
MISIPAWISTIK CREE NATION
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

MISIPAWISTIK CREE NATION

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MARCH 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Members
Misipawistik Cree Nation

We have audited the accompanying financial statements of Misipawistik Cree Nation, which comprise the consolidated statement of financial position as at March 31, 2018 and the consolidated statements of operations, change in net debt and cash flows for the year ended March 31, 2018, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly in all material respects the consolidated financial position of Misipawistik Cree Nation as at March 31, 2018 and the consolidated results of its operations, change in net debt and cash flows for the year ended March 31, 2018 in accordance with Canadian public sector accounting standards.

Emphasis of Matter

We draw attention to Note 18 to the financial statements which discusses an accounting change applied to record the financial activity related to a capital project. Our opinion is not qualified with respect to this matter.

The Pas, Manitoba
September 7, 2018



Misipawistik Cree Nation

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Misipawistik Cree Nation and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council.

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 estimation and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Cree Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Cree Nation's assets are appropriately accounted for and adequately safeguarded.

The Cree Nation's Chief and Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

Management reviews the Cree Nation's financial statements with Chief and Council and recommends their approval. The Chief and Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the annual report, the financial statements and the external auditors' report.

The consolidated financial statements have been audited by Collins Barrow HMA LLP in accordance with Canadian public sector accounting standards on behalf of the members. Collins Barrow HMA LLP have full and free access to Management and Chief and Council.

Chief

Councillor

Councillor

Councillor

MISIPAWISTIK CREE NATION

STATEMENT 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

	2018	2017 (Restated)
FINANCIAL ASSETS		
Cash (Note 2)	\$ 892,143	\$ 1,067,229
Trust funds held by federal government (Note 3)	3,481	37,283
Accounts receivable (Note 4)	2,151,392	7,807,779
Long term investments (Note 5)	<u>7,655,320</u>	<u>7,137,496</u>
	<u>\$ 10,702,336</u>	<u>\$ 16,049,787</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	\$ 4,490,109	\$ 2,754,524
Deferred revenue (Note 7)	420,951	212,823
Long term debt (Note 8)	<u>35,478,439</u>	<u>33,908,720</u>
	<u>40,389,499</u>	<u>36,876,067</u>
NET FINANCIAL DEBT	<u>(29,687,163)</u>	<u>(20,826,280)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses and deferred charges	776,550	894,344
Inventory	4,798	3,089
Tangible capital assets (Note 9)	<u>52,810,030</u>	<u>43,002,776</u>
	<u>53,591,378</u>	<u>43,900,209</u>
ACCUMULATED SURPLUS	<u>\$ 23,904,215</u>	<u>\$ 23,073,929</u>
CONTINGENCIES (Note 10)		

Approved on behalf of Council:

Chief

Councillor

Councillor

Councillor

MISIPAWISTIK CREE NATION

STATEMENT 2

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31

	2018	2017 (Restated)
REVENUE		
Indigenous Services Canada	\$ 3,703,005	\$ 3,301,147
First Nations and Inuit Health	2,342,919	2,344,040
Canada Mortgage and Housing Corporation	665,045	613,208
Manitoba Keewatinowi Okimakanak	481,515	445,937
Manitoba Hydro	1,249,338	1,248,493
Province of Manitoba	87,617	69,934
Income from long term investments	1,502,675	1,106,206
Insurance	8,000	141,369
Investment income	178,130	194,266
Other	1,186,750	916,693
Rent	461,019	460,619
Swampy Cree Tribal Council	347,923	275,178
Tobacco Tax Rebates	404,574	418,411
	<u>12,618,510</u>	<u>11,535,501</u>
EXPENDITURES		
Administration	672,314	729,600
Capital	844,929	552,143
Community services	1,452,806	1,733,223
Economic development	675,138	435,991
Education	972,827	1,050,427
Health	2,409,260	1,733,321
Housing	779,543	856,895
Policing	70,988	52,528
Public Works	478,671	366,472
Social	1,666,193	1,783,573
Amortization	1,765,555	1,578,403
	<u>11,788,224</u>	<u>10,872,576</u>
ANNUAL SURPLUS	830,286	662,925
ACCUMULATED SURPLUS, <i>beginning of year</i>	<u>23,073,929</u>	<u>22,411,004</u>
ACCUMULATED SURPLUS, <i>end of year</i>	<u>\$ 23,904,215</u>	<u>\$ 23,073,929</u>

MISIPAWISTIK CREE NATION

STATEMENT 3

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

YEAR ENDED MARCH 31

	2 0 1 8	2 0 1 7 (Restated)
Annual surplus	\$ <u>830,286</u>	\$ <u>662,925</u>
Acquisition of tangible capital assets	(<u>11,572,809</u>)	(<u>8,681,867</u>)
Amortization of tangible capital assets	<u>1,765,555</u>	<u>1,578,403</u>
	(<u>9,807,254</u>)	(<u>7,103,464</u>)
Use (acquisition) of inventories	(<u>1,709</u>)	<u>2,378</u>
Use (acquisition) of prepaid expenses and deferred charges	<u>117,794</u>	(<u>74,376</u>)
	<u>116,085</u>	(<u>71,998</u>)
CHANGE IN NET DEBT FOR YEAR	(<u>8,860,883</u>)	(<u>6,512,537</u>)
NET DEBT, <i>beginning of year</i>	(<u>20,826,280</u>)	(<u>14,313,743</u>)
NET DEBT, <i>end of year</i>	\$ (<u>29,687,163</u>)	\$ (<u>20,826,280</u>)

MISIPAWISTIK CREE NATION

STATEMENT 4

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2018	2017 (Restated)
CASH FLOW FROM		
<i>OPERATING TRANSACTIONS</i>		
Cash received from Indigenous Services Canada	\$ 3,513,625	\$ 3,301,147
Cash received from Manitoba Hydro	1,249,338	1,248,493
Cash received from other sources	7,978,241	6,443,561
Cash paid to suppliers and employees	(8,170,999)	(8,438,136)
	<u>4,570,205</u>	<u>2,555,065</u>
<i>CAPITAL TRANSACTIONS</i>		
Acquisition of tangible capital assets	(11,572,809)	(8,681,867)
<i>INVESTING TRANSACTIONS</i>		
Investment in government business enterprises	(335,493)	(138,631)
<i>FINANCING TRANSACTIONS</i>		
Repayment of long term debt	(14,158,677)	(1,244,428)
Advances from long term debt	15,728,396	13,814,080
Advances from (to) capital project legal trust account	<u>5,593,292</u>	(5,916,203)
	<u>7,163,011</u>	<u>6,653,449</u>
CHANGE IN CASH DURING YEAR	(175,086)	388,016
CASH, <i>beginning of year</i>	<u>1,067,229</u>	<u>679,213</u>
CASH , <i>end of year (Note 2)</i>	<u>\$ 892,143</u>	<u>\$ 1,067,229</u>

MISIPAWISTIK CREE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

REPORTING ENTITY

The Misipawistik Cree Nation reporting entity includes the Misipawistik Cree Nation (the Cree Nation) government and all related entities that are controlled by the Cree Nation.

PRINCIPLES OF CONSOLIDATION

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the Consolidated Financial Statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only the Cree Nation's investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of the Cree Nation.

Organizations consolidated in the Cree Nation's financial statements include:

- Misipawistik Cree Nation Housing Authority
- Misipawistik Cree Nation Gaming Commission
- Grand Rapids First Nation Immediate Use Fund
- Misipawistik Cree Nation Health Authority Inc.

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Organizations accounted for by the modified equity basis include:

- Grand Rapids First Nation Development Corporation
- Chus-Chug-U Gaming Trust
- Pinesiw Energy Limited Partnership (1/2 interest)
- Misipawistik Telecommunications Cooperative
- Aseneskak Casino (1/6 interest)
- Grand Rapids First Nation Development Trust

The Cree Nation reports and assesses these enterprises by major business line.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

MISIPAWISTIK CREE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVENTORY

Inventories of goods available for resale are recorded at the lower of cost and net realizable value.

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisitions, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all of the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and the Cree Nation's incremental cost of borrowing.

Amortization is provided for on a straight-line basis, over the expected useful life of the assets in the table that follows.

Automotive	5 years
Buildings	25-40 years
Office equipment	4-10 years
Housing	20-40 years
Land Improvements	30 years
Roads	40 years
Water and Sewer	25 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Cree Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot reasonably be determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

MISIPAWISTIK CREE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

REVENUE RECOGNITION

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfer revenue is recognized in the statement of operations as the stipulations are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service performed is deferred and recognized when the fee is earned or service performed.

MEASUREMENT UNCERTAINTY

In preparing the consolidated financial statements for the Cree Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimates include the allowance for doubtful accounts, the remaining useful life of tangible capital assets, and provision for guaranteed debts of government business enterprises.

FINANCIAL INSTRUMENTS

Financial instruments include cash, accounts receivable, accounts payable and accrued liabilities and long-term debt. Unless otherwise stated, it is management's opinion that the Cree Nation is not exposed to significant interest, currency or credit risk arising from the financial instruments. Unless indicated, the book value of the Cree Nation's financial instruments approximate their fair value.

MISIPAWISTIK CREE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

2. CASH

Under the terms of an agreement with Canada Mortgage and Housing Corporation, the Cree Nation must set aside funds for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the replacement and subsidy fund. Cash (bank indebtedness) is comprised of the following:

	2 0 1 8	2 0 1 7
Externally Restricted		
Housing replacement reserve	\$ 222,963	\$ 208,604
Unrestricted		
Operating	(208,803)	(129,588)
Social	145,006	147,208
Daycare		1,692
Brushclearing	21,123	15,630
Housing	177,253	328,351
Health operating and capital project	<u>534,601</u>	<u>495,332</u>
	<u>\$ 892,143</u>	<u>\$ 1,067,229</u>

3. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

	Opening Balance	Additions	Withdrawals	2 0 1 8	2 0 1 7
Revenue	\$ 34,097	\$ 691	\$ (34,493)	\$ 295	\$ 34,097
Capital	<u>3,186</u>	<u>-</u>	<u>-</u>	<u>3,186</u>	<u>3,186</u>
	<u>\$ 37,283</u>	<u>\$ 691</u>	<u>\$ (34,493)</u>	<u>\$ 3,481</u>	<u>\$ 37,283</u>

Trust fund accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

4. ACCOUNTS RECEIVABLE

	2 0 1 8	2 0 1 7 (Restated)
Capital project legal trust account	\$ 322,911	\$ 5,916,202
Grand Rapids First Nation Development Corporation	1,382,838	1,476,756
Health Canada	12,810	29,850
Rent	3,415,310	3,115,445
Tobacco Tax	58,543	65,685
Payroll advances	51,905	28,293
Other	<u>1,471,306</u>	<u>1,432,691</u>
	<u>6,715,623</u>	<u>12,064,922</u>
Allowance for doubtful accounts	<u>(4,564,231)</u>	<u>(4,257,143)</u>
	<u>\$ 2,151,392</u>	<u>\$ 7,807,779</u>

MISIPAWISTIK CREE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

5. LONG TERM INVESTMENTS

The following table presents condensed financial information for the Cree Nation's long term investments.

	Retail Sales and Services	Entertainment Services	Portfolio Investments	2 0 1 8	2 0 1 7
Cash	\$ 1,205,107	\$ 552,911	\$ 13,649	\$ 1,771,667	\$ 908,507
Accounts Receivable	448,462	11,323	32,308	492,093	677,824
Inventory	343,220	8,782		352,002	367,399
Capital Assets	3,323,322	449,506		3,772,828	4,021,509
Other Assets	547,806	271,287	4,150,531	4,969,624	5,031,064
TOTAL ASSETS	\$ 5,867,917	\$ 1,293,809	\$ 4,196,488	\$ 11,358,214	\$ 11,006,303
Accounts Payable	\$ 568,799	\$ 77,448	\$	\$ 646,247	\$ 507,011
Long Term Debt	703,786	132,265		836,051	1,005,184
Other Liabilities	2,213,515	7,081	-	2,220,596	2,356,612
TOTAL LIABILITIES	3,486,100	216,794	-	3,702,894	3,868,807
EQUITY	2,381,817	1,077,015	4,196,488	7,655,320	7,137,496
TOTAL LIABILITIES AND EQUITY	\$ 5,867,917	\$ 1,293,809	\$ 4,196,488	\$ 11,358,214	\$ 11,006,303
REVENUE	\$ 12,741,450	\$ 3,130,473	\$ 179,669	\$ 16,051,592	\$ 15,141,379
EXPENDITURES	(12,530,418)	(1,518,918)	(209,831)	(14,259,167)	(13,815,769)
OTHER ITEMS	101,740	(1,544,865)	-	(1,443,125)	(1,305,650)
NET INCOME	\$ 312,772	\$ 66,690	\$ (30,162)	\$ 349,300	\$ 19,960

Retail Sales and Services

Retail Sales and Services is comprised of the operations of Grand Rapids First Nation Development Corporation which operates a grocery store (MCN Foods), gas bar, confectionery and restaurant, the community's 1/2 interest in Pinesiw Energy Limited Partnership and Misipawistik Telecommunications Co-operative which provides high speed internet services to the Cree Nation.

Entertainment Services

Entertainment Services are comprised of Chus-Chug-U Gaming Trust which is a VLT lounge located in the Cree Nation and the community's 1/6 interest in Aseneskak Casino Limited Partnership.

Portfolio Investments

Portfolio Investments is comprised of Grand Rapids First Nation Development Trust which was settled upon the receipt of certain monies from Manitoba Hydro. Access to the assets of Grand Rapids First Nation Development Trust is restricted to certain permitted uses as described in the terms of the trust indenture. The fair value of the Grand Rapids First Nation Development Trust's assets at March 31, 2018 is \$4,433,496 (2017 - \$4,565,428).

MISIPAWISTIK CREE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2 0 1 8	2 0 1 7
Indigenous Services Canada	\$	\$ 189,380
Trade payables, accruals and other	<u>4,490,109</u>	<u>2,565,144</u>
	<u>\$ 4,490,109</u>	<u>\$ 2,754,524</u>

7. DEFERRED REVENUE

	2 0 1 8	2 0 1 7
Other	\$ 81,221	\$
Health Authority - Other	77,141	24,774
Health Authority - Office Construction	12,589	188,049
Indigenous Services Canada - Housing Renovations	<u>250,000</u>	<u>-</u>
	<u>\$ 420,951</u>	<u>\$ 212,823</u>

8. LONG TERM DEBT

	2 0 1 8	2 0 1 7 (Restated)
Bank of Montreal, interest at prime + 1.5% payable in annual principal payments of \$162,000, due on demand.	\$ 2,915,634	\$ 2,915,634
Bank of Montreal, interest at prime + 1.5% payable in quarterly principal payments of \$93,875, due on demand.	2,722,375	3,097,875
Bank of Montreal, interest at prime + 2% payable in monthly blended payments of \$583, due on demand.	15,750	22,750
Bank of Montreal, interest at prime + 1.5% payable in monthly blended payments of \$9,167, due on demand.	1,943,332	2,053,332
Bank of Montreal, interest at prime + 1.5% payable in annual principal payments of \$211,527, due on demand.	3,595,962	3,807,489
Bank of Montreal, interest at prime + 2% payable in annual principal payments of \$100,000, due on demand.	200,000	300,000
Bank of Montreal, interest at prime + 2% payable in annual principal payments of \$120,000, due on demand.	360,000	480,000
Bridging Finance Inc., interest at prime + 13.3% payable monthly, due on demand.	13,859,756	11,225,862
Bridging Finance Inc., interest at prime + 13.3% payable monthly, due on demand.	1,868,639	1,588,218

MISIPAWISTIK CREE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

8. LONG TERM DEBT *(continued)*

	2 0 1 8	2 0 1 7
Canada Mortgage and Housing Corporation loan, interest at 1.08%, payable in monthly blended installments of \$2,290, due August 1, 2020.	105,326	131,512
Canada Mortgage and Housing Corporation loan, interest at 1.92%, payable in monthly installments of \$3,773 (P&I), due April 1, 2019.	451,817	488,069
Canada Mortgage and Housing Corporation loan, interest at 1.14%, payable in monthly blended installments of \$493, due June 1, 2021.	72,375	77,442
Canada Mortgage and Housing Corporation loan, interest at 1.44%, payable in monthly blended installments of \$5,323, due February 1, 2022.	800,817	852,782
Canada Mortgage and Housing Corporation loan, interest at 1.62%, payable in monthly blended installments of \$3,179, due May 1, 2018.	507,920	537,607
Canada Mortgage and Housing Corporation loan, interest at 1.67%, payable in monthly installments of \$4,452, due June 1, 2018.	715,590	756,727
Canada Mortgage and Housing Corporation loan, interest at 1.85%, payable in monthly blended installments of \$5,507, due August 1, 2019.	927,334	975,839
Canada Mortgage and Housing Corporation loan, interest at 1.31%, payable in monthly blended installments of \$2,810 due December 1, 2021.	560,571	586,786
Canada Mortgage and Housing Corporation loan, interest at 1.35%, payable in monthly blended installments of \$4,983, due May 1, 2022.	1,009,602	1,055,120
Canada Mortgage and Housing Corporation loan, interest at 1.12%, payable in monthly blended installments of \$4,671, due February 1, 2020.	1,088,985	1,132,598
Canada Mortgage and Housing Corporation loan, interest at 1.11%, payable in monthly blended installments of \$7,190, due April 1, 2021	<u>1,756,654</u>	<u>1,823,078</u>
	<u>\$ 35,478,439</u>	<u>\$ 33,908,720</u>

MISIPAWISTIK CREE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

8. LONG TERM DEBT *(continued)*

Loans payable to Canada Mortgage and Housing Corporation are secured by the specific assets financed and a ministerial guarantee by the Government of Canada.

The loans payable to Bank of Montreal is secured by a commitment to redirect certain funds towards repayment of the loan and a cross guarantee provided by Chus-Chug-U Gaming Trust and Grand Rapids First Nation Development Trust.

The amounts payable to Bridging Finance Inc. are secured by a demand promissory note, general security agreement, various agreements with a supplier of homes and a guarantee provided by Chus-Chug-U Gaming Trust and Grand Rapids First Nation Development Trust. The Cree Nation intends to service this debt with funds received from its Manitoba Hydro Relationship Agreement.

The aggregate of payments required in each of the next five years to meet retirement provisions is estimated to be as follows:

March 31, 2019	\$ 17,241,094
2020	1,518,864
2021	1,419,898
2022	1,302,200
2023	1,283,299

MISIPAWISTIK CREE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

9. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated Amortization				Net Book Value	
	Opening Balance (Restated)	Additions	Disposals, Write-offs & Adjustments	Closing Balance	Opening Balance	Amortization	Disposals, Write-offs & Adjustments	Closing Balance	Total 2 0 1 8	Total 2 0 1 7 (Restated)
Automotive	\$ 943,667	\$ 120,187	\$	\$ 1,063,854	\$ 724,073	\$ 96,159	\$	\$ 820,232	\$ 243,622	\$ 219,594
Buildings	7,113,159	2,648,988		9,762,147	1,285,183	297,766		1,582,949	8,179,198	5,827,976
Construction in progress	6,820,521	8,780,535		15,601,056					15,601,056	6,820,521
Land improvements	938,931			938,931	111,963	28,687		140,650	798,281	826,968
Housing	32,978,334			32,978,334	9,082,845	884,706		9,967,551	23,010,783	23,895,489
Office equipment	304,311			304,311	231,104	8,930		240,034	64,277	73,207
Roads	1,950,001			1,950,001	1,725,011	48,750		1,773,761	176,240	224,990
Water and sewer	10,958,548	23,100	-	10,981,648	5,844,517	400,558	-	6,245,075	4,736,573	5,114,031
	<u>\$ 62,007,472</u>	<u>\$ 11,572,810</u>	<u>\$ -</u>	<u>\$ 73,580,282</u>	<u>\$ 19,004,696</u>	<u>\$ 1,765,556</u>	<u>\$ -</u>	<u>\$ 20,770,252</u>	<u>\$ 52,810,030</u>	<u>\$ 43,002,776</u>

MISIPAWISTIK CREE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

10. CONTINGENCIES

Government Funding

The Cree Nation receives funding from various government agencies based on specified program needs and budgets and allocates certain expenses to the various programs. In many cases the funding agent has the right to review the accounting records to ensure compliance with the terms and conditions of their agreements. At this time no estimate of the requirements, if any, to reimburse the agencies can be made.

For accounting purposes any amounts assessed or claims paid will be accounted for in the year of determination.

Loan Guarantees for Government Business Enterprises

The Cree Nation has guaranteed certain debts of Grand Rapids First Nation Development Corporation and Pinesiw Energy Limited Partnership. Aggregate guarantees are in excess of \$1,198,500 and are recorded as a liability of the individual enterprises not the Cree Nation.

If these enterprises become unable to repay these debts as they become due the Cree Nation may be contingently liable for the amounts.

The Cree Nation has recorded a provision of \$792,888 (2017 - \$863,505) in its financial statements for amounts it believes that it will ultimately become liable for.

Hydro Claim

The Cree Nation previously filed a claim against Canada for damages related to development on its traditional territory. The claim is currently in arbitration and the Cree Nation is anticipating that it will ultimately receive a financial and land settlement.

11. BUDGET FIGURES

The Cree Nation has not completed a budget for the March 31, 2018 fiscal year. Accordingly budget figures are not presented in the financial statements.

12. COMMITMENTS

Canada Mortgage and Housing Corporation

Under the terms of an agreement with Canada Mortgage and Housing Corporation, the Cree Nation must set aside funds for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the replacement and subsidy fund.

As of March 31, 2018, the replacement reserve fund is underfunded by \$165,721. (2017 - underfunded by \$112,707)

13. ECONOMIC DEPENDENCE

The Cree Nation receives a majority of its revenue from and consequently is economically dependant on the Government of Canada.

MISIPAWISTIK CREE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

14. GOVERNMENT TRANSFERS

	Operating	Capital	2 0 1 8	Operating	Capital	2 0 1 7
Indigenous Services Canada	\$ 3,326,139	\$ 376,866	\$ 3,703,005	\$ 2,946,647	\$ 354,500	\$ 3,301,147
First Nations and Inuit Health	2,167,459	175,460	2,342,919	1,809,879	534,161	2,344,040
Canada Mortgage and Housing Corporation	665,045	-	665,045	613,208	-	613,208
Sub-total	6,158,643	552,326	6,710,969	5,369,734	888,661	6,258,395
Provincial	87,617	-	87,617	69,934	-	69,934
	<u>\$ 6,246,260</u>	<u>\$ 552,326</u>	<u>\$ 6,798,586</u>	<u>\$ 5,439,668</u>	<u>\$ 888,661</u>	<u>\$ 6,328,329</u>

15. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	2 0 1 8	2 0 1 7
Amortization	\$ 1,765,555	\$ 1,578,403
Bad debts	306,968	275,809
Donations	335,606	304,992
Economic assistance	1,258,795	1,387,358
Insurance	409,855	410,679
Interest and bank charges	763,950	736,120
Professional fees	100,597	109,930
Repairs and maintenance	983,143	520,413
Salaries and benefits	2,862,924	2,542,054
Student support	793,271	840,204
Supplies	232,859	287,424
Training	35,218	25,081
Travel	356,397	279,957
Utilities	419,174	518,456
Other	1,163,912	1,055,696
	<u>\$ 11,788,224</u>	<u>\$ 10,872,576</u>

16. RECONCILIATION OF INDIGENOUS SERVICES CANADA REVENUE

Revenue

Revenue - confirmation	\$ 3,778,855
Forgiveness of prior year Basic Needs recovery	187,453
Deferral of unexpended housing funds	(250,000)
Recoveries	(13,303)
	<u>\$ 3,703,005</u>
Revenue - financial statements	<u>\$ 3,703,005</u>

MISIPAWISTIK CREE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

17. RELATED PARTY TRANSACTIONS

In the normal course of business the Cree Nation enters into transactions with related parties. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Due to the significant volume of transactions between the Cree Nation and related parties aggregate revenue and expenditures derived from related parties is not determinable.

Included within accounts payable and not separately disclosed elsewhere is \$62,004 (2017 - \$36,147) which is payable to the Cree Nation's government business enterprises for goods and services purchased in the ordinary course of business.

18. ACCOUNTING CHANGE

During the course of the preparation of its financial statements for the year ending March 31, 2018, the Cree Nation determined that an adjustment was required to its prior year financial statements to include financial activity on a capital project.

This change has been applied retrospectively and the financial statement impact on amounts previously presented for the year ended March 31, 2017 is as follows:

	As previously reported	Increase (Decrease)	Restated
<u>Consolidated Statement of Financial Position</u>			
Accounts receivable	\$ 1,891,576	\$ 5,916,203	\$ 7,807,779
Long term debt	21,094,640	12,814,080	33,908,720
Net Debt	(13,928,403)	(6,897,877)	(20,826,280)
Tangible Capital Assets	36,182,255	6,820,521	43,002,776
Accumulated Surplus	23,151,285	(77,356)	23,073,929
<u>Consolidated Statement of Operations</u>			
Total revenue	11,612,857	(77,356)	11,535,501
Annual surplus	740,281	(77,356)	662,925
Accumulated Surplus, <i>end of year</i>	23,151,285	(77,356)	23,073,929
<u>Consolidated Statement of Change in Net Debt</u>			
Annual surplus	740,281	(77,356)	662,925
Acquisition of tangible capital assets	(1,861,346)	(6,820,521)	(8,681,867)
Change in net debt for year	385,340	(6,897,877)	(6,512,537)
Net Debt, <i>end of year</i>	(13,928,403)	(6,897,877)	(20,826,280)
<u>Consolidated Statement of Cash Flows</u>			
Operating transactions	2,632,421	(77,356)	2,555,065
Capital transactions	(1,861,346)	(6,820,521)	(8,681,867)
Financing transactions	(244,428)	6,897,877	6,653,449

MISIPAWISTIK CREE NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

19. SEGMENT DISCLOSURE

Misipawistik Cree Nation provides a range of services to its members. For management reporting purposes, operations and activities are reported by department. For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The segment results for the year are as follows:

	Administration		Community Development		Community Services		Community Learning	
	2018	2017	2018	2017 (restated)	2018	2017	2018	2017
REVENUE								
ISC	\$ 421,486	\$ 361,782	\$ 605,608	\$ 110,000	\$ 150,695	\$ 390,253	\$ 740,015	\$ 669,686
CMHC	-	-	665,045	613,208	-	-	-	-
	<u>421,486</u>	<u>361,782</u>	<u>1,270,653</u>	<u>723,208</u>	<u>150,695</u>	<u>390,253</u>	<u>740,015</u>	<u>669,686</u>
Other	<u>68,719</u>	<u>68,242</u>	<u>4,697,274</u>	<u>4,443,805</u>	<u>290,733</u>	<u>181,933</u>	<u>437,227</u>	<u>416,689</u>
	<u>490,205</u>	<u>430,024</u>	<u>5,967,927</u>	<u>5,167,013</u>	<u>441,428</u>	<u>572,186</u>	<u>1,177,242</u>	<u>1,086,375</u>
EXPENDITURES								
Amortization			1,500,464	1,406,914	42,830	42,956		
Salaries and benefits	385,468	450,199	402,121	292,624	324,254	329,146	301,527	343,653
Other	<u>306,085</u>	<u>279,401</u>	<u>3,084,448</u>	<u>2,785,747</u>	<u>385,995</u>	<u>273,979</u>	<u>943,826</u>	<u>1,022,530</u>
	<u>691,553</u>	<u>729,600</u>	<u>4,987,033</u>	<u>4,485,285</u>	<u>753,079</u>	<u>646,081</u>	<u>1,245,353</u>	<u>1,366,183</u>
SURPLUS (DEFICIT)	<u>\$ (201,348)</u>	<u>\$ (299,576)</u>	<u>\$ 980,894</u>	<u>\$ 681,728</u>	<u>\$ (311,651)</u>	<u>\$ (73,895)</u>	<u>\$ (68,111)</u>	<u>\$ (279,808)</u>

	Social Services		Health		TOTAL	
	2018	2017	2018	2017	2018	2017 (restated)
REVENUE						
ISC	\$ 1,771,201	\$ 1,755,426	\$ 14,000	\$ 14,000	\$ 3,703,005	\$ 3,301,147
FNIH			2,342,919	2,344,040	2,342,919	2,344,040
CMHC	-	-	-	-	665,045	613,208
	<u>1,771,201</u>	<u>1,755,426</u>	<u>2,356,919</u>	<u>2,358,040</u>	<u>6,710,969</u>	<u>6,258,395</u>
Other			<u>413,588</u>	<u>166,437</u>	<u>5,907,541</u>	<u>5,277,106</u>
	<u>1,771,201</u>	<u>1,755,426</u>	<u>2,770,507</u>	<u>2,524,477</u>	<u>12,618,510</u>	<u>11,535,501</u>
EXPENDITURES						
Amortization			222,261	128,533	1,765,555	1,578,403
Salaries and benefits	173,892	162,412	1,275,662	964,020	2,862,924	2,542,054
Other	<u>1,492,300</u>	<u>1,621,161</u>	<u>947,091</u>	<u>769,301</u>	<u>7,159,745</u>	<u>6,752,119</u>
	<u>1,666,192</u>	<u>1,783,573</u>	<u>2,445,014</u>	<u>1,861,854</u>	<u>11,788,224</u>	<u>10,872,576</u>
SURPLUS (DEFICIT)	<u>\$ 105,009</u>	<u>\$ (28,147)</u>	<u>\$ 325,493</u>	<u>\$ 662,623</u>	<u>\$ 830,286</u>	<u>\$ 662,925</u>