Financial Statements of

BRUNSWICK HOUSE FIRST NATION

Year ended March 31, 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of **Brunswick House 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 a system 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 is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

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

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

Chief

Band Manager

KPMG

KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada
Telephone (705) 675-8500
Fax (705) 675-7586

INDEPENDENT AUDITORS' REPORT

To the Council and Members of Brunswick House First Nation

We have audited the accompanying financial statements of **Brunswick House 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, 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

Basis for Qualified Opinion

The First Nation derives revenue from its Land Claim Trust Fund equal to the net income generated by the Trust at December 31. The audit of the Trust at December 31, 2014 and December 2015 have not been completed. Accordingly, we were not able to record any Trust revenue or determine whether any advances might be distributed. These adjustments would affect the annual deficit, accumulated surplus, advances from the Land Claim Trust and components making up the statement of cash flow.

In addition, Brunswick House First Nation Limited Partnership is wholly owned by the First Nation. The First Nation has not received audited financial statements of Brunswick House First Nation Limited Partnership for March 31, 2014 and March 31, 2015. As a result, we have been unable to confirm or verify by alternate means the investment in this partnership. Accordingly, we were not able to determine whether any adjustments might be necessary to the investment in government business partnership, net income or loss of the partnership, accumulated surplus and contingent liabilities.

Opinion

In our opinion, except for the extent of the effect of the matters described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Brunswick House 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.

Comparative Information

The financial statements of Brunswick House First Nation as at and for the year ended March 31, 2015 were audited by another auditor who expressed a qualified opinion on those financial statements on August 27, 2015.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

July 29, 2016
Sudbury, Canada

BRUNSWICK HOUSE FIRST NATION

Index to Financial Statements

Year ended March 31, 2016

Financial Statements:

BRUNSWICK HOUSE FIRST NATION

Exhibit A - Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Financial Assets		
Cash	$ 450,824	$ 448,772
Marketable securities (note 2)	110,360	110,360
Consolidated revenue trust fund	156,052	152,811
Accounts receivable (note 3)	498,472	324,574
	1,215,708	1,036,517
Financial Liabilities		
Accounts payable and accrued liabilities	457,724	224,277
Deferred revenue (note 4)	23,851	-
Due to Indigenous and Northern Affairs Canada	55,987	55,987
Long-term debt (note 5)	291,893	317,601
Advances from Land Claim Trust	2,089,324	2,089,324
	2,918,779	2,687,189
Net financial assets	(1,703,071)	(1,650,672)
Non-Financial Assets		
Tangible capital assets (note 6)	6,221,386	6,507,812
Prepaid expenses	3,515	13,333
	6,224,901	6,521,145
Accumulated surplus (note 7)	$ 4,521,830	$ 4,870,473

See accompanying notes to financial statements.

Approved:

BRUNSWICK HOUSE FIRST NATION

Exhibit B - Statement of Financial Activities

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

	2016	2015
Revenue:		
Indigenous and Northern Affairs Canada (note 8)	$ 1,520,420	$ 1,450,374
Health Canada	76,221	98,693
Ontario First Nations Limited Partnership	592,954	589,705
Canada Mortgage and Housing Corporation	40,681	40,681
Provincial funding	652,952	418,609
Wabun Tribal Council	499,406	449,426
Rental income	55,170	42,670
Interest on Trust Funds	3,242	4,207
Other	494,134	404,673
	3,935,180	3,499,038
Expenses:		
Band Support	759,448	611,850
Social Assistance	552,474	497,494
Education	848,982	771,551
Capital Programs	311,691	205,390
Community Development	84,889	92,331
Public Works	534,790	496,675
Health Services	449,397	472,603
Economic Development	557,567	317,749
Elders Complex	62,830	82,722
Band Operated Enterprises	121,755	142,391
	4,283,823	3,690,756
Deficiency of revenue over expenses	(348,643)	(191,718)
Accumulated surplus, beginning of year	4,870,473	5,062,191
Accumulated surplus, end of year	$ $ 4,521,830	$ 4,870,473

See accompanying notes to financial statements.

BRUNSWICK HOUSE FIRST NATION

Exhibit C - Statement of Changes in Net Financial Assets

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

	2016	2015
Deficiency of revenue over expenses	$ (348,643)	$ (191,718)
Acquisition of tangible capital assets	-	(39,259)
Amortization of tangible capital assets	286,423	296,132
	(62,220)	65,155
Use (acquisition) of prepaid expenses	9,821	(1,760)
Change in net financial assets	(52,399)	63,395
Net financial assets, beginning of year	(1,650,672)	(1,714,067)
Net financial assets, end of year	$ (1,703,071)	$ (1,650,672)

See accompanying notes to financial statements.

BRUNSWICK HOUSE FIRST NATION

Exhibit D - Statement of Cash Flows

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

	2016	2015
Operating transactions:		
Deficiency of revenue over expenses	$ (348,643)	$ (191,718)
Adjustment for:		
Amortization of tangible capital assets	286,423	296,132
	(62,220)	104,414
Change in non-cash working capital:		
Decrease (increase) in accounts receivable	(173,901)	172,180
Decrease (increase) in prepaid expenses	9,821	(1,760)
Decrease in due to Indigenous and Northern Affairs Canada	-	109,913
Increase (decrease) in accounts payable and accrued liabilities	233,450	(114,198)
Decrease in deferred revenue	23,851	(60,000)
	31,001	210,549
Capital transactions:		
Cash used to acquire tangible capital assets	-	(39,259)
Financing transactions:		
Principal payments on long-term debt	(25,708)	(25,304)
Land Claim Trust	-	(6,000)
	(25,708)	(31,304)
Investing transactions:		
Investment in short term investments	-	(74,485)
Increase in consolidated revenue trust fund	(3,241)	(4,208)
	(3,241)	(78,693)
Net increase in cash	2,052	61,293
Cash, beginning of the year	448,772	387,479
Cash, end of the year	$ 450,824	$ 448,772

See accompanying notes to financial statements.

Brunswick House First Nation, located near Chapleau, Ontario, administers programs and provides services on behalf of its members.

1. **Significant accounting policies:**

These financial statements of Brunswick House 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 of Canada. The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

(a) Reporting entity:

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

(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.

(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:

Land improvements	10-15 years
Buildings	40-50 years
Equipment	5-10 years
Vehicles	5-10 years
Roads	50-75 years
Water systems	25-30 years
Furniture and Fixtures	5 years
Computers	4 years

Annual amortization is charged at half 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.

1. Significant accounting policies (continued):

(c) Non-financial assets (continued):

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

(e) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the 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 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) 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.

2. Marketable securities:

	2016 Cost	2016 Market	2015 Cost	2015 Market
Probe Metals Inc.	$ 72,322	16,998	$ 72,322	8,999
Goldcorp Inc.	38,038	277,323	38,038	301,684
	$ 110,360	294,321	$ 110,360	310,683

3. Accounts receivable:

	2016	2015
AANDC	$ 41,500	$ 22,170
Health Canada	44,292	6,773
NAN	19,305	11,937
Wabun Tribal Council	198,837	58,589
MCSS	33,005	13,175
Other	161,533	211,930
	$ 498,472	$ 324,574

4. Deferred revenue:

	2016	2015
Indigenous and Northern Affairs Canada	$ 23,851	$ –

5. Long-term debt:

	2016	2015
CMHC Mortgage payable $2,560 monthly including principal and interest, bearing interest at 1.64% per annum, matured July 2026	$ 291,893	$ 317,601

Principal payments due in each of the next five years are as follows:

2017	$ 26,163
2018	26,592
2019	27,028
2020	27,472
2021 and thereafter	184,638

6. Tangible capital assets:

Cost	March 31, 2015	Additions	Disposals	March 31, 2016
Land	$ 1	$ -	$ -	$ 1
Land improvements	54,630	-	-	54,630
Buildings	5,828,377	-	-	5,828,377
Equipment	153,994	-	-	153,994
Vehicles	257,199	-	-	257,199
Roads	789,149	-	-	789,149
Water systems	3,134,675	-	-	3,134,675
Furniture and Fixtures	161,162	-	-	161,162
Computers	40,378	-	-	40,378
Total	$ 10,419,565	$ -	$ -	$ 10,419,565

Accumulated Amortization	March 31, 2015	Disposals	Amortization expense	March 31, 2016
Land improvements	$ 24,680	$ -	$ 4,608	$ 29,288
Buildings	1,496,421	-	119,725	1,616,146
Equipment	124,474	-	4,264	128,738
Vehicles	143,336	-	21,437	164,773
Roads	283,085	-	15,654	298,739
Water systems	1,649,533	-	109,708	1,759,241
Furniture and Fixtures	150,323	-	10,553	160,876
Computers	39,901	-	477	40,378
Total	$ 3,911,753	$ -	$ 286,426	$ 4,198,179

	Net book value March 31, 2015	Net book value March 31, 2016
Land	$ 1	$ 1
Land improvements	29,950	25,342
Buildings	4,331,956	4,212,231
Equipment	29,520	25,256
Vehicles	113,863	92,426
Roads	506,064	490,410
Water systems	1,485,142	1,375,434
Furniture and Fixtures	10,839	286
Computers	477	-
Total	$ 6,507,812	$ 6,221,386

6. Tangible capital assets (continued):

Cost	March 31, 2014	Additions	Disposals	March 31, 2015
Land	$ 1	$ -	$ -	$ 1
Land improvements	54,630	-	-	54,630
Buildings	5,828,377	-	-	5,828,377
Equipment	153,994	-	-	153,994
Vehicles	217,940	39,259	-	257,199
Roads	789,149	-	-	789,149
Water systems	3,134,675	-	-	3,134,675
Furniture and fixtures	161,162	-	-	161,162
Computers	40,378	-	-	40,378
Total	$ 10,380,306	$ 39,259	$ -	$ 10,419,565

Accumulated Amortization	March 31, 2014	Disposals	Amortization expense	March 31, 2015
Land improvements	$ 20,072	$ -	$ 4,608	$ 24,680
Buildings	1,377,595	-	118,826	1,496,421
Equipment	118,110	-	6,364	124,474
Vehicles	123,861	-	19,475	143,336
Roads	267,430	-	15,655	283,085
Water systems	1,539,824	-	109,709	1,649,533
Furniture and fixtures	129,784	-	20,539	150,323
Computers	38,944	-	957	39,901
Total	$ 3,615,620	$ -	$ 296,133	$ 3,911,753

	Net book value March 31, 2014	Net book value March 31, 2015
Land	$ 1	$ 1
Land improvements	34,558	29,950
Buildings	4,450,781	4,331,956
Equipment	35,884	29,520
Vehicles	94,079	113,863
Roads	521,719	506,064
Water systems	1,594,851	1,485,142
Furniture and fixtures	31,378	10,839
Computers	1,434	477
Total	$ 6,764,685	$ 6,507,812

7. Accumulated surplus:

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

	2016	2015
Surplus (deficit):		
Invested in capital assets	$ 5,929,495	$ 6,190,210
Operations	228,985	250,163
Unfunded Trust Liability	(2,089,326)	(2,089,326)
	4,069,154	4,351,047
Reserves set aside for specific purpose by Council:		
Consolidated revenue trust	156,053	152,812
Ontario First Nations Limited Partnership	236,148	310,240
CMHC replacement reserves	60,475	56,374
	452,676	519,426
	$ 4,521,830	$ 4,870,473

8. Reconciliation of Indigenous and Northern Affairs Canada Funding:

The revenue from INAC is comprised of the following:

Funding per confirmation	$ 1,544,271
Less: ending deferred revenue	(23,851)
Funding per financial statements	$ 1,520,420

9. Comparative information:

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

10. Segmented information:

Brunswick House First Nation is a diversified governmental institution that provides a wide range of services to its Members, including band government, health services, education, social assistance, capital projects, public works 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 Government

The band government functional area 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 the related departments within the First Nation, as well as administration of all land claims on behalf of the First Nation.

Social Assistance

The social services department delivers a variety of programs including Ontario works and offers employment support services. In addition, the department manages the homemakers and national child benefit and child welfare prevention programs.

10. Segmented information (continued):

Public Works

The public works functional area 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.

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.

Capital Programs

The capital functional area is responsible for all capital asset activities occurring in the First Nation during the year, including housing construction and renovations.

Health Services

The health services functional area provides a diverse bundle of services directed toward the well-being of the Members including such activities as student nutrition, integrated health and various other health related activities.

Other Subsidized Programs

The First Nation provides a wide array of other services, including community employment projects, cultural activities, economic development, and housing activities.

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

Band Operated Enterprises

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

10. Segmented information (continued):

		Band Government	Social Assistance	Public Works	Education	Capital	Health Services	Other Programs	Band Operated Enterprises	2016 Total
Revenue	$	923,409	541,952	198,134	811,024	226,500	414,879	752,340	67,294	3,935,532
Expenses:										
Salaries, benefits and honoraria		479,974	35,075	45,434	76,061	45,417	175,402	232,968	76,674	1,167,005
Travel and training		61,108	6,886	4,006	17,689	4,098	33,686	50,346	-	177,819
Interest on long-term debt		2,762	-	-	-	-	-	30,720	-	33,482
Contractual and professional fees		123,575	-	72,883	-	89,155	19,748	60,142	-	365,503
Materials, supplies and rentals		14,523	-	123,782	60,953	121,203	168,113	127,339	17,971	633,884
Tuition and student allowances		-	-	-	594,579	-	-	-	-	594,579
Administration charges and other		71,346	510,490	98,458	90,551	8,569	43,090	180,222	22,754	1,025,480
Amortization of tangible capital assets		6,160	-	190,227	9,499	43,249	9,358	23,550	4,380	286,423
		759,448	552,451	534,790	849,332	311,691	449,397	705,287	121,779	4,284,175
Excess (deficiency) of revenue over expenses	$	163,961	(10,499)	(336,656)	(38,308)	(85,191)	(34,518)	47,053	(54,485)	(348,643)

10. Segmented information (continued):

		Band Government	Social Assistance	Public Works	Education	Capital	Health Services	Other Programs	Band Operated Enterprises	2015 Total
Revenue	$	887,464	473,436	176,309	736,915	229,192	399,371	520,244	76,107	3,499,038
Expenses:										
Salaries, benefits and honoraria		459,831	81,249	36,213	63,532	69,247	215,569	166,600	68,522	1,160,763
Travel and training		80,200	7,155	10,563	14,771	-	42,507	35,169	1,589	191,954
Interest on long-term debt		360	-	-	-	-	-	30,720	-	31,080
Contractual and professional fees		52,087	-	103,445	-	34,052	19,652	23,724	-	232,960
Materials, supplies and rentals		16,487	-	59,864	60,371	52,659	146,635	171,940	39,436	547,392
Tuition and student allowances		-	-	-	500,614	-	-	-	-	500,614
Administration charges and other		(3,756)	409,090	88,476	122,764	7,007	40,843	41,171	24,264	729,859
Amortization of tangible capital assets		6,641	-	198,114	9,499	42,425	7,397	23,478	8,580	296,134
		611,850	497,494	496,675	771,551	205,390	472,603	492,802	142,391	3,690,756
Excess (deficiency) of revenue over expenses	$	275,614	(24,058)	(320,366)	(34,636)	23,802	(73,232)	27,442	(66,284)	(191,718)