

Naicatchewenin First Nation
Consolidated Financial Statements
For the year ended March 31, 2016

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For the year ended March 31, 2016

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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.

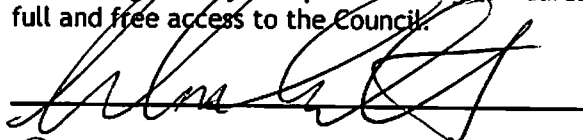
The consolidated financial statements have been prepared by management in accordance with Public Sector Accounting Principles. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has 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.

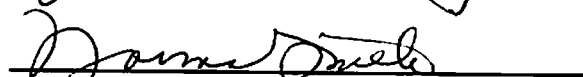
The Naicatchewenin First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

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.



Chief



Councilor



Councilor

Independent Auditor's Report

To the Members of
Naicatchewenin First Nation

We have audited the accompanying consolidated financial statements of Naicatchewenin 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 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, 2016, and their financial performance and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Other Matters

Naicatchewenin 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 Naicatchewenin 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 Naicatchewenin First Nation and was dated July 26, 2016.



Chartered Professional Accountants, Licensed Public Accountants
Fort Frances, Ontario

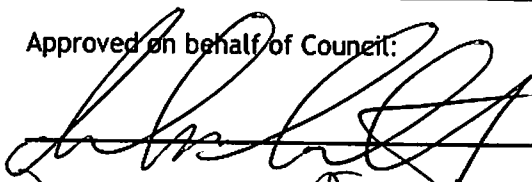
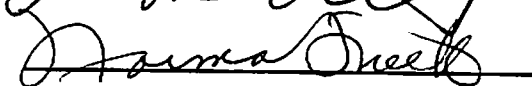
July 26, 2016

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Naicatchewenin First Nation Consolidated Statement of Financial Position

March 31	2016	2015
Financial assets		
Cash and cash equivalents (Note 2)	\$ 4,194,844	\$ 4,074,395
Accounts and loans receivable (Note 3)	538,072	780,460
Investments held in trust (Note 6)	120,776	180,597
Portfolio investments (Note 4)	3,091,372	2,681,442
Government business enterprises and partnerships (Note 5)	5,140,176	2,727,259
	<u>13,085,240</u>	<u>10,444,153</u>
Liabilities		
Accounts payable and accrued liabilities	333,780	550,514
Deferred revenue (Note 7)	2,622,488	2,368,568
Long-term debt (Note 8)	2,695,922	3,193,715
	<u>5,652,190</u>	<u>6,112,797</u>
Net assets	<u>7,433,050</u>	<u>4,331,356</u>
Non-financial assets		
Tangible capital assets (Note 11)	7,280,755	7,503,953
Prepaid expense	2,157	127,058
	<u>7,282,912</u>	<u>7,631,011</u>
Accumulated surplus (Note 10)	<u>\$ 14,715,962</u>	<u>\$ 11,962,367</u>

Approved on behalf of Council:


 _____ Councilor

 _____ Councilor

Naicatchewenin First Nation

Consolidated Statement of Operations

March 31	Budget	2016	2015
	(Note 16)		
Revenue			
Indigenous and Northern Affairs Canada	\$ 255,740	\$ 255,740	\$ 255,664
INAC - fixed contribution funding	1,116,655	1,116,655	1,109,239
INAC - set contribution funding	1,530,153	1,530,153	1,385,180
Health Canada	465,725	465,922	468,371
CMHC	227,530	245,879	242,530
Ministry of Community and Social Services	239,500	592,999	610,900
Ministry of Aboriginal Affairs	90,000	90,000	-
Ontario First Nations Limited Partnership	497,724	497,724	494,596
Weechi-It-Te-Win Family Services Inc.	511,816	511,816	511,821
Ontario Power Authority	89,980	30,234	-
Rentals and fees	212,580	204,922	212,597
Fort Frances Tribal Area Health Authority	78,928	78,928	75,515
Enterprise income	-	2,598,009	99,742
Shooniyaa Wa-Biitong	3,273	55,781	71,229
Income on trusts	-	1,461	1,897
Resource revenue	-	287,930	3,176,607
Other	478,986	820,258	615,751
	5,798,590	9,384,411	9,331,639
Deferred revenue, beginning of year	-	2,368,568	2,053,356
Deferred revenue, end of year (Note 7)	-	(2,622,488)	(2,368,568)
	5,798,590	9,130,491	9,016,427
Expenses			
Education	1,820,000	1,783,487	1,738,966
Welfare	212,300	593,465	626,043
Band support/administration	701,064	978,972	743,253
Operations and maintenance	571,031	565,409	579,741
Minor capital	395,555	226,819	234,912
Medical transportation	65,841	66,820	61,038
Summer student	14,071	14,071	23,483
Day care	63,386	63,386	63,386
Community care	410,631	420,245	427,017
New Relationship Fund	81,000	81,000	81,000
Band housing	267,037	118,645	106,826
Casino Rama	192,347	242,360	120,308
New Paths	13,000	13,000	13,200
FFATHA	136,052	137,469	131,696
Water and sewer	130,963	141,376	173,395
Flood claim and Burditt Dam	71,337	71,337	72,509
Corrections officer	9,002	9,002	11,102
CMHC rental housing	484,314	278,381	295,429
Health Canada	361,311	350,161	335,155
National Child Benefit Reinvestment	23,500	23,500	23,500
Investments	-	-	203,454
Water treatment plant	186,131	92,476	-
Aboriginal Community Energy Plan	81,780	27,774	-
Heritage Fund	-	16,460	-
	6,291,653	6,315,615	6,065,413
Annual surplus (deficit)	\$ (493,063)	\$ 2,814,876	\$ 2,951,014

The accompanying summary of significant accounting policies, notes and schedules are an integral part of these consolidated financial statements.

Naicatchewenin First Nation

Consolidated Statement of Changes in Accumulated Surplus

March 31	2016	2015
Accumulated surplus, beginning of year	\$ 11,962,367	\$ 8,998,127
Prior period funding adjustment (Note 1)	-	13,226
Adjustment for trust equity	(61,281)	-
Accumulated surplus, beginning of year, as restated	11,901,086	9,011,353
Annual surplus	2,814,876	2,951,014
Accumulated surplus, end of year	\$ 14,715,962	\$ 11,962,367

Naicatchewenin First Nation

Consolidated Statement of Changes in Net Financial Assets

March 31	2016	2015
Annual surplus	\$ 2,814,876	\$ 2,951,014
Acquisition of tangible capital assets	(465,984)	-
Disposal of tangible capital assets	46,000	45,684
Amortization of tangible capital assets	643,182	687,850
INAC clawback	-	13,226
Adjustment for trust equity	(61,281)	-
	2,976,793	3,697,774
Use of prepaid expenses	124,901	(126,389)
Change in net assets	3,101,694	3,571,385
Net assets, beginning of year	4,331,356	759,971
Net assets, end of year	\$ 7,433,050	\$ 4,331,356

Naicatchewenin First Nation Consolidated Statement of Cash Flows

March 31	2016	2015
Cash flows from operating activities		
Annual surplus	\$ 2,814,876	\$ 2,951,014
Items not affecting cash		
Loss (gain) on disposal of tangible capital assets	31,000	(96,196)
Amortization of tangible capital assets	643,182	687,850
Net income from commercial enterprises	(2,418,125)	(99,742)
	<u>1,070,933</u>	<u>3,442,926</u>
Changes in non-cash working capital		
Accounts and loans receivable	242,388	(129,515)
Trust funds	59,821	(113,609)
Prepaid expense	124,901	(126,389)
Accounts payable	(216,734)	31,606
Deferred revenue	253,920	315,212
INAC clawback	-	13,226
	<u>464,296</u>	<u>(9,469)</u>
	<u>1,535,229</u>	<u>3,433,457</u>
Cash flows from capital activities		
Proceeds from disposal of tangible capital assets	15,000	141,880
Purchase of capital assets	(465,984)	-
	<u>(450,984)</u>	<u>141,880</u>
Cash flows from investing activities		
Advances of capital to subsidiaries	5,209	(183,932)
Purchase of investments	(409,930)	(2,605,209)
	<u>(404,721)</u>	<u>(2,789,141)</u>
Cash flows from financing activities		
Advances of long-term debt	95,760	435,546
Repayment of long-term debt	(593,554)	(191,011)
Adjustment for trust equity	(61,281)	-
	<u>(559,075)</u>	<u>244,535</u>
Net change in cash and cash equivalents	120,449	1,030,731
Cash and cash equivalents, beginning of year	<u>4,074,395</u>	<u>3,043,664</u>
Cash and cash equivalents, end of year	<u>\$ 4,194,844</u>	<u>\$ 4,074,395</u>
Supplementary information		
Interest received	\$ 30,008	\$ 39,355
Interest paid	\$ 53,601	\$ 57,515

Naicatchewenin 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 as disclosed in Note 5 to these consolidated financial statements.

Other long-term investments are reflected at cost as disclosed in Note 4.

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, Nanicost Ltd., SCE, LP, Onikaaigan Construction, LP, Ozaanaman Engineering, LP, Kish Gon Dug (Canada) Inc. and Rainy Lake Tribal Resource Management Inc. These investments are accounted for using the modified equity basis of accounting.

Cash and Cash Equivalents

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

Naicatchewenin First Nation Summary of Significant Accounting Policies

March 31, 2016

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	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 reduces the carrying value of loans identified as impaired to their estimated realizable amounts.

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.

Naicatchewenin First Nation Summary of Significant Accounting Policies

March 31, 2016

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 deferred revenue and recognized as revenue when the stipulations are settled.

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.

Naicatchewenin First Nation Summary of Significant Accounting Policies

March 31, 2016

Trust Funds

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

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 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.

The estimates used in the preparation of these consolidated financial statements are the useful lives of tangible capital assets and accrued liabilities.

Naicatchewenin First Nation

Notes to Consolidated Financial Statements

March 31, 2016

1. Prior Period Funding Adjustment

In prior years, receivables and clawbacks that were anticipated to be owing to the First Nation were accrued in the consolidated financial statements. These receivables and clawbacks did not become due and therefore were brought back into surplus in 2015. The amount added to surplus in the prior year in relation to these receivables and clawbacks equals \$13,226.

2. 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:

	2016	2015
Externally restricted		
Replacement reserve	\$ 521,603	\$ 553,280
Funding agreement	2,622,487	2,368,568
Unrestricted		
Operating	1,050,754	1,152,547
Total cash and cash equivalents	\$ 4,194,844	\$ 4,074,395

3. Accounts and Loans Receivable

	2016	2015
Accounts receivable	\$ 476,599	\$ 743,180
Rental housing	132,509	112,878
Advances to band members	23,553	17,420
	632,661	873,478
Allowance for doubtful accounts	(94,589)	(93,018)
	\$ 538,072	\$ 780,460

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2016

4. Portfolio Investments

	2016	2015
Portfolio investments held at CIBC Wood Gundy	\$ 2,941,372	\$ 2,531,442
Kindcan Holdings Ltd.	150,000	150,000
	<u>\$ 3,091,372</u>	<u>\$ 2,681,442</u>

Portfolio investments are valued at cost. The fair market value of the investments held at CIBC Wood Gundy is \$2,934,283.69 (2015 - \$2,525,840).

5. Government Business Enterprises and Partnerships, 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-Zing 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 for the purpose of developing business activities for 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 to undertake a contract with the Ministry of Natural Resources of Ontario to manage the Sapawe forest.

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2016

5. Government Business Enterprises and Partnerships, at modified equity (continued)

NDC Energy, LP

NDC Energy, LP was a limited partnership that was created for the purpose of selling and distributing petroleum products. This partnership was dissolved as of March 31, 2015.

Ozaanaman Engineering, LP

Ozaanaman Engineering, LP is a limited partnership that was created for the purpose of carrying on the business of engineering and consulting.

Onikaajigan Construction, LP

Onikaajigan Construction, LP is a limited partnership that was created for the purpose of carrying on the business of construction and general contracting.

Nanicost Ltd.

Nanicost Ltd. is a Corporation that was created to operate a commercial rental building located on Couchiching First Nation.

SCE, LP

SCE, LP is a limited partnership that was created for the purpose of carrying on the business of engineering and consulting for the benefit of Naicatchewenin First Nation.

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

March 31, 2016

5. Government Business Enterprises and Partnerships, at modified equity (continued)

	Rainy Lake Tribal Development Corporation	Myguard Security Group Limited Partnership	Naicatchewenin Development Corporation	Kish Gon Dug (Canada) Inc.	Rainy Lake Tribal Resource Management Inc.	NDC Energy, LP	Ozaanaman Engineering, LP	Onikaajigan Construction, LP	Nanicost Ltd.	SCE, LP	Total
Percentage ownership	16.67%	33%	100%	100%	16.67%	49.995%	40%	44.99%	25%	99.9%	
Carrying value, March 31, 2014	\$ 452,430	\$ 57,187	\$ 1,776,250	\$ -	\$ 9,911	\$ 30,765	\$ 20	\$ -	\$ 193,255	\$ -	\$ 2,519,818
Purchase of shares	-	-	-	-	-	-	-	4,499	-	-	4,499
Share of net income (loss)	13,896	(54,478)	96,764	(1,151)	12,977	4,375	-	(23,366)	-	-	49,017
Changes in capital	-	-	183,934	1,151	-	-	-	-	-	-	185,085
Other adjustments	-	-	-	-	-	(35,140)	3,980	-	-	-	(31,160)
Carrying value, March 31, 2015	466,326	2,709	2,056,948	-	22,888	-	4,000	(18,867)	193,255	-	2,727,259
Purchase of shares	-	-	-	-	-	-	-	-	-	-	-
Share of net income (loss)	(182,940)	33,396	184,172	(1,839)	9,109	-	43,948	2,348,014	(5,235)	-	2,428,625
Changes in capital	-	-	(75,132)	1,839	-	-	-	-	(142,607)	212,530	(3,370)
Other adjustments	-	-	-	-	(24,962)	-	-	-	12,624	-	(12,338)
Carrying value, March 31, 2016	\$ 283,386	\$ 36,105	\$ 2,165,988	\$ -	\$ 7,035	\$ -	\$ 47,948	\$ 2,329,147	\$ 58,037	\$ 212,530	\$ 5,140,176

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

March 31, 2016

5. Government Business Enterprises and Partnerships, at modified equity (continued)

	Rainy Lake Tribal Development Corporation	Myguard Security Group Limited Partnership	Naicatchewenin Development Corporation	Kish Gon Dug (Canada) Inc.	Rainy Lake Tribal Resource Management Inc.	NDC Energy, LP	Ozaanaman Engineering, LP	Onikaajigan Construction, LP	Nanico Ltd.	SCE, LP	2016 Total	2015 Total
Financial position												
Current assets	\$ 1,249,790	\$ 77,293	\$ 1,229,172	\$ 2,505	\$ 386,001	\$ -	\$ 109,869	\$ 12,050,007	\$ 111,419	\$ 212,621	\$ 15,428,677	\$ 7,712,363
Long-term assets	510,937	-	986,143	2,857	-	-	10,000	532,759	441,556	-	2,484,252	2,856,960
	1,760,727	77,293	2,215,315	5,362	386,001	-	119,869	12,582,766	552,975	212,621	17,912,929	10,569,323
Current liabilities	308,260	51	58,903	1,500	343,791	-	-	5,850,395	320,827	212,530	7,096,257	4,546,621
Long-term liabilities	-	-	2,254,629	344,147	-	-	-	1,555,338	202,592	-	4,356,706	3,956,317
	308,260	51	2,313,532	345,647	343,791	-	-	7,405,733	523,419	212,530	11,452,963	8,502,938
Share capital	3,153,294	-	30	1	600	-	10,000	-	1	-	3,163,926	3,163,925
Net equity (deficit), end of year	(1,700,827)	77,242	(98,247)	(340,286)	41,610	-	109,869	5,177,033	29,555	91	3,296,040	(1,097,540)
	1,452,467	77,242	(98,217)	(340,285)	42,210	-	119,869	5,177,033	29,556	91	6,459,966	2,066,385
	\$ 1,760,727	\$ 77,293	\$ 2,215,315	\$ 5,362	\$ 386,001	\$ -	\$ 119,869	\$ 12,582,766	\$ 552,975	\$ 212,621	\$ 17,912,929	\$ 10,569,323
Results of operations											2016	2015
Revenues	\$ (244,485)	\$ 73,037	\$ 2,005,325	\$ -	\$ 1,260,331	\$ -	\$ 120,477	\$ 48,721,255	\$ 630,216	\$ -	\$ 52,566,156	\$ 9,816,943
Operating expenses	853,155	3,795	1,821,153	1,839	1,205,676	-	10,608	43,502,287	651,156	10	48,049,679	9,830,060
Net income (loss)	(1,097,640)	69,242	184,172	(1,839)	54,655	-	109,869	5,218,968	(20,940)	(10)	4,516,477	(13,117)
Net equity (deficit), beginning of year	(603,187)	8,000	(282,419)	(338,447)	(13,045)	-	-	(41,935)	50,495	101	(1,220,437)	(1,084,423)
Net equity (deficit), end of year	\$ (1,700,827)	\$ 77,242	\$ (98,247)	\$ (340,286)	\$ 41,610	\$ -	\$ 109,869	\$ 5,177,033	\$ 29,555	\$ 91	\$ 3,296,040	\$ (1,097,540)

Naicatchewenin First Nation

Notes to Consolidated Financial Statements

March 31, 2016

5. Government Business Enterprises and Partnerships, at modified equity (continued)

Naicatchewenin First Nation has entered into an agreement with the Canadian Imperial Bank of Commerce to guarantee the debts of Naicatchewenin Development Corporation. As at March 31, 2016, the amount of these debts are \$NIL.

6. Investments Held in Trust

	Balance March 31, 2015	Additions 2016	Withdrawals 2016	Balance March 31, 2016
Held by Federal Government				
Capital	\$ 17,762	\$ -	\$ -	\$ 17,762
Revenue	51,123	1,461	-	52,584
	68,885	1,461	-	70,346
Held by Rainy River District First Nations Trust	111,712	7,226	68,508	50,430
	\$ 180,597	\$ 8,687	\$ 68,508	\$ 120,776

Held by Federal Government

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.

Held by Rainy River District First Nations Trust

The trust funds arise from monies derived from a resource sharing agreement. The monies are intended to fund educational and training initiatives within the First Nation community.

Naicatchewenin First Nation

Notes to Consolidated Financial Statements

March 31, 2016

7. Deferred Revenue

	Balance March 31, 2015	Funding Received 2016	Revenue Recognized 2016	Balance March 31, 2016
Federal Government				
Capital Projects	\$ 369,567	\$ 226,197	\$ 321,296	\$ 274,468
Water Treatment Plant	-	186,131	92,476	93,655
Other				
Casino Rama	1,999,001	497,724	242,360	2,254,365
	<u>\$ 2,368,568</u>	<u>\$ 910,052</u>	<u>\$ 656,132</u>	<u>\$ 2,622,488</u>

Capital Projects

Indigenous and Northern Affairs 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.

Water Treatment Plant

Indigenous and Northern Affairs Canada advances the First Nation funding for the construction of a new water treatment plant. This funding must be spent on the construction of the new water treatment plant located in 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, 2016

8. Long-term Debt

	2016	2015
CMHC mortgage with interest at 1.30%, repayable in monthly instalments of \$4,909 principal and interest, maturing November 1, 2020.	\$ 266,583	\$ 320,168
CMHC mortgage with interest at 1.64%, repayable in monthly instalments of \$3,199 principal and interest, maturing February 1, 2032.	537,639	566,958
CMHC mortgage with interest at 2.35% repayable in monthly instalments of \$3,036 principal and interest, maturing August 1, 2033.	520,791	544,712
CMHC mortgage with interest at 2.35%, repayable in monthly instalments of \$6,072 principal and interest, maturing August 1, 2033.	1,041,586	1,089,427
INAC loan, interest free, repayable in full on March 31, 2019.	217,344	217,344
INAC loan, interest free, repayable in full on March 31, 2021.	16,219	16,219
John Deere financial loan with interest at 0.00%, repayable in monthly instalments of principal and interest of \$3,341, matured April 11, 2015.	-	3,341
Royal Bank of Canada loan with interest at Royal Bank prime plus 1.60%, repayable in monthly instalments of \$11,111 principal plus interest, matured March 13, 2016.	-	435,546
	2,600,162	3,193,715
CMHC mortgage advance for construction-in-progress. No repayments until the building is complete and has passed inspection. Total approved amount of \$168,000 with the remainder to be released upon successful inspection, expected within one year of March 31, 2016.	95,760	-
	<u>\$ 2,695,922</u>	<u>\$ 3,193,715</u>

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

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2016

8. Long-term Debt (continued)

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

	Principal Repayments	Interest	Total
2017	\$ 162,964	\$ 43,629	\$ 206,593
2018	161,988	44,605	206,593
2019	165,014	41,579	206,593
2020	385,444	38,493	423,937
2021	167,522	35,379	202,901
Thereafter	1,557,230	215,966	1,773,196
	<u>\$ 2,600,162</u>	<u>\$ 419,651</u>	<u>\$ 3,019,813</u>

	2016	2015
Interest expense for the year on long-term debt	<u>\$ 53,601</u>	<u>\$ 57,515</u>

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2016

9. 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, 2014	\$ 17,383	\$ 41,409	\$ 51,341	\$ 42,300	\$ 50,161	\$ 213,743	\$ 416,337
Expenditures for the year	-	(12,436)	(7,729)	(6,799)	(3,413)	-	(30,377)
Allocation to restricted funds	-	5,950	10,000	8,000	12,000	-	35,950
Balance March 31, 2015	17,383	34,923	53,612	43,501	58,748	213,743	421,910
Expenditures for the year	-	-	(1,500)	(9,581)	(1,837)	(88,995)	(101,913)
Allocation to restricted funds	-	5,950	10,000	8,000	12,000	24,500	60,450
Allocation from restricted funds	(17,383)	-	-	-	-	-	(17,383)
Balance March 31, 2016	\$ -	\$ 40,873	\$ 62,112	\$ 41,920	\$ 68,911	\$ 149,248	\$ 363,064

CMHC requires that the replacement reserve be fully funded at the end of the fiscal year. The total CMHC replacement reserve is \$213,816. The amount held in a restricted bank account in relation to this reserve is \$208,161; therefore, the reserve is underfunded by \$5,655 as of March 31, 2016.

Naicatchewenin First Nation

Notes to Consolidated Financial Statements

March 31, 2016

10. Accumulated Surplus

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

	2016	2015
Investment in tangible capital assets		
Tangible capital assets	\$ 7,280,755	\$ 7,503,953
Debt relating to tangible capital assets	(2,462,359)	(2,524,606)
Total investment in tangible capital assets	4,818,396	4,979,347
Operations	7,331,351	6,804,715
Equity in trusts and enterprises	2,044,611	(374,975)
Education reserve	25,000	131,370
Heritage reserve	133,540	-
Replacement reserves	363,064	421,910
	\$ 14,715,962	\$ 11,962,367

Naicatchewenin First Nation
Notes to Consolidated Financial Statements

March 31, 2016

11. Tangible Capital Assets

							2016
	Buildings and housing	Infrastructure	Vehicles	Equipment	Computers	Construction in Progress	Total
Cost, beginning of year	\$ 11,753,520	\$ 6,308,080	\$ 635,420	\$ 400,467	\$ 20,377	\$ -	\$ 19,117,864
Additions	70,000	21,136	177,646	5,622	-	191,580	465,984
Disposals	(74,640)	(46,000)	(96,581)	-	-	-	(217,221)
Cost, end of year	11,748,880	6,283,216	716,485	406,089	20,377	191,580	19,366,627
Accumulated amortization, beginning of year	6,723,311	3,922,898	616,463	330,862	20,377	-	11,613,911
Amortization	396,533	153,426	45,007	48,216	-	-	643,182
Disposals	(74,640)	-	(96,581)	-	-	-	(171,221)
Accumulated amortization, end of year	7,045,204	4,076,324	564,889	379,078	20,377	-	12,085,872
Net carrying amount, end of year	\$ 4,703,676	\$ 2,206,892	\$ 151,596	\$ 27,011	\$ -	\$ 191,580	\$ 7,280,755

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

March 31, 2016

11. Tangible Capital Assets (continued)

						2015
	Buildings and housing	Infrastructure	Vehicles	Equipment	Computers	Total
Cost, beginning of year	\$ 11,867,730	\$ 6,308,080	\$ 635,420	\$ 400,467	\$ 20,377	\$19,232,074
Additions	-	-	-	-	-	-
Disposals	(114,210)	-	-	-	-	(114,210)
Cost, end of year	11,753,520	6,308,080	635,420	400,467	20,377	19,117,864
Accumulated amortization, beginning of year	6,398,104	3,772,873	519,463	283,770	20,377	10,994,587
Amortization	393,733	150,025	97,000	47,092	-	687,850
Disposals	(68,526)	-	-	-	-	(68,526)
Accumulated amortization, end of year	6,723,311	3,922,898	616,463	330,862	20,377	11,613,911
Net carrying amount, end of year	\$ 5,030,209	\$ 2,385,182	\$ 18,957	\$ 69,605	\$ -	\$ 7,503,953

Naicatchewenin First Nation

Notes to Consolidated Financial Statements

March 31, 2016

12. Pension Plan

The First Nation has a defined contribution pension plan for full-time employees. The First Nation matches employee contributions at 3% 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.

13. Economic Dependence

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

14. 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 \$245,879 (2015 - \$242,530).

15. Expenditure by Object

	2016	2015
Salaries, wages and employee benefits	\$ 1,749,175	\$ 1,637,660
Materials and supplies	1,879,733	1,979,794
Contracted services	1,504,507	1,394,094
Rents and financial expenses	332,925	236,474
Travel	175,092	145,140
Amortization	674,183	672,251
	<u>\$ 6,315,615</u>	<u>\$ 6,065,413</u>

16. 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:

	2016
Financial Plan (budget) by-law surplus for the year	\$ 146,403
Add:	
Transfers	34,717
Less:	
Amortization	(674,183)
Budget deficit per consolidated statement of operations	<u>\$ (493,063)</u>

Naicatchewenin First Nation

Notes to Consolidated Financial Statements

March 31, 2016

17. 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, 2016

17. 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.

Naicatchewenin First Nation 2016 Segment Disclosure

For the year ended March 31, 2016	Band Support	Operations and Maintenance	Education	Welfare	Minor Capital	Other	Total
Revenue							
INAC	\$ 341,040	\$ 142,282	\$ 1,724,735	\$ 93,500	\$ 226,197	\$ 374,794	\$ 2,902,548
Canada	-	-	-	-	-	712,388	712,388
Ontario	-	-	-	541,399	-	162,353	703,752
Casino Rama	-	-	-	-	-	497,724	497,724
Other Aboriginal organizations	52,508	-	-	-	-	658,958	711,466
Interest, rentals and other	77,288	3,510	64,123	-	-	3,711,612	3,856,533
Administration	260,136	-	-	-	-	(260,136)	-
Transfers	254,766	27,272	-	-	-	(282,038)	-
	985,738	173,064	1,788,858	634,899	226,197	5,575,655	9,384,411
Deferred revenue, beginning of year	-	-	-	-	369,567	1,999,001	2,368,568
Deferred revenue, end of year	-	-	-	-	(274,468)	(2,348,020)	(2,622,488)
	985,738	173,064	1,788,858	634,899	321,296	5,226,636	9,130,491
Expenditures							
Salaries, wages and benefits	403,544	31,664	315,775	133,294	80,000	784,898	1,749,175
Materials, supplies and capital	274,178	123,192	80,041	467,220	241,296	693,806	1,879,733
Contracted services	-	-	1,393,954	-	-	110,553	1,504,507
Rents and financial expenses	195,114	25,056	-	-	-	112,755	332,925
Travel	67,834	755	9,198	27,951	-	69,354	175,092
Amortization	38,302	384,742	-	-	-	251,139	674,183
	978,972	565,409	1,798,968	628,465	321,296	2,022,505	6,315,615
Excess (deficiency) of revenue over expenditures	\$ 6,766	\$ (392,345)	\$ (10,110)	\$ 6,434	\$ -	\$ 3,204,131	\$ 2,814,876

Naicatchewenin First Nation 2015 Segment Disclosure

For the year ended March 31, 2015	Band Support	Operations and Maintenance	Education	Welfare	Minor Capital	Other	Total
Revenue							
INAC	\$ 350,390	\$ 142,282	\$ 1,696,586	\$ 104,900	\$ 225,930	\$ 229,995	\$ 2,750,083
Canada	-	-	-	-	15,000	695,901	710,901
Ontario	-	-	-	559,300	-	133,028	692,328
Casino Rama	-	-	-	-	-	494,596	494,596
Other Aboriginal organizations	67,956	-	-	-	-	648,727	716,683
Interest, rentals and other	91,924	8,344	71,227	-	-	3,795,553	3,967,048
Administration	220,361	-	-	-	-	(220,361)	-
Transfers	191,011	31,501	-	-	-	(222,512)	-
	921,642	182,127	1,767,813	664,200	240,930	5,554,927	9,331,639
Deferred revenue, beginning of year	25,000	-	-	-	403,643	1,624,713	2,053,356
Deferred revenue, end of year	-	-	-	-	(369,567)	(1,999,001)	(2,368,568)
	946,642	182,127	1,767,813	664,200	275,006	5,180,639	9,016,427
Expenditures							
Salaries, wages and benefits	334,302	30,475	250,320	148,424	80,714	793,425	1,637,660
Materials, supplies and capital	240,863	141,533	71,079	485,119	194,292	846,908	1,979,794
Contracted services	-	-	1,394,094	-	-	-	1,394,094
Rents and financial expenses	111,094	2,162	-	-	-	123,218	236,474
Travel	49,692	991	5,971	27,500	-	60,986	145,140
Amortization	7,302	404,580	39,672	(15,599)	-	236,296	672,251
	743,253	579,741	1,761,136	645,444	275,006	2,060,833	6,065,413
Excess (deficiency) of revenue over expenditures	\$ 203,389	\$ (397,614)	\$ 6,677	\$ 18,756	\$ -	\$ 3,119,806	\$ 2,951,014



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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 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 the 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 the Schedule is 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 the Schedule of Salary, Honoraria and Travel are 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
July 26, 2016

**Naicatchewenin 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, Benefits and Honoraria	Travel	Other	Total
Wayne Smith	Chief	12	\$ 93,374	\$ 27,877	\$ 4,500	\$ 125,751
Donald Smith	Council	12	\$ 15,600	\$ 2,531	\$ 1,000	\$ 19,131
Gary Smith	Council	12	\$ 15,600	\$ 5,301	\$ 1,000	\$ 21,901
Adrian Snowball	Council	12	\$ 15,600	\$ 5,459	\$ 1,000	\$ 22,059
Norma Smith	Council	12	\$ 15,600	\$ 3,389	\$ 1,000	\$ 19,989