

Naotkamegwanning First Nation
Consolidated Financial Statements
For the year ended March 31, 2023

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Management's Responsibility for Financial Reporting

To the Members Naotkamegwaning First Nation

The accompanying consolidated financial statements of Naotkamegwaning First Nation are the responsibility of the First Nation's management, and have been approved by the Chief and Council of the First Nation.

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 Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

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

The Band Council 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 financial statements and the external auditors' report.

The external auditors, BDO Canada LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Naotkamegwaning First Nation and meet when required.

	Chief
	Councillor
	Councillor
	Councillor
	Councillor



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Independent Auditor's Report

**To Chief and Council
Naotkamegwaning First Nation**

Qualified Opinion

We have audited the consolidated financial statements of the Naotkamegwaning First Nation and its entities (the Group), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statement of operations, consolidated statement of changes in net debt, consolidated statement of remeasurement gains and losses and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2023, and its consolidated results of operations, its consolidated changes in net debt, its consolidated remeasurement gains and losses, and its consolidated cash flows for the year then ended in accordance with Public Sector Accounting Standards.

Basis for Qualified Opinion

Effective April 1, 2022, the Group was required to adopt PS 3280 Asset Retirement Obligations which requires the recognition of legal obligations associated with the retirement of tangible capital assets by public sector entities. Under the modified retroactive application method, the asset retirement obligation on transition is to be recorded using assumptions as of April 1, 2022. The corresponding asset retirement cost is added to the carrying value of the related tangible capital assets adjusted for amortization since the time the legal obligation was incurred. The net adjustment is charged to accumulated surplus. Comparative figures are to be restated to reflect this change in accounting policy. Management has not completed its assessment of the tangible capital assets for potential asset retirement obligations. As a result, it is not possible to quantify the impact of this departure from Canadian public sector accounting standards on expenses and annual surplus for the years ended March 31, 2023 and 2022, tangible capital assets and the asset retirement obligation as at March 31, 2023 and 2022, and accumulated surplus as at April 1 and March 31 for both the 2023 and 2022 years.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licenced Public Accountants

Kenora, Ontario
January 2, 2024

Naotkamegwaning First Nation

Consolidated Statement of Financial Position

March 31	2023	2022
Financial Assets		
Cash (Note 1)	\$ 19,487,411	\$ 14,317,133
Portfolio investments (Note 2)	1,514,389	1,545,556
Accounts receivable (Note 3)	3,282,399	4,040,098
Investment in government business enterprises (Note 4)	194,822	194,822
	<u>24,479,021</u>	<u>20,097,609</u>
Liabilities		
Accounts payable and accruals (Note 6)	6,599,438	3,637,746
Deferred revenue (Note 7)	11,690,765	10,565,863
Long term debt (Note 8)	7,816,012	9,282,132
	<u>26,106,215</u>	<u>23,485,741</u>
Net Debt	<u>(1,627,194)</u>	<u>(3,388,132)</u>
Non-Financial Assets		
Prepaid expenses	206,703	166,474
Tangible capital assets (Note 9)	37,629,997	35,411,315
	<u>37,836,700</u>	<u>35,577,789</u>
Accumulated Surplus (Note 10)	<u>\$ 36,209,506</u>	<u>\$ 32,189,657</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	\$ 36,203,762	\$ 32,189,657
Accumulated remeasurement gains (losses)	5,744	-
	<u>\$ 36,209,506</u>	<u>\$ 32,189,657</u>

Approved on behalf of the Band Council:

	Chief
	Councillor
	Councillor
	Councillor
	Councillor

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

Naotkamegwaning First Nation Consolidated Statement of Operations

For the year ended March 31	Budget	2023	2022
Revenue			
Indigenous Services Canada	\$ 11,627,733	\$ 22,571,908	\$ 14,881,104
Canada Mortgage and Housing Corporation	407,812	365,738	350,446
Kenora Chiefs Advisory	533,283	635,696	635,203
Ministry of Attorney General	227,853	149,389	103,997
Ministry of Children and Youth Services	167,792	167,959	167,959
Ministry of Children, Community and Social Services	650,900	1,134,656	1,098,534
Ministry of Education	891,563	885,439	773,785
Ministry of Health and Long Term Care	2,676,509	3,176,527	2,523,615
Ontario First Nations Limited Partnership	481,344	750,445	534,458
Province of Ontario - other Ministries	460,421	180,584	365,757
Shooniyaa Wa-Biitong	234,873	315,129	284,384
Anishinaabe Abinoojii Family Services	-	1,195,664	1,207,928
Grand Council Treaty #3	-	692,221	814,033
Income (loss) from investment in government business enterprise	-	-	(144,662)
Per Capita Distributions	-	25,413,120	-
Other (Note 14)	2,065,556	5,368,988	2,459,126
	20,425,639	63,003,463	26,055,667
Expenses			
Band Support Programs	1,983,199	28,045,709	2,338,660
Casino Rama Programs	-	65,296	16,797
Economic Development Programs	2,669,669	2,060,288	3,123,977
Social Services Programs	3,189,460	3,352,299	2,748,209
Infrastructure Programs	930,194	9,262,048	2,397,855
Housing Programs	459,478	885,761	761,692
Health Programs	3,067,781	3,819,233	3,430,546
Education Programs	8,032,353	8,147,835	6,174,845
Child and Family Programs	-	3,350,889	1,561,809
	20,332,134	58,989,358	22,554,390
Annual surplus	93,505	4,014,105	3,501,277
Accumulated surplus, beginning of year	32,189,657	32,189,657	28,688,380
Accumulated surplus, end of year	\$ 32,283,162	\$ 36,203,762	\$ 32,189,657

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

Naotkamegwaning First Nation Consolidated Statement of Changes in Net Debt

For the year ended March 31	Budget	2023	2022
Annual surplus , for the year	\$ 93,505	\$ 4,014,105	\$ 3,501,277
Acquisition of tangible capital assets	-	(4,135,064)	(4,518,422)
Amortization of tangible capital assets	-	1,916,382	1,512,182
Net disposals of tangible capital assets	-	-	6,542
Net change in prepaid expenses	-	(40,229)	(71,127)
	93,505	1,755,194	430,452
Net remeasurement gains (losses)	-	5,744	-
Net change in financial assets	93,505	1,760,938	430,452
Net debt , beginning of year	(3,388,132)	(3,388,132)	(3,818,584)
Net debt , end of year	\$ (3,294,627)	\$ (1,627,194)	\$ (3,388,132)

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

Nautkamegwanning First Nation

Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31	2023	2022
Accumulated remeasurement gains (losses), beginning of year	\$ -	\$ -
Unrealized gains (losses) attributable to:		
Portfolio investments	5,744	-
Amounts reclassified to the statement of operations:		
Portfolio investments	-	-
Accumulated remeasurement gains (losses), end of year	\$ 5,744	\$ -

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

Naotkamegwanning First Nation

Consolidated Statement of Cash Flows

For the year ended March 31

2023

2022

Cash flows from operating activities

Annual surplus	\$ 4,014,105	\$ 3,501,277
Items not involving cash		
Amortization	1,916,382	1,512,182
Net remeasurement gains (losses)	5,744	-
	5,936,231	5,013,459
Changes in non-cash working capital items		
Accounts receivable	757,699	(2,443,449)
Accounts payable	2,961,692	394,804
Deferred revenue	1,124,902	4,478,531
Prepaid expenses	(40,229)	(71,123)
	10,740,295	7,372,222

Cash flows from capital activities

Purchase of tangible capital assets	(4,135,064)	(4,518,422)
Disposal of tangible capital assets	-	6,542
	(4,135,064)	(4,511,880)

Cash flows from financing activities

Net change in long term debt	(2,316,120)	(435,279)
Advances of long term debt	850,000	-

Cash flows from investing activities

Net change in portfolio investments	31,167	338,498
Decrease in investment in government business enterprise	-	144,662
	31,167	483,160

Increase in cash and cash equivalents

	5,170,278	2,908,223
Cash and cash equivalents, beginning of year	14,317,133	11,408,910
Cash and cash equivalents, end of year	\$ 19,487,411	\$ 14,317,133

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

Nootkamegwanning First Nation Summary of Significant Accounting Policies

March 31, 2023

Basis of Accounting These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities as defined in the CPA Canada Public Sector Accounting Handbook.

Reporting Entity The Nootkamegwanning First Nation reporting entity includes the Nootkamegwanning First Nation government and all related entities that are controlled by the First Nation. This includes all aspects of band operations including provision of social, educational, administrative, housing, child and family, economic development and operational services.

Basis of Consolidation All controlled entities are fully consolidated on a line-by-line basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Organizations consolidated in Nootkamegwanning First Nation's consolidated financial statements include:

Nootkamegwanning First Nation
Nootkamegwanning Education Authority
Nootkamegwanning Health and Social Services
Shawendaasowin Child and Family Services

The government business enterprise is a separate legal entity which does not rely on the First Nation for funding. The investment in the government business enterprise is accounted for using the modified equity method. Under this method, the government business enterprise's accounting policies are not adjusted to conform with Public Sector Accounting Standards and inter-entity transactions and balances are not eliminated. The Paagitooon Limited Partnership was the only government business enterprise reflected in the consolidated statements.

Tangible Capital Assets Tangible capital assets are reported on the consolidated statement of financial position at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Amortization is recorded over the estimated useful life of the tangible capital assets commencing once the asset is available for productive use with annual rates as follows:

Buildings	- 40 years straight line
Sewer and water	- 40 years straight line
Housing	- 20 years straight line
Roads and streets	- 10 years straight line
Automotive equipment	- 4 years straight line
Furniture and equipment	- 4 to 10 years straight line

Tangible capital assets are written down when conditions indicate that they no longer contribute to Nootkamegwanning First Nation's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. Any net write-downs are accounted for as expenses in the consolidated statement of operations.

Naotkamegwanning First Nation Summary of Significant Accounting Policies

March 31, 2023

Revenue Recognition	<p>Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.</p> <p>Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.</p> <p>Interest on investments is recognized as it is earned. Gains or losses on the disposal of investments are recognized once the transaction takes place.</p>
Financial Instruments	<p>Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable, accounts payable, and long-term debt are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.</p> <p>Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.</p> <p>When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.</p> <p>All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.</p> <p>Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.</p>
Use of Estimates	<p>The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from management's best estimates as additional information becomes available in the future.</p>
Pension Plan	<p>The First Nation maintains a defined contribution pension plan for its personnel. Expenses for this plan are equal to the First Nation's required contribution for the year.</p>

Naotkamegwanning First Nation

Notes to Consolidated Financial Statements

March 31, 2023

1. Cash

	<u>2023</u>	<u>2022</u>
General Band operations	\$ 9,419,562	\$ 5,068,617
Education Authority operations	7,361,137	6,434,245
Health and Social Services operations	104,478	500,337
Child and Family Services operations	2,602,234	2,313,934
	<u>\$ 19,487,411</u>	<u>\$ 14,317,133</u>

Included in General Band cash is a replacement reserve fund bank account of \$340,185 (2022 - \$340,185) which is restricted under an agreement with Canada Mortgage and Housing Corporation (CMHC). The replacement reserve fund, along with the interest is to be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation. The funds in the accounts may only be drawn for authorized major housing renovations and repairs.

2. Portfolio Investments

	<u>2023</u>	<u>2022</u>
At fair value:		
RBC Dominion Securities - balanced portfolio (book value \$1,508,645)	<u>\$ 1,514,389</u>	<u>\$ 1,545,556</u>

The following provides an analysis of financial instruments that are measured at fair value, using a fair value hierarchy of levels 1, 2 and 3. The levels reflect the significance of the inputs used in making the fair value measurements, as described below:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The RBC Dominion Securities are considered level 1. During the year, there have been no transfers between levels.

3. Accounts Receivable

	<u>2023</u>	<u>2022</u>
Indigenous Services Canada	\$ 1,713,483	\$ 2,619,482
Shooniyaa Wa-Biitong	92,803	352,066
Health Canada	6,753	-
Other	1,469,360	1,068,550
	<u>\$ 3,282,399</u>	<u>\$ 4,040,098</u>

Naotkamegwanning First Nation

Notes to Consolidated Financial Statements

March 31, 2023

4. Investment in Government Business Enterprise, at modified equity

Paagitoon Limited Partnership

The First Nation owns 99.9% of Paagitoon Limited Partnership, which carries on the business of janitorial services. The following table represents condensed financial information for the commercial enterprise:

Percentage ownership	Paagitoon LP 99.9%	
Carrying value, March 31, 2021	\$	339,484
Share of net income (loss)		(144,662)
Carrying value, March 31, 2022		194,822
Share of net income (loss)		-
Carrying value, March 31, 2023	\$	194,822

	2023	2022
Financial position		
Current assets	\$ 290,334	\$ 290,334
Non-current assets	66,557	66,557
Total Assets	\$ 356,891	\$ 356,891
Current liabilities	\$ 122,261	\$ 122,261
Non-current liabilities	140,143	140,143
Total Liabilities	262,404	262,404
Contributions	-	-
Net Assets, end of year	77,640	77,640
	77,640	77,640
	\$ 340,044	\$ 340,044
Results of Operations		
Revenues	\$ -	\$ 886,491
Operating Expenses	-	1,031,298
Net income	-	(144,807)
Contributions (distributions)	-	-
Net assets, beginning of year	77,640	222,447
Net assets, end of year	\$ 77,640	\$ 77,640

Paagitoon LP did not operate in the year ending March 31, 2023.

Naotkamegwaning First Nation

Notes to Consolidated Financial Statements

March 31, 2023

5. Bank Overdraft

The First Nation has approved overdraft credit with the Royal Bank of Canada as follows:

General Band operations: \$200,000 overdraft
 Education Authority operations: \$100,000 overdraft
 Health and Social Services operations: \$15,000 overdraft
 Fisheries account: \$30,000 overdraft

All overdraft credit lines bear interest at prime plus 3.25%. At March 31, 2023, none of the overdraft were being utilized.

The First Nation also has approved credit facilities with the Royal Bank of Canada as follows:

\$3,000,000 non-revolving term facility for the construction of the new community centre. At year-end, \$2,608,038 of this facility is being utilized at an interest rate of 8.45%.

\$1,240,000 multi-draw term loan with term take-out for the purchase of CP Lands. At year-end, \$227,956 of this facility is being utilized at an interest rate of 8.95%.

These credit facilities are secured by OFNLP funding payable directly to the Bank up to \$373,104 per annum.

6. Accounts Payable

	2023	2022
Accounts payable	\$ 3,355,528	\$ 1,089,384
Payroll accruals	803,160	489,109
Government contributions repayable	2,440,750	1,803,053
Advances from CMHC	-	256,200
	<u>\$ 6,599,438</u>	<u>\$ 3,637,746</u>

7. Deferred Revenue

	Opening Balance	Funding Received	Revenue Recognized	Closing Balance 2023	Closing Balance 2022
Indigenous Services Canada	\$ 10,279,388	\$ 23,228,844	\$ (22,562,784)	\$ 10,945,448	\$ 10,279,388
Shooniyaa Wa-Biitong	182,554	132,576	(315,130)	-	182,554
Anishinaabe Abinoojii					
Family Services	10,587	1,489,475	(1,500,062)	-	10,587
Other	93,334	1,405,984	(754,001)	745,317	93,334
	<u>\$ 10,565,863</u>	<u>\$ 26,256,879</u>	<u>\$ (25,131,977)</u>	<u>\$ 11,690,765</u>	<u>\$ 10,565,863</u>

Naotkamegwaning First Nation

Notes to Consolidated Financial Statements

March 31, 2023

8. Long Term Debt

	2023	2022
Canada Mortgage and Housing Corporation mortgage loan 22-288-898-001, 9 unit, repayable \$3,101 monthly including interest at 3.45%, maturing February 1, 2032	\$ 285,593	\$ 314,100
Canada Mortgage and Housing Corporation mortgage loan 22-288-898-002, 12 unit, repayable \$3,953 monthly including interest at 2.22%, maturing October 1, 2033	447,249	484,356
Canada Mortgage and Housing Corporation mortgage loan 22-288-898-003, 10 unit, repayable \$4,483 monthly including interest at 1.89%, maturing January 1, 2034	526,777	570,209
Canada Mortgage and Housing Corporation mortgage loan 22-288-898-004, 10 unit, repayable \$4,683 monthly including interest at 0.96%, maturing October 1, 2034	615,886	665,919
Canada Mortgage and Housing Corporation mortgage loan 22-288-898-005, 7 Unit, repayable \$2,857 monthly including interest at 1.13%, maturing May 1, 2026	106,603	139,485
Canada Mortgage and Housing Corporation mortgage loan 22-288-898-008, 8 Unit, repayable \$9,475 monthly including interest at 2.06%, maturing January 1, 2035	1,193,559	1,281,786
Canada Mortgage and Housing Corporation mortgage loan 22-288-898-009, 4 Unit, repayable \$5,900 monthly including interest at 3.24%, maturing January 1, 2038	832,582	-
Promissory notes payable to Minister of Indigenous and Northern Affairs Canada, interest free unless in default, repayable the earlier of March 31, 2023 or the date on which Flooding claim is settled	-	1,752,836
Royal Bank of Canada loan 72147184-057, repayable \$8,513 monthly, including interest at 2.85%, maturing January 2, 2024	874,883	950,858
Royal Bank of Canada, repayable \$732 monthly plus interest at 4.17%, matured May 3, 2022	-	1,441
Royal Bank of Canada loan 72147184-054, repayable \$3,048 monthly including interest at 4.20%, maturing March 31, 2024	227,956	248,198
Royal Bank of Canada loan 72147184-058, repayable \$26,343 monthly including interest at 3.70%, maturing January 31, 2024	2,608,038	2,763,574
Royal Bank of Canada loan 72147184-056, repayable \$1,042 monthly plus interest at 3.68%, maturing December 21, 2023	96,886	109,370
	\$ 7,816,012	\$ 9,282,132

Principal payments due in the next five years are as follows:

2024	\$ 4,500,581
2025	733,384
2026	719,064
2027	180,918
2028	1,041,946
Thereafter	640,119
Total	\$ 7,816,012

The CMHC mortgage loans are secured by a Ministerial guarantee.

Nootkamegwanning First Nation
Notes to Consolidated Financial Statements

March 31, 2023

9. Tangible Capital Assets

	Cost			Accumulated Amortization			2023
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Disposals and Amortization Writedowns	Net Book Value
Land	\$ 774,548	\$ -	\$ -	\$ 774,548	\$ -	\$ -	\$ 774,548
Buildings	20,143,974	842,318	-	20,986,292	7,646,636	497,719	12,841,937
Sewer and water	20,186,526	107,478	-	20,294,004	4,865,363	488,512	14,940,129
Housing	29,299,270	1,802,600	-	31,101,870	23,429,693	516,516	7,155,661
Roads and streets	2,028,416	-	-	2,028,416	1,977,057	6,039	45,320
Automotive equipment	2,722,929	939,154	-	3,662,083	2,174,893	318,547	1,168,643
Furniture and equipment	542,398	443,514	-	985,912	193,104	89,049	703,759
	\$ 75,698,061	\$ 4,135,064	\$ -	\$ 79,833,125	\$ 40,286,746	\$ 1,916,382	\$ 37,629,997

The net book value of tangible capital assets not being amortized because they are under construction is \$686,269 (2022 - \$793,177).

	Cost			Accumulated Amortization			2022
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Disposals and Amortization Writedowns	Net Book Value
Land	\$ 585,964	\$ 188,584	\$ -	\$ 774,548	\$ -	\$ -	\$ 774,548
Buildings	19,988,125	155,849	-	20,143,974	7,203,491	443,145	12,497,338
Sewer and water	17,270,387	2,916,139	-	20,186,526	4,471,713	393,650	15,321,163
Housing	28,281,028	1,018,242	-	29,299,270	22,938,959	490,734	5,869,577
Roads and streets	2,085,643	(57,227)	-	2,028,416	1,971,018	6,039	51,359
Automotive equipment	2,670,189	98,530	45,790	2,722,929	2,095,931	118,210	548,036
Furniture and equipment	376,587	198,305	32,494	542,398	165,194	60,404	349,294
	\$ 71,257,923	\$ 4,518,422	\$ 78,284	\$ 75,698,061	\$ 38,846,306	\$ 1,512,182	\$ 35,411,315

Naotkamegwaning First Nation Notes to Consolidated Financial Statements

March 31, 2023

10. Accumulated Surplus

Naotkamegwaning First Nation segregates its accumulated surplus into the following categories:

	2023	2022
Current funds	\$ 5,366,265	\$ 3,263,884
Investment in capital assets	30,041,941	28,130,217
Accumulated remeasurement gains (losses)	5,744	-
Replacement reserve	795,556	795,556
	\$ 36,209,506	\$ 32,189,657

11. Funds Held in Trust - Ottawa Trust Funds

	2023	2022
Revenue Account		
Balance, April 1	\$ 17,154	\$ 16,154
Interest and other income earned	1,000	1,000
	18,154	17,154
Capital Account	24,918	24,918
	\$ 43,072	\$ 42,072
Fund Balances		
Revenue Fund	\$ 18,154	\$ 16,154
Capital Fund	24,918	24,918
	\$ 43,072	\$ 41,072

The trust accounts 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. These funds are restricted for their use, of which the Band is generally permitted to use for a purpose that will promote the general progress and welfare of the Band and Band members. The management of these funds is primarily governed by the sections of the Indian Act.

Trust funds administered by Indigenous Services Canada for the benefit of the First Nation have not been included in the statement of financial position nor have the operations been included in the statement of financial activities.

Nautkamegwanning First Nation Notes to Consolidated Financial Statements

March 31, 2023

12. Government Transfers

	2023			2022		
	Operating	Capital	Total	Operating	Capital	Total
Federal						
ISC	\$ 22,571,908	\$ -	\$ 22,571,908	\$ 13,893,602	\$ 987,502	\$ 14,881,104
CMHC	365,738	-	365,738	350,446	-	350,446
Subtotal	22,937,646	-	22,937,646	14,244,048	987,502	15,231,550
Provincial	5,694,554	-	5,694,554	5,033,647	-	5,033,647
Total	\$ 28,632,200	\$ -	\$ 28,632,200	\$ 19,277,695	\$ 987,502	\$ 20,265,197

13. Budget

The budget approved by Chief and Council was not prepared on a basis consistent with that used to report actual financial statement results (Public Sector Accounting Standards). The budgets were prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budgets expensed all capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statement of operations and changes in net debt represent the budgets adopted by Council with adjustments as follows. As well, the budget approved by Chief and Council was not prepared on a consolidated basis and does not include all of the activities of the First Nation. As a result, budget figures are only presented on where available.

Budgeted shortfall	\$ (384,723)
Add:	
Capital expenditures	-
Budgeted payments of long term debt	478,228
Budgeted surplus per statement of operations	\$ 93,505

14. Other income

	2023	2022
Rent revenue	\$ 172,975	\$ 178,330
Cafe revenue	-	94,603
Mining revenue	1,644,310	1,296,974
Tuition revenue	341,929	262,096
ISC flood claim loan proceeds upon settlement	1,752,836	-
Other	1,456,938	627,123
	<u>\$ 5,368,988</u>	<u>\$ 2,459,126</u>

Naotkamegwanning First Nation Notes to Consolidated Financial Statements

March 31, 2023

15. Defined Contribution Pension Plan

Naotkamegwanning First Nation provides a defined contribution plan for eligible employees. The plan is funded equally by the First Nation and the First Nation employees at rates of 6% of the employee's salary. The funds are invested in segregated funds as directed by the First Nations' individual employees' investment directives.

The expense for the First Nation's pension plan for the year was as follows:

	2023	2022
Band employees	\$ 90,144	\$ 108,445
Education Authority employees	149,337	140,437
Health and Social Services employees	39,591	42,815
Child and Family Services employees	68,154	37,599
	\$ 347,226	\$ 329,296

16. Flood Claim Settlement

During the year, The First Nation finalized negotiations with the Government of Canada and Province of Ontario regarding flooding claims. In July 2022, the First Nation approved Canada's and Ontario's offer for compensation for settlement of the Flood Claim. The settlement was ratified and the settlement agreement was executed with Ontario and Canada that addresses matters including but not limited to assessment, releases, return of island and addition to reserve lands. The combined settlement amount was \$88.4 million which was paid in its entirety to the Naotkamegwanning Community Trust. During the year \$25.4 million was utilized to settle legal fees and for per capita distributions, as outlined in the trust agreement.

17. Contractual Rights

The First Nation has an ongoing Impact Benefit Agreement with New Gold Inc. in which the First Nation receives metal production payments based on actual production with a minimum of \$125,000 per year, royalty payments based on New Gold Inc.'s share price with a minimum of \$125,000 annually and an annual education payment of \$50,000, until all metal production at the Rainy River Project ceases.

Naotkamegwanning First Nation Notes to Consolidated Financial Statements

March 31, 2023

18. Financial Instrument Risk Management

The First Nation is exposed to credit risk, liquidity risk, interest rate risk and other price risk from its financial instruments. This note describes the First Nation's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The is exposed to credit risk through its cash and accounts receivable.

Trade, grant and other receivables

As at March 31	2023			2022		
	Accounts receivable	Less: Impairment Allowance	Total	Accounts receivable	Less: Impairment Allowance	Total
Current	\$ 3,235,364	\$ (179,810)	\$ 3,055,554	\$ 3,917,312	\$ (180,145)	\$ 3,737,167
31 to 90 days	-	-	-	-	-	-
Over 90 days	218,828	-	218,828	-	302,931	302,931
Total	\$ 3,454,192	\$ (179,810)	\$ 3,274,382	\$ 3,917,312	\$ 122,786	\$ 4,040,098

Liquidity Risk

Liquidity risk is the risk that the First Nation will encounter difficulty in meeting obligations associated with financial liabilities. The First Nation is exposed to liquidity risk through its accounts payable and long-term debt. The First Nation manages its liquidity risk by monitoring cash activities and expected outflows through budgeting. The First Nation measures its exposure to liquidity risk based on its cash flow activities against budget throughout the year.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The First Nation is mainly exposed to interest rate risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The First Nation is exposed to interest rate risk through its long-term debt.

The First Nation manages its interest rate risk by utilizing fixed-rate long term debt and term deposits in order to limit the exposure to fluctuations in interest rates. Any changes in interest rates would not impact the annual surplus.

Naotkamegwanning First Nation Notes to Consolidated Financial Statements

March 31, 2023

18. Financial Instrument Risk Management (cont'd)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The First Nation is exposed to other price risk through its short term investment balances. The First Nation manages this risk by utilizing a designated investment manager.

A 5% increase in the market value of equities would increase the First Nation's remeasurement gains (losses) by \$75,720. A 5% decrease in the market value of equities would decrease the First Nation's remeasurement gains (losses) by \$75,720. This sensitivity analysis was prepared on the basis that the equity portfolio is perfectly aligned to the markets.

19. Segmented Information

Naotkamegwanning First Nation is a diversified local government that provides a wide range of services to its citizens and members, including band support, Ontario First Nations (2008) Limited Partnership (OFNLP), economic development, education, child and family services, social services (including emergency operations, day care, social development, prevention services and native justice), health services (including community services, health care centre), infrastructure (including capital, arena, and community centre). and housing (including housing maintenance and renovations).

For each reported segment, revenues and expenses 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. Operations and maintenance fee allocations have been made to each building based on a percentage of overall maintenance costs. Administrative fees, based on a percentage of revenues, have been allocated to programs where permitted by the funder.

Naotkamegwanning First Nation Segmented Disclosure

For the year ended March 31, 2023

	Band Support	OFNLP	Economic Development	Social Services	Infrastructure	Housing	Health	Education	Child & Family Services	Total
Revenue										
Government Transfers	\$ 4,119,131	\$ 761,353	\$ 3,028,999	\$ 3,452,795	\$ 7,401,720	\$ 365,738	\$ 3,412,008	\$ 8,263,121	\$ 3,381,116	\$ 34,185,981
Commercial activities	-	-	1,766,324	-	17,035	124,700	-	-	-	1,908,059
Income from Government										
Other	26,158,799	-	-	10,824	-	-	46,508	693,292	-	26,909,423
	30,277,930	761,353	4,795,323	3,463,619	7,418,755	490,438	3,458,516	8,956,413	3,381,116	63,003,463
Expenses										
Amortization	119,457	-	-	154,100	838,325	520,096	40,896	116,737	151,178	1,940,789
Other expenses	760,951	65,296	5,396	507,222	400,538	185,688	-	-	33,969	1,959,060
Office, equipment, supplies and program expenses	25,304,402	-	1,379,941	77,774	340,823	45,757	-	1,980,772	1,389,170	30,518,639
Professional	598,704	-	254,925	187,324	6,917,480	-	1,146,550	656,798	124,721	9,886,502
Travel, training and meetings	221,069	-	31,487	58,922	52,136	-	338,010	1,012,815	306,057	2,020,496
Utilities, fuel and maintenance	153,009	-	23,249	105,349	257,514	117,236	113,492	227,698	89,446	1,086,993
Wages, benefits and honoraria	888,117	-	365,290	2,261,608	455,232	16,984	2,180,285	4,153,015	1,256,348	11,576,879
	28,045,709	65,296	2,060,288	3,352,299	9,262,048	885,761	3,819,233	8,147,835	3,350,889	58,989,358
Excess of revenue (expenses)	\$ 2,232,221	\$ 696,057	\$ 2,735,035	\$ 111,320	\$ (1,843,293)	\$ (395,323)	\$ (360,717)	\$ 808,578	\$ 30,227	\$ 4,014,105

Naotkamegwanning First Nation Segmented Disclosure

For the year ended March 31, 2022

	Band Support	Casino Rama	Economic Development	Social Services	Infrastructure	Housing	Health	Education	Child & Family Services	Total
Revenue										
Government Transfers	\$ 2,659,908	\$ 534,458	\$ 1,849,155	\$ 3,075,928	\$ 3,371,217	\$ 346,409	\$ 3,784,866	\$ 6,507,453	\$ 1,622,536	\$ 23,751,930
Commercial activities	-	-	1,608,158	-	25,867	45,900	-	-	-	1,679,925
Other	220,969	-	-	-	3,097	-	28,233	371,513	-	623,812
	<u>2,880,877</u>	<u>534,458</u>	<u>3,457,313</u>	<u>3,075,928</u>	<u>3,400,181</u>	<u>392,309</u>	<u>3,813,099</u>	<u>6,878,966</u>	<u>1,622,536</u>	<u>26,055,667</u>
Expenses										
Amortization	10,259	-	3,385	82,250	741,651	454,563	38,012	72,781	109,281	1,512,182
Other expenses	374,624	16,797	17,997	166,979	265,714	182,687	-	-	14,125	1,038,923
Office, equipment, supplies and program expenses	424,760	-	1,784,904	397,926	128,553	-	-	1,112,653	288,502	4,137,298
Professional	210,966	-	253,033	19,340	217,646	7,973	1,061,565	340,428	57,136	2,168,087
Travel, training and meetings	64,074	-	137,289	67,094	58,006	-	284,524	699,328	128,807	1,439,122
Utilities, fuel and maintenance	121,565	-	70,734	156,798	252,383	116,242	97,570	184,826	62,805	1,062,923
Wages, benefits and honoraria	1,132,412	-	856,635	1,857,822	733,902	227	1,948,875	3,764,829	901,153	11,195,855
	<u>2,338,660</u>	<u>16,797</u>	<u>3,123,977</u>	<u>2,748,209</u>	<u>2,397,855</u>	<u>761,692</u>	<u>3,430,546</u>	<u>6,174,845</u>	<u>1,561,809</u>	<u>22,554,390</u>
Excess of revenue (expenses)	<u>\$ 542,217</u>	<u>\$ 517,661</u>	<u>\$ 333,336</u>	<u>\$ 327,719</u>	<u>\$ 1,002,326</u>	<u>\$ (369,383)</u>	<u>\$ 382,553</u>	<u>\$ 704,121</u>	<u>\$ 60,727</u>	<u>\$ 3,501,277</u>