

Consolidated Financial Statements of the

NATIONAL INDIAN BROTHERHOOD

March 31, 2013

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Independent Auditor's Report

To the Executive Council of
National Indian Brotherhood

We have audited the accompanying consolidated financial statements of the National Indian Brotherhood (the "Corporation"), which comprise the consolidated statement of financial position as at March 31, 2013, and the consolidated statements of operations, changes in net assets 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 accounting standards for not-for-profit organizations, 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 judgement, 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 overall presentation of the consolidated financial statements.

Independent Auditor's Report (Continued)

Auditor's Responsibility (Continued)

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 the Corporation as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which describes that the Corporation adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012, with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the consolidated statements of financial position as at March 31, 2012 and April 1, 2011, and the consolidated statements of operations, changes in net assets and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the comparative information, and as such, it is unaudited.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

July 16, 2013

NATIONAL INDIAN BROTHERHOOD
Consolidated Financial Statements
March 31, 2013

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NATIONAL INDIAN BROTHERHOOD
Consolidated Statement of Operations
year ended March 31, 2013

| | <u>2013</u> | <u>2012</u> (Unaudited) (Note 2) |
|---|---------------------|--|
| Revenue | | |
| Aboriginal Affairs and Northern Development | | |
| Canada (AANDC) (Schedule 1) | \$ 11,238,656 | \$ 11,062,453 |
| Health Canada (Schedule 2) | 3,414,270 | 8,341,579 |
| Canadian Partnership Against Cancer (CPAC) (Schedule 2) | 37,289 | 76,103 |
| Natural Resources Canada (Schedule 2) | - | 150,137 |
| Justice Canada (Schedule 2) | 10,120 | - |
| Human Resources and Skills Development Canada | | |
| (HRSDC) (Schedule 2) | 250,000 | 337,032 |
| Fisheries and Oceans Canada (Schedule 2) | 573,440 | 729,269 |
| Environment Canada (Schedule 2) | 277,000 | 282,000 |
| Nuclear Waste Management Organization (Schedule 2) | 142,962 | 180,049 |
| Canadian Heritage (Schedule 2) | - | 120,000 |
| Public Safety (Schedule 2) | 75,000 | - |
| Commission for Environmental Cooperation (Schedule 2) | 19,849 | - |
| University of Northern British Columbia (UNBC) (Schedule 2) | 89,900 | - |
| All other funding agencies (Schedule 2) | 1,328,636 | 1,418,455 |
| Trust Fund (Schedule 3) | 1,500 | 3,331 |
| | <u>17,458,622</u> | <u>22,700,408</u> |
| Expenses | | |
| Advertising, promotion and publications | 47,518 | 108,521 |
| Amortization of capital assets | 197,601 | 264,014 |
| Insurance | 19,554 | 31,316 |
| Miscellaneous | 4,818 | 37,897 |
| Office expenses | 879,051 | 1,039,622 |
| Professional fees | 1,644,315 | 3,103,750 |
| Regional service delivery | 1,341,495 | 1,495,043 |
| Rent | 2,230,227 | 1,361,707 |
| Salaries and benefits | 8,242,634 | 9,145,460 |
| Travel and meetings | 3,304,900 | 6,368,357 |
| | <u>17,912,113</u> | <u>22,955,687</u> |
| DEFICIENCY OF REVENUE OVER EXPENSES | \$ (453,491) | \$ (255,279) |

NATIONAL INDIAN BROTHERHOOD
Consolidated Statement of Financial Position
as at March 31, 2013

| | <u>March 31,</u> <u>2013</u> | March 31, 2012 (Unaudited) (Note 2) | April 1, 2011 (Unaudited) (Note 2) |
|--|---------------------------------|--|---|
| CURRENT ASSETS | | | |
| Cash | \$ - | \$ - | \$ 335,161 |
| Asset held In Trust (Note 4) | 20,987 | 20,987 | 20,987 |
| Guaranteed Investment Certificate | - | 9,530 | 9,268 |
| Grants and contributions receivable (Note 5) | 1,181,731 | 2,299,210 | 2,726,325 |
| Other accounts receivable | 763,314 | 607,491 | 1,157,552 |
| GST recoverable | 541,253 | 517,907 | 508,163 |
| Inventory | 15,768 | 9,718 | 16,173 |
| Prepaid expenses | 364,500 | 80,845 | 11,119 |
| | 2,887,553 | 3,545,688 | 4,784,748 |
| PREPAID EXPENSES | 672,074 | - | - |
| CAPITAL ASSETS (Note 6) | 279,356 | 474,673 | 728,396 |
| | \$ 3,838,983 | \$ 4,020,361 | \$ 5,513,144 |
| CURRENT LIABILITIES | | | |
| Bank overdraft | \$ 613,392 | \$ 67,182 | \$ - |
| Accounts payable and accrued liabilities | 2,235,491 | 3,688,392 | 2,829,532 |
| Government remittances payable | 74,007 | 146,623 | 153,505 |
| In Trust liability (Note 4) | 20,987 | 20,987 | 20,987 |
| Deferred contributions (Note 7) | 346,425 | 48,393 | 2,059,937 |
| Excess contributions (Note 8) | - | 25,099 | 62,613 |
| Current portion of long-term debt (Note 9) | 461,512 | 21,512 | 107,607 |
| | 3,751,814 | 4,018,188 | 5,234,181 |
| LONG-TERM DEBT (Note 9) | 567,462 | 28,975 | 50,486 |
| | 4,319,276 | 4,047,163 | 5,284,667 |
| CONTINGENCY (Note 10) | | | |
| NET ASSETS | | | |
| Invested in capital assets | 250,381 | 424,186 | 570,303 |
| Restricted funds (Note 11) | 164,478 | 166,349 | 204,387 |
| Unrestricted - general operations | (895,152) | (617,337) | (546,213) |
| | (480,293) | (26,802) | 228,477 |
| | \$ 3,838,983 | \$ 4,020,361 | \$ 5,513,144 |

ON BEHALF OF THE EXECUTIVE COUNCIL

Shawn A-in-chut Atleo, National Chief

Roger Augustine, Regional Chief, Chairman Management Committee

NATIONAL INDIAN BROTHERHOOD
Consolidated Statement of Changes in Net Assets
year ended March 31, 2013

| | Invested in Capital Assets | Restricted Funds (Note 11) | Unrestricted - General Operations | Total | |
|-------------------------------------|-------------------------------|----------------------------------|---|---------------------|---------------------------------|
| | | | | <u>2013</u> | 2012 (Unaudited) (Note 2) |
| BALANCE, BEGINNING OF YEAR | \$ 424,186 | \$ 166,349 | \$ (617,337) | \$ (26,802) | \$ 228,477 |
| Deficiency of revenue over expenses | - | (1,871) | (451,620) | (453,491) | (255,279) |
| Purchase of capital assets | 2,284 | - | (2,284) | - | - |
| Repayment of related debt | 21,512 | - | (21,512) | - | - |
| Amortization of capital assets | (197,601) | - | 197,601 | - | - |
| BALANCE, END OF YEAR | \$ 250,381 | \$ 164,478 | \$ (895,152) | \$ (480,293) | \$ (26,802) |

NATIONAL INDIAN BROTHERHOOD
Consolidated Statement of Cash Flows
year ended March 31, 2013

| | <u>2013</u> | <u>2012</u> (Unaudited) (Note 2) |
|---|---------------------|--|
| NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES: | | |
| OPERATING | | |
| Deficiency of revenue over expenses | \$ (453,491) | \$ (255,279) |
| Items not affecting cash | | |
| Amortization of capital assets | 197,601 | 264,014 |
| Increase in deferred contributions | 298,032 | (2,011,544) |
| Decrease in excess contributions | (25,099) | (37,514) |
| | 17,043 | (2,040,323) |
| Changes in non-cash operating working capital items (Note 12) | (1,548,986) | 1,756,139 |
| | (1,531,943) | (284,184) |
| INVESTING | | |
| Disposal (purchase) of investments | 9,530 | (262) |
| Purchase of capital assets | (2,284) | (10,290) |
| | 7,246 | (10,552) |
| FINANCING | | |
| Issuance of new long-term debt | 1,000,000 | - |
| Repayment of long-term debt | (21,512) | (107,607) |
| | 978,488 | (107,607) |
| NET CASH OUTFLOW | (546,209) | (402,343) |
| CASH (BANK OVERDRAFT), BEGINNING OF YEAR | (67,182) | 335,161 |
| BANK OVERDRAFT, END OF YEAR | \$ (613,391) | \$ (67,182) |

NATIONAL INDIAN BROTHERHOOD

Notes to the Consolidated Financial Statements

year ended March 31, 2013

1. DESCRIPTION OF THE ORGANIZATION

The National Indian Brotherhood (the "Corporation") was incorporated under Part II of the Canada Corporations Act on September 29, 1970 with the following objectives:

- to assist and to work towards solutions for problems facing the First Nations people;
- to operate as a national body to both represent the First Nations people and to disseminate information to them;
- to study, in conjunction with First Nations representatives across Canada, the problems confronting First Nations and to make representations to the government and other organizations on their behalf;
- to assist in retaining the First Nations culture and values; and
- to act as the national spokesperson for First Nations throughout Canada.

The Corporation acts as the secretariat to the Assembly of First Nations ("AFN").

The Corporation is a not-for-profit organization and, as such, is not subject to income taxes.

2. ADOPTION OF A NEW ACCOUNTING FRAMEWORK

On April 1, 2012, the Corporation adopted the new Canadian Institute of Chartered Accountants ("CICA") accounting standards for not-for-profit organizations (the "new standards") as set out in Part III of the CICA Handbook. The Corporation also applies the standards for private enterprises in Part II of the CICA Handbook to the extent that the Part II standards address topics not addressed in Part III. In accordance with Section 1501 of the CICA Handbook, Part III, First Time adoption by not-for-profit organizations, ("Section 1501"), the date of transition to the new standards is April 1, 2011 and the Corporation has presented an opening consolidated statement of financial position at the date of transition. This opening consolidated statement of financial position is the starting point for the Corporation's accounting under the new standards. In its opening consolidated statement of financial position, under the recommendations of Section 1501, the Corporation:

- a) recognized all assets and liabilities whose recognition is required by the new standards;
- b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;

NATIONAL INDIAN BROTHERHOOD

Notes to the Consolidated Financial Statements

year ended March 31, 2013

2. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (Continued)

- c) reclassified items that it recognized previously as one type of asset, liability or component of net assets, but are recognized as a different type of asset, liability or component of net assets under the new standards; and
- d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years. No exemptions were taken by the Corporation as at April 1, 2011. There were no adjustments required to the opening consolidated statement of financial position as at April 1, 2011, or to the March 31, 2012 consolidated financial statements on transition to the new standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Basis of accounting and presentation

The Corporation follows the deferral method of accounting for contributions.

The financial statements include the accounts of the Corporation and those of the National Indian Brotherhood Trust Fund which is controlled by the Corporation. All significant inter-organizational transactions and balances have been eliminated on consolidation.

Financial instruments

The Corporation initially measures its financial assets and liabilities at fair value. The Corporation subsequently measures all its financial assets and liabilities at amortized cost except for cash which is measured at fair value.

Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at estimated fair value at the date of contribution.

Amortization is provided on the straight-line basis over the estimated useful lives of the assets as follows:

| | |
|------------------------|----------|
| Computer equipment | 3 years |
| Office equipment | 3 years |
| Leasehold improvements | 10 years |

NATIONAL INDIAN BROTHERHOOD

Notes to the Consolidated Financial Statements

year ended March 31, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Unrestricted contributions are recognized as revenue of the appropriate program when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recognized as revenue of the appropriate program in the year in which the related expenses are incurred.

Contributions received towards the acquisition of capital assets are deferred and amortized to income on the same basis as the related depreciable capital assets are amortized.

Excess contributions

The excess of revenue over expenses of some programs may require repayment and is recorded as a liability. When approval to retain the funds has been received, the excess is then recorded as revenue.

Allocation of expenses

Allocation of administrative expenses between the programs or funding agencies is done in accordance with the stipulated basis of allocation and maximum amounts or percentages mentioned in each of the different contribution agreements entered into by the Corporation.

Use of estimates

The preparation of these consolidated financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. In the opinion of management, these consolidated financial statements reflect, within reasonable limits of materiality, all adjustments necessary to present fairly the results for the years presented. Actual results could differ from these estimates. Assumptions are used in estimating the collectibility of grants and contributions receivable, other accounts receivable, GST recoverable, inventory reserves, useful life of capital assets, the amount of accrued liabilities and commitments.

NATIONAL INDIAN BROTHERHOOD

Notes to the Consolidated Financial Statements

year ended March 31, 2013

4. ASSET HELD IN TRUST

The Corporation is holding in trust an education fund totaling \$20,987 for Kelly Morrissette's children. These funds were donated by individuals and organizations.

5. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable are as follows:

| | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|---|---------------------------|-------------------------|-------------------------|
| | | (Unaudited) (Note 2) | (Unaudited) (Note 2) |
| Aboriginal Affairs and Northern Development Canada (AANDC) | \$ 321,412 | \$ 821,412 | \$ 1,381,014 |
| Canadian Heritage | - | 12,000 | - |
| Canadian Partnership Against Cancer (CPAC) | 100,549 | - | - |
| Dalhousie University | 21,659 | - | - |
| Indian Residential Schools Resolution Canada | - | 131,924 | - |
| Human Resources and Skills Development Canada (HRSDC) | 25,000 | 171,955 | 388,418 |
| Fisheries and Oceans Canada | 525,941 | 668,676 | 665,711 |
| Environment Canada | 164,550 | 208,475 | 119,626 |
| Nuclear Waste Management Organization | - | 79,768 | 106,813 |
| Justice Canada | 10,120 | - | 59,743 |
| Natural Resources Canada | - | 100,000 | - |
| Correctional Service Canada | - | 40,000 | - |
| Public Safety | 7,500 | 60,000 | - |
| Province of Ontario | 5,000 | 5,000 | 5,000 |
| | \$ 1,181,731 | \$ 2,299,210 | \$ 2,726,325 |

6. CAPITAL ASSETS

| | March 31 2013 | | | March 31 2012 | April 1 2011 |
|---------------------------|--------------------------|-----------------------------|-------------------|-------------------------|-------------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value | Net Book Value |
| | | | | (Unaudited) (Note 2) | (Unaudited) (Note 2) |
| Computer equipment | \$ 1,848,656 | \$ 1,831,981 | \$ 16,675 | \$ 43,702 | \$ 85,711 |
| Office equipment | 646,605 | 634,068 | 12,537 | 35,703 | 106,394 |
| Leasehold improvements | 1,451,240 | 1,201,096 | 250,144 | 395,268 | 536,291 |
| | \$ 3,946,501 | \$ 3,667,145 | \$ 279,356 | \$ 474,673 | \$ 728,396 |

NATIONAL INDIAN BROTHERHOOD
Notes to the Consolidated Financial Statements
year ended March 31, 2013

7. DEFERRED CONTRIBUTIONS

Changes in the deferred contributions balance are as follows:

| | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|---|---------------------------|-------------------------|-------------------------|
| | | (Unaudited) (Note 2) | (Unaudited) (Note 2) |
| Balance, beginning of year | \$ 48,393 | \$ 2,059,937 | \$ 1,235,901 |
| Contributions received during the year | 15,739,511 | 18,927,222 | 19,853,331 |
| Contributions recognized as revenue during the year | (15,516,882) | (20,959,372) | (19,029,295) |
| Balance, end of year | 271,022 | 27,787 | 2,059,937 |
| Other deferred revenue | 96,009 | 20,606 | - |
| Other revenue recognized | (20,606) | - | - |
| | \$ 346,425 | \$ 48,393 | \$ 2,059,937 |

The balance, end of year is comprised of the following:

| | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|--|---------------------------|-------------------------|-------------------------|
| | | (Unaudited) (Note 2) | (Unaudited) (Note 2) |
| Health Canada | \$ 55,690 | \$ - | \$ 2,055,333 |
| Nuclear Waste Management Organization | 90,733 | 27,787 | - |
| Annual General Assembly | - | 20,365 | - |
| Canadian Partnership Against Cancer | 163,261 | - | 4,604 |
| Commission for Environmental Corporation | 18,026 | - | - |
| Dalhousie University | 13,439 | - | - |
| Other | 5,276 | 241 | - |
| | \$ 346,425 | \$ 48,393 | \$ 2,059,937 |

NATIONAL INDIAN BROTHERHOOD
Notes to the Consolidated Financial Statements
year ended March 31, 2013

8. EXCESS CONTRIBUTIONS

Excess contributions are as follows:

| | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|---|-----------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| | | (Unaudited) (Note 2) | (Unaudited) (Note 2) |
| Aboriginal Affairs and Northern Development Canada | \$ - | \$ - | \$ 1,371 |
| Health Canada | - | 4,084 | 40,227 |
| Environment Canada | - | 19,521 | 19,521 |
| Nuclear Waste Management Organization | - | 1,494 | 1,494 |
| | <u>\$ -</u> | <u>\$ 25,099</u> | <u>\$ 62,613</u> |

The Corporation has recognized revenue from these excess contributions in the fiscal year.

NATIONAL INDIAN BROTHERHOOD
Notes to the Consolidated Financial Statements
year ended March 31, 2013

9. LONG-TERM DEBT

| | <u>March 31, 2013</u> | <u>March 31, 2012</u> (Unaudited) (Note 2) | <u>April 1, 2011</u> (Unaudited) (Note 2) |
|--|---------------------------|--|---|
| Leasehold improvements payable, maturing in 2012, unsecured and non-interest-bearing, payable by monthly installments of \$9,511 | \$ - | \$ - | \$ 86,095 |
| Term installment loan, maturing January 2020, payable by 5 consecutive monthly payments of \$80,000 followed by 75 consecutive monthly installments of \$8,000 for capital bearing interest at prime plus 1% | 1,000,000 | \$ - | \$ - |
| Capital lease obligation, maturing in 2015, bearing interest at 3%, payable by monthly installments of \$1,793, including interest | 28,974 | 50,487 | 71,998 |
| | 1,028,974 | 50,487 | 158,093 |
| Current portion | (461,512) | (21,512) | (107,607) |
| | \$ 567,462 | \$ 28,975 | \$ 50,487 |

Principal payments required in each of the next five years are as follows:

| | |
|----------------------------|-------------------|
| 2014 | \$ 461,512 |
| 2015 | 103,462 |
| 2016 | 96,000 |
| 2017 | 96,000 |
| 2018 | 96,000 |
| 2019 and thereafter | 176,000 |

NATIONAL INDIAN BROTHERHOOD

Notes to the Consolidated Financial Statements

year ended March 31, 2013

10. CONTINGENCY

The Corporation receives funding from various government agencies based on specific program needs and budgets and allocates certain expenses to the various programs. In many cases, the funding agent has the right to review the accounting records to ensure compliance with the terms and conditions of their programs. At this time, no estimate of the requirements, if any, to reimburse the agencies can be made. Management of the Corporation believes that their allocations of expenses are fair and appropriate in the circumstances. Adjustments to the consolidated financial statements as a result of these reviews, if any, will be recorded in the period in which they become known.

Credit facility

The Corporation has a banking agreement which establishes a demand credit facility for general business purposes up to a maximum of \$2,500,000, bearing interest at prime plus 1%. The loan is secured by a general security agreement representing a first charge over all of the Corporation's assets. The balance outstanding at year-end is \$NIL (March 31, 2012 - \$NIL; April 1, 2011 - \$NIL).

11. THE NATIONAL INDIAN BROTHERHOOD TRUST FUND

The consolidated financial statements include the accounts of the National Indian Brotherhood Trust Fund which is controlled by the Corporation. A summary description of this controlled entity is provided below.

The Trust Fund was established as a registered charity under paragraph 149 (i)(f) of the Income Tax Act and is comprised of the Language and Literacy Fund, the Youth Healing Fund, the Research Sponsor Fund and the Heroes of Our Times Fund.

Restricted funds are comprised of the following and are to be used for the purposes described below:

- The Language and Literacy Fund was established to promote education of First Nations' citizens by way of scholarship awards and the promotion of research, seminars and conferences of an academic nature into First Nations' rights, histories and cultures among First Nations' peoples as well as the Canadian public.
- The Youth Healing Fund was established in 1996 to support efforts to improve the self-esteem and profile of First Nations' Youth in Canada by organizing events which may bring together First Nations' Youth with political leaders and elders for spiritual and leadership training and support in the Youth's representation of their Nations at conferences and gatherings in Canada and internationally.

NATIONAL INDIAN BROTHERHOOD
Notes to the Consolidated Financial Statements
year ended March 31, 2013

11. THE NATIONAL INDIAN BROTHERHOOD TRUST FUND (Continued)

- The Research Sponsor Fund was established in 2001 with the purpose to participate in research into economic, social and scientific problems of Indian communities with a view to proposing solutions to these problems.
- The Heroes of Our Times Fund was established in 2001 with the purpose of providing scholarship awards. The awards are made available to applicants who are able to demonstrate a proven record of intellectual and academic ability, integrity of character, interest and respect for fellow human beings, ability to lead, and the initiative to use their talents to the fullest. The awards are named in memory of the following figures of native history: Jake Fire (Criminology), Tommy Pierce (Native Studies), Walter Dieter (Social Work), Omar Peters (Political Science), Robert Smallboy (Medicine), James Gosnell (Law). The awards are presented each year at the Annual General Assembly of First Nations.

The Corporation appoints the Executive Council of the Trust Fund and ensures that the Trust Fund operates in compliance with the Corporation's Charter.

12. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

| | <u>2013</u> | <u>2012</u> |
|--|-----------------------|-------------------------|
| | | (Unaudited) (Note 2) |
| Grants and contributions receivable | \$ 1,117,479 | \$ 427,115 |
| Other accounts receivable | (155,823) | 550,061 |
| GST recoverable | (23,346) | (9,744) |
| Prepaid expenses | (955,729) | (69,726) |
| Inventory | (6,050) | 6,455 |
| Accounts payable and accrued liabilities | (1,452,901) | 858,860 |
| Government remittances payable | (72,616) | (6,882) |
| | <u>\$ (1,548,986)</u> | <u>\$ 1,756,139</u> |

NATIONAL INDIAN BROTHERHOOD

Notes to the Consolidated Financial Statements

year ended March 31, 2013

13. COMMITMENTS

The Corporation is committed to future minimum lease payments under operating leases for office space and equipment for which minimum annual payments for each of the next five years are as follows:

| | |
|------|--------------|
| 2014 | \$ 1,115,604 |
| 2015 | 875,671 |
| 2016 | 856,684 |
| 2017 | 845,497 |
| 2018 | 809,572 |
| | <hr/> |
| | \$ 4,503,028 |

14. EXECUTIVE SALARIES

By virtue of an Annual General Assembly Resolution (62/98), the National Chief of the Assembly of First Nations (AFN) receives a salary which is adjusted annually in connection with the Consumer Price Index. Similarly, by virtue of a Confederacy of Nations resolution and an Executive Committee resolution, each Regional Chief is allocated a Director's fee. Management and unelected officials are compensated within average industry remuneration levels for their positions.

15. RETIREMENT ASSISTANCE

The Corporation contributes to a defined contribution pension plan for its employees and Regional Chiefs. Contributions are up to 6% of an employee's salary. The employer's contributions for the year were \$403,296 (2012 - \$444,672).

16. FINANCIAL INSTRUMENTS

Fair value

The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements, based on the Corporation's current estimated borrowing rate for loans with similar terms and conditions. The fair value of the long-term debt as at March 31, 2013 approximates its carrying value.

NATIONAL INDIAN BROTHERHOOD
Notes to the Consolidated Financial Statements
year ended March 31, 2013

17. FINANCIAL INSTRUMENTS (Continued)

Credit risk

The risk arises from the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Corporation's various receivables represent credit provided for the Corporation's programs. The credit is provided mainly to the federal government and accordingly presents minimal credit risk to the Corporation.

The maximum credit exposure of the Corporation is represented by the fair value of the investments and various amounts receivable as presented in the consolidated statement of financial position.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Corporation's cash flows, financial position, investment income and interest expenses. The Corporation's cash, investments, long-term debt and demand credit facility are exposed to interest rate changes. The long-term debt generally bears interest at fixed rates, except for the leasehold improvements payable, which matures in 2012. Consequently, the cash flow exposure is not significant. However, the fair value of loans having fixed rates of interest could fluctuate because of changes in market interest rates. The interest bearing demand credit facility has a limited exposure to interest rate risk due to its short-term maturity. The impact of adverse changes in rates is not considered material.

NATIONAL INDIAN BROTHERHOOD
Statement of Operations
Aboriginal Affairs and Northern Development Canada (AANDC)
year ended March 31, 2013

| | Basic Organizational <u>Capacity</u> | First Nations Policy Process Mandate for <u>Change</u> | Education Jurisdiction & <u>Governance</u> | Housing and Infrastructure & Technical Water <u>Conference</u> | Emergency Management <u>Issues</u> | Social <u>Development</u> | First Nations Virtual Institute on <u>Mining & Energy</u> |
|---|--|--|--|---|--|------------------------------|--|
| Revenue | | | | | | | |
| Contribution/Grant | \$ 5,000,000 | \$ 1,100,000 | \$ 850,000 | \$ 470,000 | \$ 131,310 | \$ 400,000 | \$ 50,000 |
| Miscellaneous | 4,925 | 75,210 | - | 5,738 | - | - | - |
| Trade Show | - | 18,238 | - | - | - | - | - |
| Registration fees | - | 515,620 | - | - | - | - | - |
| | 5,004,925 | 1,709,068 | 850,000 | 475,738 | 131,310 | 400,000 | 50,000 |
| Expenses | | | | | | | |
| Advertising, promotion and publications | 2,968 | 2,780 | 519 | 129 | 37 | 134 | 1 |
| Allocation of administrative expenses | - | - | - | - | - | - | - |
| Insurance | 5,685 | 1,738 | 1,809 | 560 | 210 | 623 | 4 |
| Miscellaneous | - | - | - | - | - | - | - |
| Office expenses | 194,596 | 142,327 | 61,700 | 14,367 | 4,228 | 34,733 | 478 |
| Professional fees | 152,652 | 151,723 | 41,317 | 28,242 | 2,268 | 27,365 | 42,908 |
| Regional service delivery | 1,100,124 | 68,482 | - | 17,356 | - | - | - |
| Rent | 386,208 | 57,541 | 80,790 | 46,051 | 15,192 | 23,943 | 822 |
| Salaries and benefits | 2,888,568 | 479,172 | 583,815 | 336,071 | 103,809 | 184,295 | 6,247 |
| Travel and meetings | 328,463 | 826,231 | 80,171 | 34,265 | 7,160 | 129,038 | 1,002 |
| | 5,059,264 | 1,729,994 | 850,121 | 477,041 | 132,904 | 400,131 | 51,462 |
| Deficiency of revenue over expenses | \$ (54,339) | \$ (20,926) | \$ (121) | \$ (1,303) | \$ (1,594) | \$ (131) | \$ (1,462) |

NATIONAL INDIAN BROTHERHOOD
Statement of Operations
Aboriginal Affairs and Northern Development Canada (AANDC)
year ended March 31, 2013

| | Advocacy and Communications for the IRS Unit | Connectivity | Economic Partnerships | Advice on Policy | Commemorative | Treaties | Lease Termination |
|---|--|----------------|--------------------------|---------------------|---------------|----------------|----------------------|
| Revenue | | | | | | | |
| Contribution/Grant | \$ 200,000 | \$ 150,000 | \$ 150,000 | \$ 26,318 | \$ 11,125 | \$ 312,000 | \$ 842,735 |
| Miscellaneous | 1,407 | - | - | - | - | - | - |
| Trade Show | 780 | - | - | - | - | - | - |
| Registration fees | - | - | - | - | - | - | - |
| | 202,187 | 150,000 | 150,000 | 26,318 | 11,125 | 312,000 | 842,735 |
| Expenses | | | | | | | |
| Advertising, promotion and publications | 1,413 | 362 | 105 | - | - | 48 | - |
| Allocation of administrative expenses | - | - | - | 2,392 | - | - | - |
| Insurance | 312 | 86 | 294 | - | 7 | 214 | - |
| Miscellaneous | - | - | 150 | - | - | - | - |
| Office expenses | 16,941 | 10,903 | 8,176 | - | 200 | 12,465 | - |
| Professional fees | 17,096 | 27,595 | 31,475 | - | 1,785 | 47,405 | - |
| Regional service delivery | - | - | - | - | 2,090 | - | - |
| Rent | 16,643 | 9,003 | 10,824 | - | 964 | 14,674 | 846,375 |
| Salaries and benefits | 120,546 | 64,843 | 82,156 | 6,042 | 6,260 | 128,878 | - |
| Travel and meetings | 45,982 | 37,237 | 17,683 | 19,398 | - | 110,666 | - |
| | 218,933 | 150,029 | 150,863 | 27,832 | 11,306 | 314,350 | 846,375 |
| Deficiency of revenue over expenses | \$ (16,746) | \$ (29) | \$ (863) | \$ (1,514) | \$ (181) | \$ (2,350) | \$ (3,640) |

Schedule 1 (Continued)

NATIONAL INDIAN BROTHERHOOD
Statement of Operations
Aboriginal Affairs and Northern Development Canada (AANDC)
year ended March 31, 2013

| | Joint Task Force | Specific Claims | Comprehensive Claims Policy | Additions to Reserve | Total | |
|---|---------------------|-----------------|--------------------------------|-------------------------|-------------------|-------------------|
| | | | | | 2013 | 2012 |
| Revenue | | | | | | |
| Contribution/Grant | \$ 112,200 | \$ 100,000 | \$ 250,000 | \$ 457,000 | \$ 10,612,688 | \$ 10,600,640 |
| Miscellaneous | - | - | - | 4,050 | 91,330 | 61,966 |
| Trade Show | - | - | - | - | 19,018 | - |
| Registration fees | - | - | - | - | 515,620 | 399,847 |
| | 112,200 | 100,000 | 250,000 | 461,050 | 11,238,656 | 11,062,453 |
| Expenses | | | | | | |
| Advertising, promotion and publications | 31 | 25 | 65 | 106 | 8,723 | 26,284 |
| Allocation of administrative expenses | - | - | - | - | 2,392 | 16,539 |
| Insurance | 196 | 54 | 212 | 419 | 12,423 | 20,574 |
| Miscellaneous | - | - | - | - | 150 | 1,200 |
| Office expenses | 5,259 | 2,131 | 5,941 | 13,063 | 527,508 | 619,433 |
| Professional fees | 1,953 | 20,853 | 62,427 | 154,904 | 811,968 | 1,058,481 |
| Regional service delivery | - | - | - | - | 1,188,052 | 1,142,303 |
| Rent | 20,725 | 4,916 | 9,419 | 28,132 | 1,572,222 | 637,534 |
| Salaries and benefits | 79,217 | 38,301 | 93,825 | 173,616 | 5,375,661 | 5,336,429 |
| Travel and meetings | 5,438 | 34,826 | 78,320 | 91,094 | 1,846,974 | 2,386,744 |
| | 112,819 | 101,106 | 250,209 | 461,334 | 11,346,073 | 11,245,521 |
| Deficiency of revenue over expenses | \$ (619) | \$ (1,106) | \$ (209) | \$ (284) | \$ (107,417) | \$ (183,068) |

NATIONAL INDIAN BROTHERHOOD**Statement of Operations****Other Funding Agencies**

year ended March 31, 2013

| | Health Canada | CPAC | Public Safety | HRSDC | Fisheries and Oceans Canada | Environment Canada |
|---|------------------|---------------|------------------|----------------|-----------------------------------|-----------------------|
| Revenue | | | | | | |
| Contribution/grant | \$ 3,404,174 | \$ 37,289 | \$ 75,000 | \$ 250,000 | \$ 573,440 | \$ 277,000 |
| Sale of publications | - | - | - | - | - | - |
| Miscellaneous | 10,096 | - | - | - | - | - |
| Trade show fees | - | - | - | - | - | - |
| Registration fees | - | - | - | - | - | - |
| | 3,414,270 | 37,289 | 75,000 | 250,000 | 573,440 | 277,000 |
| Expenses | | | | | | |
| Advertising, promotion and publications | 1,640 | 5 | 21 | 27 | - | 105 |
| Allocation of administrative expenses | 310,389 | 3,390 | 6,818 | 21,000 | 48,793 | 26,762 |
| Amortization of capital assets | 29,039 | 195 | - | - | - | 2,897 |
| Insurance | 4,793 | 69 | 30 | 268 | - | 496 |
| Miscellaneous | - | - | - | - | - | - |
| Office expenses | 165,839 | 1,515 | 1,428 | 15,643 | 8,363 | 14,594 |
| Professional fees | 240,553 | 1,168 | 3,155 | 33,860 | 6,455 | 6,494 |
| Regional service delivery | 61,731 | - | - | - | 102,185 | - |
| Rent | 375,039 | 6,392 | 2,428 | 20,661 | 25,684 | 26,452 |
| Salaries and benefits | 1,867,826 | 24,534 | 19,443 | 126,309 | 201,071 | 170,636 |
| Travel and meetings | 357,421 | 21 | 42,617 | 32,405 | 180,897 | 28,646 |
| | 3,414,270 | 37,289 | 75,940 | 250,173 | 573,448 | 277,082 |
| Deficiency of revenue over expenses | \$ - | \$ - | \$ (940) | \$ (173) | \$ (8) | \$ (82) |

Schedule 2 (Continued)

NATIONAL INDIAN BROTHERHOOD
Statement of Operations
Other Funding Agencies
year ended March 31, 2013

| | Nuclear Waste Management Organization | Justice Canada | Commission for Environmental Cooperation | UNBC | Other | Total | |
|---|--|-------------------|--|-----------|--------------|--------------|---------------------------------|
| | | | | | | 2013 | 2012 (Unaudited) (Note 2) |
| Revenue | | | | | | | |
| Contribution/grant | \$ 142,962 | \$ 10,120 | \$ 19,849 | \$ 89,900 | \$ 46,120 | \$ 4,925,854 | \$ 10,244,389 |
| Sale of publications | - | - | - | - | - | - | 515 |
| Miscellaneous | - | - | - | - | 880,931 | 891,027 | 1,080,319 |
| Trade show fees | - | - | - | - | 214,399 | 214,399 | - |
| Registration fees | - | - | - | - | 187,186 | 187,186 | 309,401 |
| | 142,962 | 10,120 | 19,849 | 89,900 | 1,328,636 | 6,218,466 | 11,634,624 |
| Expenses | | | | | | | |
| Advertising, promotion and publications | 10 | - | 26 | - | 36,961 | 38,795 | 82,237 |
| Allocation of administrative expenses | 19,213 | 920 | 5,250 | 5,890 | (450,817) | (2,392) | (16,539) |
| Amortization of capital assets | - | - | - | - | 165,470 | 197,601 | 264,014 |
| Insurance | 160 | 9 | 30 | - | 1,276 | 7,131 | 10,742 |
| Miscellaneous | - | - | - | - | 4,545 | 4,545 | 1,364 |
| Office expenses | 3,904 | 256 | 1,479 | 7,322 | 131,200 | 351,543 | 420,189 |
| Professional fees | 10,048 | 367 | - | 6,042 | 520,957 | 829,099 | 2,039,234 |
| Regional service delivery | - | - | - | - | (10,473) | 153,443 | 352,740 |
| Rent | 10,426 | 1,220 | 2,950 | - | 186,753 | 658,005 | 724,173 |
| Salaries and benefits | 71,376 | 6,068 | 10,114 | 40,435 | 329,161 | 2,866,973 | 3,809,031 |
| Travel and meetings | 27,825 | 2,172 | - | 30,721 | 755,201 | 1,457,926 | 3,981,612 |
| | 142,962 | 11,012 | 19,849 | 90,410 | 1,670,234 | 6,562,669 | 11,668,797 |
| Deficiency of revenue over expenses | \$ - | \$ (892) | \$ - | \$ (510) | \$ (341,598) | \$ (344,203) | \$ (34,173) |

Schedule 3

NATIONAL INDIAN BROTHERHOOD
Statement of Operations
National Indian Brotherhood Trust Fund
year ended March 31, 2013

| | General Fund | Language and Literacy Fund | Youth Healing Fund | Research Sponsor Fund | Total | |
|---|-----------------|----------------------------------|--------------------------|-----------------------------|------------|---------------------------------|
| | | | | | 2013 | 2012 (Unaudited) (Note 2) |
| Revenue | | | | | | |
| Sponsorship | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Miscellaneous | 1,500 | - | - | - | 1,500 | 3,331 |
| | 1,500 | - | - | - | 1,500 | 3,331 |
| Expenses | | | | | | |
| Bad debt | - | - | - | - | - | 19,200 |
| Scholarships | - | - | - | - | - | 16,000 |
| Professional services | 812 | 812 | 812 | 812 | 3,248 | 6,035 |
| Miscellaneous | 33 | 30 | 30 | 30 | 123 | 134 |
| | 845 | 842 | 842 | 842 | 3,371 | 41,369 |
| Excess (deficiency) of revenue over expenses | \$ 655 | \$ (842) | \$ (842) | \$ (842) | \$ (1,871) | \$ (38,038) |