoon, Dept. #3081	130,545	(130,545)					130,545	130,545		130,545
Capital assets under construction	10,344,976	6,208,917	16,553,893		16,553,893	2,517,917	7,827,059	10,344,976		10,344,976
	<u>\$ 38,085,010</u>	<u>14,647,807</u>	<u>52,732,817</u>	<u>15,783,770</u>	<u>36,949,047</u>	<u>30,257,951</u>	<u>7,821,605</u>	<u>38,079,556</u>	<u>13,521,846</u>	<u>24,557,710</u>

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

13. FINANCIAL RISKS AND CONCENTRATION OF RISK

a) Credit risk

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

b) Liquidity risk

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

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

c) Currency risk

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

d) Interest Rate risk

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

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 2016 was \$336,536 (2015 - \$297,975).

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

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. Revenue account 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>2016</u>	<u>2015</u>
Kasabonika Lake Construction Ltd.	\$ 11,630	11,630
Petrokas Ltd.	(1,258,447)	(843,107)
Kasabonika Lake Community Development Corporation	423,416	20,449
Kasabonika Lake First Nation Trust	11,000	11,000
Kasabonika Minerals Corporation	502,268	440,374
Revenue account	<u>111,655</u>	<u> </u>
	\$ <u>(198,478)</u>	<u>(359,654)</u>

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

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, 2016 was \$1,243,284 (2015 - \$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, 2016

20. SEGMENT DISCLOSURE

	Band Support		Municipal Services		Social Services	
	<u>Budget</u>	<u>2015</u>	<u>Budget</u>	<u>2015</u>	<u>Budget</u>	<u>2015</u>
REVENUE						
Federal government	\$ 979,430	942,917	979,236	1,942,372	386,000	434,077
Provincial government				2,032,462	1,771,108	2,231,828
Economic activities		47,068	273,197			
Net income for investments in government business enterprises		878	360			
Other revenue	200,000	100,754	64,058	139,800	3,977	3,463
TOTAL REVENUE	1,179,430	1,091,617	1,316,851	2,082,172	2,157,108	2,669,368
EXPENSES						
Honoraria						
Chief and Councillors	394,940	420,815	406,922			
Elders and Board Members	9,600	17,900	22,168	20,000		
Wages and benefits	474,422	437,377	496,359	484,232	474,652	407,033
Amortization		2,037,746	1,883,257			
Tangible Capital Assets		(14,163,886)	(7,661,605)			
Interest						
Other expenses	441,935	548,422	59,983	1,687,374	1,682,457	2,246,734
TOTAL EXPENSES	1,320,897	(10,701,626)	(4,792,916)	2,235,502	2,157,109	2,653,767
TRANSFERS		89,371				
ANNUAL SURPLUS (DEFICIT)	\$ (141,467)	11,882,614	6,109,767	(153,330)	(49,154)	(392,635)
					(1)	26,325
						15,601

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

20. SEGMENT DISCLOSURE, continued

	<u>Economic Development</u>		<u>Education</u>		<u>Housing</u>	
	<u>Budget</u>	<u>2016</u>	<u>Budget</u>	<u>2016</u>	<u>Budget</u>	<u>2016</u>
REVENUE						
Federal government	\$ 82,300	82,300	82,300	2,503,524	358,211	297,975
Provincial government				125,000		
Economic activities				225,951		
Net income for investments in government business enterprises						
Other revenue	<u>32,574</u>	<u>—</u>	<u>4,897</u>	<u>96,854</u>	<u>193,920</u>	<u>174,480</u>
TOTAL REVENUE	<u>114,874</u>	<u>82,300</u>	<u>87,197</u>	<u>2,725,378</u>	<u>552,131</u>	<u>472,455</u>
EXPENSES						
Honoraria						
Chief and Councillors						
Elders and Board Members	8,800	7,250	9,600	7,200		
Wages and benefits	192,500	183,862	167,894	2,135,039		
Amortization					245,000	191,951
Tangible Capital Assets						
Interest	(103,887)	12,973	(87,846)	660,844		
Other expenses					105,000	102,837
TOTAL EXPENSES	<u>97,413</u>	<u>204,085</u>	<u>89,648</u>	<u>2,803,083</u>	<u>595,412</u>	<u>472,455</u>
TRANSFERS						
	<u>—</u>	<u>89,443</u>	<u>—</u>	<u>56,983</u>	<u>—</u>	<u>—</u>
ANNUAL SURPLUS (DEFICIT)	\$ <u>17,461</u>	<u>(32,342)</u>	<u>(2,451)</u>	<u>(77,705)</u>	<u>(43,281)</u>	<u>—</u>

EXHIBIT G

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

20. SEGMENT DISCLOSURE, continued

	Health		Community Services		Total	
	Budget	2016	Budget	2015	Budget	2015
REVENUE						
Federal government	\$ 1,619,790	2,073,816	1,526,718	16,888,790	11,200,396	7,546,648
Provincial government				24,760,417	19,702,004	15,525,604
Economic activities				1,241,096	570,230	505,632
Net income for investments in government business enterprises				3,137,204	3,286,327	2,737,460
Other revenue				47,068	273,197	
	44,000	44,000	101,000	12,537,772	5,583,831	1,949,076
				878	6,052,107	2,753,277
TOTAL REVENUE	1,663,790	2,117,816	1,627,718	30,667,658	17,354,457	10,001,356
				41,142,541	29,088,384	21,289,898
EXPENSES						
Honoraria						
Chief and Councillors	11,742	20,941		394,940	420,815	406,922
Elders and Board Members	925,472	830,224	7,700	82,142	87,217	88,199
Wages and benefits			862,107	6,000,767	6,313,295	6,636,039
Amortization				245,000	2,256,470	2,075,208
Tangible Capital Assets				(14,163,886)	(7,821,605)	
Interest				698,397	30,776	271,921
Other expenses	747,673	1,326,219	859,758	29,984,658	35,443,785	24,813,425
				19,999,257	17,915,441	
TOTAL EXPENSES	1,684,887	2,177,384	1,729,565	(1,408,070)	12,369,160	42,970,031
TRANSFERS		48,762		(284,559)		
ANNUAL SURPLUS (DEFICIT)	\$ (21,097)	(10,806)	(101,847)	(1,408,079)	(2,414,251)	(2,367,804)
				(1,827,490)	9,089,127	3,374,457