



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

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For the year ended March 31, 2016**

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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



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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 assets (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. 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 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)	4,598,634	2,689,852
Government business enterprises and partnerships (Note 8)	14,458,571	20,688,909
	<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)	14,398,189	17,477,755
	<u>15,345,974</u>	<u>19,252,600</u>
Net financial assets (Page 8)	<u>9,987,254</u>	<u>7,802,349</u>
Non-financial assets		
Tangible capital assets (Note 14)	16,367,030	16,647,126
Prepaid expense	63,206	25,188
	<u>16,430,236</u>	<u>16,672,314</u>
Accumulated surplus (Page 7)	<u>\$26,417,490</u>	<u>\$ 24,474,863</u>

Contingent liabilities (Note 20)

Approved on behalf of Council

Councilor

Councilor

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

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

For the year ended March 31	2016		2015
	Budget	Actual	Actual
Revenue			
Indigenous and Northern Affairs Canada	\$ 3,214,191	\$ 4,413,942	\$ 3,152,339
Health Canada	466,082	466,082	467,506
Canada Mortgage and Housing Corporation	-	150,262	191,012
Ministry of Community and Social Services	358,560	538,031	464,013
Ministry of Aboriginal Affairs	-	600,000	98,337
Ontario First Nations Limited Partnership	668,005	668,005	659,312
Weechi-it-Te-Win Family Services Inc.	468,288	468,288	468,276
Resource revenue	-	717,804	3,435,974
Miscellaneous programs	190,486	285,165	378,244
Rentals and fees	-	288,518	278,342
Fort Frances Tribal Area Health Authority	130,176	130,176	127,021
Gain (loss) on investments	-	9,782	(94,389)
Rainy River First Nations Trust	1,189,318	1,115,068	6,874,451
Income from investments in government business enterprises and partnerships	-	2,204,049	499,250
Shooniyaa Wa-Bitong	71,191	71,191	62,592
Income on trusts	-	61,503	55,831
Interest	20,000	20,553	22,373
	6,776,297	12,205,419	17,140,484
Deferred revenue, beginning of year	879,100	1,002,818	1,124,941
Deferred revenue, end of year (Note 10)	-	(338,239)	(1,002,818)
	7,655,397	12,869,998	17,262,607
Expenditures			
Education	1,770,805	2,053,627	1,915,898
Community development	1,900,905	1,953,575	1,733,654
Band support/administration	861,263	1,427,509	1,271,908
Operations and maintenance	168,088	502,962	468,116
Housing	-	421,443	472,122
Social services	470,994	517,507	487,696
Economic development	47,263	2,008,612	2,552,329
Trust implementation	198,000	116,185	143,430
Cultural	1,347,772	493,489	62,434
Summer students	117,860	119,603	69,143
Water treatment	83,462	70,537	86,267
Flood claim	-	838,442	66,931
Medical transportation	73,391	67,612	68,193
Waste water	59,395	68,142	55,171
Daycare	53,973	48,938	58,457
Capital	485,665	324,807	313,921
	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)**

For the year ended March 31	2016		2015
	Budget	Actual	Actual
Excess of revenue over expenditures before other items, carried forward	\$ 16,561	\$ 1,879,008	\$ 7,436,937
Other items			
Management fees from affiliated companies	125,000	392,040	268,894
Adjustment to prior years' funding	-	(4,367)	(9,120)
Adjustment to current year funding	-	(9,253)	5,930
Cultural development - Manitou Mounds	-	(314,801)	(307,171)
	125,000	63,619	(41,537)
Annual surplus	\$ 141,561	\$ 1,942,627	\$ 7,395,400

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

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

March 31	2016	2015
Accumulated surplus, beginning of year	\$ 24,474,863	\$ 17,079,463
Annual surplus	1,942,627	7,395,400
Accumulated surplus, end of year	\$ 26,417,490	\$ 24,474,863

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	712,849	655,971
	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	7,802,349	(16,855)
Net financial assets, end of year	\$ 9,987,254	\$ 7,802,349

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

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

For the year ended March 31	2016	2015
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	(2,264,049)	(499,250)
	<u>451,427</u>	<u>7,552,121</u>
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	(103,125)	(336,879)
Amounts due to government	(89,356)	-
Deferred revenue	(664,579)	(122,124)
	<u>(1,007,697)</u>	<u>(40,713)</u>
	<u>(556,270)</u>	<u>7,511,408</u>
Cash flows from capital activities		
Purchase of tangible capital assets	(432,553)	(237,639)
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	(1,909,782)	(2,475,566)
	<u>6,531,056</u>	<u>(21,724,515)</u>
Cash flows from financing activities		
Repayment of long-term debt	(15,286,566)	(180,850)
Long-term debt advances	12,207,000	15,098,577
	<u>(3,079,566)</u>	<u>14,917,727</u>
Net increase in cash and cash equivalents	<u>2,462,667</u>	<u>466,981</u>
Cash and cash equivalents, beginning of year	<u>1,621,883</u>	<u>1,154,902</u>
Cash and cash equivalents, end of year	<u>\$ 4,084,550</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.
Seric River Mill 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:

Buildings	25 years
Equipment and vehicles	5 years
Computers	3 years
Han'tou 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	<p>The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.</p> <p>The estimates used in the preparation of these consolidated financial statements are the useful lives of tangible capital assets and accrued liabilities.</p>

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	3,726,677	1,349,692
	<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	\$ 21,998	\$ 32,902
Housing loans	29,961	29,961
Accounts receivable	639,538	464,129
Rents receivable	393,279	346,548
	<u>1,084,776</u>	<u>873,630</u>
Allowance for doubtful accounts	445,238	409,502
	<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	\$ -	\$ 227,796
Health Canada	24,590	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 Mill 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	108,608	140,972
			<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	\$ 429,637	\$ 53,998	\$ -	\$ 483,635
Capital	58,260	-	-	58,260
	<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 \$1,090,361)	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>\$ 2,689,852</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 Sapawee 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 Pwł-Dł-Goo-Złng Ne-Yaa-Złng.

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.	Serie River Mall Inc.	Rainy Lake Tribal Development Corporation	Ossaneman Engineering, LP	Ondokwajigen 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	\$ -	\$ -	\$ 688,475	\$ 100	\$ -	\$ -	\$ 100	\$ -	\$ 1,041,988
Purchases of shares/units	-	-	-	4,000	4,499	-	-	19,139,376	\$1	-	-	19,147,926
Dividends/distributions	-	-	-	-	-	-	-	-	(233)	-	-	-
Share of net income (loss)	(11,985)	15,343	23,788	-	(23,365)	41,584	-	952,999	112	(99,226)	-	(259)
Carrying value, March 31, 2015	(2,074)	(37,970)	440,503	4,000	(18,866)	730,059	100	19,692,375	(92)	(99,126)	-	20,688,909
Dividends/distributions	-	-	-	-	-	-	-	(8,434,387)	-	-	-	(8,434,387)
Share of net income (loss)	9,109	13,183	(196,232)	43,948	2,348,813	95,073	-	(73,940)	(269)	5,164	-	2,204,049
Carrying value, March 31, 2016	\$ 7,035	\$ (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	\$ 525,549	\$ 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	-	479,059	(412)	(94,082)	-	3,413,517
Loss, net of management fees pre - 1994 (1)	-	-	-	-	-	(194,354)	-	-	-	-	-	(194,354)
	\$ 7,035	\$ (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. (\$30,000 in 2015).

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.	Senic River Mill Inc.	Rainy Lake Tribal Development Corporation	Oxennamen Engineering, LP	Oonkajigwan 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	\$ 1,262,958	\$ 119,869	\$ 12,050,007	\$ 215,565	\$ 100	\$ 11,726,855	\$ 99	\$ 6,882	\$ 13,487
Long-term assets	-	221,982	510,937	-	532,799	461,050	-	136,193,806	(809)	8,384	-
	386,001	228,874	1,773,895	119,869	12,582,766	676,616	100	147,920,661	(706)	15,236	13,487
Current liabilities	343,791	13,005	308,260	-	5,850,395	1,000	-	7,627,884	3	545	4,324
Long-term liabilities	-	278,229	-	-	1,335,338	671,371	-	118,936,534	-	104,653	9,163
	343,791	291,234	308,260	-	7,405,733	672,371	-	126,564,418	3	105,198	13,487
Share capital	600	30	3,151,294	-	-	10	100	-	100	-	-
Net equity (deficit), end of year	41,610	(74,390)	(1,687,659)	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	\$ 1,773,895	\$ 119,869	\$ 12,582,766	\$ 676,616	\$ 100	\$ 147,920,661	\$ (706)	\$ 15,136	\$ 13,487
Results of operations											
Revenues	\$ 1,260,331	\$ 142,685	\$ (244,485)	\$ 120,477	\$ 48,721,235	\$ 6,200	\$ -	\$ 19,753,098	\$ (134)	\$ 219,609	\$ 374,397
Operating expenses	1,209,676	103,133	839,987	10,608	43,502,287	36,467	-	19,898,095	900	214,445	374,397
	54,655	39,550	(1,084,472)	109,869	5,218,968	(30,267)	-	(144,997)	(834)	5,164	-
Net income (loss)	(13,049)	(113,940)	(603,187)	10,000	(41,935)	34,502	-	38,612,832	25	(99,226)	-
Net equity (deficit), beginning of year	-	-	-	-	-	-	-	(17,110,792)	-	-	-
Dividends/distributions	-	-	-	-	-	-	-	-	-	-	-
Net equity (deficit), end of year	\$ 41,610	\$ (74,390)	\$ (1,687,659)	\$ 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

	2015	Funding received 2016	Revenue Recognized 2016	2016
Federal Government				
INAC				
Capital	\$ 155,979	\$ 329,686	\$ 485,665	\$ -
Provincial Government				
Ministry of Community and Social Services				
Welfare	123,717	492,086	434,030	181,773
Other				
OFNLP	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>\$ 1,002,818</u>	<u>\$ 2,604,845</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	\$ 601,561
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	390,811	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 (Manitou 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
	<u>\$ 2,398,189</u>	<u>\$ 17,477,755</u>

Rainy River First Nations Notes to Consolidated Financial Statements

March 31, 2016

11. Long-term Debt (continued)

	<u>2016</u>	<u>2015</u>
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.	<u>12,000,000</u>	<u>-</u>
	<u>\$ 14,398,189</u>	<u>\$ 17,477,755</u>

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:

	<u>Principal Repayments</u>	<u>Interest</u>	<u>Total</u>
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	355,031	1,333,981
2021	936,363	327,155	1,263,518
Thereafter	<u>10,016,387</u>	<u>1,486,456</u>	<u>11,502,843</u>
	<u>\$ 14,398,189</u>	<u>\$ 3,201,529</u>	<u>\$ 17,599,718</u>

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

**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	\$ 4,413,942	\$ 155,979	\$ 4,569,921	\$ 3,293,940	\$ -	\$ 3,293,940
Health Canada	466,082	-	466,082	467,506	-	467,506
Canada Mortgage and Housing Corporation	150,262	-	150,262	191,012	-	191,012
	<u>\$ 5,030,286</u>	<u>\$ -</u>	<u>\$ 5,186,269</u>	<u>\$ 3,952,458</u>	<u>\$ -</u>	<u>\$ 3,952,458</u>
Provincial government transfers:						
Ministry of Community and Social Services	\$ 476,975	\$ -	\$ 476,975	\$ 431,322	\$ -	\$ 431,322
Ministry of Aboriginal Affairs	600,000	-	600,000	98,337	-	98,337
	<u>\$ 1,076,975</u>	<u>\$ -</u>	<u>\$ 1,076,975</u>	<u>\$ 529,659</u>	<u>\$ -</u>	<u>\$ 529,659</u>

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	(2,398,190)	(2,379,180)
Total investment in tangible capital assets	13,968,840	14,268,146
Operations	9,096,335	3,842,271
Equity in trusts	541,804	487,898
Equity in enterprises	2,438,571	5,590,333
Replacement reserves	351,920	286,215
	<u>\$ 26,417,490</u>	<u>\$ 24,474,863</u>

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

March 31, 2016

14. Tangible Capital Assets

	2016				
	Land	Buildings and housing	Infrastructure	Equipment and Vehicles	Manitou Mouzds Project
Cost, beginning of year	\$ 8,227,782	\$ 12,769,745	\$ 6,026,339	\$ 2,512,364	\$ 2,033,904
Additions	-	-	-	398,590	-
Disposals	-	-	-	(25,813)	-
Cost, end of year	8,227,782	12,769,745	6,026,339	2,885,141	2,033,904
Accumulated amortization, beginning of year	-	7,695,472	3,750,635	2,251,604	1,245,097
Amortization	-	342,943	114,079	162,349	82,157
Disposals	-	-	-	(25,813)	-
Accumulated amortization, end of year	-	8,038,415	3,864,714	2,388,140	1,327,254
Net carrying amount, end of year	\$ 8,227,782	\$ 4,731,330	\$ 2,161,625	\$ 497,001	\$ 726,650
				\$ 22,642	\$ 16,367,030

**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	Manitou Mounds Project	Computers	Total
Cost, beginning of year	\$ 8,202,967	\$ 12,728,309	\$ 6,026,339	\$ 2,340,976	\$ 2,053,904	\$ 126,474	\$ 31,478,969
Additions	24,815	41,436	-	171,383	-	-	237,639
Disposals	-	-	-	-	-	-	-
Cost, end of year	<u>8,227,782</u>	<u>12,769,745</u>	<u>6,026,339</u>	<u>2,512,364</u>	<u>2,053,904</u>	<u>126,474</u>	<u>31,716,808</u>
Accumulated amortization, beginning of year	-	7,352,843	3,608,537	2,162,496	1,162,941	126,474	14,413,311
Amortization	-	342,629	142,078	89,108	82,156	-	655,971
Disposals	-	-	-	-	-	-	-
Accumulated amortization, end of year	-	<u>7,695,472</u>	<u>3,750,635</u>	<u>2,251,604</u>	<u>1,245,097</u>	<u>126,474</u>	<u>15,069,282</u>
Net carrying amount, end of year	<u>\$ 8,227,782</u>	<u>\$ 5,074,273</u>	<u>\$ 2,275,704</u>	<u>\$ 280,760</u>	<u>\$ 808,807</u>	<u>\$ -</u>	<u>\$ 16,647,326</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 (\$6,956,167 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 CMHC projects have received federal assistance through CMHC pursuant to Section 56.1 of the National Housing Act to enable the project to provide housing to low income individuals. The amount of assistance received in 2016 was \$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

For the year ended March 31, 2016	Band Support	Operations and Maintenance	Education	Social Services	Minor Capital	Other	Total
Revenue							
INAC	\$ 428,656	\$ 925,724	\$ 2,036,696	\$ 83,478	\$ 329,686	\$ 1,396,082	\$ 4,400,322
Canada	-	-	-	-	-	629,980	629,980
Ontario	30,000	-	-	492,086	-	670,160	1,192,246
Casino Rama	-	-	-	-	-	688,005	688,005
Trust Income	-	-	-	-	-	1,188,571	1,188,571
Other Aboriginal organizations	339,490	-	-	-	-	699,324	1,038,814
Interest, rentals and other	126,445	4,500	-	-	-	3,265,891	3,896,836
Administration	227,140	110,411	(127,896)	-	-	(130,945)	-
Transfers	-	-	-	-	8,549	(218,204)	-
Deferred revenue, beginning of year	1,351,731	240,635	1,908,800	575,564	338,233	8,166,874	12,583,839
Deferred revenue, end of year	-	-	-	723,717	155,979	723,122	1,602,818
	1,351,731	240,635	1,908,800	517,208	494,214	8,739,930	13,248,418
Expenditures							
Salaries, wages and benefits	626,080	120,222	-	74,063	67,714	954,394	1,839,473
Materials, supplies and capital	360,462	120,413	1,909,373	433,536	257,094	3,276,482	6,357,360
Rentals and financial expenses	122,950	1,681	-	-	-	79,118	205,349
Travel	106,031	-	14,282	9,908	-	62,341	192,762
Amortization	210,706	239,181	-	-	-	262,960	712,847
	1,425,829	481,497	1,923,655	517,517	324,808	6,632,495	11,305,791
Excess (deficiency) of revenue over expenditures	\$ (74,098)	\$ (240,862)	\$ (14,855)	\$ 1	\$ 169,406	\$ 2,103,035	\$ 1,942,627

Rainy River First Nations 2015 Segment Disclosure

For the year ended March 31, 2015	Band Support	Maintenance	Operations and	Education	Social Services	Minor Capital	Other	Total
Revenue								
INAC	\$ 405,797	\$ 121,693	\$ 1,977,954	\$ 99,318	\$ 319,120	\$ 225,287	\$ 3,149,169	
Canada	-	-	-	-	-	634,806	675,356	
Ontario	-	-	-	-	-	169,062	990,130	
Casino Rama	-	-	-	-	421,008	-	659,312	
Trust Income	-	-	-	-	-	-	659,312	
Other Aboriginal organizations	-	-	-	-	-	-	5,942,282	
Interest, rentals and other	928,202	-	-	-	-	-	660,389	
Administration	83,665	650	-	-	-	-	3,801,278	
Transfers	-	83,777	(120,779)	-	-	-	(84,319)	
							128,687	
Deferred revenue, beginning of year	1,417,664	205,470	1,857,175	820,386	359,870	3,136,588	17,406,118	
Deferred revenue, end of year	-	-	-	91,026	297,880	736,335	1,124,941	
				(123,717)	(155,979)	(723,122)	(1,002,818)	
	1,417,664	205,470	1,857,175	520,386	501,471	13,149,801	17,528,241	
Expenditures								
Salaries, wages and benefits	585,704	83,581	-	76,265	76,180	1,009,881	1,831,611	
Materials, supplies and capital	349,130	122,559	1,774,837	397,813	237,741	4,374,577	7,251,637	
Rents and financial expenses	83,319	-	-	-	-	135,360	218,879	
Travel	100,007	-	13,020	13,618	-	46,099	172,744	
Amortization	193,548	239,462	-	-	-	262,960	655,970	
	1,271,908	445,502	1,787,857	487,696	315,921	5,825,877	10,132,841	
Excess (deficiency) of revenue over expenditures	\$ 145,756	\$ (240,112)	\$ 69,318	\$ 32,690	\$ 187,550	\$ 7,323,924	\$ 7,395,400	