

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

WEBEQUIE FIRST NATION
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FOR THE YEAR ENDED MARCH 31, 2015

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WEBEQUIE FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

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 has 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)

101 - 1180 Pembina Highway
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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 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 the requirements of Canadian public sector accounting standards, 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, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



WINNIPEG, MANITOBA
July 17, 2015.

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

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

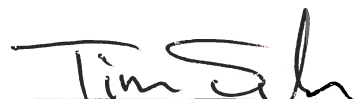
EXHIBIT "B"


	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash, Note 3	\$ 246,527	1,622,806
Accounts receivable, Note 4	2,181,979	4,290,290
Equity in commercial enterprises, Note 5	1,076,704	1,539,715
Funds on deposit with Aboriginal Affairs and Northern Development Canada, Note 6	<u>21,276</u>	<u>20,690</u>
Total financial assets	<u>3,526,486</u>	<u>7,473,501</u>
LIABILITIES		
Bank indebtedness, Note 7	445,000	140,000
Accounts payable, Note 8	2,950,730	4,759,996
Deferred revenue, Note 9	366,452	786,638
Long term debt, Note 10	3,578,832	4,447,753
Reserves, Note 11	<u>153,783</u>	<u>140,783</u>
Total liabilities	<u>7,494,797</u>	<u>10,275,170</u>
NET DEBT	<u>(3,968,311)</u>	<u>(2,801,669)</u>
NON-FINANCIAL ASSETS		
Inventory and prepaid expenses	369,176	254,660
Tangible capital assets, Note 13	<u>41,291,324</u>	<u>42,182,549</u>
	<u>41,660,500</u>	<u>42,437,209</u>
ACCUMULATED SURPLUS, Exhibit "C"	\$ <u>37,692,189</u>	<u>39,635,540</u>

CONTINGENCIES AND COMMITMENTS, Notes 18 and 19

APPROVED BY:


 CHIEF


 COUNCILLOR


 COUNCILLOR


 COUNCILLOR

WEBEQUIE 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	\$ 39,635,540	40,303,045
ANNUAL SURPLUS (DEFICIT)	<u>(1,943,351)</u>	<u>(667,505)</u>
BALANCE AT END OF YEAR	\$ <u>37,692,189</u>	<u>39,635,540</u>

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

	<u>2015</u>	<u>2014</u>
REVENUE		
AANDC	\$ 6,510,803	6,972,735
Health Canada - Regular	1,895,263	2,054,049
Health Canada - Travel reimbursement	8,590	8,510
CMHC	73,760	66,237
OFNLP	940,420	914,735
Industry Canada - Fed Nor	293,087	
Ministry of Community and Social Services	1,447,183	1,380,848
Children's Aid	199,100	199,100
Ministry of Health - Province of Ontario	167,882	144,466
Public Safety Canada		43,175
Ministry of Mines and Northern Development	1,522,708	891,962
Ministry of Natural Resources	100,000	336,972
Ministry of Aboriginal Affairs	90,000	179,849
Other	<u>3,457,875</u>	<u>1,323,374</u>
	<u>16,706,671</u>	<u>14,516,012</u>
EXPENSES		
Band Support	780,174	572,402
Band O & M	1,655,719	1,303,536
Education Authority	4,439,729	4,031,010
Social Services	2,435,356	2,186,405
Economic Development	869,594	978,368
Capital Projects	210,712	206,791
Housing	1,224,637	532,091
OFNLP	940,732	915,187
Health Services	2,293,021	2,462,981
Lands and Resources	<u>2,247,023</u>	<u>1,273,250</u>
	<u>17,096,697</u>	<u>14,462,021</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS	(390,026)	53,991
OTHER ITEMS		
Recoveries	(228,316)	
Transfer to tangible capital assets	128,901	301,898
Amortization	(991,485)	(1,032,735)
Interest, Ottawa Trust Funds	586	511
Write-down of investments	(450,000)	
Investment income (loss)	<u>(13,011)</u>	<u>8,830</u>
ANNUAL SURPLUS (DEFICIT)	\$ <u>(1,943,351)</u>	<u>(667,505)</u>

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

	<u>Revenue</u>			<u>Expenses</u>	<u>Annual Surplus (Deficit)</u>
	<u>AANDC</u>	<u>Other</u>	<u>Total</u>		
Band Support	\$ 576,631	185,877	762,508	780,174	(17,666)
Band O & M	1,040,301	434,053	1,474,354	1,655,719	(181,365)
Education Authority	3,792,764	336,242	4,129,006	4,439,729	(310,723)
Social Services	421,799	1,686,021	2,107,820	2,435,356	(327,536)
Economic Development	50,000	1,103,839	1,153,839	869,594	284,245
Capital Projects	191,174		191,174	210,712	(19,538)
Housing Authority	287,622	1,036,824	1,324,446	1,224,637	99,809
Casino Rama		940,732	940,732	940,732	
Health Services		2,303,849	2,303,849	2,293,021	10,828
Lands and Resources	<u>150,512</u>	<u>2,168,431</u>	<u>2,318,943</u>	<u>2,247,023</u>	<u>71,920</u>
	\$ 6,510,803	10,195,868	16,706,671	17,096,697	(390,026)
OTHER ITEMS					
Recoveries					(228,316)
Transfer to tangible capital assets					128,901
Amortization					(991,485)
Interest Ottawa Trust Funds					586
Write-down of investments					(450,000)
Investment losses					<u>(13,011)</u>
ANNUAL SURPLUS (DEFICIT)				\$	<u>(1,943,351)</u>
AANDC Funding Per Confirmation	\$ 6,510,803				

EXHIBIT "E"

	<u>2015</u>	<u>2014</u>
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	\$ (1,943,351)	(667,505)
Acquisitions/disposal of tangible capital assets and capital assets under construction	(128,900)	(354,393)
Amortization of tangible capital assets - current year	991,485	1,032,735
- prior year	28,640	
Acquisition (disposal) of inventory and prepaid expenses	<u>(114,516)</u>	<u>249,404</u>
(INCREASE) DECREASE IN NET DEBT	(1,166,642)	260,241
NET DEBT AT BEGINNING OF YEAR	<u>(2,801,669)</u>	<u>(3,061,910)</u>
NET DEBT AT END OF YEAR	\$ <u>(3,968,311)</u>	<u>(2,801,669)</u>

WEBEQUIE 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)	\$ (1,943,351)	(667,505)
Non-cash items		
Amortization	1,020,125	1,032,735
Replacement reserve	13,000	19,500
Changes in financial assets/liabilities		
Accounts receivable	2,108,311	1,526,973
Ottawa Trust Funds	(586)	(511)
Accounts payable	(1,809,266)	(735,315)
Deferred revenue	(420,186)	661,233
Changes in inventory and prepaid expenses	<u>(114,516)</u>	<u>249,404</u>
	<u>(1,146,469)</u>	<u>2,086,514</u>
CAPITAL TRANSACTIONS		
Acquisitions/disposal of tangible capital costs and assets under construction	<u>(128,900)</u>	<u>(354,393)</u>
FINANCIAL TRANSACTIONS		
Principal repayments on long-term debt	(1,168,921)	(1,304,927)
Increase in long-term debt	<u>300,000</u>	<u>304,262</u>
	<u>(868,921)</u>	<u>(1,000,665)</u>
INVESTING TRANSACTIONS		
Decrease (increase) in long-term investments	<u>463,011</u>	<u>186,599</u>
NET CHANGE IN CASH POSITION	(1,681,279)	918,055
CASH POSITION AT BEGINNING OF YEAR	<u>1,482,806</u>	<u>564,751</u>
CASH POSITION AT END OF YEAR	\$ <u>(198,473)</u>	<u>1,482,806</u>
CASH POSITION CONSISTS OF:		
Cash	\$ 246,527	1,622,806
Bank indebtedness	<u>(445,000)</u>	<u>(140,000)</u>
	\$ <u>(198,473)</u>	<u>1,482,806</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ _____	<u>132,198</u>

WEBEQUIE 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) 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) Year End Reporting Handbook for funding agreements covering 2014/15.

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

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 and activity. The various programs are outlined in the various schedules of operations.

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

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
FOR THE YEAR ENDED MARCH 31, 2015

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

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 and loans receivable and investments.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable, deferred revenues, accrued liabilities 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.

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.

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

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING PRINCIPLES, continued

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.

3. CASH AND EQUIVALENTS

	<u>2015</u>	<u>2014</u>
Bank accounts at Royal Bank of Canada, Thunder Bay		
General Operations:		
- Administration	\$ (980)	
- Health	82,963	200,529
- Social Services	(10,214)	377,347
- Education	(97,666)	215,921
- Heavy Equipment	5,575	4,751
Capital:		
- Project account - loan interest - Minor Capital		29,969
- 13-unit Housing Project		17
- Gravel Haul Project		56,064
Other Operations:		
- Broadband telecommunications		6,330
- Women's Group	2,661	2,757
- Housing Authority	18,948	7,771
- Neebin Adaminawin	27,288	808
- Small Business Centre - Operations	39,227	160,431
- Small Business Centre - Agency Bank	15,837	6,364
- Small Business Centre - Agency Commission	6,098	10,947
- Ring of Fire Development Project	13,898	
- Airport Redevelopment Project	121,916	
- Community Sports Complex	12,422	
- Housing Replacement Fund	155	
- Reserve Project	491	
Balance carried forward	\$ <u>238,619</u>	<u>1,080,006</u>

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

3. CASH AND EQUIVALENTS, continued

	<u>2015</u>	<u>2014</u>
Balance brought forward		
	\$ 238,619	1,080,006
Co-management Accounts:		
- MNP - Operations	1,773	113,623
- MNP - Ring of Fire	48	57,463
- MNP - Cliffs		28,204
- MNP - NorOnt		4,396
- MNP - Ministries Trust	40	105,914
- BDO - Water and Sewer Project	302	314
- BDO - Electrical Upgrade		41,543
Segregated Funds:		
- Casino Rama	5,740	259,241
- Housing Authority - Reserve Fund	5	5
- Webequie Minerals Corporation		<u>30,122</u>
	\$ <u>246,527</u>	<u>1,720,831</u>

4. ACCOUNTS AND LOANS RECEIVABLE

	<u>2015</u>	<u>2014</u>
Accounts receivable - current:		
Amason Industries Ltd. (net)	\$ 99,474	1,459,296
Aboriginal Affairs and Northern Development Canada	337,391	1,159,915
Canada Mortgage and Housing Corporation	357,394	291,157
CMHC - RAPP		47,500
Health Canada	228,745	17,292
HST, GST and RST net taxes receivable	367,824	269,818
Ministry of Northern Development and Mines	878,598	192,559
Ministry of Aboriginal Affairs		58,581
Other ministries, organizations, corporations and members	<u>2,505,661</u>	<u>3,440,713</u>
	4,775,087	6,936,831
Allowance for doubtful accounts	<u>(2,593,108)</u>	<u>(2,646,541)</u>
	\$ <u>2,181,979</u>	<u>4,290,290</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>2015</u>	<u>2014</u>
Modified equity method:		
i) Wasaya Partnership - 12% interest, and Wasaya Corporation Limited - 1 common share (12.5%)	\$ 1,282,776	1,282,776
ii) Cyr Drilling International Ltd.	<u>243,928</u>	<u>256,939</u>
	1,526,704	1,539,715
Less: Allowance for write-down in investments	<u>450,000</u>	
Net Investment	\$ <u>1,076,704</u>	<u>1,539,715</u>

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

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>2015</u>	<u>2014</u>
Equity in Wasaya Group		
Balance, Beginning of year	\$ <u>1,282,776</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>1,282,776</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 19.

- 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>2015</u>	<u>2014</u>
Equity in Cyr Drilling Ontario Inc. ("CYR")		
Balance, Beginning of year	\$ 256,939	248,109
Equity in income (loss) for the period:		
6.67% share of CYR net income (loss)		
for the year	(13,011)	8,830
Dividends received	_____	_____
Balance, End of year	\$ <u>243,928</u>	<u>256,939</u>

WEBEQUIE 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.

Funds on Deposit with Aboriginal Affairs and Northern Development Canada

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	\$ 20,690	20,179
Interest and other income	<u>586</u>	<u>511</u>
Balance at end of year	\$ <u>21,276</u>	<u>20,690</u>

7. BANK INDEBTEDNESS

	<u>2015</u>	<u>2014</u>
Royal Bank revolving lines of credit:		
- General Account line of credit	\$ 370,000	80,000
- Agency account line of credit	<u>75,000</u>	<u>60,000</u>
	\$ <u>445,000</u>	<u>140,000</u>

Royal Bank overdraft balances and revolving lines of credit bear interest at bank prime plus 3.95% and 2.45% are secured by Band Council resolutions.

Credit Facilities

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

Facility #1 - \$400,000 revolving demand facility reducing to \$100,000 on May 15, 2019, revolve in \$5,000 increments at bank prime plus 3.95%.

Facility #2 - \$100,000 revolving demand facility revolve in \$5,000 increments at bank prime plus 3.95%.

Facility #3 - \$50,000 revolving demand facility by way of overdraft protection at bank prime plus 2.45%.

Visa Business to a maximum of \$15,000.

Security for the Borrowings and all other obligations of the Borrower to the Bank shall include:

- Letter signed by Aboriginal Affairs and Northern Development Canada agreeing not to move the Band and the Borrower has the rights to the land they are currently inhabiting;
- Band Council resolution signed by a quorum of the Chief and Council of the Borrower authorizing the Borrowings.

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

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2015</u>	<u>2014</u>
AANDC	\$ 18,500	18,500
CRA		13,774
Various other supplier corporations and entities	<u>2,717,506</u>	<u>4,727,722</u>
	\$ <u>2,736,006</u>	<u>4,759,996</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>March 31,</u> <u>2014</u>	<u>Funding</u> <u>Received</u>	<u>Revenue</u> <u>Recognized</u>	<u>Balance</u> <u>March 31,</u> <u>2015</u>
AANDC Capital project:					
- Housing - CEAP	7-3	\$ 3,488		3,488	
Emergency fund and miscellaneous	9-12	74,417	37,965	39,017	73,365
Special Services	2-4	276,518	278,645	555,163	
Housing	7-2	285,427	287,622	573,049	
Land Use Planning	10-2	146,788	208,404	355,192	
Airport FED NOR Feasibility Study	10-8		<u>293,087</u>		<u>293,087</u>
		\$ <u>786,638</u>	<u>1,105,723</u>	<u>1,525,909</u>	<u>366,452</u>

10. LONG TERM DEBT

	<u>2015</u>	<u>2014</u>
Royal Bank variable term loan, interest at 2.96%, repayable at \$847.44 monthly principal and interest, maturing March 18, 2016. Secured by 2010 Dodge Ram 1500.	\$ 10,008	19,632
Royal Bank term loan, interest at 2.96% repayable at \$5,096.37 monthly principal and interest, maturing March 18, 2016. Secured by heavy equipment.	26,022	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
Royal Bank variable term loan, repayable at \$11,602.84 per month including interest at bank prime plus 3.95% Secured by a Band Council Resolution and supported by an assignment of funding. Maturing October 4, 2015.	360,297	473,171

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

EXHIBIT "G"

10. LONG TERM DEBT, continued

	<u>2015</u>	<u>2014</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.	824,795	876,724
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 \$1,072.01 including principal and interest at 9.5%, secured by a school bus, maturing May 1, 2017.	25,200	35,595
Royal Bank variable term loan, repayable at \$25,545.00 per month including interest at 4.0%, maturing January 31, 2016. Secured by a general security agreement and Band Council Resolution.	275,409	
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.	1,777,801	2,177,801
	3,578,832	4,447,753
Current portion	1,035,616	1,405,746
	\$ <u>2,543,216</u>	<u>3,042,007</u>

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

10. LONG TERM DEBT, continued

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

2016	\$ 1,035,616
2017	366,051
2018	357,267
2019	356,315
2020	358,242
Thereafter	<u>1,105,341</u>
	\$ <u>3,578,832</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 year ended March 31, 2015.

Reserves are comprised of:

	<u>2015</u>	<u>2014</u>
Webequie Housing Authority		
Replacement reserve	\$ <u>153,783</u>	<u>140,783</u>

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.

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

12. INVENTORY AND PREPAID EXPENSES

	<u>2015</u>	<u>2014</u>
Fuel inventory	\$ 279,180	204,046
Prepaid welfare disbursements	<u>89,996</u>	<u>50,614</u>
	\$ <u>369,176</u>	<u>254,660</u>

13. TANGIBLE CAPITAL ASSETS AND ASSETS UNDER CONSTRUCTION

	<u>2015</u>				
	<u>Cost</u>	<u>Additions</u>	<u>Cost</u>	<u>Accumulated</u>	<u>Net Book</u>
	<u>Mar. 31/14</u>	<u>(Disposals)</u>	<u>Mar. 31/15</u>	<u>Amortization</u>	<u>Value</u>
Core and Administration	\$ 556,529	107,918	664,447	436,774	227,673
Economic Development	6,492,053		6,492,053	2,991,511	3,500,542
Capital/Infrastructure	36,269,745		36,269,745	4,833,997	31,435,748
Health and Medical	577,298	20,983	598,281	446,789	151,492
Band Enterprise Programs	1,276,696		1,276,696	1,205,706	70,990
Other Programs	27,236		27,236	21,524	5,712
Education Authority	2,620,353		2,620,353	1,777,800	842,553
Housing	8,957,853		8,957,853	4,240,821	4,717,032
Telecom	<u>828,008</u>		<u>828,008</u>	<u>488,426</u>	<u>339,582</u>
	\$ <u>57,605,771</u>	<u>128,900</u>	<u>57,734,672</u>	<u>16,443,348</u>	<u>41,291,324</u>

	<u>2014</u>				
	<u>Cost</u>	<u>Additions</u>	<u>Cost</u>	<u>Accumulated</u>	<u>Net Book</u>
	<u>Mar. 31/13</u>	<u>(Disposals)</u>	<u>Mar. 31/14</u>	<u>Amortization</u>	<u>Value</u>
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	<u>791,137</u>	<u>36,871</u>	<u>828,008</u>	<u>461,423</u>	<u>366,585</u>
	\$ <u>57,251,378</u>	<u>354,393</u>	<u>57,605,771</u>	<u>15,423,222</u>	<u>42,182,549</u>

WEBEQUIE 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 \$63,760 (2014 - \$66,237).

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 to the presentation of the current year.

17. BUDGET INFORMATION

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

18. 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 or guarantees 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 Investments - Note 5 and Other - Note 19).

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

19. 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 - 2015. 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.

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

20. SEGMENT DISCLOSURE

	Band Support		Band O & M		Social Services	
	Budget	2015	2014	Budget	2015	2014
REVENUE						
Federal government		\$ 576,631	658,672		421,799	490,800
Provincial government				1,040,301	1,646,238	1,579,948
Economic activities		(463,011)		157,135		
Net income for investments in government business enterprises		586	511			
Other revenue		185,877	267,487	276,918	39,738	32,554
TOTAL REVENUE		300,083	926,670	1,474,354	2,107,820	2,103,302
EXPENSES						
Honoraria		516,999	469,756			
Chief and Councillors			700		1,312	3,500
Elders and Board Members		242,154	207,243	240	177,825	214,983
Wages and benefits		498,675	519,997	331,163		
Amortization		(128,901)	(190,940)			
Tangible Capital Assets		3,627	52,163			1,042
Interest		17,394	(159,395)	1,324,316	2,256,219	1,966,880
Other expenses						
TOTAL EXPENSES		1,149,948	899,524	1,655,719	2,435,356	2,186,405
ANNUAL SURPLUS (DEFICIT)	\$	(849,865)	27,146	(181,365)	(327,536)	(83,103)

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

	Economic Development			Education			Housing		
	Budget	2015	2014	Budget	2015	2014	Budget	2015	2014
REVENUE									
Federal government		\$ 50,000	50,000						
Provincial government		60,000							
Economic activities									
Net income for investments in government business enterprises									
Other revenue		1,043,839	729,666		336,242	324,762		963,064	(43,641)
TOTAL REVENUE		1,153,839	779,666		4,129,006	4,191,351		1,324,446	308,023
EXPENSES									
Honoraria									
Chief and Councillors			10,450		35,800	33,900		7,300	
Elders and Board Members		500							
Wages and benefits		314,842	361,074		2,232,927	2,140,288		408,384	256,904
Amortization		180,789	184,418		60,422	65,705		199,940	209,531
Tangible Capital Assets						(45,500)			
Interest		26,360	56,677			3,538		17,800	23,358
Other expenses		527,892	550,167		2,171,002	1,853,284		791,153	251,829
TOTAL EXPENSES		1,050,383	1,162,786		4,500,151	4,051,215		1,424,577	741,622
ANNUAL SURPLUS (DEFICIT)	\$	103,456	(383,120)		(371,145)	140,136		(100,131)	(433,509)

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

20. SEGMENT DISCLOSURE, continued

	Health		Community Services		Total	
	Budget	2015	Budget	2015	Budget	2015
REVENUE						
Federal government		1,903,853		634,773		8,781,503
Provincial government		167,882		1,495,573		3,526,873
Economic activities						(463,011)
Net income for investments in government business enterprises						586
Other revenue		232,114		1,320,503		4,398,295
						511
						2,245,004
TOTAL REVENUE		2,303,849		3,450,849		16,694,246
						14,523,418
EXPENSES						
Honoraria				38,500		591,299
Chief and Councillors						514,106
Elders and Board Members						9,352
Wages and benefits		1,367,845		470,422		5,545,562
Amortization		51,659				991,485
Tangible Capital Assets						(128,901)
Interest						47,787
Other expenses		1,086,493		2,956,544		11,131,013
						8,923,941
TOTAL EXPENSES		2,505,997		3,465,466		18,187,597
						15,190,923
ANNUAL SURPLUS (DEFICIT)		(202,148)		(14,617)		(1,943,351)
						(667,505)