

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
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Sault Ste. Marie ON P6A 6L6
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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

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 | - |
| | 2,945,210 | 1,853,981 |
| 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 |
| | 9,160,590 | 7,530,671 |
| 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 |
| | 3,306,369 | 3,487,426 |
| 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 |
| | <u>3,260,375</u> | <u>2,962,972</u> |
| 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 |
| | <u>2,950,809</u> | <u>2,572,808</u> |
| 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 | <u>\$ (719,747)</u> | <u>\$ (2,804,653)</u> |

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) |
| Amortization of tangible capital assets | 139,590 | 150,907 |
| | (580,157) | (2,653,746) |
| Acquisition of prepaid expenses | (38,965) | (80,432) |
| Use of prepaid expenses | 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 | |
| | (879,544) | (2,738,511) |
| 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 |
| | (432,054) | (2,851,689) |
| Financing transactions: | | |
| Proceeds from long-term debt | 1,240,189 | 3,050,242 |
| Principal repayments of long-term debt | (63,720) | (60,523) |
| | 1,176,469 | 2,989,719 |
| Investing transactions: | | |
| Investment in First Nation business enterprises | - | (750) |
| Investment in 1887486 Ontario Inc. | (250,000) | - |
| (Increase) in amounts due from 1309912 Ontario Limited | (70,000) | - |
| | 856,469 | 2,988,969 |
| 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 |
| | \$ 758,399 | \$ 333,984 |

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):

(j) 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 | \$ 200,218 | \$ 197,133 |
| Current liabilities | \$ 772,809 | \$ 750,160 |
| Total liabilities | \$ 772,809 | \$ 750,160 |
| Shareholder's deficiency | \$ (572,591) | \$ (553,027) |
| 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 | \$ (19,564) | \$ (70,348) |
| 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 | \$ 1,683 | \$ 1,692 |

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 |
| | <u>\$ 2,988</u> |

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 | |
| | <u>\$ 5,859</u> |
| Results of operations: | |
| Revenue | \$ 48,333 |
| Cost of sales | 38,804 |
| Gross profit | 9,529 |
| Expenses | 3,670 |
| Net earnings | <u>\$ 5,859</u> |

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) |
| | <u>\$ 220,880</u> |

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

| | December 31, 2017 |
|---|----------------------|
| Financial position: | |
| Current assets and total assets | \$ 536,374 |
| Current liabilities and total liabilities | 25,373 |
| Retained earnings | <u>\$ 511,001</u> |

Commencement of operations to December 31,
2017

Results of operations:

| | |
|----------|--------------------|
| Revenue | \$ 142,643 |
| Expenses | 199,742 |
| Net loss | <u>\$ (57,099)</u> |

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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 |
| | <u>\$ 701,437</u> | <u>\$ 261,724</u> |

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 |
| | <u>\$ 8,025,031</u> | <u>\$ 6,848,562</u> |

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 |

| 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 |

| | 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 |

| 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 |

| | 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 |
| Operating | (937,561) | (1,024,765) |
| | 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 | Mushkegowuk Programs | Education | Land Transfer Process / Claim Settlement | Economic Development | Other | Restricted Fund | Consolidated Total |
| Revenue: | | | | | | | | | |
| Indigenous and Northern Affairs Canada | \$ 146,720 | - | - | 401,311 | - | 317,321 | 35,000 | - | 900,352 |
| Health Canada | - | 171,276 | - | - | - | - | - | - | 171,276 |
| Indigenous and Northern Affairs Canada | - | 37,800 | - | - | - | - | - | - | 37,800 |
| Ministry of Northern Development and Mines | - | - | - | - | - | - | 9,397 | - | 9,397 |
| Ontario First Nation Limited Partnership | - | - | - | - | - | - | - | 567,597 | 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 | - | - | - | - | 260 | - | 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 | 369,814 | 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 | Mushkegowuk 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 | 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) | 24,628 | (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) |

