

**McDowell Lake First Nation**  
**Financial Statements**  
For the year ended March 31, 2014

	<b>Contents</b>
<b>Management's Responsibility for Financial Reporting</b>	2
<b>Independent Auditor's Report</b>	3
<b>Financial Statements</b>	
Statement of Financial Position	5
Statement of Operations	6
Statement of Changes in Net Financial Assets (Debt)	7
Statement of Cash Flows	8
Summary of Significant Accounting Policies	9
Notes to Financial Statements	11

**RECEIVED**  
**AUG 5 2014**  
**AANDC TBAY**

---

## McDowell Lake First Nation Management's Responsibility for Financial Reporting

---

### To the Members of McDowell Lake First Nation

The accompanying financial statements of McDowell Lake First Nation for the year ended March 31, 2014, are the responsibility of management and have been approved by the Chief and Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The First Nation is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Chief and Council review the First Nation's financial statements and recommend their approval. The Chief and Council meet periodically with management, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the financial statements and the external auditors' report. The Chief and Council take this information into consideration when approving the financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. BDO Canada LLP have full access to the First Nation.

 Chief

 Councillor



Tel: 807 468 5531  
Fax: 807 468 9774  
www.bdo.ca

BDO Canada LLP  
300 - 301 First Avenue S  
Kenora ON P9N 4E9 Canada

---

## Independent Auditor's Report

---

### To the Members of McDowell Lake First Nation

We have audited the accompanying financial statements of McDowell Lake First Nation, which comprise the statement of financial position as at March 31, 2014, and the statement of operations, statement of changes in net financial assets (debt) and the statement of 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 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

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

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

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



#### **Basis for Qualified Opinion**

As discussed in Note 11 to the financial statements, McDowell Lake First Nation did not record tangible assets purchased prior to March 31, 2011, which constitutes a departure from Canadian public sector accounting standards. Expenses and annual deficit should have been increased for the year ended March 31, 2013 by \$4,325 and accumulated capital assets and accumulated surplus should have been increased by \$105,525 as at March 31, 2013. This caused us to modify our opinion on the financial statements for that year.

In accordance with Canadian public sector accounting standards, McDowell Lake First Nation corrected the error in the current year's figures rather than correcting the comparative information. Our opinion on the current year's financial statements is modified because of the effects of this matter on the comparability of the current year's figures and the comparative information.

#### **Qualified Opinion**

In our opinion, except for the effects on the comparative information of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of McDowell Lake First Nation as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "BDO Canada LLP". The signature is written in a cursive, flowing style.

Chartered Accountants, Licensed Public Accountants

Kenora, Ontario  
July 28, 2014



**McDowell Lake First Nation**  
**Statement of Financial Position**

March 31

2014

2013

**Financial Assets**

Cash (Note 1)	\$ 983,886	\$ 827,949
Short term investment (Note 2)	3,076,082	3,038,081
Accounts receivable (Note 3)	3,191	51,621

**Total Financial Assets**

4,043,159      3,917,651

**Liabilities**

Accounts payable and accruals (Note 5)	187,272	182,899
Deferred revenue (Note 6)	3,850,919	3,744,153
Contributions repayable	10,737	-

**Total Liabilities**

4,048,928      3,927,052

**Net Financial Assets (Debt)**

(5,769)      (9,401)

**Non-financial Assets**

Prepays and inventory of supplies	9,424	5,454
Tangible capital assets (Note 4)	107,230	2,390

**Accumulated Surplus (Deficit)**

\$ 110,885      \$ (1,557)

Approved on Behalf

Chief

Councillor

The accompanying summary of significant accounting policies and notes are an integral part to these financial statements.

# McDowell Lake First Nation

## Statement of Operations

For the year ended March 31	Budget	2014	2013
<b>Revenue (Note 10)</b>			
Government Transfers			
Federal	\$ 101,560	\$ 101,560	\$ 76,106
Provincial	-	1,236	32,343
Other Grants	47,499	38,768	31,406
Other Revenues	50,000	339,208	228,112
	<u>199,059</u>	<u>480,772</u>	<u>367,967</u>
<b>Expenses</b>			
Band administration	51,560	62,974	54,142
Education	47,499	43,840	35,065
Community & Economic Development	100,000	261,516	287,218
Health	-	-	2,175
	<u>199,059</u>	<u>368,330</u>	<u>378,600</u>
<b>Annual surplus (deficit)</b>	\$ -	112,442	(10,633)
<b>Accumulated surplus (deficit), beginning of year</b>		<u>(1,557)</u>	9,076
<b>Accumulated surplus (deficit), end of year</b>		\$ 110,885	\$ (1,557)

The accompanying summary of significant accounting policies and notes are an integral part to these financial statements.

**McDowell Lake First Nation**  
**Statement of Changes in Net Financial Assets (Debt)**

<b>For the year ended March 31</b>	<b>2014</b>	<b>2013</b>
<b>Annual Surplus (Deficit)</b>	<b>\$ 112,442</b>	<b>\$ (10,633)</b>
Addition to capital assets	(110,329)	-
Amortization of capital assets	5,489	684
Increase in prepaids	(3,970)	(5,454)
<b>Net change in net debt</b>	<b>3,632</b>	<b>(15,403)</b>
<b>Net financial assets (debt), beginning of year</b>	<b>(9,401)</b>	<b>6,002</b>
<b>Net financial assets (debt), end of year</b>	<b>\$ (5,769)</b>	<b>\$ (9,401)</b>

The accompanying summary of significant accounting policies and notes are an integral part to these financial statements.

**McDowell Lake First Nation**  
**Statement of Cash Flows**

**For the year ended March 31**

**2014**

**2013**

**Operating Activities**

Annual surplus (deficit)	\$ 112,442	\$ (10,633)
Amortization	5,489	684
	<u>117,931</u>	<u>(9,949)</u>

**Changes in non-cash working capital items**

Accounts receivable	48,430	36,143
Accounts payable	4,373	(169,206)
Deferred revenue	106,766	242,069
Prepays and supplies	(3,970)	(5,454)
Contributions repayable	10,737	-
	<u>284,267</u>	<u>93,603</u>

**Cash flows from Investing activities**

Net addition to capital assets	<u>(110,329)</u>	<u>-</u>
--------------------------------	------------------	----------

**Increase in cash and cash equivalents during the year**

**173,938      93,603**

**Cash, beginning of year**

**3,866,030      3,772,427**

**Cash, end of year**

**\$ 4,039,968      \$ 3,866,030**

**Represented by:**

Cash	\$ 963,886	\$ 827,949
Short-term investments	3,076,082	3,038,081
	<u>\$ 4,039,968</u>	<u>\$ 3,866,030</u>

The accompanying summary of significant accounting policies and notes are an integral part to these financial statements.



---

## McDowell Lake First Nation

### Summary of Significant Accounting Policies

---

March 31, 2014

---

#### General

McDowell Lake First Nation (the "First Nation") is a local government whose primary objective is to provide a variety of services to its members.

#### Continuity of Operations

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern presentation assumes that the First Nation will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

#### Basis of Preparation

The financial statements of the First Nation are the representations of management. They have been prepared in accordance with generally accepted accounting principles for local governments as prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as recommended by Aboriginal Affairs and Northern Development Canada.

#### Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installment costs, design and engineering 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 is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

<b>Asset</b>	<b>Basis</b>	<b>Rate</b>
Buildings	Straight-line	40 years
Equipment	Straight-line	5 and 25 years
Docks	Straight-line	15 years

When a capital asset no longer contributes to the Council's ability to provide services, its carrying amount is written-down to its residual value.

---

## **McDowell Lake First Nation**

### **Summary of Significant Accounting Policies**

**March 31, 2014**

---

#### **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 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.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purposes.

#### **Use of Estimates**

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 certain assets and liabilities at the date of the financial statements, and the reported amounts of certain revenues and expenses during the reported period. Actual results could differ from those estimated.

---

**McDowell Lake First Nation**  
**Notes to Financial Statements**

**March 31, 2014**

---

**1. Cash**

Cash is comprised of two bank accounts - one held at CIBC of \$737,277 and one held at ScotiaBank of \$226,609. The cash at the CIBC is held in trust by a third party.

---

**2. Short-Term Investment**

The short-term investment is comprised of a guaranteed investment certificate held in trust by a third party with interest at 1.40%, maturing November 28, 2014.

---

**3. Accounts Receivable**

	<b>2014</b>	<b>2013</b>
Aboriginal Affairs and Northern Development Canada	\$ 1,500	\$ 25,000
Advances to related parties	-	31,800
Trade and other	1,691	25,621
Allowance for doubtful accounts	-	(30,800)
	<b>\$ 3,191</b>	<b>\$ 51,621</b>

**McDowell Lake First Nation**  
**Notes to Financial Statements**

**March 31, 2014**

**4. Tangible Capital Assets**

	2014			
	Buildings	Equipment	Docks	Total
Cost, Beginning of Year	\$ -	\$ 3,416	\$ -	\$ 3,416
Additions (Note 11)	85,000	34,804	15,000	134,804
Cost, End of Year	85,000	38,220	15,000	138,220
Accumulated Amortization, Beginning of Year	-	1,026	-	1,026
Amortization (Note 11)	9,000	17,964	3,000	29,964
Accumulated Amortization, End of Year	9,000	18,990	3,000	30,990
Net Carrying Amount, End of Year	\$ 76,000	\$ 19,230	\$ 12,000	107,230

	2013			
	Buildings	Equipment	Docks	Total
Cost, Beginning of Year	\$ -	\$ 3,416	\$ -	\$ 3,416
Additions	-	-	-	-
Cost, End of Year	-	3,416	-	3,416
Accumulated Amortization, Beginning of Year	-	342	-	342
Amortization	-	684	-	684
Accumulated Amortization, End of Year	-	1,026	-	1,026
Net Carrying Amount, End of Year	\$ -	\$ 2,390	\$ -	2,390

**5. Accounts Payable**

	2014	2013
Due to/from Keewaytinook Okimakanak	\$ 175,147	\$ 170,485
Trade and other	12,125	12,414
	<u>\$ 187,272</u>	<u>\$ 182,899</u>



# McDowell Lake First Nation

## Notes to Financial Statements

March 31, 2014

### 6. Deferred Revenue

Deferred contributions related to expenses of future periods represent unspent funding.

	2014	2013
Balance, beginning of year	\$ 3,744,153	\$ 3,502,084
Add: Amount received during the year including interest	481,296	242,069
Less: Amount recognized as revenue in the year	(374,530)	-
Balance, end of year	\$ 3,850,919	\$ 3,744,153

The balance at year end is made up of the following:

Ministry of Natural Resources	\$ 24,780	\$ 24,780
Ontario First Nations Limited Partnership	3,826,139	3,663,167
Keewaytinook Okimakanak	-	31,220
Ontario Trillium Foundation	-	15,000
Aboriginal Affairs and Northern Development Canada	-	9,986
	\$ 3,850,919	\$ 3,744,153

### 7. Related Party Transactions

During fiscal 2014, distributions of \$368,603 (2013 - \$369,811) were received from Ontario First Nations Limited Partnership. The First Nation is a limited partner of Ontario.

During fiscal 2014, revenue relating to program support aggregating \$55,605 (2013 - \$63,500) was received from Keewaytinook Okimakanak - Northern Chiefs Council, an organization of which the First Nation is a member.

During fiscal 2014, expenses paid to elected officials and entities under the control of elected officials for salaries, honoraria, travel, clerical support and other expenses aggregated \$66,189 (2013 - \$104,126).

Amounts paid and payable to Keewaytinook Okimakanak during 2014 totalled \$194,993 (2013 - \$170,485).

These transactions are measured at the exchange amount which is the amount of consideration established and agreed to by the parties.

Accounts receivable as at March 31, 2014 includes \$Nil (2013 - \$31,800) receivable from elected officials, and \$Nil (2013 - \$13,839) from Keewaytinook Okimakanak - Northern Chiefs Council.

Accounts payable and accrued liabilities as at March 31, 2014 includes \$175,147 (2013 - \$170,485) payable to Keewaytinook Okimakanak - Northern Chiefs Council, and \$Nil (2013 - \$1,847) payable to McDowell Lake Outposts, an entity under the control of elected officials.

**McDowell Lake First Nation**  
**Notes to Financial Statements**

**March 31, 2014**

**8. Segmented Information and Expenses by Object**

**For the year ended March 31, 2014**

	Administration	Education	Community & Economic Development	Health	Total
<b>Revenue</b>					
Grants	\$ 51,560	\$ 37,532	\$ 61,222	\$ -	\$ 150,314
User fees and other	89	5,000	325,369	-	330,458
	<u>51,649</u>	<u>42,532</u>	<u>386,591</u>	<u>-</u>	<u>480,772</u>
<b>Expenses</b>					
Administration, office and other	19,559	-	70,000	-	89,559
Supplies and program expenses	6,246	16,290	105,693	-	128,229
Rent and utilities	7,716	-	-	-	7,716
Travel and training	3,464	439	42,377	-	46,280
Salaries and benefits	20,500	27,111	148,971	-	196,582
Amortization	5,489	-	-	-	5,489
Capital asset adjustment	-	-	(105,525)	-	(105,525)
	<u>62,974</u>	<u>43,840</u>	<u>261,516</u>	<u>-</u>	<u>368,330</u>
	<u>\$ (11,325)</u>	<u>\$ (1,308)</u>	<u>\$ 125,075</u>	<u>\$ -</u>	<u>\$ 112,442</u>

**For the year ended March 31, 2013**

	Administration	Education	Community & Economic Development	Health	Total
<b>Revenue</b>					
Grants	\$ 51,106	\$ 31,406	\$ 57,343	\$ -	\$ 139,855
User fees and other	-	1,186	224,751	2,175	228,112
	<u>51,106</u>	<u>32,592</u>	<u>282,094</u>	<u>2,175</u>	<u>367,967</u>
<b>Expenses</b>					
Administration, office and other	5,577	-	70,000	-	75,577
Supplies and program expenses	12,899	8,904	37,374	-	59,177
Rent and utilities	8,955	-	-	-	8,955
Travel and training	6,027	-	22,454	-	28,481
Salaries and benefits	20,000	26,161	157,390	2,175	205,726
Amortization	684	-	-	-	684
	<u>54,142</u>	<u>35,065</u>	<u>287,218</u>	<u>2,175</u>	<u>378,600</u>
	<u>\$ (3,036)</u>	<u>\$ (2,473)</u>	<u>\$ (5,124)</u>	<u>\$ -</u>	<u>\$ (10,633)</u>

---

**McDowell Lake First Nation**  
**Notes to Financial Statements**

**March 31, 2014**

---

**8. Segmented Information and Expenses by Object - continued**

**Administration**

Administration is comprised of the administration and finance department. This department performs a management and administrative role by holding Council Meetings to administer the delivery of programs and services and to help develop a strategy for the future.

**Education**

Education includes the activities of the SLAAMB program and other educational activities that enhance the educational development of community members.

**Health**

The First Nation health programs which provide health awareness and prevention and assistance programs for community members are administered and controlled by Keewaytinook Okimakanak.

**Community and Economic Development**

Community and economic development includes governance activities, land use planning initiatives and environmental planning to improve the economic and social well-being of community members.

---

**9. Budget**

The budget approved by the Chief and Council was not prepared on a consolidated basis and does not include all of the activities of the First Nation. As a result, budget figures are only presented on a non-consolidated basis for programs where available.



**McDowell Lake First Nation**  
**Notes to Financial Statements**

**March 31, 2014**

**10. Revenue**

		2014		
		Operating	Capital	Total
Government Transfers				
Federal government transfers				
Aboriginal Affairs and Northern Development Canada	\$ 101,560	\$ -	\$ 101,560	
Provincial government transfers				
Canada Ontario Resource Ministry of Natural Resources	1,236	-	1,236	
	102,796	-	102,796	
Other revenues	377,976	-	377,976	
Total revenue	\$ 480,772	\$ -	\$ 480,772	

		2013		
		Operating	Capital	Total
Government Transfers				
Federal government transfers				
Aboriginal Affairs and Northern Development Canada	\$ 76,106	\$ -	\$ 76,106	
Provincial government transfers				
Canada Ontario Resource Ministry of Natural Resources	19,747	-	19,747	
	12,596	-	12,596	
	108,449	-	108,449	
Other revenues	259,518	-	259,518	
Total revenue	\$ 367,967	\$ -	\$ 367,967	

**11. Capital Asset adjustment**

During the year, the First Nation corrected the recording of its capital assets held prior to March 31, 2011 in accordance with PS 3150 - Tangible Capital Assets. The impact on current year operations was \$105,525 as follows:

Increase to Capital Assets	\$105,525
Decrease to Community Development Expenses	\$105,525