Financial Statements of

MATTAGAMI FIRST NATION

Year ended March 31, 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. 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. 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 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.

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

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

Chief

Councilor

Councilor

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Members of Mattagami First Nation

We have audited the accompanying financial statements of **Mattagami First Nation** which comprise the statement of financial position as at March 31, 2016, the 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 Financial Statements

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

Auditors' Responsibility

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

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

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

KPMG

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Mattagami First Nation as at March 31, 2016 and its results of operations, its 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 22, 2016
Sudbury, Canada

MATTAGAMI FIRST NATION

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MATTAGAMI FIRST NATION

Statement of Financial Position

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

		2016		2015
Financial assets:				
Cash	$	642,427	$	161,154
Consolidated revenue trust fund		222,016		217,404
Marketable securities (note 4)		505,621		394,138
Accounts receivable (note 5)		707,522		1,062,656
Investment in Niiwiin General Partnership (note 6)		250,000		-
		2,327,586		1,835,352
Financial liabilities:				
Accounts payable and accrued liabilities		170,169		338,015
Loans payable		-		407,654
Deferred revenue		6,664		-
Long-term debt (note 7)		1,398,335		1,076,580
		1,575,168		1,822,249
Net financial assets		752,418		13,103
Non-financial assets:				
Tangible capital assets (note 8)		7,725,400		8,116,031
Prepaid expenses		11,053		13,618
		7,736,453		8,129,649
Contingent liabilities (note 9)				
Accumulated surplus (note10)	$	8,488,871	$	8,142,752

See accompanying notes to financial statements.

On behalf of the First Nation:

Chief Walter J. Naveau

Councilor

Councilor

MATTAGAMI FIRST NATION

Statement of Financial Activities

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

	2016	2015
Revenue:		
Indigenous and Northern Affairs Canada (note 11)	$ 1,917,218	$ 2,104,473
Wabun Tribal Council	421,052	405,131
Health Canada	154,779	82,752
Other	2,199,166	997,982
Province of Ontario	282,596	280,883
Mattagami First Nation Community Development Trust	82,267	241,190
Canada Mortgage and Housing Corporation	84,866	63,953
Ontario First Nations Limited Partnership	529,762	523,102
	5,671,706	4,699,466
Expenses:		
Band Support	927,255	726,624
Operation and Maintenance	790,051	862,207
Education	1,452,517	1,420,379
Health	462,738	532,763
Social Assistance	315,298	351,045
Other	906,076	772,006
Community Property	321,620	296,481
Business Enterprises	16,953	16,449
Social Housing	133,079	154,093
	5,325,587	5,132,047
Excess (deficiency) of revenue over expenses	346,119	(432,581)
Accumulated surplus, beginning of year	8,142,752	8,575,333
Accumulated surplus, end of year	$ 8,488,871	$ 8,142,752

See accompanying notes to financial statements.

MATTAGAMI FIRST NATION

Statement of Changes in Net Financial Assets

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

	2016	2015
Excess (deficiency) of revenue over expenses	$ 346,119	$ (432,581)
Acquisition of tangible capital assets	(220,254)	(285,070)
Amortization of tangible capital assets	610,885	593,157
	736,750	(124,494)
Acquisition of prepaid expenses	(11,053)	(13,618)
Use of prepaid expenses	13,618	13,917
Change in net financial assets	739,315	(124,195)
Net financial assets, beginning of year	13,103	137,298
Net financial assets, end of year	$ 752,418	$ 13,103

See accompanying notes to financial statements.

MATTAGAMI FIRST NATION

Statement of Cash Flows

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

	2016	2015
Cash flows from operating activities:		
Excess (deficiency) of revenue for the year	$ 346,119	$ (432,581)
Adjustments for:		
Amortization of tangible capital assets	610,885	593,157
	957,004	160,576
Change in non-cash working capital:		
Decrease in accounts receivable	355,134	95,707
Decrease in prepaid expenses	2,565	299
Increase (decrease) in accounts payable and accrued liabilities	(167,846)	62,938
	903,521	319,520
Cash flows from financing activities:		
Issuance of new debt	469,599	-
Repayment of long-term debt	(147,844)	(140,032)
Repayment of loans payable	(407,654)	-
	(85,899)	(140,032)
Cash flows from investing activities:		
Increase in marketable securities	(111,483)	(48,625)
Increase in consolidated revenue trust fund	(4,612)	(5,985)
Purchase of tangible capital assets	(220,254)	(285,070)
	(336,349)	(339,680)
Net increase (decrease) in cash	481,273	(160,192)
Cash, beginning of year	161,154	321,346
Cash, end of year	$ 642,427	$ 161,154

See accompanying notes to financial statements.

Mattagami First Nation (the "First Nation") administers funds and performs services as contracted with various funding agencies for the benefit of its members.

1. Basis of presentation and significant accounting policies:

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

(a) Revenue recognition:

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

(b) Allocation of revenue and expenses:

The allocation of revenue and expenses was determined by the Chief and Council in accordance with the specific terms of the applicable contribution agreements.

(c) Capital assets:

Capital assets are recorded at cost. The cost is amortized on a straight-line basis over the estimated useful lives of the asset as follows:

Vehicles, equipment, office equipment and furniture	5 years
Infrastructure	10 years
Buildings	40 years
CMHC Housing	40 years

For business enterprises, capital assets are valued at cost. Amortization is charged on a declining-balance basis at the following annual rates:

Assets	Rate
Fuel tanks	10%
Equipment	20%
Trailer	20%
Heavy equipment	30%
Logging vehicles	30%

1. Basis of presentation and significant accounting policies (continued):

(d) Assets under construction:

No amortization is taken on assets under construction until they are placed in use.

(e) Use of estimates:

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

(f) Prior year funding adjustments:

The First Nation has entered into accountable contribution arrangements with several government funding agencies. All programs are subject to audit by the various agencies, with audit adjustments repayable to the government. Adjustments are recorded in the year during which the adjustments are determined.

(g) Investments:

Portfolio investments are recorded at cost. Temporary declines in the market value of the investments are not adjusted. Investments in government business partnerships are recorded using the modified equity basis of accounting.

2. Minor children distribution trust funds:

On July 26, 2004, the First Nation distributed $2,100 to every member of the First Nation. Members who had not reached their 18th birth date as of July 26, 2004 are entitled to receive their distribution along with accumulated interest on their 18th birth date. The minor children distribution trust and related liability represents the distribution outstanding along with accumulated interest for those members entitled to a distribution, but who have not attained their 18th birth date as of March 31, 2010.

The trust funds are not included in these financial statements. The balance held in trust by the First Nation was $108,487 (2015 - $120,018) at year end.

3. Cash:

Cash consists of cash on hand, and bank balances. The First Nation has an operating line of credit of $150,000 with Bank of Montreal. At March 31, 2016, there is an outstanding balance of $Nil (2015- $Nil). The line of credit is due on demand and has an interest rate of prime plus 1.875%.

4. Marketable securities:

	Cost	Market value at March 31, 2016	Cost	Market value at March 31, 2015
Lakeshore Gold Corp	$ 453,888	722,925	$ 364,388	368,225
Gowest Gold Ltd.	6,000	4,000	6,000	2,500
Kitrinor Metals Inc.	10,000	500	10,000	500
Nobel Mineral Explore	2,000	750	2,000	375
Explor Resources Inc.	2,000	8,500	2,000	2,500
Melkior Resources	6,000	8,000	6,000	4,000
Rapier Gold	18,750	28,350	2,250	2,250
Trio Resources	1,500	–	1,500	200
Rogue Resources	4,750	4,500	–	–
Northern Sun Mining Corp.	733	466	–	–
	$ 505,621	777,991	$ 394,138	380,550

5. Accounts receivable:

	2016	2015
Indigenous and Northern Affairs Canada	$ 71,623	$ 175,565
Province of Ontario	25,277	20,002
Government of Canada	14,611	33,264
Health Canada	47,032	1,993
Wabun Tribal Council	31,882	93,688
NAN	81,170	16,072
CN Rail	60,467	166,847
Canadian Mortgage Housing Corporation	9,659	133,320
Mining Agreements	125,443	89,025
Due from Mattagami Trust	182,267	216,190
Due from Members	27,480	74,480
Other	30,611	42,210
	$ 707,522	$ 1,062,656

6. Investment in Niiwin Limited Partnership:

The investment in Niiwin Limited Partnership (the "Partnership") represents as 25% equity interest and is accounted for using the modified equity basis of accounting. As of the financial statement date, financial statements for the Partnership were unavailable.

7. Long-term debt:

	2016	2015
Mortgage payable in monthly installments of $2,169 including interest at 1.8%, maturing July 1, 2026	$ 245,367	$ 266,777
Mortgage payable in monthly installments of $1,830 including interest at 1.65%, maturing September 2036	382,005	397,534
Mortgage payable in monthly installments of $976 including interest at 1.65%, maturing September 1, 2036	203,735	212,017
Loan payable, due on demand, monthly installments of $8,217 including interest at prime plus 1.75%	39,165	133,685
Mortgage payable on behalf of Morris Naveau in monthly installments of $633, including interest at 6.30%, unsecured	62,960	66,567
Loan Payable, due on demand, monthly installments of $5,586 including interest at 4.45% maturing in February 2021	295,504	–
Loan Payable, due on demand, monthly installments of $1,095 including interest at 4.45% maturing in November 2020	54,599	–
Loan payable, due on demand, monthly installments of $2,141 including interest at 4.45% maturing in March 2021	115,000	–
	$ 1,398,335	$ 1,076,580

Scheduled principal repayments over the next five years are as follows:

2017	$ 176,404
2018	142,161
2019	147,281
2020	152,417
2021	146,110
Thereafter	633,962

8. Tangible capital assets:

Cost	Balance at March 31, 2015	Additions	Disposals	Balance at March 31, 2016
Land improvements	$ 831,844	$ -	$ -	$ 831,844
Buildings	6,436,289	-	-	6,436,289
Roads	1,007,708	-	-	1,007,708
Water systems	5,456,580	-	-	5,456,580
Machinery and equipment	1,340,798	115,000	-	1,455,798
Vehicles	139,967	99,599	-	239,566
Furniture, computers and fixtures	527,672	5,655	-	533,327
Total	$ 15,740,858	$ 220,254	$ -	$ 15,961,112

Accumulated amortization	Balance at March 31, 2015	Disposals	Amortization expense	Balance at March 31, 2016
Land improvements	$ 507,708	$ -	$ 38,133	$ 545,841
Buildings	3,396,204	-	232,206	3,628,410
Roads	881,853	-	596	882,449
Water systems	1,786,323	-	189,813	1,976,136
Machinery and equipment	722,576	-	78,794	801,370
Vehicles	113,629	-	23,791	137,420
Furniture, computers and fixtures	216,534	-	47,552	264,086
Total	$ 7,624,827	$ -	$ 610,885	$ 8,235,712

	Net book value March 31, 2015	Net book value March 31, 2016
Land improvements	$ 324,136	$ 286,003
Buildings	3,040,085	2,807,879
Roads	125,855	125,259
Water systems	3,670,257	3,480,444
Machinery and equipment	618,222	654,428
Vehicles	26,338	102,146
Furniture, computers and fixtures	311,138	269,241
Total	$ 8,116,031	$ 7,725,400

8. Tangible capital assets (continued):

Cost	Balance at March 31, 2014	Additions	Disposals	Balance at March 31, 2015
Land improvements	$ 831,844	$ -	$ -	$ 831,844
Buildings	6,436,289	-	-	6,436,289
Roads	1,007,708	-	-	1,007,708
Water systems	5,456,580	-	-	5,456,580
Machinery and equipment	1,084,729	256,069	-	1,340,798
Vehicles	139,967	-	-	139,967
Furniture, computers and fixtures	498,671	29,001	-	527,672
Total	$ 15,455,788	$ 285,070	$ -	$ 15,740,858

Accumulated amortization	Balance at March 31, 2014	Disposals	Amortization expense	Balance at March 31, 2015
Land improvements	$ 469,575	$ -	$ 38,133	$ 507,708
Buildings	3,163,998	-	232,206	3,396,204
Roads	868,985	-	12,868	881,853
Water systems	1,594,793	-	191,530	1,786,323
Machinery and equipment	661,640	(10,479)	71,415	722,576
Vehicles	102,394	(6,865)	18,100	113,629
Furniture, computers and fixtures	170,285	(4,857)	51,106	216,534
Total	$ 7,031,670	$ (22,201)	$ 615,358	$ 7,624,827

	Net book value March 31, 2014	Net book value March 31, 2015
Land improvements	$ 362,269	$ 324,136
Buildings	3,272,291	3,040,085
Roads	138,723	125,855
Water systems	3,861,787	3,670,257
Machinery and equipment	423,089	618,222
Vehicles	37,573	26,338
Furniture, computers and fixtures	328,386	311,138
Total	$ 8,424,118	$ 8,116,031

9. Contingent liabilities:

The First Nation has guaranteed loans to its members under the "First Nation on Reserve Loan Program". At year end, the balance outstanding of these loans amounted to $813,704 (2015 - $824,137).

10. Accumulated surplus:

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

	2016	2015
Surplus:		
Invested in tangible capital assets	$ 6,685,530	$ 7,097,411
Operations	369,987	234,357
Investment in Niiwin Limited Partnership	250,000	–
Reserves and reserve funds	1,183,354	810,984
Accumulated surplus	$ 8,488,871	$ 8,142,752

11. Indigenous and Northern Affairs Canada:

	2016	2015
Revenue per funding confirmation	$ 1,917,218	$ 2,113,206
Add: set contribution funding payable	–	(8,733)
Revenue as reported	$ 1,917,218	$ 2,104,473

12. Comparative information:

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

13. Segmented information:

Mattagami First Nation is a diversified governmental institution that provides a wide range of services to its band members, including band support, health services, education, social assistance, and capital. For management reporting purposes, the First Nation's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

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

Band 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 financial activities. In addition, this department includes the governance activities of chief and council and management and assistance for computer and communications related projects and services.

Health Services

The health services department provides a diverse bundle of services directed toward the well-being of the members of the member First Nations including such activities as long-term care, medical transportation services, health centers, diabetes, fetal alcohol syndrome, mental health, smoke free programs, traditional healing and training designed to enhance the health of member communities.

Education

The education department provides services to elementary students through the operation of an on reserve elementary school. Service contracts with provincially funded area school boards are entered into for secondary students. In addition, the department reimburses tuition costs and provides living and other allowances to students who are attending post secondary institutions.

Social Assistance

The social assistance department provides services under the Provincial Ontario Works Program including both active measures such as employment training and financial assistance components. In addition, the department manages the national child benefit programs.

Housing

The housing department manages the operations of the various rental housing stock owned by the First Nation including both CMHC and other housing. This includes tenant identification, rent collections and maintenance management.

Capital

The capital department is responsible for all capital asset activities occurring in the First Nation during the year, including housing construction and renovations as well as major projects such as water and building construction.

13. Segmented information (continued):

Infrastructure

The infrastructure or public works department provides the First Nation with support services for the repair and maintenance of all First Nation owned assets including buildings, roads, water systems and equipment.

Economic and Community Development

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

For each reported segment, revenues and expenses include amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information, including transfers that have been apportioned based on a percentage of budgeted expenses.

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

Note 12 - Segmented Information (continued)

		Band Support	Health Services	Education	Social Assistance	Social Housing	Community Property	Infrastructure	Economic and Community Development	Restricted Fund	2016 Total
Revenue	$	355,378	466,938	1,226,934	284,192	137,674	149,463	456,130	2,060,623	534,374	5,671,706
Expenses:											
Salaries wages and benefits		323,863	211,747	703,190	53,042	-	86,545	171,603	286,622	-	1,836,612
Materials, supplies, rentals and general		136,487	32,349	99,921	-	51,034	57,176	232,954	-	-	609,921
Capital acquisitions		-	(45,000)	(5,655)	-	-	-	(169,599)	-	-	(220,254)
Admin		(4,000)	-	-	-	-	-	-	4,000	-	-
Tuition		-	-	198,857	-	-	-	-	-	-	198,857
Travel		98,153	21,757	33,545	789	-	3,940	14,600	24,012	-	196,796
Other		366,064	224,717	397,052	261,401	22,409	6,556	53,026	591,946	-	1,923,171
Amortization of tangible capital assets		6,688	17,168	25,607	66	59,636	167,403	487,467	16,449	-	780,484
		927,255	462,738	1,452,517	315,298	133,079	321,620	790,051	923,029	-	5,325,587
Excess (deficiency) of revenue over expenses	$	(571,877)	4,200	(225,583)	(31,106)	4,595	(172,157)	(333,921)	1,137,594	534,374	346,119

Note 12 - Segmented Information (continued)

		Band Support	Health Services	Education	Social Assistance	Social Housing	Community Property	Infrastructure	Economic and Community Development	Restricted Fund	2015 Total
Revenue	$	577,067	421,591	1,099,196	355,579	137,455	727,475	310,758	541,257	529,088	4,699,466
Expenses:											
Salaries wages and benefits		355,664	238,897	711,967	47,705	-	50,285	170,806	280,977	-	1,856,301
Materials, supplies, rentals and general		58,288	21,830	171,224	-	40,938	282,405	235,327	12,959	-	822,971
Capital acquisitions		(18,714)	(2,935)	(2,769)	-		(249,605)	(11,047)	-	-	(285,070)
Admin		(41,329)	35,689	-	-	-	-	-	-	-	(5,640)
Tuition		-	-	360,690	-	-	-	-	-	-	360,690
Travel		62,022	4,451	27,452	-	-	7,723	7,984	23,562	-	133,194
Other		303,835	224,953	127,054	303,274	53,935	43,005	145,880	454,508	-	1,656,444
Amortization of tangible capital assets		6,858	9,878	24,761	66	59,220	162,668	313,257	16,449	-	593,157
		726,624	532,763	1,420,379	351,045	154,093	296,481	862,207	788,455	-	5,132,047
Excess (deficiency) of revenue over expenses	$	(149,557)	(111,172)	(321,183)	4,534	(16,638)	430,994	(551,449)	(247,198)	529,088	(432,581)