

WEBEQUIE FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

WEBEQUIE FIRST NATION
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FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

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WEBEQUIE FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013


MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Webequie 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


Band 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)

101 - 1180 Pembina Highway
Winnipeg, Manitoba R3T 2A4
Telephone (204) 452-6449
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INDEPENDENT AUDITORS' REPORT

To the Chief, Council and Members of
Webequie First Nation

We have audited the accompanying consolidated financial statements of Webequie First Nation, which comprise the consolidated statements of financial position as at March 31, 2014 and 2013 and the consolidated statements of accumulated surplus, consolidated statements of operations, consolidated statements of change in net debt and consolidated statements of cash flows for the years 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 the requirements of Canadian generally accepted accounting principles, such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Holukoff Chiarella

CHARTERED ACCOUNTANTS

EXHIBIT "A"

Kevin Masse, B.Comm. (Hons), C.A.
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INDEPENDENT AUDITORS' REPORT - continued

Basis for Qualified Opinion

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

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

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

Qualified Opinion

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



WINNIPEG, MANITOBA
July 25, 2014

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

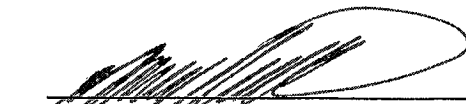
WEBEQUIE FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014 AND 2013


	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Cash, Note 3	\$ 1,720,831	726,168
Accounts receivable, Note 4	4,290,290	5,817,262
Loans receivable		1
Equity in commercial enterprises, Note 5	1,539,715	1,726,314
Funds on deposit with Aboriginal Affairs and Northern Development Canada, Note 6	<u>20,690</u>	<u>20,179</u>
Total financial assets	<u>7,571,526</u>	<u>8,289,924</u>
LIABILITIES		
Bank indebtedness, Note 7	238,025	161,417
Accounts payable, Note 8	4,759,996	5,495,311
Deferred revenue, Note 9	786,638	125,405
Long term debt, Note 10	4,447,753	5,448,418
Reserves, Note 11	<u>140,783</u>	<u>121,283</u>
Total liabilities	<u>10,373,195</u>	<u>11,351,834</u>
NET DEBT	<u>(2,801,669)</u>	<u>(3,061,910)</u>
NON-FINANCIAL ASSETS		
Inventory and prepaid expenses	254,660	504,064
Tangible capital assets, Note 12	<u>42,182,549</u>	<u>42,860,891</u>
	<u>42,437,209</u>	<u>43,364,955</u>
ACCUMULATED SURPLUS, Exhibit "C"	\$ <u>39,635,540</u>	<u>40,303,045</u>

CONTINGENCIES AND COMMITMENTS, Notes 17 and 18

APPROVED BY:


 CHIEF


 COUNCILLOR


 COUNCILLOR


 COUNCILLOR


 Band Councillor

WEBEQUIE FIRST NATION
CONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
BALANCE AT BEGINNING OF YEAR	\$ 40,303,045	39,727,860
ANNUAL SURPLUS (DEFICIT)	<u>(667,505)</u>	<u>575,185</u>
BALANCE AT END OF YEAR	\$ <u>39,635,540</u>	<u>40,303,045</u>

WEBEQUIE FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
REVENUE		
AANDC	\$ 6,972,735	6,514,405
Health Canada - Regular	2,054,049	1,791,896
Health Canada - Travel reimbursement	8,510	11,625
CMHC	66,237	67,476
OFNLP	914,735	921,226
Ministry of Community and Social Services	1,380,848	1,093,529
Children's Aid	199,100	156,743
Ministry of Health - Province of Ontario	144,466	138,520
Public Safety Canada	43,175	
Ministry of Mines and Northern Development	891,962	637,877
Ministry of Natural Resources	336,972	200,000
Ministry of Aboriginal Affairs	179,849	988,167
Other	<u>1,323,374</u>	<u>2,755,057</u>
	<u>14,516,012</u>	<u>15,276,521</u>
EXPENSES		
Band Support	572,402	1,330,893
Band O & M	1,303,536	997,016
Education Authority	4,031,010	3,766,840
Social Services	2,186,405	1,948,510
Economic Development	978,368	855,709
Capital Projects	206,791	620,359
Housing	532,091	266,108
OFNLP	915,187	921,587
Health Services	2,462,981	2,119,102
Lands and Resources	<u>1,273,250</u>	<u>1,459,542</u>
	<u>14,462,021</u>	<u>14,285,666</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS	53,991	990,855
OTHER ITEMS		
Transfer to tangible capital assets	301,898	778,207
Amortization	(1,032,735)	(1,051,218)
Interest, Ottawa Trust Funds	511	484
Investment income (loss)	8,830	(66,953)
Write-down of investments	<u> </u>	<u>(76,190)</u>
ANNUAL SURPLUS (DEFICIT)	\$ <u>(667,505)</u>	<u>575,185</u>

WEBEQUIE FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	<u>Schedule</u>	<u>Revenue</u>			<u>Expenses</u>	<u>Annual Surplus (Deficit)</u>
		<u>AANDC</u>	<u>Other</u>	<u>Total</u>		
Band Support	1	\$ 658,672	258,657	917,329	570,467	346,862
Band O & M	2	1,076,080	(58,477)	1,017,603	1,303,536	(285,933)
Education Authority	3	3,866,589	324,762	4,191,351	4,031,010	160,341
Social Services	4	490,800	1,612,502	2,103,302	2,186,405	(83,103)
Economic Development	5	50,000	729,666	779,666	978,368	(198,702)
Capital Projects	6	178,500	81	178,581	206,791	(28,210)
Housing Authority	7	285,427	22,596	308,023	532,091	(224,068)
Casino Rama	8		915,187	915,187	915,187	
Health Services	9		2,305,422	2,305,422	2,462,981	(157,559)
Lands and Resources	10	<u>366,667</u>	<u>1,430,946</u>	<u>1,797,613</u>	<u>1,273,250</u>	<u>524,363</u>
		\$ 6,972,735	7,541,342	14,514,077	14,460,086	53,991
OTHER ITEMS						
Transfer to tangible capital assets						301,898
Amortization						(1,032,735)
Interest Ottawa Trust Funds						511
Investment losses						<u>8,830</u>
ANNUAL SURPLUS (DEFICIT)						\$ (667,505)
 AANDC Funding Per Confirmation		\$ 6,972.35				

WEBEQUIE FIRST NATIONS
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

EXHIBIT "E"

	<u>2014</u>	<u>2013</u>
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	\$ (667,505)	575,185
Acquisitions/disposal of tangible capital assets and capital assets under construction	(354,393)	(796,535)
Amortization of tangible capital assets	1,032,735	1,051,218
Acquisition (disposal) of inventory and prepaid expenses	<u>249,404</u>	<u>(176,053)</u>
(INCREASE) DECREASE IN NET DEBT	260,241	653,815
NET DEBT AT BEGINNING OF YEAR	<u>(3,061,910)</u>	<u>(3,715,725)</u>
NET DEBT AT END OF YEAR	\$ <u>(2,801,669)</u>	<u>(3,061,910)</u>

WEBEQUIE FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING TRANSACTIONS		
Annual surplus (deficit)	\$ (667,505)	575,185
Non-cash items		
Amortization	1,032,735	1,051,218
Replacement reserve	19,500	25,436
Changes in financial assets/liabilities		
Accounts receivable	1,526,973	(877,378)
Ottawa Trust Funds	(511)	(484)
Accounts payable	(735,315)	525,223
Deferred revenue	661,233	(635,285)
Changes in inventory and prepaid expenses	<u>249,404</u>	<u>(176,053)</u>
	<u>2,086,514</u>	<u>487,862</u>
CAPITAL TRANSACTIONS		
Acquisitions/disposal of tangible capital costs and assets under construction	<u>(354,393)</u>	<u>(796,535)</u>
FINANCIAL TRANSACTIONS		
Principal repayments on long-term debt	(1,304,927)	(2,657,153)
Increase in long-term debt	<u>304,262</u>	<u>1,695,000</u>
	<u>(1,000,665)</u>	<u>(962,153)</u>
INVESTING TRANSACTIONS		
Decrease (increase) in long-term investments	<u>186,599</u>	<u>143,143</u>
NET CHANGE IN CASH POSITION	918,055	(1,127,683)
CASH POSITION AT BEGINNING OF YEAR	<u>564,751</u>	<u>1,692,434</u>
CASH POSITION AT END OF YEAR	\$ <u>1,482,806</u>	<u>564,751</u>
CASH POSITION CONSISTS OF:		
Cash	\$ 1,720,831	726,168
Bank indebtedness	<u>(238,025)</u>	<u>(161,417)</u>
	\$ <u>1,482,806</u>	<u>564,751</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ <u>132,198</u>	<u>114,551</u>

WEBEQUIE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

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) Basis of Accounting

These consolidated financial statements have been prepared in accordance with local government entities, as defined in the Public Sector Accounting and Auditing Handbook of the Canadian Institute of Chartered Accountants and to comply with Aboriginal Affairs and Northern Development Canada (AANDC) and Health Canada (HC) year end reporting handbook for funding agreements covering 2013/14.

b) Nature and Purpose of Organization

The purpose of the organization is the management and administration of all aspects of the Webequie 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.

c) Reporting Entity and Principles of Financial Reporting

The Webequie First Nation reporting entity includes the Webequie 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:

- Webequie First Nation Administration
- Webequie Co-Management
- Webequie Administration/Health
- Webequie Housing Authority
- Webequie Economic Development
- Webequie Telecom
- Webequie Mineral Corporation
- Oshkemachechekaywin Inc.

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 Webequie 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.

Segment Reporting

The First Nation provides a wide range of services to its members. For management reporting purposes, the First Nation's operations and activities are organized and reported on by program activity and by Fund. The various programs are outlined in the various schedules of operations.

WEBEQUIE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING PRINCIPLES

d) Tangible Capital Assets

Tangible capital assets include purchased, built, developed and improved capital assets, the useful life of which extends beyond one year and which are intended to be used on an on-going basis for producing goods or delivery services. Tangible capital assets are recorded at cost. Capital assets under construction at year-end are capitalized but not amortized until the asset is available for productive use.

i) Capital assets acquired after March 31, 1996

Property, equipment and infrastructure expenditures incurred after March 31, 1996 are valued at acquisition cost and were recorded by the First Nation in accordance with Indian and Northern Affairs Canada requirements at that time. Expenditures incurred prior to April 1, 1996 are not reflected in the Fund, other than the cable TV equipment which was previously capitalized to the extent of the related debt funding. This equipment was transferred to the Fund at its net book value. This 1996 change in accounting policy was recorded on a prospective basis, restatement of the prior year was not appropriate as the information was not readily available.

ii) Tangible capital assets recognized at nominal value

In accordance with Canadian generally accepted accounting principles for local government entities, the First Nation is required, as of fiscal 2010, to value and capitalize all tangible assets of the First Nation. The First Nation has determined that it is either not feasible or economically reasonable to comply with this requirement for tangible assets acquired or constructed prior to March 31, 1996. Therefore certain assets, acquired prior to March 31, 1996, have been assigned a nominal value of one dollar.

iii) Capitalization of interest

The First Nation has a policy of capitalizing borrowing costs incurred when financing the acquisition of a tangible capital asset, for those interest costs incurred up to the date the asset goes into use.

iv) Amortization

Capital assets are amortized annually and charged to operating fund expenses for the program in which the assets are used. Assets are amortized over their expected useful life using the declining balance method at the following rates:

Automobiles and heavy equipment	30%
Buildings and improvements	4%
General housing	4%
Infrastructure	4%
Office and general equipment	20%

WEBEQUIE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

EXHIBIT "G"

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING PRINCIPLES

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

The First Nation's financial instruments consist of cash, accounts receivable, investments, accounts payable and long term debt. Unless otherwise noted it is management's opinion that the company is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

The fair value of the First Nation's investments are recorded at cost as it is not practicable within the constraints of timeliness, or to determine the fair value, as the investments are not traded in an organized financial market.

g) Reserve Funds

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

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

h) Use of Estimates

The preparation of financial statements 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

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

WEBEQUIE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

EXHIBIT "G"

3. CASH AND EQUIVALENTS

	<u>2014</u>	<u>2013</u>
Bank accounts at Royal Bank of Canada		
Thunder Bay		
General Operations:		
- Health	\$ 200,529	136,981
- Social Services	377,347	65,658
- Education	215,921	
- Heavy Equipment	4,751	90
Capital:		
- Project account - loan interest - Minor Capital	29,969	19,957
- 13-unit Housing Project	17	17
- Gravel Haul Project	56,064	7,565
Other Operations:		
- Broadband telecommunications	6,330	27,314
- Women's Group	2,757	
- Housing Authority	7,771	6,557
- Property Management Committee		29,494
- Neebin Aaminawin	808	828
- Small Business Centre - Operations	160,431	110,278
- Small Business Centre - Agency Bank	6,364	498
- Small Business Centre - Agency Commission	10,947	390
Co-management Accounts:		
- MNP - Operations	113,623	22,347
- MNP - Ring of Fire	57,463	60,979
- MNP - Cliffs	28,204	25,534
- MNP - NorOnt	4,396	9,035
- MNP - Ministries Trust	105,914	99,246
- BDO - Water and Sewer Project	314	31
- BDO - Electrical Upgrade	41,543	41,478
Segregated Funds:		
- Casino Rama	259,241	7,082
- Housing Authority - Reserve Fund	5	5
- Webequie Minerals Corporation	<u>30,122</u>	<u>54,804</u>
	\$ <u>1,720,831</u>	<u>726,168</u>

WEBEQUIE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

EXHIBIT "G"

	<u>2014</u>	<u>2013</u>
4. ACCOUNTS AND LOANS RECEIVABLE		
Accounts receivable - current:		
Arnason Industries Ltd.	\$ 1,459,296	1,454,235
Aboriginal Affairs and Northern Development Canada	1,159,915	1,849,161
Canada Mortgage and Housing Corporation	291,157	224,920
CMHC - RAPP	47,500	47,500
Health Canada	17,292	498,640
HST, GST and RST net taxes receivable	269,818	182,703
Ministry of Northern Development and Mines	192,559	191,984
Ministry of Aboriginal Affairs	58,581	40,000
Ontario First Nations Limited Partnership		614,694
Other ministries, organizations, corporations and members	<u>3,440,713</u>	<u>3,270,479</u>
	6,936,831	8,374,316
Allowance for doubtful accounts	<u>(2,646,541)</u>	<u>(2,557,054)</u>
	\$ <u>4,290,290</u>	<u>5,817,262</u>

5. LONG-TERM INVESTMENTS

The First Nation holds minority share equity investments in certain profit-oriented corporations which are accounted for as follows:

	<u>2014</u>	<u>2013</u>
Proportionate consolidation:		
- 1188680 Ontario Ltd.		
(Peepon Transport - 1 common share)	\$	1
Modified equity method:		
i) Peepon Holdings Ltd. - 20% interest		(4,646)
ii) North American Charters Group Inc. ("NAC")		
iii) Wasaya Partnership - 12% interest, and Wasaya Corporation Limited - 1 common share (12.5%)	1,282,776	1,478,205
iv) Aatawehike Fire Services Ltd. Partnership - 12.5% interest and 1490342 Ontario Limited - 1 common share (12.5% interest)		11,944
v) Cyr Drilling International Ltd.	<u>256,939</u>	<u>248,109</u>
	1,539,715	1,733,613
Allowance for write-down of investments		<u>(7,299)</u>
	\$ <u>1,539,715</u>	<u>1,726,314</u>

WEBEQUIE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

5. LONG-TERM INVESTMENTS, continued

a) Wasaya Group

The First Nation owns 12% of Wasaya Partnership and 12.5% of Wasaya Group Inc. These business enterprise investments have been consolidated and then accounted for under the modified equity method.

	<u>2014</u>	<u>2013</u>
Equity in Wasaya Group		
Balance, Beginning of year	\$ <u>1,478,205</u>	<u>1,478,205</u>
Equity in earnings for the year:		
Interest on funds due from Wasaya Corporation Ltd.		
12.5% of Wasaya Group Inc. net earnings for the year		
Share of Wasaya Partnership net earnings for the year	_____	_____
Drawings for the year		
Credit note to offset payable	<u>195,429</u>	_____
Net increase (decrease) in investment equity	<u>195,429</u>	_____
Balance, End of year	\$ <u>1,282,776</u>	<u>1,478,205</u>

Supplementary Financial Information:

Wasaya prepares a consolidated partnership group financial statement and a consolidated corporation group financial statement, however it does not prepare a consolidated partnership and corporate entity financial statement therefore the supplementary financial information that is typically disclosed is not readily available for disclosure. See Note 16.

- b) The First Nation, through Webequie Mineral Corporation, a wholly-owned corporation, owns a 20% equity interest in Cyr Drilling Ontario Inc. This business enterprise investment has been accounted for under the modified equity method. This investment was made in July 2008.

	<u>2014</u>	<u>2013</u>
Equity in Cyr Drilling Ontario Inc. ("CYR")		
Balance, Beginning of year	\$ 248,109	383,953
Equity in income (loss) for the period:		
6.67% share of CYR net income (loss)		
for the year	8,830	(66,953)
Equity adjustment for purchase noted below		(68,891)
Dividends received	_____	_____
Balance, End of year	\$ <u>256,939</u>	<u>248,109</u>

On March 1, 2012, the company purchased the assets and undertakings of Cyr Drilling International Ltd. in exchange for 1,920,000 common shares and the assumption of the liabilities. At the same time, the corporate name was amended to Cyr Drilling International Ltd.

As a result of this change, the First Nation now owns 6.67% of Cyr Drilling International Ltd.

WEBEQUIE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

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.

Funds on Deposit With Aboriginal Affairs And Northern Development Canada

Balance at beginning of year	\$	20,179	19,695
Interest and other income		<u>511</u>	<u>484</u>
Balance at end of year	\$	<u>20,690</u>	<u>20,179</u>

7. BANK INDEBTEDNESS

		<u>2014</u>	<u>2013</u>
Webequie First Nation			
Royal Bank account overdrafts			
General - Operations	\$	97,299	20,627
Property Management		726	
Education Authority			<u>135,790</u>
		<u>98,025</u>	<u>156,417</u>
Royal Bank revolving lines of credit:			
- General Account line of credit		80,000	5,000
- Agency account line of credit		<u>60,000</u>	
	\$	<u>238,025</u>	<u>161,417</u>

Royal Bank overdraft balances and revolving lines of credit bear interest at bank prime plus 3.95% are secured by Band Council resolutions.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Arnson Industries Ltd.	\$	1,659,822	1,659,822
AANDC		18,500	
CRA		13,774	74,764
Various other supplier corporations and entities		<u>3,067,900</u>	<u>3,760,725</u>
	\$	<u>4,759,996</u>	<u>5,495,311</u>

WEBEQUIE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

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>March 31,</u> <u>2013</u>	<u>Funding</u> <u>Received</u>	<u>Revenue</u> <u>Recognized</u>	<u>Balance</u> <u>March 31,</u> <u>2014</u>
AANDC					
Capital projects:					
- Housing - CEAP	7-3	\$ 3,488			3,488
- Electrical upgrade	6-2				
- Environmental site assessment	10-6				
CMHC - RAPP	7-3	47,500		47,500	
Health Canada					
Programs - ECD,					
Maternal Child and NAADAP	9-2, 9-4				
Capital project - Health Centre	9-8				
Emergency fund and miscellaneous	9-10	74,417			74,417
Special Services	2-4		276,518		276,518
Housing	7-2		285,427		285,427
Land Use Planning	10-2		<u>336,972</u>	<u>190,184</u>	<u>146,788</u>
		\$ <u>125,405</u>	<u>898,917</u>	<u>237,684</u>	<u>786,638</u>

10. LONG TERM DEBT

	<u>2014</u>	<u>2013</u>
Royal Bank variable term loan, interest at 4%, repayable at \$853 monthly principal and interest, maturing March 18, 2015. Secured by 2010 Dodge Ram 1500.	\$ 19,632	
Royal Bank term loan, interest at 3.43% repayable at \$4,379.39 monthly principal and interest, maturing March 18, 2015. Secured by Heavy Equipment.	76,727	
Royal Bank variable term loan, plus interest at bank prime plus 3.25%. Secured by Band Council Resolution and supported by an irrevocable Letter of Direction acknowledged by Aboriginal Affairs and Northern Development Canada. Maturing May 15, 2014.	260,900	904,100
Royal Bank variable term loan, repayable at \$11,603 per month including interest at bank prime plus 3.25% Secured by a Band Council Resolution and supported by an assignment of funding. Maturing October 4, 2013.	473,171	579,175

WEBEQUIE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

EXHIBIT "G"

10. LONG TERM DEBT, continued

	<u>2014</u>	<u>2013</u>
Aboriginal Affairs and Northern Development Canada capital advance repayable annually at the direction of AANDC from minor capital funding. The advance is non-interest bearing, secured by a Band Council Resolution, and there was no advance recovery in 2013 or 2014.	\$ 279,300	279,300
Canada Mortgage and Housing Corporation (CMHC) Section 95 loan, blended principal and interest, at 2.11%, payable monthly at \$5,810.80, maturing on January 1, 2019. Secured by assignment of insurance proceeds and a guaranteed by Aboriginal Affairs and Northern Development Canada.	876,724	925,882
Nishnawbe-Aski Development Fund fuel term loan. Paid in full April 1, 2014.	17,937	
Nishnawbe-Aski Development Fund term loan, repayable at \$21,924.95 monthly principal and interest, interest at 11%, maturing February 1, 2015. Secured by a general security agreement.	229,966	
Nishnawbe-Aski Development Fund term loan repayable monthly at \$3,886 monthly including principal and interest at 12%, secured by specific equipment with a carrying value of \$153,040, a General Security Agreement and a First Nation promissory note, maturing December 19, 2013.		34,222
Nishnawbe-Aski Development Fund term loan repayable monthly at \$996 including principal and interest at 9.5%, secured by equipment, maturing January 1, 2016.		28,914
Nishnawbe-Aski Development Fund term loan repayable monthly at \$1,700 including principal and interest at 9.5%, secured by equipment, maturing December 20, 2015.		49,240
Nishnawbe-Aski Development Fund term loan repayable monthly at \$1,072.01 including principal and interest at 9.5%, secured by a school bus, maturing May 1, 2017.	35,595	44,784

WEBEQUIE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

10. LONG TERM DEBT, continued

	<u>2014</u>	<u>2013</u>
Hydro One non-interest bearing note repayable monthly at \$25,000, secured by a Band Council resolution and maturing February, 2019. The non-interest bearing term is conditional on the First Nation staying up to date with current hydro bills and the schedule note payments. Contingent on the First Nation fulfilling its conditions, Hydro One will forgive \$125,000 annually commencing in 2012 and \$34,000 in the final year of the agreement. \$125,000 was forgiven during the current fiscal year.	\$ <u>2,177,801</u>	<u>2,602,801</u>
	4,447,753	5,448,418
Current portion	<u>1,405,746</u>	<u>2,307,304</u>
	\$ <u>3,042,007</u>	<u>3,141,114</u>

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

2015	\$ 1,405,746
2016	399,759
2017	366,145
2018	357,600
2019	356,315
Thereafter	<u>1,562,188</u>
	\$ <u>4,447,753</u>

11. RESERVES

Replacement Reserves

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 partially funded in a separate interest bearing account.

The Housing Authority has approved eligible replacement expenditures totalling \$NIL for the years ended March 31, 2014 and 2013.

Reserves are comprised of:

Webequie Housing Authority Replacement reserve	\$ <u>140,783</u>	<u>121,283</u>
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WEBEQUIE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

EXHIBIT "G"

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 not been funded in a separate interest bearing account.

12. TANGIBLE CAPITAL ASSETS AND ASSETS UNDER CONSTRUCTION

	2014				
	Cost Mar. 31/13	Additions (Disposals)	Cost Mar. 31/14	Accumulated Amortization	Net Book Value
Core and Administration	\$ 500,073	56,456	556,529	362,310	194,219
Economic Development	6,476,428	15,625	6,492,053	2,837,724	3,654,329
Capital/Infrastructure	36,269,745		36,269,745	4,459,961	31,809,784
Health and Medical	511,840	65,458	577,298	395,129	182,169
Band Enterprise Programs	1,276,696		1,276,696	1,176,732	99,964
Other Programs	27,236		27,236	20,096	7,140
Education Authority	2,440,370	179,983	2,620,353	1,668,965	951,388
Housing	8,957,853		8,957,853	4,040,882	4,916,971
Telecom	791,137	36,871	828,008	461,423	366,585
	\$ 57,251,378	354,393	57,605,771	15,423,222	42,182,549

	2013				
	Cost Mar. 31/12	Additions (Disposals)	Cost Mar. 31/13	Accumulated Amortization	Net Book Value
Core and Administration	\$ 392,981	107,092	500,073	299,673	200,400
Economic Development	6,476,428		6,476,428	2,677,990	3,798,438
Capital/Infrastructure	35,714,063	555,682	36,269,745	4,068,540	32,201,205
Health and Medical	443,672	68,168	511,840	342,046	169,794
Band Enterprise Programs	1,242,496	34,200	1,276,696	1,135,702	140,994
Other Programs	27,236		27,236	18,311	8,925
Education Authority	2,440,370		2,440,370	1,583,087	857,283
Housing	8,957,853		8,957,853	3,831,350	5,126,503
Telecom	759,744	31,393	791,137	433,788	357,349
	\$ 56,454,843	796,535	57,251,378	14,390,487	42,860,891

WEBEQUIE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

13. 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.

14. 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 2014 was \$66,237 (2013 - \$67,476).

15. 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 to the presentation of the current year.

16. BUDGET INFORMATION

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

17. CONTINGENT LIABILITIES

- a) The Operating Fund balance includes surpluses and/or deficits from funds contributed by government agencies. Such surplus/deficits may be subject to repayment or recovery by the contributing agency depending on the terms and conditions of the relevant contribution arrangements. These transactions would be recorded in the year they become payable or recoverable. Some restrictions may apply to the use of fund balances.
- b) The First Nation is a partner in Wasaya Airways LP, which has provided the Royal Bank with a \$6,000,000 guarantee as collateral security on debt in Wasaya Airways Leasing Ltd., a \$910,000 guarantee as collateral security on debt in Wasaya Prop Shop Limited Partnership and a \$1,715,000 guarantee and postponement of claim on debt in Wasaya Airways Limited Partnership. Wasaya Group has not provided the First Nation with Financial Statements since 2011 so the actual outstanding loan balances cannot be verified.

As part of the overall corporate financing terms and conditions for Wasaya Airways Leasing Ltd., the shareholders of the parent corporation, Wasaya Group Inc., have executed postponement of claims. Webequie First Nation has a one-eighth equity interest in Wasaya Group Inc. (see Other - Note 16).

WEBEQUIE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

18. OTHER

Webequie First Nation and the Wasaya Group are involved in arbitration negotiations during and subsequent to the year-end in order to resolve a dispute related to the retirement of Webequie from the Group. Due to the planned departure, Webequie was not allocated any profit sharing from the partnership and did not account for any change in their equity investment in the Wasaya Group, other than interest earned or drawings, for the fiscal years ended March 31, 2007 - 2014. Webequie entitlement to profits, if any, will be accounted for once the arbitration is settled. The arbitration process involves legal counsel costs which are based on a percentage of over-all proceeds, those costs will be deducted from the proceeds upon settlement. At the time of preparation of these statements the First Nation is reviewing its agreement with legal counsel to determine if there is any conflict of interest and if a per hourly fee arrangement is a more feasible option.

19. SUBSEQUENT EVENT

Subsequent to year end the First Nation took out a loan for \$28,116 from NADF to finance the purchase of a Grader.

WEBEQUIE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

20. SEGMENT DISCLOSURE

	Band Support		Band O & M		Social Services	
	Budget	2014	2013	Budget	2014	2013
REVENUE						
Federal government		658,672	702,756			
Provincial government			868,167	1,076,080	490,800	449,200
Economic activities				148,500	1,579,948	1,250,272
Net income for investments in government business enterprises		511	484			
Other revenue		267,487	511,872	(206,977)	32,554	38,681
TOTAL REVENUE		926,670	2,083,279	1,017,603	2,103,302	1,738,153
EXPENSES						
Honoraria						
Chief and Councillors	469,756	358,273				
Elders and Board Members	700	550			3,500	600
Wages and benefits	207,243	180,839		292,791	214,983	90,692
Amortization	519,997	520,137				
Tangible Capital Assets	(190,940)	(696,975)				
Interest	52,163	37,809			1,042	10,268
Other expenses	(159,395)	1,084,109		1,010,745	1,966,880	1,846,950
TOTAL EXPENSES		899,524	1,484,742	1,303,536	2,186,405	1,948,510
ANNUAL SURPLUS (DEFICIT)		27,146	598,537	(285,933)	(83,103)	(210,357)
	\$					

WEBEQUIE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

20. SEGMENT DISCLOSURE, continued

	Economic Development		Education		Housing	
	Budget	2014	2013	Budget	2014	2013
REVENUE						
Federal government		50,000	50,000			
Provincial government						
Economic activities						
Net income for investments in government business enterprises						
Other revenue		729,666	1,020,806		324,762	345,868
TOTAL REVENUE		779,666	1,070,806		4,191,351	3,884,029
					308,023	1,160,748
EXPENSES						
Honoraria						
Chief and Councillors	10,450	8,375		33,900	37,590	
Elders and Board Members		500				
Wages and benefits	361,074	320,868		2,140,288	2,002,909	256,904
Amortization	184,418	187,766		65,705	72,753	209,531
Tangible Capital Assets		(31,392)		(45,500)		
Interest	56,677	36,735		3,538	3,831	23,358
Other expenses	550,167	489,231		1,853,284	1,722,510	251,829
TOTAL EXPENSES		1,162,786	1,012,083		4,051,215	3,839,593
					741,622	1,106,483
ANNUAL SURPLUS (DEFICIT)						
		(383,120)	58,723		140,136	44,436
					(433,599)	54,265

WEBEQUIE FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

20. SEGMENT DISCLOSURE, continued

	Health		Community Services		Total	
	<u>Budget</u>	<u>2014</u>	<u>Budget</u>	<u>2014</u>	<u>Budget</u>	<u>2013</u>
REVENUE						
Federal government	\$	2,062,599	1,803,521	545,167	9,101,531	8,465,402
Provincial government		144,466	138,520	1,303,458	3,176,372	2,930,562
Economic activities						
Net income for investments in government business enterprises						
Other revenue		98,357	179,926	1,042,756	511	484
					2,245,004	4,068,101
TOTAL REVENUE		2,305,422	2,121,967	2,891,381	14,523,418	15,464,549
EXPENSES						
Honoraria						
Chief and Councillors		890		6,276	514,106	442,462
Elders and Board Members		1,047,260	1,088,133	353,352	11,366	1,650
Wages and benefits		53,084	50,546		4,873,895	4,472,529
Amortization		(65,458)	(49,840)		1,032,735	1,051,218
Tangible Capital Assets			182		(301,898)	(778,207)
Interest		1,414,831	1,030,787		136,778	153,744
Other expenses				2,035,600	8,923,941	9,545,968
TOTAL EXPENSES		2,450,607	2,119,808	2,395,228	15,190,923	14,889,364
ANNUAL SURPLUS (DEFICIT)	\$	(145,185)	2,159	496,153	(667,505)	575,185