

Naicatchewenin First Nation
Consolidated Financial Statements
For the year ended March 31, 2018

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For the year ended March 31, 2018

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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.

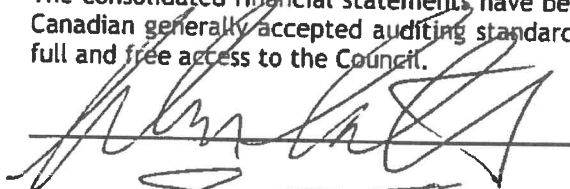
The consolidated financial statements have been prepared by management in accordance with Public Sector Accounting Principles. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has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

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.

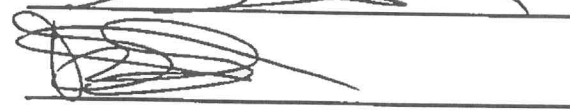
The consolidated financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. BDO Canada LLP has full and free access to the Council.



_____ Chief



_____ Councilor



_____ Councilor



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

Independent Auditor's Report

To the Members of
Naicatchewenin First Nation

We have audited the accompanying consolidated financial statements of Naicatchewenin First Nation, as at March 31, 2018, which are comprised of the Consolidated Statement of Financial Position as at March 31, 2018, 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, 2018, 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 consolidated Consolidated Financial Statements for the year ended March 31, 2018 in accordance with Canadian public sector accounting standards. However, those consolidated Consolidated Financial Statements include unaudited supplementary schedules. Our audit report on the other set of consolidated Consolidated Financial Statements was issued to Chief and Council of Naicatchewenin First Nation and was dated July 30, 2018.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario

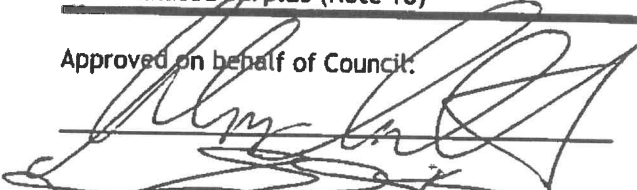
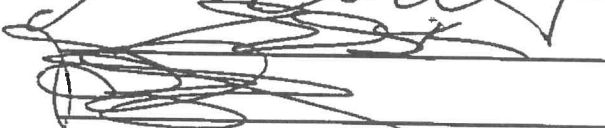

July 30, 2018

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	2018	2017
Financial assets		
Cash and cash equivalents (Note 1)	\$ 6,193,116	\$ 5,168,487
Accounts and loans receivable (Note 2)	1,183,724	598,990
Investments held in trust (Note 5)	136,506	103,749
Portfolio investments (Note 3)	7,018,625	4,122,170
Government business enterprises and partnerships (Note 4)	6,712,574	6,054,858
	<u>21,244,545</u>	<u>16,048,254</u>
Liabilities		
Accounts payable and accrued liabilities	544,549	309,992
Deferred revenue (Note 6)	2,050,344	1,813,981
Long-term debt (Note 7)	2,437,927	2,606,412
	<u>5,032,820</u>	<u>4,730,385</u>
Net assets	<u>16,211,725</u>	<u>11,317,869</u>
Non-financial assets		
Tangible capital assets (Note 11)	8,637,324	8,265,424
Prepaid expense	29,290	30,745
	<u>8,666,614</u>	<u>8,296,169</u>
Accumulated surplus (Note 10)	<u>\$ 24,878,339</u>	<u>\$ 19,614,038</u>

Approved on behalf of Council:


 _____ Chief

 _____ Councilor

 _____ Councilor

Naicatchewenin First Nation

Consolidated Statement of Operations

March 31	Budget	2018	2017
	(Note 17)		
Revenue			
Indigenous Services Canada (Note 14)	\$ 3,474,328	\$ 3,151,429	\$ 3,365,306
Health Canada	664,094	664,094	526,810
Canada Mortgage and Housing Corporation	380,381	380,381	318,494
Ministry of Community and Social Services	233,163	608,781	627,355
Ministry of Indigenous Relations and Reconciliation	308,997	224,261	204,013
Ministry of Agriculture, Food and Rural Affairs	-	10,278	67,560
Ministry of Health and Long-Term Care	55,300	55,300	-
Ministry of Education	194,084	131,528	-
Ontario First Nations Limited Partnership	575,146	925,597	1,040,235
Weechi-It-Te-Win Family Services Inc.	698,367	698,367	623,001
Ontario Power Authority	26,994	26,994	32,752
Rentals and fees	217,970	217,970	209,275
Fort Frances Tribal Area Health Services Inc.	167,452	167,452	145,701
Enterprise income	-	3,064,562	3,387,082
Shooniyaa Wa-Biitong	31,194	31,194	45,928
Trust and resource revenue	-	1,813,288	482,361
Other	219,930	468,788	241,108
	7,247,400	12,640,264	11,316,981
Expenses			
Education	1,762,956	1,824,479	1,808,912
Welfare	219,534	606,294	629,941
Band support/administration	978,857	1,078,533	874,601
Operations and maintenance	654,909	686,348	611,420
Minor capital	489,163	294,452	169,132
Medical transportation	65,817	65,817	65,124
Summer student	50,126	47,481	53,188
Day care	52,163	52,163	52,430
Community care	470,426	466,277	448,879
New Relationship Fund	90,000	90,000	90,000
Band housing	137,087	170,505	132,893
Ontario First Nations Limited Partnership	-	393,207	178,653
New Paths	26,140	26,140	28,413
Fort Frances Tribal Area Health Services Inc.	136,052	136,052	139,301
Water and sewer	146,805	137,478	119,755
Flood Claim and Burditt Dam	37,013	72,041	151,224
Corrections officer	-	9,002	9,002
CMHC rental housing	461,881	284,606	289,321
Health Canada	397,798	391,897	387,229
National Child Benefit Reinvestment	23,500	23,500	23,500
Investments	-	-	2,700
Aboriginal Community Energy Plan	24,534	26,760	27,094
Heritage Fund	95,682	36,939	37,858
Family Well Being	129,891	129,979	80,552
Governance	20,217	23,670	7,783
Community Based Prevention Services	38,000	7,085	-
Community Negotiations	83,250	43,880	-
The Journey Together	95,034	67,425	-
MHLTC Community Services	55,300	55,300	-
Jordan's Principle	177,500	128,653	-
	6,919,635	7,375,963	6,418,905
Annual surplus	\$ 327,765	\$ 5,264,301	\$ 4,898,076

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	2018	2017
Accumulated surplus, beginning of year	\$ 19,614,038	\$ 14,715,962
Annual surplus	<u>5,264,301</u>	<u>4,898,076</u>
Accumulated surplus, end of year	<u>\$ 24,878,339</u>	<u>\$ 19,614,038</u>

Naicatchewenin First Nation Consolidated Statement of Changes in Net Financial Assets

March 31	2018	2017
Annual surplus	\$ 5,264,301	\$ 4,898,076
Acquisition of tangible capital assets	(1,523,383)	(1,867,943)
Tangible capital assets added from construction in progress	378,475	191,580
Amortization of tangible capital assets	773,008	691,694
	4,892,401	3,913,407
Use (acquisition) of prepaid expenses	1,455	(28,588)
Change in net assets	4,893,856	3,884,819
Net assets, beginning of year	11,317,869	7,433,050
Net assets, end of year	\$ 16,211,725	\$ 11,317,869

Naicatchewenin First Nation Consolidated Statement of Cash Flows

March 31	2018	2017
Cash flows from operating activities		
Annual surplus	\$ 5,264,301	\$ 4,898,076
Items not affecting cash		
Gain on disposal of tangible capital assets	(16,000)	(3,000)
Amortization of tangible capital assets	773,008	691,694
Net income from commercial enterprises	(3,066,826)	(3,205,600)
	<u>2,954,483</u>	<u>2,381,170</u>
Changes in non-cash working capital		
Accounts and loans receivable	(584,734)	(10,270)
Trust funds	(32,757)	17,027
Prepaid expense	1,455	(28,588)
Accounts payable	234,557	(23,788)
Deferred revenue	236,363	(808,505)
	<u>(145,116)</u>	<u>(854,124)</u>
	<u>2,809,367</u>	<u>1,527,046</u>
Cash flows from capital activities		
Proceeds from disposal of tangible capital assets	16,000	3,000
Purchase of capital assets	(1,144,908)	(1,676,363)
	<u>(1,128,908)</u>	<u>(1,673,363)</u>
Cash flows from investing activities		
Receipt of capital from subsidiaries	2,524,687	2,009,783
Purchase of investments	(3,012,032)	(800,464)
	<u>(487,345)</u>	<u>1,209,319</u>
Cash flows from financing activities		
Advances of long-term debt	-	71,784
Repayment of long-term debt	(168,485)	(161,143)
	<u>(168,485)</u>	<u>(89,359)</u>
Net change in cash and cash equivalents	<u>1,024,629</u>	<u>973,643</u>
Cash and cash equivalents, beginning of year	<u>5,168,487</u>	<u>4,194,844</u>
Cash and cash equivalents, end of year	<u>\$ 6,193,116</u>	<u>\$ 5,168,487</u>
Supplementary information		
Interest received	\$ 231,682	\$ 259,978
Interest paid	\$ 44,928	\$ 48,280

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

Naicatchewenin First Nation Summary of Significant Accounting Policies

March 31, 2018

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 Chartered Professional Accountants of Canada Public Sector Accounting 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 NDC LP, Naicatchewenin Development Corporation, 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, 2018

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, 2018

Replacement Reserves	The replacement reserve accounts are funded by an annual allocation based on amounts specified in agreements with Canada Mortgage and Housing Corporation.
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	<p>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.</p> <p>Contributions from non-government sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.</p> <p>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.</p>
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 Indigenous Services Canada (ISC) and Rainy River District First Nations Trust. Revenue on trust funds is recognized in accordance with terms of the related instrument.

Naicatchewenin First Nation Summary of Significant Accounting Policies

March 31, 2018

Measurement Uncertainty

Estimates are used to accrue revenues and expenses in circumstances where the actual accrued revenues and expenses 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, 2018

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:

	2018	2017
Externally restricted		
Replacement reserve	\$ 233,343	\$ 232,310
Funding agreements	2,050,343	1,813,981
Internally restricted		
Capital replacement reserves	142,624	172,174
Heritage and education funds	131,043	142,982
Unrestricted		
Operating	3,635,763	2,807,040
Total cash and cash equivalents	\$ 6,193,116	\$ 5,168,487

2. Accounts and Loans Receivable

	2018	2017
Accounts receivable	\$ 1,154,633	\$ 513,104
Rental housing	114,634	117,781
Nanicost Ltd. - related party note receivable	-	60,648
Advances to Band members	29,372	23,949
	1,298,639	715,482
Allowance for doubtful accounts	(114,915)	(116,492)
	\$ 1,183,724	\$ 598,990

Nanicost Ltd. is a related party through ownership as the one common share of the Corporation is owned by the Agency One First Nations, which consist of Naicatchewenin First Nation, Nigigoonsiminikaaning First Nation, Mitaanjigamiing First Nation and Couchiching First Nation.

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2018

3. Portfolio Investments

	2018	2017
Portfolio investments held at CIBC Wood Gundy	\$ 6,753,868	\$ 3,726,836
Emblem Corp common stock	150,000	165,000
Rainy Lake Tribal Development Corporation	100,000	100,000
Rainy Lake Tribal Resource Management	7,035	7,035
Nanicost Ltd.	7,389	7,389
Myguard Security Group LP	333	115,910
	<u>\$ 7,018,625</u>	<u>\$ 4,122,170</u>

Portfolio investments are valued at cost. The fair market value of the investments held at CIBC Wood Gundy is \$6,589,440 (2017 - \$3,804,259). The fair market value of the common stock in Emblem Corp is \$475,201 (2017 - \$762,302). Naicatchewenin First Nation also owns 150,000 stock warrants for the purchase of one common share each in Emblem Corp at \$0.75, expiring on December 6, 2021. The market price of shares in Emblem Corp at March 31, 2018 is \$1.44, and the stock warrants have a cost of \$NIL. The fair market values of all other investments approximate their costs.

4. Government Business Enterprises and Partnerships, at modified equity

NDC LP

NDC LP is a limited partnership that was created for the purpose of developing business activities for Naicatchewenin First Nation. Activities include training, consulting and a significant portfolio of ventures.

Naicatchewenin Development Corporation

Naicatchewenin Development Corporation is a Corporation that was originally created for the purpose of developing business activities for Naicatchewenin First Nation. The Corporation is now owned with the purpose of being the general partner of NDC LP.

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, 2018

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. Subsequent to year-end, one of the limited partners provided notice of intent to withdraw from the partnership, which will result in the dissolution of Onikaajigan Construction, LP in accordance with its partnership agreement.

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 sold its partnership units in SCE, LP during the year ended March 31, 2018.

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2018

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

		Naicatchewenin Development Corporation	Kish Gon Dug (Canada) Inc.	Ozaanaman Engineering, LP	Onikaaajigan Construction, LP	SCE, LP	Total
Percentage ownership		100%	100%	40%	44.99%	99.9%	
Carrying value, March 31, 2016	\$	\$ 2,165,988	\$ -	\$ 47,948	\$ 2,329,147	\$ 212,530	\$ 4,755,613
Share of net income (loss)		5,978	(1,751)	76,333	3,226,717	-	3,307,277
Changes in capital		202,747	1,751	-	(2,000,000)	(212,530)	(2,008,032)
Carrying value, March 31, 2017		2,374,713	-	124,281	3,555,864	-	6,054,858
Purchase of shares	2,309,794	-	-	-	-	-	2,309,794
Share of net income (loss)	375,470	-	(1,637)	22,721	2,664,239	-	3,060,793
Changes in capital	(118,470)	(2,374,809)	1,637	(96,581)	(2,124,648)	-	(4,712,871)
Carrying value, March 31, 2018	\$	\$ (96)	\$ -	\$ 50,421	\$ 4,095,455	\$ -	\$ 6,712,574

Naicatchewenin First Nation
Notes to Consolidated Financial Statements

March 31, 2018

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

	NDC LP	Naicatchewenin Development Corporation	Kish Gon Dug (Canada) Inc.	Ozaanaman Engineering, LP	Onikaajigan Construction, LP	2018 Total	2017 Total
Financial position							
Current assets	\$ 1,572,929	\$ -	\$ -	\$ 130,264	\$ 14,497,684	\$ 16,200,877	\$ 18,479,654
Long-term assets	1,145,243	1	1,838	-	698,101	1,845,183	1,499,885
	\$ 2,718,172	\$ 1	\$ 1,838	\$ 130,264	\$ 15,195,785	\$ 18,046,060	\$ 19,979,539
Current liabilities	\$ 155,604	\$ -	\$ 1,500	\$ 4,213	\$ 5,290,724	\$ 5,452,041	\$ 7,873,553
Long-term liabilities	-	149,755	344,011	-	799,588	1,293,354	4,180,909
	155,604	149,755	345,511	4,213	6,090,312	6,745,395	12,054,462
Share capital	2,309,796	30	1	10,000	10,000	2,329,827	31
Net equity (deficit), end of year	252,772	(149,784)	(343,674)	116,051	9,095,473	8,970,838	7,925,046
	2,562,568	(149,754)	(343,673)	126,051	9,105,473	11,300,665	7,925,077
	\$ 2,718,172	\$ 1	\$ 1,838	\$ 130,264	\$ 15,195,785	\$ 18,046,060	\$ 19,979,539
Results of operations						2018	2017
Revenues	\$ 1,693,586	\$ -	\$ -	\$ 63,884	\$ 78,878,355	\$ 80,635,825	\$ 66,915,753
Operating expenses	1,318,116	-	1,637	7,082	72,939,266	74,266,101	59,421,894
Net income (loss)	375,470	-	(1,637)	56,802	5,939,089	6,369,724	7,493,859
Distributions	(122,698)	-	-	(241,453)	(4,718,483)	(5,082,634)	(4,447,000)
Dividends	-	-	-	-	-	-	(57,515)
Net equity (deficit), beginning of year	-	(149,784)	(342,037)	300,702	7,874,867	7,683,748	4,935,702
Net equity (deficit), end of year	\$ 252,772	\$ (149,784)	\$ (343,674)	\$ 116,051	\$ 9,095,473	\$ 8,970,838	\$ 7,925,046

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2018

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

Naicatchewenin First Nation has entered into an agreement with Canadian Imperial Bank of Commerce to guarantee the debts of NDC LP. As at March 31, 2018, the amount of these debts are \$NIL.

5. Investments Held in Trust

	Balance March 31, 2017	Additions 2018	Withdrawals 2018	Balance March 31, 2018
Held by Federal Government				
Capital	\$ 17,762	\$ -	\$ -	\$ 17,762
Revenue	53,888	1,521	-	55,409
	71,650	1,521	-	73,171
Held by Rainy River District First Nations Trust	32,099	31,236	-	63,335
	\$ 103,749	\$ 32,757	\$ -	\$ 136,506

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, 2018

6. Deferred Revenue

	Balance March 31, 2017	Funding Received 2018	Revenue Recognized 2018	Balance March 31, 2018
Federal Government				
Capital Projects	\$ -	\$ 275,938	\$ 63,991	\$ 211,947
Water Treatment Plant	15,057	290,553	205,969	99,641
Governance	20,217	-	20,217	-
Youth Employment	-	34,897	31,402	3,495
Community Based				
Prevention Services	-	38,000	7,085	30,915
Education	-	875,494	752,149	123,345
Other				
The Journey Together	-	194,084	126,475	67,609
Flood Claim and Burditt Dam	-	124,687	78,921	45,766
Community Negotiations	-	94,710	55,340	39,370
OFNLP	1,778,707	575,146	925,597	1,428,256
	\$ 1,813,981	\$ 2,503,509	\$ 2,267,146	\$ 2,050,344

Capital Projects

Indigenous Services 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 Services 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 Services 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.

Youth Employment

Indigenous Services Canada advances the First Nation funding for the employment of First Nation youth and summer students. This funding must be spent on salaries and benefits for eligible youth.

Community Based Prevention Services

Indigenous Services Canada advances the First Nation funding for culturally appropriate prevention and protection services for First Nation children and families. This funding must be spent on programs for prevention services on the First Nation.

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2018

6. Deferred Revenue (continued)

Education

Indigenous Services Canada advances the First Nation funding for education programs including special education, student support, instructional support, transportation, guidance and counselling. This funding must be spent on education programs for students.

The Journey Together

The Ministry of Education advances the First Nation funding to increase access to culturally relevant early years programs and services for children and families on the First Nation. This funding must be spent on related expenses allowed under the funding agreement.

Flood Claim and Burditt Dam

The Ministry of Indigenous Relations and Reconciliation advances the First Nation funding to support negotiations related to the Naicatchewenin First Nation Flooding Claim and Naicatchewenin First Nation Burditt Dam Claim. This funding must be spent on costs of negotiation allowed under the funding agreements.

Community Negotiations

The Ministry of Indigenous Relations and Reconciliation advances the First Nation funding to support negotiations related to the Agency One Reserve Unsold Surrendered Lands. Naicatchewenin First Nation has agreed and been authorized to administer these funds on behalf of the Agency One First Nations. This funding must be spent on costs of negotiation allowed under the funding agreement.

OFNLP

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, 2018

7. Long-term Debt

	2018	2017
CMHC mortgage with interest at 1.30%, repayable in monthly instalments of \$4,909 principal and interest, maturing November 1, 2020.	\$ 154,299	\$ 210,801
CMHC mortgage with interest at 1.44%, repayable in monthly instalments of \$3,153 principal and interest, maturing February 1, 2032.	477,015	507,765
CMHC mortgage with interest at 2.35%, repayable in monthly instalments of \$3,036 principal and interest, maturing August 1, 2033.	471,155	496,249
CMHC mortgage with interest at 2.35%, repayable in monthly instalments of \$6,072 principal and interest, maturing August 1, 2033.	942,312	992,501
CMHC mortgage with interest at 1.03%, repayable in monthly instalments of \$635 principal and interest, maturing October 1, 2041.	159,583	165,533
ISC loan, interest free, repayable in full on March 31, 2019.	217,344	217,344
ISC loan, interest free, repayable in full on March 31, 2021.	16,219	16,219
	\$ 2,437,927	\$ 2,606,412

Mortgages are secured by a first charge mortgage against rental properties with carrying amounts of \$2,210,760 and Ministerial Guarantees from Indigenous Services Canada.

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2018

7. Long-term Debt (continued)

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

	Principal Repayments	Interest	Total
2019	\$ 174,960	\$ 38,743	\$ 213,703
2020	391,877	39,170	431,047
2021	174,071	36,050	210,121
2022	121,385	33,415	154,800
2023	123,883	31,917	155,800
Thereafter	1,451,751	159,781	1,611,532
	<u>\$ 2,437,927</u>	<u>\$ 339,076</u>	<u>\$ 2,777,003</u>

	2018	2017
Interest expense for the year on long-term debt	<u>\$ 44,928</u>	<u>\$ 48,280</u>

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

March 31, 2018

8. Replacement Reserves

	CMHC 7-Unit #19 446 624-1	CMHC Duplex #19 446 624-2	CMHC 9-Unit #19 446 624-3	CMHC 10-Unit #19 446 624-4	CMHC 1-Unit #19 446 624-5	Capital Replacement	Total
Balance March 31, 2016	\$ 40,873	\$ 62,112	\$ 41,920	\$ 68,911	\$ -	\$ 149,248	\$ 363,064
Expenditures for the year Allocation to restricted funds	(1,390)	(5,728)	(12,450)	(440)	-	(5,000)	(25,008)
	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
Expenditures for the year Allocation to restricted funds	(7,500)	(1,405)	(1,627)	(6,429)	-	(29,550)	(46,511)
	5,950	10,000	8,000	12,000	653	-	36,603
Balance March 31, 2018	\$ 43,883	\$ 74,979	\$ 43,843	\$ 86,042	\$ 1,958	\$ 142,625	\$ 393,330

CMHC requires that the replacement reserve be fully funded at the end of the fiscal year. The total CMHC replacement reserve is \$250,705. The amount held in a restricted bank account in relation to this reserve is \$233,343; therefore, the reserve is underfunded by \$17,362 as of March 31, 2018.

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

March 31, 2018

9. Government Transfers

	2018			2017		
	Operating	Capital	Total	Operating	Capital	Total
Federal government transfers:						
Indigenous Services Canada	\$ 2,821,545	\$ 797,434	\$ 3,618,979	\$ 3,027,235	\$ 51,226	\$ 3,078,461
Health Canada	664,094	-	664,094	495,060	39,000	534,060
Canada Mortgage and Housing Corporation	233,631	146,750	380,381	229,844	108,650	338,494
	<u>\$ 3,719,270</u>	<u>\$ 944,184</u>	<u>\$ 4,663,454</u>	<u>\$ 3,752,139</u>	<u>\$ 198,876</u>	<u>\$ 3,951,015</u>
Provincial government transfers:						
Ministry of Community and Social Services	\$ 608,781	-	\$ 608,781	\$ 627,355	-	\$ 627,355
Ministry of Community Safety and Correctional Services	9,002	-	9,002	9,002	-	9,002
Ministry of Indigenous Relations and Reconciliation	309,397	-	309,397	204,013	-	204,013
Ministry of Agriculture, Food and Rural Affairs	10,278	-	10,278	67,560	-	67,560
Ministry of Health and Long-Term Care	55,300	-	55,300	-	-	-
Ministry of Education	109,137	90,000	199,137	5,053	-	5,053
Other provincial transfers	26,994	-	26,994	32,752	-	32,752
	<u>\$ 1,128,889</u>	<u>\$ 90,000</u>	<u>\$ 1,218,889</u>	<u>\$ 945,735</u>	<u>\$ -</u>	<u>\$ 945,735</u>

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2018

10. Accumulated Surplus

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

	2018	2017
Investment in tangible capital assets		
Tangible capital assets	\$ 8,637,324	\$ 8,265,424
Debt relating to tangible capital assets	(2,204,364)	(2,372,849)
Total investment in tangible capital assets	6,432,960	5,892,575
Operations	11,135,263	7,923,728
Equity in trusts and enterprises	6,785,744	5,251,515
Education reserve	72,300	47,300
Heritage reserve	58,742	95,682
Replacement reserves	393,330	403,238
	\$24,878,339	\$ 19,614,038

Naicatchewenin First Nation
Notes to Consolidated Financial Statements

March 31, 2018

11. Tangible Capital Assets

	2018					
	Buildings and housing	Infrastructure	Vehicles	Equipment	Computers	Construction in progress
Cost, beginning of year	\$ 12,834,993	\$ 6,355,216	\$ 726,218	\$ 527,189	\$ 20,377	\$ 540,633
Additions	873,710	-	329,259	65,246	-	255,168
Disposals	-	-	(232,612)	-	-	(378,475)
Cost, end of year	13,708,703	6,355,216	822,865	592,435	20,377	417,326
Accumulated amortization, beginning of year	7,485,181	4,231,022	581,153	421,469	20,377	-
Amortization	474,926	155,226	98,996	43,860	-	-
Disposals	-	-	(232,612)	-	-	(232,612)
Accumulated amortization, end of year	7,960,107	4,386,248	447,537	465,329	20,377	-
Net carrying amount, end of year	\$ 5,748,596	\$ 1,968,968	\$ 375,328	\$ 127,106	\$ -	\$ 417,326
						\$ 8,637,324

The construction in progress is not being amortized because the tangible capital assets are under construction. The construction in progress balance includes the water treatment plant and the septic fields project.

Naicatchewenin First Nation
Notes to Consolidated Financial Statements

March 31, 2018

11. Tangible Capital Assets (continued)

	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, 2018

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. Comparative Figures

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

14. Indigenous Services Canada Funding Reconciliation

	2018	2017
ISC revenue per funding confirmation	\$ 3,618,979	\$ 3,078,461
Deferred revenue, beginning of year	35,274	368,122
Deferred revenue, end of year	(469,343)	(35,274)
Estimated recovery of current year funding	(23,604)	(46,003)
Recovery of prior years' funding	(9,877)	-
ISC revenue per the consolidated financial statements	<u>\$ 3,151,429</u>	<u>\$ 3,365,306</u>

15. 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 2018 was \$233,631 (2017 - \$229,844).

16. Expenditure by Object

	2018	2017
Salaries, wages and employee benefits	\$ 2,152,400	\$ 1,945,473
Materials and supplies	2,432,693	1,989,662
Contracted services	1,459,498	1,395,887
Rents and financial expenses	333,245	219,766
Travel	225,119	176,423
Amortization	773,008	691,694
	<u>\$ 7,375,963</u>	<u>\$ 6,418,905</u>

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2018

17. 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 Chief and Council, with adjustments as follows:

	<u>2018</u>
Financial Plan (budget) surplus for the year	\$ 1,074,958
Add:	
Transfers	25,815
Less:	
Amortization	<u>(773,008)</u>
Budget surplus per consolidated statement of operations	<u>\$ 327,765</u>

18. 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:

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.

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.

Naicatchewenin First Nation Notes to Consolidated Financial Statements

March 31, 2018

18. Segmented Information (continued)

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.

Welfare

The welfare department oversees the administration of the Ontario Works program of the Ministry of Community and Social Services, which provides financial and employment assistance to community members in financial need.

Capital

The capital 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. This segment includes \$3,060,793 (2017 - \$3,307,277) of income from government business enterprises and government business partnerships accounted for under the modified equity method.

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
2018 Segment Disclosure**

For the year ended March 31, 2018	Health	Band Support	Operations and Maintenance	Education	Welfare	Capital	Other	Total
Revenue								
ISC	\$ 7,085	\$ 413,386	\$ 137,063	\$ 1,771,111	\$ 65,457	\$ 294,934	\$ 462,393	\$ 3,151,429
Canada	654,094	-	-	-	-	146,750	243,631	1,044,475
Ontario	55,300	-	-	-	561,118	-	440,724	1,057,142
Casino Rama	-	-	-	-	-	-	925,597	925,597
Other Aboriginal Organizations	868,569	35,421	-	-	-	-	5,273	909,263
Interest, rentals and other	-	108,048	6,895	42,170	-	-	5,395,245	5,552,358
Administration	(149,565)	311,922	-	(18,662)	(30,000)	-	(113,695)	-
Transfers	-	-	123,359	-	-	348,003	(471,362)	-
	1,435,483	868,777	267,317	1,794,619	596,575	789,687	6,887,806	12,640,264
Expenditures								
Salaries, wages and benefits	827,445	491,306	33,607	345,187	149,907	80,000	224,948	2,152,400
Materials, supplies and capital	380,793	318,637	174,702	73,467	424,021	214,452	846,621	2,432,693
Contracted services	35,000	-	-	1,348,188	-	-	76,310	1,459,498
Rents and financial expenses	35,669	156,443	59,008	-	-	-	82,125	333,245
Travel	79,491	76,836	-	12,537	32,366	-	23,889	225,119
Amortization	22,662	35,311	419,031	45,100	-	-	250,904	773,008
	1,381,060	1,078,533	686,348	1,824,479	606,294	294,452	1,504,797	7,375,963
Excess (deficiency) of revenue over expenditures	\$ 54,423	\$ (209,756)	\$ (419,031)	\$ (29,860)	\$ (9,719)	\$ 495,235	\$ 5,383,009	\$ 5,264,301

**Naicatchewenin First Nation
2017 Segment Disclosure**

For the year ended March 31, 2017	Health	Band Support	Operations and Maintenance	Education	Welfare	Capital	Other	Total
Revenue								
ISC	\$ -	\$ 431,734	\$ 134,729	\$ 1,764,797	\$ 80,300	\$ 661,694	\$ 292,053	\$ 3,365,307
Canada	524,060	-	-	-	-	88,650	232,594	845,304
Ontario	-	-	-	-	575,755	20,000	270,978	866,733
Casino Rama	-	-	-	-	-	-	1,040,235	1,040,235
Other Aboriginal Organizations	771,452	67,315	-	-	-	-	3,273	842,040
Interest, rentals and other	-	108,677	3,835	71,539	-	-	4,173,311	4,357,362
Administration	(121,287)	279,116	-	-	-	-	(157,829)	-
Transfers	-	-	65,198	-	-	(601,212)	536,014	-
	1,174,225	886,842	203,762	1,836,336	656,055	169,132	6,390,629	11,316,981
Expenditures								
Salaries, wages and benefits	712,998	433,510	31,472	336,835	147,364	68,372	214,922	1,945,473
Materials, supplies and capital	316,426	310,022	135,362	117,249	486,355	100,760	523,488	1,989,662
Contracted services	34,877	-	-	1,361,010	-	-	-	1,395,887
Rents and financial expenses	23,000	74,786	36,503	-	-	-	85,477	219,766
Travel	38,919	86,839	425	9,299	26,222	-	14,719	176,423
Amortization	29,740	7,302	407,658	-	-	-	246,994	691,694
	1,155,960	912,459	611,420	1,824,393	659,941	169,132	1,085,600	6,418,905
Excess (deficiency) of revenue over expenditures	\$ 18,265	\$ (25,617)	\$ (407,658)	\$ 11,943	\$ (3,886)	\$ -	\$ 5,305,029	\$ 4,898,076