

Consolidated Financial Statements of

MISSANABIE CREE FIRST NATION

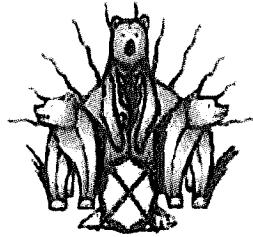
Year ended March 31, 2017

MISSANABIE CREE FIRST NATION

Consolidated Financial Statements

Year ended March 31, 2017

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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



KPMG LLP
111 Elgin Street, Suite 200
Sault Ste. Marie ON P6A 6L6
Canada
Telephone (705) 949-5811
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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, 2017, 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, 2017, 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.

Restriction of Use

Our report is intended for the management and Chief and Council of Missanabie Cree First Nation and should not be used by parties other than the management and Chief and Council of Missanabie Cree First Nation.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

July 26, 2017

Sault Ste. Marie, Canada

MISSANABIE CREE FIRST NATION

Consolidated Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Financial assets		
Cash and short-term investments	\$ 333,984	\$ 196,704
Accounts receivable	878,494	352,536
Due from 1309912 Ontario Limited (note 2)	555,987	555,987
Investment in 1309912 Ontario Limited (note 3)	1	1
Investment in First Nation business enterprises (note 4)	85,515	-
	1,853,981	1,105,228
Financial liabilities		
Accounts payable and accrued liabilities	420,385	162,508
Deferred revenue (note 5)	261,724	71,476
Long-term debt (note 6)	6,848,562	3,858,843
	7,530,671	4,092,827
Net debt	(5,676,690)	(2,987,599)
Non-financial assets		
Tangible capital assets (note 7)	3,406,994	3,557,901
Prepaid expenses	80,432	45,087
	3,487,426	3,602,988
Contingencies (note 8)		
Accumulated surplus (deficit) (note 9)	\$ (2,189,264)	\$ 615,389

See accompanying notes to consolidated financial statements.

Approved on behalf of the Council:



Chief

MISSANABIE CREE FIRST NATION

Consolidated Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Indigenous and Northern Affairs Canada	\$ 743,638	\$ 556,540
Ministry of Natural Resources	150	25,140
Ministry of Indigenous Relations and Reconciliation	44,959	-
Mushkegowuk Tribal Council	62,394	97,806
Mocreebec Council	27,358	24,293
Ministry of Northern Development and Mines	95,918	10,093
Health Canada	121,276	123,335
Human Resource Development Canada	1,576	2,958
Ontario First Nation Limited Partnership	561,385	497,130
Nishnawbe Aski Nation	86,082	66,803
Tembec	50,000	65,000
Interest	971	1,644
Other	1,167,265	393,727
FedNor	-	57,285
Ministry of Aboriginal Affairs	-	17,257
	2,962,972	1,939,011
Expenses:		
Band government	213,124	251,389
Community services	442,661	337,187
Mushkegowuk programs	64,483	58,083
Education	375,285	355,126
Economic development	865,278	475,028
Other	278,396	237,708
Restricted fund	333,581	324,606
	2,572,808	2,039,127
Excess (deficiency) of revenue over expenses before the undernoted	390,164	(100,116)
Land transfer process expenses	(3,194,817)	(17,257)
Deficiency of revenue over expenses	\$ (2,804,653)	\$ (117,373)

See accompanying notes to consolidated financial statements.

MISSANABIE CREE FIRST NATION

Consolidated Statement of Accumulated Surplus

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Accumulated surplus, beginning of year	\$ 615,389	\$ 732,762
Deficiency of revenue over expenses	(2,804,653)	(117,373)
Accumulated (deficit) surplus, end of year	\$ (2,189,264)	\$ 615,389

See accompanying notes to consolidated financial statements.

MISSANABIE CREE FIRST NATION

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Deficiency of revenue over expenses	\$ (2,804,653)	\$ (117,373)
Disposal of tangible capital assets	-	353
Amortization of tangible capital assets	150,907	159,200
	<u>(2,653,746)</u>	<u>42,180</u>
Acquisition of prepaid expenses	(80,432)	(45,088)
Use of prepaid expenses	45,087	29,251
Change in net financial assets	(2,689,091)	26,343
Net debt, beginning of year	(2,987,599)	(3,013,942)
Net debt, end of year	<u>\$ (5,676,690)</u>	<u>\$ (2,987,599)</u>

See accompanying notes to consolidated financial statements.

MISSANABIE CREE FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (2,804,653)	\$ (117,373)
Adjustment for non-cash items		
Amortization of tangible capital assets	150,907	159,200
Share of operating income from First Nation business enterprises	(84,765)	-
Loss on disposal of tangible capital assets	-	353
	<u>(2,738,511)</u>	42,180
Changes in non-cash working capital:		
Increase (decrease) in accounts receivable	(525,958)	254,769
Increase in prepaid expenses	(35,345)	(15,837)
Increase (decrease) in accounts payable and accrued liabilities	257,877	(120,380)
Increase (decrease) in deferred revenue	190,248	(90,140)
	<u>(2,851,689)</u>	70,592
Financing transactions:		
Proceeds from long-term debt	3,050,242	-
Principal repayments of long-term debt	(60,523)	(57,516)
	<u>2,989,719</u>	(57,516)
Investing transactions:		
Investment in First Nation business enterprises	(750)	-
Increase in due from 1309912 Ontario Limited	-	(45,000)
	<u>Increase (decrease) in cash and short-term investments</u>	<u>137,280</u>
	<u>Cash and short-term investments, beginning of year</u>	<u>196,704</u>
	<u>Cash and short-term investments, end of year</u>	<u>\$ 333,984</u>
	<u>\$ 333,984</u>	<u>\$ 196,704</u>
Cash and short-term investments is composed of the following		
Cash	\$ 172,593	\$ 36,284
Short-term investments	161,391	160,420
	<u>\$ 333,984</u>	<u>\$ 196,704</u>

See accompanying notes to consolidated financial statements.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2017

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.

The First Nation has invested in a limited partnership and accounts for its investment in this government business partnership using the modified equity method.

(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 measurable. 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 consolidated 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, 2017

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 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 at 50% 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 Indigenous and Northern Affairs Canada ("INAC").

(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 accounts 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.

(i) 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.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2017

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.

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. The First Nation is related by virtue of being the 100% shareholder.

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 \$8,415 (2016 - \$22,605) and management revenue of \$39,437 (2016 - \$49,224)

A summary of Island View's financial results as at March 31, 2017 is as follows:

	2017	2016
Financial position:		
Current assets	\$ 9,161	\$ 22,493
Capital assets	187,972	190,481
Total assets	<u>\$ 197,133</u>	<u>\$ 212,974</u>
Current liabilities	\$ 750,160	\$ 695,653
Total liabilities	<u>\$ 750,160</u>	<u>\$ 695,653</u>
Shareholder's deficiency	<u>\$ (553,027)</u>	<u>\$ (482,679)</u>
Results of operations:		
Revenue	\$ 98,560	\$ 113,297
Operating expenses	(166,117)	(178,152)
Interest on long-term debt	(2,791)	(3,341)
Net loss for the year	<u>\$ (70,348)</u>	<u>\$ (68,196)</u>
Cash provided by (used for):		
Operating activities	\$ 22,771	\$ 20,122
Investing activities	(16,477)	(1,600)
Financing activities	(4,602)	(4,381)
Increase in cash	<u>\$ 1,692</u>	<u>\$ 14,141</u>

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2017

4. Investment in First Nation business enterprises:

Missanabie Cree First Nation has the following investments in First Nation business enterprises:

A direct 33.33% interest in the Wahkohtowin Development Limited Partnership ("WDLP") and its general partner Wahkohtowin Development General Partner Inc. ("WDGP"). WDLP is engaged in community economic development and is accounted for using the modified equity method.

The First Nation's interest in these business enterprises is summarized as follows:

WDLP (250 Class A, 250 Class B Limited Partner Units)	\$ 85,257
WDGP (250 Common Shares)	258
<hr/>	
	\$ 85,515

The investments at March 31, 2017 consist of the following:

	WDLP	WDGP	Total
Balance, at beginning of the year	\$ -	-	-
First Nation contribution	500	250	750
First Nation's share of earnings	84,757	8	84,765
	\$ 85,257	258	85,515

Financial information for the business enterprises fiscal year end March 31, 2017 is as follows:

	WDLP	WDGP	Total
Financial position			
Current assets	\$ 295,952	750	296,702
Non-current assets	12,530	25	12,555
Total assets	308,482	775	309,257
Current liabilities	52,686	-	52,686
Long-term debt	-	-	-
Total liabilities	52,686	-	52,686
Partners' equity	\$ 255,796	775	256,571

Results of operations:

Revenue	\$ 405,659	25	405,684
Expenses	151,364	-	151,364
Net earnings	\$ 254,295	25	254,320

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2017

5. 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:

	2017	2016
Indigenous and Northern Affairs Canada	119,773	12,600
Mining projects	\$ 57,424	42,641
Other	24,511	16,235
Special projects	49,128	—
Education	10,888	—
	<hr/> \$ 261,724	<hr/> 71,476

6. Long-term debt:

	2017	2016
(a) Loan payable to Indigenous and Northern Affairs Canada	\$ 3,525,698	\$ 3,525,698
(b) Term loan	3,050,242	—
(c) Demand loan	113,068	138,179
(d) Demand loan	159,554	194,966
	<hr/> \$ 6,848,562	<hr/> \$ 3,858,843

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

2018	\$ 272,622
2019	—
2020	—
2021	—
2022	3,050,242

(a) The loan payable to Indigenous and Northern Affairs Canada is secured by a promissory note due the later of March 31, 2018 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.

(b) The term loan with Royal Bank of Canada is due May 2021 with interest only payments at 2.95% and is secured by an insurance policy on land treaty entitlement.

(c) The demand loan with Royal Bank of Canada is due November 2017 interest at 4.75%, monthly blended payments of \$2,592, secured by land and building.

(d) The demand loan with Royal Bank of Canada is due November 2017 interest at 4.75%, monthly blended payments of \$3,657, secured by land and building.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2017

7. Tangible capital assets:

Cost	Balance at March 31, 2016	Additions	Disposals	Balance at March 31, 2017
Land	\$ 38,700	-	-	38,700
Buildings	3,895,663	-	-	3,895,663
Equipment	392,840	-	-	392,840
Total	\$ 4,327,203	-	-	4,327,203
<hr/>				
Accumulated amortization	Balance at March 31, 2016	Amortization expense	Disposals	Balance at March 31, 2017
Buildings	\$ 414,474	143,305	-	557,779
Equipment	354,828	7,602	-	362,430
Total	\$ 769,302	150,907	-	920,209
<hr/>				
	Net book value, March 31, 2016	Net book value, March 31, 2017		
Land	\$ 38,700	38,700		
Buildings	3,481,189	3,337,884		
Equipment	38,012	30,410		
Total	\$ 3,557,901	3,406,994		

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2017

7. Tangible capital assets (continued):

Cost	Balance at March 31, 2015	Additions	Disposals	Balance at March 31, 2016
Land	\$ 38,700	-	-	38,700
Buildings	3,895,663	-	-	3,895,663
Equipment	413,925	-	(21,085)	392,840
Total	\$ 4,348,288	-	(21,085)	4,327,203
Accumulated amortization	Balance at March 31, 2015	Amortization expense	Disposals	Balance at March 31, 2016
Buildings	\$ 264,777	149,697	-	414,474
Equipment	366,057	9,503	(20,732)	354,828
Total	\$ 630,834	159,200	(20,732)	769,302
	Net book value, March 31, 2015		Net book value, March 31, 2016	
Land	\$ 38,700		38,700	
Buildings	3,630,886		3,481,189	
Equipment	47,868		38,012	
Total	\$ 3,717,454		3,557,901	

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2017

8. 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 fixed rate term facilities in the aggregate amount of \$723,221 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.

9. Accumulated surplus (deficit):

Accumulated surplus (deficit) consists of individual fund surplus and reserves as follows:

	2017	2016
Surplus (deficit):		
Invested in tangible capital assets	\$ 3,134,372	3,224,769
Equity investment in 1309912 Ontario Limited	1	1
Restricted Rama	2,898,712	2,726,065
Operating	(1,024,765)	(1,329,224)
	5,008,320	4,621,611
Unfunded treaty land entitlement expenditures to be recovered through future revenues	(7,197,584)	(4,006,222)
	<hr/> \$ (2,189,264)	<hr/> \$ 615,389

10. Comparative information:

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the 2016 financial statements.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2017

11. 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.

The accompanying Schedules of Financial Activity and Change in Program Balances (the "Schedules") detail the programming delivered by the First Nation.

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.

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