

Webequie First Nation
Consolidated Financial Statements
March 31, 2018

Webequie First Nation Contents

For the year ended March 31, 2018

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Management's Responsibility

To the Members of Webequie First Nation:

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

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Webequie First Nation Chief and Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Chief and Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Chief and Council is also responsible for recommending the appointment of the First Nation's external auditors.

MNP LLP is appointed by the Chief and Council on behalf of the Members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Chief and Council and management to discuss their audit findings.

November 14, 2018



Financial Advisor

Independent Auditors' Report

To the 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, 2018, and the consolidated statements of operations and accumulated surplus, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Basis for Qualified Opinion

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 of the year and alternative means did not provide us with the necessary assurance concerning the existence, completeness 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.

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, 2018, and its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Winnipeg, Manitoba

November 14, 2018

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Webequie First Nation
Consolidated Statement of Financial Position
As at March 31, 2018

| | 2018 | 2017 (Restated) |
|--|--------------------|--------------------|
| Financial assets | | |
| Cash resources | 3,512,492 | 1,404,857 |
| Accounts receivable (Note 3) | 2,561,666 | 2,583,157 |
| Investments in First Nation business entities (Note 4) | 192,101 | 192,000 |
| Ottawa Trust Fund (Note 5) | 22,600 | 22,130 |
| | 6,288,859 | 4,202,144 |
| Liabilities | | |
| Bank indebtedness (Note 6) | 100,000 | 490,000 |
| Accounts payable and accruals (Note 7) | 2,923,729 | 3,078,978 |
| Deferred revenue (Note 8) | 2,956,648 | 1,031,510 |
| Long-term debt (Note 9) | 2,996,379 | 2,356,294 |
| Capital lease obligations (Note 10) | 187,504 | 328,201 |
| | 9,164,260 | 7,284,983 |
| Net debt | (2,875,401) | (3,082,839) |
| Contingencies (Note 20) | | |
| Non-financial assets | | |
| Tangible capital assets (Schedule 1) | 44,306,817 | 41,483,856 |
| Inventory | 402,012 | 327,709 |
| Prepaid expenses | 27,418 | 58,529 |
| | 44,736,247 | 41,870,094 |
| Accumulated surplus (Note 11) | 41,860,846 | 38,787,255 |

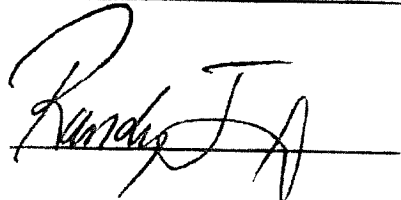
Approved on behalf of the Chief and Council



Chief



Councillor



Councillor



Councillor

The accompanying notes are an integral part of these consolidated financial statements

Webequie First Nation

Consolidated Statement of Operations

For the year ended March 31, 2018

| | Schedules | 2018 Budget | 2018 | 2017 (Restated) |
|---|-----------|----------------|-------------|--------------------|
| Revenue | | | | |
| Indigenous Services Canada (Note 12) | | 6,827,888 | 15,680,236 | 14,752,885 |
| Other revenue | | 290,056 | 6,006,550 | 5,075,676 |
| Health Canada (Note 13) | | - | 4,317,630 | 2,464,338 |
| Ministry of Community and Social Services | | 1,523,900 | 1,539,401 | 1,576,495 |
| Ministry of Mines and Northern Development | | 1,361,000 | 2,492,316 | 1,432,599 |
| Ontario First Nations Limited Partnership | | 1,092,000 | 1,081,593 | 1,067,985 |
| Ministry of Natural Resources | | 298,218 | 243,866 | 298,218 |
| Ministry of Health - Province of Ontario | | - | 223,182 | 167,882 |
| Repayment of funding | | - | (7,436) | - |
| Deferred revenue from prior year (Note 8) | | - | 1,031,510 | 575,939 |
| Deferred revenue to subsequent year (Note 8) | | - | (2,956,648) | (1,031,510) |
| | | 11,393,062 | 29,652,200 | 26,380,507 |
| Segment expenses | | | | |
| Band Support | 4 | 1,250,600 | 3,492,647 | 3,220,694 |
| Band O & M | 5 | 1,509,420 | 1,799,807 | 1,154,527 |
| Economic Development | 6 | 870,679 | 1,363,982 | 1,260,742 |
| Social Services | 7 | 2,650,340 | 2,753,358 | 2,755,434 |
| Capital Project | 8 | 1,674,467 | 975,165 | 3,875,491 |
| Housing Programs | 9 | 414,300 | 2,886,392 | 886,626 |
| Ontario First Nations Limited Partnership | 10 | 842,000 | 139,398 | 90,707 |
| Health Services | 11 | - | 4,670,329 | 2,988,583 |
| Land and Resources | 12 | 2,362,668 | 3,254,253 | 3,166,062 |
| Education | 13 | 3,328,962 | 5,253,384 | 4,414,622 |
| Total expenses (Schedule 2) | | 14,903,436 | 26,588,715 | 23,813,488 |
| Surplus before other items | | (3,510,374) | 3,063,485 | 2,567,019 |
| Other income (expense) | | | | |
| Gain (loss) on disposal of capital assets | | - | 10,106 | - |
| Annual surplus | | (3,510,374) | 3,073,591 | 2,567,019 |
| Accumulated surplus, beginning of year, as previously stated (Note 16) | | 36,194,325 | 38,345,914 | 36,194,325 |
| Correction of an error (Note 16) | | - | 441,341 | 25,911 |
| Accumulated surplus, beginning of year, as restated | | 36,194,325 | 38,787,255 | 36,220,236 |
| Accumulated surplus, end of year | | 32,683,951 | 41,860,846 | 38,787,255 |

The accompanying notes are an integral part of these consolidated financial statements

Webequie First Nation
Consolidated Statement of Change in Net Debt
For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 (Restated) |
|--|------------------------|--------------------|----------------------------|
| Annual surplus | (3,510,374) | 3,073,591 | 2,567,019 |
| Purchases of tangible capital assets | - | (4,612,841) | (2,863,234) |
| Purchase of tangible capital assets under capital lease obligation | - | (139,500) | (666,498) |
| Amortization of tangible capital assets | - | 1,939,486 | 2,036,807 |
| Decrease (increase) inventory | - | (74,301) | (232,365) |
| (Gain) loss on sale of tangible capital assets | - | (10,106) | - |
| Acquisition of prepaid expenses | - | - | (12,970) |
| Use of prepaid expenses | - | 31,111 | - |
| Change in net debt | (3,510,374) | 207,440 | 828,759 |
| Net debt, beginning of year | (3,937,509) | (3,082,841) | (3,911,598) |
| Net debt, end of year | (7,447,883) | (2,875,401) | (3,082,839) |

The accompanying notes are an integral part of these consolidated financial statements

Webequie First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2018

| | 2018 | 2017 (Restated) |
|---|-------------|--------------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | | |
| Annual surplus | 3,073,591 | 2,567,019 |
| Non-cash items | | |
| Amortization | 1,939,486 | 2,036,807 |
| Gain (loss) on disposal of capital assets | (10,106) | - |
| | 5,002,971 | 4,603,826 |
| Changes in working capital accounts | | |
| Accounts receivable | 21,487 | 304,158 |
| Ottawa trust fund | (470) | (403) |
| Prepaid expenses | 31,111 | (12,970) |
| Accounts payable and accruals | (377,742) | (492,862) |
| Inventory | (74,302) | (232,366) |
| Deferred revenue | 1,925,138 | 455,570 |
| | 6,528,193 | 4,624,953 |
| Financing activities | | |
| Advances of debt | 2,359,315 | 450,858 |
| Repayment of debt | (1,719,232) | (798,705) |
| Repayment of capital lease obligations | (57,699) | (165,738) |
| | 582,384 | (513,585) |
| Capital activities | | |
| Purchases of tangible capital assets | (4,612,841) | (2,863,234) |
| Investing activities | | |
| Investment in First Nation business entities | (101) | - |
| Increase (decrease) in cash resources | 2,497,635 | 1,248,134 |
| Cash resources (deficiency), beginning of year | 914,857 | (333,277) |
| Cash resources (deficiency), end of year | 3,412,492 | 914,857 |
| Cash resources (deficiency) are composed of: | | |
| Cash | 3,512,492 | 1,404,857 |
| Bank indebtedness | (100,000) | (490,000) |
| | 3,412,492 | 914,857 |

The accompanying notes are an integral part of these consolidated financial statements

1. Operations

The Webequie First Nation (the "First Nation") is located in the province of Ontario, and provides various services to its Members. Webequie First Nation includes the government and all related entities that are accountable to the First Nation and are either owned or controlled by the First Nation.

2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities. Trusts administered on behalf of third parties by Webequie First Nation are excluded from the First Nation reporting entity.

Investments in First Nation partnerships are accounted for using the proportionate consolidation method whereby the First Nation's pro-rata share of the assets, liabilities, revenue, and expenses of the First Nation partnership are combined on a line-by-line basis with similar items of the First Nation. Partnerships which meet the definition of a government business partnership are included in the consolidated financial statements on a modified equity basis.

Under the modified equity method of accounting, only the First Nation's investment in the government business enterprise/partnership and the enterprises'/partnership's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from the First Nation.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Administration
- Education

Organizations proportionately consolidated in the First Nation's financial statements include:

- Webequie AH-BAH-JIH-TAH-GAN Rentals, Inc.
- Webequie AH-BAH-JIH-TAH-GAN Rentals, LP

All inter-entity balances have been eliminated on consolidation.

Cash resources

Cash resources is comprised of balances with banks. Cash subject to restrictions, if any, is included in restricted cash.

Portfolio investments

Portfolio investments in entities that are not owned, controlled or influenced by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

2. **Significant accounting policies** *(Continued from previous page)*

Ottawa Trust Fund

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Net debt

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

Asset classification

The First Nation's tangible capital assets and other non-financial assets are accounted for as assets because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the First Nation unless they are sold.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records.

Capital lease

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at the present value of the minimum lease payments. Assets under capital leases are amortized over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Amortization

Tangible capital assets are amortized annually using the declining balance method at rates intended to amortize the cost of the assets over their estimated useful lives as follows:

| | |
|-------------------------------|------|
| Buildings | 4 % |
| Equipment | 20 % |
| Furniture | 20 % |
| Infrastructure | 4 % |
| Vehicles | 30 % |
| Equipment under capital lease | 30 % |

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, exceeds the value of future economic benefits associated with the asset. Impairment is measured as the amount by which the assets' carrying value exceeds the residual value of the assets' service potential to the First Nation. Any impairment is included in operations for the year.

2. **Significant accounting policies** *(Continued from previous page)*

Revenue recognition

Government Transfers

Government transfer revenue including, but not limited to, Indigenous Services Canada ("INAC"), Canada Mortgage and Housing Corporation and Health Canada, is recognized as the funding becomes receivable under the terms of applicable funding agreements. Funding received under the funding arrangements that relate to a subsequent fiscal period is reflected as deferred revenue on the consolidated statement of financial position in the year of receipt. Funding that is externally restricted for particular purposes is deferred and recognized when the eligible expenses have been incurred.

Other revenue

Rent is recognized on a monthly basis under terms of the agreements and as collectability is reasonably assured.

Retail sales are recognized when services are provided or goods are delivered to the customer and the collectability of proceeds is reasonably assured.

Contract revenues are recognized when the services are provided and the collectability of proceeds is reasonably assured.

Other revenue is recognized by the First Nation when services are provided or goods are shipped and collectability is reasonably assured.

Financial instruments

Financial instruments include cash, accounts receivable, Ottawa Trust Fund, accounts payable and accruals, bank indebtedness, long-term debt and capital lease obligations. Unless otherwise stated, it is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments. Unless otherwise stated, the book value of the First Nation's financial assets and liabilities approximates their fair value due to the short-term maturities of the instruments. The fair value of the First Nation's capital lease obligations and long-term debt is approximated by its carrying value as the terms and conditions of similar instruments are not materially different from those associated with the First Nation's debt.

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Inventory is stated after provisions have been made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Deferred revenue is recorded based on management's analysis of the extent to which eligibility requirements have been met on government transfer revenue.

These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the consolidated statement of operations in the year in which they become known.

2. Significant accounting policies *(Continued from previous page)*

Segments

The First Nation conducts its business through ten reportable segments as identified below. These reportable segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions and to assess operational performance. For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. These segments are differentiated by the major activities or services they provide. The First Nation's reportable segments are as follows:

Band Support - includes administration and governance activities.

Band O&M – includes the activities of operation and maintenance of the First Nation.

Economic Development – includes the activities of the First Nation's economic development initiatives.

Social Services – includes delivering social programs.

Capital Projects – includes the operations and maintenance of all reserve housing.

Housing programs - includes the management and maintenance of CMHC house for community members.

OFNLP – includes the funding received from Ontario First Nation Limited Partnership and the its distribution to other programs.

Health Services – includes the operation of health and community wellness programming.

Land and Resources – includes activities for the development of the First Nation's land.

Education – includes the operations of education programs.

Inter-segment transfers are recorded at their exchange amount. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the Significant accounting policies.

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2018.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Recent accounting pronouncements

Financial instruments

In June 2011, the Public Sector Accounting Board (PSAB) issued PS 3450 Financial Instruments to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2019. Earlier adoption is permitted.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, consolidated financial statements of prior periods, including comparative information, are not restated. The First Nation does not expect the adoption of these new standards to have a material impact on its consolidated financial statements.

Webequie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

3. Accounts receivable

| | 2018 | 2017 |
|---|------------------|------------------|
| CMHC subsidy assistance receivable | - | 44,632 |
| Health Canada | 44,758 | 31,894 |
| Indian and Northern Affairs Canada (INAC) | - | 1,210,771 |
| Other government agencies | 3,090,766 | 1,432,929 |
| Rent receivable | 196,845 | 98,218 |
| Trade receivables | 433,087 | 366,495 |
| | 3,765,456 | 3,184,939 |
| Less: allowance for doubtful accounts | 1,203,790 | 601,782 |
| | 2,561,666 | 2,583,157 |

4. Investment in First Nation business entities

The First Nation has investments in the following entities:

| | <i>Investment cost</i> | <i>2018 Total investment</i> |
|---|----------------------------|--------------------------------------|
| Businesses: | | |
| Webequie Machitawiin General Partner Inc. | 100 | 100 |
| Cyr Drilling International Ltd. - 6.67% | 192,000 | 192,000 |
| | 192,100 | 192,100 |
| Partnerships: | | |
| Sovereign Wealth LP | 1 | 1 |
| | 192,101 | 192,101 |
| | | |
| | <i>Investment cost</i> | <i>2017 Total investment</i> |
| Businesses: | | |
| Cyr Drilling International Ltd. - 6.67% | 192,000 | 192,000 |

5. Ottawa Trust Fund

The Ottawa Trust Fund arises from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is similarly governed by Sections 63 to 69 of the Indian Act. Revenue from the Ottawa Trust Fund is recognized in the year in which it is earned, when it is measurable and when collection is reasonably assured. Capital and Revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous and Northern Affairs Canada, with consent of the First Nation's Chief and Council.

| | 2018 | 2017 |
|------------------------------------|-------|-------|
| Capital Trust | | |
| Balance, beginning and end of year | 2,928 | 2,928 |

Webequie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

| | | |
|----------------------------|---------------|---------------|
| Revenue Trust | | |
| Balance, beginning of year | 19,202 | 18,799 |
| Interest | 470 | 403 |
| Balance, end of year | 19,672 | 19,202 |
| | 22,600 | 22,130 |

6. Bank indebtedness

| | 2018 | 2017 |
|--------------------------------|----------------|----------------|
| General account line of credit | - | 440,000 |
| Agency account line of credit | 100,000 | 50,000 |
| | 100,000 | 490,000 |

The First Nation has the following credit facilities with:

General account line of credit - \$400,000 revolving demand facility reducing to \$100,000 on May 15, 2019, revolve in \$5,000 increments at bank prime plus 2.5% and are secured by Band Council resolutions.

Agency account line of credit - \$100,000 revolving demand facility revolve in \$5,000 increments at bank prime plus 2.5% and are secured by Band Council resolutions.

Prime rate as at March 31, 2018 is 3.70% (2017 - 2.70%).

7. Accounts payable and accruals

| | 2018 | 2017 |
|-----------------------------|------------------|------------------|
| Canada Revenue Agency | 5,748 | 15,690 |
| INAC | 36,254 | 58,728 |
| Wages and benefits | 78,393 | - |
| Trade payables and accruals | 2,803,334 | 2,982,580 |
| Health Canada | - | 21,981 |
| | 2,923,729 | 3,078,979 |

Webequie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

8. Deferred revenue

| | <i>Balance, beginning of year</i> | <i>Contribution received</i> | <i>Revenue recognized</i> | <i>Balance, end of year</i> |
|---------------------------------|---|----------------------------------|-------------------------------|---------------------------------|
| Governance - PIDP | 9,062 | - | (9,062) | - |
| Housing construction | 934,539 | 3,607,560 | (3,835,406) | 706,693 |
| Housing construction | - | 247,500 | - | 247,500 |
| School roof repair | 12,123 | 1,767,250 | (593,782) | 1,185,591 |
| Soil remediation | 17,790 | 689,119 | (617,517) | 92,392 |
| Health Centre - capital project | 57,996 | 127,668 | (61,805) | 123,859 |
| Major SPI | - | 169,402 | (141,476) | 27,926 |
| SPI Well-Being | - | 361,960 | (63,919) | 298,041 |
| Econ CCP | - | 41,100 | (29,172) | 11,928 |
| CAIPP | - | 596,249 | (333,531) | 262,718 |
| | 1,031,510 | 7,607,808 | (5,685,670) | 2,956,648 |

9. Long-term debt

| | 2018 | 2017 |
|--|----------------|-------------|
| Canada Mortgage and Housing Corporation (CMHC) Section 95 loan, blended principal and interest, at 2.11%, payable monthly at \$5,811, renewal on January 1, 2019, maturing October 2028, secured by assignment of insurance proceeds and a guaranteed by INAC. | 662,303 | 717,608 |
| Nishnawbe-Aski Development Fund term loan repayable monthly at \$2,119 including interest at 10%, secured by general security agreement and promissory note signed by Chief and Council. Due March 2020. | 42,478 | 66,112 |
| RBC term loan repayable in monthly payments of \$655 including interest at 4.25%, secured by related vehicle with a net book value of \$14,487 (2017 - \$20,696). Due June 2019. | 9,536 | 16,823 |
| RBC term loan repayable in monthly payments of \$14,200 including interest at 5.39%, secured by general security agreement. Due February 2020. | 326,597 | - |
| RBC term loan repayable in monthly payments of \$21,600 including interest at 4.85%, secured by general security agreement. Due February 2019. | 235,980 | - |
| RBC term loan repayable in monthly payments of \$4,084 including interest at 4.85%, secured by general security agreement. Due March 2023. | 425,000 | - |
| Canada Mortgage and Housing Corporation (CMHC) Section 95 loan. Terms to be determined when construction is complete. | 450,194 | - |
| Nishnawbe-Aski Development Fund term loan repayable monthly at \$13,146 including interest at 9.00%, secured by general security agreement and promissory note signed by Chief and Council. Due March 2019. | 150,000 | - |
| RBC term loan repayable in monthly payments of \$1,540 including interest at RBC prime plus 1.54% (5.24%), secured by related vehicle with a net book value of \$64,600 (2017 - \$nil). Due March 2022. | 73,936 | - |
| RBC term loan repayable in monthly payments of \$20,897, including interest at 4.25%, secured by Band Council Resolution and assignment of Ontario First Nations (2008) Limited Partnership proceeds. Due April 2020. | 498,899 | - |

Webequie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

9. Long-term debt *(Continued from previous page)*

| | 2018 | 2017 |
|---|------------------|------------------|
| Nishnawbe-Aski Development Fund term loan repayable monthly at \$10,644 including interest at 9.00%, secured by general security agreement and promissory note signed by Chief and Council. Due March 2019. | 121,456 | - |
| RBC Term loan repaid during the year. | - | 428 |
| RBC Term loan repaid during the year. | - | 716,484 |
| RBC Term loan repaid during the year. | - | 340,797 |
| RBC Term loan repaid during the year. | - | 200,108 |
| Nishnawbe-Aski Development Fund term loan repaid during the year. | - | 184,638 |
| Nishnawbe-Aski Development Fund term loan repaid during the year. | - | 111,176 |
| Nishnawbe-Aski Development Fund term loan repaid during the year. | - | 2,120 |
| | 2,996,379 | 2,356,294 |

Estimated annual principal payments for the next five fiscal years, assuming long-term debt subject to refinancing is renewed, are as follows:

| | |
|------------|------------------|
| 2019 | 1,101,442 |
| 2020 | 587,593 |
| 2021 | 182,605 |
| 2022 | 163,488 |
| 2023 | 146,242 |
| | 2,181,370 |
| Thereafter | 815,008 |

Prime rate as at March 31, 2018 is 3.70% (2017 - 2.70%).

10. Capital lease obligations

| | 2018 | 2017 |
|--|----------------|-------------|
| Capital lease payable in monthly payments of \$862 including interest of 11.8% per annum, secured by equipment with a net book value of \$24,239 (2017 - \$34,627), due February 2021. | 28,611 | 36,378 |
| Capital lease payable in monthly payments of \$929 including interest of 8.04% per annum, secured by equipment with a net book value of \$17,345 (2017 - \$24,778), due March 2020. | 24,065 | 33,108 |
| Capital lease payable in monthly payments of 6,107 including interest of 4.11% per annum secured by equipment with a net book value of \$118,575 (2017 - \$nil), due February 2020. | 134,828 | - |
| Capital lease obligation repaid during the year. | - | 223,452 |

Webequie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

| | | |
|--|----------------|---------|
| Capital lease obligation repaid during the year. | - | 35,263 |
| | 187,504 | 328,201 |

Minimum lease payments related to the obligations under capital lease are as follows:

| | |
|------------------------|---------|
| 2019 | 94,770 |
| 2020 | 88,663 |
| 2021 | 18,837 |
| | <hr/> |
| | 202,270 |
| Less: imputed interest | 14,766 |
| | <hr/> |
| Balance of obligation | 187,504 |
| | <hr/> |

Webequie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

11. Accumulated surplus

Accumulated surplus is comprised of the following:

| | 2018 | 2017 <i>(Restated)</i> |
|---------------------------------------|--------------------|---------------------------|
| Equity in Ottawa Trust Funds | 22,600 | 22,130 |
| Investment in tangible capital assets | 44,306,817 | 41,483,857 |
| CMHC replacement reserve | 100,302 | 87,302 |
| Equity in business enterprises | 192,101 | 192,000 |
| Unrestricted accumulated deficit | (2,760,974) | (2,998,035) |
| | 41,860,846 | 38,787,254 |

As required as part of the First Nation's Canada Mortgage and Housing Corporation ("CMHC") Housing program, a separate bank account has been established for replacement of capital equipment and for major repairs to the houses. Under the terms of the agreements with CMHC, the replacement reserve must either be held in a separate bank account or invested in accounts or instruments secured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. At March 31, 2018, the replacement reserve bank account was underfunded by \$100,088 (2016 - \$87,088).

12. Reconciliation of funding from Indigenous and Northern Affairs Canada (INAC)

The ISC revenue of \$15,680,236 (2017 – \$14,752,885) on the statement of operations and accumulated surplus agrees to the ISC confirmation.

13. Reconciliation of funding from Health Canada

The Health Canada revenues of \$4,317,630 (2017 – \$2,464,338) on the statement of operations and accumulated surplus agrees to the Health Canada confirmation.

14. Economic dependence

Webequie First Nation receives a significant portion of its revenue from ISC and Health Canada as a result of Treaties entered into with the Government of Canada. These Treaties are administered by ISC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these Treaties.

15. Provision for site rehabilitation

The Ontario Environmental Protection Act sets out the regulatory requirements to properly close and maintain active and inactive lagoon and landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste lagoon and landfill sites including covering and landscaping and ongoing environmental monitoring, site inspection and maintenance.

As directed by PS 3270, a liability must be recognized beginning when the landfill first accepts waste to the date the landfill stops accepting waste. The liability for closure and post-closure care is recognized as the site capacity is used to the extent of the proportion of site capacity used compared to the estimated total expenditure required for closure and post-closure care.

The estimated total expenditure represents the sum of discounted future cash flows associated with closure and post-closure care considering current technology, the length of the post-closure care period and current environmental regulations. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to future asset service potential, are expensed in the current year.

At year-end the extent to which the First Nation is bound by environmental laws of the Ontario Environmental Protection Act was not determinable, and therefore no liability has been recorded in these consolidated financial statements.

16. Correction of an error

During the year, the First Nation determined that the following errors occurred in the prior year financial statements:

- The investment in Cyr Drilling International Ltd. was recorded using the modified equity method, rather than the cost method.
- The investment in Webequie AH-BAH-JIH-TAH-GAN Services, LP was recorded using the modified equity method, rather than the proportionate consolidation method.
- The investment in Webequie AH-BHA-JIH-TAH-GAN Services Inc. was recorded using the modified equity method, rather than the proportionate consolidation method.

The First Nation has corrected the prior year presentation. As a result of these corrections, March 31, 2017 figures were adjusted as follows:

- decrease of financial assets of \$11,457
- increase of liabilities of \$75,232
- increase of net debt of \$86,689
- increase of non-financial assets of \$528,032
- increase of annual surplus of \$415,432
- increase in accumulated surplus, beginning of year of \$25,911
- increase in accumulated surplus, end of year of \$441,341

17. Budget information

The disclosed budget information was approved by the Chief and Council of the Webequie First Nation on June 13, 2017.

18. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

19. First Nations Financial Transparency Act

The First Nation was required to post its consolidated financial statements on a website and submit the consolidated financial statements to INAC by July 29, 2018. Since the audit report date is dated after this date, the First Nation has not complied with this requirement. The possible effect of this non-compliance has not yet been determined. The First Nation fully intends to post its consolidated financial statements on a website upon release of these consolidated financial statements.

20. Contingencies

The First Nation is subject to funding recoveries according to their agreements with federal government agencies. It has not yet been determined to what extent any funding amounts related to the year ended March 31, 2018 might be recovered.

Webequie First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2018

| | Assets under construction | Buildings | Equipment | Furniture | Infrastructure | Vehicles | Subtotal |
|--|------------------------------|------------------|----------------|----------------|-------------------|----------------|-------------------|
| Cost | | | | | | | |
| Balance, beginning of year | 2,619,624 | 18,024,009 | 3,179,582 | 597,939 | 35,033,525 | 1,507,234 | 60,961,913 |
| Acquisition of tangible capital assets | 4,213,099 | - | 545,985 | 71,838 | - | 463,956 | 5,294,878 |
| Disposal of tangible capital assets | - | - | (120,075) | - | - | - | (120,075) |
| Balance, end of year | 6,832,723 | 18,024,009 | 3,605,492 | 669,777 | 35,033,525 | 1,971,190 | 66,136,716 |
| Accumulated amortization | | | | | | | |
| Balance, beginning of year | - | 8,666,047 | 2,808,057 | 472,857 | 7,007,831 | 1,199,355 | 20,154,147 |
| Annual amortization | - | 374,318 | 141,994 | 32,200 | 1,174,389 | 161,985 | 1,884,886 |
| Accumulated amortization on disposals | - | - | (105,494) | - | - | - | (105,494) |
| Balance, end of year | - | 9,040,365 | 2,844,557 | 505,057 | 8,182,220 | 1,361,340 | 21,933,539 |
| Net book value of tangible capital assets | 6,832,723 | 8,983,644 | 760,935 | 164,720 | 26,851,305 | 609,850 | 44,203,177 |
| 2017 Net book value of tangible capital assets | 2,619,624 | 9,357,960 | 371,525 | 125,082 | 28,025,694 | 307,879 | 40,807,764 |

Webequie First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2018

| | <i>Subtotal</i> | <i>Vehicle under capital lease</i> | <i>2018</i> | <i>2017</i> |
|--|-------------------|--|-------------------|-------------------|
| Cost | | | | |
| Balance, beginning of year | | | | |
| Acquisition of tangible capital assets | 60,961,913 | 857,142 | 61,819,055 | 58,289,323 |
| Disposal of tangible capital assets | 5,294,878 | - | 5,294,878 | 3,529,732 |
| | (120,075) | (625,760) | (745,835) | - |
| Balance, end of year | 66,136,716 | 231,382 | 66,368,098 | 61,819,055 |
| Accumulated amortization | | | | |
| Balance, beginning of year | | | | |
| Annual amortization | 20,154,147 | 181,052 | 20,335,199 | 18,298,392 |
| Accumulated amortization on disposals | 1,884,886 | 44,418 | 1,929,304 | 2,036,807 |
| | (105,494) | (97,728) | (203,222) | - |
| Balance, end of year | 21,933,539 | 127,742 | 22,061,281 | 20,335,199 |
| Net book value of tangible capital assets | 44,203,177 | 103,640 | 44,306,817 | 41,483,856 |
| 2017 Net book value of tangible capital assets | 40,807,764 | 676,092 | 41,483,856 | |

Webequie First Nation
Schedule 2 - Consolidated Schedule of Expenses by Object
For the year ended March 31, 2018

| | <i>2018 Budget</i> | <i>2018</i> | <i>2017</i> |
|---|------------------------|-------------------|-------------------|
| Expenses by object | | | |
| Administration | 395,900 | 1,219,012 | 662,051 |
| Advertising | - | - | 1,163 |
| Amortization | - | 1,939,486 | 2,036,807 |
| Automotive | 83,229 | 915,170 | 213,053 |
| Bad debts (recovery) | - | 399,817 | (318,911) |
| Bank charges and interest | 111,203 | 138,594 | 175,314 |
| Basic shelter and needs | - | 1,340,042 | 574,281 |
| Board travel, training and honouraria | 55,000 | 41,455 | 43,031 |
| Community donations | 765,000 | 132,036 | 66,936 |
| Community events | 3,643 | 221,576 | 256,965 |
| Consulting | 1,287,200 | 1,187,771 | 614,323 |
| Contracted services | 931,727 | 1,474,688 | 221,366 |
| Crisis | 805,000 | 534,628 | 399,388 |
| Freight | 5,000 | 12,337 | 11,619 |
| Fuel | 34,000 | 112,961 | 105,283 |
| Honouraria | 582,000 | 690,232 | 714,341 |
| Insurance | 101,600 | 216,695 | 189,186 |
| Interest on debt | 51,000 | 21,626 | 51,667 |
| Miscellaneous | 29,000 | 35,476 | 84,604 |
| Miscellaneous | (74,080) | 140 | 8,568 |
| NCB - food voucher | 98,000 | 62,450 | 133,844 |
| Northern community allowances | - | - | 568,695 |
| Office equipment lease | 6,928 | 111,894 | 65,367 |
| Office supplies and expenses | 34,488 | 89,222 | 36,709 |
| Others | - | - | 1,849 |
| Professional development | 140,880 | 289,989 | 485,125 |
| Professional development and meeting expenses | - | 157,265 | 1,204 |
| Professional fees | 286,272 | 443,461 | 324,871 |
| Program expense | 1,209,172 | 3,079,951 | 1,737,487 |
| Provincial school fees | - | 1,650 | - |
| Rent | 346,810 | 566,437 | 444,758 |
| Repairs and maintenance | 730,384 | 863,814 | 927,530 |
| Replacement reserve | 13,000 | 13,000 | - |
| Salaries and benefits | 3,211,659 | 6,052,922 | 5,627,766 |
| Septic waste hauling | - | - | 500 |
| Servicing | - | - | 3,328,723 |
| Social assistance | 1,273,900 | 190,974 | 105,707 |
| Special events | - | 442,101 | 428,952 |
| Special projects | 257,411 | 342,497 | 301,323 |
| Student expenses | 133,265 | 237,323 | 363,657 |
| Supplies | 265,896 | 677,865 | 510,006 |
| Telephone | 206,586 | 124,421 | 112,039 |
| Temporary care | - | - | 105,795 |
| Training | - | - | 18,970 |
| Transportation | 70,000 | 100 | 36,320 |
| Travel | 174,900 | 310,717 | 234,502 |
| Tuition costs | 500,620 | 1,282,570 | 1,056,464 |
| Utilities | 58,200 | (735) | 90,943 |
| | 718,643 | 615,085 | 653,347 |
| | 14,903,436 | 26,588,715 | 23,813,488 |

Webequie First Nation
Schedule 3 - Consolidated Schedule of Segment Operations
For the year ended March 31, 2018

| | Schedule # | Total Revenue | Total Expenses | Transfers From (To) | Current Surplus (Deficit) | Prior Year Surplus (Deficit) (Restated) |
|---|------------|-------------------|-------------------|---------------------|---------------------------|---|
| Segments | | | | | | |
| Band Support | 4 | 1,774,391 | 3,492,647 | 942,216 | (776,040) | (886,796) |
| Band O & M | 5 | 3,045,863 | 1,799,807 | (1,076,092) | 169,964 | (231,126) |
| Economic Development | 6 | 1,275,237 | 1,363,982 | - | (88,745) | (26,844) |
| Social Services | 7 | 1,858,980 | 2,753,358 | - | (894,378) | (705,922) |
| Capital Project | 8 | 5,045,809 | 975,165 | - | 4,070,644 | 4,090,196 |
| Housing Programs | 9 | 1,813,730 | 2,886,392 | 1,061,827 | (10,835) | 13,000 |
| Ontario First Nations Limited Partnership | 10 | 1,081,612 | 139,398 | (942,216) | (2) | - |
| Health Services | 11 | 4,868,083 | 4,670,329 | - | 197,754 | (143,536) |
| Land and Resources | 12 | 2,923,741 | 3,254,253 | 14,265 | (316,247) | (166,484) |
| Education | 13 | 5,974,860 | 5,253,384 | - | 721,476 | 624,530 |
| Total | | 29,662,306 | 26,588,715 | - | 3,073,591 | 2,567,018 |