

RECEIVED

SEP - 2 2014

AANDC TBAY

Financial Statements of

**ANISHINAABEG OF
NAONGASHIING**

Year ended March 31, 2014



Anishinaabeg of Naongashiing

Box 335, Morson, ON POW IJO • Phone: 807 488 5602 • Fax: 807 488 5756 • Toll-Free 1-888-238-0102

Aboriginal Affairs and Northern Development Canada
100 Anemki Drive Suite 101
Fort William First Nation
P7J 1A5

Attn. Wayne Lagace

August 27th 2014

Dear Wayne

RECEIVED

SEP - 2 2014

AANDC TBAY

Please find enclosed the following documentation:

- a) Audited Financial Statement
- b) Annex A schedule of Programs
- c) Schedule of remuneration for Chief and Council

We have reviewed the enclosed audit and can confirm that the working capital and liquidity ratio are within the requirement of AANDC, but that the sustainability ratio does not meet the requirements when the entire debt load is taken into consideration, but if we exclude the CMHC mortgages from the calculation, this ratio is also within the requirements of AANDC. The reason to exclude the CMHC mortgages is that we receive a subsidy under our operating agreements annually which meets the required payments to CMHC.

With respect to the accumulated surplus from Block funding, as this is the first year of the new agreement, please note that our accounting systems post all block funding to one account and at audit time, funds required to meet the expenses are transferred to the program schedule, and amounts remaining in the block are left on the Band support schedule (page 4), where they can create a schedule in block funding.

When reviewing this schedule to ascertain the block funding surplus, we note that the expenses exceed the block funding amount, and that the surplus is created by funding from other sources, therefore there is no block funding surplus in the current year, and no plan is required.

Should you require any further information please feel free to contact the undersigned.

Yours truly

Valerie Pigeon

ANISHINAABEG OF NAONGASHIING

Index

Year ended March 31, 2014

Auditor's Report	3
Management's Responsibility for Financial Reporting	4
Statement of Financial Position	5
Statement of Operations and Surplus	6
Statement of Program Revenues	7
Statement of Program Expenditures	8
Statement of Changes in Net Debt	9
Statement of Cash Flows	10
Notes to Financial Statements	11
Schedule of Capital Assets	18

Chad Sheppard
Chartered Accountant Inc.
www.chadsheppard.ca

345 Main Street
PO Box 1900
Stonewall, Manitoba
R0C 2Z0
Phone (204) 467-7142
Fax (204) 467-7146

435 Main Street
Selkirk, Manitoba
R1A 1V4
Phone (204) 482-7440
Fax (204) 482-7444

AUDITORS' REPORT TO CHIEF AND COUNCIL

We have audited the statement of financial position of Anishinaabeg of Naongashiing as at March 31, 2014 and the statements of operations and surplus, the statement of changes in net debt, and the statement of cash flows for the year then ended. These financial statements are the responsibility of the First Nation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's judgment, 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 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 presentation of the financial statements.

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

Opinion

In our opinion, the financial statements for the year ended March 31, 2014 present fairly, in all material respects, the financial position, of Anishinaabeg of Naongashiing First Nation and the results of its operations and cash flows in accordance with Canadian public sector accounting standards.



Chartered Accountant Inc.

Stonewall, Manitoba
July 31, 2014

ANISHINAABEG OF NAONGASHIING

Management's Responsibility For Financial Reporting

March 31, 2014

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

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council meet periodically with management, as well as the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the financial statements and the external auditor's report.

The external auditor, Chad Sheppard Chartered Accountant Inc., conducts an independent examination, in accordance with Canadian auditing standards, and expresses an opinion on the financial statements. The external auditor has full access to financial management of Anishinaabeg of Naongashiing First Nation and meet when required.

On behalf of Anishinaabeg of Naongashiing First Nation

Chief

Councillor

First Nation Manager

Councillor

ANISHINAABEG OF NAONGASHIING

Statement of Financial Position

March 31, 2014

	2014	2013
Financial assets		
Cash	\$ 585,663	\$ 860,194
Cash - restricted (note 2)	29,501	30,501
Accounts receivable (note 3)	364,766	300,977
Long-term investments	10,333	10,333
Investment in government business enterprise (note 5)	425,433	325,300
	\$ 1,415,696	\$ 1,527,305
Liabilities		
Accounts payable	\$ 310,091	\$ 325,686
Deferred revenue	39,339	75,000
Debt (note 7)	4,024,118	3,459,995
Due to replacement reserve	-	65,140
	\$ 4,373,548	\$ 3,925,821
Net debt	\$ 2,957,852	\$ 2,398,516
Non-financial assets		
Tangible capital assets (schedule)	\$ 12,635,327	\$ 11,785,965
	\$ 12,635,327	\$ 11,785,965
Accumulated Surplus	\$ 9,677,475	9,387,449

See accompanying notes to financial statements.

ANISHINAABEG OF NAONGASHIING

Statement of Operations and Surplus

Year ended March 31, 2014

	2014	2013
Program revenues	\$ 4,880,413	\$ 4,523,113
Program expenses	4,590,387	4,278,873
Net income	290,026	244,240
Surplus, beginning of year	9,387,449	9,143,209
Surplus, end of year	\$ 9,677,475	\$ 9,387,449

See accompanying notes to financial statements.

ANISHINAABEG OF NAONGASHIING

Statement of Program Revenues

Year ended March 31, 2014

	Page	Revenues		2014	2014	2013
		AANDC	Other	Total	Budget	Actual
Provincial Welfare Services		\$ 17,912	\$ 158,055	\$ 175,967	\$ 170,000	\$ -
Welfare		75,099	28,609	103,708	100,000	307,860
Education		395,333	161,488	556,821	555,145	555,497
Band Support		603,466	202,474	805,940	1,577,758	700,669
Operating		371,103	64,091	435,194	107,600	263,368
Community Care		-	419,148	419,148	378,876	378,876
Medical Programs		329,490	-	329,490	456,645	316,393
Economic Development		389,536	59,076	448,612	467,536	385,357
Aboriginal Healing and Wellness		-	58,277	58,277	58,561	55,551
CMHC Housing - 4 Unit		-	31,609	31,609	29,797	29,419
CMHC Housing - 6 unit		-	32,555	32,555	37,810	40,256
CMHC Housing - 9 unit		-	49,157	49,157	45,057	43,215
CMHC Housing - 6 unit (2007)		-	49,944	49,944	45,698	48,544
CMHC Housing - 8 unit (2010)		-	79,069	79,069	75,077	75,423
CMHC Housing - 4 unit (2011)		-	44,590	44,590	38,095	41,168
CMHC Housing - 5 unit (2011)		-	50,891	50,891	44,897	50,619
Health Programs		-	28,152	28,152	30,281	31,281
Casino Rama		-	474,643	474,643	475,000	475,763
Housing Construction		-	163,227	163,227	-	-
Gymnasium project		-	-	-	-	41,526
CMHC Housing Renovations		-	67,091	67,091	80,000	188,284
New Relationship Fund		-	74,011	74,011	80,000	80,000
National Child Benefit Program		15,000	-	15,000	15,000	15,000
Direct School Services		135,477	-	135,477	120,000	121,291
Water Operations		141,345	-	141,345	41,500	180,847
Waste Water Operations		70,973	-	70,973	41,500	74,183
Water Training Program		5,000	-	5,000	5,000	6,973
Summer Youth Program		15,375	-	15,375	6,000	13,000
New Paths Program		5,500	-	5,500	5,500	2,750
SATF Training Program		13,647	-	13,647	13,500	-
Subdivision Construction		-	-	-	-	-
		\$ 2,584,256	\$ 2,296,157	\$ 4,880,413	\$ 5,101,833	\$ 4,523,113

See accompanying notes to financial statements.

ANISHINAABEG OF NAONGASHIING

Statement of Program Expenditures

Year ended March 31, 2014

	2014 Actual	2014 Budget	2013 Actual
Provincial Welfare Services	\$ 183,562	\$ 185,000	\$ -
Welfare	103,708	156,051	307,860
Education	556,821	766,104	555,497
Band Support	650,853	737,581	749,259
Operating	435,194	415,075	264,017
Community Care	401,719	378,360	374,268
Medical Programs	315,910	322,318	328,846
Economic Development	446,292	646,947	170,433
Aboriginal Healing and Wellness	59,073	53,001	56,700
CMHC Housing - 4 Unit	57,259	35,128	54,494
CMHC Housing - 6 unit	58,009	55,252	52,266
CMHC Housing - 9 unit	91,938	71,075	84,001
CMHC Housing - 6 unit (2007)	54,547	41,989	54,947
CMHC Housing - 8 unit (2010)	87,877	71,515	87,328
CMHC Housing - 4 unit (2011)	49,078	43,218	49,885
CMHC Housing - 5 unit (2011)	68,097	52,052	67,155
Health Programs	23,240	30,248	31,744
Casino Rama	474,643	475,000	475,763
New Relationship Fund	82,925	80,000	79,730
National Child Benefit Program	16,289	15,000	15,311
Direct School Services	121,481	100,000	136,254
Water Operations	141,345	78,500	180,847
Waste Water Operations	70,973	50,000	74,183
Water Training Program	5,032	5,000	7,585
Summer Youth Program	15,375	15,375	13,000
New Paths Program	5,500	5,500	7,500
SATF Training Program	13,647	13,500	-
Subdivision Construction	-	376,000	-
	\$ 4,590,387	\$ 5,274,789	\$ 4,278,873

See accompanying notes to financial statements.

ANISHINAABEG OF NAONGASHIING

Statement of Changes in Net Debt

March 31, 2014

	2014	2013
Operating Fund surplus (deficit)	290,026	244,240
Less: acquisition of tangible capital assets	(1,427,760)	(397,466)
Add: amortization of tangible capital assets	578,398	464,509
(Increase) decrease in net debt	(559,336)	311,283
Net debt, beginning of period	(2,398,516)	(2,709,799)
Net debt, end of period	\$ (2,957,852)	\$ (2,398,516)

See accompanying notes to financial statements.

ANISHINAABEG OF NAONGASHIING

Statement of Cash Flows

Year ended March 31, 2014

	2014	2013
Operating Fund surplus (deficit)	\$ 290,026	\$ 244,240
Changes in non-cash items:		
Amortization of capital assets	578,398	464,509
Accounts receivable	(63,789)	241,730
Accounts payable and accruals	(15,595)	70,516
Replacement reserve	(65,140)	30,195
Deferred revenue	(35,661)	75,000
	688,239	1,126,190
Capital Transactions		
(Acquisition) disposal of fixed assets	(1,427,760)	(397,466)
Long-term investment	(100,133)	(45,633)
	(1,527,893)	(443,099)
Financing transactions		
Debt repayment	564,123	(218,430)
	564,123	(218,430)
Increase (decrease) in cash position	(275,531)	464,661
Cash, beginning of year	890,695	426,034
Cash, end of year	\$ 615,164	\$ 890,695
Represented by:		
Cash	\$ 585,663	\$ 860,194
Cash-restricted	29,501	30,501
	\$ 615,164	\$ 890,695

See accompanying notes to financial statements.

ANISHINAABEG OF NAONGASHIING

Notes to Financial Statements

Year ended March 31, 2014

Basis of preparation

These financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

1. Significant accounting policies:

(a) Reporting entity:

The Anishinaabeg of Naongashiing First Nation reporting entity includes the First Nation government and all related entities that are controlled by the First Nation.

(b) Replacement reserve:

The replacement reserve account is funded by an annual charge against earnings based on amounts specified in agreements with Canada Mortgage and Housing Corporation (CMHC).

(c) Revenue recognition:

Funds received are recognized as revenue when related expenditures are made. Such funds received but not yet expended are included in the balance sheet as deferred revenue.

(d) Program surpluses:

Programs funded by Government agencies may be subject to recovery by the funding agencies in accordance with funding arrangements.

(e) Capital assets:

Capital assets are recognized at their historical cost. Where historical costs were not available, reasonable estimates of costs were determined.

Capital assets are amortized over their useful lives on the following basis. Amortization is calculated as 1/2 the annual amortization in the first year of asset additions.

ANISHINAABEG OF NAONGASHIING

Notes to Financial Statements, continued

Year ended March 31, 2014

1. Significant accounting policies (continued):

Asset	Basis	Rate
Automotive	straight-line	over 5-10 years
Buildings	straight-line	over 20-50 years
CMHC housing	straight-line	over 25 years
Commercial fishing quota	straight-line	over 10 years
Computer equipment	straight-line	over 3 years
Roads	straight-line	over 80 years
Sewer and water infrastructure	straight-line	over 50 years
Hydro infrastructure	straight-line	over 40 years
Furniture and equipment	straight-line	over 5-20 years

(f) Measurement uncertainty:

In preparing the consolidated financial statements for Anishinaabeg of Naongashiing First Nation, management is required 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 financial statements and the reported amounts of revenue and expenses during the period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of the tangible capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

(g) Employee future benefits:

The First Nation's employee future benefit program consists of a defined contribution pension plan. The First Nation contributions to the defined contribution plan are expensed as incurred.

(h) Long-term investments:

The First Nation has invested in a government business enterprise to operate a retail store. The investment is recorded on the modified equity basis. Other long term investments are recorded at cost and reviewed annually for any impairment in value.

ANISHINAABEG OF NAONGASHIING

Notes to Financial Statements, continued

Year ended March 31, 2014

2. Restricted Cash and Replacement Reserve:

Under the terms of the agreement with Canada Housing and Mortgage Corporation (CMHC), the replacement reserve account is to be credited and maintained by the First Nation for the replacement of worn-out capital items. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in deposit accounts or instruments insured by the Canada Deposit Insurance Corporation or as may be otherwise approved from time to time by CMHC. Funds in the account may only be used to replace items of a capital nature. For items not on the CMHC standard list, prior approval is required. Withdrawals are to be credited to interest and then to principal. As at March 31, 2013, the First Nation had on deposit an amount of \$29,683. During the year, expenditures were incurred to use up all of the funds required for the reserve. As a result, the reserve was over funded.

Restricted cash also includes funds held by AANDC in trust of \$817.07.

3. Accounts receivable:

	2014	2013
AANDC	\$ 46,842	\$ 7,757
Other	387,924	363,220
	434,766	370,977
Less: Valuation allowance	70,000	70,000
	\$ 364,766	\$ 300,977

Other accounts receivable include advances receivable from First Nation members. Advances of \$103,504 were receivable at year-end. Advances are recorded on a cost basis and reviewed on an annual basis by management for write-offs or allowances. A valuation allowance is made when collection is in doubt as assessed by management. No interest income is accrued on advances receivable. Any amounts recovered are recognized as income in the current year.

4. Bank indebtedness:

The bank operating loan is due on demand, and is secured by a general security agreement and bears interest at bank prime plus 2.0 %. As at March 31, 2014, no funds are utilized and \$250,000 of funds are available.

5. Investment in government business enterprise:

The First Nation is the sole owner of a corporation established to construct and operate a retail store.

The construction of the building is not complete and no operating revenue or expenses are reflected in the financial statements.

ANISHINAABEG OF NAONGASHIING

Notes to Financial Statements, continued

Year ended March 31, 2014

5. Investment in government business enterprise (continued):

Supplemental financial information is as follows:

Assets		
Cash and bank	\$	107,798
Land		175,000
Buildings under construction		264,458
Vehicle		29,724
Boat		37,500
Inventory		5,748
Deferred government grants		(194,795)
Net Debt		
Payable to First Nation		(425,433)

6. Financial instruments:

The fair value of a financial instrument is the estimated amount that the Company would receive or pay to terminate the contracts at the reporting date. The following methods and assumptions were used to estimate the fair value of each type of financial instrument by reference to various market value data and other valuation techniques as appropriate.

The fair values of cash, short-term investments, accounts receivable, long-term investments, investment in government enterprise, bank indebtedness, accounts payable, accrued liabilities, short-term bank loans and deferred revenue. Unless otherwise stated, the book value of the First Nation's financial assets and liabilities approximate their carrying values given their short-term maturities.

The fair values of long-term investments and investment in government business enterprise approximate their carrying value.

The fair values of long-term debt issues are estimated based on the discounted cash payments of the debt at the Company's estimated incremental borrowing rates for debt of the same remaining maturities. Carrying amounts approximate fair values.

The First Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

ANISHINAABEG OF NAONGASHIING

Notes to Financial Statements, continued

Year ended March 31, 2014

7. Debt:

	2014	2013
Demand loan payable to RBC, with annual payments of \$175,000 of principal, interest payable monthly at prime + 2%, matures on April 15, 2019.	\$ 875,000	\$ 200,000
Mortgage payable to CMHC, interest at 2.86%, monthly payments of \$4,388.72 including interest, matures August 1, 2014, secured by Ministerial guarantee.	812,336	841,451
Mortgage payable to RBC, interest at 3.38%, monthly payments of \$2160.66 including interest, matures March 1, 2015, secured by Ministerial guarantee.	96,926	119,055
Mortgage payable to RBC, interest at 5.25%, monthly payments of \$3,689.38 including interest, matures May 12, 2014, secured by Ministerial guarantee.	124,440	160,793
Mortgage payable to CMHC, interest at 2.4%, monthly payments of \$3,431.48 including interest, matures October 1, 2015, secured by Ministerial guarantee.	408,479	439,496
Mortgage payable to CMHC, interest payable monthly at 1.65%, payable monthly \$1932.78 including interest, matures on June 1, 2017, secured by Ministerial guarantee.	365,434	382,466
Mortgage payable to CMHC, interest at 2.68%, monthly payments of \$2,517.90 including interest, matures February 1, 2016, secured by Ministerial guarantee.	499,400	516,061
Mortgage payable to CMHC, interest at 2.75%, monthly payments of \$3,379.35 including interest, matures February 1, 2016, secured by Ministerial guarantee.	667,764	689,728
Loan payable to RBC, interest at 5%, monthly payments of \$1,321 including interest, matures October 31, 2018, secured by a school bus.	63,394	-
Loan payable to the Government of Canada related to flood claim negotiations, no fixed terms of repayment.	110,945	110,945
	\$ 4,024,118	\$ 3,459,995

All mortgages are secured by ministerial guarantees. Agreements are in place to provide subsidies to allow payment of the monthly mortgage payments.

Principal reduction is estimated as follows:

ANISHINAABEG OF NAONGASHIING

Notes to Financial Statements, continued

Year ended March 31, 2014

7. Debt (continued):

2015	\$	368,408
2016		374,915
2017		381,675
2018		345,318
2019		313,979
Thereafter		2,239,823
	\$	4,024,118

8. Related party transactions:

Related parties consist of band members, staff and council members and Keenis Corporation. Amounts advanced to band members are non-interest bearing and are recovered on an ability to repay basis. Amounts advanced to staff and council members are as required in the day-to-day operations of the First Nation. Advances to Keenis Corporation are non-interest bearing with no fixed terms of repayment.

9. Comparative figures:

Certain of the 2013 comparative figures have been reclassified to conform with the financial presentation adopted in 2014.

ANISHINAABEG OF NAONGASHIING

Schedule of Tangible Capital Assets

Year ended March 31, 2014

	General Capital Assets			Infrastructure	Total		
	Buildings and leasehold improvements	Vehicles and equipment	Computer hardware and software	Roads, streets, sewer and water	Assets under construction	2014	2013
Cost of Assets							
Balance, beginning of year	\$ 14,356,355	\$ 449,195	\$ 40,597	\$ 1,492,194	\$ -	\$ 16,338,341	\$ 15,940,875
Add: Additions during year	467,153	85,329	-	-	875,279	1,427,761	397,466
Less: Disposals during year	-	-	-	-	-	-	-
Balance, end of year	14,823,508	534,524	40,597	1,492,194	875,279	17,766,102	16,338,341
Accumulated Amortization							
Balance, beginning of year	2,974,407	241,601	40,597	1,295,772	-	4,552,377	4,087,867
Amortization for the year	409,949	60,235	13,532	94,682	-	578,398	464,509
Disposals for the year	-	-	-	-	-	-	-
Balance, end of year	3,384,356	301,836	54,129	1,390,454	-	5,130,775	4,552,376
Net book value	\$ 11,439,152	\$ 232,688	\$ (13,532)	\$ 101,740	\$ 875,279	\$ 12,635,327	\$ 11,785,965