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Chartered Professional Accountant

**NESKANTAGA FIRST NATION  
CONSOLIDATED FINANCIAL  
STATEMENTS**

**MARCH 31, 2017**

# **NESKANTAGA FIRST NATION**

## **INDEX TO FINANCIAL STATEMENTS**

**MARCH 31, 2017**

### **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

### **INDEPENDENT AUDITORS' REPORT**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....STATEMENT 1**

**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS.....STATEMENT 2**

**CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT.....STATEMENT 3**

**CONSOLIDATED STATEMENT OF CASH FLOWS.....STATEMENT 4**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## **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 Professional 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.



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Chief



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Councilor



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Councilor



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Councilor



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Councilor



## 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, 2017, 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 consolidated 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 organization'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 organization'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.

Except as described in the basis for qualified opinion paragraph, I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Basis for Qualified Opinion

#### *Neskantaga Economic Development Corporation*

Neskantaga Economic Development Corporation, which is a band entity, was not available for audit, and have not been consolidated into these financial statements. Consequently, I was unable to determine whether any adjustments, if any, might be required to adjust the assets, liabilities, net debt, non-financial assets or revenues and expenses related to the entities operations.

#### *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 in previous financial periods. 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 Neskantaga First Nation as at March 31, 2017, 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  
October 31, 2017

Chartered Professional Accountant

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Phone: 204-793-6360

CNC CHARTERED PROFESSIONAL ACCOUNTANT  
LICENSED PUBLIC ACCOUNTANT

# NESKANTAGA FIRST NATION

STATEMENT 1

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

2017

2016

### FINANCIAL ASSETS

Cash	\$ 2,599,150	\$ 372,791
Accounts receivable (Note 4)	996,966	1,778,455
Trust assets (Note 5)	<u>8,953</u>	<u>8,790</u>
Total financial assets	<u>3,605,069</u>	<u>2,160,036</u>

### LIABILITIES

Accounts payable and accrued liabilities	2,121,010	2,382,910
Deferred revenue (Note 6)	3,288,071	1,108,939
Long-term debt (Note 7)	<u>725,364</u>	<u>863,013</u>
Total liabilities	<u>6,134,445</u>	<u>4,354,862</u>
Net debt	( <u>2,529,376</u> )	( <u>2,194,826</u> )

### NON-FINANCIAL ASSETS

Capital assets (Note 9)	15,798,682	14,241,389
Prepays	<u>24,330</u>	<u>-</u>
Total non-financial assets	<u>15,823,012</u>	<u>14,241,389</u>
Accumulated surplus	\$ 13,293,636	\$ 12,046,563
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	2017	2016
<b>REVENUES</b>			
Indigenous and Northern Affairs Canada	\$ -	\$ 9,797,548	\$ 4,519,310
Health Canada	-	1,557,347	1,405,749
Ontario Works	-	306,837	325,325
Province of Ontario	-	487,352	724,490
Ministry of Northern Development and Mines	-	941,623	607,474
Ontario First Nation Ltd. Partnership	-	919,926	812,393
Nishnawbe-Aski Nation	-	192,518	163,570
Administration	-	421,538	434,826
Hydro One	-	88,291	130,069
Other	-	616,617	758,485
Canada Mortgage and Housing Corporation	-	167,500	47,500
Recovery of prior years' funding	-	( 485,215)	( 125,508)
Deferred to subsequent year	-	( 3,288,071)	( 1,108,939)
Deferred from prior year	-	1,108,939	852,988
Rental	-	87,578	86,987
		<b>12,920,328</b>	<b>9,634,719</b>
<b>EXPENDITURES</b>			
Governance and Administration	-	4,268,574	2,160,670
Social Services	-	345,133	432,633
Education	-	1,326,789	1,495,146
Operations and Maintenance	-	2,277,330	2,856,715
Health	-	1,770,224	1,660,474
Capital and Housing Infrastructure	-	395,210	928,009
Band Funds	-	1,289,995	1,745,798
		<b>11,673,255</b>	<b>11,279,445</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	-	<b>1,247,073</b>	( 1,644,726)
<b>ACCUMULATED SURPLUS, beginning of year</b>			
	-	<b>12,046,563</b>	<b>13,691,289</b>
<b>ACCUMULATED SURPLUS, end of year</b>			
	\$ -	<b>\$ 13,293,636</b>	<b>\$ 12,046,563</b>

# NESKANTAGA FIRST NATION

## STATEMENT 3

### CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

YEAR ENDED MARCH 31

	2017	2016
Excess (Deficiency) of revenues over expenditures	\$ 1,247,073	\$( 1,644,726)
Acquisition of tangible capital assets	( 368,414)	( 1,705,426)
Acquisition of construction in progress	( 3,128,466)	
Amortization of tangible capital assets	<u>1,939,587</u>	<u>2,013,482</u>
	<u>( 310,220)</u>	<u>( 1,336,670)</u>
Prepaid expenses	( 24,330)	420
CHANGE IN NET DEBT FOR YEAR	( 334,550)	( 1,336,250)
NET DEBT, beginning of year	<u>( 2,194,826)</u>	<u>( 858,576)</u>
NET DEBT, end of year	<u>\$( 2,529,376)</u>	<u>\$( 2,194,826)</u>

# NESKANTAGA FIRST NATION

## STATEMENT 4

### CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

2017

2016

#### CASH FLOW FROM

#### OPERATING ACTIVITIES

Excess (Deficiency) of revenues over expenditures	\$ 1,247,073	\$( 1,644,726)
Adjustments for items not affecting cash - amortization of capital assets	<u>1,939,587</u>	<u>2,013,482</u>
	<u>3,186,660</u>	<u>368,756</u>
Changes in non-cash capital		
Accounts receivable (Note 4)	781,489	( 726,221)
Accounts payable and accrued liabilities	( 262,063)	903,458
Due from Neskantaga Economic Development Corporation (Note 3)	-	184,320
Deferred revenue (Note 6)	2,179,132	255,951
Prepaid expenses	( 24,330)	420
	<u>5,860,888</u>	<u>986,684</u>

#### CAPITAL ACTIVITIES

Acquisition of tangible capital assets	( 368,415)	( 1,705,426)
Acquisition of construction in progress	<u>( 3,128,465)</u>	<u>-</u>
Cash flows from (used by) capital activities	<u>( 3,496,880)</u>	<u>( 1,705,426)</u>

#### FINANCING ACTIVITIES

Long term debt		813,943
Repayment of long-term debt	<u>( 137,649)</u>	<u>( 152,133)</u>
Cash flows from (used by) financing activities	<u>( 137,649)</u>	<u>661,810</u>

#### NET INCREASE (DECREASE) IN CASH DURING YEAR

2,226,359 ( 56,932)

CASH, beginning of year

372,791 429,723

CASH, end of year

\$ 2,599,150 \$ 372,791

# **NESKANTAGA FIRST NATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2017**

### **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, however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

# NESKANTAGA FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

### 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, 2017

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

#### REVENUErecognition 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 ("FNIH") and various Contribution Arrangements Agreements with INAC and FNIH

##### (a) ARFA Agreement:

Revenues are recognized when the transfer is authorized and any eligibility criteria are met. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

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:

Revenues are recognized when the transfer is authorized and any eligibility criteria are met. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. Funds received under this agreement are recognized as revenue when program expenditures are incurred.

##### (c) Rental Revenue

Rental revenue is recorded on the accrual basis 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. See Basis of Qualified Opinion in the Independent Auditor's report.

# NESKANTAGA FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

### 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, 2017**

### **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 collectability 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, 2017

### 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, 2017 as funding from agencies will offset any cost associated with the closure of landfill sites.

#### 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.

# NESKANTAGA FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

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

#### 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:

	2 0 1 7	2 0 1 6
Due from Neskantaga Economic Development Corporation	\$ 184,320	\$ 184,320
Allowance for Doubtful Accounts	<u>(184,320)</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, financial statements were not available for the Neskantaga Economic Development Corporation. See Basis of Qualified Opinion in the Independent Auditor's report.

### 4. ACCOUNTS RECEIVABLE

	2 0 1 7	2 0 1 6
Indigenous and Northern Affairs Canada	\$ 385,979	\$ 835,757
First Nation Inuit Health/Health Canada	-	30,144
HST/Goods and services tax	121,791	64,584
Canada Economic Action Plan	444,780	444,780
Province of Ontario	343,821	714,012
Matawa Tribal Council	49,821	-
Tikinagan	16,667	-
Other	<u>246,099</u>	<u>199,266</u>
Subtotal	1,608,958	2,288,543
Less: Allowance for doubtful accounts	<u>(611,992)</u>	<u>(510,088)</u>
	\$ 996,966	\$ 1,778,455

# NESKANTAGA FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

### 5. INDIGENOUS AND NORTHERN AFFAIRS CANADA FUNDS HELD IN TRUST

The trust funds are derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust for Neskantaga First Nation by the Department of Indigenous and Northern Affairs Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act. The change in the trust balance during the year was as follows:

	2 0 1 7	2 0 1 6
Trust balance, beginning of year	\$ 8,790	\$ 8,608
Interest earned	<u>163</u>	<u>182</u>
	<u><u>8,953</u></u>	<u><u>8,790</u></u>

### 6. DEFERRED REVENUE

	2 0 1 7	2 0 1 6
Deferred Revenue - Beginning of year	\$ 1,108,939	\$ 852,988
Add: Current deferral of revenue	3,288,071	1,108,939
Less: Deferred revenue transferred to income	<u>\$( 1,108,939)</u>	<u>\$( 852,988)</u>
Deferred Revenue - End of year	<u><u>3,288,071</u></u>	<u><u>1,108,939</u></u>

Deferred Revenue consists of the following:

Remediation	289,882	43,701
Mining	232,471	230,566
Minor Capital	304,875	242,127
WellBeing	1,427,987	-
WTP Construction	682,365	-
Winter Road Other	-	13,210
Education - SEP	211,400	-
Otamenoshonia	139,091	138,809
National Child Benefit	-	33,600
Regional Framework Agreement	-	198,697
Water Systems - Operations and Maintenance	-	139,366
Memorandum of Understanding	<u>-</u>	<u>68,863</u>
	<u><u>3,288,071</u></u>	<u><u>1,108,939</u></u>

# NESKANTAGA FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

### 7. LONG-TERM DEBT

#### 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.

	2 0 1 7	2 0 1 6
\$	51,720	\$ 112,284

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
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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.

235,404	247,185
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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.

357,822	375,722
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Caterpiller Loan payable with blended monthly payments of principal and interest of \$3,571.43 with a fixed annual interest rate at Caterpiller Financial Services at 5.2% due April 2, 2019. The loan is secured by asset purchased.

<u>80,418</u>	<u>117,046</u>
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<u>\$ 725,364</u>	<u>\$ 863,013</u>
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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, 2018	\$ 121,781
2019	74,212
2020	34,300
2021	36,023
2022	37,832

### 8. COMPARATIVE FIGURES

Certain prior year comparative amounts have been reclassified, where necessary, to conform to the current year's financial statement presentation.

# NESKANTAGA FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**MARCH 31, 2017**

### 9. TANGIBLE CAPITAL ASSETS

	Cost	Disposals, Write-offs & Adjustments	Opening Balance	Additions	Closing Balance	Accumulated Amortization			Net Book Value
						Amortization	Disposals, Write-offs & Adjustments	Closing Balance	
Municipal garage	\$ 124,654	\$ -	\$ 124,654	\$ 124,654	\$ 124,654	\$ 124,654	\$ -	\$ 124,654	\$ 124,654
Arena	566,473	-	566,473	514,826	28,324	543,150	-	23,323	\$ 51,647
Housing	8,302,782	-	8,302,782	6,374,734	415,138	6,789,872	-	1,512,910	1,928,048
Water and sewer	1,564,034	-	1,564,034	677,608	62,561	740,169	-	823,865	886,426
Diesel plant	3,298,858	-	3,298,858	3,026,702	131,954	3,158,636	-	140,202	272,156
Roads	916,726	-	916,726	814,655	102,071	916,726	-	-	102,071
Capital leases	192,374	-	192,374	192,374	-	192,374	-	-	-
Heavy equipment	2,730,390	76,066	2,806,456	2,228,890	235,246	2,464,236	342,220	501,500	
School	5,929,325	-	5,929,325	4,079,376	237,173	4,316,549	-	1,612,776	1,849,949
School bus	59,650	74,954	134,604	59,650	7,495	67,145	-	-	-
Sawmill	15,003	-	15,003	15,003	-	15,003	-	-	-
Vehicles	904,975	198,852	1,103,827	838,285	102,214	940,499	163,328	66,690	
Computers	214,540	11,434	225,974	203,963	16,434	220,397	5,577	10,577	
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	365,160	29,213	394,373	189,883	219,096	
Office equipment	5,703	7,109	12,812	5,703	4,322	10,025	2,787	-	
Police building	795,057	-	795,057	87,842	39,783	127,625	667,432	707,215	
Dock	116,000	-	116,000	56,170	5,800	61,970	54,030	59,830	
Lagoon	6,029,830	-	6,029,830	2,411,932	241,193	2,653,125	3,376,705	3,617,898	
Administration building	3,079,746	-	3,079,746	1,466,010	123,190	1,589,200	1,490,546	1,613,736	
Water Plant Expansion - CIP	-	1,066,189	-	-	-	-	-	1,066,189	-
6. Plex Housing - CIP	-	2,062,276	-	-	-	-	-	2,062,276	-
Community centre	\$ 3,018,100	\$ 3,496,880	\$ 3,018,100	\$ 663,550	\$ 157,376	\$ 820,926	\$ 2,197,174	\$ 2,354,550	\$ 14,241,389
	\$ 38,467,597	\$ 3,496,880	\$ 3,496,477	\$ 24,226,208	\$ 1,939,387	\$ 26,165,795	\$ 15,798,682	\$ 14,241,389	

# NESKANTAGA FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

### 10. RECONCILIATION OF INDIGENOUS AND NORTHERN AFFAIRS CANADA

	2 0 1 7	2 0 1 6
Per INAC confirmation March 31,2017	\$ 9,797,548	\$ 4,519,310
Plus: Revenue deferred from previous years		
National Child Benefit	33,600	16,800
Minor Capital	242,127	-
Remedial Investigation	43,701	11,598
Crisis	-	9,224
Operations and Maintenance	139,366	-
Less: Revenue deferred to subsequent year		
Operation and Maintenance	-	( 139,366)
Minor Capital	( 304,875)	( 242,127)
Remedial Investigation	-	( 43,701)
National Child Benefit	-	( 33,600)
Remediation	( 289,882)	-
Well Being	( 1,427,987)	-
WTP Construction	( 682,365)	-
Education - SEP	( 211,400)	-
 TOTAL INAC REVENUE AFTER DEFERRALS	 \$ 7,339,833	 \$ 4,098,138

# NESKANTAGA FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

### 11. CONSOLIDATED EXPENSES BY OBJECT

	2 0 1 7	2 0 1 6
Amortization	\$ 1,939,587	\$ 2,013,482
Administration	341,481	426,613
Basic Needs Programming	219,457	241,501
Bank Charges and Interest	16,892	25,149
Bad Debts	17,464	185,656
Cultural Events	287,465	265,067
Community Development	392,494	270,601
Donations	20,500	27,953
Economic Development	115,010	208,947
Education	97,037	142,032
Health	59,866	108,686
Fuel	75,891	68,926
Honoraria	63,527	53,535
Insurance	77,260	67,311
Interest on Long-Term debt	33,742	12,566
Miscellaneous	42,187	44,110
Office	61,465	93,058
Programming	450,070	682,325
Professional Fees and Consulting	652,387	505,811
Recruitment	24,550	35,150
Rental Equipment	98,003	34,157
Room and Board	70,475	56,130
Repairs and Maintenance	266,832	321,670
Supplies and Materials	501,270	134,077
Telephone and Facsimile	44,349	66,296
Training and Development	60,819	97,199
Travel, Meetings and Accommodations	1,101,990	681,800
Tuition and Post Secondary	239,204	330,178
Utilities	533,388	684,606
Vehicles	184,179	82,629
Wages and Benefits	<u>3,584,414</u>	<u>3,312,224</u>
	<u>\$ 11,673,255</u>	<u>\$ 11,279,445</u>

### 12. CONTINGENT LIABILITIES

The First Nation receives funding from various government agencies to administer their programs. These programs are subject to review for compliance with the terms and conditions of their agreements by these government agencies. The First Nation is subject to funding recoveries in accordance to these agreements. For accounting purposes, any amounts assessed or claims paid will be accounted for in the year of determination. At year-end, it was not yet determined to what extent any funding amounts related to the year ending March 31, 2017 might be recovered by these agencies.

# **NESKANTAGA FIRST NATION**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2017**

### **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	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Revenues</b>								
Federal Government	\$ <u>462,550</u>	\$ <u>557,692</u>	\$ <u>38,400</u>	\$ <u>43,000</u>	\$ <u>1,799,314</u>	\$ <u>1,221,570</u>	\$ <u>1,801,822</u>	\$ <u>1,814,844</u>
INAC	<u>462,550</u>	<u>557,692</u>	<u>38,400</u>	<u>43,000</u>	<u>1,799,314</u>	<u>1,221,570</u>	<u>1,801,822</u>	<u>1,814,844</u>
Subtotal								
Other revenue	<u>2,060,418</u>	<u>1,105,449</u>	<u>306,722</u>	<u>383,725</u>	<u>(282,752)</u>	<u>5,168</u>	<u>197,781</u>	<u>497,088</u>
Total revenue	<u>2,522,968</u>	<u>1,663,141</u>	<u>345,122</u>	<u>426,725</u>	<u>1,516,562</u>	<u>1,226,738</u>	<u>1,999,603</u>	<u>2,311,932</u>
<b>Expenses</b>								
Amortization	1,638,705	340,141			21,023	237,173	219,873	657,493
Other	1,583,902	1,284,060	304,818	323,004	743,154	730,805	1,325,151	1,436,069
Salaries	<u>1,045,967</u>	<u>536,469</u>	<u>40,315</u>	<u>109,629</u>	<u>562,612</u>	<u>527,168</u>	<u>732,306</u>	<u>763,153</u>
Total expenses	<u>4,268,574</u>	<u>2,160,670</u>	<u>345,133</u>	<u>432,633</u>	<u>1,326,789</u>	<u>1,495,146</u>	<u>2,277,330</u>	<u>2,856,715</u>
Surplus (Deficit)	<u>\$ ( 1,745,606 )</u>	<u>\$ ( 497,529 )</u>	<u>\$ ( 11 )</u>	<u>\$ ( 5,908 )</u>	<u>\$ ( 189,773 )</u>	<u>\$ ( 268,408 )</u>	<u>\$ ( 277,727 )</u>	<u>\$ ( 544,783 )</u>

# NESKANTAGA FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31

### 14. SEGMENT DISCLOSURE (continued)

			Capital and Housing Infrastructure		Band Funds		2017	TOTAL
	2017	Health	2016	2017	2016			
<b>Revenues</b>								
Federal Government								
INAC	\$ 1,557,347	\$ 1,349,726	\$ 5,439,837	\$ 882,204	\$ 255,625	\$ 9,797,548	\$ 4,519,310	
FNIIHB				56,023		1,557,347	1,405,749	
CMHC			<u>167,500</u>	<u>47,500</u>			<u>47,500</u>	
Subtotal	<u>1,557,347</u>	<u>1,349,726</u>	<u>5,607,337</u>	<u>985,727</u>	<u>255,625</u>		<u>11,522,395</u>	<u>5,972,559</u>
Other revenue	<u>220,944</u>	<u>195,385</u>	<u>(2,166,404)</u>	<u>(229,076)</u>	<u>1,061,224</u>	<u>1,704,421</u>	<u>1,397,933</u>	<u>3,662,160</u>
Total revenue	<u>1,778,291</u>	<u>1,545,111</u>	<u>3,440,933</u>	<u>756,651</u>	<u>1,316,849</u>	<u>1,704,421</u>	<u>12,920,328</u>	<u>9,634,719</u>
<b>Expenses</b>								
Amortization				778,675	59,986	1,939,587	2,013,482	
Other	790,091	672,469	350,072	149,334	1,052,066	1,331,232	6,149,254	5,926,973
Salaries	<u>980,133</u>	<u>988,005</u>	<u>45,138</u>		<u>177,943</u>	<u>414,566</u>	<u>3,584,414</u>	<u>3,338,990</u>
Total expenses	<u>1,770,224</u>	<u>1,660,474</u>	<u>395,210</u>	<u>928,009</u>	<u>1,289,995</u>	<u>1,745,798</u>	<u>11,673,255</u>	<u>11,279,445</u>
Surplus (Deficit)	<u>\$ 8,067</u>	<u>\$( 115,363)</u>	<u>\$ 3,045,723</u>	<u>\$( 171,358)</u>	<u>\$ 26,854</u>	<u>\$( 41,377)</u>	<u>\$ 1,247,073</u>	<u>\$( 1,644,726)</u>