

**McDowell Lake First Nation
Financial Statements
For the year ended March 31, 2018**

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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, 2018, 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, 2018 and the results of operations, changes in net financial assets and 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 25, 2018

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, 2018 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 Chartered Professional Accountants of Canada 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:


Elva Vartku King
Chief


Councillor

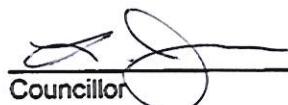
McDowell Lake First Nation
Statement of Financial Position

<u>March 31</u>	<u>2018</u>	<u>2017</u>
		Restated (See Note 1)
Financial Assets		
Cash (Note 2)	\$ 948,562	\$ 708,125
Short term investment (Note 3)	1,926,698	2,660,120
Accounts receivable (Note 4)	149,247	210,915
Long term investments (Note 5)	789,299	175,055
Total Financial Assets	<u>3,813,806</u>	<u>3,754,215</u>
Liabilities		
Accounts payable (Note 6)	797,278	213,279
Deferred revenue (Note 7)	209,015	12,027
Total Liabilities	<u>1,006,293</u>	<u>225,306</u>
Net Financial Assets	<u>2,807,513</u>	<u>3,528,909</u>
Non-financial Assets		
Prepays	15,956	15,176
Tangible capital assets (Note 8)	736,070	548,448
Total Non-financial Assets	<u>752,026</u>	<u>563,624</u>
Accumulated Surplus (Note 11)	<u>\$ 3,559,539</u>	<u>\$ 4,092,533</u>

Approved on Behalf

Ellen Ventane Kino

Chief


Councillor

McDowell Lake First Nation
Statement of Operations

<u>For the year ended March 31</u>	<u>Budget</u>	<u>2018</u>	<u>2017</u>
		Restated (See Note 1)	
Revenue (Note 12)			
Government Transfers			
Federal	\$ 686,821	\$ 551,714	\$ 268,630
Provincial	87,270	77,586	62,682
Other Grants	166,433	245,326	160,862
Other Revenues	68,750	501,962	487,387
Net loss from government business enterprise (Note 5)	<u>-</u>	<u>(3,382)</u>	<u>-</u>
	<u>1,009,274</u>	<u>1,373,206</u>	<u>979,561</u>
Expenses			
Band administration	<u>-</u>	<u>201,386</u>	<u>157,097</u>
Education	66,123	14,253	45,411
Community and Economic Development	191,020	1,121,985	802,389
Health	752,131	568,576	108,176
	<u>1,009,274</u>	<u>1,906,200</u>	<u>1,113,073</u>
Annual surplus (deficit)	\$ -	(532,994)	(133,512)
Accumulated surplus, beginning of year		<u>4,092,533</u>	<u>4,226,045</u>
Accumulated surplus, end of year	\$ 3,559,539	\$ 4,092,533	

McDowell Lake First Nation
Statement of Changes in Net Financial Assets

For the year ended March 31	Budget	2018	2017
		Restated (See Note 1)	
Annual Surplus (deficit)	\$ -	\$ (532,994)	\$ (133,512)
Addition to capital assets	\$ -	\$ (229,056)	\$ (304,108)
Amortization of capital assets	\$ -	\$ 41,434	\$ 23,728
Increase (decrease) in prepaids	<u>\$ -</u>	<u>\$ (780)</u>	<u>\$ (15,176)</u>
Net change in net financial assets	<u>\$ -</u>	<u>\$ (721,396)</u>	<u>\$ (429,068)</u>
Net financial assets, beginning of year		<u>3,528,909</u>	<u>3,957,977</u>
Net financial assets, end of year	<u>\$ 2,807,513</u>	<u>\$ 3,528,909</u>	

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	2018	2017
	Restated (See Note 1)	
Operating Transactions		
Annual surplus (deficit)	\$ (532,994)	\$ (133,512)
Amortization	<u>41,434</u>	<u>23,728</u>
	<u>(491,560)</u>	<u>(109,784)</u>
Changes in non-cash operating balances		
Accounts receivable	61,668	(169,592)
Accounts payable	583,997	69,947
Deferred revenue	196,988	12,027
Prepays	<u>(780)</u>	<u>(15,176)</u>
	<u>350,313</u>	<u>(212,578)</u>
Investing transactions		
Investment in Government Business Enterprises	(614,242)	(151,378)
Short term investment	<u>733,422</u>	<u>507,633</u>
	<u>119,180</u>	<u>356,255</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(229,056)</u>	<u>(304,108)</u>
Increase (decrease) in cash and cash equivalents during the year		
Cash, beginning of year	240,437	(160,431)
	<u>708,125</u>	<u>868,556</u>
Cash, end of year	\$ 948,562	\$ 708,125

McDowell Lake First Nation Summary of Significant Accounting Policies

March 31, 2018

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.
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 Chartered Professional Accountants of Canada and as recommended by Indigenous and Northern Affairs 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.
	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.
	Magnus James Enterprises LP is the only government business enterprise reflected in the financial statements.
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, 2018

Short Term Investments	Temporary investments are recorded at cost, unless the market value has declined below cost, in which case they are written down to market value. Investment income earned is reported as revenue in the period earned.																	
Capital Assets	<p>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:</p> <table><thead><tr><th>Asset</th><th>Basis</th><th>Rate</th></tr></thead><tbody><tr><td>Buildings</td><td>Straight-line</td><td>40 years</td></tr><tr><td>Equipment</td><td>Straight-line</td><td>5 and 25 years</td></tr><tr><td>Docks</td><td>Straight-line</td><td>15 years</td></tr><tr><td>Leaseholds</td><td>Straight-line</td><td>10 years</td></tr></tbody></table> <p>When a capital asset no longer contributes to the First Nation's ability to provide services, its carrying amount is written-down to its residual value.</p>			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
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																
Revenue Recognition	<p>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.</p> <p>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.</p> <p>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.</p>																	
Use of Estimates	<p>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.</p>																	

McDowell Lake First Nation Notes to Financial Statements

March 31, 2018

1. Prior Period Adjustment

During the current year, the First Nation determined that Ontario First Nations Limited Partnership ("OFNLP") programming funds should be included in accumulated surplus and not deferred. This error has been corrected retroactively with restatement of prior periods. The correction had the following effect on the comparative financial statements:

	<u>2017</u>
Deferred revenue	\$ (3,305,226)
Other revenue	(562,577)
Annual surplus	(562,577)
Opening accumulated surplus	3,867,803
Ending accumulated surplus	3,305,226

The net impact on accumulated surplus of the restatement above is as follows:

	<u>2017</u>
Opening accumulated surplus, previously stated	\$ 358,242
Net effect of restatements	<u>3,867,803</u>
Opening accumulated surplus, as restated	<u>\$ 4,226,045</u>

2. Cash

Included in cash are three bank accounts - one held at CIBC of \$60,771 (2017 - \$393,193), one held at Scotia Bank of \$853,905 (2017 - \$314,932) and one held in trust of \$33,886 (2017 - \$nil). The cash held at CIBC is designated for OFNLP programming.

3. Short-Term Investment

The short-term investment designated for OFNLP programming is comprised of a guaranteed investment certificate held in trust by a third party with interest at 0.75%, maturing November 29, 2018.

4. Accounts Receivable

	<u>2018</u>	<u>2017</u>
Keewaytinook Okimakanak	\$ 55,675	\$ -
Ministry of Indigenous Relations and Reconciliation	-	178,433
HST	31,699	12,884
Other	<u>61,873</u>	<u>19,598</u>
	<u>\$ 149,247</u>	<u>\$ 210,915</u>

McDowell Lake First Nation
Notes to Financial Statements

March 31, 2018

5. Long Term Investments

	2018	2017
<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 of 100 Common Units	765,654	151,377
Investment in Magnus James Enterprises Inc.		
- 100 of 100 Common shares	(32)	1
	<hr/>	<hr/>
	\$ 789,299	\$ 175,055

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, 2018.

Financial Position

Current assets	\$ 90,872	\$ 16,830
Non-current assets	<hr/>	<hr/>
	674,750	121,000
	<hr/>	<hr/>
Total Assets	\$ 765,622	\$ 137,830
	<hr/>	<hr/>
Liabilities	-	-
Net Assets	\$ 765,622	\$ 137,830
	<hr/>	<hr/>
Revenue	\$ 89,674	\$ -
Expenses	<hr/>	<hr/>
	93,056	-

6. Accounts Payable

	2018	2017
Due to Keewaytinook Okimakanak	\$ -	\$ 78,178
Trade and other	520,010	110,160
Contributions repayable	<hr/>	<hr/>
	277,268	24,941
	<hr/>	<hr/>
	\$ 797,278	\$ 213,279

McDowell Lake First Nation
Notes to Financial Statements

March 31, 2018

7. Deferred Revenue

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

	2018	2017
Balance, beginning of year	\$ 12,027	\$ -
Add: Amount received during the year	232,900	18,558
Less: Amount recognized as revenue in the year	(35,912)	(6,531)
 Balance, end of year	 \$ 209,015	 \$ 12,027

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

Nishnawbe Aski Nation	\$ 11,679	\$ 12,027
Indigenous and Northern Affairs Canada	197,336	-
 \$ 209,015	 \$ 12,027	

McDowell Lake First Nation
Notes to Financial Statements

March 31, 2018

8. Tangible Capital Assets

2018

	Buildings	Equipment	Docks	Leaseholds	Capital Work in Progress	Total
Cost, Beginning of Year	\$ 101,496	\$ 138,971	\$ 15,000	\$ 93,328	\$ 268,600	\$ 617,395
Additions	-	191,419	-	-	37,637	229,056
Cost, End of Year	101,496	330,390	15,000	93,328	306,237	846,451
Accumulated Amortization, Beginning of Year	16,451	38,329	6,000	8,167	-	68,947
Amortization	2,537	28,565	1,000	9,332	-	41,434
Accumulated Amortization, End of Year	18,988	66,894	7,000	17,499	-	110,381
Net Carrying Amount, End of Year	\$ 82,508	\$ 263,496	\$ 8,000	\$ 75,829	\$ 306,237	\$ 736,070

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

McDowell Lake First Nation
Notes to Financial Statements

March 31, 2018

9. Segmented Information

For the year ended March 31, 2018

	Administration	Education	Community & Economic Development	Health	Total
Revenue					
Grants	\$ 54,743	\$ 51,390	\$ 244,999	\$ 523,494	\$ 874,626
Other	32,465	500	318,848	150,149	501,962
Net loss from government business enterprise	<u>(3,382)</u>	-	-	-	<u>(3,382)</u>
	<u>83,826</u>	<u>51,890</u>	<u>563,847</u>	<u>673,643</u>	<u>1,373,206</u>
Expenses					
Administration, office and other	66,152	-	27,836	40,131	134,119
Supplies and program expenses	6,672	500	245,187	329,445	581,804
Rent and utilities	69,262	-	4,863	23,493	97,618
Travel and training	17,866	5,483	477,736	40,476	541,561
Salaries and benefits	—	8,270	366,363	135,031	509,664
Amortization	41,434	-	-	-	41,434
	<u>201,386</u>	<u>14,253</u>	<u>1,121,985</u>	<u>568,576</u>	<u>1,906,200</u>
Annual surplus	<u><u>\$ (117,560)</u></u>	<u><u>\$ 37,637</u></u>	<u><u>\$ (558,138)</u></u>	<u><u>\$ 105,067</u></u>	<u><u>\$ (532,994)</u></u>

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	381,339	65,659	487,387
	<u>83,484</u>	<u>47,207</u>	<u>742,204</u>	<u>106,666</u>	<u>979,561</u>
Expenses					
Administration, office and other	35,939	-	34,038	-	69,977
Supplies and program expenses	9,862	12,102	313,409	100,073	435,446
Rent and utilities	76,376	-	3,000	-	79,376
Travel and training	9,244	3,961	195,427	5,199	213,831
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>
Annual Surplus	<u><u>\$ (73,613)</u></u>	<u><u>\$ 1,796</u></u>	<u><u>\$ (60,185)</u></u>	<u><u>\$ (1,510)</u></u>	<u><u>\$ (133,512)</u></u>

McDowell Lake First Nation Notes to Financial Statements

March 31, 2018

9. 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 provide health awareness and prevention and assistance programs for community members.

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.

10. 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.

11. Accumulated Surplus

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

	2018	2017
Current funds	\$ 314,998	\$ 238,859
Investment in capital assets	736,070	548,448
Ontario First Nations Limited Partnership	<u>2,508,471</u>	<u>3,305,226</u>
	<hr/>	<hr/>
	\$ 3,559,539	\$ 4,092,533

The investment in capital assets represents amounts already spent and invested in capital assets.

Current funds represent the general activities of the First Nation.

McDowell Lake First Nation
Notes to Financial Statements

March 31, 2018

12. Government Transfers

	2018		
	Operating	Capital	Total
Government Transfers			
Federal government transfers			
Indigenous and Northern Affairs Canada	\$ 125,307	\$ -	\$ 125,307
Health Canada	426,407	-	426,407
Provincial government transfers			
Ministry of Natural Resources	77,586	-	77,586
Total revenue	\$ 629,300	\$ -	\$ 629,300
2017			
	Operating	Capital	Total
Government Transfers			
Federal government transfers			
Indigenous and Northern Affairs Canada	\$ 268,630	\$ -	\$ 268,630
Provincial government transfers			
Ministry of Natural Resources	62,682	-	62,682
Total revenue	\$ 331,312	\$ -	\$ 331,312

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

March 31, 2018

13. Expenses by Object

	Budget	2018	2017
Amortization	\$ -	\$ 41,434	\$ 23,728
Bad debts	-	546	7,435
Community member expense	43,428	5,432	7,216
Honourariums	27,270	131,489	113,039
Insurance	-	8,497	8,039
Interest and bank charges	-	2,812	930
Office and miscellaneous	83,954	226,055	27,346
Professional fees	35,000	96,457	254,076
Rent	12,000	88,270	73,512
Repairs and Maintenance	-	400	-
Supplies	234,678	375,725	244,379
Telephone and utilities	6,400	9,349	5,864
Training	103	302,318	65,837
Travel	146,737	239,242	103,996
Wages and Benefits	<u>419,704</u>	<u>378,174</u>	<u>177,675</u>
	<u>\$ 1,009,274</u>	<u>\$ 1,906,200</u>	<u>\$ 1,113,072</u>

14. Commitments

The First Nation is committed to a three year lease with a related party for premises at \$4,600 a month expiring 2021.

The First Nation is committed to a two year lease for premises at \$1,804 a month plus HST expiring 2019.

15. Contingency

The First Nation has been named as a defendant in a lawsuit arising in the ordinary course of operations. The amount of the claim for damages is \$355,750. At year-end, an estimated liability has been recorded in the financial statements, of which the amount cannot be disclosed as it would have an adverse effect on the outcome.