

Financial Statements of

SHEGUIANDAH FIRST NATION

Year ended March 31, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

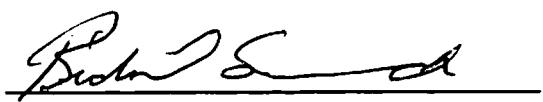
The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

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

The Chief and Council review the First Nation's financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditors' report. The Chief and Council takes this information into consideration when approving the financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.

The financial statements have been audited by KPMG LLP in accordance with Canadian generally accepted auditing standards on behalf of the members.





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INDEPENDENT AUDITORS' REPORT

To the Members of Sheguiandah First Nation

We have audited the accompanying financial statements of **Sheguiandah First Nation** which comprise of the statement of financial position as at March 31, 2014, the statement of operations, changes in net financial assets (net debt) and cash flows for the year then ended, and notes, comprising a 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 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, these financial statements present fairly, in all material respects, the financial position of Sheguiandah First Nation as at March 31, 2014 and its results of operations and its changes in net financial assets (net debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP' above a horizontal line.

Chartered Professional Accountants, Licensed Public Accountants

November 21, 2014
Sudbury, Canada

SHEGUIANDAH FIRST NATION

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SHEGUIANDAH FIRST NATION

Exhibit A - Statement of Financial Position

March 31, 2014, with comparative information for 2013

	2014	2013
Financial assets:		
Cash	\$ 314,201	\$ 380,721
Accounts receivable	422,994	534,077
Note receivable (note 2)	20,090	23,940
Due from Aboriginal Affairs and Northern Development Canada	374,412	378,259
Consolidated Trust Funds (note 3)	36,495	35,594
<u>Investment (note 4)</u>	<u>98,827</u>	<u>99,298</u>
	1,267,019	1,451,889
Financial liabilities:		
Accounts payable and accrued liabilities	927,067	1,065,320
Deferred revenue (note 5)	80,633	-
Long-term debt (note 6)	512,361	569,415
<u>Obligations under capital leases (note 7)</u>	<u>209,097</u>	<u>296,653</u>
	1,729,158	1,931,388
<u>Net financial debt</u>	<u>(462,139)</u>	<u>(479,499)</u>
Non-financial assets:		
Tangible capital assets (note 8)	9,324,049	9,793,931
<u>Prepaid expenses</u>	<u>10,000</u>	<u>12,460</u>
	9,334,049	9,806,391
<u>Accumulated surplus (note 9)</u>	<u>\$ 8,871,910</u>	<u>\$ 9,326,892</u>

See accompanying notes to financial statements

Approved:

Richard S. S.
Jackie Brumman

Georgina Thompson
J. Donaldson

SHEGUIANDAH FIRST NATION

Exhibit B - Statement of Operations

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Revenue:		
Government transfers		
- Provincial	\$ 417,810	\$ 394,311
- Federal	1,441,413	1,643,489
Rental income	163,541	167,344
Other	895,309	1,011,179
	<u>2,918,073</u>	<u>3,216,323</u>
Expenses:		
Band Government	423,212	389,555
Social Assistance	481,249	547,575
Education	593,777	698,539
Community Infrastructure	941,408	914,834
Health Services	450,496	471,620
Recreation	3,139	4,330
Community Property	231,000	216,132
Employment and Economic Development	135,936	113,109
CMHC Social Housing	112,838	94,744
	<u>3,373,055</u>	<u>3,450,438</u>
Deficiency of revenue over expenses	(454,982)	(234,115)
Accumulated surplus, beginning of year	9,326,892	9,561,007
Accumulated surplus, end of year	\$ 8,871,910	\$ 9,326,892

See accompanying notes to financial statements

SHEGUIANDAH FIRST NATION

Exhibit C - Statement of Changes in Net Financial Assets (Net Debt)

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Deficiency of revenue over expenses	\$ (454,982)	\$ (234,115)
Acquisition of tangible capital assets	(109,683)	(352,590)
Amortization of tangible capital assets	579,565	564,514
Disposal of tangible capital assets	-	36,837
	14,900	14,646
Use of prepaid expenses	2,460	1,910
Change in net financial assets	17,360	16,556
Net financial assets (net debt), beginning of year	(479,499)	(496,055)
Net financial assets (net debt), end of year	\$ (462,139)	\$ (479,499)

See accompanying notes to financial statements

SHEGUIANDAH FIRST NATION

Exhibit D - Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (454,982)	\$ (234,115)
Adjustments for:		
Amortization of tangible capital assets	579,565	564,514
Disposal of tangible capital assets	-	36,837
	<u>124,583</u>	<u>367,236</u>
Change in non-cash working capital:		
Decrease (increase) in accounts receivable	111,083	(272,841)
Decrease in note receivable	3,850	4,200
Increase (decrease) in due from Aboriginal Affairs and Northern Development	3,847	(155,197)
Increase (decrease) in accounts payable and accrued liabilities	(138,254)	132,800
Decrease in deferred revenue	80,633	(3,500)
Decrease in prepaid expenses	2,460	1,910
	<u>188,202</u>	<u>74,608</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(57,054)	(64,163)
Long-term debt issued	-	29,419
Payments on obligations under capital leases	(87,555)	(68,620)
	<u>(144,609)</u>	<u>(103,364)</u>
Cash flows from capital activities:		
Purchase of tangible capital assets	(109,683)	(154,282)
Cash flows from investing activities:		
Decrease in investments	471	738
Decrease (increase) in Consolidated Trust Funds	(901)	49,421
	<u>(430)</u>	<u>50,159</u>
Net decrease in cash	(66,520)	(132,879)
Cash, beginning of year	380,721	513,600
Cash, end of year	\$ 314,201	\$ 380,721

See accompanying notes to financial statements

SHEGUIANDAH FIRST NATION

Notes to Financial Statements

Year ended March 31, 2014

Sheguiandah First Nation (the “First Nation”) located on Manitoulin Island administers programs and provides services on behalf of its members.

1. Significant accounting policies:

These financial statements of the First Nation are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

(a) Reporting entity:

The reporting entity includes the activities of all committees of Council under the control of the First Nation.

(b) Revenue recognition:

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue on the statement of financial position.

(c) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(d) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land are amortized on a straight-line basis over their estimated useful lives as follows:

Assets	Useful Life - Years
Infrastructure	20 - 40
Buildings and housing	10 - 50
Vehicles and equipment	5 - 10
Computer equipment	1 - 5

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Notes to Financial Statements

Year ended March 31, 2014

1. Significant accounting policies (continued):

(e) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets and valuation allowances for receivables. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

(f) 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.

Adjustments made under funding arrangements relating to prior years are charged to operations in the year during which the adjustments are made.

(g) Consolidated Trust Funds:

Trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the office of the Auditor General of Canada.

Funds held by the Government of Canada on behalf of the First Nation are included on the statement of financial position.

2. Note receivable:

The note receivable to a band member is non-interest bearing, requires monthly payments of \$350 and matures in 2018.

3. Consolidated Trust Funds:

	Revenue	Capital	Total
Balance, beginning of year	\$ 1,499	34,095	35,594
Interest	901	—	901
Balance, end of year	\$ 2,400	34,095	36,495

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Notes to Financial Statements

Year ended March 31, 2014

4. Investment:

	2014	2013
Investment in U.C.C.M. Building Material Supply Company Ltd.	\$ 98,827	99,298

The investment in U.C.C.M. Building Material Supply Company Ltd. represents a 14.28% ownership interest and is accounted for using the equity method.

5. Deferred revenue:

Aboriginal Affairs And Northern Development Canada	2014	2013
Balance, beginning of year	\$ —	—
Post Secondary	42,408	42,408
Provincial School Transportation	22,239	22,239
Water Systems	15,986	15,986
Balance, end of year	\$ 80,633	80,633

6. Long-term debt:

The details of the long-term debt are as follows:

	2014	2013
Toronto Dominion Bank mortgage, payable \$2,452 monthly including principal and interest, bearing interest at 3.71% per annum, due March 1, 2015	\$ 28,706	56,545
Canada Mortgage and Housing Corporation mortgage, payable \$1,275 monthly including principal and interest, bearing interest at 1.64 % per annum, due February 2032	237,391	248,705
Canada Mortgage and Housing Corporation mortgage, payable \$1,591 monthly including principal and interest, bearing interest at 4.55% per annum, due June 2032	230,745	241,499
Ally Credit Canada loan, payable \$648 monthly including principal and interest, bearing interest at 5.47% per annum, due March 2016	15,519	22,666
	<hr/> \$ 512,361	<hr/> 569,415

SHEGUIANDAH FIRST NATION

Notes to Financial Statements

Year ended March 31, 2014

6. Long-term debt (continued):

Principal repayments due within each of the next five years are estimated as follows assuming the maturing debt is negotiated under similar terms and conditions:

2015	\$ 58,702
2016	30,759
2017	23,181
2018	23,564
2019	23,953
2020 and subsequent	352,202

7. Obligations under capital leases:

The First Nation has financed certain equipment by entering into capital leasing arrangements. Capital lease payments are due as follows:

Year ending March 31:

2015	\$ 102,589
2016	83,981
2017	42,451
2018	2,967
Net minimum lease payments	231,988
Less amount representing interest at interest rates from 10.3 to 13.8%	22,891
	\$ 209,097

The capital leases are secured by specified equipment having a carrying value of \$206,667.

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Notes to Financial Statements

Year ended March 31, 2014

8. Tangible capital assets:

Cost	Balance March 31, 2013	Additions	Disposals	Balance at March 31, 2014
Buildings	\$ 3,381,280	\$ 38,985	\$ -	\$ 3,420,265
Vehicles and equipment	936,984	64,119	-	1,001,103
Computers	10,318	6,579	-	16,897
Infrastructure	7,428,714	-	-	7,428,714
Housing	3,391,633	-	-	3,391,633
Total	\$ 15,148,929	\$ 109,683	\$ -	\$ 15,258,612

Accumulated amortization	Balance March 31, 2013	Disposals	Amortization expense	Balance at March 31, 2014
Buildings	\$ 843,753	\$ -	\$ 97,238	\$ 940,991
Vehicles and equipment	300,506	-	116,436	416,942
Computers	3,224	-	2,656	5,880
Infrastructure	3,329,277	-	278,444	3,607,721
Housing	878,238	-	84,791	963,029
Total	\$ 5,354,998	\$ -	\$ 579,565	\$ 5,934,563

	Net book value March 31, 2013	Net book value March 31, 2014
Buildings	\$ 2,537,527	\$ 2,479,274
Vehicles and equipment	636,478	584,161
Computers	7,094	11,017
Infrastructure	4,099,437	3,820,993
Housing	2,513,395	2,428,604
Total	\$ 9,793,931	\$ 9,324,049

SHEGUIANDAH FIRST NATION

Notes to Financial Statements

Year ended March 31, 2014

8. Tangible capital assets (continued):

Cost	Balance March 31, 2012	Additions	Disposals	Balance at March 31, 2013
Buildings	\$ 3,335,350	\$ 45,930	\$ -	\$ 3,381,280
Vehicles and equipment	692,146	300,094	(55,256)	936,984
Computers	3,750	6,568	-	10,318
Infrastructure	7,428,714	-	-	7,428,714
Housing	3,391,633	-	-	3,391,633
Total	\$ 14,851,593	\$ 352,592	\$ (55,256)	\$ 15,148,929

Accumulated amortization	Balance March 31, 2012	Disposals	Amortization expense	Balance at March 31, 2013
Buildings	\$ 742,718	\$ -	\$ 101,035	\$ 843,753
Vehicles and equipment	219,904	(18,419)	99,021	300,506
Computers	2,000	-	1,224	3,224
Infrastructure	3,050,832	-	278,445	3,329,277
Housing	793,447	-	84,791	878,238
Total	\$ 4,808,901	\$ (18,419)	\$ 564,516	\$ 5,354,998

	Net book value March 31, 2012	Net book value March 31, 2013
Buildings	\$ 2,592,632	\$ 2,537,527
Vehicles and equipment	472,242	636,478
Computers	1,750	7,094
Infrastructure	4,377,882	4,099,437
Housing	2,598,186	2,513,395
Total	\$ 10,042,692	\$ 9,793,931

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Notes to Financial Statements

Year ended March 31, 2014

9. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2014	2013
Surplus:		
Invested in tangible capital assets	\$ 8,602,591	8,927,863
Section 95 Housing	614	17,954
Operations	1,647	-
Reserve funds set aside for specific purpose by Council:		
Consolidated revenue fund	36,495	35,594
Committed reserve – post secondary	87,298	87,298
Ontario First Nations Limited Partnership	72,465	197,383
Section 95 Replacement reserve	70,800	60,800
	<hr/> \$ 8,871,910	<hr/> 9,326,892

10. Line of credit:

The First Nation has a line of credit available in the amount of \$40,000, which has not been utilized. The interest rate on the line of credit is prime plus 2.5%.

11. Comparative information:

Certain 2013 comparative information have been reclassified where necessary to conform to the current year presentation.

SHEGUIANDAH FIRST NATION

Notes to Financial Statements

Year ended March 31, 2014

12. Segmented information:

The First Nation is a diversified governmental institution that provides a wide range of services to its Members, including band government, social assistance, education, community infrastructure, health services, recreation, housing projects, employment and economic development and capital. 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 special regulations, restrictions or limitations.

Services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Band Government

The band government department oversees the delivery of all governmental services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of chief and council.

Social Assistance

The social assistance department delivers a variety of programming including Ontario works and offers employment support services. In addition, the department manages the homemakers and home support programs.

Education

The education department enters into service contracts with provincially funded area school boards for elementary and secondary students. In addition, the department reimburses tuition costs and provides living and other allowances to students who are attending post secondary institutions.

Community Infrastructure

The community infrastructure department provides public services that contribute to sustainability through the provision of maintenance and operating services such as roads, water and sanitation, fire protection, street lighting, community buildings and band owned equipment.

SHEGUIANDAH FIRST NATION

Notes to Financial Statements

Year ended March 31, 2014

12. Segmented information (continued):

Health Services

The health services department provides a diverse bundle of services directed towards the well being of the members including the delivery of programming such as the community health representative, medical transportation, healthy communities, community care, national child benefit and many other smaller programs designed to enhance the health of members.

Recreation

The recreation department provides cultural and recreational activities for the benefit of the Members of the First Nation.

Community Property

The housing department manages the construction and renovation of houses owned by the First Nation.

Employment and Economic Development

This department is responsible for identifying and developing economic opportunities for the benefit of the First Nation and its Members. The department also secures and delivers employment training funding for the First Nation. In addition the department manages various cultural programs.

Social Housing

The social housing department manages the operations of CMHC housing owned by the First Nation. This includes tenant identification, rent collection and maintenance management.

For each reported segment, revenues and expenses include 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, including transfers that have been apportioned based on a percentage of budgeted expenses.

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

SHEGUIANDAH FIRST NATION

Notes to Financial Statements

Note 12 - Segmented Information (continued)

Year ended March 31, 2014

	Band Government	Social Assistance	Education	Community Infrastructure	Health Services	Recreation	Community Property	Employment and Economic Development	Social Housing	Other	Total
Revenue	\$ 215,278	475,712	637,800	334,495	451,457	3,825	151,088	69,794	114,739	463,885	2,918,073
Expenses:											
Salaries, benefits and honoraria	132,289	61,435	48,832	102,494	242,880	-	25,440	134,573	-	-	747,943
Travel and training	30,773	3,334	8,254	3,987	69,717	-	-	404	-	-	116,469
Materials, supplies and rentals	112,004	48,035	3,343	309,019	100,796	3,139	86,684	780	14,938	-	678,738
Contractual and professional	113,246	-	71,262	7,495	-	-	-	-	-	-	192,003
Interest on long-term debt	-	-	-	24,930	-	-	-	-	10,226	-	35,156
Tuition	-	-	409,471	-	-	-	-	-	-	-	409,471
Other	25,344	368,369	36,809	43,849	37,103	-	55,229	-	47,008	-	613,711
Amortization of tangible capital assets	9,556	76	15,806	449,634	-	-	63,647	179	40,666	-	579,564
	423,212	481,249	593,777	941,408	450,496	3,139	231,000	135,936	112,838	-	3,373,055
Excess (deficiency) of revenue over expenses	\$ (207,934)	(5,537)	44,023	(606,913)	961	686	(79,912)	(66,142)	1,901	463,885	(454,982)

SHEGUIANDAH FIRST NATION

Notes to Financial Statements

Note 12 - Segmented Information (continued)

Year ended March 31, 2013

	Band Government	Social Assistance	Education	Community Infrastructure	Health Services	Recreation	Community Property	Employment and Economic Development	Social Housing	Other	Total
Revenue	\$ 303,677	506,197	766,968	326,100	446,962	5,427	192,979	91,521	113,782	462,710	3,216,323
Expenses:											
Salaries, benefits and honoraria	141,330	127,008	26,819	101,297	239,008	-	12,219	109,722	-	-	757,403
Travel and training	27,849	3,004	1,821	27,491	88,574	-	310	700	-	-	149,749
Materials, supplies and rentals	95,452	23,278	28,335	142,217	43,223	3,500	22,029	2,583	2,697	-	363,314
Contractual and professional	133,902	13,438	-	73,200	1,313	-	61,871	-	-	-	283,724
Interest on long-term debt	-	-	-	32,152	-	-	-	-	12,294	-	44,446
Other	(21,759)	380,847	641,395	91,195	99,502	830	56,191	-	39,087	-	1,287,288
Amortization of tangible capital assets	12,781	-	169	447,282	-	-	63,512	104	40,666	-	564,514
	389,555	547,575	698,539	914,834	471,620	4,330	216,132	113,109	94,744	-	3,450,438
Excess (deficiency) of revenue over expenses	\$ (85,878)	(41,378)	68,429	(588,734)	(24,658)	1,097	(23,153)	(21,588)	19,038	462,710	(234,115)