

FORT SEVERN FIRST NATION

Consolidated Financial Statements

March 31, 2014

FORT SEVERN FIRST NATION
Management's Responsibility for Financial Reporting
Year Ended March 31, 2014

January 20, 2015

To the Members of Fort Severn First Nation

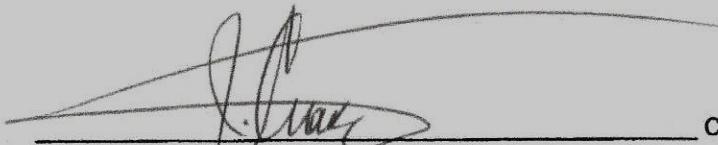
The accompanying consolidated financial statements of Fort Severn First Nation and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council.

These consolidated 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 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.

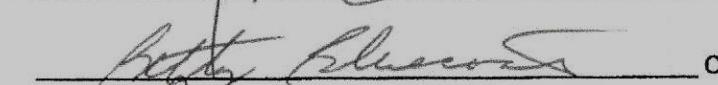
The First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately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

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

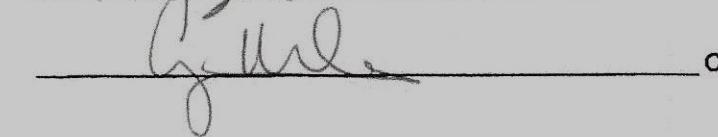
The Council reviews the First Nation's financial statements and meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditors' report. The Council reports its findings for consideration when approving the financial statements for issuance to the Members. The Council also considers, for approval by the Members, the engagement of the external auditors.



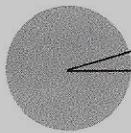
CHIEF



COUNCILLOR



COUNCILLOR



January 20, 2015

INDEPENDENT AUDITORS' REPORT

**To the Chief and Council
Fort Severn First Nation**

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with PSAB Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fort Severn First Nation, as at March 31, 2014, and the changes in its consolidated financial position for the year then ended, in accordance with PSAB Standards.

Craig & Ross

Chartered Accountants
Licensed Public Accountant

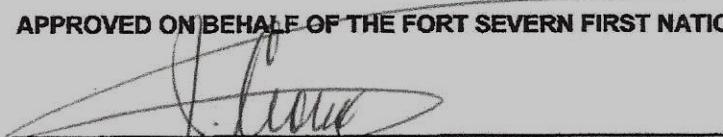
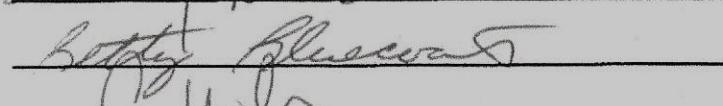
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FORT SEVERN FIRST NATION
Consolidated Statement of Financial Position

March 31, 2014

	2014	2013
FINANCIAL ASSETS		
CURRENT		
Cash (Note 1)	\$ 695,032	\$ -
Accounts receivable (Note 2)	1,261,886	1,140,490
Investments (Note 1 & 3)	474,341	500,606
Fund held in trust (Note 9)	10,381	10,124
TOTAL FINANCIAL ASSETS	\$ 2,441,640	\$ 1,651,220
LIABILITIES		
CURRENT		
Bank indebtedness (Note 1)	\$ -	\$ 53,874
Accounts payable and accrued liabilities (Note 5)	3,971,227	3,492,050
Deferred revenue (Note 6)	546,600	127,850
Incomplete projects (Note 1)	272,653	314,144
Replacement reserve (Note 7)	96,258	78,358
Long-term debt (Note 8)	2,329,103	2,589,241
TOTAL LIABILITIES	7,215,841	6,655,517
NET DEBT	(4,774,201)	(5,004,297)
NON-FINANCIAL ASSETS		
Tangible capital assets (Notes 1 & 4)	14,853,145	15,568,147
Inventory (Note 1)	1,474,828	1,189,893
Prepaid expenses	-	3,067
TOTAL NON-FINANCIAL ASSETS	16,327,973	16,761,107
ACCUMULATED SURPLUS	\$ 11,553,772	\$ 11,756,810

APPROVED ON BEHALF OF THE FORT SEVERN FIRST NATION


Chief

Councillor

Councillor

FORT SEVERN FIRST NATION

Consolidated Statement of Operations

March 31, 2014

	2014	2013
REVENUE		
AANDC (Note 11)	\$ 5,760,838	\$ 5,189,814
Health Canada	1,539,905	1,296,339
CMHC - rental subsidies	168,709	181,118
Other federal government departments	25,941	-
Province of Ontario	677,141	749,530
Hydro One	1,559,279	1,520,107
Casinorama	957,028	967,653
Other	<u>2,143,052</u>	<u>2,083,257</u>
	<u>\$ 12,831,893</u>	<u>\$ 11,987,818</u>
EXPENSES		
Band governance	\$ 1,130,805	\$ 985,855
Community infrastructure	6,259,287	5,193,996
Community services	386,952	477,121
Economic development	26,984	166,000
Education	1,162,132	1,217,200
Health	1,614,569	1,474,113
Social services	520,033	515,539
Other	<u>1,975,660</u>	<u>2,333,089</u>
Transfer from incomplete	(314,144)	(653,354)
Transfer to incomplete	<u>272,653</u>	<u>314,144</u>
TOTAL LIABILITIES	<u>13,034,931</u>	<u>12,023,703</u>
ANNUAL (DEFICIT) SURPLUS	<u>(203,038)</u>	<u>(35,885)</u>
ACCUMULATED SURPLUS - BEGINNING OF YEAR (Note 1)	<u>11,756,810</u>	<u>11,792,695</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 11,553,772</u>	<u>\$ 11,756,810</u>

FORT SEVERN FIRST NATION
Consolidated Statement of Change in Net Debt

March 31, 2014

	2014	2013
ANNUAL SURPLUS (DEFICIT)	\$ (203,038)	\$ (35,885)
Acquisition of tangible capital assets	(283,685)	(463,772)
Amortization of tangible capital assets	998,687	1,020,164
	715,002	556,392
Net change in inventories	(284,935)	(585,975)
Net change in prepaid expenses	3,067	(3,067)
	(281,868)	(589,042)
(DECREASE) INCREASE IN NET DEBT	230,096	(68,535)
NET DEBT - BEGINNING OF YEAR	(5,004,297)	(4,935,762)
NET DEBT - END OF YEAR	\$ (4,774,201)	\$ (5,004,297)

FORT SEVERN FIRST NATION

Consolidated Statement of Cash Flows

Year Ended March 31, 2014

	2014	2013
OPERATING TRANSACTIONS		
Annual (deficit) surplus	\$ (203,038)	\$ (35,885)
Items not affecting cash:		
Amortization	998,687	1,020,164
Appropriation to replacement reserve	17,900	(9,792)
Net changes in non-cash working capital balances		
Accounts receivable	(121,396)	(298,821)
Inventories	(284,935)	(585,975)
Prepaid expense	3,067	(3,067)
Accounts payable and accrued liabilities	479,177	1,096,117
Deferred revenue	418,750	(175,619)
Incomplete projects	<u>(41,491)</u>	<u>(339,210)</u>
Cash provided by operating transactions	<u>1,266,721</u>	<u>667,912</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	<u>(283,685)</u>	<u>(463,772)</u>
Cash applied to capital transactions	<u>(283,685)</u>	<u>(463,772)</u>
INVESTING TRANSACTIONS		
Increase in funds held in trust	(256)	(242)
Increase in investments	-	(219,000)
Decrease (increase) in investment in Washaho Socio-Economic Development Corporation	<u>26,265</u>	<u>32,817</u>
Cash (applied to) provided by investing transactions	<u>26,009</u>	<u>(186,425)</u>
FINANCING TRANSACTIONS		
Increase (decrease) in bank loans	-	-
Increase in long-term debt	-	-
Repayment of long-term debt	<u>(260,138)</u>	<u>(514,645)</u>
Cash applied to financing transactions	<u>(260,138)</u>	<u>(514,645)</u>
(DECREASE) INCREASE IN CASH	748,907	(496,930)
(BANK INDEBTEDNESS) CASH - BEGINNING OF YEAR	<u>(53,874)</u>	443,056
(BANK INDEBTEDNESS) CASH - END OF YEAR	<u>\$ 695,033</u>	<u>\$ (53,874)</u>

FORT SEVERN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The consolidated financial statements include financial information for the entity known as the Fort Severn First Nation and consolidate the assets, liabilities and results of operations. As a result, the Capital and Trust Funds are no longer reported as separate Funds in the Member's Equity area on the Consolidated Statement of Financial Position. Changes to do with the reporting of the Capital Fund are explained in Note 1 (b).

b) Tangible capital assets

The First Nation adopted Tangible Capital Asset Reporting in accordance with the Public Sector Accounting Board standard PS 3150. Capital assets are valued at their acquisition cost. Tangible capital assets are no longer treated as expenditures in the year of acquisition. Instead, accrual accounting requires that tangible capital assets be expensed over their useful lives by a charge to amortization expense.

c) Reporting model

The First Nation adopted the reporting model for governments in accordance with the Public Sector Account Board standards PS1100, PS 1200, and PS 1300. This has resulted in assets being reclassified into financial and non-financial assets. Members' equity is no longer shown on the Statement of Financial Position. The Statement of Cash Flow has been reformatted to include a category for capital transaction. The Statement of Changes in Net Debt shows the impact of applying the expenditure basis of accounting. Under the expenditure basis of accounting, tangible capital assets, prepaid program costs and other assets are recorded when calculating the current year surplus or deficit. Under the expense basis of accounting, these items are recorded on the Consolidated Statement of Financial Position as assets and amortized over an applicable period of time.

d) Amortization

Amortization is calculated using the diminishing balance method at the following annual rates:

Community buildings	5%
Housing	5%
Water / Sewage systems	5%
Equipment	20%
Vehicles	30%

e) Related party projects

Transactions between the Band and its related parties are not separately disclosed in the consolidated financial statements.

f) Incomplete projects

Construction and other major projects that have a definite completion time but are not completed by the fiscal year end are deferred to future reporting periods in order to match total funding with the total cost of each project.

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FORT SEVERN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with bank net of bank overdrafts.

h) Inventory

Inventory of heating fuel is recorded at the lower of cost and net realizable value.

i) Investments

Investments are recorded at cost. These investments are written down where there has been a loss in value that is other than a temporary decline.

j) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on the 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 the 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.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor and / or internal restrictions are set by Council, 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.

k) Measurement uncertainty

In preparing the consolidated financial statements for Fort Severn First Nation, management is required 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 consolidated financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimates include allowance for doubtful accounts and amortization of tangible capital assets.

FORT SEVERN FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

2. ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>
Trade receivables	\$ 565,477	\$ 493,577
Federal Government - AANDC	301,295	349,082
Federal Government - Health Canada	77,643	21,485
Federal Government - CMHC	32,916	33,582
Federal Government - GST receivable	142,684	106,558
Band members	<u>982,524</u>	<u>936,859</u>
	2,102,539	1,941,143
Less allowance for doubtful accounts	<u>(840,653)</u>	<u>(800,653)</u>
	<u>\$ 1,261,886</u>	<u>\$ 1,140,490</u>

3. INVESTMENTS

	<u>2014</u>	<u>2013</u>
Crescent Point Energy Corp. - 58.50 shares	\$ 500	\$ 500
Wasaya Group Incorporated	219,000	219,000
Washaho Socio-Economic Development Corporation	<u>254,841</u>	<u>281,106</u>
	<u>\$ 474,341</u>	<u>\$ 500,606</u>

4. TANGIBLE CAPITAL ASSETS

	<u>Cost</u>	<u>ACCUMULATED AMORTIZATION</u>	<u>Net Book Value</u>	
			<u>2014</u>	<u>2013</u>
Community buildings	\$ 11,819,588	\$ 5,974,824	\$ 5,844,764	\$ 6,152,383
Housing	7,804,215	3,077,703	4,726,512	4,933,322
Water / Sewage system	10,177,942	6,599,857	3,578,085	3,766,406
Equipment	2,785,275	2,362,629	422,646	351,627
Vehicles	<u>1,960,398</u>	<u>1,679,260</u>	<u>281,138</u>	<u>364,409</u>
	<u>\$ 34,547,418</u>	<u>\$ 19,694,273</u>	<u>\$ 14,853,145</u>	<u>\$ 15,568,147</u>

FORT SEVERN FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2014</u>	<u>2013</u>
Trade payables	\$ 3,878,628	\$ 3,266,730
Federal Government - AANDC	37,500	37,500
Federal Government - Payroll source deductions	38,776	-
Province of Ontario - WSIB	<u>16,323</u>	<u>187,820</u>
	<u>\$ 3,971,227</u>	<u>\$ 3,492,050</u>

6. DEFERRED REVENUE

Deferred revenue consists of funding received but not yet expended and consists of the following:

	<u>2014</u>	<u>2013</u>
Service Ontario at Libraries project	\$ 2,400	\$ 2,400
Hydro One - Fuel contract	375,000	25,450
Bell Canada - prepayment of cell tower lease agreement	20,000	20,000
Northern Chiefs	52,892	52,892
Kwayaciwin Education Resource Centre	36,185	24,035
Keewaytinook Internet High School	3,073	3,073
Health Canada - Agreement ON1400006	35,515	-
Prov. Of Ontario (Min. of Natural Resources) - prepay Agreement	<u>21,535</u>	<u>-</u>
	<u>\$ 546,600</u>	<u>\$ 127,850</u>

7. REPLACEMENT RESERVE

Under an agreement with Canada Mortgage and Housing Corporation a predetermined amount is to be transferred annually to a separate replacement reserve bank account and recorded as a current year expenditure in the financial statements. These monies together with any interest earned there in are used to finance the cost of major replacements to existing CMHC sponsored properties.

FORT SEVERN FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

8. LONG TERM DEBT

	2014	2013
Canada Mortgage and Housing Corporation mortgage for \$604,772 amortized over 14 years, 11 months at a rate of 1.53% and is for a term of five years, due December 1, 2017, repayable \$3,780 monthly including interest	559,173	595,696
Canada Mortgage and Housing Corporation mortgage for \$700,041 amortized over 20 years at a rate of 3.16% and is for a term of five years, due June 1, 2013, repayable \$3,931 monthly including interest	-	570,981
Canada Mortgage and Housing Corporation mortgage for \$563,772 amortized over 15 years at a rate of 1.67% and is for a term of five years, due June 1, 2018, repayable \$3,541 monthly including interest	538,781	-
Canada Mortgage and Housing Corporation mortgage for \$578,266 amortized over 19 years, 11 months at a rate of 2.57% and is for a term of five years, due December 1, 2014, repayable \$3,090 monthly including interest	478,230	502,742
Canada Mortgage and Housing Corporation mortgage for \$578,340 amortized over 25 years at a rate of 1.82% and is for a term of five years, due December 1, 2016, repayable \$2,399 monthly including interest	534,624	553,531
Royal Bank of Canada mortgage for \$271,608 amortized over 170 months at a rate of 4.96% and is for a term of five years, due August 1, 2013, payable \$2,228 monthly including interest	-	202,803
Canada Mortgage and Housing Corporation mortgage for \$195,825 amortized over 9 years, 2 months at a rate of 2.02% and is for a term of five years, due August 1, 2018, repayable \$1,951 monthly including interest	184,401	-
Caterpillar Financial Services loan for \$193,983 with interest at 8.6%, due February 20, 2014, repayable \$3,989 monthly including interest, secured by certain equipment	-	42,051
Caterpillar Financial Services loan for \$245,458 with interest at 8.6%, due March 13, 2014, repayable \$5,048 monthly including interest, secured by certain equipment	-	57,844
Mercado Capital Corporation loan for \$112,950 with interest at 6.9%, due March 31, 2015 repayable \$2,998 monthly including interest, secured by certain equipment	33,894	63,593
	<u>2,329,103</u>	<u>2,589,241</u>

continues

FORT SEVERN FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

8. LONG TERM DEBT (continued)

Anticipated annual principal repayments over the next five years and thereafter are as follows:

2015	\$ 622,128
2016	111,833
2017	589,690
2018	502,835
2019	<u>502,617</u>
	 <u>\$ 2,329,103</u>

9. FUNDS HELD IN TRUST

	2014			2013	
	Capital	Revenue	Total	Total	
BALANCE - BEGINNING OF YEAR	\$ 334	\$ 9,790	\$ 10,124	\$ 9,882	
INTEREST INCOME	-	257	257	242	
BALANCE - END OF YEAR	<u>\$ 334</u>	<u>\$ 10,047</u>	<u>\$ 10,381</u>	<u>\$ 10,124</u>	

10. ECONOMIC DEPENDENCE

The Fort Severn First Nation receives a major portion of its revenues from Aboriginal Affairs and Northern Development Canada.

11. RECONCILIATION OF AANDC FUNDING

Funding per AANDC Funding Confirmation Report	\$ 5,762,817
Adjustments for prior years	<u>(1,979)</u>
	 <u>\$ 5,760,838</u>