

BERENS RIVER FIRST NATION

**Consolidated
Financial Statements
For the year ended March 31, 2014**

BERENS RIVER FIRST NATION

Consolidated Financial Statements For the year ended March 31, 2014

Contents

Management's Responsibility for Financial Reporting	2
Independent Auditor's Report	3
Consolidated Financial Statements	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Net Debt	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of **BERENS RIVER FIRST NATION** and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council of **BERENS RIVER FIRST NATION**. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. The financial statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian public sector accounting standards.

The First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. 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 **BERENS RIVER FIRST NATION** Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

BDO Canada LLP, Chartered Accountants, as the First Nation's appointed external auditor, has audited the Consolidated Financial Statements. The Independent Auditor's Report is addressed to the Members and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian audit standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position and results of operations of the First Nation in accordance with Canadian public sector accounting standards. BDO Canada LLP has full and free access to the Council.



Chief Jackie Everett

Independent Auditor's Report

To the Members of BERENS RIVER FIRST NATION

We have audited the accompanying consolidated financial statements of Berens River First Nation, which comprise the consolidated statement of financial position as at March 31, 2014 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 Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on 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 presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Berens River First Nation as at March 31, 2014 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

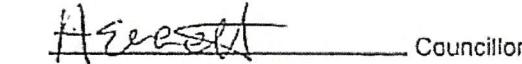
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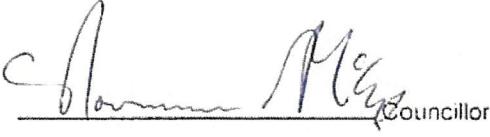
BERENS RIVER FIRST NATION

Consolidated Statement of Financial Position

March 31	2014	2013
Financial Assets		
Cash and bank	\$ 424,623	\$ 8,481
Restricted cash (Note 13)	105,515	78,140
Accounts receivable (Note 2)	2,638,470	4,616,268
Long-term investments (Note 3)	1,365,850	508,162
	<hr/>	<hr/>
	4,534,458	5,211,051
Liabilities		
Bank indebtedness (Note 4)	960,813	367,267
Accounts payable and accrued liabilities (Note 5)	7,269,300	10,168,424
Unexpended funding (Note 6)	50,000	50,000
Long-term debts and demand loans (Note 7)	6,648,038	7,341,990
	<hr/>	<hr/>
	14,928,151	17,927,681
Net debt	<hr/>	<hr/>
	(10,393,693)	(12,716,630)
Non-Financial Assets		
Tangible capital assets (Note 8)	26,561,650	28,230,419
Inventories (Note 9)	63,460	112,049
Prepaid expenses	10,331	10,331
	<hr/>	<hr/>
	26,635,441	28,352,799
Accumulated surplus (Note 12)	<hr/>	<hr/>
	\$ 16,241,748	\$ 15,636,169
Contingent liabilities (Note 16)		
Commitments (Note 17)		

Approved by the First Nation:

 Chief
 Councillor
 Councillor

 Councillor

 Councillor

BERENS RIVER FIRST NATION Consolidated Statement of Operations

For the year ended March 31	2014	2013
	Budget	Actual
Revenue		
First Peoples Development Inc.	\$ 728,448	\$ 712,378
Health Canada	3,569,316	3,682,411
Aboriginal Affairs and Northern Development Canada (Note 10)	7,176,178	7,823,949
Canada Mortgage and Housing Corporation	-	279,682
Gaming revenue	-	566,468
Province of Manitoba	375,742	222,667
Rental income	68,000	296,220
Fuel, gravel, user fees, GST, and sundry	569,854	3,814,005
Equity earnings of subsidiary	-	1,232,882
	12,487,538	18,630,662
	23,508,114	
Expenses		
Band support and administration	1,182,908	2,097,648
Education local services	248,521	368,054
Elections	25,000	16,618
Social services and development	2,693,620	3,108,768
Community water and waste services	691,451	1,093,389
Band employee benefits	-	80,318
Arena	181,071	126,744
Indian registry	23,526	14,109
Student transportation	-	-
WNO	69,450	59,335
Community Health Empowerment Support Services	141,930	73,894
Tobacco tax	70,000	134,025
Family violence	-	15,584
Community bingo	-	490,083
Nipi Marine Service Ltd.	-	112,080
Housing Authority	-	590,951
Log Inn	-	43,706
Gaming Commission	-	49,105
AHRDA Pathways	604,297	509,841
Mee-Mee-Wee-Seepi Development Corp.	-	3,236,204
Medical services	2,948,449	3,307,642
Contribution funded programs	535,643	795,846
Education student services	1,858,456	1,701,139
	11,274,322	18,025,083
	22,912,049	
Annual surplus	\$ 1,213,216	605,579
Accumulated surplus, beginning of year		15,636,169
Accumulated surplus, end of year	\$ 16,241,748	\$ 15,636,169

BERENS RIVER FIRST NATION
Consolidated Statement of Changes in Net Debt

For the year ended March 31	2014	2013
	Budget	Actual
Annual surplus	\$ 1,213,216	\$ 605,579
Acquisition of tangible capital assets	-	(450,242)
Disposal of tangible capital assets	-	112,000
Amortization of tangible capital assets	-	2,007,011
	1,213,216	2,274,348
Prepaid expenses	-	318,193
Inventories	-	48,589
Decrease in net debt	\$ 1,213,216	2,322,937
Net debt, beginning of year		(12,716,630)
Net debt, end of year		\$ (10,393,693)
		\$ (12,716,630)

BERENS RIVER FIRST NATION
Consolidated Statement of Cash Flows

For the year ended March 31	2014	2013
Cash Flows from Operating Activities		
Annual surplus	\$ 605,579	\$ 596,065
Adjustment for non-cash items:		
Amortization of tangible capital assets	2,007,011	1,984,254
Equity earnings of subsidiary	(1,232,882)	(486,540)
Loss on disposal of assets	<u>68,972</u>	-
	1,448,680	2,093,779
Changes in non-cash working capital balances:		
Accounts receivable	1,977,798	(829,013)
Inventories	<u>48,589</u>	80,911
Prepaid expenses	-	318,193
Accounts payable	<u>(2,899,124)</u>	998,138
	<u>575,943</u>	2,662,008
Cash Flows from Capital Activities		
Purchase and construction of capital assets	(450,242)	(1,913,436)
Proceeds of investments	<u>375,194</u>	1,257
Proceeds on sale of capital assets	<u>43,028</u>	-
	<u>(32,020)</u>	(1,912,179)
Cash Flows from Financing Activities		
Proceeds of long-term debt	420,768	1,141,416
Repayment of long-term debt	<u>(1,114,720)</u>	(1,159,683)
	<u>(693,952)</u>	(18,267)
Increase (decrease) in cash and cash equivalents	(150,029)	731,562
Bank indebtedness, beginning of year	(280,646)	(1,012,208)
Bank indebtedness, end of year	\$ (430,675)	\$ (280,646)
Represented by		
Cash and bank	\$ 424,623	\$ 8,481
Restricted cash	<u>105,515</u>	78,140
Bank indebtedness	<u>(960,813)</u>	(367,267)
	\$ (430,675)	\$ (280,646)

Supplementary Cash Flow Information (Note 20)

BERENS RIVER FIRST NATION

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

1. Nature of Entity and Summary of Significant Accounting Policies

Nature of Entity

The First Nation is a non-profit, non-taxable entity and is engaged in the social, cultural and economic development of First Nation citizens of Berens River First Nation.

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting in accordance with Canadian Public Sector Accounting Standards. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Basis of Consolidation

The Berens River First Nation reporting entity includes the Berens River First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by Berens River First Nation.

These financial statements consolidate the assets, liabilities and results of operations for Berens River First Nation and use accounting principles which lend themselves to consolidation. All inter-entity balances have been eliminated on consolidation.

The following subsidiaries' results of operations are included in these financial statements:

Mee-Mee-Wee-Seepi Development Corporation	100% owned
Nipi Marine Service Ltd.	100% owned
Berens River Housing Authority Inc.	100% owned
Berens River Log Inn Inc.	100% owned
Berens River Community Bingo	100% owned
Berens River Gaming Commission	100% owned

Investments

These financial statements have been prepared using the modified equity method of consolidation for profit-oriented subsidiaries. The investment in the acquired companies is initially recorded at their 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.

BERENS RIVER FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2014

1. Nature of Entity and Summary of Significant Accounting Policies (continued)

Investments (continued)

The following subsidiary's results of operations are included in these financial statements under the modified equity method:

Pigeon River Contractors Ltd.	100% owned
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The investment in the loan to the Shawano Wapunong Building Inc. is recorded at cost.

Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. 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.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Financial Instruments

The First Nation's financial instruments consist of cash and bank, restricted cash, accounts receivable, long-term investments, bank indebtedness, accounts payable and accrued liabilities, and long-term debt. Unless otherwise noted, 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 values of these financial instruments approximate their carrying values, unless otherwise noted.

Inventory

Raw materials and supplies are stated at the lower of cost and replacement cost. Cost is generally determined on the first-in first-out basis.

Replacement Reserves

The reserves are required by agreements with funders for the replacement of capital assets. This balance consists of a net accumulation of the levy on operations and expenditures paid for by the reserve since inception.

BERENS RIVER FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2014

1. Nature of Entity and Summary of Significant Accounting Policies (continued)

Tangible Capital Assets

Tangible capital assets are stated at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization based on the estimated useful life of the asset is recorded once the asset is available for productive use as follows:

Infrastructure	20 - 50 years straight-line basis
Buildings	20 - 40 years straight-line basis
Equipment	10 - 20 years straight-line basis
Automotive	10 years straight-line basis

Pension Plans

The First Nation also maintains defined contribution pension plans for its personnel. Expenses for this plan is equal to the First Nation's required contribution for the year.

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Measurement uncertainty exists specifically in the determination of accounts receivable, useful life of capital assets and unexpended funding.

Restricted Cash

Restricted cash balances represent assets segregated for use for replacement reserves with CMHC and FNIHB operating agreements. Restricted cash also includes trust funds held by AANDC.

BERENS RIVER FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2014

2. Accounts Receivable

	2014	2013
Trade	\$ 317,037	\$ 101,424
Due from related party	666,242	241,616
Allowance for doubtful accounts	(6,508)	(6,508)
Member receivables	2,100	5,726
	<hr/>	<hr/>
	978,871	342,258
Aboriginal Affairs and Northern Development Canada		
Received subsequent to year end	307,828	2,609,542
Receivable outstanding	1,122,186	1,507,777
Health Canada - FNIHB	40,463	(1,210)
CMHC	22,843	23,834
GST	68,138	59,304
Province of Manitoba	98,141	74,763
	<hr/>	<hr/>
	1,659,599	4,274,010
	<hr/>	<hr/>
	\$ 2,638,470	\$ 4,616,268

3. Long-term Investments

The investment balance reported represents the following holdings:

	2014	2013
Shawano Wapunong Building Inc. loan at cost	\$ 46,328	\$ 21,522
Pigeon River Contractors Ltd., at modified equity	1,319,522	486,640
	<hr/>	<hr/>
	\$ 1,365,850	\$ 508,162

The investment in Shawano Wapunong Building Inc. represents a loan receivable, and accrues interest at 10% per annum. There are no set terms of repayment.

Summarized financial information for Pigeon River Contractors Ltd.:

Current assets	<hr/>	<hr/>
Total assets	<hr/>	<hr/>
Current liabilities	<hr/>	<hr/>
Equity	<hr/>	<hr/>
Total equity and liabilities	<hr/>	<hr/>

BERENS RIVER FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2014

3. Long-term Investments (continued)

Revenues	\$ 8,780,842
Expenses	<u>7,547,960</u>
Net income	<u><u>\$ 1,232,882</u></u>

The following transactions occurred between Pigeon River Contractors Ltd. and the First Nation. These transactions are measured at the amount of consideration established and agreed to by the related parties.

- Pigeon River Contractors Ltd. paid \$1,297,807 (2013 - \$1,413,126) to the First Nation for rock crushing and brush clearing.
- Pigeon River Contractors Ltd. paid \$39,584 (2013 - \$Nil) in training costs to the First Nation.
- As at year end \$666,242 (2013 - \$241,616) was due from Pigeon River Contractors Ltd. and included in accounts receivable.
- During the prior year Council approved the forgiveness of a \$500,000 amount owing to Berens River First Nation from Pigeon River Contractors Ltd. as mandated by a primary consumer of Pigeon River Contractors Ltd.

4. Bank Indebtedness

Included in bank indebtedness is a credit facility with an interest rate of prime plus 3.25% (effective rate 6.25%). \$858,941 of this credit facility was outstanding at year-end.

5. Accounts Payable and Accrued Liabilities

	2014	2013
Trade	\$ 5,143,800	\$ 8,261,894
Other	<u>1,133,597</u>	<u>962,661</u>
	6,277,397	9,224,555
Canada Revenue Agency	<u>991,903</u>	943,869
	<u>\$ 7,269,300</u>	<u>\$ 10,168,424</u>

Subsequent to year end the First Nation took out a loan of \$850,000 with the First Nations Bank to fully pay off the Canada Revenue Agency payable.

BERENS RIVER FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2014

6. Unexpended Funding

This balance represents unspent program funds provided to Berens River First Nation by the Department of Aboriginal Affairs and Northern Development Canada and the Government of Canada (AANDC).

	AANDC	2014	2013
Deferred revenue - opening	\$ 50,000	\$ 50,000	\$ 50,000
Add: Current year monies unspent	-	-	-
Less: Previous year revenue recognized	-	-	-
	\$ 50,000	\$ 50,000	\$ 50,000

The balance of deferred revenue consists of the following:

Aboriginal Affairs and Northern Development Canada 2006 School Study	\$ 50,000
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7. Long-term Debts and Demand Loans

	2014	2013
Mortgage payable at 2.56%, due December 1, 2015, repayable in monthly installments of \$2,260 principal and interest, secured by an AANDC Ministerial Guarantee, supported by the CMHC insurance and loan agreement and assignment of fire insurance.	\$ 369,468	\$ 386,937
Mortgage payable at 1.01%. Monthly payments and terms of loan not yet negotiated.	420,768	-
Demand mortgage payable at 4.89%, due March 1, 2017, repayable in monthly installments of \$3,379 principal and interest, secured by an AANDC Ministerial Guarantee, supported by the CMHC insurance and loan agreement, and assignment of fire insurance.	257,614	286,776
Demand mortgage payable at 2.02%, due August 1, 2018, repayable in monthly installments of \$5,456 principal and interest, secured by an AANDC Ministerial Guarantee, supported by the CMHC insurance and loan agreement, and assignment of fire insurance.	379,374	435,897
Demand mortgage payable at 3.83%, due September 1, 2014, repayable in monthly installments of \$5,178 principal and interest, secured by an AANDC Ministerial Guarantee, supported by the CMHC insurance and loan agreement, and assignment of fire insurance.	535,459	576,118
Carried forward	1,962,683	1,685,728

BERENS RIVER FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2014

7. Long-term Debts and Demand Loans (continued)

	2014	2013
Brought forward	1,962,683	1,685,728
Mortgage payable at 1.65%, due June 1, 2017, repayable in monthly installments of \$4,914 principal and interest, secured by an AANDC Ministerial Guarantee, supported by the CMHC insurance and loan agreement and assignment of fire insurance.	701,655	748,667
Mortgage payable at 1.64%, due February 1, 2017, repayable in monthly installments of \$2,969 principal and interest, secured by an AANDC Ministerial Guarantee, supported by the CMHC insurance and loan agreement and assignment of fire insurance.	552,992	579,347
Mortgage payable at 2.78%, due August 1, 2015, repayable in monthly installments of \$2,734 principal and interest, secured by an AANDC Ministerial Guarantee, supported by the CMHC insurance and loan agreement and assignment of fire insurance.	526,648	544,619
Mortgage payable at 1.67%, due June 1, 2018, repayable in monthly installments of \$1,563 principal and interest, secured by an AANDC Ministerial Guarantee, supported by the CMHC insurance and loan agreement and assignment of fire insurance.	308,825	321,857
Mortgage payable at 2.11%, due January 1, 2019, repayable in monthly installments of \$3,584 principal and interest, secured by an AANDC Ministerial Guarantee, supported by the CMHC insurance and loan agreement and assignment of fire insurance.	694,633	721,206
Mortgage payable at 1.69%, due February 1, 2018, repayable in monthly installments of \$3,300 principal and interest, secured by an AANDC Ministerial Guarantee, supported by the CMHC insurance and loan agreement and assignment of fire insurance.	778,838	729,875
Carried forward	5,526,274	5,331,299

BERENS RIVER FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2014

7. Long-term Debts and Demand Loans (continued)

	2014	2013
Brought forward	5,526,274	5,331,299
First Nation Bank committed reducing term facility at prime plus 2.15% (effective rate 5.15%), due May 1, 2014, repayable in monthly principal installments of \$3,857 and \$300,000 yearly principal payments on April 1, secured by a general security agreement with first charge on all the First Nation's assets.	575,092	1,129,023
First Nation Bank committed reducing term facility, repaid during the year.	-	70,000
First Nation Bank committed reducing term facility at prime plus 3.25% (effective rate 6.25%), due March 1, 2016, repayable in monthly principal payments of \$5,417, secured by a general security agreement with first charge on all the First Nation's assets.	130,004	195,000
First Nation Bank committed reducing term facility at prime plus 3.25% (effective rate 6.25%), due May 1, 2017, repayable in monthly principal payments of \$8,333, secured by a general security agreement with first charge on all the First Nation's assets.	316,667	416,667
RBC term loan at prime plus 2.00% (effective rate 5.00%), due March 24, 2015, repayable in monthly principal payments of \$8,333 plus interest.	100,001	200,001
	\$ 6,648,038	\$ 7,341,990

The future minimum payments for the next five years and thereafter are:

2015	\$ 886,884
2016	760,165
2017	427,631
2018	352,055
2019	343,349
Thereafter	<u>3,877,954</u>
	\$ 6,648,038

BERENS RIVER FIRST NATION
Notes to Consolidated Financial Statements

For the year ended March 31, 2014

8. Tangible Capital Assets

	2014				
	Infrastructure	Buildings	Equipment	Automotive	Total
Cost, beginning of year	\$ 7,926,473	\$ 52,153,888	\$ 4,874,003	\$ 2,539,657	\$ 67,494,021
Additions	-	293,823	152,919	3,500	450,242
Disposals	-	-	(160,000)	-	(160,000)
Cost, end of year	<u>7,926,473</u>	<u>52,447,711</u>	<u>4,866,922</u>	<u>2,543,157</u>	<u>67,784,263</u>
Accumulated amount, beginning of year	(4,524,006)	(29,802,891)	(3,404,567)	(1,532,138)	(39,263,602)
Amortization	(168,735)	(1,535,786)	(199,222)	(103,268)	(2,007,011)
Disposals	-	-	48,000	-	48,000
Accumulated amount, end of year	<u>(4,692,741)</u>	<u>(31,338,677)</u>	<u>(3,555,789)</u>	<u>(1,635,406)</u>	<u>(41,222,613)</u>
Net carrying amount, end of year	<u>\$ 3,233,732</u>	<u>\$ 21,109,034</u>	<u>\$ 1,311,133</u>	<u>\$ 907,751</u>	<u>\$ 26,561,650</u>
	2013				
	Infrastructure	Buildings	Equipment	Automotive	Total
Cost, beginning of year	\$ 7,926,473	\$ 50,877,752	\$ 4,874,003	\$ 1,902,357	\$ 65,580,585
Additions	-	1,276,136	-	637,300	1,913,436
Cost, end of year	<u>7,926,473</u>	<u>52,153,888</u>	<u>4,874,003</u>	<u>2,539,657</u>	<u>67,494,021</u>
Accumulated amount, beginning of year	(4,355,271)	(28,294,234)	(3,189,345)	(1,440,498)	(37,279,348)
Amortization	(168,735)	(1,508,657)	(215,222)	(91,640)	(1,984,254)
Accumulated amount, end of year	<u>(4,524,006)</u>	<u>(29,802,891)</u>	<u>(3,404,567)</u>	<u>(1,532,138)</u>	<u>(39,263,602)</u>
Net carrying amount, end of year	<u>\$ 3,402,467</u>	<u>\$ 22,350,997</u>	<u>\$ 1,469,436</u>	<u>\$ 1,007,519</u>	<u>\$ 28,230,419</u>

BERENS RIVER FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2014

9. Inventories

	2014	2013
Materials and supplies	\$ 2,068	\$ 2,139
Fuel	61,392	109,910
	\$ 63,460	\$ 112,049

10. Aboriginal Affairs and Northern Development Canada (AANDC) Revenue Reconciliation

	2014	2013
AANDC cash release confirmation	\$ 8,538,503	\$ 14,116,372
Less: 2013 Clawback - Social Basic Needs	(168,007)	-
Less: 2013 Clawback - Skills Link and Summer		
Work Experience	(25,945)	-
Less: Prior Years Clawback - Education (i) below	(560,281)	-
Plus: 2014 Social funding adjustment	39,679	-
Total AANDC revenue reported	\$ 7,823,949	\$ 14,116,372

(i) During the year, AANDC reconciled all the amounts owing to the First Nation for prior year education amounts and the First Nation entered into an agreement with Frontier School Division to have all tuition and student transportation costs paid directly by AANDC. As a result of such agreements, education funding that was previously recorded as due from AANDC in the fiscal years ending March 31, 2010, 2011, and 2012 was reversed as it was determined to be no longer receivable by the First Nation. In addition, due to the agreement with Frontier, some of the amounts removed from the First Nation's records became directly payable to Frontier for previous year costs as the First Nation had not been previously reimbursed for those costs.

11. Replacement Reserves

	CMHC	FNIHB MAR	2014	2013
Balance, beginning of year	\$ 456,763	\$ 108,935	\$ 565,698	\$ 491,040
Allocations	61,580	27,001	88,581	80,795
Expenses	-	(5,214)	(5,214)	(6,137)
Adjustments	(7,417)	(7,417)	(7,417)	(7,417)
Balance, end of year	\$ 518,343	\$ 123,305	\$ 641,648	\$ 565,698

The replacement reserve balance consists of a net accumulation of the levy on operations, recoveries collected and expenditures paid for by the reserve since inception in accordance with the agreement with Canada Mortgage and Housing Corporation.

BERENS RIVER FIRST NATION

Notes to Consolidated Financial Statements

For the year ended March 31, 2014

12. Accumulated Surplus

The First Nation segregates its accumulated surplus in the following categories:

	2014	2013
Investment in tangible capital assets	\$ 19,913,612	\$ 20,888,429
Current Funds	(4,313,512)	(5,817,958)
Reserve Funds		
CMHC	518,343	456,763
MAR	123,305	108,935
	<hr/>	<hr/>
	\$ 16,241,748	\$ 15,636,169

13. Restricted Cash

Under the terms of the agreements with CMHC, the replacement reserve account is to be credited in the amount of - annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation (CDIC) or as may otherwise be approved by CDIC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are charged to interest first and then principal. The restricted cash is comprised of the following:

	2014	2013
<u>Externally Restricted Reserves:</u>		
CMHC Replacement Reserve	\$ 35,906	\$ 9,456
AANDC Trust	69,609	68,684
	<hr/>	<hr/>
	\$ 105,515	\$ 78,140

AANDC Funds Held in Trust

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

	2014	2013
Trust balance, beginning of year	\$ 68,684	\$ 65,321
Interest fees earned	925	3,363
	<hr/>	<hr/>
Trust balance, end of year	\$ 69,609	\$ 68,684

BERENS RIVER FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2014

14. Economic Dependence

Berens River First Nation is economically dependent on funding from the Department of Aboriginal Affairs and Northern Development Canada and the Government of Canada. The First Nation is attempting to develop alternative sources of revenue in order to become self-sufficient.

15. Defined Contribution Pension Plan

The expense for the First Nation's pension plan for the year was \$63,872 (\$92,433 in 2013). The plan is funded equally by the organization and the First Nation's employees at rates of 3.0% to 5.5% of the employee's salary. The funds are invested in mutual funds as directed by the First Nation's individual employees' investment directives.

16. Contingent Liabilities

The First Nation is contingently liable for \$824,182 in unapproved social services expenditures owing back to Aboriginal Affairs and Northern Development Canada. These expenditures arose in the ordinary course of business several years past. In the opinion of management, the outcome of the reconciliations, now pending, is not determinable. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

The First Nation is contingently liable for \$645,000 in rehabilitation costs related to its landfill. The First Nation is funded annually for O&M costs for the operation of the landfill. If grants are not received for these costs, the First Nation will be required to fund the landfill rehabilitation from its operating funds.

Subsequent to year end the First Nation was named as a defendant in lawsuits arising in the ordinary course of operations. The First Nation contested the claims but were unsuccessful. The court sided with the claimants and the First Nation was found liable to pay a total of \$224,371. As the lawsuits were due to events that occurred in the current year, the settlement amount was accrued as a liability as at March 31, 2014. The total payable was fully paid subsequent to year end.

Berens River First Nation holds two quarry leases in relation to the work performed by Pigeon River Contractors Ltd.. As the leases are in the name of the First Nation, they are liable for any rehabilitation costs related to these sites. Rehabilitation fees are paid to the Province of Manitoba for these costs when material is removed from the quarry. These fees are placed in a trust account and are to be used in the future to rehabilitate the sites upon closure. There is the potential that additional monies would be required to rehabilitate the quarries but we are unable to determine the additional costs, if any, that may be required. As a result, no payables related to these costs have been recorded in the First Nation's records.

BERENS RIVER FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2014

17. Commitments

During the year, the First Nation entered into an agreement with Frontier School Division to settle outstanding debt. The First Nation committed to 72 monthly principal and interest payments of \$47,554, commencing May 1, 2013, at an interest rate of prime plus 1% (effective rate 4%).

The First Nation operates its Education sub-office under leased premises. Contractual obligations in respect of the lease for the premises require the monthly payment of a basic rent charge and an additional rent charge for estimated operational costs. The operational costs are estimated by the lessor each year and are expected to vary from year to year. The following are the minimum basic rent charges for the next four years:

2015	\$ 42,487
2016	43,582
2017	43,810
2018	9,127

18. Comparative Figures

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

19. Budget

The Management Action Plan (Budget) adopted by Council was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net debt represent the Financial Plan adopted by Council with adjustments as follows:

Management Action Plan (Budget) surplus for the year	\$ 1,049,558
Add: Internally generated revenue not budgeted in subsidiary	<u>163,658</u>
Budget surplus per statement of operations	<u>\$ 1,213,216</u>

BERENS RIVER FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2014

20. Supplementary Cash Flow Information

The total interest paid on cash basis for the year was \$367,566 (\$324,592 in 2013). The difference between the cash flow and the related amount recognized in the statement of operations of \$(48,401) (\$348,513 in 2013) is due to the inclusion of bank charges and changes to interest accrued on overdue vendor payables in the total amount recognized.

21. Expense by Object

The following is a summary of expenses by object.

	2014	2013
Salaries and benefits	\$ 4,952,166	\$ 5,723,547
Staff development	8,218	10,831
Supplies and services	1,050,196	1,501,759
Interest	319,164	673,105
Professional services	233,624	166,428
Rental expenditures	144,129	142,124
Other	9,310,575	12,710,001
Amortization	2,007,011	1,984,254
	<hr/> \$ 18,025,083	<hr/> \$ 22,912,049

BERENS RIVER FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2014

22. Segmented Information

The First Nation is a diversified community that provides a wide range of services to its members. For management reporting purposes the Berens River First Nation's operations and activities are organized and reported by Program. Programs were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, restrictions or limitations.

The services are provided by the several entities of Berens River First Nation. These activities can also be categorized into segments. The following segments have been identified and as such are separately disclosed:

Public Works

Public Works contains all activities that relate to the maintenance of buildings and land of the First Nation.

Social Development

Social Development contains activities that provide financial support or support by other means to band members that is aimed at developing both the individual as well as the community.

Finance & Administration

Finance & Administration contains activities that are needed to run the Berens River Band organization.

Health Services

Health Services contains activities that provide medical services to band members.

Education

Education Services contains activities that provide education to band members for primary, secondary schooling and sponsorship to attend post secondary institutions.

Training & Development

Training & Development contains activities that provide financial support or support by other means to band members and organizations situated on the First Nation reserve that is aimed at developing personal skills and businesses.

Housing

Housing contains activities that provide housing and repairs and maintenance to band members' housing.

Gaming

Gaming contains activities that provide gaming services to both band members and non-band members.

BERENS RIVER FIRST NATION
Notes to Consolidated Financial Statements

For the year ended March 31, 2014

22. Segmented Information (continued)

	Public Works	Social Development	Finance & Administration	Health Services	Education	Training & Development	Housing	Gaming	Eliminations	2014 Total
Revenue										
Federal	\$ 1,983,802	\$ 3,214,304	\$ 1,154,120	\$ 3,682,411	\$ 1,465,634	\$ 6,088	\$ 279,683	\$ -	\$ 11,786,042	
Sundry	3,695,517	197,140	391,752	152,212	73,344	802,043	352,773	566,468	(619,511)	5,611,738
Equity earnings			1,232,882							1,232,882
Total revenue	5,679,319	3,411,444	2,778,754	3,834,623	1,538,978	808,131	632,456	566,468	(619,511)	18,630,662
Expenses	4,572,903	3,217,876	1,827,204	831,289	1,932,495	190,830	609,657	510,174	(619,511)	13,072,917
Salaries	822,384	263,926	664,066	2,476,353	136,698	494,755	25,000	68,984		4,952,166
Total expenses	5,395,287	3,481,802	2,491,270	3,307,642	2,069,193	685,585	634,657	579,158	(619,511)	18,025,083
Annual surplus (deficit)	\$ 284,032	\$ (70,358)	\$ 287,484	\$ 526,981	\$ (530,215)	\$ 122,546	\$ (2,201)	\$ (12,690)	\$ -	\$ 605,579
	Public Works	Social Development	Finance & Administration	Health Services	Education	Training & Development	Housing	Gaming	Eliminations	2013 Total
Revenue										
Federal	\$ 1,242,602	\$ 2,909,199	\$ 1,337,933	\$ 3,569,742	\$ 8,119,752	\$ 748,856	\$ 253,134	\$ -	\$ 18,181,218	
Sundry	3,046,058	187,255	955,530	80,749	35,750	151,421	338,412	779,624	(734,443)	4,840,356
Equity earnings			486,540	-						486,540
Total revenue	4,288,660	3,096,454	2,780,003	3,650,491	8,155,502	900,277	591,546	779,624	(734,443)	23,508,114
Expenses	2,904,887	2,922,021	2,421,227	837,368	7,276,531	241,681	595,858	723,373	(499,443)	17,423,503
Salaries	1,193,236	359,755	991,567	2,310,891	136,052	621,453	25,000	85,592	(235,000)	5,488,546
Total expenses	4,098,123	3,281,776	3,412,794	3,148,259	7,412,583	863,134	620,858	808,965	(734,443)	22,912,049
Annual surplus (deficit)	\$ 190,537	\$ (185,322)	\$ (632,791)	\$ 502,232	\$ 742,919	\$ 37,143	\$ (29,312)	\$ (29,341)	\$ -	\$ 596,065