

Consolidated Financial Statements of

MISSANABIE CREE FIRST NATION

Year ended March 31, 2018

MISSANABIE CREE FIRST NATION

Consolidated Financial Statements

Year ended March 31, 2018

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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, 2018, the consolidated statements of operations, accumulated (deficit), 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, 2018, 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.

KPMG LLP

Handwritten signature of KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada
July 26, 2018

MISSANABIE CREE FIRST NATION

Consolidated Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Cash and short-term investments	\$ 758,399	\$ 333,984
Accounts receivable	926,179	878,494
Due from 1309912 Ontario Limited (note 2)	625,987	555,987
Investment in 1309912 Ontario Limited (note 3)	1	1
Investment in First Nation business enterprises (note 4)	410,776	85,515
Investment in Ohkimahkin Inc. (note 5)	2,988	-
Investment in 1887486 Ontario Inc. (note 6)	220,880	-
	<u>2,945,210</u>	<u>1,853,981</u>
Financial liabilities		
Accounts payable and accrued liabilities	434,122	420,385
Deferred revenue (note 7)	701,437	261,724
Long-term debt (note 8)	8,025,031	6,848,562
	<u>9,160,590</u>	<u>7,530,671</u>
Net debt	(6,215,380)	(5,676,690)
Non-financial assets		
Tangible capital assets (note 9)	3,267,404	3,406,994
Prepaid expenses	38,965	80,432
	<u>3,306,369</u>	<u>3,487,426</u>
Contingencies (note 10)		
Accumulated surplus (deficit) (note 11)	\$ (2,909,011)	\$ (2,189,264)

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, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Indigenous and Northern Affairs Canada	\$ 938,152	\$ 743,638
Mushkegowuk Tribal Council	146,308	62,394
Mocreebec Council	27,637	27,358
Ministry of Northern Development and Mines	9,397	95,918
Health Canada	171,276	121,276
Human Resource Development Canada	4,788	1,576
Ontario First Nation Limited Partnership	567,597	561,385
Nishnawbe Aski Nation	147,644	86,082
Tembec Industries Inc.	65,000	50,000
Interest	1,576	971
Other	1,177,109	1,167,265
FedNor	3,891	-
Ministry of Natural Resources	-	150
Ministry of Indigenous Relations and Reconciliation	-	44,959
	3,260,375	2,962,972
Expenses:		
Band government	333,927	213,124
Community services	719,855	442,661
Mushkegowuk programs	122,645	64,483
Education	417,315	375,285
Economic development	895,224	865,278
Other	228,485	278,396
Restricted fund	233,358	333,581
	2,950,809	2,572,808
Excess of revenue over expenses before the undernoted	309,566	390,164
Land transfer process expenses	(1,029,313)	(3,194,817)
Deficiency of revenue over expenses	\$ (719,747)	\$ (2,804,653)

See accompanying notes to consolidated financial statements.

MISSANABIE CREE FIRST NATION

Consolidated Statement of Accumulated Deficit

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Accumulated surplus (deficit), beginning of year	\$ (2,189,264)	\$ 615,389
Deficiency of revenue over expenses	(719,747)	(2,804,653)
Accumulated deficit, end of year	\$ (2,909,011)	\$ (2,189,264)

See accompanying notes to consolidated financial statements.

MISSANABIE CREE FIRST NATION

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Deficiency of revenue over expenses	\$ (719,747)	\$ (2,804,653)
<u>Amortization of tangible capital assets</u>	139,590	150,907
	(580,157)	(2,653,746)
Acquisition of prepaid expenses	(38,965)	(80,432)
<u>Use of prepaid expenses</u>	80,432	45,087
Change in net financial assets	(538,690)	(2,689,091)
Net debt, beginning of year	(5,676,690)	(2,987,599)
Net debt, end of year	\$ (6,215,380)	\$ (5,676,690)

See accompanying notes to consolidated financial statements.

MISSANABIE CREE FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (719,747)	\$ (2,804,653)
Adjustment for non-cash items		
Amortization of tangible capital assets	139,590	150,907
Share of operating income from Okimahkin Inc.	(2,988)	-
Share of operating income from First Nation business enterprises	(325,519)	(84,765)
Share of operating loss from 1887486 Ontario Inc.	29,120	
	<u>(879,544)</u>	<u>(2,738,511)</u>
Changes in non-cash working capital:		
Increase (decrease) in accounts receivable	(47,685)	(525,958)
Increase in prepaid expenses	41,467	(35,345)
Increase (decrease) in accounts payable and accrued liabilities	13,995	257,877
Increase (decrease) in deferred revenue	439,713	190,248
	<u>(432,054)</u>	<u>(2,851,689)</u>
Financing transactions:		
Proceeds from long-term debt	1,240,189	3,050,242
Principal repayments of long-term debt	(63,720)	(60,523)
	<u>1,176,469</u>	<u>2,989,719</u>
Investing transactions:		
Investment in First Nation business enterprises	-	(750)
Investment in 1887486 Ontario Inc.	(250,000)	-
(AIncrease) in amounts due from 1309912 Ontario Limited	(70,000)	-
	<u>856,469</u>	<u>2,988,969</u>
Increase in cash and short-term investments	424,415	137,280
Cash and short-term investments, beginning of year	333,984	196,704
Cash and short-term investments, end of year	\$ 758,399	\$ 333,984
Cash and short-term investments is composed of the following:		
Cash	\$ 539,432	\$ 172,593
Short-term investments	218,967	161,391
	<u>\$ 758,399</u>	<u>\$ 333,984</u>

See accompanying notes to consolidated financial statements.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

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, 2018

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 down 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, 2018

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 \$11,130 (2017 - \$8,415) and management revenue of \$41,315 (2017 - \$39,437)

A summary of Island View's financial results as at March 31, 2018 is as follows:

	2018	2017
Financial position:		
Current assets	\$ 7,212	\$ 9,161
Capital assets	193,006	187,972
Total assets	<u>\$ 200,218</u>	<u>\$ 197,133</u>
Current liabilities	\$ 772,809	\$ 750,160
Total liabilities	<u>\$ 772,809</u>	<u>\$ 750,160</u>
Shareholder's deficiency	<u>\$ (572,591)</u>	<u>\$ (553,027)</u>
Results of operations:		
Revenue	\$ 157,587	\$ 98,560
Operating expenses	(174,790)	(166,117)
Interest on long-term debt	(2,361)	(2,791)
Net income (loss) for the year	<u>\$ (19,564)</u>	<u>\$ (70,348)</u>
Cash provided by (used for):		
Operating activities	\$ 27,974	\$ 22,771
Investing activities	(25,150)	(16,477)
Financing activities	(1,141)	(4,602)
Increase in cash	<u>\$ 1,683</u>	<u>\$ 1,692</u>

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

4. Investment in First Nation business enterprise:

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

The investment at March 31, 2018 consist of the following:

	2018	2017
i) Wahkohtowin Development Limited Partnership	\$ 109,853	\$ 85,515
ii) Northeast Superior Investment Limited Partnership	300,923	-
	\$ 410,776	\$ 85,515

i) Wahkohtowin Development Limited Partnership:

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:

	2018	2017
WDLP (250 Class A, 250 Class B Limited Partner Units)	\$ 109,593	\$ 85,257
WDGP (250 Common Shares)	260	258
	\$ 109,858	\$ 85,515

The investments at March 31, 2018 consist of the following:

	WDLP	WDGP	Total
Balance, at beginning of the year	\$ 85,257	258	85,515
First Nation's share of earnings	24,336	2	24,338
	\$ 109,593	260	109,853

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

4. Investment in First Nation business enterprises (continued):

i) Wahkohtowin Development Limited Partnership (continued):

Financial information for the business enterprises fiscal year end March 31, 2018 is as follows:

	WDLP	WDGP	Total
Financial position:			
Current assets	\$ 371,578	757	372,335
Non-current assets	9,532	25	9,557
Total assets	381,110	782	381,892
Current liabilities	52,299	–	52,299
Partners' equity	\$ 328,811	782	329,593
Results of operations:			
Revenue	\$ 651,243	7	651,250
Expenses	578,228	–	578,228
Net earnings	\$ 73,015	7	73,022

ii) Northeast Superior Investment Limited Partnership:

A direct 33% interest in the Northeast Superior Investment Limited Partnership ("NSILP") and its general partner Northeast Superior Investment General Partner Inc. ("NSIGP"). NSILP is engaged in the forestry and energy sector with investments in saw mill and power generation companies and is accounted for using the modified equity method.

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

	2018
NSILP (310 Class A Limited Partner Units)	\$ 297,944
NSIGP (3 Common Shares)	2,979
	\$ 300,923

The investments at March 31, 2018 consist of the following:

	NSILP	NSIGP	Total
Balance, at beginning of the year	\$ –	–	–
First Nation contribution	100	1	101
First Nation's share of earnings	297,844	2,978	300,822
	\$ 297,944	2,979	300,923

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

4. Investment in First Nation business enterprises (continued):

ii) Northeast Superior Investment Limited Partnership (continued):

Financial information for the business enterprises fiscal year end March 31, 2018 is as follows:

		NSILP	NSIGP	Total
Financial position:				
Current assets	\$ 4,307,729	9,028	4,316,757	
Current liabilities	154,952	—	154,952	
Long-term debt	3,250,000	—	3,250,000	
Total liabilities	3,404,952	—	3,404,952	
Partners' equity	\$ 902,777	9,028	911,805	
Results of operations:				
Revenue	\$ 1,307,419	9,025	1,316,444	
Expenses	404,952	—	404,952	
Net earnings	\$ 902,467	9,025	911,492	

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

5. Investment in Ohkimahkin Inc.:

The First Nation owns 51 common shares in Ohkimahkin Inc. which is engaged in engineering and related services in the mining sector and is accounted for using the modified equity method.

The investment at March 31, 2018 consist of the following:

	2018
Balance, at beginning of the year	\$ -
First Nation's share of earnings	2,988
	<hr/> \$ 2,988

Financial information for the business enterprise fiscal year end March 31, 2018 is as follows:

	2018
Financial position:	
Current assets and total assets	\$ 27,291
Current liabilities and total liabilities	21,432
Retained earnings	
	<hr/> \$ 5,859
Results of operations:	
Revenue	\$ 48,333
Cost of sales	38,804
Gross profit	9,529
Expenses	3,670
Net earnings	<hr/> \$ 5,859

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

6. Investment in 1887486 Ontario Inc.:

A 51% interest in 1887486 Ontario Inc., operating as CTRL2Market which is engaged in developing bunkhouses, housing and other related opportunities related to area mining sector operations and is accounted for using the modified equity method.

The investment at March 31, 2018 consist of the following:

	2018
Balance, at beginning of the year	\$ -
Capital contributions	250,000
First Nation's share of net losses	(29,120)
	<hr/> <u>\$ 220,880</u>

Financial information for 1887486 Ontario Inc. for its non-coterminous fiscal periods reflected herein is as follows:

	December 31, 2017
<hr/>	
Financial position:	
Current assets and total assets	\$ 536,374
Current liabilities and total liabilities	25,373
<hr/> <u>Retained earnings</u>	<u>\$ 511,001</u>
<hr/>	
Commencement of operations to December 31, 2017	
<hr/>	
Results of operations:	
Revenue	\$ 142,643
Expenses	199,742
<hr/> <u>Net loss</u>	<u>\$ (57,099)</u>

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

7. 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:

	2018	2017
Indigenous and Northern Affairs Canada	\$ 104,711	\$ 119,773
Mining projects	437,915	57,424
Other	8,438	24,511
Special projects	67,244	49,128
Education	923	10,888
	<hr/>	<hr/>
	\$ 701,437	\$ 261,724

8. Long-term debt:

	2018	2017
(a) Loan payable to Indigenous and Northern Affairs Canada	\$ 3,652,524	\$ 3,525,698
(b) Term loan	4,163,606	3,050,242
(c) Demand loan	86,638	113,068
(d) Demand loan	122,263	159,554
	<hr/>	<hr/>
	\$ 8,025,031	\$ 6,848,562

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

2019	\$ 208,902
2020	—
2021	—
2022	7,816,129

(a) The loan payable to Indigenous and Northern Affairs Canada is secured by a promissory note due the later of March 31, 2022 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 2019 interest at 3.78%, monthly blended payments of \$2,548, secured by land and building.

(d) The demand loan with Royal Bank of Canada is due November 2019 interest at 3.78%, monthly blended payments of \$3,596, secured by land and building.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

9. Tangible capital assets:

Cost	Balance at March 31, 2017	Additions	Disposals	Balance at March 31, 2018
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, 2017	Amortization expense	Disposals	Balance at March 31, 2018
Buildings	\$ 557,779	134,184	-	691,963
Equipment	362,430	5,406	-	367,836
Total	\$ 920,209	139,590	-	1,059,799
<hr/>				
	Net book value, March 31, 2017	Net book value, March 31, 2018		
Land	\$ 38,700	38,700		
Buildings	3,337,884	3,203,700		
Equipment	30,410	25,004		
Total	\$ 3,406,994	3,267,404		

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

9. Tangible capital assets (continued):

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
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	
	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, 2018

10. Contingencies:

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

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 \$587,033 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.

11. Accumulated surplus (deficit):

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

	2018	2017
Surplus (deficit):		
Invested in tangible capital assets	\$ 3,058,502	3,134,372
Equity investment in 1309912 Ontario Limited	1	1
Restricted Rama	3,177,767	2,898,712
<u>Operating</u>	<u>(937,561)</u>	<u>(1,024,765)</u>
	5,298,709	5,008,320
Unfunded treaty land entitlement expenditures to be recovered through future revenues	(8,207,720)	(7,197,584)
	\$ (2,909,011)	\$ (2,189,264)

12. Comparative information:

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the 2017 financial statements.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

13. 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.

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.

For each reported segment, revenues and expenses include both amounts that are directly attributable to the segment and amounts that are allocations on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

13. Segmented information (continued):

	2018								
	Band Government	Community Services	Musikegowuk Programs	Education	Land Transfer Process / Claim Settlement	Economic Development	Other	Restricted Fund	Consolidated Total
Revenue:									
Indigenous and Northern Affairs Canada	\$ 146,720	171,276	401,311		317,321	35,000			900,352
Health Canada		37,800							171,276
Indigenous and Northern Affairs Canada									37,800
Ministry of Northern Development and Mines									9,397
Ontario First Nation Limited Partnership									567,597
Other	129,977	480,860	128,093	16,004	19,177	611,006	187,260	1,576	1,573,953
	276,697	689,936	128,093	417,315	19,177	928,327	231,657	569,173	3,260,375
Expenses:									
Salaries and employee benefits	85,519	338,715	54,242	46,218	17,500	221,740	37,837		801,771
Professional fees	60,794	61,256			241,429	153,732	50		517,261
Rental of facilities and equipment	25,546	42,941							68,747
Travel	13,033	176,403	25,614		24,986	89,306	76,341		405,683
Honoraria	115,817	17,906	500		2,200	1,400	3,450		141,273
Materials and supplies	8,856	157,724	9,372	1,283		88,635	13,211		279,081
Repairs and maintenance	13,298								13,298
Insurance					290,065				290,065
Interest on long-term debt					105,744				105,744
Other	5,659	(75,090)	32,917	369,314	347,389	206,227	97,336	233,358	1,217,610
Amortization of tangible capital assets	5,405					134,184			139,589
	333,927	719,855	122,645	417,315	1,029,313	895,224	228,485	233,358	3,980,122
Excess (deficiency) of revenue over expenses	(57,230)	(29,919)	5,448	-	(1,010,136)	33,103	3,172	335,815	(719,747)
Transfers	66,002	5,087	(5,469)			(5,527)	(3,333)	(56,760)	-
Annual surplus (deficit)		\$ 8,772	\$ (24,832)	\$ (21)	\$ (1,010,136)	\$ 27,576	\$ (161)	\$ 279,055	\$ (719,747)

MISSANABIE CREE FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2017

13. Segmented information (continued):

	2017								
	Band Government	Community Services	Musikigowuk Programs	Education	Land Transfer Process / Claim Settlement	Economic Development	Other	Restricted Fund	Consolidated Total
Revenue:									
Indigenous and Northern Affairs Canada	\$ 146,624	-	-	346,269	-	207,809	35,000	-	735,702
Health Canada	-	121,276	-	-	-	-	-	-	121,276
Ministry of Northern Development and Mines	-	-	-	-	95,918	-	-	-	95,918
Ministry of Indigenous Relations and Reconciliation	-	-	-	-	44,959	-	-	-	44,959
Ontario First Nation Limited Partnership	-	-	-	-	-	-	-	-	561,385
Other	66,381	346,013	62,194	29,016	3,455	385,336	510,366	971	1,403,732
	213,005	467,289	62,194	375,285	3,455	734,022	545,366	562,356	2,962,972
Expenses:									
Salaries and employee benefits	109,524	159,058	40,647	46,947	-	101,113	37,896	-	495,185
Professional fees	50,589	77,891	-	-	1,848,581	299,122	62,201	-	2,338,384
Rental of facilities and equipment	25,546	12,597	-	-	-	-	1,311	-	39,454
Travel	6,893	150,619	-	-	-	51,378	111,898	-	320,788
Honoraria	114,366	4,458	-	-	-	-	4,565	-	123,389
Materials and supplies	10,180	71,507	-	-	-	49,850	3,243	-	134,780
Repairs and maintenance	6,598	-	-	-	-	-	-	-	6,598
Insurance	-	-	-	-	931,915	-	-	-	931,915
Interest on long-term debt	-	-	-	-	58,932	-	-	-	58,932
Other	(117,149)	(33,469)	23,836	328,338	355,389	219,485	57,282	333,581	1,167,293
Amortization of tangible capital assets	6,577	-	-	-	144,330	-	-	-	150,907
	213,124	442,661	64,483	375,285	3,194,817	865,278	278,396	333,581	5,767,625
Excess (deficiency) of revenue over expenses	\$ (119)	24,623	(2,289)	-	(3,191,362)	(131,256)	266,970	228,775	(2,804,653)
Transfers	113,801	(24,628)	2,289	-	-	(1,625)	(33,709)	(56,128)	-
Annual surplus (deficit)	\$ 113,682	\$ -	\$ -	\$ -	\$ (3,191,362)	\$ (132,881)	\$ 233,261	\$ 172,647	\$ (2,804,653)

