

Naicatchewenin First Nation
Consolidated Financial Statements
For the year ended March 31, 2017

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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.

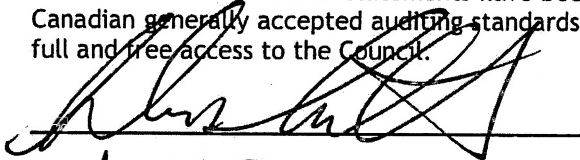
The consolidated financial statements have been prepared by management in accordance with Public Sector Accounting Principles. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has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

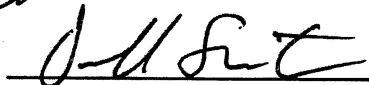
The First Nation maintains systems of internal accounting and administrative controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately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



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607 Portage Avenue
Fort Frances ON P9A 0A7 Canada

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, 2017, which are comprised of the Consolidated Statement of Financial Position as at March 31, 2017, 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, 2017, 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 28, 2017.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario

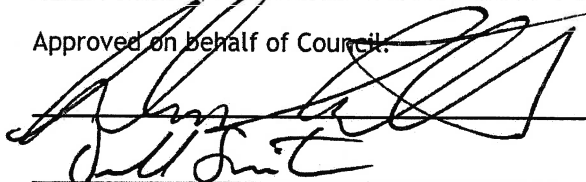
July 28, 2017

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.

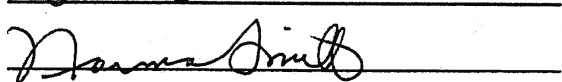
Naicatchewenin First Nation Consolidated Statement of Financial Position

March 31	2017	2016
Financial assets		
Cash and cash equivalents (Note 1)	\$ 5,168,487	\$ 4,194,844
Accounts and loans receivable (Note 2)	598,990	588,720
Investments held in trust (Note 5)	103,749	120,776
Portfolio investments (Note 3)	4,006,260	3,389,182
Government business enterprises and partnerships (Note 4)	6,170,768	4,791,718
	<u>16,048,254</u>	<u>13,085,240</u>
Liabilities		
Accounts payable and accrued liabilities	309,992	333,780
Deferred revenue (Note 6)	1,813,981	2,622,488
Long-term debt (Note 7)	2,606,412	2,695,922
	<u>4,730,385</u>	<u>5,652,190</u>
Net assets	<u>11,317,869</u>	<u>7,433,050</u>
Non-financial assets		
Tangible capital assets (Note 10)	8,265,424	7,280,755
Prepaid expense	30,745	2,157
	<u>8,296,169</u>	<u>7,282,912</u>
Accumulated surplus (Note 9)	<u>\$ 19,614,038</u>	<u>\$ 14,715,962</u>

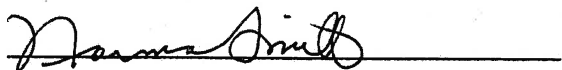
Approved on behalf of Council:



Chief



Councilor



Councilor

Naicatchewenin First Nation

Consolidated Statement of Operations

March 31	Budget	2017	2016
	(Note 16)		
Revenue			
Indigenous and Northern Affairs Canada	\$ 298,234	\$ 298,234	\$ 255,740
INAC - fixed contribution funding	1,523,507	1,539,507	1,116,655
INAC - set contribution funding	1,240,720	1,240,720	1,530,153
Health Canada	526,810	526,810	465,922
CMHC	389,466	318,494	245,879
Ministry of Community and Social Services	241,000	627,355	592,999
Ministry of Aboriginal Affairs	90,000	90,000	90,000
Ministry of Agriculture, Food and Rural Affairs	-	67,560	-
Ontario First Nations Limited Partnership	564,577	564,577	497,724
Weechi-It-Te-Win Family Services Inc.	623,001	623,001	511,816
Ontario Power Authority	32,752	32,752	30,234
Rentals and fees	208,940	209,275	204,922
Fort Frances Tribal Area Health Authority	78,927	78,927	78,928
Enterprise income	-	3,387,082	2,607,691
Shooniyaa Wa-Biitong	45,928	45,928	55,781
Trust and resource revenue	-	482,361	289,391
Other	158,522	421,894	810,576
	6,022,384	10,554,477	9,384,411
Deferred revenue, beginning of year	-	2,622,488	2,368,568
Deferred revenue, end of year (Note 6)	-	(1,813,981)	(2,622,488)
Estimated recovery of current year funds	-	(46,003)	-
	6,022,384	11,316,981	9,130,491
Expenses			
Education	1,857,388	1,808,912	1,783,487
Welfare	239,700	629,941	593,465
Band support/administration	555,159	874,601	978,972
Operations and maintenance	580,931	611,420	565,409
Minor capital	171,197	169,132	226,819
Medical transportation	66,364	65,124	66,820
Summer student	57,410	53,188	14,071
Day care	60,202	52,430	63,386
Community care	451,236	448,879	420,245
New Relationship Fund	90,000	90,000	81,000
Band housing	129,907	132,893	118,645
Casino Rama	-	178,653	242,360
New Paths	28,413	28,413	13,000
FFATHA	139,301	139,301	137,469
Water and sewer	127,104	119,755	141,376
Flood claim and Burditt Dam	106,670	151,224	71,337
Corrections officer	9,002	9,002	9,002
CMHC rental housing	451,767	289,321	278,381
Health Canada	398,018	387,229	350,161
National Child Benefit Reinvestment	23,500	23,500	23,500
Investments	-	2,700	-
Water treatment plant	-	-	92,476
Aboriginal Community Energy Plan	27,012	27,094	27,774
Heritage Fund	133,540	37,858	16,460
Family Well Being	80,917	80,552	-
Governance	35,000	7,783	-
	5,819,738	6,418,905	6,315,615
Annual surplus	\$ 202,646	\$ 4,898,076	\$ 2,814,876

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	2017	2016
Accumulated surplus, beginning of year	\$ 14,715,962	\$ 11,962,367
Adjustment for trust equity	-	(61,281)
Accumulated surplus, beginning of year, as restated	14,715,962	11,901,086
Annual surplus	4,898,076	2,814,876
Accumulated surplus, end of year	\$ 19,614,038	\$ 14,715,962

Naicatchewenin First Nation Consolidated Statement of Changes in Net Financial Assets

March 31	2017	2016
Annual surplus	\$ 4,898,076	\$ 2,814,876
Acquisition of tangible capital assets	(1,867,943)	(465,984)
Tangible capital assets added from construction in progress	191,580	-
Disposal of tangible capital assets	-	46,000
Amortization of tangible capital assets	691,694	643,182
Adjustment for trust equity	-	(61,281)
	3,913,407	2,976,793
Use of prepaid expenses	(28,588)	124,901
Change in net assets	3,884,819	3,101,694
Net assets, beginning of year	7,433,050	4,331,356
Net assets, end of year	\$ 11,317,869	\$ 7,433,050

Naicatchewenin First Nation

Consolidated Statement of Cash Flows

March 31	2017	2016
Cash flows from operating activities		
Annual surplus	\$ 4,898,076	\$ 2,814,876
Items not affecting cash		
Loss (gain) on disposal of tangible capital assets	(3,000)	31,000
Amortization of tangible capital assets	691,694	643,182
Net income from commercial enterprises	(3,205,600)	(2,418,125)
	<u>2,381,170</u>	<u>1,070,933</u>
Changes in non-cash working capital		
Accounts and loans receivable	(10,270)	242,388
Trust funds	17,027	59,821
Prepaid expense	(28,588)	124,901
Accounts payable	(23,788)	(216,734)
Deferred revenue	(808,505)	253,920
	<u>(854,124)</u>	<u>464,296</u>
	<u>1,527,046</u>	<u>1,535,229</u>
Cash flows from capital activities		
Proceeds from disposal of tangible capital assets	3,000	15,000
Purchase of capital assets	(1,676,363)	(465,984)
	<u>(1,673,363)</u>	<u>(450,984)</u>
Cash flows from investing activities		
Receipt of capital from subsidiaries	2,009,783	5,209
Purchase of investments	(800,464)	(409,930)
	<u>1,209,319</u>	<u>(404,721)</u>
Cash flows from financing activities		
Advances of long-term debt	71,784	95,760
Repayment of long-term debt	(161,143)	(593,554)
Adjustment for trust equity	-	(61,281)
	<u>(89,359)</u>	<u>(559,075)</u>
Net change in cash and cash equivalents	<u>973,643</u>	<u>120,449</u>
Cash and cash equivalents, beginning of year	<u>4,194,844</u>	<u>4,074,395</u>
Cash and cash equivalents, end of year	<u>\$ 5,168,487</u>	<u>\$ 4,194,844</u>
Supplementary information		
Interest received	\$ 90,514	\$ 30,008
Interest paid	\$ 48,280	\$ 53,601

Naicatchewenin First Nation Summary of Significant Accounting Policies

March 31, 2017

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 4 to these consolidated financial statements.

Other long-term investments are reflected at cost as disclosed in Note 3.

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 Myguard Security Group Limited Partnership, Naicatchewenin Development Corporation, SCE, LP, Onikaajigan Construction, LP, Ozaanaman Engineering, LP, and Kish Gon Dug (Canada) 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, 2017

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, 2017

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, 2017

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, 2017

1. 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:

	<u>2017</u>	<u>2016</u>
Externally restricted		
Replacement reserve	\$ 403,238	\$ 363,064
Funding agreement	1,813,981	2,622,487
Internally restricted		
Heritage and education funds	142,982	158,540
Unrestricted		
Operating	<u>2,808,286</u>	<u>1,050,753</u>
Total cash and cash equivalents	<u>\$ 5,168,487</u>	<u>\$ 4,194,844</u>

2. Accounts and Loans Receivable

	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 513,104	\$ 476,599
Rental housing	117,781	132,509
Nanicost Ltd. - note receivable	60,648	50,648
Advances to band members	<u>23,949</u>	<u>23,553</u>
	715,482	683,309
Allowance for doubtful accounts	<u>(116,492)</u>	<u>(94,589)</u>
	<u>\$ 598,990</u>	<u>\$ 588,720</u>

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2017

3. Portfolio Investments

	2017	2016
Rainy Lake Tribal Development Corporation	\$ 100,000	\$ 283,386
Rainy Lake Tribal Resource Management	7,035	7,035
Nanico Ltd.	7,389	7,389
Portfolio investments held at CIBC Wood Gundy	3,726,836	2,941,372
Emblem Corp common stock	165,000	150,000
	<u>\$ 4,006,260</u>	<u>\$ 3,389,182</u>

Portfolio investments are valued at cost. The fair market value of the investments held at CIBC Wood Gundy is \$3,804,259 (2016 - \$2,934,284). The fair market value of the common stock in Emblem Corp is \$762,302. The fair market value of all other investments approximate their costs.

4. Government Business Enterprises and Partnerships, at modified equity

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.

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2017

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

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.

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, 2017

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

	Myguard Security Group Limited Partnership	Naicatchewenin Development Corporation	Kish Gon Dug (Canada) Inc.	Ozaanaman Engineering, LP	Onikaajigan Construction, LP	SCE, LP	Total
Percentage ownership	33%	100%	100%	40%	44.99%	99.9%	
Carrying value, March 31, 2015	\$ 2,709	\$ 2,056,948	\$ -	\$ 4,000	\$ (18,867)	\$ -	\$ 2,044,790
Purchase of shares	-	-	-	-	-	-	-
Share of net income (loss)	33,396	184,172	(1,839)	43,948	2,348,014	-	2,607,691
Changes in capital	-	(75,132)	1,839	-	-	212,530	139,237
Carrying value, March 31, 2016	36,105	2,165,988	-	47,948	2,329,147	212,530	4,791,718
Purchase of shares	-	-	-	-	-	-	-
Share of net income (loss)	79,805	5,978	(1,751)	76,333	3,226,717	-	3,387,082
Changes in capital	-	202,747	1,751	-	(2,000,000)	(212,530)	(2,008,032)
Carrying value, March 31, 2017	\$ 115,910	\$ 2,374,713	\$ -	\$ 124,281	\$ 3,555,864	\$ -	\$ 6,170,768

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2017

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

	Myguard Security Group Limited Partnership	Naicatchewenin Development Corporation	Kish Gon Dug (Canada) Inc.	Ozaanaman Engineering, LP	Onikaajigan Construction, LP	SCE, LP	2017 Total	2016 Total
Financial position								
Current assets	\$ 384,726	\$ 1,660,440	\$ -	\$ 310,700	\$ 16,123,697	\$ 91	\$ 18,479,654	\$ 15,428,677
Long-term assets	-	867,042	2,290	-	630,553	-	1,499,885	2,484,252
	384,726	2,527,482	2,290	310,700	16,754,250	91	19,979,539	17,912,929
Current liabilities	180,759	212,789	1,500	-	7,478,505	-	7,873,553	7,096,257
Long-term liabilities	-	2,464,447	342,826	-	1,373,636	-	4,180,909	4,356,706
	180,759	2,677,236	344,326	-	8,852,141	-	12,054,462	11,452,963
Share capital	-	30	1	-	-	-	31	3,163,926
Net equity (deficit), end of year	203,967	(149,784)	(342,037)	310,700	7,902,109	91	7,925,046	3,296,040
	203,967	(149,754)	(342,036)	310,700	7,902,109	91	7,925,077	6,459,966
	\$ 384,726	\$ 2,527,482	\$ 2,290	\$ 310,700	\$ 16,754,250	\$ 91	\$ 19,979,539	\$ 17,912,929
Results of operations							2017	2016
Revenues	\$ 132,541	\$ 1,207,325	\$ -	\$ 225,033	\$ 65,350,854	\$ -	\$ 66,915,753	\$ 52,566,156
Operating expenses	5,816	1,201,347	1,751	34,202	58,178,778	-	59,421,894	48,049,679
Net income (loss)	126,725	5,978	(1,751)	190,831	7,172,076	-	7,493,859	4,516,477
Distributions	-	-	-	-	(4,447,000)	-	(4,447,000)	-
Dividends	-	(57,515)	-	-	-	-	(57,515)	-
Net equity (deficit), beginning of year	77,242	(98,247)	(340,286)	119,869	5,177,033	91	4,935,702	(1,220,437)
Net equity (deficit), end of year	\$ 203,967	\$ (149,784)	\$ (342,037)	\$ 310,700	\$ 7,902,109	\$ 91	\$ 7,925,046	\$ 3,296,040

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2017

4. 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, 2017, the amount of these debts are \$NIL.

5. Investments Held in Trust

	Balance March 31, 2016	Additions 2017	Withdrawals 2017	Balance March 31, 2017
Held by Federal Government				
Capital	\$ 17,762	\$ -	\$ -	\$ 17,762
Revenue	52,584	1,304	-	53,888
	70,346	1,304	-	71,650
Held by Rainy River District First Nations Trust	50,430	32,078	50,409	32,099
	\$ 120,776	\$ 33,382	\$ 50,409	\$ 103,749

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, 2017

6. Deferred Revenue

	Balance March 31, 2016	Funding Received 2017	Revenue Recognized 2017	Balance March 31, 2017
Federal Government				
Capital Projects	\$ 274,468	\$ 315,876	\$ 590,344	\$ -
Water Treatment Plant	93,655	16,000	94,598	15,057
Governance	-	35,000	14,783	20,217
Other				
Casino Rama	2,254,365	564,577	1,040,235	1,778,707
	\$ 2,622,488	\$ 931,453	\$ 1,739,960	\$ 1,813,981

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.

Governance

Indigenous and Northern Affairs Canada advances the First Nation funding for leadership and governance capacity development. This funding must be spent on developing capacity for governance within 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, 2017

7. Long-term Debt

	2017	2016
CMHC mortgage with interest at 1.30%, repayable in monthly instalments of \$4,909 principal and interest, maturing November 1, 2020.	\$ 210,801	\$ 266,583
CMHC mortgage with interest at 1.44%, repayable in monthly instalments of \$3,153 principal and interest, maturing February 1, 2032.	507,765	537,639
CMHC mortgage with interest at 2.35%, repayable in monthly instalments of \$3,036 principal and interest, maturing August 1, 2033.	496,249	520,791
CMHC mortgage with interest at 2.35%, repayable in monthly instalments of \$6,072 principal and interest, maturing August 1, 2033.	992,501	1,041,586
CMHC mortgage with interest at 1.03%, repayable in monthly instalments of \$635 principal and interest, maturing October 1, 2041.	165,533	95,760
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
	<u>\$ 2,606,412</u>	<u>\$ 2,695,922</u>

Mortgages are secured by a first charge mortgage against rental properties with carrying amounts of \$2,254,835 and Ministerial Guarantees from Indigenous and Northern Affairs Canada.

Naicatchewenin First Nation
Notes to Consolidated Financial Statements

March 31, 2017

7. Long-term Debt (continued)

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

	Principal Repayments	Interest	Total
2018	\$ 173,306	\$ 40,910	\$ 214,216
2019	172,723	41,493	214,216
2020	393,256	38,305	431,561
2021	175,489	35,086	210,575
2022	122,965	32,349	155,314
Thereafter	1,568,673	181,012	1,749,685
	<u>\$ 2,606,412</u>	<u>\$ 369,155</u>	<u>\$ 2,975,567</u>

	2017	2016
Interest expense for the year on long-term debt	<u>\$ 48,280</u>	<u>\$ 53,601</u>

Naicatchewenin First Nation
Notes to Consolidated Financial Statements

March 31, 2017

8. 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	1-Unit #19 446 624-5	Capital Replacement	Total
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
Expenditures for the year	-	(1,390)	(5,728)	(12,450)	(440)	-	(5,000)	(25,008)
Allocation to restricted funds	-	5,950	10,000	8,000	12,000	1,305	27,927	65,182
Balance March 31, 2017	\$ -	\$ 45,433	\$ 66,384	\$ 37,470	\$ 80,471	\$ 1,305	\$ 172,175	\$ 403,238

CMHC requires that the replacement reserve be fully funded at the end of the fiscal year. The total CMHC replacement reserve is \$231,063. The amount held in a restricted bank account in relation to this reserve is \$232,310; therefore, the reserve is overfunded by \$1,247 as of March 31, 2017.

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2017

9. Accumulated Surplus

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

	<u>2017</u>	<u>2016</u>
Investment in tangible capital assets		
Tangible capital assets	\$ 8,265,424	\$ 7,280,755
Debt relating to tangible capital assets	(2,372,849)	(2,462,359)
Total investment in tangible capital assets	<u>5,892,575</u>	<u>4,818,396</u>
Operations	7,923,728	7,331,351
Equity in trusts and enterprises	5,251,515	2,044,611
Education reserve	47,300	25,000
Heritage reserve	95,682	133,540
Replacement reserves	<u>403,238</u>	<u>363,064</u>
	<u>\$ 19,614,038</u>	<u>\$ 14,715,962</u>

Naicatchewenin First Nation
Notes to Consolidated Financial Statements

March 31, 2017

10. Tangible Capital Assets

	2017					
	Buildings and housing	Infrastructure	Vehicles	Equipment	Computers	Construction in progress
Cost, beginning of year	\$ 11,748,880	\$ 6,283,216	\$ 716,485	\$ 406,089	\$ 20,377	\$ 191,580
Additions	1,086,113	72,000	48,097	121,100	-	540,633
Disposals	-	-	(38,364)	-	-	(191,580)
Cost, end of year	12,834,993	6,355,216	726,218	527,189	20,377	540,633
Accumulated amortization, beginning of year	7,045,204	4,076,324	564,889	379,078	20,377	-
Amortization	439,977	154,698	54,628	42,391	-	-
Disposals	-	-	(38,364)	-	-	-
Accumulated amortization, end of year	7,485,181	4,231,022	581,153	421,469	20,377	-
Net carrying amount, end of year	\$ 5,349,812	\$ 2,124,194	\$ 145,065	\$ 105,720	\$ -	\$ 540,633
						\$ 8,265,424

Naicatchewenin First Nation
Notes to Consolidated Financial Statements

March 31, 2017

10. Tangible Capital Assets (continued)

	2016					
	Buildings and housing	Infrastructure	Vehicles	Equipment	Computers	Construction in progress
Cost, beginning of year	\$ 11,753,520	\$ 6,308,080	\$ 635,420	\$ 400,467	\$ 20,377	\$ -
Additions	70,000	21,136	177,646	5,622	-	191,580
Disposals	(74,640)	(46,000)	(96,581)	-	-	-
Cost, end of year	11,748,880	6,283,216	716,485	406,089	20,377	191,580
Accumulated amortization, beginning of year	6,723,311	3,922,898	616,463	330,862	20,377	-
Amortization	396,533	153,426	45,007	48,216	-	-
Disposals	(74,640)	-	(96,581)	-	-	-
Accumulated amortization, end of year	7,045,204	4,076,324	564,889	379,078	20,377	-
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, 2017

11. 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.

12. Comparative Figures

The prior year's figures have been restated to conform to current year's financial statement presentation and new INAC requirements.

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 2017 was \$229,844 (2016 - \$245,879).

15. Expenditure by Object

	2017	2016
Salaries, wages and employee benefits	\$ 1,945,473	\$ 1,760,629
Materials and supplies	1,989,662	1,868,279
Contracted services	1,395,887	1,504,507
Rents and financial expenses	219,766	332,925
Travel	176,423	175,092
Amortization	691,694	674,183
	<u>\$ 6,418,905</u>	<u>\$ 6,315,615</u>

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2017

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:

	<u>2017</u>
Financial Plan (budget) by-law deficit for the year	\$ (611,237)
Add:	
Transfers	1,505,577
Less:	
Amortization	<u>(691,694)</u>
Budget deficit per consolidated statement of operations	<u>\$ 202,646</u>

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

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2017

to enhance the health of members.

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2017

17. Segmented Information (continued)

Band Support

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

Capital

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

Other Services

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

For each reported segment, revenues and expenses include amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information, including transfers and have been apportioned based on a percentage of budgeted expenses.

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

**Naicatchewenin First Nation
2017 Segment Disclosure**

For the year ended March 31, 2017	Band Support	Operations and Maintenance	Education	Welfare	Minor Capital	Other	Total
Revenue							
INAC	\$ 431,734	\$ 134,729	\$ 1,810,800	\$ 80,300	\$ 387,226	\$ 233,672	\$ 3,078,461
Canada	-	-	-	-	88,650	756,654	845,304
Ontario	-	-	-	575,755	20,000	270,978	866,733
Casino Rama	-	-	-	-	-	564,577	564,577
Other Aboriginal Organizations	67,315	-	-	-	-	771,975	839,290
Interest, rentals and other	108,677	3,835	71,539	-	-	4,176,061	4,360,112
Administration	279,116	-	-	-	-	(279,116)	-
Transfers	-	65,198	-	-	(601,212)	536,014	-
	886,842	203,762	1,882,339	656,055	(105,336)	7,030,815	10,554,477
Deferred revenue, beginning of year	-	-	-	-	274,468	2,348,020	2,622,488
Deferred revenue, end of year	-	-	-	-	-	(1,813,981)	(1,813,981)
Estimated recovery of current year funds	-	-	(46,003)	-	-	-	(46,003)
	886,842	203,762	1,836,336	656,055	169,132	7,564,854	11,316,981
Expenditures							
Salaries, wages and benefits	433,510	31,472	336,835	147,364	68,372	927,920	1,945,473
Materials, supplies and capital	310,022	135,362	117,249	486,355	100,760	839,914	1,989,662
Contracted services	-	-	1,361,010	-	-	34,877	1,395,887
Rents and financial expenses	74,786	36,503	-	-	-	108,477	219,766
Travel	86,839	425	9,299	26,222	-	53,638	176,423
Amortization	7,302	407,658	-	-	-	276,734	691,694
	912,459	611,420	1,824,393	659,941	169,132	2,241,560	6,418,905
Excess (deficiency) of revenue over expenditures	\$ (25,617)	\$ (407,658)	\$ 11,943	\$ (3,886)	\$ -	\$ 5,323,294	\$ 4,898,076

**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	-	27,272	-	-	-	(27,272)	-
	730,972	173,064	1,788,858	634,899	226,197	5,830,421	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)
	730,972	173,064	1,788,858	634,899	321,296	5,481,402	9,130,491
Expenditures							
Salaries, wages and benefits	403,544	31,664	315,775	133,294	80,000	796,352	1,760,629
Materials, supplies and capital	274,178	123,192	80,041	467,220	241,296	682,352	1,868,279
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	\$ (248,000)	\$ (392,345)	\$ (10,110)	\$ 6,434	\$ -	\$ 3,458,897	\$ 2,814,876