

**Naotkamegwanning First Nation
Consolidated Financial Statements
For the year ended March 31, 2024**

Contents

Management's Responsibility for Financial Reporting	2
Independent Auditor's Report	3
Financial Statements	
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations	6
Consolidated Statement of Changes in Net Debt	7
Consolidated Statement of Remeasurement Gains and Losses	9
Consolidated Statement of Cash Flows	9
Summary of Significant Accounting Policies	10
Notes to Consolidated Financial Statements	14
Segmented Disclosure	24

Management's Responsibility for Financial Reporting

To the Members Naotkamegwanning First Nation

The accompanying consolidated financial statements of Naotkamegwanning 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, MNP 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 Naotkamegwanning First Nation and meet when required.

Chief

Councillor

Councillor

Councillor

To the Chief and Council of Naotkamegwanning First Nation:

Opinion

Basis for Opinion

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 Entity 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 opinion.

Other Matter

The consolidated financial statement for the year ended March 31, 2023 were audited by another auditor who expressed an modified opinion on those statements on January 2, 2024.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for private enterprises, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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.

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.

MNP LLP

Chartered Professional Accountants

Fort Frances, Ontario

August 14, 2025

Licensed Public Accountants

**Naotkamegwanning First Nation
Consolidated Statement of Financial Position**

March 31	2024	2023
Financial Assets		
Cash (Note 1)	\$ 33,073,424	\$ 19,487,411
Portfolio investments (Note 2)	1,760,061	1,514,389
Accounts receivable (Note 3)	5,469,043	3,282,399
Investment in government business enterprises (Note 4)	194,822	194,822
	<hr/>	<hr/>
	40,497,350	24,479,021
Liabilities		
Accounts payable and accruals (Note 6)	6,437,145	6,599,438
Deferred revenue (Note 7)	26,333,213	11,690,765
Long term debt (Note 8)	7,233,667	7,816,012
	<hr/>	<hr/>
	40,004,025	26,106,215
Net Asset (Debt)	<hr/>	<hr/>
	493,325	(1,627,194)
Non-Financial Assets		
Prepaid expenses	74,434	206,703
Tangible capital assets (Note 9)	46,462,165	37,629,997
	<hr/>	<hr/>
	46,536,599	37,836,700
Accumulated Surplus (Note 10)	<hr/>	<hr/>
	\$ 47,029,924	\$ 36,209,506
Accumulated surplus is comprised of:		
Accumulated operating surplus	\$ 46,797,881	\$ 36,203,762
Accumulated remeasurement gains (losses)	232,043	5,744
	<hr/>	<hr/>
	\$ 47,029,924	\$ 36,209,506

Approved on behalf of the Band Council:

Chief

Councillor

Councillor

Councillor

Naotkamegwanning First Nation Consolidated Statement of Operations

For the year ended March 31	Budget	2024	2023
Revenue			
Indigenous Services Canada	\$ 22,363,867	\$ 19,677,270	\$ 22,571,908
Canada Mortgage and Housing Corporation	479,437	9,191,914	365,738
Kenora Chiefs Advisory	526,447	668,381	635,696
Ministry of Attorney General	175,653	110,864	149,389
Ministry of Children and Youth Services	91,159	184,796	167,959
Ministry of Children, Community and Social Services	507,322	1,002,453	1,134,656
Ministry of Education	857,857	824,619	885,439
Ministry of Health and Long Term Care	2,918,255	3,060,784	3,176,527
Ontario First Nations Limited Partnership	-	1,336,513	750,445
Province of Ontario - other Ministries	2,857,646	1,179,999	180,584
Shooniyaa Wa-Biitong	132,576	163,057	315,129
Anishinaabe Abinoojii Family Services	-	1,155,849	1,195,664
Grand Council Treaty #3	-	1,431,876	692,221
Income (loss) from investment in government business enterprise	-	-	-
Per Capita Distributions	-	875,688	25,413,120
Other (Note 14)	12,224,274	2,372,670	5,368,988
	43,134,493	43,236,733	63,003,463
Expenses			
Band Support Programs	2,427,047	3,504,154	28,045,709
Casino Rama Programs	-	282,542	65,296
Economic Development Programs	362,610	1,841,700	2,060,288
Social Services Programs	3,595,147	3,812,576	3,352,299
Infrastructure Programs	342,190	2,739,962	9,262,048
Housing Programs	754,613	952,520	885,761
Health Programs	3,469,482	3,813,750	3,819,233
Education Programs	8,269,633	8,409,405	8,147,835
Child and Family Programs	-	7,286,005	3,350,889
	19,220,722	32,642,614	58,989,358
Annual surplus	23,913,771	10,594,119	4,014,105
Accumulated surplus, beginning of year	36,203,762	36,203,762	32,189,657
Accumulated surplus, end of year	\$ 60,117,533	\$ 46,797,881	\$ 36,203,762

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

**Naotkamegwanning First Nation
Consolidated Statement of Changes in Net Debt**

For the year ended March 31	Budget	2024	2023
Annual surplus , for the year	\$ 23,913,771	\$ 10,594,119	\$ 4,014,105
Acquisition of tangible capital assets	-	(11,244,913)	(4,135,064)
Amortization of tangible capital assets	-	2,332,403	1,916,382
Net disposals of tangible capital assets	-	80,342	-
Net change in prepaid expenses	-	132,269	(40,229)
 Net remeasurement gains (losses)	 23,913,771	 1,894,220	 1,755,194
 Net change in financial assets	 23,913,771	 2,120,519	 1,760,938
 Net debt , beginning of year	 (1,627,194)	 (1,627,194)	 (3,388,132)
 Net debt , end of year	 \$ 22,286,577	 \$ 493,325	 \$ (1,627,194)

Naotkamegwanning First Nation
Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31	2024	2023
Accumulated remeasurement gains (losses), beginning of year	\$ 5,744	\$ -
Unrealized gains (losses) attributable to:		
Portfolio investments	226,299	5,744
Amounts reclassified to the statement of operations:		
Portfolio investments	-	-
Accumulated remeasurement gains (losses), end of year	\$ 232,043	\$ 5,744

**Naotkamegwanning First Nation
Consolidated Statement of Cash Flows**

For the year ended March 31	2024	2023
Cash flows from operating activities		
Annual surplus	\$ 10,594,119	\$ 4,014,105
Items not involving cash		
Amortization	2,332,403	1,916,382
Net remeasurement gains (losses)	226,299	5,744
	13,152,821	5,936,231
Changes in non-cash working capital items		
Accounts receivable	(2,186,644)	757,699
Accounts payable	(162,293)	2,961,692
Deferred revenue	14,642,448	1,124,902
Prepaid expenses	132,269	(40,229)
	25,578,601	10,740,295
Cash flows from capital activities		
Purchase of tangible capital assets	(11,244,913)	(4,135,064)
Disposal of tangible capital assets	80,342	-
	(11,164,571)	(4,135,064)
Cash flows from financing activities		
Net change in long term debt	(1,432,345)	(2,316,120)
Advances of long term debt	850,000	850,000
	(582,345)	(1,466,120)
Cash flows from investing activities		
Net change in portfolio investments	(245,672)	31,167
Increase in cash and cash equivalents		
	13,586,013	5,170,278
Cash and cash equivalents , beginning of year	19,487,411	14,317,133
Cash and cash equivalents , end of year	\$ 33,073,424	\$ 19,487,411

Naotkamegwanning First Nation Summary of Significant Accounting Policies

March 31, 2024

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 Naotkamegwanning First Nation reporting entity includes the Naotkamegwanning 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 Naotkamegwanning First Nation's consolidated financial statements include: Naotkamegwanning First Nation Naotkamegwanning Education Authority Naotkamegwanning 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 Paagitoon 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: <table style="width: 100%;"><tbody><tr><td style="width: 50%;">Buildings</td><td style="width: 50%;">- 40 years straight line</td></tr><tr><td>Sewer and water</td><td>- 40 years straight line</td></tr><tr><td>Housing</td><td>- 20 years straight line</td></tr><tr><td>Roads and streets</td><td>- 10 years straight line</td></tr><tr><td>Automotive equipment</td><td>- 4 years straight line</td></tr><tr><td>Furniture and equipment</td><td>- 4 to 10 years straight line</td></tr></tbody></table>	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
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 Naotkamegwanning 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, 2024

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, 2024

1. Cash

	2024	2023
General Band operations	\$ 21,158,161	\$ 9,419,562
Education Authority operations	8,799,397	7,361,137
Health and Social Services operations	108,645	104,478
Child and Family Services operations	<u>3,007,221</u>	<u>2,602,234</u>
	\$ 33,073,424	\$ 19,487,411

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

	2024	2023
At fair value:		
RBC Dominion Securities - balanced portfolio (book value \$1,516,530)	<u>\$ 1,760,061</u>	<u>\$ 1,514,389</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

	2024	2023
Indigenous Services Canada	\$ 2,172,306	\$ 1,713,483
Shooniyaa Wa-Biitong	523,425	92,803
Health Canada	6,753	6,753
Other	<u>2,766,559</u>	<u>1,469,360</u>
	\$ 5,469,043	\$ 3,282,399

Naotkamegwanning First Nation
Notes to Consolidated Financial Statements

March 31, 2024

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)	<u>(144,662)</u>	
Carrying value, March 31, 2022	194,822	
Share of net income (loss)	<u>-</u>	
Carrying value, March 31, 2023	<u>\$ 194,822</u>	
	2024	2023
Financial position		
Current assets	\$ 290,334	\$ 290,334
Non-current assets	<u>66,557</u>	<u>66,557</u>
Total Assets	<u>\$ 356,891</u>	<u>\$ 356,891</u>
Current liabilities	\$ 122,261	\$ 122,261
Non-current liabilities	<u>140,143</u>	<u>140,143</u>
Total Liabilities	<u>262,404</u>	262,404
Contributions	-	-
Net Assets, end of year	<u>77,640</u>	77,640
	77,640	77,640
	\$ 340,044	\$ 340,044
Results of Operations		
Revenues	\$ -	\$ 886,491
Operating Expenses	-	<u>1,031,298</u>
Net income	-	(144,807)
Contributions (distributions)	-	-
Net assets, beginning of year	<u>77,640</u>	222,447
Net assets, end of year	\$ 77,640	\$ 77,640

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

Naotkamegwanning First Nation Notes to Consolidated Financial Statements

March 31, 2024

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

	2024	2023
Accounts payable	\$ 2,660,138	\$ 3,355,528
Payroll accruals	777,269	803,160
Government contributions repayable	<u>2,999,738</u>	<u>2,440,750</u>
	<u>\$ 6,437,145</u>	<u>\$ 6,599,438</u>

7. Deferred Revenue

	Opening Balance	Funding Received	Revenue Recognized	Closing Balance 2024	Closing Balance 2023
Indigenous Services Canada	\$ 10,945,448	\$ 34,199,983	\$ (21,126,271)	24,019,160	\$ 10,945,448
Shooniyaa Wa-Biitong	-	1,190,198	(163,057)	1,027,141	-
Anishinaabe Abinoojii					
Province of Ontario	-	1,027,606	(7,379)	1,020,227	-
Other	745,317	944,259	(1,422,891)	266,685	745,317
	<u>\$ 11,690,765</u>	<u>\$ 37,362,046</u>	<u>\$ (22,719,598)</u>	<u>\$ 26,333,213</u>	<u>\$ 11,690,765</u>

Naotkamegwanning First Nation Notes to Consolidated Financial Statements

March 31, 2024

8. Long Term Debt

	2024	2023
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	\$ 257,748	\$ 285,593
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	410,257	447,249
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	482,542	526,777
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	565,383	615,886
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	73,352	106,603
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	1,103,558	1,193,559
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	788,115	832,582
Royal Bank of Canada loan 72147184-057, repayable \$8,513 monthly, including interest at 2.85%, maturing January 2, 2025	809,903	874,883
Royal Bank of Canada loan 72147184-054, repayable \$3,048 monthly including interest at 4.20%, maturing March 31, 2025	205,786	227,956
Royal Bank of Canada loan 72147184-058, repayable \$26,343 monthly including interest at 3.70%, maturing January 31, 2024	2,452,661	2,608,038
Royal Bank of Canada loan 72147184-056, repayable \$1,042 monthly plus interest at 3.68%, maturing December 21, 2024	84,362	96,886
	\$ 7,233,667	\$ 7,816,012

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

2025	\$ 636,014
2026	662,395
2027	670,191
2028	698,824
2029	735,618
Thereafter	<u>3,830,625</u>
Total	<u>\$ 7,233,667</u>

The CMHC mortgage loans are secured by a Ministerial guarantee.

Naotkamegwanning First Nation
Notes to Consolidated Financial Statements

March 31, 2024

9. Tangible Capital Assets

	Cost				Accumulated Amortization			2024
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Amortization	Disposals and Writedowns	Closing Balance
Land	\$ 774,548	\$ -	\$ -	\$ 774,548	\$ -	\$ -	\$ -	\$ 774,548
Buildings	20,986,292	-	224,753	20,761,539	8,144,355	447,860	120,136	8,472,079
Sewer and water	20,294,004	156,528	-	20,450,532	5,353,875	490,707	-	5,844,582
Housing	31,101,870	9,983,429	-	41,085,299	23,946,209	563,446	24,275	24,485,380
Roads and streets	2,028,416	-	-	2,028,416	1,983,096	6,039	-	1,989,135
Automotive equipment	3,662,083	1,045,119	-	4,707,202	2,493,440	675,415	-	3,168,855
Furniture and equipment	985,912	59,837	-	1,045,749	282,153	148,936	-	431,089
	\$ 79,833,125	\$ 11,244,913	\$ 224,753	\$ 90,853,285	\$ 42,203,128	\$ 2,332,403	\$ 144,411	\$ 44,391,120
								\$ 46,462,165

The net book value of tangible capital assets not being amortized because they are under construction is \$10,365,984 (2023 - \$686,269).

	Cost				Accumulated Amortization			2023
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Amortization	Disposals and Writedowns	Closing Balance
Land	\$ 774,548	\$ -	\$ -	\$ 774,548	\$ -	\$ -	\$ -	\$ 774,548
Buildings	20,143,974	842,318	-	20,986,292	7,646,636	497,719	-	8,144,355
Sewer and water	20,186,526	107,478	-	20,294,004	4,865,363	488,512	-	5,353,875
Housing	29,299,270	1,802,600	-	31,101,870	23,429,693	516,516	-	23,946,209
Roads and streets	2,028,416	-	-	2,028,416	1,977,057	6,039	-	1,983,096
Automotive equipment	2,722,929	939,154	-	3,662,083	2,174,893	318,547	-	2,493,440
Furniture and equipment	542,398	443,514	-	985,912	193,104	89,049	-	282,153
	\$ 75,698,061	\$ 4,135,064	\$ -	\$ 79,833,125	\$ 40,286,746	\$ 1,916,382	\$ -	\$ 37,629,997

Naotkamegwanning First Nation Notes to Consolidated Financial Statements

March 31, 2024

10. Accumulated Surplus

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

	2024	2023
Current funds	\$ 6,568,041	\$ 5,366,265
Investment in capital assets	39,434,284	30,041,941
Accumulated remeasurement gains (losses)	232,043	5,744
Replacement reserve	795,556	795,556
	\$ 47,029,924	\$ 36,209,506

11. Funds Held in Trust - Ottawa Trust Funds

	2024	2023
Revenue Account		
Balance, April 1	\$ 18,154	\$ 17,154
Interest and other income earned	1,000	1,000
Capital Account		
	19,154	18,154
	24,918	24,918
	\$ 44,072	\$ 43,072
Fund Balances		
Revenue Fund	\$ 19,154	\$ 18,154
Capital Fund	24,918	24,918
	\$ 44,072	\$ 43,072

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.

Naotkamegwanning First Nation

Notes to Consolidated Financial Statements

March 31, 2024

12. Government Transfers

	2024			2023		
	Operating	Capital	Total	Operating	Capital	Total
Federal						
ISC	\$ 19,677,270	\$ -	\$ 19,677,270	\$ 22,571,908	\$ -	\$ 22,571,908
CMHC	418,387	8,773,527	9,191,914	365,738	-	365,738
Subtotal	20,095,657	8,773,527	28,869,184	22,937,646	-	22,937,646
Provincial	7,795,391	-	7,795,391	5,475,346	-	5,475,346
Total	\$ 27,891,048	\$ 8,773,527	\$ 36,664,575	\$ 28,412,992	\$ -	\$ 28,412,992

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 surplus (shortfall)	\$ 23,509,810
Add:	
Capital expenditures	-
Budgeted payments of long term debt	<u>403,961</u>
Budgeted surplus per statement of operations	<u>\$ 23,913,771</u>

14. Other income

	2024	2023
Rent revenue	\$ 165,688	\$ 172,975
Mining revenue	206,626	1,644,310
Tuition revenue	393,113	341,929
ISC flood claim loan proceeds upon settlement	-	1,752,836
Other	<u>1,607,243</u>	<u>1,456,938</u>
	<u>\$ 2,372,670</u>	<u>\$ 5,368,988</u>

Naotkamegwanning First Nation Notes to Consolidated Financial Statements

March 31, 2024

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:

	2024	2023
Band employees	\$ 104,117	\$ 90,144
Education Authority employees	164,704	149,337
Health and Social Services employees	38,166	39,591
Child and Family Services employees	50,130	68,154
	<hr/>	<hr/>
	\$ 357,117	\$ 347,226

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, 2024

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 First Nation is exposed to credit risk through its cash and accounts receivable.

Trade, grant and other receivables

As at March 31	2024			2023		
	Accounts receivable	Less: Impairment Allowance	Total	Accounts receivable	Less: Impairment Allowance	Total
Current	\$ 3,124,137	\$ -	\$ 3,124,137	\$ 3,243,381	\$ (179,810)	\$ 3,063,571
31 to 90 days	-	-	-	-	-	-
Over 90 days	2,344,906	-	2,344,906	218,828	-	218,828
Total	\$ 5,469,043	\$ -	\$ 5,469,043	\$ 3,462,209	\$ (179,810)	\$ 3,282,399

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, 2024

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, 2024

	Band Support	OFNLP	Economic Development	Social Services	Infrastructure	Housing	Health	Education	Child & Family Services	Total
Revenue										
Government Transfers	\$ 1,319,930	\$ 1,099,383	\$ 2,425,636	\$ 3,739,581	\$ 2,199,021	\$ 9,482,657	\$ 3,505,746	\$ 8,298,919	\$ 6,809,813	\$ 38,880,686
Commercial activities	-	-	509,461	-	18,502	37,807	-	-	-	565,770
Income from Government										
Other	2,367,748	-	-	163,206	365,569	-	-	755,930	137,824	3,790,277
	3,687,678	1,099,383	2,935,097	3,902,787	2,583,092	9,520,464	3,505,746	9,054,849	6,947,637	43,236,733
Expenses										
Amortization	132,162	-	-	319,735	845,759	542,753	63,394	164,712	119,554	2,188,069
Other expenses	162,290	282,542	5,094	347,191	166,657	200,379	-	-	998,875	2,163,028
Office, equipment, supplies and program expenses	1,675,888	-	1,237,300	240,552	604,124	71,336	-	1,839,309	3,407,822	9,076,331
Professional	297,370	-	162,782	49,050	119,638	14,974	1,227,299	662,342	20,904	2,554,359
Travel, training and meetings	176,396	-	166,324	170,633	57,736	-	384,076	1,001,761	944,072	2,900,998
Utilities, fuel and maintenance	169,285	-	21,850	124,070	287,212	123,078	98,193	230,602	108,740	1,163,030
Wages, benefits and honoraria	890,763	-	248,350	2,561,345	658,836	-	2,040,788	4,510,679	1,686,038	12,596,799
	3,504,154	282,542	1,841,700	3,812,576	2,739,962	952,520	3,813,750	8,409,405	7,286,005	32,642,614
Excess of revenue (expenses)	\$ 183,524	\$ 816,841	\$ 1,093,397	\$ 90,211	\$ (156,870)	\$ 8,567,944	\$ (308,004)	\$ 645,444	\$ (338,368)	\$ 10,594,119

Naotkamegwanning First Nation Segmented Disclosure

For the year ended March 31, 2023

	Band Support	Casino Rama	Economic Development	Social Services	Infrastructure	Housing	Health	Child & Education 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	\$ 33,185,981
Commercial activities	-	-	1,766,324	-	17,035	124,700	-	-	1,908,059
Other	26,158,799	-	-	10,824	-	-	46,508	693,292	-
	30,277,930	761,353	4,795,323	3,463,619	7,418,755	490,438	3,458,516	8,956,413	33,381,116
									63,003,463
Expenses									
Amortization	119,457	-	-	154,100	838,325	520,096	40,896	116,737	151,178
Other expenses	760,951	65,296	5,396	507,222	400,538	185,688	-	-	33,969
Office, equipment, supplies and program expenses	25,304,402	-	1,379,941	77,774	340,823	45,757	-	1,980,772	1,389,170
Professional	598,704	-	254,925	187,324	6,917,480	-	1,146,550	656,798	124,721
Travel, training and meetings	221,069	-	31,487	58,922	52,136	-	338,010	1,012,815	306,057
Utilities, fuel and maintenance	153,009	-	23,249	105,349	257,514	117,236	113,492	227,698	89,446
Wages, benefits and honoraria	888,117	-	365,290	2,261,608	455,232	16,984	2,180,285	4,153,015	1,256,348
	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