

Consolidated Financial Statements of

MISSANABIE CREE FIRST NATION

Year ended March 31, 2015

MISSANABIE CREE FIRST NATION

Consolidated Financial Statements

Year ended March 31, 2015

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Missanabie Cree First Nation

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Missanabie Cree First Nation are the responsibility of management and have been approved by the Chief and Council of the First Nation.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and 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 systems 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.

The First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council review the First Nation's consolidated financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditors' report. The Chief and Council takes this information into consideration when approving the consolidated financial statements for issuance to the Members. The 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 members.

On Behalf of the First Nation:

Chief:



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INDEPENDENT AUDITORS' REPORT

To the Members of Missanabie Cree First Nation

We have audited the accompanying consolidated financial statements of Missanabie Cree First Nation, which comprise the consolidated statement of financial position as at March 31, 2015, the consolidated statements of operations, accumulated surplus, changes in net debt 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, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Missanabie Cree First Nation as at March 31, 2015, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

July, 28, 2015

Sault Ste. Marie, Canada

MISSANABIE CREE FIRST NATION

Consolidated Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014
Financial assets:		
Cash and short-term investments	\$ 228,628	\$ 555,034
Accounts receivable	607,305	486,192
Due from 1309912 Ontario Limited (note 2)	510,987	460,987
Investment in 1309912 Ontario Limited (note 3)	1	1
	<u>1,346,921</u>	<u>1,502,214</u>
Financial liabilities:		
Accounts payable and accrued liabilities	282,888	360,249
Deferred revenue (note 4)	161,616	207,606
Long-term debt (note 5)	3,916,359	3,971,351
	<u>4,360,863</u>	<u>4,539,206</u>
Net debt	(3,013,942)	(3,036,992)
Non-financial assets:		
Tangible capital assets (note 6)	3,717,453	3,401,296
Prepaid expenses	29,251	21,840
	<u>3,746,704</u>	<u>3,423,136</u>
Contingencies (note 7)		
Accumulated surplus (note 8)	\$ 732,762	\$ 386,144

See accompanying notes to consolidated financial statements.

Approved on behalf of the Council:



Chief



Band Manager

MISSANABIE CREE FIRST NATION

Consolidated Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Aboriginal Affairs and Northern Development Canada	\$ 623,758	\$ 499,837
Ministry of Natural Resources	22,806	-
Ministry of Aboriginal Affairs	427,690	82,500
Mushkegowuk Tribal Council	59,039	63,495
Environment Canada	677	1,892
Mocreebec Council	26,275	-
Ministry of Northern Development, Mines and Forestry	3,760	38,670
Health Canada	118,115	133,495
FedNor	32,715	-
Human Resource Development Canada	2,552	3,822
Ontario First Nation Limited Partnership	492,495	481,213
Nishnawbe Aski Nation	35,537	32,637
Tembec	65,000	15,000
Interest	3,465	1,655
Province of Ontario	-	37,500
Other	444,127	150,206
	2,358,011	1,541,922
Expenses:		
Band government	250,987	235,088
Community services	265,570	215,253
Mushkegowuk programs	58,584	40,153
Education	383,368	340,760
Land transfer process	15,000	26,492
Economic development	623,565	352,932
Other	142,019	113,382
Restricted fund	272,300	397,374
	2,011,393	1,721,434
Excess (deficiency) of revenue over expenses	\$ 346,618	\$ (179,512)

See accompanying notes to consolidated financial statements.

MISSANABIE CREE FIRST NATION

Consolidated Statement of Accumulated Surplus

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Accumulated surplus, beginning of year	\$ 386,144	\$ 565,656
Excess (deficiency) of revenue over expenses	346,618	(179,512)
Accumulated surplus, end of year	\$ 732,762	\$ 386,144

See accompanying notes to consolidated financial statements.

MISSANABIE CREE FIRST NATION

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Excess (deficiency) of revenue over expenses	\$ 346,618	\$ (179,512)
Acquisition of tangible capital assets	(482,883)	(20,705)
Amortization of tangible capital assets	166,726	23,162
	30,461	(177,055)
Acquisition of prepaid expenses	(29,251)	(21,840)
Use of prepaid expenses	21,840	22,556
Change in net financial assets (net debt)	23,050	(176,339)
Net debt, beginning of year	(3,036,992)	(2,860,653)
Net debt, end of year	\$ (3,013,942)	\$ (3,036,992)

See accompanying notes to consolidated financial statements.

MISSANABIE CREE FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 346,618	\$ (179,512)
Adjustment for non-cash items		
Amortization of tangible capital assets	166,726	23,162
	513,344	(156,350)
Changes in non-cash working capital:		
Increase in accounts receivable	(121,113)	(147,774)
Decrease (increase) in due from 1309912 Ontario Limited	(50,000)	-
Decrease (increase) in prepaid expenses	(7,411)	716
Decrease in accounts payable and accrued liabilities	(77,361)	(221,682)
Increase (decrease) in deferred revenue	(45,990)	207,606
	211,469	(317,484)
Capital transactions:		
Acquisition of tangible capital assets	(482,883)	(20,705)
Financing transactions:		
Repayment of long-term debt	(54,992)	(51,016)
Investing activities:		
Investment in Castle Homes & Building Products	-	215,000
Decrease in cash and short-term investments	(326,406)	(174,205)
Cash and short-term investments, beginning of year	555,034	729,239
Cash and short-term investments, end of year	\$ 228,628	\$ 555,034

See accompanying notes to consolidated financial statements.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2015

The Missanabie Cree First Nation administers funds to provide programs and services as contracted with various agencies for the benefit of its members.

1. Significant accounting policies:

These consolidated financial statements of Missanabie Cree First Nation (the "First Nation") are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local 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:

These consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity and its wholly-owned subsidiary Missanabie Cree Development Corporation.

The reporting entity includes the activities of all committees of Council under the control of the First Nation.

(b) Basis of accounting:

The First Nation follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measureable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Government transfers and other revenue recognition:

Transfers are recognized in the financial statements as revenues in the period in which the events give rise to the transfer, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

Revenue from fees, contracts and sales of publications is recognized when the services are provided or the goods are sold.

(d) Allocation of revenue and expenses:

The allocation of revenue and expenses was determined by management in accordance with the specific terms of the applicable contribution agreements.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2015

1. Significant accounting policies (continued):

(e) Non-consolidated entities:

1309912 Ontario Limited, operating as Island View Camp ("the Company"), has not been consolidated due to the nature of the operations. The Company has been accounted for on the modified equity basis and, due to financial performance, has been written down to a nominal value of \$1.

Castle Homes & Building Products Inc. has not been consolidated due to the nature of the operations. The Company has been accounted for on the modified equity basis and, due to financial performance and has been written off to \$nil.

(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 declining-balance basis over their estimated useful lives as follows:

Buildings	25 years
Equipment	5 years

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) Treaty land entitlement expenditures to be recovered from future revenues:

Treaty land entitlement expenditures to be recovered from future revenues reflects costs associated with land entitlements to date which will be offset against future land entitlement settlements from Aboriginal Affairs and Northern Development Canada.

(h) 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 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 the statement of operations in the year in which they become known.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2015

1. Significant accounting policies (continued):

(i) 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 related to prior years are charged to operations in the year during which the adjustments are made.

(j) 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.

2. Due from 1309912 Ontario Limited:

The amount due from 1309912 Ontario Limited is unsecured, bears no interest and has no specified terms of repayment.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2015

3. Investment in 1309912 Ontario Limited:

Transactions with 1309912 Ontario Limited, operating as Island View Camp (Island View), during the year included: rental of facilities and equipment for \$11,567 (2014 - \$8,906) and management revenue of \$43,382 (2014 - \$46,336)

A summary of Island View's financial results as at March 31, 2015 is as follows:

	2015	2014
Financial position:		
Current assets	\$ 7,074	\$ 11,879
Capital assets	209,435	223,654
Total assets	\$ 216,509	\$ 235,533
Current liabilities	\$ 630,993	\$ 598,342
Total liabilities	\$ 630,993	\$ 598,342
Shareholder's deficiency	\$ (414,484)	\$ (362,809)
Results of operations:		
Revenue	\$ 99,538	\$ 110,962
Operating expenses	(147,998)	(142,001)
Interest on long-term debt	(3,215)	(3,011)
Net loss for the year	\$ (51,675)	\$ (34,050)
Cash provided by (used for):		
Operating activities	\$ (11,029)	\$ 29,279
Investing activities	(10,422)	(31,672)
Financing activities	(4,168)	14,292
Increase (decrease) in cash	\$ (25,619)	\$ 11,899

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Notes to Consolidated Financial Statements

Year ended March 31, 2015

4. Deferred revenue:

Funding received for services not yet provided is included in the consolidated financial statements as deferred revenue. The following program balances were deferred:

	2015	2014
Mining projects	\$ 24,516	36,575
Multi-purpose facility	–	98,574
MCDC - Multi-purpose facility	–	50,000
Energy projects	20,479	7,598
Special projects	57,285	9,965
AANDC	40,152	–
MNRF Action Plan	19,184	–
RAMA / GCC partnership	–	4,894
	\$ 161,616	207,606

5. Long-term debt:

	2015	2014
Payable to Aboriginal Affairs and Northern Development Canada	\$ 3,525,698	\$ 3,525,698
Demand loan, due February 2021 interest at 4.25%, monthly blended payments of \$2,561, secured by land and building	162,029	184,840
Demand loan, due February 2021 interest at 4.25%, monthly blended payments of \$2,561, secured by land and building	228,632	260,813
	\$ 3,916,359	\$ 3,971,351

Principal due within the next five years on the long-term debt is as follows:

2016	\$ 58,072
2017	60,830
2018	63,720
2019	66,746
2020	69,917

The loan payable to Aboriginal Affairs and Northern Development Canada is secured by a promissory note due the later of March 31, 2017 or the date on which the land claim is settled. If negotiations remain in progress on the due date, the loan repayment date will be extended by five years, or a period deemed appropriate to coincide with the anticipated claim settlement date.

The loan is interest-free unless in default or upon maturity of the promissory note.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2015

6. Tangible capital assets:

Cost	Balance March 31, 2014	Additions	Disposals	Balance at March 31, 2015
Land	\$ 38,700	\$ -	\$ -	\$ 38,700
Buildings	371,214	3,524,449	-	3,895,663
Equipment	400,645	13,280	-	413,925
Constructions in progress	3,054,845	-	3,054,845	-
Total	\$ 3,865,404	\$ 3,537,729	\$ 3,054,845	\$ 4,348,288

Accumulated amortization	Balance March 31, 2014	Amortization expense	Disposals	Balance at March 31, 2015
Buildings	\$ 108,599	\$ 156,179	\$ -	\$ 264,778
Equipment	355,509	10,548	-	366,057
Total	\$ 464,108	\$ 166,727	\$ -	\$ 630,835

	Net book value March 31, 2014	Net book value March 31, 2015
Land	\$ 38,700	\$ 38,700
Buildings	262,615	3,630,885
Equipment	45,136	47,868
Constructions in progress	3,054,845	-
Total	\$ 3,401,296	\$ 3,717,453

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2015

6. Tangible capital assets (continued):

Cost	Balance March 31, 2013	Additions	Disposals	Balance at March 31, 2014
Land	\$ 38,700	\$ -	\$ -	\$ 38,700
Buildings	371,214	-	-	371,214
Equipment	379,940	20,705	-	400,645
Constructions in progress	3,054,845	-	-	3,054,845
Total	\$ 3,844,699	\$ 20,705	\$ -	\$ 3,865,404

Accumulated amortization	Balance March 31, 2013	Amortization expense	Disposals	Balance at March 31, 2014
Buildings	\$ 99,720	\$ 8,879	\$ -	\$ 108,599
Equipment	341,266	14,243	-	355,509
Total	\$ 440,986	\$ 23,122	\$ -	\$ 464,108

	Net book value March 31, 2013	Net book value March 31, 2014
Land	\$ 38,700	\$ 38,700
Buildings	271,494	262,615
Equipment	38,674	45,136
Constructions in progress	3,054,845	3,054,845
Total	\$ 3,403,713	\$ 3,401,296

7. Contingencies:

The First Nation is contingently liable for an available credit facility in the amount of \$100,000 to the Royal Bank.

In addition the First Nation is also contingently liable for an available line of credit, in the amount of \$80,000 by 1309912 Ontario Limited, a company controlled by the First Nation.

In addition the First Nation is also contingently liable for an available line of credit, in the amount of \$400,000 and fixed rate term facilities in the aggregate amount of \$757,555 by Castle Homes & Building Products Inc., a company controlled by the First Nation. The loans are secured by property located at 3476 Highway 17 East, Echo Bay, Ontario.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2015

8. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves as follows:

	2015	2014
Surplus (deficit):		
Invested in tangible capital assets	\$ 3,326,792	2,955,643
Equity investment in 1309912 Ontario Limited	1	1
Restricted Rama	2,601,610	2,427,199
Operating	(1,189,419)	(990,477)
	4,738,984	4,392,366
Unfunded treaty land entitlement expenditures to be recovered through future revenues	(4,006,222)	(4,006,222)
	\$ 732,762	\$ 386,144

9. Segmented information:

Missanabie Cree First Nation is a diversified governmental institution that provides a wide range of services to its Members, including education, community services, economic development, land transfer process, band government, and Mushkegowuk programs. 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 financial statements, along with the services they provide, are as follows:

Education

The education department reimburses tuition costs and provides living and other allowances to students who are attending post-secondary institutions.

Community Services

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

Economic Development

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

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2015

9. Segmented information (continued):

Land Transfer Process

The land transfer process department is responsible for the provincial negotiations towards the transfer of entitled lands for the First Nation.

Band Government

The band government 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 Council.

Mushkegowuk

This Mushkegowuk department is responsible for all project activities qualified for funding through the Mushkegowuk Council.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2015

9. Segmented Information (continued):

2015									
	Band Government	Community Services	Mushkegowuk Programs	Education	Land Transfer Process / Claim Settlement	Economic Development	Other	Restricted Fund	Consolidated Total
Revenue:									
Aboriginal Affairs and Northern Development Canada	\$ 146,613	-	-	354,811	-	87,334	35,000	-	623,758
Health Canada	-	118,115	-	-	-	-	-	-	118,115
Ministry of Aboriginal Affairs	-	-	-	-	10,000	319,116	-	-	329,116
Ontario First Nation Limited Partnership	-	-	-	-	-	-	-	492,495	492,495
Other	27,972	141,967	58,639	-	-	446,199	116,285	3,465	794,527
	174,585	260,082	58,639	354,811	10,000	852,649	151,285	495,960	2,358,011
Expenses:									
Salaries and employee benefits	120,425	94,801	43,561	43,952	500	135,716	17,659	-	456,614
Professional fees	71,490	1,284	-	-	5,675	99,505	10,680	-	188,634
Rental of facilities and equipment	25,545	19,444	-	-	-	-	393	-	45,382
Travel	17,589	103,532	-	-	7,669	33,690	102,321	-	264,801
Honoraria	108,633	11,781	-	-	2,800	450	9,100	-	132,764
Materials and supplies	6,846	33,309	-	-	-	4,506	-	-	44,661
Repairs and maintenance	10,655	-	-	-	-	-	-	-	10,655
Other	(114,153)	1,419	15,023	339,416	(1,644)	662,306	1,866	272,300	1,176,533
Amortization of tangible capital assets	11,969	-	-	-	-	156,992	-	-	168,961
Investment in tangible capital assets	(8,012)	-	-	-	-	(469,600)	-	-	(477,612)
	250,987	265,570	58,584	383,368	15,000	623,565	142,019	272,300	2,011,393
Excess (deficiency) of revenue over expenses	\$ (76,402)	(5,488)	55	(28,557)	(5,000)	229,084	9,266	223,660	346,618

Notes to Consolidated Financial Statements

9. Segmented information (continued):

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