Consolidated Financial Statements of

MATACHEWAN FIRST NATION

Year ended March 31, 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Consolidated 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 consolidated financial statements are presented fairly, in all material respects.

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

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

The Chief and Council review the First Nation's consolidated financial statements and recommend their approval. The Chief and Council meet to discuss and to review the annual report, the consolidated financial statements and the external auditors' report. The Chief and Council takes this information into consideration when approving the consolidated financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.

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

Chief

Finance Manager

KPMG

KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada
Telephone (705) 675-8500
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INDEPENDENT AUDITORS' REPORT

To the Council and Members of Matachewan First Nation

We have audited the accompanying consolidated financial statements of **Matachewan First Nation** which comprise the consolidated statement of financial position as at March 31, 2016, the consolidated statements of financial activities, changes in net financial assets 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 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 our 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, we 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 opinion.

KPMG

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Matachewan First Nation as at March 31, 2016 and its results of operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

July 28, 2016
Sudbury, Canada

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Year ended March 31, 2016

Consolidated Financial Statements:

MATACHEWAN FIRST NATION

Consolidated Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Financial Assets		
Cash	$ 6,683,093	$ 6,152,786
Investments (note 3)	1,523,080	1,510,145
Consolidated revenue trust	288,652	282,655
Accounts receivable	1,093,519	793,274
Investment in Matachewan First Nation Limited Partnership (note 4)	4,141,999	4,299,257
Investment in Niiwin Limited Partnership (note 5)	250,000	-
	13,980,343	13,038,117
Financial Liabilities		
Accounts payable and accrued liabilities	559,892	555,810
Deferred revenue (note 6)	25,000	130,569
Long-term debt (note 7)	406,753	386,908
	991,645	1,073,287
Net financial assets	12,988,698	11,964,830
Non-Financial Assets		
Tangible capital assets (note 8)	6,516,758	6,357,665
Prepaid expenses	54,014	56,006
	6,570,772	6,413,671
Contingent liability (note 9)		
Accumulated surplus (note 10)	$ 19,559,470	$ 18,378,501

See accompanying notes to consolidated financial statements.

On behalf of Council:

Aly Bah

Chief

MATACHEWAN FIRST NATION

Consolidated Statement of Financial Activities

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Indigenous and Northern Affairs Canada	$ 1,238,546	$ 1,274,956
Ontario First Nations Limited Partnership	583,159	577,706
Wabun Tribal Council	324,276	207,020
Health Canada	76,292	126,757
Ministry of Aboriginal Affairs	91,764	50,138
Contract revenue	200,000	200,000
Interest	28,777	35,294
Other	1,867,610	2,166,222
Net income (loss) from business enterprises (note 4)	(157,258)	1,146,411
	4,253,166	5,784,504
Expenses:		
Band Support	652,890	623,384
Community Operations	409,887	196,366
Economic Development - Core	43,984	48,366
Economic Development - Other Programs	710,332	737,441
Health	251,653	269,948
Education	778,978	765,018
Community Property	84,865	62,094
Business Operations	135,274	150,478
Ontario First Nations Limited Partnership	4,334	30,966
	3,072,197	2,884,061
Excess of revenue over expenses	1,180,969	2,900,443
Accumulated surplus, beginning of year	18,378,501	15,478,058
Accumulated surplus, end of year	$ 19,559,470	$ 18,378,501

See accompanying notes to consolidated financial statements.

MATACHEWAN FIRST NATION

Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Excess of revenue over expenses	$ 1,180,969	$ 2,900,443
Acquisition of tangible capital assets	(426,124)	(68,771)
Amortization of tangible capital assets	267,031	288,203
	1,021,876	3,119,875
Acquisition of prepaid expenses	(54,014)	(56,006)
Use of prepaid expenses	56,006	50,848
Change in net financial assets	1,023,868	3,114,717
Net financial assets, beginning of year	11,964,830	8,850,113
Net financial assets, end of year	$ 12,988,698	$ 11,964,830

See accompanying notes to consolidated financial statements.

MATACHEWAN FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash flows from operating activities:		
Excess of revenue over expenses	$ 1,180,969	$ 2,900,443
Adjustment for:		
Amortization of tangible capital assets	267,031	288,203
	1,448,000	3,188,646
Change in non-cash working capital:		
Decrease (increase) in accounts receivable	(300,245)	672,539
Increase (decrease) in accounts payable and accrued liabilities	4,082	(181,057)
Increase (decrease) in deferred revenue	(105,569)	108,962
Increase (decrease) in prepaid expenses	1,992	(5,158)
	1,048,260	3,783,932
Capital transactions:		
Cash used to acquire tangible capital assets	(426,124)	(68,771)
Cash flow from financing activities:		
Repayment of long-term debt	(63,603)	(60,567)
Issuance of long-term debt	83,448	107,782
	19,845	47,215
Cash flow from investing activities:		
Increase in consolidated revenue fund	(5,997)	(7,782)
Increase in investment in business enterprises	(92,742)	(1,149,292)
Increase in investments	(12,935)	(17,405)
	(111,674)	(1,174,479)
Net increase in cash	530,307	2,587,897
Cash and short-term investments, beginning of year	6,152,786	3,564,889
Cash and short-term investments, end of year	$ 6,683,093	$ 6,152,786

See accompanying notes to consolidated financial statements.

Matachewan First Nation, located in Northern Ontario, administers programs and provides services on behalf of its members.

1. Significant accounting policies:

These consolidated financial statements of Matachewan First Nation (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 Handbook. The following is a summary of the significant accounting policies followed in the preparation of these consolidated financial statements:

(a) Reporting entity:

(i) The reporting entity includes all of the committees of council under the control of the First Nation.

(ii) Investment in government business enterprises:

The investment in the First Nation's 100% owned government business enterprise is accounted for on a modified equity basis, consistent with Canadian generally accepted accounting principles as recommended by PSAB for investments in government business enterprises. Under the modified equity basis, the government business enterprises' accounting policies are not adjusted to conform with those of the First Nation and inter-organizational transactions and balances are not eliminated. The First Nation recognizes its equity interest in the annual income or loss of the government business enterprises in its consolidated statement of financial activities with corresponding increase or decrease in its investment account.

(b) Basis of accounting

The First Nation follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(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.

1. Significant accounting policies (continued):

(c) Non-Financial assets (continued):

(i) 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 and landfill sites, are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years
Furniture, computers and fixtures	3 to 5 years
Vehicles and equipment	3 to 20 years
Roads infrastructure	80 years
Water systems	20 and 50 years
Housing	25 years

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

(d) Revenue recognition:

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements which relate to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the consolidated statement of financial position.

(e) Use of estimates:

The preparation of consolidated 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 at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. 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.

1. Significant accounting policies (continued):

(f) Consolidated revenue funds:

Funds held in trust are comprised of funds held in Ottawa Trust accounts and 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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

(g) 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.

(h) Investments:

Investments in non-controlled entities are recorded at cost. Temporary declines in the market value of the investments are not adjusted.

2. Short-term investments:

The short-term investments consist of cash and money market funds. They are recorded at cost and have a market value of $1,449,626.

3. Investments:

	2016 Cost	2016 Market	2015 Cost	2015 Market
Mining investments	$ 73,455	37,950	72,721	31,842
Mutual funds	1,449,625	1,449,625	1,437,424	1,437,424
	$ 1,523,080	1,487,575	1,510,145	1,469,266

4. Investment in Matachewan First Nation Limited Partnership:

The First Nation has a direct 99% interest in Matachewan First Nation Limited Partnership ("MFNLP") and a further 1% interest by virtue of its 100% investment in 2242185 Ontario Inc. (the general partner for MFNLP). MFNLP is engaged primarily in community and mining operations. The First Nation's interest in MFNLP results of operations for the year ended March 31, 2016 is included in the First Nation's consolidated statement of financial activities.

The following table presents condensed supplementary financial information of MFNLP for the year ended March 31, 2016:

	2016	2015
Financial position:		
Current assets	$ 4,574,507	$ 4,911,725
Non-current assets	884,377	1,551,569
Total assets	5,458,884	6,463,294
Current liabilities	1,181,045	2,028,197
Due to Matachewan First Nation	135,840	135,840
Total liabilities	1,316,885	2,164,037
Total assets and liabilities	$ 4,141,999	$ 4,299,257
Total equity attributable to equity holders of the Partnership	$ 4,134,344	$ 4,295,005
Non-controlling interest	7,655	4,252
Net assets	$ 4,141,999	$ 4,299,257
Results of operations:		
Revenues	$ 3,555,078	$ 6,345,711
Expenses	(3,716,106)	(5,206,433)
Non-controlling interest	3,770	7,133
Net income (loss)	$ (157,258)	$ 1,146,411
Investment in business enterprises:		
100% interest in 2242185 Ontario Inc.	$ 41,420	$ 42,993
99% interest in MFNLP	4,100,579	4,256,264
	$ 4,141,999	$ 4,299,257

5. Investment in Niiwin Limited Partnership:

The First Nation has a direct 25% interest in Niiwin Limited Partnership ("NLP"). NLP is engaged in community economic development and is accounted for using the modified equity method. As of the financial statement date, financial statements for the Partnership were unavailable.

6. Deferred revenue:

	2016	2015
Goldcorp Inc.	$ 25,000	$ 25,000
Ministry of Northern Development and Mines	–	51,630
Wabun Tribal Council	–	53,939
	$ 25,000	$ 130,569

7. Long-term debt:

	2016	2015
4.90% Equipment loan payable in blended monthly interest and principal payments of $5,691, secured by equipment, with a net book value of $296,458, due September 2016	$ 61,099	$ 124,703
Interest-free promissory note, due March 2017	154,424	262,205
Interest-free promissory note, due March 2019	107,782	–
Interest-free promissory note, due March 2020	83,448	–
	$ 406,753	$ 386,908

Principal repayments over the next four years are as follows:

2017	$ 215,523
2018	–
2019	107,782
2020	83,448

8. Tangible capital assets:

Cost	Balance March 31, 2015	Additions	Disposals	Balance at March 31, 2016
Land	$ 1	$ -	$ -	$ 1
Buildings	1,742,509	353,055	-	2,095,564
Furniture, computers and fixtures	220,599	7,477	-	228,076
Vehicles and equipment	1,373,629	9,600	(56,552)	1,326,677
Roads infrastructure	1,050,455	-	-	1,050,455
Water systems	4,017,351	-	-	4,017,351
Housing	954,492	55,992	-	1,010,484
Assets under construction	-	-	-	-
Total	$ 9,359,036	$ 426,124	$ (56,552)	$ 9,728,608

Accumulated amortization	Balance March 31, 2015	Disposals	Amortization expense	Balance at March 31, 2016
Land	$ -	$ -	$ -	$ -
Buildings	396,560	-	43,971	440,531
Furniture, computers and fixtures	204,780	-	17,935	222,715
Vehicles and equipment	720,026	(56,552)	49,786	713,260
Roads infrastructure	363,985	-	30,639	394,624
Water systems	1,035,516	-	87,864	1,123,380
Housing	280,504	-	36,836	317,340
Total	$ 3,001,371	$ (56,552)	$ 267,031	$ 3,211,850

	Net book value March 31, 2015	Net book value March 31, 2016
Land	$ 1	$ 1
Buildings	1,345,949	1,655,033
Furniture, computers and fixtures	15,819	5,361
Vehicles and equipment	653,603	613,417
Roads infrastructure	686,470	655,831
Water systems	2,981,835	2,893,971
Housing	673,988	693,144
Assets under construction	-	-
Total	$ 6,357,665	$ 6,516,758

8. Tangible capital assets (continued):

Cost	Balance March 31, 2014	Additions	Disposals	Balance at March 31, 2015
Land	$ 1	$ -	$ -	$ 1
Buildings	1,731,409	11,100	-	1,742,509
Furniture, computers and fixtures	217,191	3,408	-	220,599
Vehicles and equipment	1,319,366	54,263	-	1,373,629
Roads infrastructure	1,030,159	-	20,296	1,050,455
Water systems	4,017,351	-	-	4,017,351
Housing	954,492	-	-	954,492
Assets under construction	20,296	-	(20,296)	-
Total	$ 9,290,265	$ 68,771	$ -	$ 9,359,036

Accumulated amortization	Balance March 31, 2014	Disposals	Amortization expense	Balance at March 31, 2015
Land	$ -	$ -	$ -	$ -
Buildings	356,230	-	40,330	396,560
Furniture, computers and fixtures	185,086	-	19,694	204,780
Vehicles and equipment	638,452	-	81,574	720,026
Roads infrastructure	340,959	-	23,026	363,985
Water systems	947,652	-	87,864	1,035,516
Housing	244,789	-	35,715	280,504
Total	$ 2,713,168	$ -	$ 288,203	$ 3,001,371

	Net book value March 31, 2014	Net book value March 31, 2015
Land	$ 1	$ 1
Buildings	1,375,179	1,345,949
Furniture, computers and fixtures	32,105	15,819
Vehicles and equipment	680,914	653,603
Roads infrastructure	689,200	686,470
Water systems	3,069,699	2,981,835
Housing	709,703	673,988
Assets under construction	20,296	-
Total	$ 6,577,097	$ 6,357,665

9. Contingent liability:

As at March 31, 2016, the First Nation is subject to the following contingency:

- The First Nation has guaranteed loans on behalf of First Nation members in the amount of $210,366.

10. Accumulated surplus:

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

	2016	2015
Invested in tangible capital assets	$ 6,171,104	$ 6,078,539
Consolidated revenue trust	288,652	282,656
Ontario First Nations Limited Partnership	3,081,941	2,846,731
Investment in Matachewan First Nation Limited Partnership	4,141,999	4,299,257
Reserves	3,547,308	2,783,877
Operations	2,078,466	2,087,441
	$ 19,309,470	$ 18,378,501
Reserves:		
Band Support	$ 292,809	$ 292,809
Community Operations	242,446	241,082
Economic Development - Core	20,483	22,467
Economic Development - Other Programs	2,141,497	1,432,533
Health	316,651	206,342
Education	144,499	176,950
Community Property	93,285	156,762
Post Secondary Education	-	28,450
Transportation	107,550	107,550
Administration	44,311	44,311
Youth and Special Services	30,164	30,164
Rental	44,457	44,457
Business Operations	69,156	-
	$ 3,547,308	$ 2,783,877

11. Comparative information:

Certain 2015 comparative information have been reclassified where necessary to conform with the presentation adopted in 2016.

12. Segmented information:

Matachewan First Nation is a diversified governmental institution that provides a wide range of services to its Members, including band support, health services, education, social assistance, capital projects and business operations in addition to also managing specific funds from others. 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 functional areas and their activities are reported in these funds. Certain functional areas that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Band Support

The band support 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 consolidated financial activities. In addition, this department includes the governance activities of chief and council and management and assistance for the related departments within the First Nation.

Community Operations

The community operations 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 and community buildings.

Economic Development

The economic development functional area develops employment and training opportunities, along with identification of economic development initiatives for the First Nation and its members.

Health

The health services functional area provides a diverse bundle of services directed toward the well-being of the Members including such activities as patient transportation, early childhood development and various other health related activities.

Education

The education functional area administers tuition agreements with various school boards, manages the post-secondary program for its members and provides local transportation for the students.

12. Segmented information (continued):

Community Property

The community property department provides services for the longevity of the First Nation by the acquisition or construction of equipment, roads and housing. Revenue and expenses included in the community property department are generally of long-term in nature, capitalized in the accounts of the First Nation and amortized over their useful life.

Business Operations

Various business activities of the First Nation like vehicle and equipment rental are managed through this department. Its primary focus is to generated profit on behalf of the First Nation.

Other

The First Nation's activities related to its participation with the Ontario First Nations Limited Partnership are identified and managed by this department.

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 allocations 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 consolidated financial statements as disclosed in the summary of significant accounting policies.

MATACHEWAN FIRST NATION

Notes to Consolidated Financial Statements

Note 12 - Segmented Information (continued)

Year ended March 31, 2016

		Band Support	Community Operations	Economic Development	Health	Education	Community Property	Business Operations	Other	2016 Total
Revenue	$	458,127	202,271	1,913,339	327,676	674,031	24,934	208,689	444,099	4,253,166
Expenses:										
Salaries and benefits		274,064	65,517	252,146	123,139	71,743	645	166	-	787,420
Materials and supplies		48,863	29,617	17,536	71,129	39,407	72,139	133	4,334	283,158
Contractual services		156,805	404,165	33,456	-	1,900	150	-	-	596,476
Tuition		-	-	-	-	333,284	-	-	-	333,284
Travel		59,875	50	47,348	14,845	51,266	-	1,490	-	174,874
Other		131,290	130,085	406,889	39,581	272,603	15,477	112,646	-	1,108,571
Administration recovery		(52,493)	-	-	-	-	-	-	-	(52,493)
Amortization of tangible capital assets		39,286	138,308	4,418	2,959	8,775	52,446	20,839	-	267,031
Investment in tangible capital assets		(4,800)	(357,855)	(7,477)	-	-	(55,992)	-	-	(426,124)
		652,890	409,887	754,316	251,653	778,978	84,865	135,274	4,334	3,072,197
Excess (deficiency) of revenue over expenses	$	(194,763)	(207,616)	1,159,023	76,023	(104,947)	(59,931)	73,415	439,765	1,180,969

Note 12 - Segmented Information (continued)

Year ended March 31, 2015

		Band Support	Community Operations	Economic Development	Health	Education	Community Property	Business Operations	Other	2016 Total
Revenue	$	305,544	204,328	2,315,109	263,373	724,260	24,651	197,934	1,749,305	5,784,504
Expenses:										
Salaries and benefits		257,333	1,752	203,839	124,205	82,287	-	57,669	-	727,085
Materials and supplies		23,046	15,424	35,204	119,419	42,333	2,061	1,847	30,966	270,300
Contractual services		185,133	9,692	94,343	-	6,600	-	-	-	295,768
Tuition		-	-	-	-	285,524	-	-	-	285,524
Travel		44,506	50	38,565	6,556	67,149	-	260	-	157,086
Other		134,643	52,594	408,389	56,975	252,832	8,797	70,337	-	984,567
Administration recovery		(55,702)	-	-	-	-	-	-	-	(55,702)
Amortization of tangible capital assets		37,188	134,454	5,467	7,793	28,293	51,236	23,773	-	288,204
Investment in tangible capital assets		(2,763)	(17,600)	-	(45,000)	-	-	(3,408)	-	(68,771)
		623,384	196,366	785,807	269,948	765,018	62,094	150,478	30,966	2,884,061
Excess (deficiency) of revenue over expenses	$	(317,840)	7,962	1,529,302	(6,575)	(40,758)	(37,443)	47,456	1,718,339	2,900,443