

Consolidated Financial Statements of

# **M'CHIGEENG FIRST NATION**

Year ended March 31, 2016

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of **M'Chigeeng First Nation** (the "First Nation") are the responsibility of management and have been approved by M'Chigeeng First Nation and the undernoted Chief and Council of the First Nation.

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

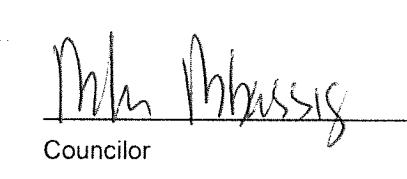
The First Nation maintains a system of internal accounting and administrative controls. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

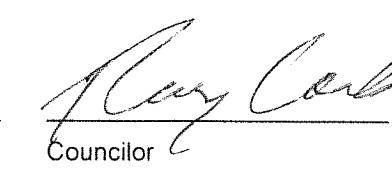
Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and are ultimately responsible for reviewing and approving the consolidated financial statements.

Chief and Council review the First Nation's consolidated financial statements and recommend their approval. Chief and Council meet to discuss and to review the annual report, the consolidated financial statements and the external auditors' report. Chief and Council takes this information into consideration when approving the consolidated financial statements for issuance to the First Nation Members. Chief and Council also consider the engagement of the external auditors.

The consolidated financial statements have been audited by KPMG LLP in accordance with Canadian generally accepted auditing standards on behalf of the First Nation.

  
Chief

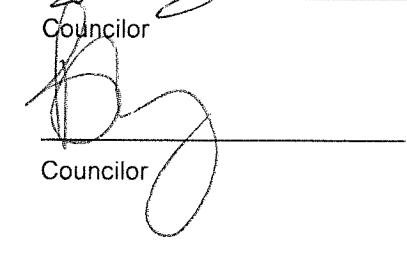
  
Councilor

  
Councilor

  
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Councilor



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Claridge Executive Centre  
144 Pine Street  
Sudbury Ontario P3C 1X3  
Canada  
Telephone (705) 675-8500  
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## INDEPENDENT AUDITORS' REPORT

To the Members of M'Chigeeng First Nation

We have audited the accompanying consolidated financial statements of **M'Chigeeng First Nation** which comprise the consolidated statement of financial position as at March 31, 2016, the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising 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 public sector accounting standards 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.

### *Auditors' 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 our judgment, 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, we consider 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.

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, these consolidated financial statements present fairly, in all material respects, the financial position of M'Chigeeng First Nation as at March 31, 2016 and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

October 25, 2016  
Sudbury, Canada

# M'CHIGEENG FIRST NATION

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Year ended March 31, 2016

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### Consolidated Financial Statements

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# M'CHIGEENG FIRST NATION

## Exhibit A - Consolidated Statement of Financial Position

March 31, 2016, with comparative information for 2015

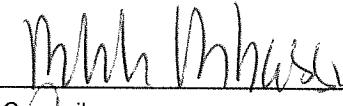
	2016	2015
<b>Financial assets:</b>		
Cash (note 2)	\$ 4,492,704	5,959,365
Accounts receivable	1,545,924	1,998,552
Investments (note 3)	2,310,433	2,321,087
Investment in HIAH entities (note 7)	2,246,095	1,487,719
Investment in MERE General Partner Inc. (note 4)	449,611	309,106
Advances to MERE General Partner Inc. (note 5)	3,955,443	3,993,435
Loan receivable from MERE General Partner Inc. (note 6)	833,738	883,680
Consolidated revenue fund (note 12)	217,480	198,119
	16,051,428	17,151,063
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	682,618	666,671
Deferred revenue (note 8)	134,054	441,211
Long-term debt (note 9)	6,281,627	6,665,002
	7,098,299	7,772,884
Net financial assets	8,953,129	9,378,179
<b>Non-financial assets:</b>		
Tangible capital assets (note 10)	29,180,040	29,961,524
Prepaid expenses	317,482	300,952
	29,497,522	30,262,476
Contingent liabilities (note 11)		
Accumulated surplus (note 13)	\$ 38,450,651	39,640,655

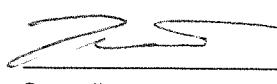
See accompanying notes to consolidated financial statements.

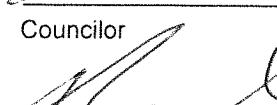
On behalf of the First Nation:

  
Chief

  
Councilor

  
Councilor

  
Councilor

  
Councilor

# M'CHIGEENG FIRST NATION

## Exhibit B - Consolidated Statement of Operations

Year ended March 31, 2016, with comparative information for 2015

	2016 Budget	2016 Actual	2015 Actual
(note 14)			
<b>Revenue:</b>			
Government transfers - Provincial	\$ 2,311,913	3,035,105	2,680,554
- Federal	10,800,736	11,414,996	10,106,374
Investment income	73,500	145,149	153,931
Rental income	1,000,036	871,473	821,678
Business enterprises	-	69,336	203,807
Business operation	1,274,600	1,446,218	1,347,223
Other	3,719,898	3,575,115	4,317,094
	19,180,683	20,557,392	19,630,661
<b>Expenses:</b>			
Education	6,952,641	6,844,467	6,797,849
Public Works and Facilities	1,963,523	2,152,599	1,935,310
Community Services	543,811	470,561	379,793
Economic Advancement	314,565	159,295	196,770
Health Services	1,302,006	1,104,550	1,085,843
Health Agreement	1,098,374	1,456,645	1,361,004
Health Other	75,000	2,288,384	1,061,967
Administration	1,896,462	1,609,701	1,472,570
Rentals	185,139	209,813	254,546
Employment and Training	2,314,359	2,548,122	2,234,275
Community Property	552,817	675,172	992,606
Subsidized Housing	608,013	823,506	704,255
Business Operation	1,274,600	1,404,581	1,401,933
Total expenses	19,081,310	21,747,396	19,878,721
<b>Excess (deficiency) of revenue over expenses</b>	99,373	(1,190,004)	(248,060)
Accumulated surplus, beginning of year	39,640,655	39,640,655	39,888,715
<b>Accumulated surplus, end of year</b>	\$ 39,740,028	38,450,651	39,640,655

See accompanying notes to consolidated financial statements.

# M'CHIGEENG FIRST NATION

## Exhibit C - Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2016, with comparative information for 2015

	2016 Budget	2016 Actual	2015 Actual
	(note 13)		
Excess (deficiency) of revenue over expenses	\$ 99,373	(1,190,004)	(248,060)
Acquisition of tangible capital assets	(1,169,167)	(510,271)	(1,169,167)
Amortization of tangible capital assets	1,217,958	1,291,755	1,217,958
	148,164	(408,520)	(199,269)
Acquisition of prepaid expenses	-	(317,482)	(300,952)
Use of prepaid expenses	-	300,952	452,616
<b>Change in net financial assets</b>	<b>148,164</b>	<b>(425,050)</b>	<b>(47,605)</b>
Net financial assets, beginning of year	9,378,179	9,378,179	9,425,784
<b>Net financial assets, end of year</b>	<b>\$ 9,526,343</b>	<b>8,953,129</b>	<b>9,378,179</b>

See accompanying notes to consolidated financial statements.

# M'CHIGEENG FIRST NATION

## Exhibit D - Consolidated Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
<b>Operating transactions:</b>		
Deficiency of revenue over expenses	\$ (1,190,004)	(248,060)
Adjustment for:		
Amortization of tangible capital assets	1,291,755	1,217,958
Equity from business enterprises	(69,336)	(188,220)
	32,415	781,678
<b>Change in non-cash working capital:</b>		
Decrease in accounts receivable	452,628	505,846
Increase in accounts payable and accrued liabilities	15,948	9,905
Decrease in deferred revenue	(307,157)	(515,611)
Decrease (increase) in prepaid expenses	(16,530)	151,663
	177,304	933,481
<b>Capital transactions:</b>		
Cash used to acquire tangible capital assets	(510,271)	(1,169,167)
<b>Financing transactions:</b>		
Issuance of long-term debt	-	366,863
Principal payments on long-term debt	(383,375)	(316,665)
	(383,375)	50,198
<b>Investing transactions:</b>		
Decrease in loan receivable from MERÉ General Partner Inc.	49,942	86,175
Investments	-	(221,818)
Decrease in advances to MERÉ General Partner Inc.	37,992	72,845
Increase in advances to HIAH entities	(818,892)	(1,415,763)
Increase in consolidated revenue fund	(19,361)	(20,202)
	(750,319)	(1,498,763)
<b>Net decrease in cash</b>	<b>(1,466,661)</b>	<b>(1,684,251)</b>
Cash position, beginning of year	5,959,365	7,643,616
<b>Cash position, end of year</b>	<b>\$ 4,492,704</b>	<b>5,959,365</b>

See accompanying notes to consolidated financial statements.

# M'CHIGEENG FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2016

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The M'Chigeeng First Nation (the "First Nation"), located on Manitoulin Island, administers programs and provides services to First Nation members.

## **1. Significant accounting policies:**

These consolidated financial statements of the First Nation are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The following is a summary of the significant accounting policies followed in the preparation of these consolidated financial statements:

### (a) Reporting entity:

- i) The reporting entity includes the activities of all committees of Council and related entities under the control of the First Nation.
- ii) Investment in MERE General Partner Inc. ("MERE") and HIAH Economic Dev LP ("HIAH"):

The investments in MERE and HIAH are accounted for by the modified equity method. Under the modified equity method, the accounting principles are not adjusted to conform with those of the First Nation and inter-organization transactions and balances are not eliminated.

### (b) Investments:

Investments are recorded at cost. Temporary declines in the market value of the long-term investments are not adjusted.

### (c) Revenue recognition:

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements which relate to a subsequent fiscal period is reflected as deferred revenue.

### (e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

# M'CHIGEENG FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2016

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### 1. Significant accounting policies (continued):

#### (f) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	10 - 30 years
Buildings	10 - 40 years
Infrastructure	10 - 40 years
Machinery and equipment	5 - 15 years
Furniture, computers and fixtures	4 - 10 years
Assets under construction	—

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### (g) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets and valuation allowances for receivables. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

# M'CHIGEENG FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2016

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### 1. Significant accounting policies (continued):

#### (h) Prior year funding adjustments:

The First Nation has entered into accountable contribution arrangements with several government funding agencies. All such programs are subject to audit by the various governments with audit adjustments repayable to the government.

Adjustments made under funding arrangements relating to prior years are charged to operations in the year during which the adjustments are made.

### 2. Cash:

In accordance with various operating agreements between the First Nation and Canada Mortgage and Housing Corporation ("CMHC"), cash in the amount of \$1,248,256 (2015 - \$1,087,644) is restricted for this purpose.

### 3. Investments:

	2016	2015
Investment in U.C.C.M. Building Material Supply Limited Partnership	\$ 507,621	518,275
Investment in M'Nidoo M'Nising Limited Partnership	1	1
Investment in Robinson Huron Forestry Inc.	1	1
Investment in Sun Life Financial Inc.	145,992	145,992
Investment - Great Lakes Hospitality Group Partnership	1,656,818	1,656,818
	<hr/> \$ 2,310,433	<hr/> 2,321,087

The investment in U.C.C.M. Building Material Supply Limited Partnership represents a 14.28% ownership interest and is accounted for using the equity method.

The investment in M'Nidoo M'Nising Limited Partnership represents a 16.55% ownership interest and is accounted for using the equity method.

The investment in Robinson Huron Forestry Inc. represents a 12.5% ownership interest and is accounted for using the equity method.

The investment in Sun Life Financial Inc. represents 6,636 shares and is reflected as the value assigned to the shares upon demutualization of the enterprise. The fair market value of the shares as at March 31, 2016 is \$278,048 (2015 - \$268,161).

The investment in the Great Lakes Hospitality Group Partnership represents a 28.67% ownership interest and is accounted for using the equity method.

# M'CHIGEENG FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2016

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## 4. Investment in MERE General Partner Inc.:

The MERE General Partner Inc. is owned and controlled by the First Nation and is accounted for on a modified equity basis.

(a) The following table provides condensed supplementary financial information for the period ended March 31, 2016:

	2016	2015
<b>Financial Position:</b>		
Current assets	\$ 934,466	888,778
Non-current assets	10,823,439	11,479,404
	11,757,905	12,368,182
Current liabilities	648,735	605,769
Advances from M'Chigeeng First Nation	3,955,443	3,993,435
Long-term debt	6,704,116	7,459,872
	11,308,294	12,059,076
<b>Net assets</b>	<b>\$ 449,611</b>	<b>309,106</b>

### Results of operations:

	2016	2015
Revenue	\$ 1,409,847	1,448,009
Expenses	1,269,343	1,316,158
<b>Net earnings</b>	<b>\$ 140,504</b>	<b>131,851</b>

(b) The investment at March 31, 2016 consists of the following:

	2016	2015
Balance, beginning of year	\$ 309,106	177,255
First Nation's share of operating income for the year	140,505	131,851
<b>Balance, end of year</b>	<b>\$ 449,611</b>	<b>309,106</b>

## 5. Advances to MERE General Partner Inc.:

The advances to MERE General Partner Inc. are unsecured, non-interest bearing and have no specified terms of repayment.

# M'CHIGEENG FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2016

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### 6. Loans receivable from MERE General Partner Inc.:

	2016	2015
Loan receivable, bearing interest at 6.0% per annum and is repayable in 180 monthly blended payments of \$8,399 commencing on the date of commercial operation. No interest payable from the date of advance to the commercial operation date. The loan is secured by a promissory note.	\$ 833,738	883,680

### 7. Investment in HIAH entities:

The First Nation has a 99% interest in HIAH Economic Dev LP ("HIAH") and a further 1% interest by virtue of its 100% investment in HIAH Corp. (the general partner for HIAH). HIAH is engaged in business ventures, partnerships or enterprises which the Partners pursue in Canada for the general welfare or development of M'Chigeeng First Nation.

During the year, the First Nation provided HIAH with labour, contract support, accounting services and other operating expenses totaling \$151,235 (2015 - \$152,463). These transactions were entered into during the normal course of operations and were recorded at their exchange amount.

	2016	2015
<b>Financial Position:</b>		
Current assets	\$ 544,872	71,956
Non-current assets	3,151,223	1,415,763
	3,696,095	1,487,719
Long-term debt	1,450,000	-
<b>Net assets</b>	<b>\$ 2,246,095</b>	<b>1,487,719</b>

# M'CHIGEENG FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2016

### 7. Investment in HIAH Economic Dev LP (continued):

Results of operations:	2016	2015
Revenue	\$ 216,445	215,338
Expenses	276,961	143,382
Share of operations	\$ (60,516)	71,956

The investment at March 31, 2016 consists of the following:

	2016	2015
Balance, beginning of year	\$ 1,487,719	—
Share of operating income (loss) for the year	(60,516)	71,956
Capital contribution	818,892	1,415,763
<b>Balance, end of year</b>	<b>\$ 2,246,095</b>	<b>1,487,719</b>
	2016	2015
Investment in business enterprises:		
100% interest in HIAH Corp.	\$ 116	721
99% interest in HIAH Economic Dev LP	2,245,979	1,486,998
	<b>\$ 2,246,095</b>	<b>1,487,719</b>

### 8. Deferred revenue:

	2016	2015
Health Canada	\$ 68,247	441,211
Indigenous and Northern Affairs Canada	65,807	—
	<b>134,054</b>	<b>441,211</b>

# M'CHIGEENG FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2016

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### 9. Long-term debt:

	2016	2015
1.65% Mortgage payable in monthly payments of \$3,482, including interest maturing June 2017	\$ 238,580	276,098
2.51% Mortgage payable in monthly payments of \$3,251 including interest maturing March 2020	298,831	331,810
1.71% Mortgage payable in monthly payments of \$5,104 including interest maturing September 2017	626,549	676,629
1.64% Mortgage payable in monthly payments of \$3,193 including interest maturing February 2017	534,095	563,397
1.65% Mortgage payable in monthly payments of \$3,991 including interest maturing June 2017	679,403	715,769
1.62% Mortgage payable in monthly payments of \$4,998 including interest maturing March 2018	879,732	925,074
3.41% Mortgage payable in monthly payments of \$4,599 including interest maturing September 2018	710,866	743,713
2.23% Mortgage payable in monthly payments of \$3,338 including interest maturing August 2019	591,316	618,449
2.78% Mortgage payable in monthly payments of \$3,752 including interest maturing August 2020	666,361	696,221
1.05% Mortgage payable in monthly payments of \$3,866 including interest maturing April 2020	984,143	1,020,000
Loan payable to Bank of Montreal in monthly installments of \$2,175 including interest of 3.05% due December 2016	71,751	97,842
	<hr/> \$ 6,281,627	6,665,002

The interest on the long-term debt is subsidized by CMHC in the amount of \$379,823 (2015 - \$339,059).

Principal repayments over the next five years are estimated as follows:

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2017	\$ 388,148
2018	395,188
2019	401,227
2020	381,894
2021	387,907

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# M'CHIGEENG FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2016

### 10. Tangible capital assets:

Cost	Balance			Balance at March 31, 2016
	2015	Additions	Disposals	
Land	\$ 1,346,968	\$ -	\$ -	\$ 1,346,968
Land improvements	602,364	-	-	602,364
Buildings	25,295,525	188,077	-	25,483,602
Infrastructure	17,067,113	151,223	-	17,218,336
Machinery and equipment	3,036,487	77,411	-	3,113,898
Furniture, computers and fixtures	772,720	81,030	-	853,750
Assets under construction	240,705	12,530	-	253,235
<b>Total</b>	<b>\$ 48,361,882</b>	<b>\$ 510,271</b>	<b>\$ -</b>	<b>\$ 48,872,153</b>

Accumulated amortization	Balance			Balance at March 31, 2016
	2015	Disposals	Amortization expense	
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	176,874	-	21,062	197,936
Buildings	9,111,370	-	639,849	9,751,219
Infrastructure	6,914,746	-	392,288	7,307,034
Machinery and equipment	1,778,743	-	171,881	1,950,624
Furniture, computers and fixtures	418,625	-	66,675	485,300
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ 18,400,358</b>	<b>\$ -</b>	<b>\$ 1,291,755</b>	<b>\$ 19,692,113</b>

	Net book value	Net book value
	March 31, 2015	March 31, 2016
Land	\$ 1,346,968	\$ 1,346,968
Land improvements	425,490	404,428
Buildings	16,184,155	15,732,383
Infrastructure	10,152,367	9,911,302
Machinery and equipment	1,257,744	1,163,274
Furniture, computers and fixtures	354,095	368,450
Assets under construction	240,705	253,235
<b>Total</b>	<b>\$ 29,961,524</b>	<b>\$ 29,180,040</b>

# M'CHIGEENG FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2016

### 10. Tangible capital assets (continued):

Cost	Balance			Balance at March 31, 2015
	2014	Additions	Disposals	
Land	\$ 1,312,968	\$ 34,000	\$ -	\$ 1,346,968
Land improvements	602,364	-	-	602,364
Buildings	22,732,930	2,562,595	-	25,295,525
Infrastructure	17,067,113	-	-	17,067,113
Machinery and equipment	2,750,242	355,968	(69,723)	3,036,487
Furniture, computers and fixtures	497,457	275,263	-	772,720
Assets under construction	2,299,363	29,320	(2,087,978)	240,705
<b>Total</b>	<b>\$ 47,262,437</b>	<b>\$ 3,257,146</b>	<b>\$ (2,157,701)</b>	<b>\$ 48,361,882</b>

Accumulated amortization	Balance			Balance at March 31, 2015
	2014	Disposals	Amortization expense	
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	155,812	-	21,062	176,874
Buildings	8,519,082	-	592,288	9,111,370
Infrastructure	6,532,059	-	382,687	6,914,746
Machinery and equipment	1,680,889	(69,723)	167,577	1,778,743
Furniture, computers and fixtures	364,281	-	54,344	418,625
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ 17,252,123</b>	<b>\$ (69,723)</b>	<b>\$ 1,217,958</b>	<b>\$ 18,400,358</b>

	Net book value	Net book value
	March 31, 2014	March 31, 2015
Land	\$ 1,312,968	\$ 1,346,968
Land improvements	446,552	425,490
Buildings	14,213,848	16,184,155
Infrastructure	10,535,054	10,152,367
Machinery and equipment	1,069,353	1,257,744
Furniture, computers and fixtures	133,176	354,095
Assets under construction	2,299,363	240,705
<b>Total</b>	<b>\$ 30,010,314</b>	<b>\$ 29,961,524</b>

# M'CHIGEENG FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2016

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### 11. Contingent liabilities:

#### Loan guarantees and commitments:

- (i) The First Nation has endorsed CMHC loans made to various Band members under the Rural Rehabilitation Assistance Program and is contingently liable.
- (ii) Indigenous and Northern Affairs Canada ("INAC") has guaranteed certain CMHC Section 10 loans to various First Nation members, the balance of which is \$228,148 (2015 - \$293,159). If any of the loans are in default and require payment by AANDC, the amount will be charged back to the First Nation.
- (iii) The First Nation, by Band Council Resolution, has guaranteed on behalf of First Nation members housing and business loans in the amount of \$813,917 (2015 - \$834,030).
- (iv) Under terms of a loan facility agreement between the Bank of Montreal and the Great Lakes Hospitality Limited Partnership (the "GLHLP") the First Nation has guaranteed an amount proportional to its 28.67% equity interest in the partnership. The principal amount of the loan was for \$4,700,000. In addition, the First Nation in conjunction with the other limited partners has guaranteed on a joint and several basis obligations to make any payments due by the GLHLP under terms of the loan facility.
- (v) In accordance with terms and conditions of a financing arrangement between the Bank of Montreal and the Robinson Huron Treaty (the "Trust"), the First Nation as a beneficiary of the Trust has guaranteed borrowing in proportion to its beneficial interest in the Trust in the amount of \$478,500. As at March 31, 2016, its proportional outstanding loan balance as part of the Trust is \$214,406.

The loan guarantee is secured by an assignment of the First Nation's distributions from the Ontario First Nation Limited Partnership.

- (vi) Under terms of a loan facility agreement between the Bank of Montreal and HIAH Economic Dev LP the First Nation has guaranteed loans in the amount of \$1,450,000. The outstanding balance of the loan as of March 31, 2016 is \$1,450,000.

### 12. Consolidated revenue fund:

The following schedule details the receipt and expenditure for the consolidated revenue fund:

	Revenue	Capital	Total
Balance, beginning of year	\$ 125,604	72,515	198,119
Interest	19,361	-	19,361
Balance, end of year	\$ 144,965	72,515	217,480

# M'CHIGEENG FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2016

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### 13. Accumulated surplus:

	2016	2015
<b>Surplus:</b>		
Invested in tangible capital assets	\$ 22,315,658	22,713,767
Business enterprises	9,649,325	8,849,031
Other	183,785	702,114
	<hr/> 32,148,768	32,264,912
 <b>Reserves</b>		
Reserve Funds	2,235,350	2,777,630
Committed Reserves	2,609,600	3,328,507
	1,456,933	1,269,606
	<hr/> \$ 38,450,651	39,640,655

### 14. Budget figures:

The budget data presented in these consolidated financial statements is based upon the operating and capital budgets approved by Council. The reconciliation of the approved budget to the budget figures reported on these consolidated financial statements is listed below.

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<b>Approved expense budget:</b>	
Total expenses per budget	\$ 18,683,201
Less:	
Capital acquisition	(510,271)
Principal payments on long-term debt	(383,375)
	<hr/> (893,646)
Add:	
Amortization of tangible capital assets	1,291,755
 <b>Expense budget per financial statements</b>	<hr/> \$ 19,081,310

### 15. Comparative information:

Certain 2015 comparative information have been reclassified where necessary to conform to the current year presentation.

# M'CHIGEENG FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2016

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## **16. Segmented information:**

M'Chigeeng First Nation is a diversified governmental institution that provides a wide range of services to its Members, including education, public works, community services, economic and community development, health services, administration, housing, capital, social services and She'ndwin Teg Gaming. For management reporting purposes the First Nation's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

### **Education**

The education department provides services to elementary students through the operation of an on-reserve elementary school. Service contracts with provincially funded area school boards are entered into for secondary students. In addition, the department reimburses tuition costs and provides living and other allowances to students who are attending post-secondary institutions. The department also operates and provides the community with day-care services.

### **Public Works**

The public works department provides public services that contribute to sustainability through the provision of maintenance and operating services such as roads, water and sanitation, fire protection, electrical and community buildings.

### **Community Services**

The community service department provides a wide range of support services for children and families.

### **Economic Advancement**

This department is responsible for identifying and developing economic opportunities for the benefit of the First Nation and its Members such as the MERE project. The department also secures and delivers employment training funding for the First Nation.

### **Health Services**

The health services department provides a diverse bundle of services directed towards the well being of the members including the delivery of programming such as long-term care, diabetes, mental health, healthy babies, home and community care and many other smaller programs designed to enhance the health of members. The health department also manages the operations of the Health Centre and Wellness Centre.

# M'CHIGEENG FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2016

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## **16. Segmented information (continued):**

### **Administration**

The administration department oversees the delivery of all governmental services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of chief and manages the operations of the Post Office

### **Subsidized Housing**

The housing department manages the operations of the various rental housing stock owned by the First Nation including both CMHC and other housing. This includes tenant identification, rent collection and maintenance management.

### **Employment and Training**

The employment and training department delivers a variety of programming including Ontario works and offers employment support services. In addition, the department manages the homemakers and national child benefit programs.

### **Community Property**

This department is responsible for all capital asset activities occurring in the First Nation during the year, including housing construction and renovations as well as major projects such as water and building construction.

### **Business Operations**

Business Operations commission is responsible for the implementation and delivery of all gaming related activities on the First Nation.

For each reported segment, revenues and expenses include amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

Therefore, certain allocation methodologies are employed in the preparation of segmented financial information, including transfers that have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation the consolidated financial statements as disclosed in the summary of significant accounting policies.

## M'CHIGEENG FIRST NATION

### Note 16 - Segmented Information (continued)

Year ended March 31, 2016

		Education	Public Works	Community Services	Economic Advancement	Health Services	Administration	Subsidized Housing	Employment and Training	Community Property	Business Operations	2016 Total
<b>Revenue</b>	\$ 6,163,900	1,074,908	264,204	164,022	4,609,123	2,586,333	1,019,528	2,296,864	932,292	1,446,218	20,557,392	
<b>Expenses:</b>												
Salaries, benefits and honorarium	3,360,824	542,969	290,010	108,287	1,894,418	1,051,159	-	472,131	138,691	54,370	7,912,859	
Materials, supplies and rentals	563,192	451,076	102,170	6,611	1,758,206	478,244	320,971	245,952	87,955	1,326,238	5,340,615	
Contractual and professional	62,851	139,414	1,456	5,933	314,645	195,589	30,960	45,636	653,912	-	1,450,396	
Travel and training	138,594	34,841	18,030	7,417	237,469	79,518	-	220,666	12,048	2,832	751,415	
Other	2,702,237	433,678	54,951	31,047	547,817	(273,620)	362,573	1,554,448	(27,439)	21,141	5,406,833	
Interest on long-term debt	144,084	611,426	3,944	-	118,668	89,136	103,794	-	-	-	103,794	
Amortization	(127,315)	(60,805)	-	-	(21,645)	(10,324)	215,021	9,289	-	-	1,191,568	
Investment in tangible capital assets	6,844,467	2,152,599	470,561	159,295	4,849,573	1,609,702	1,033,319	2,548,122	675,172	1,404,581	21,747,396	
<b>Excess (deficiency) of revenue over expenses</b>	\$ (680,367)	(1,077,691)	(206,357)	4,727	(240,455)	976,631	(13,791)	(251,258)	257,120	41,637	(1,190,004)	

## M'CHIGEENG FIRST NATION

### Note 16 - Segmented Information (continued)

Year ended March 31, 2015

	Education	Public Works	Community Services	Economic Advancement	Health Services	Administration	Subsidized Housing	Employment and Training	Community Property	Business Operations	2015 Total
<b>Revenue</b>	\$ 5,960,698	1,082,112	269,510	186,513	3,437,534	2,931,832	935,603	2,211,302	1,268,334	1,347,223	19,630,661
<b>Expenses:</b>											
Salaries, benefits and honorarium	3,047,289	487,139	268,708	112,011	1,637,407	912,434	3,985	423,935	116,498	77,332	7,086,738
Materials, supplies and rentals	536,944	558,505	41,074	10,297	796,366	601,567	258,400	204,857	56,830	1,280,038	4,344,878
Contractual and professional	131,644	292,181	1,808	39,981	330,286	126,185	36,641	89,116	1,335,492	-	2,383,344
Travel and training	161,891	77,016	13,530	7,770	247,999	66,957	-	283,885	9,783	5,153	873,984
Other	2,770,196	373,016	50,729	26,701	478,121	(275,267)	313,045	1,244,574	(3,217)	39,410	5,017,308
Interest on long-term debt	-	-	-	-	-	-	123,678	-	-	-	123,678
Amortization	136,969	595,317	3,944	-	109,779	96,803	223,053	9,918	-	-	1,175,783
Investment in tangible capital assets	(147,621)	(287,327)	-	-	(91,144)	(56,110)	-	(22,010)	(522,780)	-	(1,126,982)
<b>Excess (deficiency) of revenue over expenses</b>	\$ (837,151)	(853,198)	(110,283)	(10,257)	(71,280)	1,459,263	(23,199)	(22,973)	275,728	(54,710)	(248,060)

