

**Naicatchewenin First Nation
Consolidated Financial Statements
For the year ended March 31, 2014**

**Naicatchewenin First Nation
Consolidated Financial Statements
For the year ended March 31, 2014**

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Naicatchewenin First Nation Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Naicatchewenin 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 Naicatchewenin 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 Naicatchewenin 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.

~~Full and free access to the Council~~

 John Smith Chief

 Councillor Smith Councillor

 Councillor Smith Councillor

Independent Auditor's Report

To the Chief and Council of Naicatchewenin First Nation

We have audited the accompanying consolidated financial statements of Naicatchewenin First Nation, as at March 31, 2014, which are comprised of the Consolidated Statement of Financial Position as at March 31, 2014, and the Consolidated Statement of Operations, the Consolidated Statement of Changes in Accumulated Surplus, the Consolidated Statement of Changes in Net Financial Assets 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 Naicatchewenin First Nation as at March 31, 2014, and their financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

These consolidated financial statements include unaudited supplementary schedules which present detailed program revenues and expenditures and have been prepared to assist management of Naicatchewenin First Nation to meet the reporting requirements of various funding agencies. Our report is intended solely for management of Naicatchewenin First Nation and various funding agencies. As a result, the consolidated financial statements should not be distributed to or used by other parties.

BDO CANADA LLP

Chartered Accountants, Licensed Public Accountants

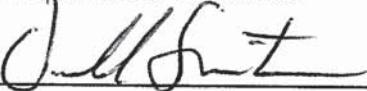
Fort Frances, Ontario
October 20, 2014

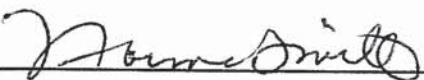
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Naicatchewenin First Nation
Consolidated Statement of Financial Position

March 31	2014	2013
Financial assets		
Cash and cash equivalents (Note 3)	\$ 3,043,664	\$ 3,107,139
Accounts and loans receivable (Note 4)	650,945	218,842
Advances to affiliated Companies (Note 5)	2,384,373	2,852,195
Trust funds held by Federal Government (Note 8)	66,988	65,334
Portfolio investments (Note 7)	20	107,143
Government business enterprises, at modified equity (Note 6)	<u>(201,871)</u>	<u>90,928</u>
	<u>5,944,119</u>	<u>6,441,581</u>
Liabilities		
Accounts payable and accrued liabilities	518,908	607,070
Deferred revenue (Note 9)	2,053,356	2,288,859
Long-term debt (Note 10)	<u>2,949,180</u>	<u>3,482,897</u>
	<u>5,521,444</u>	<u>6,378,826</u>
Net assets	<u>422,675</u>	<u>62,755</u>
Non-financial assets		
Tangible capital assets (Note 13)	8,237,487	8,848,821
Prepaid expense	669	10,762
	<u>8,238,156</u>	<u>8,859,583</u>
Accumulated surplus (Note 12)	<u>\$ 8,660,831</u>	<u>\$ 8,922,338</u>

Approved on behalf of Council:

 Councilor

 Councilor

Naicatchewenin First Nation Consolidated Statement of Operations

March 31	Budget	2014	2013
Revenue			
Aboriginal Affairs and Northern Development	\$ 256,094	\$ 256,094	\$ 255,348
AANDC - fixed contribution funding	950,314	1,108,262	1,099,457
AANDC - set contribution funding	1,112,695	1,281,817	1,298,745
Health Canada	370,485	526,361	540,960
CMHC	232,964	232,965	238,399
Ministry of Community and Social Services	51,600	640,468	517,996
Ministry of Citizenship	-	2,610	-
Ontario First Nations Limited Partnership	479,316	481,808	484,149
Weechi-It-Te-Win Family Services Inc.	404,052	507,816	434,052
Rentals and fees	212,580	210,920	204,359
Fort Frances Tribal Area Health Authority	70,267	70,267	79,281
Enterprise income (loss)	-	(292,800)	57,866
Shooniyyaa Wa-Biitong	-	127,901	8,009
Income on trusts	-	1,654	1,566
Other	215,898	609,004	1,025,547
	4,356,265	5,765,147	6,245,734
Deferred revenue, beginning of year	30,597	2,288,859	2,914,761
Deferred revenue, end of year (Note 9)	-	(2,053,356)	(2,288,859)
	4,386,862	6,000,650	6,871,636
Expenses			
Education	1,633,253	1,569,878	1,483,292
Welfare	86,414	680,968	565,653
Band support/administration	533,591	692,838	606,820
Operations and maintenance	259,676	595,550	628,836
Minor capital	369,800	201,706	170,481
Medical transportation	59,834	62,253	84,049
Summer student	2,238	16,262	20,124
Day care	60,440	59,474	69,589
Community care	373,767	468,382	397,778
New Relationship Fund	-	129,500	171,690
Band housing	67,497	120,186	141,234
Casino Rama	-	499,821	390,897
New Paths	-	10,000	11,000
FFATHA	123,480	124,194	129,762
Water and sewer	121,241	199,328	146,875
Flood claim and Burditt Dam	-	24,928	48,829
Corrections officer	14,002	9,002	9,002
CMHC rental housing	326,894	295,232	372,346
Health Canada	328,832	402,392	374,669
National Child Benefit Reinvestment	-	37,700	32,811
Investments	-	36,853	-
	4,360,959	6,236,447	5,855,737
Annual surplus (deficit)	\$ 25,903	\$ (235,797)	\$ 1,015,899

Naicatchewenin First Nation
Consolidated Statement of Changes in Accumulated Surplus

March 31	2014	2013
Accumulated surplus, beginning of year	\$ 8,922,338	\$ 7,811,805
Adjustment to First Nation position (Note 2)	<u>(25,710)</u>	<u>94,634</u>
Accumulated surplus, beginning of year, as restated	8,896,628	7,906,439
Annual surplus (deficit)	<u>(235,797)</u>	<u>1,015,899</u>
Accumulated surplus, end of year	\$ 8,660,831	\$ 8,922,338

Naicatchewenin First Nation Consolidated Statement of Changes in Net Financial Assets

March 31	2014	2013
Annual surplus (deficit)	\$ (235,797)	\$ 1,015,899
Acquisition of tangible capital assets	(84,421)	(421,575)
Amortization of tangible capital assets	695,755	725,841
AANDC clawback	(25,710)	-
	349,827	1,320,165
Use of prepaid expenses	10,093	5,242
Change in net assets	359,920	1,325,407
Net assets, beginning of year	62,755	(1,262,652)
Net assets, end of year	\$ 422,675	\$ 62,755

**Naicatchewenin First Nation
Consolidated Statement of Cash Flows**

March 31	2014	2013
Cash flows from operating activities		
Annual surplus (deficit)	\$ (235,797)	\$ 1,015,899
Items not affecting cash		
Gain on disposal of tangible capital assets	(2,000)	-
Amortization of tangible capital assets	695,755	725,841
Net (income) loss from commercial enterprises	292,800	(57,866)
Gain on disposal of investments	(44,759)	-
	<hr/>	<hr/>
	705,999	1,683,874
Changes in non-cash working capital		
Accounts and loans receivable	(432,103)	578,912
Trust funds	(1,654)	(1,566)
Prepaid expense	10,093	5,242
Accounts payable	(88,162)	(73,126)
Deferred revenue	(235,504)	(625,902)
AANDC clawback	(25,710)	-
	<hr/>	<hr/>
	(773,040)	(116,440)
	<hr/>	<hr/>
	(67,041)	1,567,434
Cash flows from capital activities		
Proceeds from disposal of TCA	2,000	-
Purchase of capital assets	(84,421)	(421,575)
	<hr/>	<hr/>
	(82,421)	(421,575)
Cash flows from investing activities		
Advances to affiliated enterprises	467,822	(131,540)
Purchase of investments	(20)	(597,587)
Proceeds from sale of investments	151,902	-
	<hr/>	<hr/>
	619,704	(729,127)
Cash flows from financing activities		
Advances of long-term debt	-	333,530
Repayment of long-term debt	(533,717)	(412,532)
	<hr/>	<hr/>
	(533,717)	(79,002)
Net change in cash and cash equivalents	<hr/>	<hr/>
	(63,475)	337,730
Cash and cash equivalents, beginning of year	<hr/>	<hr/>
	3,107,139	2,769,409
Cash and cash equivalents, end of year	<hr/>	<hr/>
	\$ 3,043,664	\$ 3,107,139
Supplementary information		
Interest received	\$ 34,820	\$ 30,037
Interest paid	\$ 73,660	\$ 89,249

Naicatchewenin First Nation Summary of Significant Accounting Policies

March 31, 2014

Basis of Accounting	<p>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:</p> <ol style="list-style-type: none">1) accountable for the administration of their financial affairs and resources directly to the First Nation; and2) owned or controlled by the First Nation. <p>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 as disclosed in Note 6 to these consolidated financial statements.</p> <p>Other long-term investments are reflected at cost as disclosed in Note 7.</p> <p>Government business enterprises are separate legal entities which do not rely on the government for funding. The First Nation's government business enterprises consist of investments in Rainy Lake Tribal Development Corporation, Myguard Security Group Limited Partnership, Naicatchewenin Development Corporation, Kish Gon Dug (Canada) Inc., Rainy Lake Tribal Resource Management Inc., and NDC Energy LP. These investments are accounted for using the modified equity basis of accounting.</p>
Cash and Cash Equivalents	<p>Management considers all highly liquid investments with maturities of three months or less at acquisition to be cash equivalents.</p>
Tangible Capital Assets	<p>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.</p> <p>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.</p>

Naicatchewenin First Nation Summary of Significant Accounting Policies

March 31, 2014

Amortization	Amortization is calculated on the cost, net of contributions on a straight-line basis over the following number of years:
Buildings	25 years
Equipment	5 years
Vehicles	5 years
Computers	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.
Investments	<p>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.</p> <p>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.</p>
Replacement Reserves	The replacement reserve accounts are funded by an annual allocation based on amounts specified in agreements with CMHC.
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 referred revenue and recognized as revenue when the stipulations are settled.

Naicatchewenin First Nation Summary of Significant Accounting Policies

March 31, 2014

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.

Government transfers, which include legislative grants, are recognized as revenues 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. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the consolidated statement of operations as the stipulated liabilities are settled.

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 being 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, 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.

Trust Funds

Trust funds are held in trust by Aboriginal Affairs and Northern Development Canada (AANDC). Revenue on trust funds is recognized in accordance with terms of the related instrument.

Naicatchewenin First Nation Summary of Significant Accounting Policies

March 31, 2014

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	<p>The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles 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.</p> <p>The estimates used in the preparation of these consolidated financial statements are the useful lives of tangible capital assets and accrued liabilities.</p>

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2014

1. Change in Accounting Policies

Effective April 1, 2013, the First Nation adopted, on a prospective basis, the new accounting standard PS3410 Government Transfers from the Chartered Professional Accountants Canada Handbook.

Government transfers are recognized when authorized and eligibility criteria have been met unless the transfer contains stipulations that create a liability. If the transfer contains stipulations that create a liability, the related revenue is recognized over the period during which the liability is extinguished.

2. Prior Period Adjustment

In prior years, payables and clawbacks that were anticipated to be owing by the First Nation were accrued in the consolidated financial statements. These payables and clawbacks did not become due and therefore were brought back into surplus in 2013. The amount added to surplus in the prior year in relation to these payables and clawbacks equals \$25,710.

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2014

3. Cash and Cash Equivalents

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Naicatchewenin 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:

	2014	2013
Externally restricted		
Replacement reserve	\$ 416,337	\$ 355,352
Funding agreement	2,053,356	2,135,620
Unrestricted		
Operating	<u>573,971</u>	<u>616,167</u>
Total cash and cash equivalents	<u>\$ 3,043,664</u>	<u>\$ 3,107,139</u>

4. Accounts and Loans Receivable

	2014	2013
Accounts receivable		
Rental housing	\$ 609,845	\$ 183,995
Advances to band members	113,927	95,981
	<u>17,689</u>	<u>10,142</u>
	741,461	290,118
Allowance for doubtful accounts	<u>(90,516)</u>	<u>(71,276)</u>
	<u>\$ 650,945</u>	<u>\$ 218,842</u>

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2014

5. Advances to Affiliated Companies

	Payment terms	Interest rate	2014	2013
Naicatchewenin Development Corporation	unspecified	5%	\$ 2,155,404	\$ 2,214,800
Kish Gon Dug (Canada) Inc.	unspecified	unspecified	360,326	357,247
Rainy Lake Tribal Development Corporation	unspecified	unspecified	35,714	99,393
Nanicost Ltd.	unspecified	unspecified	<u>193,255</u>	<u>180,755</u>
			2,744,699	2,852,195
Allowance for doubtful advances			<u>(360,326)</u>	<u>-</u>
			<u>\$ 2,384,373</u>	<u>\$ 2,852,195</u>

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2014

6. Government Business Enterprises, at modified equity

Rainy Lake Tribal Development Corporation

Rainy Lake Tribal Development Corporation is a Corporation that was created for the purpose of pursuing economic development opportunities to generate wealth for the seven First Nation members belonging to Pwi-di-goo-xing Ne-yaa-zhing.

Myguard Security Group Limited Partnership

Myguard Security Group Limited Partnership is a partnership that was created for the purpose of pursuing mine security contracts and other business opportunities as agreed upon pursuant to the terms of the Limited Partnership Agreement.

Naicatchewenin Development Corporation

Naicatchewenin Development Corporation is a Corporation that was created to undertake the purpose of developing business activities for the Naicatchewenin First Nation. Activities include training, consulting and a significant portfolio of ventures.

Kish Gon Dug (Canada) Inc.

Kish Gon Dug (Canada) Inc. is a Corporation that was created for the purpose of manufacturing cedar furnishings in the First Nation for sale through Gannon Creek Trading Company.

Rainy Lake Tribal Resource Management Inc.

Rainy Lake Tribal Resource Management Inc. is a Corporation that was created for a contract with the Ministry of Natural Resources of Ontario to manage the Sapawe forest.

NDC Energy, LP

NDC Energy, LP is a limited partnership that was created for the purpose of selling and distributing petroleum products.

March 31, 2014

**Naicatchewenin First Nation
Notes to Consolidated Financial Statements**

6. Government Business Enterprises, at modified equity (continued)

	Rainy Lake Tribal Development Corporation	Myguard Security Group Limited Partnership	Naicatchewenin Development Corporation	Kish Dug (Canada) Inc.	Rainy Lake Tribal Resource Management Inc.	NDC Energy, LP	Total
Percentage ownership	16.67%	33%	100%	100%	16.67%	49.995%	
Carrying value, March 31, 2012	\$ 42,875	\$ 333	\$ (173,564)	\$ (327,025)	\$ -	\$ -	\$ (457,381)
Purchase of shares	489,835	-	-	-	100	509	490,444
Share of net income (loss)	(76,211)	10,341	106,193	(5,539)	7,342	15,739	57,865
Carrying value, March 31, 2013	456,499	10,674	(67,371)	(332,564)	7,442	16,248	90,928
Share of net income (loss)	(39,782)	47,839	(311,785)	(4,731)	2,469	14,517	(291,473)
Other adjustments	-	(1,326)	-	-	-	-	(1,326)
Carrying value, March 31, 2014	\$ 416,717	\$ 57,187	\$ (379,156)	\$ (337,295)	\$ 9,911	\$ 30,765	\$ (201,871)

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2014

6. **Government Business Enterprises**, at modified equity (continued)

Rainy Lake Tribal Development Corporation		Nguard Security Group Limited Partnership	Naicatchewenin Development Corporation	Kish Gon Dug (Canada) Inc.	Rainy Lake Tribal Resource Management Inc	NDC Energy, LP	2014 Total	2013 Total
Financial position								
Current assets	\$ 2,154,644 802,255	\$ 31,677 81,810	\$ 1,167,273 2,014,913	\$ 4,433 4,463	\$ 366,003 -	\$ 250,592 -	\$ 3,974,622 2,903,441	\$ 5,249,282 3,130,635
Long-term assets								
2,956,899	113,487	3,182,186	8,896	366,003	250,592	6,878,063	8,379,917	
Current liabilities								
Long-term liabilities								
Share capital	3,153,294 (652,999)	113,436	899,510 2,661,839	3,500 342,691	306,538 -	189,073 -	1,855,276 3,004,520	2,568,649 3,363,054
Net equity (deficit), end of year	2,956,899	113,487	\$ 3,182,186	\$ 8,896	\$ 366,003	\$ 250,592	\$ 6,878,063	\$ 8,379,917
Results of operations								
Revenues	\$ (195,273) 43,421	\$ 98,029 16,617	\$ 6,723,110 7,034,895	\$ 4,731 -	\$ 1,550,820 1,536,006	\$ 1,685,674 1,656,637	\$ 9,862,360 10,292,307	\$ 9,374,140 9,602,798
Operating expenses								
Net income (loss)	(238,694)	81,412	(311,785)	(4,731)	14,814	29,037	(429,947)	(228,658)
Net equity (deficit), beginning of year	(414,305)	32,024	(67,398)	(332,565)	44,051	32,482	(705,711)	(477,053)
Net equity (deficit), end of year	\$ (652,999)	\$ 113,436	\$ (379,183)	\$ (337,296)	\$ 58,865	\$ 61,519	\$ (1,135,658)	\$ (705,711)

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2014

7. Portfolio Investments

	<u>Percentage ownership</u>	2014	2013
Ozaanaman Engineering Ltd.	25%	\$ 20	\$ -
Rainy River Resources		-	107,143
		<hr/>	<hr/>
		\$ 20	\$ 107,143

Portfolio investments are valued at cost. The fair market value of the Rainy River Resources is \$NIL (2013 - \$50,005).

8. Trust Funds Held by Federal Government

	Balance March 31, 2013	Additions 2014	Withdrawals 2014	Balance March 31, 2014
Capital Revenue	\$ 17,762	\$ -	\$ -	\$ 17,762
	47,572	1,654	-	49,226
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 65,334	\$ 1,654	\$ -	\$ 66,988

The trust funds arise 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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2014

9. Deferred Revenue

	Balance March 31, 2013	Funding Received 2014	Revenue Recognized 2014	Balance March 31, 2014
Federal Government				
Capital projects	\$ 492,894	\$ 222,638	\$ 311,889	\$ 403,643
Other				
Casino Rama	1,642,726	481,808	499,821	1,624,713
Unearned fees	153,239	25,000	153,239	25,000
	\$ 2,288,859	\$ 729,446	\$ 964,949	\$ 2,053,356

Capital Projects

Aboriginal Affairs and Northern Development Canada advances the First Nation funding in relation to capital projects. This funding must be spent on capital projects within the boundaries of the First Nation.

Casino Rama

Ontario First Nations Limited Partnership advances the First Nation funding in relation to community development, health, education, economic development and cultural development. This funding must be spent on expenditures that fall into these categories.

Naicatchewenin First Nation
Notes to Consolidated Financial Statements

March 31, 2014

10. Long-term Debt

	2014	2013
CMHC mortgage with interest at 2.56%, repayable in monthly instalments of \$5,062 principal and interest, maturing November 1, 2020.	\$ 372,033	\$ 422,595
CMHC mortgage with interest at 1.64%, repayable in monthly instalments of \$3,199 principal and interest, maturing February 1, 2032.	595,822	624,218
CMHC mortgage with interest at 2.35% repayable in monthly instalments of \$3,036 principal and interest, maturing August 1, 2033.	568,108	589,692
CMHC mortgage with interest at 2.35%, repayable in monthly instalments of \$6,072 principal and interest, maturing August 1, 2033.	1,136,219	1,179,387
Royal Bank of Canada demand loan with interest 5.95%, repayable in monthly instalments of principal and interest of \$3,831, maturing June 30, 2015.	-	99,912
AANDC loan, interest free, repayable in full on March 31, 2015.	135,179	135,179
AANDC loan, interest free, repayable in full on March 31, 2019.	82,165	82,165
AANDC loan, interest free, repayable in full on March 31, 2016.	16,219	16,219
John Deere financial loan with interest at 0.00%, repayable in monthly installments of principal and interest of \$3,341, maturing April 11, 2015.	43,435	83,530
Royal Bank of Canada loan with interest at Royal Bank prime plus 2.50% (effective rate 5.50%), repayable in monthly installments of principal and interest of \$8,075, maturing November 30, 2015.	-	250,000
	<u>\$ 2,949,180</u>	<u>\$ 3,482,897</u>

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

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2014

10. Long-term Debt (continued)

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

	Principal Repayments	Interest	Total
2015	\$ 325,930	\$ 57,775	\$ 383,705
2016	173,698	54,293	227,991
2017	157,701	50,730	208,431
2018	161,349	47,082	208,431
2019	247,248	43,348	290,596
Thereafter	1,883,254	292,561	2,175,815
	<hr/> \$ 2,949,180	<hr/> \$ 545,789	<hr/> \$ 3,494,969
		2014	2013
Interest expense for the year on long-term debt		<hr/> \$ 73,660	<hr/> \$ 89,249

**Naicatchewenin First Nation
Notes to Consolidated Financial Statements**

March 31, 2014

11. Replacement Reserve

	4-Unit #14 486 666	7-Unit #19 446 624-1	Duplex #19 446 624-2	9-Unit #19 446 624-3	10-Unit #19 446 624-4	Capital Replacement	Total
Balance March 31, 2012	\$ 17,383	\$ 36,503	\$ 50,463	\$ 29,334	\$ 32,000	\$ 167,693	\$ 333,376
Expenditures for the year	-	(5,722)	(18,616)	(1,328)	(14,308)	(12,000)	(51,974)
Allocation to restricted funds	-	5,950	10,000	8,000	12,000	26,000	61,950
Adjustment to prior year allocation	-	-	-	-	12,000	-	12,000
Balance March 31, 2013	17,383	36,731	41,847	36,006	41,692	181,693	355,352
Expenditures for the year	-	(1,272)	(506)	(1,706)	(3,531)	-	(7,015)
Allocation to restricted funds	-	5,950	10,000	8,000	12,000	32,050	68,000
Balance March 31, 2014	\$ 17,383	\$ 41,409	\$ 51,341	\$ 42,300	\$ 50,161	\$ 213,743	\$ 416,337

CMHC requires that the replacement reserve be fully funded at the end of the fiscal year. The total CMHC replacement reserve is \$202,594. The amount held in a restricted bank account in relation to this reserve is \$202,594; therefore, the reserve is fully funded as of March 31, 2014.

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2014

12. Accumulated Surplus

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

	2014	2013
Investment in tangible capital assets		
Tangible capital assets	\$ 8,237,487	\$ 8,848,821
Debt relating to tangible capital assets	<u>(2,715,617)</u>	<u>(2,999,334)</u>
Total investment in tangible capital assets	<u>5,521,870</u>	<u>5,849,487</u>
Operations	3,198,616	2,902,346
Equity in trusts and enterprises	<u>(475,992)</u>	<u>(184,847)</u>
Replacement reserves	<u>416,337</u>	<u>355,352</u>
	<u>\$ 8,660,831</u>	<u>\$ 8,922,338</u>

**Naicatchewenin First Nation
Notes to Consolidated Financial Statements**

March 31, 2014

13. Tangible Capital Assets

	2014					
	Buildings and housing	Infrastructure	Vehicles	Equipment	Computers	Total
Cost, beginning of year	\$ 11,859,180	\$ 6,259,540	\$ 671,410	\$ 373,136	\$ 20,377	\$ 19,183,643
Additions	8,550	48,540	-	27,331	-	84,421
Disposals	-	-	(35,990)	-	-	(35,990)
Cost, end of year	11,867,730	6,308,080	635,420	400,467	20,377	19,232,074
Accumulated amortization, beginning of year	5,999,803	3,622,848	463,228	232,641	16,302	10,334,822
Amortization	398,301	150,025	92,225	51,129	4,075	695,755
Disposals	-	-	(35,990)	-	-	(35,990)
Accumulated amortization, end of year	6,398,104	3,772,873	519,463	283,770	20,377	10,994,587
Net carrying amount, end of year	\$ 5,469,626	\$ 2,535,207	\$ 115,957	\$ 116,697	-	\$ 8,237,487

**Naicatchewenin First Nation
Notes to Consolidated Financial Statements**

March 31, 2014

13. Tangible Capital Assets (continued)

	2013					
	Buildings and housing	Infrastructure	Vehicles	Equipment	Computers	Total
Cost, beginning of year	\$ 11,546,256	\$ 6,086,862	\$ 624,020	\$ 373,136	\$ 20,377	\$ 18,650,651
Additions	201,507	172,678	47,390	-	-	421,575
Disposals	-	-	-	-	-	-
Asset adjustment	111,417	-	-	-	-	111,417
Cost, end of year	11,859,180	6,259,540	671,410	373,136	20,377	19,183,643
Accumulated amortization, beginning of year	5,572,036	3,474,036	346,912	186,978	12,226	9,592,188
Amortization	410,974	148,812	116,316	45,663	4,076	725,841
Disposals	-	-	-	-	-	-
Asset adjustment	16,793	-	-	-	-	16,793
Accumulated amortization, end of year	5,999,803	3,622,848	463,228	232,641	16,302	10,334,822
Net carrying amount, end of year	<u>\$ 5,859,377</u>	<u>\$ 2,636,692</u>	<u>\$ 208,182</u>	<u>\$ 140,495</u>	<u>\$ 4,075</u>	<u>\$ 8,848,821</u>

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2014

14. Pension Plan

The First Nation has a defined contribution pension plan for full-time employees. The First Nation matches employee contributions at 5.5% of the employee salary. As a defined contribution pension plan, the First Nation has no further liability or obligation for future contributions to fund future benefits to plan members.

15. Economic Dependence

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

16. 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 2014 was \$232,965 (2013 - \$238,399).

17. Expenditure by Object

	2014	2013
Salaries, wages and employee benefits	\$ 1,570,926	\$ 1,428,117
Materials and supplies	2,270,802	1,843,423
Contracted services	1,225,863	1,146,942
Rents and financial expenses	256,758	580,760
Travel	216,343	130,654
Amortization	<u>695,755</u>	<u>725,841</u>
	<u>\$ 6,236,447</u>	<u>\$ 5,855,737</u>

18. 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 statements of operations and changes in accumulated surplus represent the Financial Plan adopted by Council, with adjustments as follows:

	2014
Financial Plan (budget) by-law surplus for the year	\$ 634,737
Add:	
Transfers	86,921
Less:	
Amortization	<u>(695,755)</u>
Budget surplus per consolidated statement of operations	<u>\$ 25,903</u>

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2014

19. Segmented Information

Naicatchewenin 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.

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 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.

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2014

19. Segmented Information (continued)

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.

20. Comparative Figures

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

**Naicatchewenin First Nation
2014 Segment Disclosure**

	<u>For the year ended March 31, 2014</u>		Operations and Maintenance		Education		Welfare		Minor Capital		Other		Total
	Band Support	Band Maintenance											
Revenue													
AANDC	\$ 333,094	\$ 148,355	\$ 1,557,781	\$ 122,100	\$ 222,638	\$ 262,205	\$ 2,646,173						
Canada	-	-	-	-	-	-	-	-	-	-	-	-	
Ontario	-	-	-	-	588,868	-	-	-	-	-	58,026	646,894	
Casino Rama	-	-	-	-	-	-	-	-	-	-	481,808	481,808	
Other Aboriginal organizations	124,628	-	-	-	-	-	-	-	-	-	636,505	761,133	
Interest, rentals and other	143,496	2,340	61,492	-	-	-	-	-	-	-	231,885	439,213	
Administration	173,028	-	-	-	-	-	-	-	-	-	(173,028)	-	
Transfers	353,805	30,583	-	-	-	-	-	-	-	-	(384,388)	-	
	1,128,051	181,278	1,619,273	710,968	222,638	1,902,939	5,765,147						
Deferred revenue, beginning of year	-	-	-	-	492,894	1,795,965	2,288,859						
Deferred revenue, end of year	(25,000)	-	-	-	(403,643)	(1,624,713)	(2,053,356)						
	1,103,051	181,278	1,619,273	710,968	311,889	2,074,191	6,000,650						
Expenditures													
Salaries, wages and benefits	318,193	18,995	251,210	136,913	79,739	765,876	1,570,926						
Materials, supplies and capital	171,328	146,127	163,285	543,666	232,150	1,014,246	2,270,802						
Contracted services	-	-	1,225,863	-	-	-	-	-	-	-	1,225,863		
Rents and financial expenses	84,316	22,912	-	-	-	-	-	-	-	-	149,530	256,758	
Travel	111,699	1,674	5,240	30,389	-	-	-	-	-	-	67,341	216,343	
Amortization	7,302	405,842	39,672	-	-	-	-	-	-	-	242,939	695,755	
	692,838	595,550	1,685,270	710,968	311,889	2,239,932	6,236,447						
Excess (deficiency) of revenue over expenditures	\$ 410,213	\$ (414,272)	\$ (65,997)	\$ -	\$ -	\$ -	\$ (235,797)						

**Naicatchewenin First Nation
2013 Segment Disclosure**

	For the year ended March 31, 2013								
	Band Support		Operations and Maintenance		Education	Welfare	Minor Capital	Other	Total
Revenue									
AANDC	\$ 356,648	\$ 146,448	\$ 1,429,334	\$ 127,767	\$ 225,344	\$ 368,009	\$ 2,653,550		
Canada	-	-	-	-	-	-	779,359	779,359	
Ontario	-	-	-	-	466,396	-	55,416	521,812	
Casino Rama	-	-	-	-	-	-	484,149	484,149	
Other Aboriginal organizations	4,736	-	-	-	-	-	571,854	576,590	
Interest, rentals and other	175,215	3,670	80,606	-	-	-	970,783	1,230,274	
Administration	138,687	-	-	-	-	-	(138,687)	-	
Transfers	795,005	29,692	-	-	-	-	(824,697)	-	
1,470,291	179,810	1,509,940	594,163	225,344	2,266,186	6,245,734			
Deferred revenue, beginning of year	-	26,854	412,680	-	672,308	1,802,919	2,914,761		
Deferred revenue, end of year	-	-	-	-	(492,894)	(1,795,965)	(2,288,859)		
1,470,291	206,664	1,922,620	594,163	404,758	2,273,140	6,871,636			
Expenditures									
Salaries, wages and benefits	286,439	20,097	235,993	138,498	80,008	667,082	1,428,117		
Materials, supplies and capital	181,563	183,191	91,546	432,146	324,750	630,227	1,843,423		
Contracted services	-	-	1,146,942	-	-	-	1,146,942		
Rents and financial expenses	86,758	21,582	-	-	-	-	472,420	580,760	
Travel	45,100	50	4,747	25,023	-	-	55,734	130,654	
Amortization	6,960	414,571	39,672	-	-	-	264,638	725,841	
606,820	639,491	1,518,900	595,667	404,758	2,090,101	5,855,737			
Excess (deficiency) of revenue over expenditures	\$ 863,471	\$ (432,827)	\$ 403,720	\$ (1,504)	\$ -	\$ 183,039	\$ 1,015,899		



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Review Engagement Report

To the Chief, Council and Members of Naicatchewenin First Nation

At the request of Naicatchewenin First Nation, we have reviewed the Schedule of Federal Government Funding for the Band for the year ended March 31, 2014, calculated pursuant to the requirements of the Aboriginal Affairs and Northern Development 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 Federal Government Funding.

Nothing has come to our attention that causes us to believe that this Schedule of Federal Government Funding is not, in all material respects, in accordance with the requirements of the Aboriginal Affairs and Northern Development Canada Year End Reporting Handbook.

BDO CANADA LLP

Chartered Accountants, Licensed Public Accountants

Fort Frances, Ontario
October 20, 2014

Naicatchewenin First Nation
Schedule of Federal Government Funding
(Unaudited)

For the year ended March 31, 2014

Federally Funded Programs and Services Directly Funded by the Government of Canada	Federal Funding Received	Total Expenditures	Unexpended Federal Funding, end of year
Aboriginal Affairs and Northern Development Canada			
Community Development	\$ 222,638	\$ 311,889	\$ -
Education	1,557,781	1,645,598	-
Indian Government Support	333,094	685,536	-
Social Development	122,100	710,968	-
Other	68,700	171,404	-
Operations and Maintenance	341,860	389,036	-
Sub-total for AANDC	2,646,173	3,914,431	-
Health Canada			
Children and Youth	34,334	34,334	-
Mental Health and Addictions	277,372	277,372	-
Environmental Health and Research Component	7,500	7,500	-
Health System Capacity	65,587	65,587	-
Non-issued Health Benefits	79,789	79,789	-
Communicable Disease Control	3,733	3,733	-
ADI Project Fund	8,200	8,200	-
Special Project	47,722	47,722	-
Sub-total for Health Canada	524,237	524,237	-
Canada Mortgage and Housing Corporation			
Non-profit on-reserve housing	232,965	215,669	17,296
Grand total	\$ 3,403,375	\$ 4,654,337	\$ 17,296