



Chartered Accountant

NESKANTAGA FIRST NATION
CONSOLIDATED FINANCIAL
STATEMENTS

MARCH 31, 2016

NESKANTAGA FIRST NATION

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MARCH 31, 2016

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

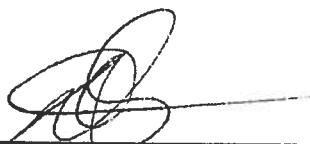
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and as such include amounts that are the best estimates and judgments of management.


Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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


Chief and Council 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 consolidated financial statements and the external auditors' report.

The external auditor, CNC Chartered Accountant, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditor has full and free access to financial management of Neskantaga First Nation and meet when required.



Chief

Councillor

Councillor

Councillor

Councillor



INDEPENDENT AUDITOR'S REPORT

To the Chief, Council and Membership
Neskantaga First Nation

I have audited the accompanying consolidated financial statements of Neskantaga First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations, changes 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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.

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

Basis for Qualified Opinion

Opening Balances

The audit of the First Nation's financial statements for the year ended March 31, 2015 resulted in a Disclaimer of Opinion. As opening balances affect the determination of the current year results of operations, I was unable to determine whether adjustments might be necessary for 2016 pertaining to prior period amounts. Further, I was unable to determine if adjustments are required to the corresponding figures for 2015.

Tangible Capital Assets

I was unable to satisfy myself over the completeness, existence, and valuation of tangible capital assets as well as the accuracy of the amounts recorded in the accumulated amortization due to the disclaimer of opinions. As a result, I was not able to assess whether potentially material adjustments were required to tangible capital assets, accumulated amortization, and related expenses.

Qualified Opinion

In my opinion, except for the possible effects of the matters described above in the Basis for Qualified Opinion paragraphs, these consolidated financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2016, and the results of its operations, change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Winnipeg, Manitoba
November 1, 2016

Chartered Accountant

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C. G.

CHARTERED PROFESSIONAL ACCOUNTANT
LICENSED PUBLIC ACCOUNTANT

NESKANTAGA FIRST NATION

STATEMENT 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

2016

2015

FINANCIAL ASSETS

Cash	\$ 372,791	\$ 429,723
Due from Neskantaga Economic Development Corporation (Note 3)	-	184,320
Accounts receivable (Note 4)	1,778,455	1,052,235
Trust assets (Note 5)	8,790	8,608
Total financial assets	2,160,036	1,674,886

LIABILITIES

Accounts payable and accrued liabilities	2,382,910	1,479,271
Deferred revenue (Note 6)	1,108,939	852,988
Long-term debt (Note 7)	863,013	201,203
Total liabilities	4,354,862	2,533,462
Net debt	(2,194,826)	(858,576)

NON-FINANCIAL ASSETS

Capital assets (Note 9)	14,241,389	14,549,445
Prepays	-	420
Total non-financial assets	14,241,389	14,549,865
Accumulated surplus	\$ 12,046,563	\$ 13,691,289

Contingent liabilities (Note 12)

Approved on behalf of Council

Chief

Councillor

Councillor

Councillor

Councillor

Councillor

NESKANTAGA FIRST NATION

STATEMENT 2

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED MARCH 31

	BUDGET	2016	2015
REVENUE			
Indigenous and Northern Affairs Canada	\$ -	\$ 4,519,310	\$ 3,477,756
Health Canada	-	1,405,749	1,355,299
Ontario Works	-	325,325	323,905
Province of Ontario	-	724,490	715,671
Ministry of Northern Development and Mines	-	607,474	510,000
Ontario First Nation Ltd. Partnership	-	812,393	806,909
Nishnawbe-Aski Nation	-	163,570	156,780
Administration	-	434,826	120,000
Hydro One	-	130,069	95,279
Other	-	692,036	923,236
High Speed Internet	-	41,449	47,229
Tikinagan	-	25,000	35,001
Canada Mortgage and Housing Corporation	-	47,500	66,230
Recovery of prior years' funding	-	(125,508)	(77,596)
Deferred to subsequent year	-	(1,108,939)	(852,988)
Deferred from prior year	-	852,988	1,321,116
Rental	-	86,987	83,532
	-	<u>9,634,719</u>	<u>9,107,359</u>
EXPENDITURES			
Governance and Administration	-	2,160,670	1,523,023
Social Services	-	432,633	427,660
Education	-	1,495,146	1,374,940
Operations and Maintenance	-	2,856,715	2,482,102
Health	-	1,660,474	1,763,057
Capital and Housing Infrastructure	-	928,009	822,369
Band Funds	-	1,745,798	1,987,608
	-	<u>11,279,445</u>	<u>10,380,759</u>
EXCESS OF EXPENDITURES OVER REVENUE	-	(1,644,726)	(1,273,400)
ACCUMULATED SURPLUS, <i>beginning of year</i>	-	<u>13,691,289</u>	<u>14,964,689</u>
ACCUMULATED SURPLUS, <i>end of year</i>	\$ -	<u>\$ 12,046,563</u>	<u>\$ 13,691,289</u>

NESKANTAGA FIRST NATION

STATEMENT 3

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED MARCH 31

	2 0 1 6	2 0 1 5
Excess of expenditures over revenue	\$(1,644,726)	\$(1,273,400)
Acquisition of tangible capital assets	(1,705,426)	(828,743)
Amortization of tangible capital assets	<u>2,013,482</u>	<u>1,724,294</u>
	<u>(1,336,670)</u>	<u>(377,849)</u>
Prepaid expenses	<u>420</u>	<u>-</u>
CHANGE IN NET DEBT FOR YEAR	(1,336,250)	(377,849)
NET DEBT, <i>beginning of year</i>	<u>(858,576)</u>	<u>(480,727)</u>
NET DEBT, <i>end of year</i>	<u>\$(2,194,826)</u>	<u>\$(858,576)</u>

NESKANTAGA FIRST NATION

STATEMENT 4

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2016	2015
CASH FLOW FROM		
OPERATING ACTIVITIES		
Annual (Deficit)	\$(1,644,726)	\$(1,273,400)
Adjustments for items not affecting cash-amortization of capital assets	<u>2,013,482</u>	<u>1,724,294</u>
	368,756	450,894
Changes in non-cash capital		
Accounts receivable (Note 4)	(726,221)	126,186
Accounts payable and accrued liabilities	903,458	473,532
Due from Neskantaga Economic Development Corporation (Note 3)	184,320	(8,441)
Deferred revenues (Note 6)	255,951	(468,128)
Prepaid expenses	<u>420</u>	<u></u>
	<u>986,684</u>	<u>574,043</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,705,426)	(828,743)
Cash flows from (used by) capital activities	(1,705,426)	(828,743)
INVESTING ACTIVITY		
Marketable securities	<u>-</u>	<u>2,159</u>
Cash flows from (used by) investing activities	<u>-</u>	<u>2,159</u>
FINANCING ACTIVITIES		
Long term debt	813,943	
Repayment of long term debt	(152,133)	(80,357)
Cash flows from (used by) financing activities	<u>661,810</u>	<u>(80,357)</u>
NET DECREASE IN CASH DURING YEAR	(56,932)	(332,898)
CASH, beginning of year	<u>429,723</u>	<u>762,621</u>
CASH, end of year	<u>\$ 372,791</u>	<u>\$ 429,723</u>

NESKANTAGA FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards for government entities and include the following significant accounting policies.

BASIS OF PRESENTATION

Sources of revenue and expenses are recorded using the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods and services and the creation of the legal obligation to pay.

REPORTING ENTITY

The First Nation is a non-profit, non-taxable entity and is engaged in the social, cultural, educational and economic development of the First Nation citizens of Neskantaga First Nation. The First Nation provides services such as fire, ambulance, public works, community planning, parks and recreation, library and other general government operations. The First Nation reporting entity includes the First Nation government and all related enterprises that are accountable to the First Nation and are either owned or controlled by the First Nation. Trusts administered on behalf of third parties by Neskantaga First Nation are excluded from the First Nation reporting entity.

These consolidated financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity.

The First Nation has consolidated the assets, liabilities, revenue, and expenses of the following entities and departments:

- Neskantaga First Nation Band Administration
- Neskantaga First Nation Education Authority
- Neskantaga First Nation Health Authority
- Neskantaga First Nation Social Services
- Neskantaga First Nation Economic Development
- Neskantaga First Nation Capital Projects
- Neskantaga First Nation Employment and Training
- Otamenoshonia (Casino-Rama)
- Neskantaga First Nation Winter Road Program
- Neskantaga First Nation Community Infrastructure
- Neskantaga First Nation Strategic Planning Initiative - Mining
- Neskantaga First Nation Housing Authority

All inter-entity balances have been eliminated on consolidation.

NESKANTAGA FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (*continued*)

SEGMENTS

Neskantaga First Nation conducts its operations through a number of reportable segments as identified in **Note 14**. These operating segments are established by senior management to facilitate the achievement of the First Nation's long term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both 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.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the Significant Accounting Policies. The segments are differentiated by the major activities of services they provide. The First Nation's segments are as follows:

- **Band Governance and Administration** - activities include the governance function relating to decisions that define expectations, grant power or verify performance consisting of decision-making and leadership processes.
- **Education** - activities include overseeing many aspects of education opportunities for its members at all levels of learning, the construction, operations and maintenance of all school facilities and the provision of transportation services for the students.
- **Social Services** - activities include satisfying the economic, social or health related needs of members of the community who require assistance.
- **Operations and Maintenance** - activities include the development and maintenance of the community's infrastructure, buildings, roads, bridges and related equipment and the provision of other more specialized community services.
- **Band Funds** - activities include the delivery of community initiatives and services to assist community members in their on going needs.
- **Capital and Housing Infrastructure** - activities include the delivery of community-based infrastructure and housing needs.
- **Health** - activities include the delivery and promotion of Health programs

Inter-segment transfers are recorded at their exchange amount. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

NESKANTAGA FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (*continued*)

REVENUE RECOGNITION AND DEFERRED REVENUE

The First Nation operates under an Aboriginal Recipient Funding Agreement ("ARFA") with Indigenous and Northern Affairs Canada ("INAC"), a Health Services Transfer Agreement with First Nations and Inuit Health ("F.N.I.H.") and various Contribution Arrangements Agreements with INAC and FNIH

(a) ARFA Agreement:

Funds for operating programs are recognized as revenue when paid in accordance with the terms of the agreement. Funds provided for the acquisition of capital assets are recognized as revenue when capital asset is acquired. Unexpended capital funds received are recorded as deferred revenue which must be spent for capital purposes in future years.

(b) Health Services Transfer Agreement:

Funds received under this agreement are recognized as revenue when program expenditures are incurred.

(c) Rental Revenue

Rental revenue is recorded in the year it is earned. At the end of each year management evaluates whether rent is collective and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

(d) Interest Revenue

Interest revenue is recognized on an accrual basis in the year it is earned.

All other types of revenue are recognized by the First Nation when the services are provided or the goods are shipped and collectability is reasonably assured.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, balances with banks, net of bank overdrafts, and short-term investments with maturities of three months or less. Bank borrowings are considered to be financial activities. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

INVESTMENTS

These consolidated financial statements consolidate the assets, liabilities and results of operations for Neskantaga First Nation and use accounting principles which lend themselves to consolidation, but in order to present the results of operations for each specific program, transactions amongst programs have not necessarily been eliminated on the individual schedules.

These consolidated financial statements have been prepared using the modified equity method of consolidation for business enterprises and business partnerships. The investment in the acquired companies is initially recorded at its cost. The results of operations of the acquired companies are included in the investment from the dates of acquisition. Under this method, government business enterprises' accounting policies, which follow Canadian generally accepted accounting principles for publicly accountable enterprises, are not adjusted to conform with Public Sector Accounting Standards and inter-entity transactions and balances are not eliminated.

At the date of the audit report, Neskantaga Economic Development Corporation did not have current accounting records, and therefore was not consolidated using the equity method in these consolidated financial statements.

NESKANTAGA FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (*continued*)

ASSET CLASSIFICATION

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

TANGIBLE CAPITAL ASSETS AND AMORTIZATION

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to the acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue.

The First Nation regularly reviews its capital assets to eliminate obsolete items. Capital assets acquired during the year are not amortized until they are placed into use. Property and equipment purchased due to funding requirements for government programs are recorded net of the government funding for those assets.

Amortization is not calculated on construction in progress and does not begin until the related tangible capital asset is available for use. In the year of acquisition, the half year rule is applied. Capital assets are amortized over their estimated useful lives using the straight line basis at the following rates:

Municipal Garage	10%
Arena	5%
Housing	5%
Water and Sewer	4%
Diesel Plant	4%
Roads	20%
Heavy Equipment	20%
School	5%
School Bus	20%
Sawmill	20%
Vehicles	20%
Computers	20%
Health Equipment	20%
Copier and Cabinets	20%
Northern Store	5%
Office Equipment	20%
Police Building	5%
Dock	5%
Lagoon	4%
Administration Building	5%

NON-FINANCIAL ASSETS

The First Nation's tangible capital assets and other non-financial assets are accounted for as assets because they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the government unless they are sold.

NESKANTAGA FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (*continued*)

LONG-LIVED ASSETS

Long-lived assets consists of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Any impairment is included in the statement of operations for the year in which the asset becomes impaired.

NET DEBT

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

MEASUREMENT UNCERTAINTY

The consolidated financial statements have been prepared in conformity with Canadian public sector accounting standards 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 revenue and expenses during the reporting period.

Accounts receivable are stated after estimates as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Deferred revenue is recorded based on management's analysis of the extent to which eligibility requirements have been met on government transfer revenue. Amortization is based on the estimated useful lives of tangible capital assets.

These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the statement of operations in the period in which they become known.

NESKANTAGA FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (*continued*)

FINANCIAL INSTRUMENTS

Financial instruments include cash, restricted cash, accounts receivable, accounts payable and accrued liabilities and long-term debt. Unless otherwise stated, it is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of the First Nation's long-term debt is approximated by its carrying value as the terms and conditions of similar instruments are not materially different from those associated with the First Nation's long-term debt. The First Nation's accounting policy for each category is as follows:

Assets held-for-trading - Financial instruments classified as assets held-for-trading are reported at fair value at each balance sheet date and any change in fair value is recognized in excess (deficiency) of revenue over expenses in the period during which the change occurs. Transaction costs are expensed when incurred. In these consolidated financial statements, cash has been classified as held-for-trading.

Available-for-sale investments - Financial instruments classified as available-for-sale are reported at fair value at each balance sheet date and any change in fair value is recognized in net assets in the period in which the change occurs. All transactions related to marketable securities are recorded on a settlement date basis. In these consolidated financial statements, no items have been classified as available-for-sale.

Held-to-maturity investments - Financial instruments classified as held-to-maturity are financial assets with fixed or determinable payments and fixed maturities that the First Nation's management has the positive intention and ability to hold-to-maturity. These assets are initially recorded at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs are included in the amount initially recognized. In these consolidated financial statements, no items have been classified as held-to-maturity.

Loans and receivables and other financial liabilities - Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are expensed when incurred. In these consolidated financial statements, accounts receivable have been classified as loans and receivables. Accounts payable, accrued liabilities, lines of credit and long term debt have been classified as other financial liabilities.

Unless otherwise stated, it is management's opinion that the First Nation is not exposed to significant interest, currency or credit risk arising from the financial instruments. Unless indicated, the book value of the organization's financial instruments approximate their value.

PROVISION FOR SITE REHABILITATION

Environmental law requires appropriate closure and post-closure care of landfill sites. This would include covering and landscaping of the site, ongoing environmental monitoring, site inspection and maintenance. At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for and period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. No liability has been recorded as of March 31, 2016 as funding from agencies will offset any cost associated with the closure of landfill sites.

FUND ACCOUNTING

These consolidated financial statements were prepared using the accrual basis of accounting in accordance with Public Sector Accounting Standards. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of the legal obligation to pay.

NESKANTAGA FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

USE OF ESTIMATES

In preparing the First Nation's consolidated financial statements in accordance with Canadian public sector accounting standards, management is required to make estimates and assumptions that affect the consolidated reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they became known. Actual results could differ from those estimates.

CAPITAL DISCLOSURES

The First Nation prepares realistic program budgets each year, allocating expenses to the revenue they expect to earn for unrestricted operations. On a yearly basis, the Chief and Council review programs with deficit balances and assesses how expenses can be reduced to ensure future operations.

2. ECONOMIC DEPENDENCE

Neskantaga First Nation receives a majority of its revenue from Indigenous and Northern Affairs Canada (INAC) and First Nations and Inuit Health (FNIH) as a result of Treaties entered into with the Government of Canada. These treaties are administered by INAC and FNIH under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

3. RELATED PARTY TRANSACTIONS

The following summarizes the First Nation's related party transactions for the year:

	2016	2015
Due from Neskantaga Economic Development Corporation	\$ 184,320	\$ 184,320
Allowance for Doubtful Accounts	(184,320)	-
	<u>\$ -</u>	<u>\$ 184,320</u>

This company is under common control of the First Nation. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for sales of product or provision of services. At the time of this report no financial statements were available for the Neskantaga First Nation Development Corporation.

NESKANTAGA FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

4. ACCOUNTS RECEIVABLE

	2016	2015
Indigenous and Northern Affairs Canada	\$ 835,757	\$ 446,926
First Nation Inuit Health/Health Canada	30,144	-
HST/Goods and services tax	64,584	22,883
Canada Economic Action Plan	444,780	444,780
Province of Ontario	714,012	255,000
Other	<u>199,266</u>	<u>378,318</u>
Subtotal	2,288,543	1,547,907
Less: Allowance for doubtful accounts	(510,088)	(495,672)
	<u>\$ 1,778,455</u>	<u>\$ 1,052,235</u>

5. INDIGENOUS AND NORTHERN AFFAIRS CANADA FUNDS HELD IN TRUST

The restricted cash balance contains the surplus of monies held in trust for Neskantaga First Nation by the Department of Indigenous and Northern Affairs Canada. The change in the trust balance during the year was as follows:

	2016	2015
Trust balance, beginning of year	\$ 8,608	\$ 8,371
Interest earned	<u>182</u>	<u>237</u>
	<u>\$ 8,790</u>	<u>\$ 8,608</u>

6. DEFERRED REVENUE

	2016	2015
Deferred Revenue - Beginning of year	\$ 852,988	\$ 1,321,116
Add: Current deferral of revenue	1,108,939	852,988
Less: Deferred revenue transferred to income	<u>\$(852,988)</u>	<u>\$(1,321,116)</u>
Deferred Revenue - End of year	<u>\$ 1,108,939</u>	<u>\$ 852,988</u>

Deferred Revenue consists of the following:

Remedial Investigations	43,701	11,598
Mining	230,566	282,933
Minor Capital	242,127	-
Crisis Security	-	23,059
Residential rehabilitation assistance program	-	13,051
Winter Road Other	13,210	135,420
Otamenoshonia	138,809	227,563
National Child Benefit	33,600	16,800
Regional Framework Agreement	198,697	142,564
Water Systems - Operations and Maintenance	139,366	-
Memorandum of Understanding	<u>68,863</u>	<u>-</u>
	<u>\$ 1,108,939</u>	<u>\$ 852,988</u>

NESKANTAGA FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

7. LONG TERM DEBT

	2016	2015
CAPITAL LOANS		
Demand loan payable with blended monthly payments of principal and interest of \$5,378 with variable annual interest at Royal Bank Prime plus 2%. The loan is secured by an assignment of rents and insurance on the Northern Store and manager's residence maturing February 2019.	\$ 112,284	\$ 174,660
Demand loan payable with blended monthly payments of principal and interest of \$2,041 with a fixed annual interest rate at Royal Bank at 4.55% due August 12, 2016. The loan is secured by an assignment of Tikinagan lease payments.	10,776	26,543
Demand loan payable with blended monthly payments of principal and interest of \$1,966 with a fixed annual interest rate at Royal Bank at 4.91% due March 31, 2030. The loan is secured by an assignment of Tikinagan lease payments.	247,185	-
Demand loan payable with blended monthly payments of principal and interest of \$2,988 with a fixed annual interest rate at Royal Bank at 4.91% due March 31, 2030. The loan is secured by assignment of rents and insurance of the Nishnawbe-Aski police Service.	375,722	-
Caterpillar Loan payable with blended monthly payments of principal and interest of \$3,571.43 with a fixed annual interest rate at Caterpillar Financial Services at 5.2% due April 2, 2019. The loan is secured by asset purchased.	<u>117,046</u>	<u>-</u>
	<u>\$ 863,013</u>	<u>\$ 201,203</u>

The scheduled principal amounts payable within the next five years, assuming long-term debt subject to refinancing is renewed, is estimated to be as follows:

March 31, 2017	\$ 128,316
2018	125,336
2019	72,099
2020	34,087
2021	35,781

8. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's financial statement presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated Amortization			Net Book Value		
	Opening Balance	Additions	Disposals, Write-offs & Adjustments	Closing Balance	Opening Balance	Amortization	Disposals, Write-offs & Adjustments	Closing Balance	2016	2015
Municipal garage	\$ 124,654	\$ -	\$ -	\$ 124,654	\$ 124,654	-	\$ -	\$ 124,654	\$ -	\$ -
Arena	566,473	-	-	566,473	486,502	28,324	-	514,826	51,647	79,971
Housing	8,268,805	33,977	-	8,302,782	5,960,443	414,291	-	6,374,734	1,928,048	2,308,362
Water and sewer	974,034	590,000	-	1,564,034	626,847	50,761	-	677,608	886,426	347,187
Diesel plant	3,298,858	-	-	3,298,858	2,894,748	131,954	-	3,026,702	272,156	404,110
Roads	916,726	-	-	916,726	631,310	183,345	-	814,655	102,071	285,416
Capital leases	192,374	-	-	192,374	192,374	-	-	192,374	-	-
Heavy equipment	2,399,778	330,612	-	2,730,390	1,950,927	277,963	-	2,228,890	501,500	448,851
School	5,929,325	-	-	5,929,325	3,842,203	237,173	-	4,079,376	1,849,949	2,087,122
School bus	59,650	-	-	59,650	59,650	-	-	59,650	-	-
Sawmill	15,003	-	-	15,003	15,003	-	-	15,003	-	-
Vehicles	856,087	48,888	-	904,975	737,705	100,580	-	838,285	66,690	118,382
Computers	204,853	9,687	-	214,540	186,777	17,186	-	203,963	10,577	18,076
Health equipment	7,867	-	-	7,867	7,867	-	-	7,867	-	-
Copier & cabinets	11,254	-	-	11,254	11,254	-	-	11,254	-	-
Northern store	584,256	-	-	584,256	335,947	29,213	-	365,160	219,096	248,309
Office equipment	5,703	-	-	5,703	5,703	-	-	5,703	-	-
Police building	124,425	670,632	-	795,057	64,856	22,986	-	87,842	707,215	59,569
Dock	116,000	-	-	116,000	50,370	5,800	-	56,170	59,830	65,630
Lagoon	6,029,830	-	-	6,029,830	2,170,739	241,193	-	2,411,932	3,617,898	3,859,091
Administration building	3,079,746	-	-	3,079,746	1,197,939	268,071	-	1,466,010	1,613,736	1,881,807
Community centre	2,986,470	21,630	-	3,018,100	658,998	4,642	-	663,550	2,354,550	2,337,562
	\$ 36,762,171	\$ 1,705,426	\$ -	\$ 38,467,597	\$ 22,212,726	\$ 2,013,482	\$ -	\$ 24,226,208	\$ 14,241,389	\$ 14,549,445

NESKANTAGA FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

10. RECONCILIATION OF INDIGENOUS AND NORTHERN AFFAIRS CANADA

	2016	2015
Per INAC confirmation March 31,2016	\$ 4,519,310	\$ 3,477,756
Plus: Revenue deferred from previous years	-	-
National Child Benefit	16,800	-
Minor Capital	-	227,290
Remedial Investigation	11,598	15,526
Crisis	9,224	22,244
Less: Revenue deferred to subsequent year	-	-
Operation and Maintenance	(139,366)	(9,224)
Minor Capital	(242,127)	-
Remedial Investigation	(43,701)	(11,598)
National Child Benefit	(33,600)	(16,800)
Less:		
Reduction in Funding-Tuition	-	(77,596)
 TOTAL INAC REVENUE AFTER DEFERRALS	 \$ <u>4,098,138</u>	 \$ <u>3,627,598</u>

NESKANTAGA FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

11 . CONSOLIDATED EXPENSES BY OBJECT

	2016	2015
Amortization	\$ 2,013,482	\$ 1,724,294
Administration	426,613	120,000
Basic Needs	241,501	260,037
Bank Charges	25,149	13,713
Bad Debts	185,656	(126,599)
Cultural Events	265,067	256,194
Community Development	270,601	227,943
Donations	27,953	30,971
Economic Development	208,947	106,576
Education	142,032	81,791
Health	108,686	99,851
Fuel	68,926	142,484
Honoraria	53,535	149,125
Insurance	67,311	69,401
Interest on Long-Term debt	12,566	11,083
Miscellaneous	44,110	145,105
Office	93,058	56,938
Program Expense	682,325	447,741
Professional Fees and Consulting	505,811	464,675
Recruitment	35,150	26,540
Rental Equipment	34,157	68,112
Room and Board	56,130	63,711
Repairs and Maintenance	321,670	368,048
Supplies and Materials	134,077	167,339
Suspense	-	85,032
Telephone	66,296	57,790
Training and Development	97,199	216,851
Travel and Meetings	681,800	610,983
Tuition and Post Secondary	330,178	297,359
Utilities	684,606	688,621
Vehicles	82,629	56,712
Wages and Benefits	<u>3,312,224</u>	<u>3,392,338</u>
	<u>\$ 11,279,445</u>	<u>\$ 10,380,759</u>

12 . CONTINGENT LIABILITIES

The First Nation is subject to funding recoveries according to their agreements with federal government agencies. At year-end, it was not yet determined to what extent any funding amounts related to the year ending March 31, 2016 might be recovered by these agencies.



NESKANTAGA FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

13. SEGMENTS

The First Nation has seven reportable segments. These segments are differentiated by the major activities or services they provide. The Nation's segments are as follows:

Band Administration and Governance - includes administration and governance activities.

Social Services - activities include delivering social programs.

Capital and Housing Infrastructure - includes activities related to infrastructure projects.

Education - activities include delivering educational programs

Operations and Maintenance - includes activities for safeguarding First Nation assets.

Health - activities include promotion and delivery of health programs.

Band Funds - includes all other activities of the First Nation.

NESKANTAGA FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31

14. SEGMENT DISCLOSURE

Neskantaga First Nation provides a range of services to its members. For management reporting purposes, operations and activities are reported by department. For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The segment results for the year are as follows:

	Governance and Administration		Social Services		Education		Operations and Maintenance	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenues								
Federal Government								
INAC	\$ 557,692	\$ 425,643	\$ 43,000	\$ 48,600	\$ 1,221,570	\$ 1,264,649	\$ 1,814,844	\$ 1,417,295
Subtotal	557,692	425,643	43,000	48,600	1,221,570	1,264,649	1,814,844	1,417,295
Other revenue	1,105,449	661,835	383,725	359,095	5,168	(24,541)	497,088	635,446
Total revenue	1,663,141	1,087,478	426,725	407,695	1,226,738	1,240,108	2,311,932	2,052,741
Expenses								
Amortization	340,141	260,630			237,173	237,173	657,493	457,301
Other	1,284,060	935,497	323,004	318,846	730,805	648,812	1,436,069	1,206,491
Salaries	536,469	326,896	109,629	108,814	527,168	488,955	763,153	818,310
Total expenses	2,160,670	1,523,023	432,633	427,660	1,495,146	1,374,940	2,856,715	2,482,102
Surplus (Deficit)	\$ (497,529)	\$ (435,545)	\$ (5,908)	\$ (19,965)	\$ (268,408)	\$ (134,832)	\$ (544,783)	\$ (429,361)

NESKANTAGA FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31

14. SEGMENT DISCLOSURE (continued)

	Health		Capital and Housing Infrastructure		Band Funds		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenues								
Federal Government								
INAC	\$	\$	\$	\$	\$	\$	\$	\$
FNIHB	1,349,726	1,344,799	882,204	321,569			4,519,310	3,477,756
CMHC			56,023	9,200			1,405,749	1,353,999
			47,500	53,179			47,500	53,179
Subtotal	1,349,726	1,344,799	985,727	383,948	-	-	5,972,559	4,884,934
Other revenue	195,385	246,247	(229,076)	227,290	1,704,421	2,117,053	3,662,160	4,222,425
Total revenue	1,545,111	1,591,046	756,651	611,238	1,704,421	2,117,053	9,634,719	9,107,359
Expenses								
Amortization			778,675	769,190			2,013,482	1,724,294
Other	672,469	809,787	149,334	53,179	1,331,232	1,297,737	5,926,973	5,270,349
Salaries	988,005	953,270			414,566	689,871	3,338,990	3,386,116
Total expenses	1,660,474	1,763,057	928,009	822,369	1,745,798	1,987,608	11,279,445	10,380,759
Surplus (Deficit)	\$(115,363)	\$(172,011)	\$(171,358)	\$(211,131)	\$(41,377)	\$ 129,445	\$(1,644,726)	\$(1,273,400)