

**Anishinaabeg of Naongashiing
First Nation
Consolidated Financial Statements
For the year ended March 31, 2016**

Anishinaabeg of Naongashiing First Nation
Consolidated Financial Statements
For the year ended March 31, 2016

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Anishinaabeg of Naongashiing First Nation Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Anishinaabeg of Naongashiing First Nation and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council of Anishinaabeg of Naongashiing First Nation.

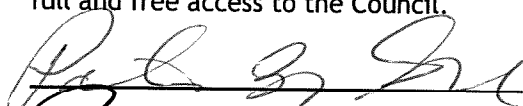
The consolidated financial statements have been prepared by management in accordance with Public Sector Accounting Principles. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

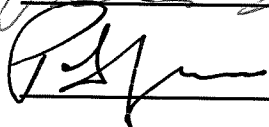
The First Nation maintains systems of internal accounting and administrative controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The Anishinaabeg of Naongashiing 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 Council reviews the First Nation's consolidated financial statements and meets periodically with management, as well as the external auditors, 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 annual report, the consolidated financial statements and the external auditor's report.

The consolidated financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. BDO Canada LLP have full and free access to the Council.

 _____ Chief

 _____ Councilor

_____ Councilor



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BDO Canada LLP
607 Portage Avenue
Fort Frances ON P9A 0A7 Canada

Independent Auditor's Report

To the Members of Anishinaabeg of Naongashiing First Nation

We have audited the accompanying consolidated financial statements of Anishinaabeg of Naongashiing First Nation, as at March 31, 2016, which are comprised of the Consolidated Statement of Financial Position as at March 31, 2016, and the Consolidated Statement of Operations, the Consolidated Statement of Changes in Accumulated Surplus, the Consolidated Statement of Changes in Net Debt and the Consolidated Statement of 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 the consolidated 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 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 auditor's judgment, including the assessment of the risks of the 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 the 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Anishinaabeg of Naongashiing First Nation as at March 31, 2016, and their financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters Paragraph

Anishinaabeg of Naongashiing First Nation has also prepared another set of financial statements for the year ended March 31, 2016, in accordance with Canadian Public Sector Accounting Standards. However, these financial statements include unaudited program schedules which present detailed program revenues and expenditures prepared to assist management of Anishinaabeg of Naongashiing First Nation to meet the reporting requirements of various funding agencies. Our audit report on the other set of financial statements was issued to Chief and Council of Anishinaabeg of Naongashiing First Nation and was dated October 6, 2016.

BDO CANADA LLP



Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
October 6, 2016

Anishinaabeg of Naongashiing First Nation Consolidated Statement of Financial Position

| March 31 | 2016 | 2015 |
|---|----------------------|----------------------|
| Financial assets | | |
| Cash and cash equivalents (Note 2) | \$ 481,847 | \$ 101,111 |
| Accounts and loans receivable (Note 3) | 378,104 | 189,790 |
| Portfolio investments | 10,333 | 10,333 |
| Government business enterprises, at modified equity (Note 15) | - | 1,716,140 |
| | <u>870,284</u> | <u>2,017,374</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | 322,928 | 324,046 |
| Deferred revenue (Note 6) | 627,364 | 229,977 |
| Long-term debt (Note 4) | <u>3,967,250</u> | <u>4,291,894</u> |
| | <u>4,917,542</u> | <u>4,845,917</u> |
| Net debt | <u>(4,047,258)</u> | <u>(2,828,543)</u> |
| Non-financial assets | | |
| Tangible capital assets (Note 9) | 14,291,883 | 13,157,129 |
| Prepaid expense | 11,765 | 5,686 |
| Inventory | <u>33,431</u> | <u>-</u> |
| | <u>14,337,079</u> | <u>13,162,815</u> |
| Contingencies (Note 10) | | |
| Accumulated surplus (Note 7) | <u>\$ 10,289,821</u> | <u>\$ 10,334,272</u> |

Approved on behalf of Council:

Chief
Councilor

Councilor

Anishinaabeg of Naongashiing First Nation

Consolidated Statement of Operations

| March 31 | Budget | 2016 | 2015 |
|--|--------------------|--------------------|------------------|
| Revenue | | | |
| Indigenous and Northern Affairs Canada | \$ 1,755,582 | \$ 1,619,387 | \$ 1,600,502 |
| INAC - fixed contribution funding | 299,356 | 239,536 | 239,536 |
| INAC - set contribution funding | 106,674 | 200,465 | 225,325 |
| Fort Frances Area Tribal Health Authority | 53,942 | 117,343 | 104,360 |
| Rental - housing/equipment | 122,060 | 229,698 | 135,666 |
| Ministry of Community and Social Services | 271,925 | 232,906 | 143,414 |
| Ministry of Aboriginal Affairs | - | 90,000 | 175,000 |
| CMHC | 244,645 | 242,592 | 210,027 |
| Other | 160,369 | 62,322 | 91,191 |
| Profit sharing revenue | - | 453,229 | - |
| Northern Ontario Heritage Fund Corporation | - | - | 478,501 |
| Shooniyaa Wa-Biitong | 53,000 | 61,546 | 74,002 |
| Health Canada | 380,170 | 338,033 | 355,892 |
| Casino Rama revenue | 425,000 | 486,453 | 484,997 |
| Weechi-it-te-win | 405,000 | 454,035 | 456,485 |
| Ministry of Health | - | 16,900 | 35,930 |
| Administration | 35,450 | - | - |
| Kenis Development Corporation | - | 288,640 | - |
| | 4,313,173 | 5,133,085 | 4,810,828 |
| Deferred revenue, beginning of year | - | 229,977 | 39,339 |
| Deferred revenue, end of year (Note 6) | - | (627,364) | (229,977) |
| | 4,313,173 | 4,735,698 | 4,620,190 |
| Expenses | | | |
| Education | 691,410 | 660,001 | 781,235 |
| Welfare | 374,561 | 346,544 | 320,720 |
| Band Support/Operations | 888,647 | 952,890 | 1,053,857 |
| Operations and Maintenance | 298,122 | 334,381 | 304,505 |
| Economic Development | 540,682 | 319,742 | 307,471 |
| Water Treatment Plant | 166,135 | 269,403 | 257,853 |
| Capital | - | 2,252 | 76,788 |
| Summer Student Employment | 15,000 | 18,104 | 11,591 |
| National Child Benefit Program | 17,229 | 16,190 | 13,277 |
| New Relationship Fund | 90,000 | 87,506 | 97,733 |
| SATF Training Program | 12,969 | 30,270 | 47,299 |
| Community Care | 395,565 | 398,024 | 354,670 |
| Health Programs | 39,442 | 28,885 | 15,625 |
| Medical Programs | 299,414 | 191,746 | 223,800 |
| Aboriginal Healing and Wellness | 64,886 | 63,599 | 60,078 |
| CMHC Rental Housing | 416,212 | 441,889 | 397,132 |
| CMHC Housing Renovations | - | 23,520 | 187,560 |
| Casino Rama | 25,000 | 36,342 | 37,730 |
| Kenis Development Corporation | - | 565,786 | - |
| | 4,335,274 | 4,787,074 | 4,548,924 |
| Annual surplus (deficit) | \$ (22,101) | \$ (51,376) | \$ 71,266 |

Anishinaabeg of Naongashiing First Nation Consolidated Statement of Changes in Accumulated Surplus

| For the year ended March 31 | 2016 | 2015 |
|--|----------------------|----------------------|
| Accumulated surplus, beginning of year | \$ 10,334,272 | \$ 10,263,006 |
| Adjustment to First Nation position (Note 1) | <u>6,925</u> | <u>-</u> |
| Accumulated surplus, beginning of year | 10,341,197 | 10,263,006 |
| Annual surplus (deficit) | <u>(51,376)</u> | <u>71,266</u> |
| Accumulated surplus, end of year | <u>\$ 10,289,821</u> | <u>\$ 10,334,272</u> |

Anishinaabeg of Naongashiing First Nation Consolidated Statement of Changes in Net Debt

| For the year ended March 31 | 2016 | 2015 |
|--|----------------|----------------|
| Annual surplus (deficit) | \$ (51,376) | \$ 71,266 |
| Acquisition of tangible capital assets | (1,748,550) | (1,055,032) |
| Adjustment to First Nation position (Note 1) | 6,925 | - |
| Amortization of tangible capital assets | 613,796 | 533,230 |
| | (1,179,205) | (450,536) |
| Acquisition of prepaid expenses | (6,079) | (5,686) |
| Acquisition of inventories | (33,431) | - |
| Net changes in net debt | (1,218,715) | (456,222) |
| Net debt, beginning of year | (2,828,543) | (2,372,321) |
| Net debt, end of year | \$ (4,047,258) | \$ (2,828,543) |

Anishinaabeg of Naongashiing First Nation Consolidated Statement of Cash Flows

| For the year ended March 31 | 2016 | 2015 |
|---|-------------------|-------------------|
| Cash flows from operating activities | | |
| Annual surplus (deficit) | \$ (51,376) | \$ 71,266 |
| Items not affecting cash | | |
| Amortization of tangible capital assets | 613,796 | 533,230 |
| Net loss from commercial enterprises | - | 53,255 |
| Adjustment to First Nation position | 6,925 | - |
| | <u>569,345</u> | <u>657,751</u> |
| Changes in non-cash working capital | | |
| Accounts and loans receivable | (188,314) | 173,777 |
| Prepaid expense | (6,079) | (5,686) |
| Inventories | (33,431) | - |
| Accounts payable | (1,118) | 13,938 |
| Deferred revenue | 397,387 | 190,638 |
| | <u>168,445</u> | <u>372,667</u> |
| | <u>737,790</u> | <u>1,030,418</u> |
| Cash flows from capital activities | | |
| Purchase of capital assets | (1,748,550) | (1,055,032) |
| Cash flows from investing activities | | |
| Advances to affiliated enterprises | 1,716,140 | (757,213) |
| Cash flows from financing activities | | |
| Advances of long-term debt | 19,028 | 696,000 |
| Repayment of long-term debt | (343,672) | (428,225) |
| | <u>(324,644)</u> | <u>267,775</u> |
| Net change in cash and cash equivalents | <u>380,736</u> | <u>(514,052)</u> |
| Cash and cash equivalents, beginning of year | <u>101,111</u> | <u>615,163</u> |
| Cash and cash equivalents, end of year | <u>\$ 481,847</u> | <u>\$ 101,111</u> |
| Supplementary information | | |
| Interest paid | \$ 108,510 | \$ 137,697 |

Anishinaabeg of Naongashiing First Nation Summary of Significant Accounting Policies

March 31, 2016

Basis of Accounting

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the Canadian Institute of Chartered Accountants Public Sector Accounting and Auditing Handbook, and include all Organizations, operations and activities that are:

- 1) accountable for the administration of their financial affairs and resources directly to the First Nation; and
- 2) owned or controlled by the First Nation.

This includes all aspects of band operations including provision of social, educational, administration and operational services, as well as, the results of First Nation enterprises on a modified equity method.

Government Transfers

Government transfers, which include legislative grants, are recognized as revenue in the consolidated financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. When transfer stipulations give rise to a liability, government transfers are recognized as deferred revenue and recognized as revenue when the stipulations are settled.

Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenue and expenses of all government organizations which are owned or controlled by the First Nation. All interfund assets, liabilities, revenues and expenditures have been eliminated on consolidation.

The following government organization owned or controlled by the First Nation has been consolidated due to losses and assistance from the First Nation in order to sustain itself as a going concern:

Keniis Development Corporation

Government business enterprises are separate legal enterprises that do not rely on the First Nation for funding. Investments in government business enterprises are accounted for using the modified equity method. No government business enterprises are reflected in the consolidated financial statements

Anishinaabeg of Naongashiing First Nation Summary of Significant Accounting Policies

March 31, 2016

**Cash and Cash
Equivalents**

Management considers all highly liquid investments with maturities of three months or less at acquisition to be cash equivalents.

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Certain tangible capital assets for which historical cost information is not available have been recorded at current fair market values discounted by a relevant inflation factor. The First Nation does not capitalize interest charges as part of the cost of its tangible capital assets.

Certain assets which have historical or cultural value including works of art, historical documents as well as historical and cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Intangibles, Crown lands that have not been purchased by the First Nation, forests, water, and other natural resources are not recognized as tangible capital assets.

Amortization

Amortization is calculated on the cost, net of contributions on a straight-line basis over the following number of years:

| | |
|-----------------------|---------------|
| Buildings and housing | 25 years |
| Roads | 50 years |
| Vehicles | 5 years |
| Other | 3 - 5 years |
| Infrastructure | 10 - 50 years |

Program Surplus

Programs funded by government agencies may be subject to recovery by the contributing agencies in accordance with funding arrangements and could result in adjustments to prior year funding.

Long-term Loans Receivable

Loans are carried at the unpaid principal less allowances for doubtful loans.

Allowance for Doubtful Loans

The First Nation maintains specific allowances for doubtful loans that reduce the carrying value of loans identified as impaired to their estimated realizable amounts.

Anishinaabeg of Naongashiing First Nation Summary of Significant Accounting Policies

March 31, 2016

Investments

The modified equity method of accounting is used to account for investments in the First Nation's business enterprises which the First Nation owns and controls. Under this method, the investment is initially recorded at cost and the carrying value is adjusted annually thereafter to include the First Nation's pro rata share of post acquisition earnings.

Other investments (where control does not exist) are accounted for following the cost method of accounting. Under this method, the investment is recorded at cost and earnings from the investment are recognized only to the extent received or receivable.

Replacement Reserves

The replacement reserve accounts are funded by an annual allocation based on amounts specified in agreements with CMHC.

Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

Financial Instruments

The First Nation's financial instruments consist of cash in bank, accounts and loans receivable, long-term loans receivable, advances to affiliated Companies, investments, accounts payable and accrued liabilities, and long-term debt. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values unless otherwise noted.

Anishinaabeg of Naongashiing First Nation Summary of Significant Accounting Policies

March 31, 2016

Measurement Uncertainty

Estimates are used to accrue revenues and expenses in circumstances where the actual accrued revenues are unknown at the time the consolidated financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in the consolidated financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonable possible amount, as there is whenever estimates are used.

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

The estimates used in the preparation of these consolidated financial statements are the useful lives of property, plant and equipment and accrued liabilities.

Anishinaabeg of Naongashiing First Nation Notes to Consolidated Financial Statements

March 31, 2016

1. Adjustment to First Nation Position

During the year, it was noted that there were various outstanding stale dated cheques still on the bank reconciliation relating to prior years. These outstanding cheques have been removed and as a result, surplus for March 31, 2016, has been increased by \$6,925.

2. Cash and Cash Equivalents

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Anishinaabeg of Naongashiing First Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Capital Improvement Fund. Cash and cash equivalents is comprised of the following:

| | 2016 | 2015 |
|--|---------------------|-------------------|
| Internally restricted Reserves | \$ 29,501 | \$ 29,501 |
| Unrestricted Operating Kenis Development Corporation | 539,140 (86,794) | 71,610 - |
| | 452,346 | 71,610 |
| Total cash and cash equivalents | \$ 481,847 | \$ 101,111 |

3. Accounts and Loans Receivable

| | 2016 | 2015 |
|---------------------------------|-------------------|-------------------|
| Accounts receivable | \$ 461,982 | \$ 254,905 |
| Advances to band members | 143,404 | 122,842 |
| | 605,386 | 377,747 |
| Allowance for doubtful accounts | (227,282) | (187,957) |
| | \$ 378,104 | \$ 189,790 |

Anishinaabeg of Naongashiing First Nation Notes to Consolidated Financial Statements

March 31, 2016

4. Long-term Debt

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Secured debt | | |
| CMHC mortgage with interest at 1.85%, repayable in monthly installments of \$4,002 principal and interest, maturing August 2019. | \$ 746,591 | \$ 780,479 |
| CMHC mortgage with interest at 1.04%, repayable in monthly installments of \$3,217 principal and interest, maturing October 2020. | 343,287 | 376,712 |
| CMHC mortgage with interest at 1.65% repayable in monthly installments of \$1,933 principal and interest, maturing June 2017. | 330,533 | 348,121 |
| CMHC mortgage with interest at 1.01% repayable in monthly installments of \$2,154 principal and interest, maturing February 2021. | 464,497 | 482,289 |
| CMHC mortgage with interest at 1.01% repayable in monthly installments of \$2,872 principal and interest maturing February 2021. | 621,689 | 645,193 |
| CMHC mortgage with interest at 1.05% repayable in monthly installments of \$2,638 principal and interest, maturing April 2020. | 673,573 | 637,163 |
| RBC mortgage with interest at 1.69% repayable in monthly installments of \$2,168 principal and interest, maturing February 2018. | 48,948 | 73,912 |
| RBC mortgage with interest at 2.32% repayable in monthly installments of \$3,493 principal and interest, maturing April 2017. | 44,816 | 85,180 |
| RBC loan with interest at 5.00% repayable in monthly installments of \$1,321 principal and interest, maturing October 2018. | 38,343 | 51,900 |
| Keniis Development Corporation truck loan, 5.59% repayable in monthly installments of \$901 principal and interest, maturing February 2018. | 19,028 | - |
| | \$ 3,331,305 | \$ 3,480,949 |

Anishinaabeg of Naongashiing First Nation Notes to Consolidated Financial Statements

March 31, 2016

4. Long-term Debt (continued)

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Carried forward | \$ 3,331,305 | \$ 3,480,949 |
| Unsecured debt | | |
| RBC demand loan with interest at 5.3% repayable in annual installments of \$175,000 principal, interest payable monthly, maturing April 2018. | 525,000 | 700,000 |
| Land claim litigation loan, non-interest bearing, unsecured, maturing March 2020 or when litigation is settled, whichever comes first. | 110,945 | 110,945 |
| | <u>\$ 3,967,250</u> | <u>\$ 4,291,894</u> |

Mortgages are secured by a first charge mortgage against rental properties and Ministerial Guarantees from Indigenous and Northern Affairs Canada.

Principal repayments required over the next five years and thereafter are as follows:

| | Principal Repayments | Interest | Total |
|------------|-------------------------|-------------------|---------------------|
| 2017 | \$ 431,155 | \$ 58,358 | \$ 489,513 |
| 2018 | 390,054 | 48,541 | 438,595 |
| 2019 | 350,174 | 6,816 | 356,990 |
| 2020 | 279,153 | 6,220 | 285,373 |
| 2021 | 170,369 | 5,618 | 175,987 |
| Thereafter | 2,346,345 | 31,198 | 2,377,543 |
| | <u>\$ 3,967,250</u> | <u>\$ 156,751</u> | <u>\$ 4,124,001</u> |

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Interest expense for the year on long-term debt | <u>\$ 108,510</u> | <u>\$ 137,697</u> |

5. Related Party Transactions

The First Nation owns 100% of Keniis Development Corporation.

The First Nation owns 16.67% of Miitigoog Limited Partnership. During the fiscal year, the First Nation recorded \$NIL of revenue relating to referral fees from the Corporation.

Anishinaabeg of Naongashiing First Nation Notes to Consolidated Financial Statements

March 31, 2016

6. Deferred Revenue

| | Balance March 31, 2015 | Funding Received 2016 | Revenue Recognized 2016 | Balance March 31, 2016 |
|------------------|------------------------------|-----------------------------|-------------------------------|------------------------------|
| Weechi-it-te-win | \$ 123,880 | \$ 454,035 | \$ 399,064 | \$ 178,851 |
| Health Canada | 106,097 | 338,033 | 215,866 | 228,264 |
| Casino Rama | - | 486,453 | 266,204 | 220,249 |
| | <u>\$ 229,977</u> | <u>\$ 1,278,521</u> | <u>\$ 881,134</u> | <u>\$ 627,364</u> |

7. Accumulated Surplus

The First Nation segregates its accumulated surplus in the following categories:

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Investment in tangible capital assets | | |
| Tangible capital assets | \$ 12,573,333 | \$ 13,157,129 |
| Debt relating to tangible capital assets | (3,273,934) | (3,429,049) |
| Total investment in tangible capital assets | 9,299,399 | 9,728,080 |
| Operations deficit | (1,155,450) | (1,389,280) |
| Reserve funds (Note 8) | 310,531 | 279,332 |
| Equity in enterprises | 1,835,341 | 1,716,140 |
| | <u>\$ 10,289,821</u> | <u>\$ 10,334,272</u> |

Anishinaabeg of Naongashiing First Nation

Notes to Consolidated Financial Statements

March 31, 2016

8. Replacement Reserve

| | CMHC 18-187-047/ 001-2 | 9 Unit (200) 19-446-541/001 | 6 Unit (2007) 19-446-541/002 | 8 Unit (2009) 19-446-541/003 | 5 Unit (2011) 19-446-541/004 | 4 Unit (2011) 19-446-541/005 | 4 Unit (2015) 19-466-541/006 | Total |
|--------------------------------|------------------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|------------|
| Balance March 31, 2014 | \$ 10,500 | \$ 107,080 | \$ 42,300 | \$ 45,600 | \$ 21,279 | \$ 13,906 | \$ - | \$ 240,665 |
| Allocation to restricted funds | 3,500 | 7,650 | 6,300 | 9,600 | 4,940 | 6,677 | - | 38,667 |
| Expenditures | (1,634) | (165) | - | (715) | - | - | - | (2,514) |
| Balance March 31, 2015 | 12,366 | 114,565 | 48,600 | 54,485 | 26,219 | 20,583 | - | 276,818 |
| Allocation to restricted funds | 3,500 | 7,650 | 6,000 | 9,600 | 6,175 | 4,940 | 5,120 | 42,985 |
| Expenditures | (3,650) | (499) | - | (1,357) | (3,766) | - | - | (9,272) |
| Balance March 31, 2016 | \$ 12,216 | \$ 121,716 | \$ 54,600 | \$ 62,728 | \$ 28,628 | \$ 25,523 | \$ 5,120 | \$ 310,531 |

CMHC requires that the replacement reserve be fully funded at the end of the fiscal year. The total CMHC replacement reserve is \$310,531. The amount held in a restricted bank account in relation to this reserve is \$28,684; therefore, the reserve is under funded by \$281,847 as of March 31, 2016.

Anishinaabeg of Naongashiing First Nation
Notes to Consolidated Financial Statements

March 31, 2016

9. Tangible Capital Assets

| | 2016 | | | | | |
|---|------------|---------------|------------------------|-----------|------------------------|---------------------------|
| | Land | Buildings | Vehicles and equipment | Computers | Roads, sewer and water | Assets under construction |
| Cost, beginning of year | \$ 482,503 | \$ 15,778,932 | \$ 928,911 | \$ 50,261 | \$ 2,367,473 | \$ 1,038,973 |
| Additions | - | 1,068,973 | - | - | - | 30,000 |
| Disposals | - | - | - | - | - | (1,068,973) |
| Cost, end of year | 482,503 | 16,847,905 | 928,911 | 50,261 | 2,367,473 | - |
| Accumulated amortization, beginning of year | - | 4,747,481 | 418,898 | 43,818 | 561,177 | - |
| Amortization | - | 511,701 | 46,235 | 3,222 | 52,638 | - |
| Disposals | - | - | - | - | - | - |
| Accumulated amortization, end of year | - | 5,259,182 | 465,133 | 47,040 | 613,815 | - |
| Net carrying amount, end of year | \$ 482,503 | \$ 11,588,723 | \$ 463,778 | \$ 3,221 | \$ 1,753,658 | \$ - |
| | | | | | | \$ 6,385,170 |
| | | | | | | \$ 14,291,883 |

Anishinaabeg of Naongashiing First Nation
Notes to Consolidated Financial Statements

March 31, 2016

9. Tangible Capital Assets (continued)

| | 2015 | | | | |
|---|---------------|------------------------|-----------|------------------------|---------------------------|
| | Buildings | Vehicles and equipment | Computers | Roads, sewer and water | Assets under construction |
| | | | | | Total |
| Cost, beginning of year | \$ 14,823,508 | \$ 534,524 | \$ 40,597 | \$ 1,492,194 | \$ 875,279 |
| Additions | - | 6,395 | 9,664 | 875,279 | 1,038,973 |
| Disposals | - | - | - | - | (875,279) |
| Cost, end of year | 14,823,508 | 540,919 | 50,261 | 2,367,473 | 18,821,134 |
| Accumulated amortization, beginning of year | 4,266,271 | 301,836 | 54,129 | 508,539 | - |
| Amortization | 457,324 | 33,579 | (10,311) | 52,638 | - |
| Disposals | - | - | - | - | - |
| Accumulated amortization, end of year | 4,723,595 | 335,415 | 43,818 | 561,177 | - |
| Net carrying amount, end of year | \$ 10,099,913 | \$ 205,504 | \$ 6,443 | \$ 1,806,296 | \$ 1,038,973 |
| | | | | | \$ 13,157,129 |

Anishinaabeg of Naongashiing First Nation Notes to Consolidated Financial Statements

March 31, 2016

10. Contingencies

During the fiscal year, the First Nation had a Recipient Audit done by INAC. The purpose of the audit was to examine documentation in relation to past funding. As of the date of the audit report, the Recipient Audit has not been finalized; however, the maximum funding repayment has been calculated as \$903,535. The likelihood of repayment of any amount is not known. Any adjustment required will be recognized in the year of settlement.

11. Economic Dependence

Anishinaabeg of Naongashiing First Nation receives a major portion of its revenue pursuant to a funding arrangement with Indigenous and Northern Affairs Canada.

12. Federal Assistance Payments

The CMHC projects have received federal assistance through CMHC pursuant to Section 56.1 of the National Housing Act to enable the project to provide housing to low income individuals. The amount of assistance received in 2016 was \$242,592 (2015 - \$210,027).

13. Expenditure by Object

| | 2016 | 2015 |
|---------------------------------------|---------------------|---------------------|
| Salaries, wages and employee benefits | \$ 1,266,428 | \$ 1,520,848 |
| Materials and supplies | 1,889,403 | 1,379,645 |
| Contracted services | 340,588 | 463,445 |
| Rents and financial expenses | 358,224 | 301,306 |
| Travel | 318,635 | 350,449 |
| Amortization | 613,796 | 533,231 |
| | <u>\$ 4,787,074</u> | <u>\$ 4,548,924</u> |

Anishinaabeg of Naongashiing First Nation Notes to Consolidated Financial Statements

March 31, 2016

14. Budget Information

The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated recovering deficits. In addition, the budget did not include amortization expense. As a result, the budget figures presented in the consolidated statement of operations represent the Financial Plan adopted by Council, with adjustments as follows:

| | <u>2016</u> |
|---|--------------------|
| Financial Plan (budget) by-law surplus for the year | \$ 152,990 |
| Less: | |
| Amortization | <u>(175,091)</u> |
| Budget deficit per consolidated statement of operations | <u>\$ (22,101)</u> |

15. Government Business Enterprise

The Government Business Enterprise relates to Keniis Development Corporation, which is a Corporation owned solely by the First Nation. In prior years, the Corporation was classed as a Government Business Enterprise as it met all of the characteristics, including it can, in the normal course of its operations, maintain its operations and meet its financial liabilities from revenues received from sources outside of the government reporting entity. During the fiscal year, this characteristic came into question due to the poor operating results of Keniis Development Corporation. It was determined that Keniis Development Corporation could no longer be classified as a Government Business Enterprise and would be classified as an Other Government Organization on a prospective basis. Other Government Organization's require full consolidation; a policy that was implemented in 2016.

16. Segmented Information

Anishinaabeg of Naongashiing First Nation is a First Nation government that provides a wide range of services to the members of its community. For management reporting purposes the First Nation's operations and activities are organized and reported by Program. Programs were created for the purpose of recording specific activities in accordance with specific regulations, restrictions or limitations. These activities can also be categorized into segments. The following significant segments have been identified and as such are separately disclosed:

Education

The education department provides services to elementary and secondary students primarily by entering into service contracts with provincially funded area school boards, as well as native language study. In addition, the department reimburses tuition costs and provides living and other allowances to students who are attending post-secondary institutions.

Anishinaabeg of Naongashiing First Nation Notes to Consolidated Financial Statements

March 31, 2016

16. Segmented Information (continued)

Operations and Maintenance

The infrastructure department provides public services that contribute to community development and sustainability through the provision of operating services such as roads, water and sanitation, fire protection, electrical and community buildings.

Medical and Other Health Services

The community wellness department provides a diverse bundle of services directed towards the well-being of members including such activities as long-term care, medical transportation, pre-natal and early childhood care, nursing, health representation, traditional healing, family violence prevention and many other smaller programs designed to enhance the health of members.

Band Support

The administration department oversees the delivery of all governmental services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of Chief and Council.

Capital

This department is responsible for all capital asset activities occurring in the First Nation during the year, including housing construction and renovations.

Other Services

The First Nation provides a wide array of other services, including youth employment projects, economic development, housing activities and others.

For each reported segment, revenues and expenses include 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, including transfers and have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the summary of significant accounting policies.

17. Comparative Figures

The comparative amounts presented in the consolidated financial statements have been restated to conform to the current year's presentation.

Anishinaabeg of Naongashiing First Nation 2016 Segment Disclosure

| March 31, 2016 | Band Support | Operations and Maintenance | Education | Welfare | Capital | Other | Total |
|---|--------------|----------------------------|------------|-------------|------------|--------------|--------------|
| Revenue | | | | | | | |
| INAC | \$ 534,057 | \$ 179,654 | \$ 716,072 | \$ 69,588 | \$ 219,212 | \$ 340,805 | \$ 2,059,388 |
| Canada | - | - | - | 16,900 | - | 580,625 | 597,525 |
| Ontario | - | 24,644 | - | 232,906 | - | 90,000 | 347,550 |
| Casino Rama | - | - | - | - | - | 486,453 | 486,453 |
| Trust income | - | - | - | - | - | - | - |
| Other Aboriginal organizations | - | - | - | 12,462 | - | 620,462 | 632,924 |
| Interest, rentals and other | 28,375 | 6,138 | - | - | - | 974,732 | 1,009,245 |
| Administration | 305,731 | - | - | - | - | (305,731) | - |
| Transfers | 28,075 | - | - | - | - | (28,075) | - |
| Deferred revenue, beginning of year | 896,238 | 210,436 | 716,072 | 331,856 | 219,212 | 2,759,271 | 5,133,085 |
| Deferred revenue, end of year | - | - | - | - | - | 229,977 | 229,977 |
| | - | - | - | - | - | (627,364) | (627,364) |
| | 896,238 | 210,436 | 716,072 | 331,856 | 219,212 | 2,361,884 | 4,735,698 |
| Expenditures | | | | | | | |
| Salaries, wages and benefits | 383,523 | 50,977 | 109,720 | 60,919 | - | 661,289 | 1,266,428 |
| Materials, supplies and capital | 172,976 | 144,346 | 203,463 | 276,770 | 2,252 | 1,089,596 | 1,889,403 |
| Contracted services | - | - | 340,588 | - | - | - | 340,588 |
| Rents and financial expenses | 281,013 | - | - | - | - | 77,211 | 358,224 |
| Travel | 87,753 | - | 6,230 | 8,855 | - | 215,797 | 318,635 |
| Amortization | 27,625 | 139,058 | - | - | - | 447,113 | 613,796 |
| | 952,890 | 334,381 | 660,001 | 346,544 | 2,252 | 2,491,006 | 4,787,074 |
| Excess (deficiency) of revenue over expenditures | \$ (56,652) | \$ (123,945) | \$ 56,071 | \$ (14,688) | \$ 216,960 | \$ (129,122) | \$ (51,376) |

Anishinaabeg of Naongashiing First Nation 2015 Segment Disclosure

| March 31, 2015 | Band Support | Operations and Maintenance | Education | Welfare | Capital | Other | Total |
|---|--------------|----------------------------|------------|-------------|------------|------------|--------------|
| Revenue | | | | | | | |
| INAC | \$ 307,699 | \$ 177,560 | \$ 933,197 | \$ 72,841 | \$ 216,655 | \$ 357,411 | \$ 2,065,363 |
| Canada | - | - | - | 35,930 | - | 565,919 | 601,849 |
| Ontario | - | 2,244 | - | 143,414 | - | 653,501 | 799,159 |
| Casino Rama | - | - | - | - | - | 484,997 | 484,997 |
| Trust income | - | - | - | - | - | - | - |
| Other Aboriginal organizations | - | - | - | 12,464 | - | 622,383 | 634,847 |
| Interest, rentals and other | - | 2,626 | - | - | - | 221,987 | 224,613 |
| Administration | 262,054 | - | - | - | - | (262,054) | - |
| Referral fees | - | - | - | - | - | - | - |
| Transfers | 344,690 | - | (63,840) | - | - | (280,850) | - |
| | 914,443 | 182,430 | 869,357 | 264,649 | 216,655 | 2,363,294 | 4,810,828 |
| Deferred revenue, beginning of year | - | - | - | - | - | 39,339 | 39,339 |
| Deferred revenue, end of year | - | - | - | - | - | (229,977) | (229,977) |
| | 914,443 | 182,430 | 869,357 | 264,649 | 216,655 | 2,172,656 | 4,620,190 |
| Expenditures | | | | | | | |
| Salaries, wages and benefits | 482,394 | 51,192 | 126,776 | 83,878 | 802 | 775,806 | 1,520,848 |
| Materials, supplies and capital | 156,301 | 135,430 | 190,305 | 226,802 | 75,986 | 594,821 | 1,379,645 |
| Contracted services | - | - | 463,445 | - | - | - | 463,445 |
| Rents and financial expenses | 220,718 | - | - | - | - | 80,588 | 301,306 |
| Travel | 169,782 | - | 709 | 10,040 | - | 169,918 | 350,449 |
| Amortization | 24,661 | 117,883 | - | - | - | 390,687 | 533,231 |
| | 1,053,856 | 304,505 | 781,235 | 320,720 | 76,788 | 2,011,820 | 4,548,924 |
| Excess (deficiency) of revenue over expenditures | \$ (139,413) | \$ (122,075) | \$ 88,122 | \$ (56,071) | \$ 139,867 | \$ 160,836 | \$ 71,266 |



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Review Engagement Report

**To the Chief, Council and Members of
Anishinaabeg of Naongashiing First Nation**

At the request of Anishinaabeg of Naongashiing First Nation, we have reviewed the Schedule of Salary, Honoraria and Travel for the Band for the year ended March 31, 2016, calculated pursuant to the requirements of the Indigenous and Northern Affairs Canada Year End Reporting Handbook. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Band.

A review does not constitute an audit and consequently we do not express an audit opinion on this Schedule of Salary, Honoraria and Travel.

As a result of the uncertainty as to the definition of travel expenses, we were unable to complete our review of travel expenses and, therefore, the amounts included in this Schedule are based solely on the information provided by the Band. Had we been able to complete our review based on a clear definition of what constitutes travel expenses, we might have determined that adjustments were necessary to travel expenses.

Except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to complete our review of travel expenses, as described in the preceding paragraph, nothing has come to our attention that causes us to believe that this Schedule of Salary, Honoraria and Travel is not, in all material respects, in accordance with the requirements of the Indigenous and Northern Affairs Canada Year End Reporting Handbook.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
October 6, 2016

**Anishinaabeg of Naongashiiing First Nation
Schedule of Salary, Honoraria and Travel
for Elected Officials
(Unaudited)**

For the year ended March 31, 2016

Elected or Appointed Officials

| Name | Position | Duration (Months) | Salary/ Honoraria | | Travel | Other | Total |
|-----------------------|----------|----------------------|----------------------|--------|-----------|-------|-----------|
| Patricia Big George | Chief | 12 | \$ | 78,446 | \$ 16,227 | \$ - | \$ 94,673 |
| Robert Handorgan | Council | 12 | \$ | 69,392 | \$ 7,966 | \$ - | \$ 77,358 |
| Patrick Handorgan Sr. | Council | 12 | \$ | 66,708 | \$ 9,000 | \$ - | \$ 75,708 |