

FORT ALBANY FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

FORT ALBANY FIRST NATION

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YEAR ENDED MARCH 31, 2014

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Ross Pope LLP

CPAs

101 Cedar Street South
Timmins, Ontario
P4N 2G7



Partners with Aboriginals

Telephone: (705) 264-9484

Fax: (705) 264-0788

inform@rosspope.com

www.rosspope.com

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Fort Albany First Nation are the responsibility of management and have been approved by Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of CPA Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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

The First Nation 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 consolidated financial statements and the external auditor's report.

The external auditors, Ross Pope LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Fort Albany First Nation and meet when required.

On behalf of Fort Albany First Nation:



Chief

Executive Director

September 26, 2014



Ross Pope LLP

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INDEPENDENT AUDITOR'S REPORT

To the Members of Fort Albany First Nation

We have audited the accompanying consolidated financial statements of Fort Albany First Nation which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of financial activities and accumulated surplus, change in net debt and cash flows for the year then ended, and summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 Fort Albany First Nation as at March 31, 2014 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

Our audit was made for the purposes of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the Schedules is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements taken as a whole.

Timmins, Ontario
September 26, 2014

Ross Pope LLP
Chartered Professional Accountants
Licensed Public Accountants

STATEMENT 1

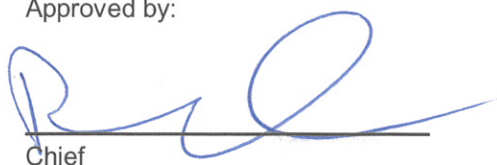
FORT ALBANY FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31

	2014	2013
FINANCIAL ASSETS		
Cash (Note 2)	\$ 1,839,303	\$ 1,810,497
Restricted cash and deposits		
CMHC reserve fund	2,842	2,862
Funds held in trust (Note 3)	432,349	426,297
Accounts receivable (Note 4)	1,557,342	2,572,881
Portfolio investment (Note 5)	1	-
Loan receivable (Note 6)	137,500	-
Investment in government business enterprise (Note 14)	980,626	670,445
	4,949,963	5,482,982
FINANCIAL LIABILITIES		
Line of credit (Note 7)	425,000	575,000
Accounts payable and accrued liabilities (Note 8)	1,587,333	2,212,680
Long-term debt (Note 9)	5,377,725	5,700,667
Deferred revenue (Note 10)	328,650	336,416
Landfill closure and post-closure liability (Note 17)	400,000	250,000
	8,118,708	9,074,763
NET DEBT	(3,168,745)	(3,591,781)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 1, Schedule A)	42,860,426	44,054,547
Prepaid expenses	117,786	95,238
	42,978,212	44,149,785
ACCUMULATED SURPLUS (Note 20)	\$ 39,809,467	\$ 40,558,004
Contingencies (Note 12)		

Approved by:



Chief



Councillor

See accompanying notes.

FORT ALBANY FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND ACCUMULATED SURPLUS

YEARS ENDED MARCH 31

	2014	2013
REVENUES		
Aboriginal Affairs and Northern Development Canada	\$ 8,517,737	\$ 8,792,048
Health Canada	2,090,057	2,009,925
Health Canada recoveries	(19,416)	-
Ontario First Nations Limited Partnership	1,241,521	1,249,330
Province of Ontario - MCSS	2,136,591	1,858,778
Nishnawbe Aski Nation	135,520	135,520
Payukotayno Child and Family Services	103,898	103,898
Mushkegowuk Council	454,065	190,681
Canada Mortgage and Housing Corporation	251,204	237,382
Rental	350,953	233,856
Impact Benefit Agreement receipts - De Beers	544,200	2,375,374
Other (Note 18)	3,419,310	3,975,965
Equity in income of government business enterprise	310,181	146,520
Deferred revenue - opening	336,416	494,580
Deferred revenue - closing	(328,650)	(336,416)
	19,543,587	21,467,441
EXPENDITURES (Note 22)		
Administration and governance	1,404,347	1,075,026
Community development	2,455,947	2,674,303
Community services - O&M	3,254,086	3,136,437
Daycare	326,805	337,610
Education	5,754,613	5,466,606
Health services	2,612,445	2,325,408
Housing	1,280,039	3,037,358
Infrastructure	289,183	298,991
Social assistance	2,892,226	2,503,954
	20,269,691	20,855,693
ANNUAL SURPLUS (DEFICIT)	(726,104)	611,748
ACCUMULATED SURPLUS, BEGINNING OF YEAR	40,558,004	39,946,256
Balance Repayable to Ministry of Health and Long Term Care	(22,433)	-
ACCUMULATED SURPLUS, END OF YEAR	\$ 39,809,467	\$ 40,558,004

FORT ALBANY FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

YEARS ENDED MARCH 31

	2014	2013
ANNUAL SURPLUS (DEFICIT)	\$ (726,104)	\$ 611,748
Acquisition of tangible capital assets	(930,357)	(333,371)
Amortization of tangible capital assets	2,124,479	2,073,966
Increase in prepaid expenses	(22,548)	(57,628)
Increase in amount repayable to funders	(22,433)	-
	1,149,141	1,682,967
CHANGE IN NET DEBT	423,037	2,294,715
NET DEBT, BEGINNING OF YEAR	(3,591,782)	(5,886,497)
NET DEBT, END OF YEAR	\$ (3,168,745)	\$ (3,591,782)

FORT ALBANY FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED MARCH 31

	2014	2013
OPERATIONS		
Annual surplus (deficit)	\$ (726,104)	\$ 611,748
Add: Amortization of tangible capital assets	2,124,479	2,073,966
	1,398,375	2,685,714
SOURCES:		
Decrease in accounts receivable	1,015,537	83,897
Decrease in deposits on assets under construction	(137,500)	-
Increase in landfill post-closure liability	150,000	82,452
Decrease in Restricted cash - CMHC reserve funds	20	20
	1,028,057	166,369
USES:		
Decrease in accounts payable	(625,347)	(280,520)
Increase in prepaid expenses	(22,549)	(57,627)
Decrease in deferred revenue	(7,766)	(158,165)
Increase in amount repayable to funders	(22,433)	(94,189)
	(678,095)	(590,501)
INCREASE IN CASH FROM OPERATING ACTIVITIES	1,748,337	2,261,582
INVESTING ACTIVITIES		
Increase (decrease) in consolidated revenue trust fund	(6,052)	95,898
Equity in income in government business enterprises	(310,181)	(146,520)
Acquisition of tangible capital assets	(941,356)	(333,371)
Disposal of tangible capital assets	10,999	-
DECREASE IN CASH FROM INVESTING ACTIVITIES	(1,246,590)	(383,993)
FINANCING ACTIVITIES		
Repayment and forgiveness of long term debt	(400,964)	(366,017)
Repayment of callable debt	(37,477)	(36,674)
Proceeds from long-term debt	115,500	351,725
Advances (repayment) on line of credit	(150,000)	210,000
INCREASE (DECREASE) IN CASH FROM FINANCING ACTIVITIES	(472,941)	159,034
CHANGE IN CASH	28,806	2,036,623
CASH (BANK INDEBTEDNESS), beginning of year	1,810,497	(226,126)
CASH, end of year	\$ 1,839,303	\$ 1,810,497

See accompanying notes.

FORT ALBANY FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

NATURE OF ORGANIZATION

Fort Albany First Nation, an Indian Band located in the James Bay Region of Northern Ontario, administers programs and provides services on behalf of its members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are the representation of management and have been prepared in accordance with generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of CPA Canada. Further, the consolidated financial statements are prepared on the going concern assumption that the First Nation will be able to realize its assets and discharge its liabilities in the normal course of operations. Significant accounting policies are as follows:

(a) REPORTING ENTITY

The reporting entity includes the Fort Albany First Nation government and all related entities controlled by the First Nation.

(b) PRINCIPLES OF CONSOLIDATION

All controlled entities are fully consolidated on a line-by-line basis except for commercial enterprises which meet the definition of government business enterprises, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Organizations consolidated in Fort Albany First Nation's consolidated financial statements are as follows:

- Fort Albany First Nation Band
- Mundo Peetabeck Education Authority
- Peetabeck Health Services

Fort Albany Power Corporation is accounted for on the modified equity basis. Under the modified equity method of accounting, only the First Nation's investment in the government business enterprise, and the enterprise's net income (loss) and other changes in equity are recorded. The corporation's accounting principles are not adjusted to conform with those of the First Nation and inter-entity transactions and balances have not been eliminated. The most recent available financial information is summarized in the notes to these consolidated financial statements.

(c) ASSET CLASSIFICATION

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, prepaid expenses and inventories of supplies.

(d) PORTFOLIO INVESTMENTS

Portfolio investments not traded in an active market are recorded at cost, and are written down where there has been a loss in value that is other than a temporary decline.

(e) INVENTORIES

Inventories, comprised of fuel stock and coarse aggregate stockpiles for resale and use in operations, and parts inventory for own use, are recorded at lower of cost and net realizable value, with cost being determined on a first-in, first-out basis. All inventory is reported as non-financial assets as the proportion held for resale is indeterminable and represents a minor portion of the reported amount. Management expects the inventory to be utilized or sold in the 2015 fiscal year.

FORT ALBANY FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized using the following rates and methods:

Land	indefinite
Buildings	5%
Vehicles	30%
Furnishing, equipment and computers	20%-55%
Water and wastewater system	10-50 years
Roads, bridges and sidewalks	10-40 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of financial activities and accumulated surplus.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

(g) NET DEBT

The First Nation's consolidated financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its financial assets less its financial liabilities.

(h) REVENUE RECOGNITION

All revenue is recorded on the accrual basis whereby amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue. Funding received under the terms of contribution agreements with federal and provincial governments is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted by the funding government for a stated purpose, such as a specific program or the acquisition of tangible capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

On April 1, 2013, the First Nation adopted Public Sector Accounting Standard PS 3410, Government Transfers. This standard was adopted on a prospective basis from the date of adoption. Under PS 3410, government transfers received or receivable are recognized in revenue once the eligibility criteria, if any, are met unless they meet the definition of a liability. There were no adjustments as a result of the adoption of this standard.

(i) MEASUREMENT UNCERTAINTY

In preparing the consolidated financial statements for Fort Albany First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the period. The main estimates used in preparing these consolidated financial statements include an allowance for doubtful accounts, amortization of tangible capital assets and provision for landfill closure and post-closure liability. Actual results could differ from these estimates.

FORT ALBANY FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED MARCH 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) PRIOR YEAR FUNDING ADJUSTMENTS

The First Nation has entered into accountable contribution arrangements with several government funding agencies. All such programs are subject to audit by the various governments, with audit adjustments repayable to the government. These adjustments are charged to operations in the year they become known.

2. CASH

Under the terms of an agreement with Canada Mortgage and Housing Corporation (CMHC), Fort Albany First Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the CMHC with any interest earned to be credited as revenue to the Apartment Replacement and Subsidy Fund.

At the year-end date, the respective monies on hand were not sufficient to meet the CMHC reserve fund requirements. The deficiency amounted to \$280,004.

Cash is comprised of the following:

	2014	2013
Internally restricted		
Social Services	\$ 145,960	\$ 187,083
Housing	705	749
Health Services	6,379	85,463
	153,044	273,295
Unrestricted		
Operating	1,685,325	1,358,329
Tangible Capital Asset account	934	178,873
	1,686,259	1,537,202
	\$ 1,839,303	\$ 1,810,497

3. FUNDS HELD IN TRUST

	Opening Balance	Additions	Withdrawal	Closing balance	2013
AANDC Trust Funds	\$ 415,894	\$ 16,455	\$ -	\$ 432,349	\$ 415,894
Other funds held in trust	10,403	-	(10,403)	-	10,403
	\$ 426,297	\$ 16,455	\$ (10,403)	\$ 432,349	\$ 426,297

AANDC trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. The funds are held in trust in the Consolidated Revenue Fund of the Government of Canada on a joint basis with other monies which are the property of Kashechewan First Nation. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act. Other funds held in trust are held by legal counsel.

FORT ALBANY FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED MARCH 31, 2014

4. ACCOUNTS RECEIVABLE

	2014	2013
Due from government:		
Aboriginal Affairs and Northern Development Canada	\$ 851,626	\$ 1,091,933
Canada Mortgage and Housing Corporation	16,189	257,944
Health Canada	48,246	82,756
Ministry of Community and Social Services	135,038	153,970
	1,051,099	1,586,603
Due from members:		
Advances receivable	-	3,697
Rent receivable	204,962	66,465
	204,962	70,162
Due from others:		
Nishnawbe Aski Nation	21,797	41,902
Payukotayno - James and Hudson Bay Family Services	33,357	103,898
Mushkegowuk Council	29,944	-
Other	482,607	475,198
Kimesskanemenow Corporation	-	340,220
Nishanawbe Aski Development Fund	-	77,867
	567,705	1,039,085
	1,823,766	2,695,850
Less: allowance for doubtful accounts	(266,424)	(122,969)
	\$ 1,557,342	\$ 2,572,881

5. PORTFOLIO INVESTMENT

Portfolio investment consists of a 25% share ownership interest in Kimesskanemenow Corporation, a corporation controlled by several First Nation bands whose primary business activity is the annual construction and maintenance of a winter road from Moosonee to Attawapiskat, Ontario. Shares of the corporation are not traded in an active market and the investment is carried at cost.

6. LOAN RECEIVABLE

The loan receivable from Kimesskanemenow Corporation (Note 5), is non-interest bearing and unsecured with no fixed terms of repayment.

7. LINE OF CREDIT

Mundo Peetabeck Education Authority, whose books and records are consolidated in these consolidated financial statements, is party to an RBC credit facility agreement bearing interest at the bank prime rate plus 1.80% with a borrowing limit of \$100,000. At the year-end date, the limit was temporarily increased to \$500,000 of which \$425,000 was utilized. Subsequent to the year-end date the limit reverted back to \$100,000.

FORT ALBANY FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED MARCH 31, 2014

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013
Trade accounts payable	\$ 900,416	\$ 1,337,273
Accrued salaries and benefits payable	93,595	93,595
Other accrued liabilities	593,322	781,812
	\$ 1,587,333	\$ 2,212,680

9. LONG-TERM AND CALLABLE DEBT

	2014	2013
RBC demand loan relating to social housing projects, bearing interest at 2.22%, repayable at \$3,299 per month principal and interest, secured by RBC letter agreement, band council resolution, assignment of fire insurance and CMHC guarantee, maturing March 2016.	\$ 73,908	\$ 111,385
RBC term loan, bearing interest at 5.0%, repayable at \$17,797 per month principal and interest, secured by RBC letter agreement, band council resolution and assignment of fire insurance, maturing March 2017.	580,024	759,485
RBC term loan, bearing interest at 4.75%, repayable at \$9,695 per month principal and interest, secured by building and assignment of rents, renewable November 2016, maturing November 2031.	1,389,066	1,438,336
CMHC mortgage payable, bearing interest at 2.04%, repayable at \$3,193 per month principal and interest, renewable March 2019, maturing March 2034.	629,362	654,382
CMHC mortgage payable, bearing interest at 1.99%, repayable at \$5,583 per month principal and interest, renewable May 2014, maturing May 2034.	1,112,116	1,156,592
CMHC mortgage payable, non-interest bearing, forgivable at \$58,933 per annum, maturing October 2025. Terms of forgiveness stipulate the building financed with the facility must continue to operate as an emergency shelter for women and children who are victims of family violence.	625,600	680,000
CMHC mortgage payable, bearing interest at 1.39%, repayable at \$3,597 per month principal and interest, renewable August 2017, maturing August 2037.	862,511	893,483
CMHC mortgage payable, non-interest bearing, forgivable at \$396 per month, maturing March 2019. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period.	23,750	-
CMHC mortgage payable, non-interest bearing, forgivable at \$342 per month, maturing September 2018. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period.	18,450	-
CMHC mortgage payable, non-interest bearing, forgivable at \$396 per month, maturing September 2018. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period.	21,375	-

FORT ALBANY FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED MARCH 31, 2014

9. LONG-TERM AND CALLABLE DEBT (CONT'D)

CMHC mortgage payable, non-interest bearing, forgivable at \$396 per month, maturing September 2018. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period.

21,375 -

CMHC mortgage payable, non-interest bearing, forgivable at \$396 per month, maturing June 2018. Terms of forgiveness stipulate the building financed with the facility must continue to operate as a rental unit for band members with a total household income at or below a stipulated income threshold during the period.

20,188 -

RBC Automotive Financial (formerly Ally Credit Canada) loan bearing interest at 5.49%, repaid during the year.

- 7,004

\$ 5,377,725 \$ 5,700,667

All of the above CMHC debt facilities are secured by Band Council Resolution, Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada, assignment of fire insurance, and specific housing units.

Principal portion repayable/forgivable in the next five years and thereafter is as follows:

2015	\$ 458,323
2016	469,619
2017	432,674
2018	244,784
2019	239,250
Thereafter	3,533,075
	\$ 5,377,725

10. DEFERRED REVENUE

Details of the deferred revenue balance are as follows:

	Opening Balance	Revenue recognized	Deferral Recorded	Closing balance
Employment and economic development				
AANDC				
Special Education	\$ 43,819	\$ (43,819)	\$ 43,819	\$ 43,819
Sewer Lift Station	225,779	(225,779)	225,779	225,779
Payukotayno Child and Family Services	23,752	(23,752)	23,752	23,752
Other	43,006	(43,006)	35,300	35,300
	\$ 336,356	\$ (336,356)	\$ 328,650	\$ 328,650

FORT ALBANY FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED MARCH 31, 2014

11. FINANCIAL INSTRUMENTS

The First Nation is exposed to various risks through its financial instruments. The following analysis provides information about the First Nation's risk exposure and concentration as of March 31, 2014.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The First Nation is exposed to credit risk from members and customers. In order to reduce its credit risk, the First Nation reviews a new member/customer's history before extending credit and conducts regular reviews of its existing member/customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The First Nation has a significant number of members/customers which minimizes concentration of credit risk.

Interest Rate Risk

The First Nation has interest bearing credit facilities on which prevailing interest rate fluctuations apply and fixed rate interest bearing credit facilities which are renewable before maturity. Accordingly, there is a financial risk to the First Nation's annual surplus that arises from fluctuations in prevailing interest rates and the degree of volatility of these rates. The First Nation does not utilize derivative instruments to reduce its exposure to interest rate risk.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The First Nation is exposed to this risk mainly in respect of its receipt of funds from its funders and other related sources, long-term debt, and accounts payable.

12. CONTINGENT LIABILITIES

The First Nation has entered into contribution agreements with various federal and provincial government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

In addition, in the normal course of its operations, the First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on the First Nation's consolidated financial statements.

The First Nation operates a solid waste landfill site, sewage lagoons and waste storage facilities adjacent to the reserve lands. The Ontario Ministry of the Environment has identified certain non-compliance issues in relation to these facilities and has issued action directives which, at the date of these consolidated financial statements, have not been completed. Management has engaged a consultant to evaluate the deficiencies and make recommendations pertaining thereto. Resolution of these matters will require future expenditures by the First Nation which may or may not be offset by specific funding arrangements. The net expenditure amount, which may be material, is not determinable at the financial statement date and, accordingly, no provision has been made in these consolidated financial statements in relation to these items.

The First Nation has a number of credit facilities with CMHC that contain provisions for forgiveness of the liabilities over time pursuant to covenants. Failure to meet these covenants could result in the credit facilities being converted from forgivable to repayable.

FORT ALBANY FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED MARCH 31, 2014

13. DISTRIBUTIONS FROM ONTARIO FIRST NATIONS LIMITED PARTNERSHIP

The First Nation is entitled to a percentage of net revenues earned at gaming facilities located in the Province of Ontario. Net revenues are distributed in accordance with a formula agreed to by the participating First Nation Bands and the Province of Ontario. The First Nation's policy as ratified by Council is to appropriate any annual surplus in the OFNLP Program Fund to an OFNLP Fund.

14. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE

Fort Albany Power Corporation is a corporation established by the First Nation to provide hydro-electric power distribution to members of the community.

The following table provides condensed supplementary financial information for the years ended as indicated, which were the most recent available at the date of these financial statements:

	December 2013 Fort Albany Power Corp. (Draft)	December 2012 Fort Albany Power Corp.
Financial Position		
Current assets	\$ 1,377,644	\$ 836,806
Other assets	575,177	296,569
Total Assets	1,952,821	1,133,375
Current liabilities	928,680	442,620
Long-term liabilities	43,515	20,310
Total liabilities	972,195	462,930
Net Assets	\$ 980,626	\$ 670,445

	December 2013 Fort Albany Power Corp. (Draft)	December 2012 Fort Albany Power Corp.
Results of operations:		
Revenue	\$ 2,016,318	\$ 1,632,176
Expenses	(1,706,137)	(1,485,656)
Net Income (Loss)	\$ 310,181	\$ 146,520

15. ECONOMIC DEPENDENCE

The First Nation receives a major portion of its revenue from Aboriginal Affairs and Northern Development Canada, Health Canada and the Province of Ontario. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on these sources of revenue. The ability of the First Nation to continue program delivery to its members is dependent on this funding.

16. BUDGET FIGURES

Budget figures have not been presented as the information was not available from the management of certain entities.

FORT ALBANY FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED MARCH 31, 2014

17. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Generally accepted accounting principles require the disclosure of the net present value of landfill closure and post-closure care expenditures. Accounts payable and accrued liabilities includes \$400,000 in respect of landfill and other waste storage facility closure and post-closure expenditures.

Closure of the landfill involves capping the site with a compacted impermeable clay layer, a layer of topsoil, the re-introduction of a vegetative cover and the construction of surface drainage controls. Post-closure care involves routine inspections, cap maintenance, and ground water sampling and analysis, if applicable. The reported liability is based on estimates and assumptions using information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, if and when applicable.

18. OTHER REVENUE

Other revenue consists of the following:

	2014	2013
Kimesskanemenow Corporation	\$ 1,630,355	\$ 1,761,103
Province of Ontario		
Ministry of Health and Long Term Care	418,710	421,312
Ministry of the Attorney General	254,100	-
Ministry of Aboriginal Affairs	78,785	80,000
Ministry of Natural Resources	64,801	90,047
User fees	80,602	69,260
Other	891,957	1,554,243
	\$ 3,419,310	\$ 3,975,965

19. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform with the current year's presentation.

20. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2014	2013
Unrestricted surplus	\$ 2,449,949	\$ 1,754,299
Restricted surplus		
AANDC - Trust Fund	432,349	415,894
OFNLP - Equity	(31,162)	360,961
CMHC Replacement Reserve	282,846	379,249
Equity in tangible capital assets	36,675,485	37,647,601
	\$ 39,809,467	\$ 40,558,004

FORT ALBANY FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED MARCH 31, 2014

21. SEGMENTED INFORMATION

Fort Albany First Nation is a diversified local government that provides a wide range of services to its members, including water, fire protection, roadworks, technical services, recreation, social services, health services, education, social housing and economic development among others. For management reporting purposes, the First Nation's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, requirements or limitations.

The First Nation's services are provided by departments and their activities are recorded in these funds. Certain departments that have been disclosed in the segmented information, along with the services they provide, are as follows:

ADMINISTRATION AND GOVERNANCE

-Manages the administrative operations of the First Nation. Those costs that relate directly to the administration of the various segments have been allocated to the appropriate segment. Undertakes First Nation operated governance initiatives through the activities of Chief and Council and other activities relating to reserve lands, membership matters and other governance initiatives.

COMMUNITY DEVELOPMENT

-Undertakes activities of the OFNLP Fund, which derives revenue from gaming facilities located in the Province of Ontario.

COMMUNITY SERVICES- O&M

-Provides contract management services, heavy equipment operations, bulk fuel operations, general labour services and other related activities.

DAYCARE

-Manages the activities of the local childrens' daycare program.

ECONOMIC DEVELOPMENT

-Manages the development of economic opportunities for First Nation entities and provides support to member entities as well as operates cable television and internet services throughout the community.

EDUCATION

-Provides elementary and secondary education instructional services and provides financial support to post-secondary students.

HEALTH SERVICES

-Provides a variety of health care programs and support to First Nation members.

HOUSING

-Provides housing to members under CMHC programs and reports on the respective revenue and expenditures.

INFRASTRUCTURE

-Manages First Nation infrastructure programs including facilities operations and maintenance, capital projects, water and waste water plant operations and other related activities.

SOCIAL ASSISTANCE

-Administers the provision of social assistance to qualifying members.

For each reported segment, revenues and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

FORT ALBANY FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED MARCH 31, 2014

22. EXPENDITURES BY OBJECT

The following is a summary of expenditures by object.

	2014	2013
Administration	\$ 777,672	\$ 931,582
Amortization	2,124,478	2,073,965
Bad debts	218,767	13,656
Insurance	586,123	310,191
Interest on long term debt	151,491	167,863
Investment in tangible capital assets	(930,357)	(333,371)
Materials and supplies	1,011,782	610,166
Operations and maintenance	1,694,114	1,550,662
Other	162,870	90,053
Professional fees	483,184	1,419,564
Program delivery	2,099,904	1,149,655
Social assistance	2,143,890	1,995,182
Subcontracts	2,215,520	3,462,329
Travel	816,607	726,224
Wages and employee benefits	6,713,646	6,687,972
Total	\$ 20,269,691	\$ 20,855,693

FORT ALBANY FIRST NATION

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

YEAR ENDED MARCH 31, 2014

	General Capital Assets				Infrastructure		Totals	
	Land and Land Improvements	Buildings	Vehicles and Moveable Equipment	Furnishing, Equipment and Computers	Roads, Streets and Bridges	Water and Sewer	2014	2013
Cost								
Opening costs	\$ 1,704,903	\$ 43,173,362	\$ 588,264	\$ 2,033,850	\$ 7,376,257	\$ 13,321,554	\$ 68,198,190	\$ 67,864,821
Additions during the year	-	234,074	-	268,331	318,881	120,070	941,356	333,371
Disposals and write downs	-	(10,999)	-	-	-	-	(10,999)	-
Closing costs	1,704,903	43,396,437	588,264	2,302,181	7,695,138	13,441,624	69,128,547	68,198,192
Accumulated Amortization								
Opening accum'd amortization	-	14,618,148	409,481	1,285,084	3,468,742	4,362,186	24,143,641	22,069,679
Amortization	-	1,437,800	51,889	197,822	169,337	267,632	2,124,480	2,073,966
Closing accum'd amortization	-	16,055,948	461,370	1,482,906	3,638,079	4,629,818	26,268,121	24,143,645
Net Book Value of Tangible Capital Assets	\$ 1,704,903	\$ 27,340,489	\$ 126,894	\$ 819,275	\$ 4,057,059	\$ 8,811,806	\$ 42,860,426	\$ 44,054,547

SCHEDULE B

FORT ALBANY FIRST NATION

CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION

YEAR ENDED MARCH 31, 2014

	Administration and governance		Community Development	
	2014	2013	2014	2013
REVENUES				
Aboriginal Affairs and Northern Development Canada	\$ 1,316,375	\$ 1,343,614	\$ 545,970	\$ 916,305
Nishnawbe Aski Nation	-	-	-	-
Health Canada	-	-	-	-
Health Canada Recoveries	-	-	-	-
Payukotayno Child and Family Services	-	-	-	-
Other	67,867	23,340	674,276	716,177
Rental	-	-	-	-
Canada Mortgage and Housing Corporation	-	-	-	-
Mushkegowuk Council	9,782	28,551	170,482	45,866
OFNLP	-	-	1,241,521	1,249,330
Province of Ontario - MCSS	-	-	-	-
IBA	-	115,000	544,200	358,799
Equity in income of business enterprises	-	-	310,181	146,520
	1,394,024	1,510,505	3,486,630	3,432,997
Deferred Revenue - Opening	-	-	-	-
Deferred Revenue - Closing	-	-	(25,000)	-
Total revenues	1,394,024	1,510,505	3,461,630	3,432,997
EXPENDITURES				
Administration	(561,467)	(354,460)	39,647	100,138
Bad debts	1,000	-	30,345	-
Insurance	127,570	61,077	7,528	8,058
Interest on long term debt	-	-	-	-
Materials and supplies	102,265	78,929	81,115	60,785
Operations and maintenance	54,016	62,492	49,159	25,880
Other	934	2,647	11,936	(1,842)
Professional fees	207,063	341,345	117,404	352,635
Program delivery	4,505	7,150	864,483	363,454
Social assistance	-	-	-	-
Subcontracts	218,793	102,298	353,272	125,204
Travel	149,900	105,822	82,531	79,996
Wages and employee benefits	729,227	732,401	567,630	523,989
	1,033,806	1,139,701	2,205,050	1,638,297
Capital Adjustments:				
Amortization	26,567	15,655	42,199	43,318
Investment in tangible capital assets	(4,968)	-	(254,417)	(10,999)
Total Expenditures (recoveries)	1,055,405	1,155,356	1,992,832	1,670,616
Surplus (Deficit) before transfers	338,619	355,149	1,468,798	1,762,381
Transfers between programs	(348,939)	80,330	(463,116)	(1,003,689)
Surplus (deficit) for year	\$ 687,558	\$ 274,819	\$ 1,931,914	\$ 2,766,070

SCHEDULE B

FORT ALBANY FIRST NATION

CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION

YEAR ENDED MARCH 31, 2014

	Daycare		Education	
	2014	2013	2014	2013
REVENUES				
Aboriginal Affairs and Northern Development Canada	\$ -	\$ 64,709	\$ 4,730,127	\$ 4,621,115
Nishnawbe Aski Nation	-	-	-	-
Health Canada	-	-	-	-
Health Canada Recoveries	-	-	-	-
Payukotayno Child and Family Services	-	-	-	-
Other	-	11,682	395,252	342,989
Rental	-	-	83,777	91,400
Canada Mortgage and Housing Corporation	-	-	-	-
Mushkegowuk Council	61,704	85,772	-	-
OFNLP	-	-	-	-
Province of Ontario - MCSS	267,971	252,671	-	-
IBA	-	-	-	-
Equity in income of business enterprises	-	-	-	-
	329,675	414,834	5,209,156	5,055,504
Deferred Revenue - Opening	-	-	86,884	26,874
Deferred Revenue - Closing	-	-	(43,819)	(86,884)
Total revenues	329,675	414,834	5,252,221	4,995,494
EXPENDITURES				
Administration	17,571	12,818	646,324	511,901
Bad debts	-	-	2,100	-
Insurance	428	458	-	-
Interest on long term debt	-	-	-	-
Materials and supplies	55,324	25,312	114,306	90,309
Operations and maintenance	10,896	17,960	917,364	865,129
Other	-	850	-	-
Professional fees	-	-	66,233	124,511
Program delivery	16,800	46,200	545,096	418,323
Social assistance	-	-	-	-
Subcontracts	7,079	2,979	-	-
Travel	-	2,106	215,618	243,192
Wages and employee benefits	235,231	204,337	2,606,273	2,538,786
	343,329	313,020	5,113,314	4,792,151
Capital Adjustments:				
Amortization	23,826	24,590	700,420	729,565
Investment in tangible capital assets	(40,350)	-	(59,120)	(55,110)
Total Expenditures (recoveries)	326,805	337,610	5,754,614	5,466,606
Surplus (Deficit) before transfers	2,870	77,224	(502,393)	(471,112)
Transfers between programs	-	-	-	-
Surplus (deficit) for year	\$ 2,870	\$ 77,224	\$ (502,393)	\$ (471,112)

SCHEDULE B

FORT ALBANY FIRST NATION

CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION

YEAR ENDED MARCH 31, 2014

	Health Services		Housing	
	2014	2013	2014	2013
REVENUES				
Aboriginal Affairs and Northern Development Canada	\$ -	\$ -	\$ 511,872	\$ 502,707
Nishnawbe Aski Nation	135,520	135,520	-	-
Health Canada	2,090,057	2,009,925	-	-
Health Canada Recoveries	(19,416)	-	-	-
Payukotayno Child and Family Services	103,898	103,898	-	-
Other	177,638	66,408	5,000	449,959
Rental	-	-	228,290	136,892
Canada Mortgage and Housing Corporation	-	-	196,804	178,449
Mushkegowuk Council	-	-	142,475	30,492
OFNLP	-	-	-	-
Province of Ontario - MCSS	-	-	-	-
IBA	-	-	-	1,901,575
Equity in income of business enterprises	-	-	-	-
	2,487,697	2,315,751	1,084,441	3,200,074
Deferred Revenue - Opening	23,752	7,098	-	-
Deferred Revenue - Closing	(34,051)	(23,752)	-	-
Total revenues	2,477,398	2,299,097	1,084,441	3,200,074
EXPENDITURES				
Administration	20,975	4,102	108,166	365,403
Bad debts	20,891	4,712	140,627	66,465
Insurance	-	5,323	145,549	143,618
Interest on long term debt	-	-	84,418	97,940
Materials and supplies	234,821	144,332	254,647	48,659
Operations and maintenance	162,284	233,781	67,280	79,715
Other	-	-	-	-
Professional fees	67,431	113,278	15,903	451,758
Program delivery	575,190	272,440	1,600	300
Social assistance	-	-	-	-
Subcontracts	-	-	54,086	1,804,535
Travel	313,421	262,161	5,385	2,427
Wages and employee benefits	1,170,073	1,307,875	366,516	419,695
	2,565,086	2,348,004	1,244,177	3,480,515
Capital Adjustments:				
Amortization	63,111	65,170	350,027	363,099
Investment in tangible capital assets	(15,752)	(87,765)	(70,514)	(179,497)
Total Expenditures (recoveries)	2,612,445	2,325,409	1,523,690	3,664,117
Surplus (Deficit) before transfers	(135,047)	(26,312)	(439,249)	(464,043)
Transfers between programs	-	-	243,651	626,759
Surplus (deficit) for year	\$ (135,047)	\$ (26,312)	\$ (682,900)	\$ (1,090,802)

SCHEDULE B

FORT ALBANY FIRST NATION

CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION

YEAR ENDED MARCH 31, 2014

	Infrastructure		Social Services	
	2014	2013	2014	2013
REVENUES				
Aboriginal Affairs and Northern Development Canada	\$ -	\$ -	\$ 566,537	\$ 487,712
Nishnawbe Aski Nation	-	-	-	-
Health Canada	-	-	-	-
Health Canada Recoveries	-	-	-	-
Payukotayno Child and Family Services	-	-	-	-
Other	2,604	14,000	418,757	426,979
Rental	18,750	-	-	-
Canada Mortgage and Housing Corporation	54,400	58,933	-	-
Mushkegowuk Council	-	-	-	-
OFNLP	-	-	-	-
Province of Ontario - MCSS	-	-	1,868,620	1,606,107
IBA	-	-	-	-
Equity in income of business enterprises	-	-	-	-
	75,754	72,933	2,853,914	2,520,798
Deferred Revenue - Opening	225,779	405,608	-	-
Deferred Revenue - Closing	(225,779)	(225,779)	-	-
Total revenues	75,754	252,762	2,853,914	2,520,798
EXPENDITURES				
Administration	3,569	13,506	-	8,584
Bad debts	-	-	11,209	-
Insurance	-	-	138,421	-
Interest on long term debt	67,073	69,923	-	-
Materials and supplies	13,478	1,819	-	65,200
Operations and maintenance	23,654	304	132,651	-
Other	-	-	-	-
Professional fees	9,150	17,315	-	18,722
Program delivery	4,000	-	26,850	1,618
Social assistance	-	-	2,143,890	1,995,182
Subcontracts	336,567	103,557	-	-
Travel	-	-	34,288	24,612
Wages and employee benefits	73,882	78,230	422,721	382,108
	531,373	284,654	2,910,030	2,496,026
Capital Adjustments:				
Amortization	206,038	95,260	8,608	7,927
Investment in tangible capital assets	(448,227)	-	(26,414)	-
Total Expenditures (recoveries)	289,184	379,914	2,892,224	2,503,953
Surplus (Deficit) before transfers	(213,430)	(127,152)	(38,310)	16,845
Transfers between programs	-	80,923	-	-
Surplus (deficit) for year	\$ (213,430)	\$ (208,075)	\$ (38,310)	\$ 16,845

SCHEDULE B

FORT ALBANY FIRST NATION

CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION

YEAR ENDED MARCH 31, 2014

	Technical Services		Total	
	2014	2013	2014	2013
REVENUES				
Aboriginal Affairs and Northern Development Canada	\$ 846,855	\$ 855,886	\$ 8,517,736	\$ 8,792,048
Nishnawbe Aski Nation	-	-	135,520	135,520
Health Canada	-	-	2,090,057	2,009,925
Health Canada Recoveries	-	-	(19,416)	-
Payukotayno Child and Family Services	-	-	103,898	103,898
Other	1,677,916	1,924,430	3,419,310	3,975,964
Rental	20,136	5,564	350,953	233,856
Canada Mortgage and Housing Corporation	-	-	251,204	237,382
Mushkegowuk Council	69,624	-	454,067	190,681
OFNLP	-	-	1,241,521	1,249,330
Province of Ontario - MCSS	-	-	2,136,591	1,858,778
IBA	-	-	544,200	2,375,374
Equity in income of business enterprises	-	-	310,181	146,520
	2,614,531	2,785,880	19,535,822	21,309,276
Deferred Revenue - Opening	-	55,000	336,415	494,580
Deferred Revenue - Closing	-	-	(328,649)	(336,415)
Total revenues	2,614,531	2,840,880	19,543,588	21,467,441
EXPENDITURES				
Administration	502,887	269,590	777,672	931,582
Bad debts	12,595	(57,521)	218,767	13,656
Insurance	166,627	91,657	586,123	310,191
Interest on long term debt	-	-	151,491	167,863
Materials and supplies	155,826	94,821	1,011,782	610,166
Operations and maintenance	276,810	265,401	1,694,114	1,550,662
Other	150,000	88,398	162,870	90,053
Professional fees	-	-	483,184	1,419,564
Program delivery	61,380	40,170	2,099,904	1,149,655
Social assistance	-	-	2,143,890	1,995,182
Subcontracts	1,245,723	1,323,756	2,215,520	3,462,329
Travel	15,464	5,908	816,607	726,224
Wages and employee benefits	542,093	500,551	6,713,646	6,687,972
	3,129,405	2,622,731	19,075,570	19,115,099
Capital Adjustments:				
Amortization	703,682	729,381	2,124,478	2,073,965
Investment in tangible capital assets	(10,595)	-	(930,357)	(333,371)
Total Expenditures (recoveries)	3,822,492	3,352,112	20,269,691	20,855,693
Surplus (Deficit) before transfers	(1,207,961)	(511,232)	(726,103)	611,748
Transfers between programs	568,404	215,677	-	-
Surplus (deficit) for year	\$ (1,776,365)	\$ (726,909)	\$ (726,103)	\$ 611,748