

McDowell Lake First Nation
Financial Statements
For the year ended March 31, 2017

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McDowell Lake First Nation Management's Responsibility for Financial Reporting

To the Members of
McDowell Lake First Nation

Management's Responsibility for the Financial Statements

The accompanying financial statements of McDowell Lake First Nation for the year ended March 31, 2017 are the responsibility of management and have been approved by Chief and Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants 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 are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the financial statements.

Chief and Council meet 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 financial statements and the external auditor's report.

The external auditors, BDO Canada LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of McDowell Lake First Nation and meet when required.

On behalf of McDowell Lake First Nation:

 Chief

 Councillor



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, 2017, and the statement of operations, statement of changes in net financial assets 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, 2017 and the results of operations, changes in net assets and 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 Professional Accountants, Licensed Public Accountants

Kenora, Ontario
July 21, 2017

McDowell Lake First Nation Statement of Financial Position

March 31	2017	2016
Financial Assets		
Cash (Note 1)	\$ 708,125	\$ 868,556
Short term investment (Note 2)	2,660,120	3,167,753
Accounts receivable (Note 3)	210,915	41,323
Long term investments (Note 4)	175,055	23,677
Total Financial Assets	3,754,215	4,101,309
Liabilities		
Accounts payable (Note 5)	213,279	143,332
Deferred revenue (Note 6)	3,317,253	3,867,803
Total Liabilities	3,530,532	4,011,135
Net Financial Assets	223,683	90,174
Non-financial Assets		
Prepays	15,176	-
Tangible capital assets (Note 7)	548,448	268,068
Total Non-financial Assets	563,624	268,068
Accumulated Surplus	\$ 787,307	\$ 358,242

Approved on Behalf


Chief


Councillor

McDowell Lake First Nation
Statement of Operations

For the year ended March 31	Budget	2017	2016
Revenue (Note 10)			
Government Transfers			
Federal	\$ 89,743	\$ 268,630	\$ 89,743
Provincial	3,429	62,682	38,666
Other Grants	176,382	160,862	88,558
Other Revenues	387,800	1,049,964	607,584
	<u>657,354</u>	<u>1,542,138</u>	<u>824,551</u>
Expenses			
Band administration	117,275	157,097	81,310
Education	56,099	45,411	26,207
Community and Economic Development	532,512	802,389	494,038
Health	7,000	108,176	11,010
	<u>712,886</u>	<u>1,113,073</u>	<u>612,565</u>
Annual surplus	<u>\$ (55,532)</u>	429,065	211,986
Accumulated surplus, beginning of year		<u>358,242</u>	<u>146,256</u>
Accumulated surplus, end of year		\$ 787,307	\$ 358,242

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

For the year ended March 31

2017

2016

Annual Surplus	\$ 429,065	\$ 211,986
Addition to capital assets	(304,108)	(168,654)
Amortization of capital assets	23,728	8,259
Increase (decrease) in prepaids	(15,176)	11,650
Net change in net assets	133,509	63,241
Net financial assets, beginning of year	90,174	26,933
Net financial assets, end of year	\$ 223,683	\$ 90,174

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

2017

2016

Operating Activities

Annual surplus	\$ 429,065	\$ 211,986
Amortization	23,728	8,259
	<u>452,793</u>	<u>220,245</u>

Changes in non-cash working capital items

Accounts receivable	(169,592)	(31,563)
Accounts payable	69,947	(11,119)
Deferred revenue	(550,550)	(76,807)
Prepays	(15,176)	11,650
	<u>(212,578)</u>	<u>112,406</u>

Cash flows from investing activities

Net addition to capital assets	(304,108)	(168,654)
Investment in Government Business Enterprises	(151,378)	(23,677)
	<u>(455,486)</u>	<u>(192,331)</u>

Increase in cash and cash equivalents during the year

(668,064) (79,925)

Cash, beginning of year

4,036,309 4,116,234

Cash, end of year

\$ 3,368,245 \$ 4,036,309

Represented by:

Cash	\$ 708,125	\$ 868,556
Short-term investments	2,660,120	3,167,753
	<u>\$ 3,368,245</u>	<u>\$ 4,036,309</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, 2017

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 Indigenous and Northern Affairs Canada.
Reporting Entity	<p>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.</p> <p>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 inter-organizational balances and transactions are not eliminated.</p> <p>Magnus James Enterprise LP is the only government business enterprise reflected in the financial statements.</p>
Portfolio Investments	Portfolio investments are investments that do not form part of the government reporting entity and are recorded at cost. When there is a loss in value that is other than temporary, the investment is written down to recognize the loss.

McDowell Lake First Nation

Summary of Significant Accounting Policies

March 31, 2017

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, 2017

1. Cash

Included in cash are two bank accounts - one held at CIBC of \$393,193 and one held at Scotia Bank of \$314,932. 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 0.8%, maturing November 29, 2017.

3. Accounts Receivable

	2017	2016
Ministry of Indigenous Relations and Reconciliation	\$ 178,433	\$ -
HST	12,884	-
Trade and other	19,598	6,323
NCC Development LP	-	35,000
	<u>\$ 210,915</u>	<u>\$ 41,323</u>

4. Long Term Investments

	2017	2016
<u>Portfolio Investments</u>		
Investment in K-Net LP - 165 of 1990 Common Units	\$ 23,675	\$ 23,675
Investment in First Nation LP - 100 of 2001 Common Units	1	1
Investment in NCC Development LP - 165 of 1000 Common Units	1	1
<u>Investment in Government Business Enterprise</u>		
Investment in Magnus James Enterprises LP		
- 99 or 100 Common Units	151,377	-
Investment in Magnus James Enterprises Inc.		
- 100 Common shares	1	-
	<u>\$ 175,055</u>	<u>\$ 23,677</u>

The Magnus James Enterprise is owned and controlled by McDowell Lake First Nation. The following information provides condensed supplementary information for the enterprise for the year ended March 31, 2017.

Financial Position	
Current assets	\$ 1,000
Non-current assets	<u>150,378</u>
Total Assets	<u>\$ 151,378</u>
Revenue	\$ Nil
Expenses	Nil

McDowell Lake First Nation
Notes to Financial Statements

March 31, 2017

5. Accounts Payable

	2017	2016
Due to Keewaytinook Okimakanak	\$ 78,178	\$ 86,487
Trade and other	110,160	32,065
Contributions repayable	24,941	24,780
	<u>\$ 213,279</u>	<u>\$ 143,332</u>

6. Deferred Revenue

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

	2017	2016
Balance, beginning of year	\$ 3,867,803	\$ 3,944,610
Add: Amount received during the year including interest	471,127	416,269
Less: Amount recognized as revenue in the year	(1,021,677)	(493,076)
Balance, end of year	<u>\$ 3,317,253</u>	<u>\$ 3,867,803</u>

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

Ontario First Nations Limited Partnership	\$ 3,305,226	\$ 3,867,803
Nishnawbe Aski Nation	12,027	-
	<u>\$ 3,317,253</u>	<u>\$ 3,867,803</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.

McDowell Lake First Nation
Notes to Financial Statements

March 31, 2017

7. Tangible Capital Assets

	2017				
	Buildings	Equipment	Docks	Leaseholds	Capital Work in Progress Total
Cost, Beginning of Year	\$ 101,496	\$ 126,764	\$ 15,000	\$ 70,027	\$ - \$ 313,287
Additions	-	12,207	-	23,301	268,600 304,108
Cost, End of Year	101,496	138,971	15,000	93,328	268,600 617,395
Accumulated Amortization, Beginning of Year	13,914	26,305	5,000	-	- 45,219
Amortization	2,537	12,024	1,000	8,167	- 23,728
Accumulated Amortization, End of Year	16,451	38,329	6,000	8,167	- 68,947
Net Carrying Amount, End of Year	\$ 85,045	\$ 100,642	\$ 9,000	\$ 85,161	\$ 268,600 \$ 548,448

	2016				
	Buildings	Equipment	Docks	Leaseholds	Capital Work in Progress Total
Cost, Beginning of Year	\$ 91,413	\$ 38,220	\$ 15,000	\$ -	\$ - \$ 144,633
Additions	10,083	88,544	-	70,027	- 168,654
Cost, End of Year	101,496	126,764	15,000	70,027	- 313,287
Accumulated Amortization, Beginning of Year	11,125	21,835	4,000	-	- 36,960
Amortization	2,789	4,470	1,000	-	- 8,259
Accumulated Amortization, End of Year	13,914	26,305	5,000	-	- 45,219
Net Carrying Amount, End of Year	\$ 87,582	\$ 100,459	\$ 10,000	\$ 70,027	\$ - \$ 268,068

McDowell Lake First Nation
Notes to Financial Statements

March 31, 2017

8. Segmented Information

For the year ended March 31, 2017

	Administration	Education	Community & Economic Development	Health	Total
Revenue					
Grants	\$ 55,197	\$ 35,105	\$ 360,865	\$ 41,007	\$ 492,174
Other	28,287	12,102	943,916	65,659	1,049,964
	<u>83,484</u>	<u>47,207</u>	<u>1,304,781</u>	<u>106,666</u>	<u>1,542,138</u>
Expenses					
Administration, office and other	35,939	-	34,038	-	69,977
Supplies and program expenses	9,862	12,102	419,125	100,073	541,162
Rent and utilities	76,376	-	3,000	-	79,376
Travel and training	9,244	3,961	89,711	5,199	108,115
Salaries and benefits	1,948	29,348	256,515	2,904	290,715
Amortization	23,728	-	-	-	23,728
	<u>157,097</u>	<u>45,411</u>	<u>802,389</u>	<u>108,176</u>	<u>1,113,073</u>
Accumulated Surplus	\$ (73,613)	\$ 1,796	\$ 502,392	\$ (1,510)	\$ 429,065

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
	<u>64,940</u>	<u>28,422</u>	<u>709,687</u>	<u>21,502</u>	<u>824,551</u>
Expenses					
Administration, office and other	13,952	-	160	-	14,112
Supplies and program expenses	5,976	9,054	164,891	11,010	190,931
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
	<u>81,310</u>	<u>26,207</u>	<u>494,038</u>	<u>11,010</u>	<u>612,565</u>
Accumulated Surplus	\$ (16,370)	\$ 2,215	\$ 215,649	\$ 10,492	\$ 211,986

McDowell Lake First Nation

Notes to Financial Statements

March 31, 2017

8. Segmented Information - 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 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, 2017

10. Revenue

	2017		
	Operating	Capital	Total
Government Transfers			
Federal government transfers			
Aboriginal Affairs and Northern Development Canada	\$ 268,630	\$ -	\$ 268,630
Provincial government transfers			
Ministry of Natural Resources	63,640	-	63,640
	332,270	-	332,270
Other revenues	1,209,868	-	1,209,868
Total revenue	\$ 1,542,138	\$ -	\$ 1,542,138

	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

McDowell Lake First Nation
Notes to Financial Statements

March 31, 2017

11. Expenses by Object

	Budget	2017	2016
Office and miscellaneous	\$ 16,989	\$ 27,346	\$ 20,170
Professional fees	72,000	332,435	150,112
Community member expense	20,500	7,216	7,537
Telephone and utilities	8,500	5,864	9,350
Travel	88,866	100,413	116,740
Honourariums	94,000	113,039	89,995
Interest and bank charges	600	930	509
Repairs and Maintenance	10,124	-	137
Insurance	8,039	8,039	7,671
Bad debts	-	7,435	-
Supplies	27,300	152,100	2,898
Rent	70,512	73,512	42,074
Amortization	-	23,728	8,259
Wages and Benefits	274,956	177,675	137,489
Health	7,000	65,659	11,010
Education	8,600	12,102	8,614
Training	4,900	5,580	-
	\$ 712,886	\$ 1,113,073	\$ 612,565