



Rainy River First Nations
Consolidated Financial Statements
For the year ended March 31, 2016

**Rainy River First Nations
Consolidated Financial Statements
For the year ended March 31, 2016**

Contents

Management's Responsibility for the Consolidated Financial Statements	2
Independent Auditor's Report	3
Financial Statements	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Accumulated Surplus	7
Consolidated Statement of Changes in Net Assets (Debt)	8
Consolidated Statement of Cash Flows	9
Notes to Consolidated Financial Statements	10
2016 Segment Disclosure	30
2015 Segment Disclosure	31
Review Engagement Report	32
Schedule of Salary, Honoria and Travel for Elected Officials	33

Rainy River First Nations Management's Responsibility for the Consolidated Financial Statements

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

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 Rainy River First Nations 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



Tel: 807 274 9848
Fax: 807 274 5142
www.bdo.ca

BDO Canada LLP
375 Scott Street
Fort Frances ON P9A 1H1 Canada

Independent Auditor's Report

To the Members of Rainy River First Nations

We have audited the accompanying consolidated financial statements of Rainy River First Nations, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statement of operations, consolidated statement of changes in accumulated surplus, consolidated statement of changes in net asset (debt), and 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 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. These 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 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 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 Rainy River First Nations as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

Rainy River First Nations 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 supplementary schedules which present detailed program revenues and expenditures prepared to assist management of Rainy River First Nations 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 Rainy River First Nations and was dated July 27, 2016.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
July 27, 2016

**Rainy River First Nations
Consolidated Statement of Financial Position**

March 31	2016	2015
Financial assets		
Cash and cash equivalents (Note 2)	\$ 4,084,550	\$ 1,621,883
Accounts and loans receivable (Note 3)	639,538	464,128
Amounts due from government and other governmental organizations (Note 4)	202,061	296,355
Advances to affiliated Companies (Note 5)	799,474	805,925
Trust funds held by federal government (Note 6)	541,893	487,897
Trust funds held by Rainy River District First Nations Trust	7,305	-
Portfolio investments, at cost (Note 7)	4,591,634	2,689,852
Government business enterprises and partnerships (Note 8)	<u>14,498,571</u>	<u>20,688,909</u>
	<u>25,333,228</u>	<u>27,054,949</u>
Liabilities		
Accounts payable and accrued liabilities	565,223	668,348
Amounts due to government and other government organizations (Note 9)	44,323	103,679
Deferred revenue (Note 10)	338,239	1,002,818
Long-term debt (Note 11)	<u>14,398,189</u>	<u>17,477,755</u>
	<u>15,345,974</u>	<u>19,292,600</u>
Net financial assets (Page 8)	<u>9,987,254</u>	<u>7,702,349</u>
Non-financial assets		
Tangible capital assets (Note 14)	16,367,030	16,647,126
Prepaid expense	<u>63,206</u>	<u>23,188</u>
	<u>16,430,236</u>	<u>16,672,514</u>
Accumulated surplus (Page 7)	<u>\$ 26,417,490</u>	<u>\$ 24,474,863</u>
Contingent Liabilities (Note 20)		

Approved on behalf of Council

Councillor

Councillor

**Rainy River First Nations
Consolidated Statement of Operations**

<u>For the year ended March 31</u>	<u>2016</u>	<u>2015</u>
	<u>Budget</u>	<u>Actual</u>
Revenue		
Indigenous and Northern Affairs Canada	\$ 3,214,191	\$ 4,413,942
Health Canada	466,082	466,082
Canada Mortgage and Housing Corporation	-	150,262
Ministry of Community and Social Services	358,560	538,031
Ministry of Aboriginal Affairs	-	600,000
Ontario First Nations Limited Partnership	668,005	668,005
Weechi-it-Te-Win Family Services Inc.	468,288	468,288
Resource revenue	-	717,004
Miscellaneous programs	190,486	285,165
Rentals and fees	-	288,518
Fort Frances Tribal Area Health Authority	130,176	130,176
Gain (loss) on investments	-	9,782
Rainy River First Nations Trust	1,189,311	1,119,068
Income from investments in government business enterprises and partnerships	-	2,204,049
Shooñyaa Wa-Bilong	71,191	71,191
Income on trusts	-	61,503
Interest	20,000	20,553
	6,776,297	12,205,419
Deferred revenue, beginning of year	879,100	1,002,818
Deferred revenue, end of year (Note 10)	-	(338,239)
	7,655,397	12,869,998
	17,140,484	17,262,607
Expenditures		
Education	1,770,805	2,093,627
Community development	1,900,905	1,953,575
Band support/administration	861,263	1,427,509
Operations and maintenance	168,088	502,962
Housing	-	421,443
Social services	470,994	517,507
Economic development	47,263	2,009,612
Trust implementation	198,000	116,185
Cultural	1,347,772	493,489
Summer students	117,860	119,503
Water treatment	83,462	70,537
Flood claim	-	838,442
Medical transportation	73,391	67,612
Waste water	59,395	68,142
Daycare	53,973	45,938
Capital	485,665	324,807
	7,638,836	10,990,990
	9,825,670	
Excess of revenue over expenditures before other items	\$ 16,561	\$ 1,879,008
	\$ 7,436,937	

The accompanying notes are an integral part of these consolidated financial statements.

**Rainy River First Nations
Consolidated Statement of Operations
(Continued)**

<u>For the year ended March 31</u>	<u>2016</u>	<u>2015</u>
	<u>Budget</u>	<u>Actual</u>
Excess of revenue over expenditures before other items, carried forward	\$ 16,561	\$ 1,579,008
	\$ 7,436,937	
Other items		
Management fees from affiliated companies	125,000	392,040
Adjustment to prior years' funding	-	(4,367)
Adjustment to current year funding	-	(9,253)
Cultural development - Manitou Mounds	-	5,930
	<u>(314,801)</u>	<u>(307,171)</u>
	<u>125,000</u>	<u>63,619</u>
	<u>(41,537)</u>	
Annual surplus	\$ 141,561	\$ 1,942,627
	\$ 7,395,400	

**Rainy River First Nations
Consolidated Statement of Changes in Accumulated Surplus**

<u>March 31</u>	<u>2016</u>	<u>2015</u>
Accumulated surplus, beginning of year	<u>\$ 24,474,863</u>	<u>\$ 17,079,463</u>
Annual surplus	<u>1,942,827</u>	<u>7,395,400</u>
Accumulated surplus, end of year	<u><u>\$ 26,417,490</u></u>	<u><u>\$ 24,474,863</u></u>

Rainy River First Nations
Consolidated Statement of Changes in Net Assets (Debt)

<u>For the year ended March 31</u>	<u>2016</u>	<u>2015</u>
Annual surplus (Page 6)	\$ 1,942,627	\$ 7,395,400
Acquisition of tangible capital assets	(432,553)	(237,639)
Amortization of tangible capital assets	<u>712,849</u>	<u>655,971</u>
	2,222,923	7,813,732
Use (acquisition) of prepaid expenses	(38,018)	5,472
Net change in net financial assets	2,184,905	7,819,204
Net financial assets (debt), beginning of year	<u>7,802,349</u>	<u>(16,855)</u>
Net financial assets, end of year	<u>\$ 9,987,254</u>	<u>\$ 7,802,349</u>

**Rainy River First Nations
Consolidated Statement of Cash Flows**

<u>For the year ended March 31</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Annual surplus	\$ 1,942,627	\$ 7,395,400
Adjustments for		
Amortization of tangible capital assets	712,849	655,971
Net income from government business enterprises	<u>(2,204,049)</u>	<u>(499,250)</u>
	451,427	7,552,121
 Changes in non-cash working capital		
Accounts receivable	(175,410)	482,867
Amounts due from government	94,294	(14,218)
Prepaid expense	(38,018)	5,472
Trust funds	(61,503)	(55,831)
Accounts payable	(103,123)	(336,879)
Amounts due to government	(59,356)	-
Deferred revenue	<u>(664,579)</u>	<u>(122,124)</u>
	(1,007,697)	(40,713)
	<u>(596,270)</u>	<u>7,511,408</u>
 Cash flows from capital activities		
Purchase of tangible capital assets	<u>(432,553)</u>	<u>(237,639)</u>
 Cash flows from investing activities		
Advances to affiliated companies	6,451	(101,278)
Distributions from (purchase of equity in) affiliated companies	8,434,387	(19,147,671)
Purchase of Portfolio investments	<u>(1,909,782)</u>	<u>(2,473,566)</u>
	6,531,056	(21,724,515)
 Cash flows from financing activities		
Repayment of long-term debt	(15,286,566)	(180,850)
Long-term debt advances	<u>12,207,000</u>	<u>15,098,577</u>
	(3,079,566)	14,917,727
 Net increase in cash and cash equivalents	2,462,667	466,981
 Cash and cash equivalents, beginning of year	1,621,883	1,154,902
 Cash and cash equivalents, end of year	<u>\$ 4,084,530</u>	<u>\$ 1,621,883</u>

Rainy River First Nations Notes to Consolidated Financial Statements

March 31, 2016

1. Summary of Significant Accounting Policies

Basis of Accounting

These consolidated financial statements have been prepared in accordance with 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 Nations; and
- 2) owned or controlled by the First Nations.

This includes all aspects of band operations including the provision of social, educational, administration and operational services, as well as, the proportionate consolidation of other government organizations which include:

Wildland Enterprises Ltd.

Other long-term investments are reflected at cost as disclosed in Note 7.

Government business enterprises are separate legal entities which do not rely on the government for funding. The First Nations' government business enterprises consist of investments in:

Rainy Lake Tribal Resource Management Inc.
Senic River Mall Inc.
Rainy Lake Tribal Development Corporation
Long Sault Lumber Co. Ltd.
Manitou Mounds Inc.
Rainy River First Nations Power Corporation
Rainy River First Nations Development Corporation
Rainy River First Nations Solar General Partnership Inc.

These investments are accounted for using the modified equity basis of accounting as disclosed in Note 8 to these consolidated financial statements.

Rainy River First Nations Notes to Consolidated Financial Statements

March 31, 2016

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)	Government business partnerships are contractual arrangements between the government reporting entity and a party or parties outside of the government reporting entity. Government business partnerships are separate legal entities which do not rely on the government for funding. The First Nations' government business partnerships consist of partnership units held in:										
	Ozaanaman Engineering, LP Onikaajigan Construction, LP Rainy River First Nations Solar Limited Partnership										
	These investments are accounted for using the modified equity basis of accounting.										
	These consolidated financial statements do not include a related charitable foundation, the resources of which cannot be accessed by the First Nations (Note 15).										
Cash and Cash Equivalents	Management considers all highly liquid investments with maturities of three months or less at acquisition to be cash equivalents.										
Tangible Capital Assets	Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Certain tangible capital assets for which historical cost information is not available have been recorded at current fair market values discounted by a relevant inflation factor. The First Nations 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 Nations, forests, water, and other natural resources are not recognized as tangible capital assets.										
Amortization	Amortization is calculated on the cost, net of contribution, on a straight-line basis over the following number of years:										
	<table><tbody><tr><td>Buildings</td><td>25 years</td></tr><tr><td>Equipment and vehicles</td><td>5 years</td></tr><tr><td>Computers</td><td>3 years</td></tr><tr><td>Manitou Mounds Project</td><td>25 years</td></tr><tr><td>Infrastructure</td><td>30 to 40 years</td></tr></tbody></table>	Buildings	25 years	Equipment and vehicles	5 years	Computers	3 years	Manitou Mounds Project	25 years	Infrastructure	30 to 40 years
Buildings	25 years										
Equipment and vehicles	5 years										
Computers	3 years										
Manitou Mounds Project	25 years										
Infrastructure	30 to 40 years										

Rainy River First Nations
Notes to Consolidated Financial Statements

March 31, 2016

1. Summary of Significant Accounting Policies (continued)

Program Surpluses

Programs funded by government agencies may be subject to recovery by the contributing agencies in accordance with funding arrangements.

Investments

The modified equity method of accounting is used to account for investments in the First Nations' business enterprises which the First Nations 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 Nations' 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.

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 when the transfer is authorized and any eligibility criteria are met, except to the extent that the 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 stipulation 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 is performed is deferred and recognized when the fee is earned or service performed.

Rentals and other fees are recognized in the month that the related unit is rented or the fee for service is provided.

Interest income is recognized in accordance with terms of the related instrument.

Rainy River First Nations
Notes to Consolidated Financial Statements

March 31, 2016

1. Summary of Significant Accounting Policies (continued)

Financial Instruments	The First Nations' financial instruments consist of cash and cash equivalents, amounts due from (to) government and other governmental organizations, 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 Nations is not exposed to significant interest, currency or credit risks arising from these consolidated financial instruments. The fair value of these financial instruments approximates their carrying value unless otherwise noted.
Replacement Reserves	The replacement reserve accounts are funded by an annual transfer from earnings based on amounts specified in agreements with CMHC.
Trust Funds	Trust funds are held in trust by INAC. Revenue on trust funds is recognized in accordance with terms of the related instrument.
Measurement Uncertainty	Estimates are used to accrue revenues and expenditures 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.

Rainy River First Nations
Notes to Consolidated Financial Statements

March 31, 2016

2. Cash and Cash Equivalents

Under the terms of the agreements with CMHC, the replacement reserve account is to be credited in the amount of \$32,400 annually. These funds along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation (CDIC) or as may otherwise be approved by CDIC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are charged to interest first and then principal. Cash and cash equivalents is comprised of the following:

	2016	2015
Externally restricted		
CMHC replacement reserve - term deposits	\$ 357,873	\$ 272,191
Unrestricted	<u>3,726,677</u>	<u>1,349,692</u>
	<u>\$ 4,084,550</u>	<u>\$ 1,621,883</u>

The First Nations has an approved unsecured operating line of credit with the Canadian Imperial Bank of Commerce (CIBC) in the amount of \$200,000, with interest at the CIBC prime rate (2.7% as at March 31, 2016) minus 1%. The line of credit was unutilized as at March 31, 2016.

3. Accounts and Loans Receivable

	2016	2015
Loans receivable		
Housing loans	\$ 21,998	\$ 32,962
Accounts receivable	<u>29,961</u>	<u>29,961</u>
Rents receivable	<u>639,538</u>	<u>464,129</u>
	<u>393,279</u>	<u>346,546</u>
	<u>1,084,776</u>	<u>\$73,630</u>
Allowance for doubtful accounts	<u>445,238</u>	<u>409,502</u>
	<u>\$ 639,538</u>	<u>\$ 464,128</u>

Rainy River First Nations
Notes to Consolidated Financial Statements

March 31, 2016

4. Amounts Due from Government and Other Governmental Organizations

	2016	2015
Federal Government		
Indigenous and Northern Affairs Canada	\$ 24,590	\$ 227,796
Health Canada	-	14,230
Canada Mortgage and Housing Corporation	-	20,375
Provincial Government		
Ministry of Community and Social Services	167,899	33,954
Ministry of Northern Development and Mines	1,705	-
Ministry of Aboriginal Affairs	2,500	-
Ministry of Education	5,367	-
	<u>\$ 202,061</u>	<u>\$ 296,355</u>

5. Advances to Affiliated Companies

	Payment Terms	Interest Rate	2016	2015
Manitou Mounds Inc.	unspecified	unspecified	\$ 9,163	\$ 9,866
Manitou Mounds Foundation	unspecified	unspecified	(117,973)	(119,498)
Manitou Forest Products Limited	unspecified	unspecified	405,652	405,652
Rainy Lake Tribal Development Corp.	unspecified	unspecified	35,714	35,714
Senic River Mall Inc.	unspecified	unspecified	92,742	92,742
Solar General Partnership, Inc.	unspecified	unspecified	(51)	204
Long Sault Lumber Co. Ltd.	unspecified	unspecified	671,371	630,025
Ozaanaman Engineering, LP	unspecified	unspecified	-	(4,000)
Rainy River First Nations Power Corporation	unspecified	unspecified	(100)	(100)
Rainy River First Nations Development Corporation	unspecified	unspecified	<u>108,608</u>	<u>140,972</u>
			<u>1,205,126</u>	<u>1,211,577</u>
Allowance for doubtful advances			<u>405,652</u>	<u>405,652</u>
			<u>\$ 799,474</u>	<u>\$ 805,925</u>

Rainy River First Nations
Notes to Consolidated Financial Statements

March 31, 2016

6. Trust Funds Held by Federal Government

	March 31, 2015	Additions 2016	Withdrawals 2016	March 31, 2016
Revenue Capital	\$ 429,637	\$ 53,998	\$ -	\$ 483,635
	<u>58,260</u>	<u>-</u>	<u>58,260</u>	
	<u>\$ 487,897</u>	<u>\$ 53,998</u>	<u>\$ -</u>	<u>\$ 541,895</u>

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.

7. Portfolio Investments, at cost

	2016	2015
Cash and cash equivalents	\$ 74,395	\$ 32,015
Canadian equity investments		
New Gold Inc. (quoted market value at March 31, 2016, of \$1,331,703)	1,289,301	1,289,301
Other Canadian equity investments (quoted market value at March 31, 2016, of \$1,080,261)	1,118,124	410,813
American equity investments (quoted market value at March 31, 2016, of \$558,002)	529,686	298,988
Foreign equity investments (quoted market value at March 31, 2016, of \$623,756)	662,118	238,735
Bond funds (market value at March 31, 2016, of \$929,484)	926,010	420,000
	<u>\$ 4,599,634</u>	<u>\$ 2,689,832</u>

Rainy River First Nations Notes to Consolidated Financial Statements

March 31, 2016

B. Government Business Enterprises and Partnerships, at modified equity

Rainy Lake Tribal Resource Management Inc.

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

Senic River Mall Inc.

Senic River Mall Inc. is a Corporation that was created for the purpose of carrying on the business of real estate rental.

Rainy Lake Tribal Development Corporation

Rainy Lake Tribal Development Corporation is a Corporation that was created for the purpose of pursuing economic development opportunities to generate wealth for the seven First Nation members belonging to Pwi-Di-Goo-Zing Ne-Yaa-Zhing.

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.

Long Sault Lumber Company Ltd.

Long Sault Lumber Company Ltd. is a Corporation that was created for the purpose of investing in businesses in the lumber industry.

Rainy River First Nations Power Corporation

Rainy River First Nations Power Corporation is a Corporation that was created for the purpose of holding partnership units in Rainy River First Nations Solar Limited Partnership in trust for Rainy River First Nations.

Rainy River First Nations Solar Limited Partnership

Rainy River First Nations Solar Limited Partnership is a limited partnership that was created for the purpose of the construction and operation of three ground mounted photovoltaic systems designed to supply usable power for the Ontario Power Authority.

Rainy River First Nations Development Corporation

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

Manitou Mounds Inc.

Manitou Mounds Inc. is a Corporation that was created for the purpose of operating a cultural and historical centre.

Rainy River First Nations
Notes to Consolidated Financial Statements

March 31, 2016

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

	Rainy Lake Tribal Resource Management Inc.	Seine River Mud Inc.	Rainy Lake Tribal Development Corporation	Dezanner Engineering, LP	Ondekwigen Construction, LP	Long Sault Lumber Co. Ltd.	Rainy River First Nations Power Corporation	Rainy River First Nations Solar Limited Partnership	Rainy River First Nations Solar General Partnership Inc.	Rainy River First Nations Development Corporation	Manitou Mounds Inc.	Total
Percentage ownership	16.67%	33.33%	16.67%	40%	44.99%	100%	100%	50.99%	81%	100%	non-share	
Carrying value, March 31, 2014	\$ 9,911	\$ (53,313)	\$ 416,715	\$ 4,000	\$ 4,499	\$ 68,475	\$ 100	\$ 19,139,376	\$ 51	\$ 100	\$ -	\$ 1,041,928
Purchases of shares/units												19,147,926
Dividends/distributions												(255)
Share of net income (loss)	(11,985)	15,143	23,700		(23,385)	41,384		552,999	112	(19,225)		499,250
Carrying value, March 31, 2013	(2,074)	(37,970)	440,503	4,000	(18,864)	710,059	100	19,632,379	(92)	(19,126)		20,688,905
Dividends/distributions								(8,434,387)				(8,434,387)
Share of net income (loss)	9,109	(3,183)	(196,232)	43,948	2,345,013	35,073		(73,940)	(281)	5,164		2,204,049
Carrying value, March 31, 2012	\$ 7,025	\$ (24,787)	\$ 244,271	\$ 47,948	\$ 2,329,147	\$ 765,132	\$ 100	\$ 11,184,048	\$ (361)	\$ (93,962)	\$ -	\$ 14,458,571
Balance comprised of: Shares/Partners												
Contributions	\$ 100	\$ 10	\$ 523,549	\$ 4,000	\$ 4,499	\$ 10	\$ 100	\$ 10,704,989	\$ 51	\$ 100	\$ -	\$ 11,239,408
Share of cumulative net earnings (1)	6,935	(24,797)	(281,276)	43,948	2,324,648	959,478		479,019	(412)	(94,082)		3,413,517
Loss, net of management fees pre - 1994 (1)						(194,354)						(194,354)
	\$ 7,025	\$ (24,787)	\$ 244,271	\$ 47,948	\$ 2,329,147	\$ 765,132	\$ 100	\$ 11,184,048	\$ (361)	\$ (93,962)	\$ -	\$ 14,458,571

(1) Figures are cumulative from the commencement of accounting for these investments under the equity method April 1, 1994. Loss, net of management fees for the period prior to April 1, 1994 is shown separately.

Rainy River First Nations has provided operating grants to Manitou Mounds Inc. of \$4,582,162 since inception of the facility, including \$314,801 in the current year.

During the year, the First Nations received management fees from related parties of \$392,040 (\$268,804 in 2015) comprised of \$342,040 from Manitou Forest Products Limited (\$218,804 in 2015) and \$50,000 from Manitou Mounds Inc. (\$50,000 in 2015).

Rainy River First Nations
Notes to Consolidated Financial Statements

March 31, 2016

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

	Rainy Lake Tribal Resource Management Inc.	Sainte River Hall Inc.	Rainy Lake Tribal Development Corporation	Onkewigagan Engineering, LP	Onkewigagan Construction, LP	Long Sault Lumber Co. Ltd.	Rainy River First Nations Power Corporation	Rainy River First Nations Solar Limited Partnership	Rainy River First Nations Solar General Partnership Inc.	RRFN Economic Development Corporation	Manitou Mounds Inc.
Financial position											
Current assets	\$ 386,001	\$ 6,892	\$ 1,762,958	\$ 119,869	\$ 12,080,007	\$ 215,565	\$ 100	\$ 11,726,855	\$ 99	\$ 6,851	\$ 13,487
Long-term assets		224,982	310,937	932,759	461,050			136,193,806	(103)	8,384	
	386,001	228,874	1,773,893	119,869	12,582,766	676,616	100	147,920,661	(706)	15,236	13,487
Current liabilities											
Long-term liabilities	343,791	18,005	308,260	-	5,050,395	1,000	-	7,627,884	3	545	4,324
		278,329			1,595,338	671,371		118,936,534	-	104,653	9,163
	343,791	303,234	308,260	-	7,405,733	672,371	-	126,564,418	3	109,196	13,487
Share capital											
Net equity (deficit), end of year	400	30	3,153,294	-	-	10	100	-	100	-	-
	41,610	(74,390)	(1,587,699)	119,869	5,177,033	4,235	-	21,356,243	(809)	(94,062)	-
	42,210	(74,360)	1,465,635	119,869	5,177,033	4,245	100	21,356,243	(709)	(94,062)	-
	\$ 386,001	\$ 228,874	\$ 1,773,893	\$ 119,869	\$ 12,582,766	\$ 676,616	\$ 100	\$ 147,920,661	\$ (706)	\$ 18,136	\$ 13,487
Results of operations											
Revenues	\$ 1,260,311	\$ 142,685	\$ (244,405)	\$ 120,477	\$ 48,721,255	\$ 6,200	\$	\$ 19,753,098	\$ (134)	\$ 219,609	\$ 374,397
Operating expenses	1,205,676	103,135	631,987	10,408	43,502,287	36,467		19,898,095	500	214,445	374,397
Net income (loss)	54,635	39,550	(1,084,472)	109,869	5,218,968	(30,267)	-	(144,997)	(134)	5,164	-
Net equity (deficit), beginning of year	(13,049)	(113,940)	(603,187)	10,000	(41,935)	34,502	-	38,612,032	25	(99,226)	-
Dividends/distributions								(17,110,792)	-	-	-
Net equity (deficit), end of year	\$ 41,610	\$ (74,390)	\$ (1,687,639)	\$ 119,869	\$ 5,177,033	\$ 4,235	\$	\$ 21,356,243	\$ (809)	\$ (94,062)	\$ -

Rainy River First Nations
Notes to Consolidated Financial Statements

March 31, 2016

9. Due to Government and Other Governmental Organizations

	2016	2015
Federal government - INAC	\$ -	\$ 40,000
Federal government - HST	44,323	63,679
	<u>\$ 44,323</u>	<u>\$ 103,679</u>

10. Deferred Revenue

Federal Government	Funding received		Revenue Recognized		2016
	2015	2016	2016	2016	
INAC					
Capital	\$ 155,979	\$ 329,686	\$ 485,665	\$ -	
Provincial Government					
Ministry of Community and Social Services					
Welfare	122,717	492,086	434,030	181,773	
Other					
OFNL	679,767	668,005	1,329,419	18,353	
Rainy River First Nations Trust					
Land Claims	27,536	195,214	159,961	62,789	
Trust Projects	15,819	919,854	860,349	75,324	
	<u>\$ 1,002,618</u>	<u>\$ 2,604,843</u>	<u>\$ 3,269,424</u>	<u>\$ 338,239</u>	

Revenue is deferred when the First Nations has not met the stipulations that the funding is to be expended on programs as outlined in the funding agreement.

**Rainy River First Nations
Notes to Consolidated Financial Statements**

March 31, 2016

11. Long-term Debt

	2016	2015
CMHC mortgage (new 10 unit), repayable in monthly installments of \$4,612 including interest at 1.67%, maturing March 1, 2027	\$ 533,910	\$ 604,561
CMHC mortgage payable - 20051488003, repayable in monthly installments of \$4,409.62 including interest at 1.67%, maturing June 1, 2033	792,988	832,318
CMHC mortgage payable - 20051488002, repayable in monthly installments of \$3,215 including interest at 1.65%, maturing June 1, 2032	549,832	579,088
CMHC mortgage payable - 10618932004, repayable in monthly installments of \$4,353 including interest at 1.80%, maturing April 1, 2022	380,811	347,181
CIBC demand loan, repayable in monthly installments of \$1,392 plus interest at prime minus 1% (1.70% effective rate) maturing September 1, 2025	158,648	-
CIBC demand loan, repayable in monthly installments of \$666.67 plus interest at prime minus 1% (1.70% effective rate) maturing March 1, 2021	40,000	-
CIBC demand loan (Mantou Mounds), repayable in monthly installments of \$1,905 plus interest at prime minus 1.00%, (1.70% effective rate) matured January 1, 2016	19,030	-
Solar Project Loan - Due to Rainy River Bridge Loan Limited Partnership, interest accrued quarterly at the rate of 13.50% per annum, repayable upon the receipt of other debt or equity financing, or of cash distributions in respect of LP Units owned in Rainy River First Nations Solar Limited Partnership, or at the option of the First Nations, secured by a claim on the cash distributions allocated to all LP Units held, a general security agreement excluding the LP Units and shares in Rainy River First Nations Solar General Partner Inc., and a limited recourse guarantee of James D. Leonard II	-	15,098,577
	\$ 2,398,189	\$ 17,477,755

**Rainy River First Nations
Notes to Consolidated Financial Statements**

March 31, 2016

11. Long-term Debt (continued)

	2016	2015
Carried forward	\$ 2,398,189	\$ 17,477,755
Solar Project Loan - Due to Toronto-Dominion Bank, Interest only payments paid monthly for the first 15 months at the rate of 3.24% per annum followed by fixed payments of principal (as determined by repayment schedule) plus interest, paid semi-annually beginning on August 15, 2016, maturing February 15, 2030.	12,000,000	-
	\$ 14,398,189	\$ 17,477,755

The above noted mortgages are secured by a first charge mortgage against the respective
rental property and Ministerial Guarantees from Indigenous and Northern Affairs Canada.
The other loans are secured by a specific lien against the assets purchased with the
proceeds.

Payments of principal required over the next five years and thereafter are as follows:

	Principal Repayments	Interest	Total
2017	\$ 741,600	\$ 277,823	\$ 1,019,423
2018	877,448	406,474	1,283,922
2019	847,441	348,590	1,196,031
2020	978,950	385,031	1,333,981
2021	936,363	327,155	1,263,518
Thereafter	10,016,387	1,486,456	11,502,843
	\$ 14,398,189	\$ 3,201,529	\$ 17,599,718

	2016	2015
Interest expense for the year on long-term debt	\$ 443,902	\$ 479,729

Rainy River First Nations
Notes to Consolidated Financial Statements

March 31, 2016

12. Government Transfers

	2016			2015		
	Operating	Capital	Total	Operating	Capital	Total
Federal government transfers:						
Indigenous and Northern Affairs Canada	\$ 4,413,342	\$ 155,979	\$ 4,569,921	\$ 3,293,940	\$ -	\$ 3,293,940
Health Canada	466,082	-	466,082	467,586	-	467,586
Canada Mortgage and Housing Corporation	130,262	-	130,262	191,012	-	191,012
\$ 5,009,286	\$ -	\$ 5,186,288	\$ 3,952,458	\$ -	\$ 3,952,458	
Provincial government transfers:						
Ministry of Community and Social Services	\$ 476,975	\$ -	\$ 476,975	\$ 431,372	\$ -	\$ 431,372
Ministry of Aboriginal Affairs	650,000	-	650,000	98,377	-	98,377
\$ 1,126,975	\$ -	\$ 1,076,372	\$ 529,659	\$ -	\$ 529,659	

Rainy River First Nations
Notes to Consolidated Financial Statements

March 31, 2016

13. Accumulated Surplus

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

	2016	2015
Investment in tangible capital assets		
Tangible capital assets	\$ 16,367,030	\$ 16,647,326
Debt relating to tangible capital assets	<u>(2,398,190)</u>	<u>(2,379,180)</u>
Total Investment in tangible capital assets	<u>13,968,840</u>	<u>14,268,146</u>
Operations		
Equity in trusts	9,096,355	3,842,271
Equity in enterprises	349,804	487,898
Replacement reserves	2,458,571	5,590,333
	<u>351,920</u>	<u>286,215</u>
	<u><u>\$ 26,417,490</u></u>	<u><u>\$ 24,474,863</u></u>

March 31, 2016

Rainy River First Nations
Notes to Consolidated Financial Statements

14. Tangible Capital Assets

	2016						
	Land	Buildings and Housing	Infrastructure	Equipment and Vehicles	Manitou Mound Project	Computers	Total
Cost, beginning of year	\$ 8,227,782	\$ 12,769,745	\$ 6,026,339	\$ 2,512,364	\$ 2,053,904	\$ 126,474	\$ 31,716,608
Additions	-	-	-	288,590	-	33,963	422,553
Disposals	-	-	-	(25,813)	-	-	(25,813)
Cost, end of year	<u>\$ 8,227,782</u>	<u>12,769,745</u>	<u>6,026,339</u>	<u>2,805,141</u>	<u>2,053,904</u>	<u>160,417</u>	<u>32,123,148</u>
Accumulated amortization, beginning of year	7,695,472	3,750,635	2,251,604	1,245,097	126,474	15,069,282	
Amortization	342,943	114,079	162,349	82,157	11,323	712,849	
Disposals	-	-	-	(25,813)	-	-	(25,813)
Accumulated amortization, end of year	<u>8,038,415</u>	<u>3,864,714</u>	<u>2,398,140</u>	<u>1,327,254</u>	<u>137,795</u>	<u>19,756,318</u>	
Net carrying amount, end of year	<u>\$ 8,227,782</u>	<u>\$ 4,731,130</u>	<u>\$ 2,161,675</u>	<u>\$ 497,001</u>	<u>\$ 726,650</u>	<u>\$ 22,642</u>	<u>\$ 16,367,020</u>

Rainy River First Nations
Notes to Consolidated Financial Statements

March 31, 2016

14. Tangible Capital Assets (continued)

	2015						
	Land	Buildings and Housing	Infrastructure	Equipment and Vehicles	Mounds Project	Computers	Total
Cost, beginning of year	\$ 6,220,967	\$ 12,726,309	\$ 6,026,339	\$ 2,340,976	\$ 2,053,904	\$ 126,474	\$ 31,478,969
Additions	24,815	41,434		171,383			237,639
Disposals							
Cost, end of year	<u>8,227,722</u>	<u>12,769,745</u>	<u>6,026,339</u>	<u>2,312,384</u>	<u>2,031,904</u>	<u>126,474</u>	<u>31,716,608</u>
Accumulated amortization, beginning of year	7,357,843	3,423,537	2,162,496	1,162,941	126,474	14,413,311	
Amortization	342,629	141,078	89,106	82,156			653,971
Disposals							
Accumulated amortization, end of year	<u>7,695,472</u>	<u>3,564,615</u>	<u>2,251,604</u>	<u>1,745,097</u>	<u>126,474</u>	<u>15,069,282</u>	
Net carrying amount, end of year	<u>\$ 8,227,722</u>	<u>\$ 5,074,273</u>	<u>\$ 2,275,704</u>	<u>\$ 265,760</u>	<u>\$ 809,807</u>	<u>\$ 16,617,326</u>	

Rainy River First Nations Notes to Consolidated Financial Statements

March 31, 2016

15. Related Entities

The First Nations exercises significant influence over the Manitou Mounds Foundation since the Foundation's Board of Directors consist of the First Nations' Chief and Councilors. The Foundation was established to raise funds for the purpose of making gifts to qualified donees, specifically for the preservation, maintenance and development of the ancestral burial grounds of the First Nations. The Foundation is incorporated under the laws of the Province of Ontario and is a registered Charity under the Income Tax Act. Net assets of the Foundation as at March 31 amount to \$121,836.

The First Nations also exercises significant influence over the Rainy River First Nations Trust since the Trust's Financial Trustees are appointed by the First Nations' Chief and Councilors. The Trust was established to hold the proceeds of the First Nations' land claims settlement for the benefit of the community. The Trust was created under the laws of the Province of Ontario. Net assets of the Trust as at December 31, 2015, amount to \$80,441,029 (\$79,251,955 in 2014). During the year ended March 31, 2016, the First Nations received grants of \$1,020,309 (\$6,056,167 in 2015) from the Trust.

The net assets and results from operations of the Foundation and the Trust are not included in the consolidated financial statements of the First Nations. Separate financial statements of the Foundation and the Trust are available upon request.

16. Pension Plan

The First Nations has a defined contribution pension plan for full-time employees. The First Nations matches employee contributions at 5% or 8.425% of the employee salary. As a defined contribution pension plan, the First Nations has no further liability or obligation for future contributions to fund future benefits to plan members.

17. Economic Dependence

Rainy River First Nations receives a major portion of its revenues pursuant to a funding arrangement with INAC.

18. Federal Assistance Payments

The CNHC projects have received federal assistance through CMHC pursuant to Section 56.1 of the National Housing Act to enable the project to provide housing to low income individuals. The amount of assistance received in 2016 was \$150,262 (\$191,012 in 2015).

Rainy River First Nations
Notes to Consolidated Financial Statements

March 31, 2016

19. INAC Funding Reconciliation

Total funding as per INAC funding confirmation	\$ 4,413,942
Add: Adjustment for changes in deferred revenue	<u>155,979</u>
INAC revenue	<u>\$ 4,569,921</u>

20. Contingency

During the year, Rainy River First Nations received forgivable loans from the Canadian Mortgage and Housing Corporation in the amount of \$NIL (2015 - \$32,000) as part of the Reserve Residential Rehabilitation Program. These loans are forgivable over a five year period, contingent upon the stipulation that the properties associated with the loans are owned and operated by Rainy River First Nations and are occupied by band members. The full amount of the loans has been recognized as revenue as there is no intention to sell or dispose of the properties and they are expected to remain occupied by band members over the term of the loans.

The First Nations, in the course of its operations, is subject to lawsuits. As a policy, the First Nations will accrue for losses in instances where it is probable the liabilities will be incurred and where such liabilities can be reasonably estimated. At present, the First Nations has no reason to believe that there are any lawsuits which will have a significant impact on the First Nations' financial position.

21. Budget

The budget adopted by Council was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared without accounting for the impact of adopting PSAB generally accepted accounting principles and the implementation of the tangible capital asset policy.

22. Expenditure by Object

	2016	2015
Salaries, wages and employee benefits	\$ 1,839,473	\$ 1,831,611
Materials and supplies	8,357,360	7,253,637
Rents and financial expenses	203,349	218,879
Travel	192,762	172,744
Amortization	<u>712,847</u>	<u>655,970</u>
	<u>\$ 11,305,791</u>	<u>\$ 10,132,841</u>

Rainy River First Nations Notes to Consolidated Financial Statements

March 31, 2016

23. Segmented Information

Rainy River First Nations is a First Nations government that provides a wide range of services to the members of its community. For management reporting purposes the First Nations' 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

Education Services include activities that provide education to Band members for primary, secondary schooling and sponsorship to attend post secondary institutions.

Capital

This segment is responsible for all the capital asset activities occurring in the First Nations during the year, included housing construction and renovations.

Social Services

This segment contains activities that provide financial support or support by other means to Band members that is aimed at developing both the individual as well as the community.

Band Government

This segment contains activities that are necessary for the management and governance of the First Nations Organization.

Operations and Maintenance

This segment contains all activities that relate to the maintenance of land, buildings and infrastructure of the First Nations.

Other Services

The First Nations provide a wide variety of other services, including youth employment projects, economic development, housing activities and others.

24. Comparative Figures

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

**Rainy River First Nations
2016 Segment Disclosure**

	<u>For the year ended March 31, 2016</u>		<u>Band Operations and Support Maintenance</u>	<u>Education</u>	<u>Social Services</u>	<u>Minor Capital</u>	<u>Other</u>	<u>Total</u>
Revenue								
INAC	\$ 421,636	\$ 125,724	\$ 2,036,696	\$ 81,478	\$ 329,666	\$ 1,396,082	\$ 4,400,322	
Canada	30,000	-	-	492,086	-	629,950	629,950	
Ontario	-	-	-	-	-	670,160	1,192,246	
Casino Rama	-	-	-	-	-	688,005	688,005	
Trust Income	-	-	-	-	-	1,184,571	1,184,571	
Other Aboriginal organizations	-	-	-	-	-	699,324	699,324	
Interest, rentals and other	-	-	-	-	-	3,265,881	3,265,881	
Administration	539,490	4,520	-	-	-	(120,945)	3,805,381	
Trustees	126,445	4,520	(127,096)	-	-	-	-	
	227,140	110,411	-	-	-	8,549	(218,204)	
Deferred revenue, beginning of year	1,381,731	240,635	1,908,400	575,564	336,233	8,166,874	12,533,839	
Deferred revenue, end of year		-	-	(23,717)	135,979	723,122	1,052,818	
		-	-	(181,773)	-	(156,446)	(318,239)	
Expenditures								
Salaries, wages and benefits	626,010	120,222	-	74,063	67,714	951,374	1,619,473	
Materials, supplies and capital	160,462	120,413	1,909,373	413,536	257,094	3,276,482	6,357,246	
Rents and financial expenses	122,350	1,481	-	-	-	79,113	203,349	
Travel	106,031	-	-	14,282	9,908	-	62,541	92,762
Amortization	210,7016	239,181	-	-	-	-	262,960	712,847
	1,425,829	451,497	1,923,655	517,507	324,808	6,432,495	11,305,791	
Excess (deficiency) of revenue over expenditures	\$ (74,098)	\$ (240,882)	\$ (14,855)	\$ 13,169	\$ 2,103,635	\$ 1,947,427		

**Rainy River First Nations
2015 Segment Disclosure**

For the year ended March 31, 2015

	Band	Operations and Maintenance	Education	Social Services	Minor Capital	Other	Total
Revenue							
NAC	\$ 405,797	\$ 121,693	\$ 1,977,954	\$ 99,518	\$ 119,120	\$ 225,287	\$ 3,149,169
Canada	-	-	-	40,750	634,606	675,356	-
Ontario	-	-	-	421,068	-	165,062	590,130
Casino Rama	-	-	-	-	-	659,312	659,312
Treaty income	-	-	-	-	-	5,942,282	6,942,282
Other Aboriginal organizations	-	-	-	-	-	660,389	660,389
Interest, rentals and other	915,202	-	-	-	-	3,801,278	4,729,480
Administration	83,665	650	-	-	-	(\$4,319)	-
Transfers	-	43,777	(120,779)	-	(\$1,685)	(28,187)	-
1,417,664	205,470	1,957,175	520,386	159,570	3,116,588	17,405,118	
Deferred revenue, beginning of year	-	-	91,026	297,580	736,335	1,126,941	
Deferred revenue, end of year	-	-	(121,777)	(155,979)	(723,172)	(1,002,818)	
1,417,664	205,470	1,957,175	520,386	501,471	13,449,801	17,328,241	
Expenditures							
Salaries, wages and benefits	585,704	63,581	-	76,245	76,180	1,009,481	1,831,611
Materials, supplies and capital	349,130	122,559	1,774,837	397,813	237,741	4,371,577	7,253,637
Rents and financial expenses	83,519	-	-	-	-	135,360	210,879
Travel	100,007	-	-	13,020	13,618	-	46,099
Amortization	133,548	239,462	-	-	-	262,940	655,970
	1,271,908	445,582	1,787,857	487,696	313,921	5,825,877	10,132,841
Excess (deficiency) of revenue over expenditures	\$ 145,756	\$ 120,112	\$ 69,378	\$ 32,690	\$ 187,552	\$ 77,323,974	\$ 7,395,400