

McDowell Lake First Nation
Financial Statements
For the year ended March 31, 2016

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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, 2016, 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



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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, 2016, 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 audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of McDowell Lake First Nation as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Kenora, Ontario
July 28, 2016

McDowell Lake First Nation
Statement of Financial Position

March 31 **2016** **2015**

Financial Assets

Cash (Note 1)	\$ 868,556	\$ 983,962
Short term investment (Note 2)	3,167,753	3,132,272
Accounts receivable (Note 3)	41,323	9,760
Long term investments (Note 4)	23,677	-

Total Financial Assets	4,101,309	4,125,994
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Liabilities

Accounts payable and accruals (Note 5)	143,332	154,451
Deferred revenue (Note 6)	3,867,803	3,944,610

Total Liabilities	4,011,135	4,099,061
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Net Financial Assets	90,174	26,933
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Non-financial Assets (Debt)

Prepays	-	11,650
Tangible capital assets (Note 7)	268,068	107,673

Accumulated Surplus	\$ 358,242	\$ 146,256
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Approved on Behalf


Chief


Councillor

McDowell Lake First Nation
Statement of Operations

For the year ended March 31	Budget	2016	2015
Revenue (Note 10)			
Government Transfers			
Federal	\$ 87,470	\$ 89,743	\$ 117,470
Provincial	3,429	38,666	1,702
Other Grants	116,249	88,558	122,520
Other Revenues	371,406	607,584	337,892
	<u>578,554</u>	<u>824,551</u>	<u>579,584</u>
Expenses			
Band administration	52,470	81,310	82,926
Education	52,499	26,207	59,249
Community & Economic Development	461,079	494,038	402,038
Health	12,506	11,010	-
	<u>578,554</u>	<u>612,565</u>	<u>544,213</u>
Annual surplus	\$ -	211,986	35,371
Accumulated surplus, beginning of year		<u>146,256</u>	<u>110,885</u>
Accumulated surplus, end of year		\$ 358,242	\$ 146,256

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)

For the year ended March 31	2016	2015
Annual Surplus	\$ 211,988	\$ 35,371
Addition to capital assets	(168,654)	(6,413)
Amortization of capital assets	8,259	5,970
Increase (decrease) in prepaids	11,650	(2,226)
Net change in net assets	63,241	32,702
Net financial assets (debt) , beginning of year	26,933	(5,789)
Net financial assets, end of year	\$ 90,174	\$ 26,933

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

2016

2015

Operating Activities

Annual surplus	\$ 211,986	\$ 35,371
Amortization	8,259	5,970
	<u>220,245</u>	<u>41,341</u>

Changes in non-cash working capital items

Accounts receivable	(31,563)	(6,569)
Accounts payable	(11,119)	(43,558)
Deferred revenue	(76,807)	93,691
Prepaids	11,650	(2,226)
	<u>112,406</u>	<u>82,679</u>

Cash flows from investing activities

Net addition to capital assets	(168,854)	(6,413)
Investment in Government Business Enterprises	(23,677)	-
	<u>(192,331)</u>	<u>(6,413)</u>

Increase in cash and cash equivalents during the year

(79,925) 76,266

Cash, beginning of year

4,116,234 4,039,968

Cash, end of year

\$ 4,036,309 \$ 4,116,234

Represented by:

Cash	\$ 868,556	\$ 983,962
Short-term investments	3,167,753	3,132,272
	<u>\$ 4,036,309</u>	<u>\$ 4,116,234</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, 2016

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.

Reporting Entity

The reporting entity includes the First Nation and all entities that are controlled by the First Nation. All controlled entities are consolidated according to the First Nation's percentage ownership except for entities that meet the definition of a government business enterprise or a government business partnership, which are included in the financial statements on a modified equity basis. Accounting policies of consolidated and proportionately consolidated entities are conformed to those of the organization and inter-organizational balances and transactions are eliminated upon consolidation.

Entities and government partnerships proportionately consolidated in the organization's financial statements include:

K-Net LP
First Nation LP
NCC Development LP

Under the modified equity method of accounting, only the First Nation's investment in the entity and the First Nation's portion of the entity's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the entity that are different from those of the organization and inter-organizational balances and transactions are not eliminated.

McDowell Lake First Nation

Summary of Significant Accounting Policies

March 31, 2016

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:

Asset	Basis	Rate
Buildings	Straight-line	40 years
Equipment	Straight-line	5 and 25 years
Docks	Straight-line	15 years
Leaseholds	Straight-line	10 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.

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, 2016

1. Cash

Included in cash are two bank accounts - one held at CIBC of \$597,391 and one held at Scotia Bank of \$271,165. 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 0.9%, maturing November 30, 2016.

3. Accounts Receivable

	2016	2015
Trade and other	\$ 6,323	\$ 9,760
NCC Development LP	35,000	-
	<u>\$ 41,323</u>	<u>\$ 9,760</u>

4. Long Term Investments

	2016	2015
Investment in K-Net LP - 165 Class B Common Units	\$ 23,675	\$ -
Investment in First Nation LP - 100 Common Units	1	-
Investment in NCC Development LP - 165 Common Units	1	-
	<u>\$ 23,677</u>	<u>\$ -</u>

5. Accounts Payable

	2016	2015
Due to Keewatinook Okimakanak	\$ 86,487	\$ 120,779
Trade and other	32,065	8,892
Contributions repayable	24,780	24,780
	<u>\$ 143,332</u>	<u>\$ 154,451</u>

McDowell Lake First Nation
Notes to Financial Statements

March 31, 2016

6. Deferred Revenue

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

	2016	2015
Balance, beginning of year	\$ 3,944,610	\$ 3,850,919
Add: Amount received during the year including interest	416,269	433,695
Less: Amount recognized as revenue in the year	(493,076)	(340,004)
Balance, end of year	<u>\$ 3,867,803</u>	<u>\$ 3,944,610</u>
The balance at year end is made up of the following:		
Ontario First Nations Limited Partnership	<u>\$ 3,867,803</u>	<u>\$ 3,944,610</u>

Commencing with the 2012 fiscal year and in each fiscal year thereafter during the initial and renewal terms of the agreement between the Province of Ontario and Ontario First Nations Limited Partnership ("OFNLP"), the Province of Ontario shall pay to OFNLP 12 monthly payments equal to one-twelfth of 1.7% of the aggregate provincial gross gaming revenues. OFNLP then distributes to the Organization its share of these revenues according to a formula used for that purpose. The use of these funds, according to agreements, is restricted to community development, health, education, cultural development and economic development.

The Organization holds a unit in the Ontario First Nations Limited Partnership and a share in a related company Ontario First Nations General Partner Inc. - the carrying values of which are nominal and are therefore not recorded in these non-consolidated financial statements.

7. Tangible Capital Assets

	2016			
	Buildings	Equipment	Docks	Leaseholds
Cost, Beginning of Year	\$ 91,413	\$ 38,220	\$ 15,000	\$ -
Additions	10,083	88,544	-	70,027
Cost, End of Year	<u>101,496</u>	<u>126,764</u>	<u>15,000</u>	<u>70,027</u>
Accumulated Amortization, Beginning of Year	11,125	21,835	4,000	-
Amortization	2,789	4,470	1,000	-
Accumulated Amortization, End of Year	<u>13,914</u>	<u>26,305</u>	<u>5,000</u>	<u>-</u>
Net Carrying Amount, End of Year	<u>\$ 87,582</u>	<u>\$ 100,459</u>	<u>\$ 10,000</u>	<u>\$ 70,027</u>

McDowell Lake First Nation
Notes to Financial Statements

March 31, 2016

7. Tangible Capital Assets - continued

	2015				
	Buildings	Equipment	Docks	Leaseholds	Total
Cost, Beginning of Year	\$ 85,000	\$ 38,220	\$ 15,000	\$ -	\$ 138,220
Additions	6,413	-	-	-	6,413
Cost, End of Year	91,413	38,220	15,000	-	144,633
Accumulated Amortization, Beginning of Year	9,000	18,990	3,000	-	30,990
Amortization	2,125	2,845	1,000	-	5,970
Accumulated Amortization, End of Year	11,125	21,835	4,000	-	36,960
Net Carrying Amount, End of Year	\$ 80,288	\$ 16,385	\$ 11,000	\$ -	\$ 107,673

8. Segmented Information and Expenses by Object

For the year ended March 31, 2016

	Administration	Education	Community & Economic Development	Health	Total
Revenue					
Grants	\$ 54,743	\$ 19,808	\$ 142,416	\$ -	\$ 216,967
Other	10,197	8,614	567,271	21,502	607,584
	64,940	28,422	709,687	21,502	824,551
Expenses					
Administration, office and other	13,952	-	70,160	-	84,112
Supplies and program expenses	5,976	9,054	94,891	11,010	120,931
Rent and utilities	48,488	-	2,936	-	51,424
Travel and training	3,942	3,547	112,865	-	120,354
Salaries and benefits	693	13,606	213,186	-	227,485
Amortization	8,259	-	-	-	8,259
	81,310	26,207	494,038	11,010	612,565
Accumulated Surplus	\$ (16,370)	\$ 2,215	\$ 215,649	\$ 10,492	\$ 211,986

McDowell Lake First Nation
Notes to Financial Statements

March 31, 2016

8. Segmented Information and Expenses by Object - continued

For the year ended March 31, 2015

	Administration	Education	Community & Economic Development	Health	Total
Revenue					
Grants	\$ 52,470	\$ 40,270	\$ 148,952	\$ -	\$ 241,692
Other	22,668	17,181	298,043	-	337,892
	<u>75,138</u>	<u>57,451</u>	<u>446,995</u>	<u>-</u>	<u>579,584</u>
Expenses					
Administration, office and other	6,706	-	70,351	-	77,057
Supplies and program expenses	4,794	23,518	78,476	-	106,788
Rent and utilities	5,370	-	22,398	-	27,768
Travel and training	14,169	5,337	48,284	-	67,790
Salaries and benefits	45,917	30,394	182,529	-	258,840
Amortization	5,970	-	-	-	5,970
	<u>82,926</u>	<u>59,249</u>	<u>402,038</u>	<u>-</u>	<u>544,213</u>
Accumulated Surplus	\$ (7,788)	\$ (1,798)	\$ 44,957	\$ -	\$ 35,371

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 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 for programs where available.

The budget adopted by Chief and 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 require a full accrual basis. In addition, the budget expensed all tangible capital asset expenditures.

McDowell Lake First Nation
Notes to Financial Statements

March 31, 2016

10. Revenue

	2016		
	Operating	Capital	Total
Government Transfers			
Federal government transfers			
Aboriginal Affairs and Northern Development Canada	\$ 89,743	\$ -	\$ 89,743
Provincial government transfers			
Ministry of Natural Resources	3,429	-	3,429
	93,172	-	93,172
Other revenues	655,887	75,492	731,379
Total revenue	\$ 749,059	\$ 75,492	\$ 824,551

	2015		
	Operating	Capital	Total
Government Transfers			
Federal government transfers			
Aboriginal Affairs and Northern Development Canada	\$ 117,470	\$ -	\$ 117,470
Provincial government transfers			
Ministry of Natural Resources	1,702	-	1,702
	119,172	-	119,172
Other revenues	460,412	-	460,412
Total revenue	\$ 579,584	\$ -	\$ 579,584

11. Lease Agreement

The First Nation is committed to a two year lease for premises at \$1,800 a month plus HST expiring 2017.