



Grant Thornton

Financial Statements

Marten Falls First Nation

March 31, 2014

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Independent Auditor's Report

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To the Chief, Council and Members of
Marten Falls First Nation

We have audited the accompanying financial statements of Marten Falls First Nation which comprise the statement of financial position as at March 31, 2014, and the statements of operations and surplus (deficit), changes in net debt, changes in fund balances and cash flows for the year then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the First Nation'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 First Nation's internal control. An audit also includes evaluating the appropriateness of the 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 qualified audit opinion.

Basis for qualified opinion

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have been unable to obtain satisfactory evidence as to certain tangible capital assets owned by the First Nation. As described in note 16, the First Nation is in the process of preparing a complete listing of tangible capital assets and valuing the assets which have not been previously recorded. Canadian Public Sector Accounting Standards require that all tangible capital assets in use be included in the financial statements. Since we were unable to estimate what the related book value should have been, we were unable to estimate the related effect on expenses or annual surplus (deficit).

Qualified opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of Marten Falls First Nation as at March 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Our audit was conducted for the purposes of forming an opinion on the basic financial statements of the First Nation taken as a whole. The supplementary information contained in the schedules, including the Schedule of Federal Government Funding, is presented for the purposes of additional analysis and is not part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Thunder Bay, Canada
August 29, 2014

Chartered Accountants
Licensed Public Accountants

MARTEN FALLS FIRST NATION

Management's Responsibility for Financial Reporting

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

These financial statements have been prepared by management in accordance with the accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board (PSAB) of CPA Canada. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

Marten Falls 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 statements are relevant, reliable and accurate and Marten Falls First Nation's assets are appropriately accounted for and adequately safeguarded.

The Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and are ultimately responsible for reviewing and approving the financial statements. Chief and Council carries out this responsibility principally through its Financial Administration.

The Financial Administration meets periodically with the Chief and Council, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual financial statements and the external auditor's report. The Financial Administration reports its findings to the Council for consideration when approving the financial statements for issuance to the Members.

The financial statements have been audited by Grant Thornton LLP in accordance with Canadian generally accepted auditing standards, on behalf of the Members. Grant Thornton LLP has full and free access to financial management and Council of Marten Falls First Nation and meet when required.

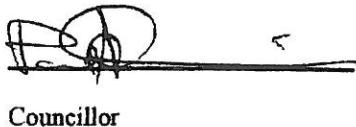
On behalf of the Marten Falls First Nation:



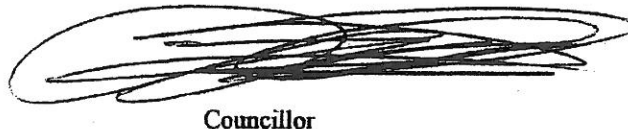
Councillor



Councillor



Councillor



Councillor

August 29, 2014

MARTEN FALLS FIRST NATION

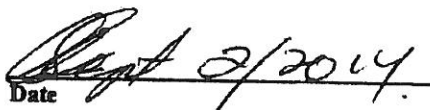
Statement of Financial Position

March 31, 2014, with comparative figures for 2013

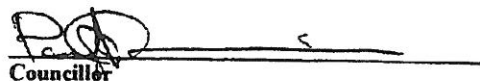
	<u>2014</u>	<u>2013</u>
Financial Assets		
Cash (Note 3)	\$ -	\$ 436,770
Short-term investments (Note 4)	-	49,000
Accounts receivable (Note 5)	346,809	199,071
Trust funds held by federal government (Note 7)	3,488	3,402
Due from government and other government organizations (Note 6)	<u>696,871</u>	<u>2,173,549</u>
	<u>1,047,168</u>	<u>2,861,792</u>
Financial Liabilities		
Bank indebtedness (Note 3)	92,870	-
Accounts payable and accrued liabilities (Note 8)	1,625,946	2,221,882
Due to government and other government organizations (Note 9)	437,374	284,573
Deferred revenue (Note 10)	205,006	296,805
Long-term debt (Notes 11 and 12)	<u>6,213,197</u>	<u>5,755,388</u>
	<u>8,574,393</u>	<u>8,558,648</u>
Net Debt	<u>(7,527,225)</u>	<u>(5,696,856)</u>
Non-Financial Assets		
Prepaid expenses (Note 15)	11,235	15,795
Tangible capital assets (Note 16)	<u>22,442,646</u>	<u>20,632,531</u>
	<u>22,453,881</u>	<u>20,648,326</u>
Accumulated Surplus	<u>\$ 14,926,656</u>	<u>\$ 14,951,470</u>
Contingencies (Note 18)		
Contractual Obligations (Note 20)		

Approved on Behalf of Chief and Council


Councillor


Date Sept 2/2014


Councillor


Councillor


Councillor

The accompanying notes and supplementary schedules are an integral part of these financial statements.

MARTEN FALLS FIRST NATION

Statement of Operations and Surplus (Deficit)

March 31, 2014, with comparative figures for 2013

	<u>2014</u> Budget (Note 22)	<u>2014</u> Actual	<u>2013</u> Actual
Revenue			
Federal Government:			
Aboriginal Affairs and Northern Development Canada	\$ 4,658,362	\$ 4,658,362	\$ 7,065,795
Health Canada	965,556	2,659,313	4,248,521
Fednor / Industry Canada	31,950	17,171	-
Canada Mortgage and Housing Corporation	228,704	235,464	237,439
Provincial Government:			
Ministry of Health and Long-Term Care	50,670	50,670	59,208
Ministry of Aboriginal Affairs	80,000	80,000	80,000
Ministry of Community Family and Children Services	705,847	705,847	583,130
Ministry of Northern Development and Mines	735,140	731,947	467,479
Ministry of Natural Resources	239,320	225,993	185,361
Northern Ontario Heritage Fund Corporation	31,950	17,171	-
Interest	-	2,286	1,302
Administration fees and replacement reserve contributions	31,150	150,395	161,437
Trust funds held by federal government (Note 7)	-	86	81
Rent	-	147,558	90,662
Nishnawbe Aski Nation	67,701	67,701	67,701
Ontario First Nations Limited Partnership	-	937,754	936,621
Matawa First Nations	39,000	144,451	69,641
Ontario Power Generation	195,000	195,000	195,000
Less: repayment of prior year surpluses	-	(18,166)	(3,006)
Other	-	318,693	1,183,947
	<u>8,060,350</u>	<u>11,327,696</u>	<u>15,630,319</u>
Expenditures			
Education programs	2,114,789	2,429,788	2,284,570
Health programs	1,131,227	2,796,991	4,356,947
Economic Development programs	791,457	1,324,598	729,512
Housing Fund	142,004	1,236,677	613,576
Community Services programs	195,000	931,476	861,939
Social Services programs	936,947	1,114,517	962,399
Band Government	415,203	876,649	971,883
Employment programs	-	62,968	276,467
Public Works	2,060,210	2,039,985	4,551,910
Administration fees and technical services	31,150	101,604	178,421
Amortization	-	896,992	800,393
Interest	242,363	247,368	242,363
	<u>8,060,350</u>	<u>14,059,613</u>	<u>16,830,380</u>
Annual Surplus (Deficit)	-	(2,731,917)	(1,200,061)
Interfund transfers (Note 14)	-	2,707,103	4,520,079
Annual Surplus (Deficit)	-	(24,814)	3,320,018
Accumulated Surplus, beginning of year	-	14,951,470	11,631,452
Accumulated Surplus, end of year	\$ -	\$ 14,926,656	\$ 14,951,470
Segment Disclosure (Note 25)			

The accompanying notes and supplementary schedules are an integral part of these financial statements.

MARTEN FALLS FIRST NATION

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Statement of Changes in Net Debt

March 31, 2014, with comparative figures for 2013

	<u>2014</u>	<u>2013</u>
Annual Surplus (Deficit)	\$ <u>(24,814)</u>	\$ <u>3,320,018</u>
Tangible capital assets:		
Acquisition of tangible capital assets	(2,707,103)	(4,520,079)
Amortization of tangible capital assets	<u>896,992</u>	<u>800,393</u>
	<u>(1,810,111)</u>	<u>(3,719,686)</u>
Acquisition of prepaid expenses	(11,239)	(15,795)
Use of prepaid expenses	<u>15,795</u>	<u>16,131</u>
	<u>4,556</u>	<u>336</u>
Increase in net debt	(1,830,369)	(399,332)
Net debt, beginning of year	<u>(5,696,856)</u>	<u>(5,297,524)</u>
Net debt, end of year	\$ <u>(7,527,225)</u>	\$ <u>(5,696,856)</u>

The accompanying notes and supplementary schedules are an integral part of these financial statements.

MARTEN FALLS FIRST NATION

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Statement of Changes in Fund Balances
For the year ended March 31, 2014

Schedule	Surplus (Deficit) Beginning of Year (restated)	Aboriginal Affairs and Northern Development Canada Funding	Deferred Revenue and Other Funding	Total Revenue for the Year	Total Expenditures for the Year	Surplus (Deficit) for year	Transfers	Surplus (Deficit) End of Year
Education								
1 Education	1,537,261	980,939	19,830	1,000,769	1,332,435	(331,666)	-	1,205,595
2 Parental Engagement Strategy	(3,811)	6,000	-	6,000	6,453	(453)	-	(4,264)
3 Secondary Education	265,844	436,400	(68,222)	368,178	368,178	-	-	265,844
4 Post Secondary Education	336,641	221,338	-	221,338	204,558	16,780	-	353,421
5 Teacher Retention and Recruitment	(13,299)	15,500	-	15,500	21,588	(6,088)	-	(19,387)
6 Local Transportation and Student Accommodation	95,983	208,894	-	208,894	255,843	(46,949)	-	49,034
7 Enhanced Teacher Salaries	(487)	22,100	-	22,100	22,100	-	-	(487)
8 Band Operated Special Education	(33,608)	210,468	-	210,468	230,456	(19,988)	-	(53,596)
9 Improving School Effectiveness	11,376	13,150	-	13,150	17,555	(4,405)	-	6,971
10 First Nation Education Management and Governance Capacity	(4,521)	-	-	-	-	-	-	(4,521)
	<u>2,191,379</u>	<u>2,114,789</u>	<u>(48,392)</u>	<u>2,066,397</u>	<u>2,459,166</u>	<u>(392,769)</u>	<u>-</u>	<u>1,798,610</u>
Health								
11 Brighter Futures	(3,279)	-	151,940	151,940	152,334	(394)	-	(3,673)
12 Risk and Security	(42,574)	-	69,196	69,196	69,827	(631)	-	(43,205)
13 Building Healthier Communities	4,963	-	77,393	77,393	78,265	(872)	-	4,091
14 Diabetes Initiative	1,922	-	37,813	37,813	40,238	(2,425)	-	(503)
15 Medical Services	(9,413)	-	133,841	133,841	133,848	(7)	-	(9,420)
16 Patient Transportation	-	-	62,744	62,744	63,564	(820)	-	(820)
17 FAS/FAE Project	8,177	-	11,164	11,164	11,227	(63)	-	8,114
18 Home and Community Care	(8,177)	-	73,975	73,975	74,749	(774)	-	(8,951)

The accompanying notes and supplementary schedules are an integral part of these financial statements.

MARTEN FALLS FIRST NATION

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Statement of Changes in Fund Balances
For the year ended March 31, 2014

Schedule	Surplus (Deficit) Beginning of Year (restated)	Aboriginal Affairs and Northern Development Canada Funding	Deferred Revenue and Other Funding	Total Revenue for the Year	Total Expenditures for the Year	Surplus (Deficit) for year	Transfers	Surplus (Deficit) End of Year
Health (cont'd)								
19 Aboriginal Healing & Wellness - Crisis Intervention	(12,318)	-	30,498	30,498	31,586	(1,088)	-	(13,406)
20 Healthy Babies Healthy Children	2,871	-	24,457	24,457	27,795	(3,338)	-	(467)
21 Family Violence Program	27,681	-	39,000	39,000	39,197	(197)	-	27,484
22 Health Administration	7,263	-	104,845	104,845	45,652	59,193	-	66,456
23 Early Childhood Development	(9,576)	-	83,811	83,811	83,931	(120)	-	(9,696)
24 Community Health Prevention and Promotion	612	-	93,066	93,066	93,289	(223)	-	389
25 NNADAP	(9,421)	-	162,629	162,629	165,458	(2,829)	-	(12,250)
26 Homemakers	(95,018)	8,300	50,670	58,970	59,141	(171)	-	(95,189)
27 Drug and Lab Box Ground Delivery	-	-	15,024	15,024	15,325	(301)	-	(301)
28 Health Clinic	-	-	1,695,308	1,695,308	1,695,308	-	-	-
	<u>(136,287)</u>	<u>8,300</u>	<u>2,917,374</u>	<u>2,925,674</u>	<u>2,880,734</u>	<u>44,940</u>	<u>-</u>	<u>(91,347)</u>
Economic Development Fund								
29 Employment Development Office	21,254	50,000	-	50,000	54,612	(4,612)	-	16,642
30 MNM - Ring of Fire Regional Process Fund	-	-	317,347	317,347	317,347	-	-	-
31 Summers Student Program	(78)	-	10,632	10,632	10,632	-	-	(78)
32 Mining Resources Project	(22,428)	-	177,691	177,691	219,601	(41,910)	-	(64,338)
33 CCLO Project	(1,926)	-	(14,460)	(14,460)	66,925	(81,385)	-	(83,311)
34 Mining - S.P.I.	(5,944)	216,667	124,250	340,917	386,992	(46,075)	-	(52,019)
35 Negotiations	27,396	-	185,537	185,537	268,810	(83,273)	-	(55,877)
	<u>18,274</u>	<u>266,667</u>	<u>800,997</u>	<u>1,067,664</u>	<u>1,324,919</u>	<u>(257,255)</u>	<u>-</u>	<u>(238,981)</u>

The accompanying notes and supplementary schedules are an integral part of these financial statements.

MARTEN FALLS FIRST NATION

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Statement of Changes in Fund Balances
For the year ended March 31, 2014

Schedule	Surplus (Deficit) Beginning of Year (restated)	Aboriginal Affairs and Northern Development Canada Funding	Deferred Revenue and Other Funding	Total Revenue for the Year	Total Expenditures for the Year	Surplus (Deficit) for year	Transfers	Surplus (Deficit) End of Year
Housing Fund								
36 Mobile Housing Unit	-	-	-	-	889,976	(889,976)	889,976	-
37 MisAmik Housing	(2,162,095)	-	142,166	142,166	217,491	(75,325)	-	(2,237,420)
38 CMHC 2000/01								
Five-Unit Housing	(150,158)	-	32,009	32,009	34,483	(2,474)	-	(152,632)
39 CMHC 2001/02								
Three-Unit Housing	51,306	-	21,455	21,455	24,714	(3,259)	-	48,047
40 CMHC 2002/03								
Five-Unit Housing	(608,233)	-	43,845	43,845	36,554	7,291	-	(600,942)
41 CMHC 2003/04								
Three-Unit Housing	1,456,474	-	23,522	23,522	32,419	(8,897)	-	1,447,577
42 CMHC 2006/07								
Four-Unit Housing	486,360	-	32,315	32,315	57,736	(25,421)	-	460,939
43 Replacement Reserve	336,800	-	31,150	31,150	-	31,150	-	367,950
44 Housing Renovations	-	155,663	6,760	162,423	229,921	(67,498)	24,718	(42,780)
	<u>(589,546)</u>	<u>155,663</u>	<u>333,222</u>	<u>488,885</u>	<u>1,523,294</u>	<u>(1,034,409)</u>	<u>914,694</u>	<u>(709,261)</u>
Community Services Funds								
45 Right to Play Project	-	-	-	-	14,267	(14,267)	14,267	-
46 Community Activity Centre	3,430,441	-	195,000	195,000	447,885	(252,885)	85,800	3,263,356
47 Casino Rama	-	-	938,071	938,071	734,571	203,500	(203,500)	-
	<u>3,430,441</u>	<u>-</u>	<u>1,133,071</u>	<u>1,133,071</u>	<u>1,196,723</u>	<u>(63,652)</u>	<u>(103,433)</u>	<u>3,263,356</u>

The accompanying notes and supplementary schedules are an integral part of these financial statements.

MARTEN FALLS FIRST NATION

10

Statement of Changes in Fund Balances
For the year ended March 31, 2014

Schedule	Surplus (Deficit) Beginning of Year (restated)	Aboriginal Affairs and Northern Development Canada Funding	Deferred Revenue and Other Funding	Total Revenue for the Year	Total Expenditures for the Year	Surplus (Deficit) for year	Transfers	Surplus (Deficit) End of Year
Social Services								
48 Social Assistance - Administration	(48,678)	62,000	174,397	236,397	238,307	(1,910)	-	(50,588)
49 Social Assistance - Basic Needs	104,803	63,900	521,644	585,544	673,630	(88,086)	-	16,717
50 Social Assistance - Special Needs	4,152	3,200	-	3,200	3,200	-	-	4,152
51 National Child Benefit Reinvestment	-	102,000	8,415	110,415	219,754	(109,339)	91,089	(18,250)
	<u>60,277</u>	<u>231,100</u>	<u>704,456</u>	<u>935,556</u>	<u>1,134,891</u>	<u>(199,335)</u>	<u>91,089</u>	<u>(47,969)</u>
Band Government								
52 Band Support	(3,060,252)	415,203	123,268	538,471	958,838	(420,367)	-	(3,480,619)
Employment Programs Fund								
53 Employment and Training	(11,741)	-	78,618	78,618	65,968	12,650	-	909
Public Works								
55 Infrastructure	5,565,748	116,960	-	116,960	390,246	(273,286)	121,819	5,414,281
56 Community Buildings	5,217,357	115,628	71,950	187,578	421,129	(233,551)	1,695,308	6,679,114
57 Remediation Project	-	96,195	(84,540)	11,655	11,655	-	-	-
58 Minor Capital	790,514	152,713	-	152,713	-	152,713	(24,718)	918,509
59 Diesel Generation Upgrade Project	-	30,000	91,819	121,819	121,819	-	-	-

The accompanying notes and supplementary schedules are an integral part of these financial statements.

MARTEN FALLS FIRST NATION

11

Statement of Changes in Fund Balances
For the year ended March 31, 2014

Schedule	Surplus (Deficit) Beginning of Year (restated)	Aboriginal Affairs and Northern Development Canada Funding	Deferred Revenue and Other Funding	Total Revenue for the Year	Total Expenditures for the Year	Surplus (Deficit) for year	Transfers	Surplus (Deficit) End of Year
Public Works Funds (continued)								
60 Feasibility Study	-	-	34,342	34,342	38,158	(3,816)	3,816	-
61 Water Treatability Study	-	48,130	(28,589)	19,541	19,541	-	-	-
62 Hydro Brushcutting Project	-	-	17,187	17,187	91,403	(74,216)	-	(74,216)
63 Land Use Planning Project	-	-	225,993	225,993	225,993	-	-	-
64 Contractor House	-	-	9,000	9,000	17,528	(8,528)	8,528	-
65 Winter Roads	107,292	101,205	307,399	408,604	433,629	(25,025)	-	82,267
66 Bottled Water Program	(2,022)	362,580	(17,927)	344,653	342,631	2,022	-	-
67 Safe Water Operations Program	1,251	105,113	-	105,113	105,113	-	-	1,251
68 Water & Sewer O&M project	1,108,010	136,425	-	136,425	81,365	55,060	(11,531)	1,151,539
69 Water O&M	-	95,635	-	95,635	96,903	(1,268)	1,268	-
70 Waste Water O&M	-	71,056	-	71,056	81,319	(10,263)	10,263	-
71 Capacity Building Project	6,304	35,000	-	35,000	36,648	(1,648)	-	4,656
	<u>12,794,454</u>	<u>1,466,640</u>	<u>626,634</u>	<u>2,093,274</u>	<u>2,515,080</u>	<u>(421,806)</u>	<u>1,804,753</u>	<u>14,177,401</u>
Other Funds								
72 Trust Fund	3,402	-	86	86	-	86	-	3,488
Closed Programs	<u>251,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,069</u>
	<u>\$14,951,470</u>	<u>\$ 4,658,362</u>	<u>\$ 6,669,334</u>	<u>\$11,327,696</u>	<u>\$14,059,613</u>	<u>\$(2,731,917)</u>	<u>\$ 2,707,103</u>	<u>\$14,926,656</u>

The accompanying notes and supplementary schedules are an integral part of these financial statements.

MARTEN FALLS FIRST NATION**Statement of Cash Flows**

For the year ended March 31, 2014, with comparative figures for 2013

	<u>2014</u>	<u>2013</u>
Operating Activities		
Annual Surplus (Deficit)*	\$ (24,814)	\$ 3,320,018
Items not affecting cash:		
Amortization of tangible capital assets	<u>896,992</u>	<u>800,393</u>
	872,178	4,120,411
 Changes in non-cash items on Statement of Financial Position		
(Increase) decrease in accounts receivable	1,328,940	(912,440)
Increase in trust funds held by federal government	(86)	(81)
Decrease in prepaid expenses	4,556	335
Increase (decrease) in accounts payable and accrued liabilities	(443,135)	1,045,926
Increase (decrease) in deferred revenue	<u>(91,799)</u>	<u>(1,444,125)</u>
	<u>1,670,654</u>	<u>2,810,026</u>
 Capital activities		
Acquisition of tangible capital assets	<u>(2,707,103)</u>	<u>(4,520,078)</u>
 Investing activities		
Redemption (purchase) of short-term investments	<u>49,000</u>	<u>(49,000)</u>
 Financing activities		
Proceeds from long-term debt	1,107,000	500,000
Payment of long-term debt	<u>(649,191)</u>	<u>(573,185)</u>
	<u>457,809</u>	<u>(73,185)</u>
 Decrease in cash for the year	<u>(529,640)</u>	<u>(1,832,237)</u>
Cash, beginning of year	<u>436,770</u>	<u>2,269,007</u>
Cash (bank indebtedness), end of year	<u>\$ (92,870)</u>	<u>\$ 436,770</u>

* Interest received during the year was \$2,286 (2013 - \$1,302). Interest paid during the year was \$250,451 (2013 - \$239,286). Interest received is made up of interest income from the Statement of Operations and Surplus (Deficit) in the amount of \$nil (2013 - \$nil). Interest paid is made up of interest expense from the Statement of Operations and Surplus (Deficit) in the amount of \$247,368 (2013 - \$242,363) plus the increase in accrued interest payable in the amount of \$3,083 (2013 - decrease \$4,602).

Notes to the Financial Statements

March 31, 2014

General

Marten Falls First Nation ("the First Nation"), a "band" as defined in the Indian Act, is located north east of Nakina, Ontario. It conducts its operations guided by the provisions of federal and provincial statutes.

1. Significant Accounting Policies

(a) Basis of Accounting:

These financial statements of Marten Falls First Nation have been prepared in accordance with accounting policies generally accepted for the local government as prescribed by the Public Sector Accounting Board ("PSAB") of CPA Canada.

(b) Reporting Entity:

The Marten Falls First Nation reporting entity includes the Marten Falls First Nation government only since there are no other related entities that are controlled by the First Nation. Consolidated financial statements are therefore not applicable.

(c) Asset Classification:

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

(d) Cash:

Cash includes cash on hand and balances with banks net of bank overdrafts.

(e) Short-term Investments:

Short-term investments include Guaranteed Investment Certificates maturing at various times during the next fiscal year and are recorded at cost.

(f) Net Debt:

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

Notes to the Financial Statements
March 31, 2014

1. Significant Accounting Policies (continued)

(g) Tangible Capital Assets:

Tangible capital assets are recorded 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.

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

Amortization of tangible capital assets is recognized as an expense in the Statement of Operations and Surplus (Deficit). Tangible capital assets are amortized over their expected useful lives using the declining balance method at the following rates.

CMHC Housing	4%
Seniors' complex	4%
Activity centre	4%
Map & Conference Centre	4%
Nurses duplex	4%
Police Station	4%
School upgrade	4%
Modular homes	4%
Warehouse	4%
Water Treatment Plant	4%
Fuel tanks	10%
Furnaces	20%
Furniture and equipment	20%
Heavy equipment	20%
Automotive	20%
Fire truck	30%
School buses	30%
Computers	30%
Diesel Generating Station upgrade	4%
Health clinic	4%

Tangible capital assets are written-down when conditions indicate that they no longer contribute to Marten Falls First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Statement of Operations and Surplus (Deficit).

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

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

Notes to the Financial Statements
March 31, 2014

1. Significant Accounting Policies (continued)

(h) Revenue:

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers 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 and Surplus (Deficit) as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

(i) Measurement Uncertainty:

In preparing the financial statements for the government of Marten Falls First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the period. The main estimates used in preparing these financial statements include allowance for doubtful accounts and asset amortization rates. Actual results could differ from these estimates.

(j) Expense Allocation:

Certain expenses which pertain to the operations as a whole have been allocated to various projects at the discretion of Chief and Council.

(k) Casino Rama Fund:

Under terms of the agreement with the Ontario First Nations Limited Partnership, all income distributions from Casino Rama are designated for community development, health programs, education programs, economic development and/or cultural development. The First Nation has therefore designated an externally restricted fund to allocate all funds distributed from Casino Rama, but unspent at year-end.

(l) Administration Fees:

It is the First Nation's policy to allocate certain administrative costs to the various programs. Such allocations are recorded as administration fees revenue on the applicable program Schedules of Revenue and Expenditures on the Statement of Operations and Surplus (Deficit).

Notes to the Financial Statements
March 31, 2014

2. Financial Instruments

The First Nation's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities, demand loans, mortgages and bank loans which may be subject to certain types of risk.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The First Nation has no foreign exchange and is not subject to currency risk.

Interest risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The First Nation has interest bearing debt that is subject to changes in interest rates, therefore, the First Nation is subject to interest risk. It is management's opinion that the First Nation is not exposed to significant interest risks and the carrying amounts of the financial instruments represent fair value.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. It is management's opinion that the First Nation is not exposed to significant credit risks and the carrying amounts of financial instruments represent fair value.

Notes to Financial Statements

March 31, 2014

3. Cash (Bank Indebtedness)

All bank overdrafts are due on demand and bear interest at the bank's prime lending rate plus 5% (8% at year-end), (2013 - 8%).

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

Cash is comprised of the following:

	<u>2014</u>	<u>2013</u>
Externally Restricted		
Capital projects - Diesel Generating Station Project	\$ 1,293	\$ 56,956
Capital projects - Marten Falls Soil Remediation Project	97,654	55,445
Health - capital project	<u>1,384</u>	<u>60,920</u>
	<u>100,331</u>	<u>173,321</u>
Internally Restricted		
<u>Operating Fund</u>		
Arena Project account	90	90
Clinic Holdback	1	255,628
Education	(449,612)	(51,977)
Health and Social Services	(105,251)	(57,383)
MisAmik Housing Authority	15,872	53,292
Social Assistance	<u>1,740</u>	<u>(4,258)</u>
	(537,160)	195,392
<u>Casino Rama Fund</u>		
Casino Rama	<u>32,198</u>	<u>38,890</u>
	<u>(504,962)</u>	<u>234,282</u>
Unrestricted		
Administration (held in trust by Little Otter Consulting Services)	334,332	147,740
Operations and maintenance	(25,592)	(121,594)
Power Authority	<u>3,021</u>	<u>3,021</u>
	<u>311,761</u>	<u>29,167</u>
	<u>\$ (92,870)</u>	<u>\$ 436,770</u>

MARTEN FALLS FIRST NATION

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Notes to Financial Statements March 31, 2014

4. Short-term Investments

	<u>2014</u>	<u>2013</u>
<u>Capital projects</u>		
Royal Bank of Canada 1 year cashable Guaranteed Investment Certificate at 0.30% per annum (matured April 12, 2013)	\$ <u>-</u>	\$ <u>49,000</u>

5. Accounts Receivable

	<u>2014</u>	<u>2013</u>
<u>Operating Fund</u>		
Due from members:		
Social Housing	\$ 417,748	\$ 417,748
Loans	10,431	22,630
Marten Falls Power Authority - Client Services	804,204	804,204
Miscellaneous	<u>4,800</u>	<u>4,800</u>
	1,237,183	1,249,382
Allowance for doubtful accounts	<u>(1,237,183)</u>	<u>(1,249,382)</u>
	<u>-</u>	<u>-</u>
Due from others:		
Burnet Northern - Soil Remediation	-	49,187
Hydro One - Remote Communities Inc.	17,049	-
Matawa First Nation	111,291	52,813
Nishnawbe Aski Nation	15,251	11,344
Harmonized Sales Tax receivable	179,050	82,848
Small amounts owing (net of allowance for doubtful accounts)	<u>21,289</u>	<u>-</u>
	<u>343,930</u>	<u>196,192</u>
<u>Casino Rama Fund</u>		
Miscellaneous	<u>2,879</u>	<u>2,879</u>
Total Accounts Receivable	\$ <u>346,809</u>	\$ <u>199,071</u>

MARTEN FALLS FIRST NATION

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Notes to Financial Statements March 31, 2014

6. Due from Government and Other Government Organizations

	<u>2014</u>	<u>2013</u>
Federal Government		
Aboriginal Affairs and Northern Development Canada	\$ 393,925	\$ 1,405,517
Health Canada	43,000	434,398
FedNor / Industry Canada	17,171	-
Canada Mortgage and Housing Corporation	<u>20,401</u>	<u>19,067</u>
	<u>474,497</u>	<u>1,858,982</u>
Provincial Government		
Ministry of Community and Social Services	15,203	-
Northern Ontario Heritage Fund	17,171	-
Ministry of Natural Resources	-	65,000
Ministry of Northern Development and Mines	<u>190,000</u>	<u>249,567</u>
	<u>222,374</u>	<u>314,567</u>
	<u>\$ 696,871</u>	<u>\$ 2,173,549</u>

7. First Nation Trust Funds

Trust fund accounts arise from moneys derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

	Opening Balance	Additions	Withdrawals	Closing Balance	2014 Total	2013 Total
Revenue	\$ 3,003	\$ 86	\$ -	\$ 3,089	\$ 3,089	\$ 3,003
Capital	399	-	-	399	<u>399</u>	<u>399</u>
Fund Total					<u>\$ 3,488</u>	<u>\$ 3,402</u>

8. Accounts Payable and Accrued Liabilities

	<u>2014</u>	<u>2013</u>
Trade payables	\$ 1,524,400	\$ 2,029,164
Accrued salaries and employee benefits payable	58,017	113,977
WSIB payable	-	38,295
Other accrued liabilities	<u>43,529</u>	<u>40,446</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 1,625,946</u>	<u>\$ 2,221,882</u>

MARTEN FALLS FIRST NATION

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Notes to Financial Statements
March 31, 2014
9. Due to Government and Other Government Organizations

	<u>2014</u>	<u>2013</u>
Federal Government	\$ 173,202	\$ 87,073
Provincial Government	92,004	81,030
Other Government organizations	<u>172,168</u>	<u>116,470</u>
	<u>\$ 437,374</u>	<u>\$ 284,573</u>

10. Deferred Revenue

	<u>Balance</u> <u>March 31, 2013</u>	<u>Funding</u> <u>Received</u>	<u>Revenue</u> <u>Recognized</u>	<u>Revenue</u> <u>Repayable</u>	<u>Balance</u> <u>March 31, 2014</u>
Federal Government					
<u>Aboriginal Affairs and Northern Development Canada</u>					
Water Treatability project	\$ -	\$ 48,130	\$ 45,205	\$ -	\$ 2,925
Diesel Generation Upgrade	117,566	30,000	121,819	-	25,747
	<u>117,566</u>	<u>78,130</u>	<u>167,024</u>	<u>-</u>	<u>28,672</u>
<u>Health Canada</u>					
Health Clinic - Health Canada	-	1,702,892	1,693,757	-	9,135
<u>Canada Mortgage and Housing</u>					
Housing renovations	-	49,540	6,760	-	42,780
	<u>117,566</u>	<u>1,830,562</u>	<u>1,867,541</u>	<u>-</u>	<u>80,587</u>
Provincial Government					
<u>Ministry of Northern Development and Mines</u>					
Ring of Fire Regional Process	-	335,000	317,347	-	17,653
<u>Ministry of Natural Resources</u>					
Land Use Planning	7,639	239,320	225,993	-	20,966
	<u>7,639</u>	<u>574,320</u>	<u>543,340</u>	<u>-</u>	<u>38,619</u>
	<u>125,205</u>	<u>2,404,882</u>	<u>2,410,881</u>	<u>-</u>	<u>119,206</u>
Other					
<u>Casino Rama</u>					
- Arena project	171,600	-	85,800	-	85,800
- Other	-	851,954	851,954	-	-
	<u>171,600</u>	<u>851,954</u>	<u>937,754</u>	<u>-</u>	<u>85,800</u>
Total Deferred Revenue	<u>\$ 296,805</u>	<u>\$ 3,256,836</u>	<u>\$ 3,348,635</u>	<u>\$ -</u>	<u>\$ 205,006</u>

Notes to Financial Statements
March 31, 2014

11. Long-Term Debt

	<u>2014</u>	<u>2013</u>
Royal Bank of Canada -		
Demand loan repayable in monthly instalments of \$1,270 including interest at 4.85% due March 2017, secured by bus and Band Council Resolution assigning education transportation funding to repay the loan.	\$ 42,430	\$ 55,258
Demand loan repaid in October, 2013.	-	28,869
Term loan repayable in annual instalments of \$195,000 plus interest at prime plus 2%, due December, 2014, secured by general security agreement.	1,076,421	1,210,877
Term loan with monthly instalments of \$7,150 plus interest at prime plus 2.75%, payable from Casino Rama funds, due March, 2015, secured by general security agreement.	85,800	171,600
Demand loan repayable in monthly instalments of \$3,637 plus interest at prime plus 2.75%, secured by general security agreement.	100,158	136,850
Term loan repayable in monthly instalment of \$4,725 including interest at 4.25%, secured by general security agreement.	187,046	-
Term loan with interest only payments required \$1,937 including interest at 4.7% due May, 2018, secured by general security agreement.	137,620	164,729
Term loan repayable in monthly instalments of \$5,300 including interest at 4.95% due October, 2017.	443,910	484,501
Term loan repayable in monthly instalments of \$7,354 including interest at 4.75% due October 2016 secured by general security agreement.	881,841	-
Guaranteed loan repayable in monthly instalments of \$6,968 including interest at 3.13% due April, 2017, guaranteed by AANDC.	569,234	633,817
Guaranteed loan repayable in monthly instalments of \$4,196 including interest at 3.38% due April, 2014, guaranteed by AANDC.	405,958	441,849
Guaranteed loan repayable in monthly instalments of \$3,865 including interest at 3.07% due February, 2019, guaranteed by AANDC.	396,076	429,234
Canada Mortgage and Housing Corporation -		
Guaranteed loan repayable in monthly instalments of \$2,772 including interest at 2.63% due June, 2016, guaranteed by AANDC.	342,309	366,275
Guaranteed loan repayable in monthly instalments of \$3,292 including interest at 1.62% due March, 2018, guaranteed by AANDC.	494,755	525,998

Notes to Financial Statements
March 31, 2014

11. Long-Term Debt (continued)

Guaranteed loan repayable in monthly instalments of \$1,851 including interest at 1.65% due June, 2017, guaranteed by AANDC.	259,790	277,569
Guaranteed loan repayable in monthly instalments of \$1,886 including interest at 2.61% due September, 2014, guaranteed by AANDC.	292,585	307,406
Guaranteed loan repayable in monthly instalments of \$2,640 including interest at 1.65% due June, 2017, guaranteed by AANDC.	<u>497,264</u>	<u>520,556</u>
	<u>\$ 6,213,197</u>	<u>\$ 5,755,388</u>

Anticipated repayments over the next five years and thereafter, assuming renewal on similar terms and conditions, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 701,402	\$ 218,972	\$ 920,374
2016	641,747	183,667	825,414
2017	643,445	154,261	797,706
2018	608,490	129,468	737,958
2019	565,687	89,358	655,045
Thereafter	<u>3,052,426</u>	<u>110,657</u>	<u>3,163,083</u>
	<u>\$ 6,213,197</u>	<u>\$ 886,383</u>	<u>\$ 7,099,580</u>

12. Ontario Power Generation Agreement

In accordance with the terms of an agreement in a prior year with Ontario Power Generation, the First Nation is entitled to receive \$195,000 annually until the year 2018 as a contribution toward the Arena project.

Under a letter of direction agreed to by the First Nation, that amount is applied annually against certain outstanding debt related to the arena project included in Note 11 above.

13. Replacement Reserve

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 336,800	\$ 305,650
Replacement reserve allocation	<u>31,150</u>	<u>31,150</u>
Balance, end of year	<u>\$ 367,950</u>	<u>\$ 336,800</u>

Under the terms of housing funding agreements with Canada Mortgage and Housing Corporation ("CMHC"), this reserve, calculated as a stipulated amount (\$350 - \$1,100) per unit, is to be held in a separate bank account and used only with CMHC approval. As at the year-end, a separate bank account has not been established. Schedule 39 shows the transfers from each housing program.

Notes to Financial Statements

March 31, 2014

14. Interfund Transfers

During the year, an amount of \$2,707,103 (2013 - \$4,520,079) was transferred from Capital Funds to the Operating Funds which represent tangible capital assets purchased and capital asset projects that were developed by the First Nation during the year from various capital projects.

15. Prepaid Expenses

	<u>2014</u>	<u>2013</u>
Honorariums	\$ 1,000	\$ 1,000
Student tuition, room and board and allowances	<u>10,235</u>	<u>14,795</u>
Total prepaid expenses	<u>\$ 11,235</u>	<u>\$ 15,795</u>

16. Tangible Capital Assets

The Tangible Capital Assets detailed in this note presents all balances and changes in the year relating to tangible capital assets owned by the First Nation acquired after March 31, 1997. Tangible capital assets acquired previous to April 1, 1997 are not reflected in the Tangible Capital Assets balance.

In April 2009, the First Nation adopted Public Sector Accounting Handbook Section 3150 - Tangible Capital Assets which requires all tangible capital assets in use to be included in the Statement of Financial Position. The First Nation is in the process of preparing a complete listing of tangible capital assets and valuing the assets which have not been previously recorded, but this list has not yet been completed.

Notes to Financial Statements
March 31, 2014

16. Tangible Capital Assets (continued)

	Cost			Amortization			Net Book Value		Increase (Decrease) in Net Book Value
	Opening Balance	Additions (Disposals)	Closing Balance	Opening Balance	Amortization	Closing Balance	Total 2014	Total 2013	
Tangible Capital Assets									
CMHC Housing	\$ 6,685,286	\$ -	\$ 6,685,286	\$ 2,390,410	\$ 171,796	\$ 2,562,206	\$ 4,123,080	\$ 4,294,876	\$ (171,796)
Seniors' complex	665,814	-	665,814	297,366	14,738	312,104	353,710	368,448	(14,738)
Activity centre	5,358,129	-	5,358,129	746,675	184,458	931,133	4,426,996	4,611,454	(184,458)
Map & Conference Centre	117,555	-	117,555	18,999	3,942	22,941	94,614	98,556	(3,942)
Nurses duplex	419,583	-	419,583	134,820	11,390	146,210	273,373	284,763	(11,390)
Police Station	183,619	-	183,619	61,524	4,884	66,408	117,211	122,095	(4,884)
School upgrade	1,332,283	-	1,332,283	189,312	45,719	235,031	1,097,252	1,142,971	(45,719)
Modular homes	406,558	889,976	1,296,534	8,131	33,737	41,868	1,254,666	398,427	856,239
Warehouse	187,495	-	187,495	72,303	4,607	76,910	110,585	115,192	(4,607)
Water Treatment Plant	466,793	-	466,793	74,685	15,684	90,369	376,424	392,108	(15,684)
Fuel tanks	422,063	-	422,063	335,926	25,841	361,767	60,296	86,137	(25,841)
Furnaces	96,917	-	96,917	88,081	1,767	89,848	7,069	8,836	(1,767)
Furniture and equipment	330,232	-	330,232	176,740	30,696	207,436	122,796	153,492	(30,696)
Heavy equipment	1,061,896	-	1,061,896	918,910	28,597	947,507	114,389	142,986	(28,597)
Automotive	8,500	-	8,500	8,242	77	8,319	181	258	(77)
Fire truck	96,500	-	96,500	93,189	993	94,182	2,318	3,311	(993)
School buses	148,235	-	148,235	105,258	12,893	118,151	30,084	42,977	(12,893)
Computers	60,813	-	60,813	45,072	4,721	49,793	11,020	15,741	(4,721)
Diesel Generating Station upgrade	5,425,247	121,819	5,547,066	569,886	196,651	766,537	4,780,529	4,855,361	(74,832)
Health clinic	3,494,542	1,695,308	5,189,850	-	103,797	103,797	5,086,053	3,494,542	1,591,511
Total	\$ 26,968,060	\$ 2,707,103	\$ 29,675,163	\$ 6,335,529	\$ 896,988	\$ 7,232,517	\$ 22,442,646	\$ 20,632,531	\$ 1,810,115

Notes to Financial Statements
March 31, 2014

17. Operating Agreement with Hydro One Remote Communities Inc.

On May 11, 2009, Marten Falls First Nation entered into a five-year operating agreement with Hydro One Remote Communities Inc. (Hydro One) which began on December 15, 2009. Under this agreement, the First Nation maintains ownership of the assets used with Hydro One operating and maintaining the assets, as well as collecting all revenue from the operations.

18. Contingencies

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

For Canada Mortgage and Housing Corporation, the First Nation is contingently liable for subsidy surpluses as assessed by CMHC for prior periods. The settlement of amounts receivable or payable, if any, will be determined in a future period and recorded at that time.

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

19. Economic Dependence

The government of Marten Falls First Nation receives a major portion of its revenue from Aboriginal Affairs and Northern Development Canada and Health Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

20. Contractual Obligations

The nature of Marten Falls First Nation's activities can result in some multi-year contracts whereby it will be obligated to make future payments when the goods or services are received. Significant contractual obligations that can be reasonably estimated at year-end are summarized as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019 and thereafter</u>	<u>Total</u>
Photocopier lease - education	\$ 6,521	\$ 6,521	\$ 2,717	\$ -	\$ -	\$ 15,759
Photocopier lease - administration	4,608	4,608	2,688	-	-	11,904
Ontario Clean Water Agency	<u>105,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,113</u>
Total	<u>\$ 116,242</u>	<u>\$ 11,129</u>	<u>\$ 5,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,776</u>

21. Comparative Figures

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

Notes to Financial Statements

March 31, 2014

22. Budgeted Figures

The budgeted figures are presented for comparative purposes and are unaudited. The operating budget has been approved by Chief and Council and is reflected in the Statement of Operations and Surplus (Deficit) and in note 25 Segment Disclosure. The First Nation does not budget activity for reserve funds or for capital projects. Budget figures have been restated to be comparable with the PSAB reporting reflected in the actual results.

23. Capital Disclosure

The First Nation considers its capital to be the balance retained in its fund balances, generally the difference between its assets and its liabilities as reported on the Statement of Financial Position.

The First Nation's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide delivery of its services to the members.

Management maintains its capital by ensuring that annual operating and capital budgets are developed (and approved by the Chief and Council) based on known or estimated sources of funding available each year.

24. Expenses by Object

The following is a summary of expenses by object:

	<u>2014</u>	<u>2013</u>
Salaries and wages	\$ 3,404,736	\$ 3,061,008
Employee benefits	122,679	132,186
Staff development	13,749	600
Supplies and services	689,331	567,724
Interest	247,368	242,363
Professional services	1,132,070	860,482
Rental expenditures	209,743	143,778
Fees and contract services	3,606,907	3,452,755
Other	3,736,039	7,569,091
Amortization	896,992	800,393
	<u>\$ 14,059,614</u>	<u>\$ 16,830,380</u>

Notes to Financial Statements
March 31, 2014

25. Segment Disclosure

The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies in Note 1. The following table presents the expenses incurred and the revenue generated by main object of expense and by major revenue type. The segment results for the period are as follows:

	Education			Health			Economic Development			Housing			Community Services		
	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual
Revenue															
Federal Government	2,114,789	2,114,789	2,049,366	973,856	2,667,613	4,398,675	266,667	266,667	222,067	384,367	391,127	390,948	-	-	-
Provincial Government	-	-	-	50,670	50,670	59,208	524,790	521,597	357,129	-	-	-	-	-	-
Economic Activities	-	30	6	-	1,718	-	-	-	-	-	66,608	30,792	-	-	-
Other revenue	-	(48,422)	18,885	106,701	205,673	174,094	-	279,400	150,000	31,150	31,150	31,321	95,000	1,133,071	1,132,236
Total Revenue	<u>2,114,789</u>	<u>2,066,397</u>	<u>2,068,257</u>	<u>1,131,227</u>	<u>2,925,674</u>	<u>4,631,977</u>	<u>791,457</u>	<u>1,067,664</u>	<u>729,196</u>	<u>415,517</u>	<u>488,885</u>	<u>453,061</u>	<u>95,000</u>	<u>1,133,071</u>	<u>1,132,236</u>
Expenditures															
Salaries and benefits	890,889	934,765	890,889	512,169	554,251	473,106	43,327	534,271	509,771	-	63,131	274,007	-	292,159	81,483
Amortization	-	23,116	29,378	-	187	239	-	225	321	-	186,574	194,306	-	184,458	192,144
Debt servicing	-	-	-	-	-	-	-	-	-	-	92,311	114,813	-	73,103	79,331
Other expenses	1,223,900	1,501,285	1,393,682	619,058	2,326,296	3,978,213	748,130	790,423	219,741	384,367	31,150	360,111	95,000	647,003	780,456
Total	<u>2,114,789</u>	<u>2,459,166</u>	<u>2,313,949</u>	<u>1,131,227</u>	<u>2,880,734</u>	<u>4,451,558</u>	<u>791,457</u>	<u>1,324,919</u>	<u>729,833</u>	<u>415,517</u>	<u>1,523,294</u>	<u>943,237</u>	<u>95,000</u>	<u>1,196,723</u>	<u>1,133,414</u>
Expenditures															
Annual Surplus (Deficit)	<u>-</u>	<u>(392,769)</u>	<u>(245,692)</u>	<u>-</u>	<u>44,940</u>	<u>180,419</u>	<u>-</u>	<u>(257,255)</u>	<u>(637)</u>	<u>-</u>	<u>1,034,409</u>	<u>(490,176)</u>	<u>-</u>	<u>(63,652)</u>	<u>(1,178)</u>

Notes to Financial Statements
March 31, 2014

25. Segment Disclosure (continued)

	Social Services			Band Government			Other			Inter-segment Eliminations		Consolidated Totals			
	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual
Revenue															
Federal Government	231,100	231,100	237,600	415,203	415,203	373,832	1,498,590	1,483,811	3,877,802	-	-	-	5,884,572	7,570,310	11,550,290
Provincial Government	705,847	705,847	583,130	-	-	-	561,620	533,514	375,711	-	-	-	1,842,927	1,811,628	1,375,178
Economic Activities	-	-	-	-	-	-	-	159,654	493,642	-	-	-	-	-	-
Other revenue	-	(1,351)	-	-	123,268	611,593	-	(5,001)	82,282	-	-	-	-	228,010	524,440
Total Revenue	936,947	935,556	820,730	415,203	538,471	985,425	2,060,210	2,171,978	4,809,437	-	(203,453)	(146,687)	332,851	1,514,295	2,033,724
											(203,453)	(146,687)	8,060,350	11,124,243	15,483,632
Expenditures															
Salaries and benefits	200,000	215,899	195,468	150,000	312,734	408,350	500,000	620,205	480,133	-	-	-	2,296,385	3,527,415	3,313,207
Amortization	-	2,312	2,274	-	35,800	45,023	-	464,320	336,708	-	-	-	-	896,992	800,393
Debt servicing	-	-	-	-	37,166	35,367	-	44,788	-	-	-	-	-	247,368	229,511
Other expenses	736,947	916,680	780,331	265,203	573,138	542,990	1,560,210	1,451,755	4,431,745	-	(203,453)	(146,687)	5,379,508	9,184,385	12,340,582
Total Expenditures	936,947	1,134,891	978,073	415,203	958,838	1,031,730	2,060,210	2,581,048	5,248,586	-	(203,453)	(146,687)	8,060,350	13,856,160	16,683,697
Annual Surplus (Deficit)	-	(199,335)	(157,343)	-	(420,367)	(46,305)	-	(409,070)	(439,149)	-	-	-	-	(2,731,917)	(1,200,061)

Review Engagement Report

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To the Members of Marten Falls First Nation
and Aboriginal Affairs and Northern Development Canada

We have reviewed the schedule of remuneration and expenses – Chief and Council, and the schedule of remuneration and expenses - Unelected Senior Officials (the “schedules”) of Marten Falls First Nation as at March 31, 2014. The schedules have been prepared to comply with Aboriginal Affairs and Northern Development Canada Financial Reporting Requirements 2013-2014. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the First Nation.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedules.

Based on our review, nothing has come to our attention that causes us to believe that the schedules are not, in all material respects, in accordance with Aboriginal Affairs and Northern Development Canada Financial Reporting Requirements 2013-2014.

Grant Thornton LLP

Thunder Bay, Canada
August 29, 2014

Chartered Accountants
Licensed Public Accountants