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MISIPAWISTIK CREE NATION  
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

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# **MISIPAWISTIK CREE NATION**

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**MARCH 31, 2019**

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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 Baker Tilly HMA LLP in accordance with Canadian public sector accounting standards on behalf of the members. Baker Tilly HMA LLP have full and free access to Management and Chief and Council.

Chief

Councillor

Councillor

Councillor

**INDEPENDENT AUDITORS' REPORT**

To the Members  
Misipawistik Cree Nation

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**Opinion**

We have audited the accompanying consolidated financial statements of Misipawistik Cree Nation, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Misipawistik Cree Nation as at March 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Misipawistik Cree Nation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 18 in the consolidated financial statements, which discusses Misipawistik Cree Nation's initiative to refinance certain short term debts into a term loan. As stated in Note 18, these events or conditions, along with other matters as set forth in Note 18, indicate that a material uncertainty exists that may cast significant doubt on Misipawistik Cree Nation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing Misipawistik Cree Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Misipawistik Cree Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Misipawistik Cree Nation's financial reporting process.

*(continued.....)*

### **Auditors' Responsibility for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Misipawistik Cree Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Misipawistik Cree Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Misipawistik Cree Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Baker Tilly HMA LLP*  
Chartered Professional Accountants

The Pas, Manitoba  
August 19, 2019

# MISIPAWISTIK CREE NATION

STATEMENT 1

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

2019 2018

### FINANCIAL ASSETS

Cash <i>(Note 2)</i>	\$ 534,322	\$ 892,143
Trust funds held by federal government <i>(Note 3)</i>	3,561	3,481
Accounts receivable <i>(Note 4)</i>	3,303,301	2,151,392
Long term investments <i>(Note 5)</i>	<u>7,709,335</u>	<u>7,655,320</u>
	<u>\$ 11,550,519</u>	<u>\$ 10,702,336</u>

### LIABILITIES

Accounts payable and accrued liabilities <i>(Note 6)</i>	\$ 4,379,509	\$ 4,490,109
Deferred revenue <i>(Note 7)</i>	824,296	420,951
Long term debt <i>(Note 8)</i>	<u>40,622,298</u>	<u>35,478,439</u>
	<u>45,826,103</u>	<u>40,389,499</u>
NET FINANCIAL DEBT	<u>(34,275,584)</u>	<u>(29,687,163)</u>

### NON-FINANCIAL ASSETS

Prepaid expenses and deferred charges	709,265	776,550
Inventory	4,324	4,798
Tangible capital assets <i>(Note 9)</i>	<u>56,962,524</u>	<u>52,810,030</u>
	<u>57,676,113</u>	<u>53,591,378</u>
ACCUMULATED SURPLUS	<u>\$ 23,400,529</u>	<u>\$ 23,904,215</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

2019 2018

### REVENUE

Indigenous Services Canada	\$ 4,858,210	\$ 3,703,005
First Nations and Inuit Health	2,583,198	2,342,919
Canada Mortgage and Housing Corporation	593,969	665,045
Assembly of Manitoba Chiefs	40,744	
Gain on disposal of tangible capital assets	1,322	
Income from long term investments	1,271,433	1,502,675
Insurance	172,700	8,000
Investment income	90,694	178,130
Manitoba Hydro	1,275,566	1,249,338
Manitoba Keewatinowi Okimakanak	432,886	481,515
Province of Manitoba	49,687	87,617
Rent	460,419	461,019
Swampy Cree Tribal Council	286,113	347,923
Tobacco Tax Rebates	407,425	404,574
Other	1,068,566	1,186,750
	<b>13,592,932</b>	<b>12,618,510</b>

### EXPENDITURES

Administration	713,132	672,314
Capital	1,017,160	844,929
Community services	2,363,834	1,452,806
Economic development	663,697	675,138
Education	996,225	972,827
Health	3,020,510	2,409,260
Housing	808,789	779,543
Policing	49,687	70,988
Public Works	647,780	478,671
Social	1,632,850	1,666,193
Amortization	2,182,954	1,765,555
	<b>14,096,618</b>	<b>11,788,224</b>

### ANNUAL SURPLUS

( 503,686) 830,286

ACCUMULATED SURPLUS, *beginning of year*

**23,904,215** 23,073,929

ACCUMULATED SURPLUS, *end of year*

**\$ 23,400,529** **\$ 23,904,215**

# MISIPAWISTIK CREE NATION

STATEMENT 3

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

YEAR ENDED MARCH 31

	2 0 1 9	2 0 1 8
Annual surplus	<u><u>\$ ( 503,686 )</u></u>	<u><u>\$ 830,286</u></u>
Acquisition of tangible capital assets	<u><u>( 6,335,448 )</u></u>	<u><u>( 11,572,809 )</u></u>
Proceeds on sale of tangible capital assets	<u><u>1,322</u></u>	
Amortization of tangible capital assets	<u><u>2,182,954</u></u>	<u><u>1,765,555</u></u>
Gain on disposal of tangible capital assets	<u><u>( 1,322 )</u></u>	<u><u>-</u></u>
	<u><u>( 4,152,494 )</u></u>	<u><u>( 9,807,254 )</u></u>
Use (acquisition) of inventories	<u><u>474</u></u>	<u><u>( 1,709 )</u></u>
Use (acquisition) of prepaid expenses and deferred charges	<u><u>67,285</u></u>	<u><u>117,794</u></u>
	<u><u>67,759</u></u>	<u><u>116,085</u></u>
CHANGE IN NET DEBT FOR YEAR	<u><u>( 4,588,421 )</u></u>	<u><u>( 8,860,883 )</u></u>
NET DEBT, <i>beginning of year</i>	<u><u>( 29,687,163 )</u></u>	<u><u>( 20,826,280 )</u></u>
NET DEBT, <i>end of year</i>	<u><u>\$ ( 34,275,584 )</u></u>	<u><u>\$ ( 29,687,163 )</u></u>

# MISIPAWISTIK CREE NATION

STATEMENT 4

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2019	2018
<b>CASH FLOW FROM</b>		
<i>OPERATING TRANSACTIONS</i>		
Cash received from Indigenous Services Canada		
Cash received from Indigenous Services Canada	\$ 4,771,079	\$ 3,513,625
Cash received from Manitoba Hydro	1,275,566	1,249,338
Cash received from other sources	6,489,837	7,978,241
Cash paid to suppliers and employees	(11,957,827)	(8,170,999)
	<u>578,655</u>	<u>4,570,205</u>
<i>CAPITAL TRANSACTIONS</i>		
Acquisition of tangible capital assets	(6,335,448)	(11,572,809)
Proceeds of disposal of tangible capital assets	1,322	-
	<u>(6,334,126)</u>	<u>(11,572,809)</u>
<i>INVESTING TRANSACTIONS</i>		
Investment in government business enterprises	(54,000)	(335,493)
<i>FINANCING TRANSACTIONS</i>		
Repayment of long term debt	(1,298,556)	(14,158,677)
Advances from long term debt	6,442,415	15,728,396
Advances from capital project legal trust account	307,791	5,593,292
	<u>5,451,650</u>	<u>7,163,011</u>
CHANGE IN CASH DURING YEAR	(357,821)	(175,086)
CASH, <i>beginning of year</i>	<u>892,143</u>	<u>1,067,229</u>
CASH, <i>end of year (Note 2)</i>	<u>\$ 534,322</u>	<u>\$ 892,143</u>

# MISIPAWISTIK CREE NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

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### 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 overseen by the Accounting Standards Oversight Council.

#### *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, 2019

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### 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, 2019

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

#### *REVENUErecognition*

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, 2019

### 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 9	2 0 1 8
Externally Restricted		
Housing replacement reserve	\$ 261,282	\$ 222,963
Unrestricted		
Operating	( 834,147)	( 208,803)
Social	135,124	145,006
Brushclearing	23,282	21,123
Housing	326,454	177,253
Health operating and capital project	<u>622,327</u>	<u>534,601</u>
	<u><u>\$ 534,322</u></u>	<u><u>\$ 892,143</u></u>

### 3. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

	Opening Balance	Additions	Withdrawals	2 0 1 9	2 0 1 8
Revenue	\$ 295	\$ 80	\$	\$ 375	\$ 295
Capital	<u>3,186</u>	<u>-</u>	<u>-</u>	<u>3,186</u>	<u>3,186</u>
	<u><u>\$ 3,481</u></u>	<u><u>\$ 80</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,561</u></u>	<u><u>\$ 3,481</u></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 9	2 0 1 8
Indigenous and Northern Affairs Canada	\$ 87,131	\$
Assembly of Manitoba Chiefs	184,046	
Capital project legal trust account	15,120	322,911
Grand Rapids First Nation Development Corporation	1,212,319	1,382,838
First Nations and Inuit Health		12,810
Manitoba Hydro	1,075,000	
Rent	3,714,361	3,415,310
Tobacco Tax	53,620	58,543
Payroll advances	53,655	51,905
Other	<u>1,771,921</u>	<u>1,471,306</u>
	<u>8,167,173</u>	<u>6,715,623</u>
Allowance for doubtful accounts	<u>( 4,863,872)</u>	<u>( 4,564,231)</u>
	<u><u>\$ 3,303,301</u></u>	<u><u>\$ 2,151,392</u></u>

# MISIPAWISTIK CREE NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

### 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 9	2 0 1 8
Cash	\$ 1,169,619	\$ 631,427	\$ 10,760	\$ 1,811,806	\$ 1,771,667
Accounts Receivable	327,690	35,851	36,214	399,755	492,093
Inventory	317,840	7,468		325,308	352,002
Capital Assets	3,122,447	574,580		3,697,027	3,772,828
Other Assets	498,319	226,804	4,165,737	4,890,860	4,969,624
<b>TOTAL ASSETS</b>	<b>\$ 5,435,915</b>	<b>\$ 1,476,130</b>	<b>\$ 4,212,711</b>	<b>\$ 11,124,756</b>	<b>\$ 11,358,214</b>
Accounts Payable	\$ 531,854	\$ 83,463		\$ 615,317	\$ 646,247
Long Term Debt	534,541	256,798		791,339	836,051
Other Liabilities	2,008,765	-	-	2,008,765	2,220,596
<b>TOTAL LIABILITIES</b>	<b>3,075,160</b>	<b>340,261</b>	<b>-</b>	<b>3,415,421</b>	<b>3,702,894</b>
<b>EQUITY</b>	<b>2,360,755</b>	<b>1,135,869</b>	<b>4,212,711</b>	<b>7,709,335</b>	<b>7,655,320</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 5,435,915</b>	<b>\$ 1,476,130</b>	<b>\$ 4,212,711</b>	<b>\$ 11,124,756</b>	<b>\$ 11,358,214</b>
REVENUE	\$ 13,769,589	\$ 3,087,171	\$ 179,669	\$ 17,036,429	\$ 16,051,592
EXPENDITURES	( 14,029,572)	( 1,499,099)	( 113,220)	( 15,641,891)	( 14,259,167)
OTHER ITEMS	( 26,683)	( 1,489,229)	-	( 1,515,912)	( 1,443,125)
<b>NET INCOME (LOSS)</b>	<b>\$ ( 286,666)</b>	<b>\$ 98,843</b>	<b>\$ 66,449</b>	<b>\$ ( 121,374)</b>	<b>\$ 349,300</b>

#### 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, 2019 is \$4,577,540 (2018 - \$4,433,496).

# MISIPAWISTIK CREE NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2 0 1 9	2 0 1 8
Trade payables, accruals and other	<u>\$ 4,379,509</u>	<u>\$ 4,490,109</u>

### 7. DEFERRED REVENUE

	2 0 1 9	2 0 1 8
Indigenous Services Canada		
- Community buildings	\$ 34,885	\$
- Community well being initiative	186,862	
- Construction of new homes	149,498	
- First Nation land management	147,763	
- Housing renovations	31,175	250,000
Other	151,176	81,221
Health Authority - Other	120,917	77,141
Health Authority - Office Construction	<u>2,020</u>	<u>12,589</u>
	<u>\$ 824,296</u>	<u>\$ 420,951</u>

### 8. LONG TERM DEBT

	2 0 1 9	2 0 1 8
Bank of Montreal, interest at prime + 1.5% payable in annual principal payments of \$162,000, due on demand.	\$ 2,753,634	\$ 2,915,634
Bank of Montreal, interest at prime + 1.5% payable in quarterly principal payments of \$93,875, due on demand.	2,346,875	2,722,375
Bank of Montreal, interest at prime + 2% payable in monthly blended payments of \$583, due on demand.	8,750	15,750
Bank of Montreal, interest at prime + 1.5% payable in monthly blended payments of \$9,167, due on demand.	1,833,332	1,943,332
Bank of Montreal, interest at prime + 1.5% payable in annual principal payments of \$211,527, due on demand.	3,595,962	3,595,962
Bank of Montreal, interest at prime + 2% payable in annual principal payments of \$100,000, due on demand.	100,000	200,000
Bank of Montreal, interest at prime + 2% payable in annual principal payments of \$120,000, due on demand.	240,000	360,000
Bridging Finance Inc., interest at prime + 13.3% payable monthly, due on demand.	19,792,732	13,859,756
Bridging Finance Inc., interest at prime + 13.3% payable monthly, due on demand.	2,378,079	1,868,639

# MISIPAWISTIK CREE NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

### 8. LONG TERM DEBT *(continued)*

	2 0 1 9	2 0 1 8
Canada Mortgage and Housing Corporation loan, interest at 1.08%, payable in monthly blended installments of \$2,290, due August 1, 2020.	<b>78,855</b>	105,326
Canada Mortgage and Housing Corporation loan, interest at 1.92%, payable in monthly installments of \$3,773 (P&I), due April 1, 2019.	<b>414,865</b>	451,817
Canada Mortgage and Housing Corporation loan, interest at 1.14%, payable in monthly blended installments of \$493, due June 1, 2021.	<b>67,250</b>	72,375
Canada Mortgage and Housing Corporation loan, interest at 1.44%, payable in monthly blended installments of \$5,323, due February 1, 2022.	<b>748,101</b>	800,817
Canada Mortgage and Housing Corporation loan, interest at 2.48%, payable in monthly blended installments of \$3,374, due August 1, 2023.	<b>478,812</b>	507,920
Canada Mortgage and Housing Corporation loan, interest at 2.5%, payable in monthly installments of \$4,720, due June 1, 2023.	<b>675,622</b>	715,590
Canada Mortgage and Housing Corporation loan, interest at 1.85%, payable in monthly blended installments of \$5,507, due August 1, 2019.	<b>877,927</b>	927,334
Canada Mortgage and Housing Corporation loan, interest at 1.31%, payable in monthly blended installments of \$2,810 due December 1, 2021.	<b>534,011</b>	560,571
Canada Mortgage and Housing Corporation loan, interest at 1.35%, payable in monthly blended installments of \$4,983, due May 1, 2022.	<b>963,118</b>	1,009,602
Canada Mortgage and Housing Corporation loan, interest at 1.12%, payable in monthly blended installments of \$4,671, due February 1, 2020.	<b>1,044,882</b>	1,088,985
Canada Mortgage and Housing Corporation loan, interest at 1.11%, payable in monthly blended installments of \$7,190, due April 1, 2021	<b>1,689,491</b>	1,756,654
	<b><u>\$ 40,622,298</u></b>	<b><u>\$ 35,478,439</u></b>

# MISIPAWISTIK CREE NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

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### 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 Cree Nation has entered into discussions with another lender to obtain a term loan to refinance the amounts payable to Bridging Finance Inc.

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

March 31, 2020	\$ 23,689,631
2021	1,419,845
2022	1,302,152
2023	1,283,252
2024	1,289,499

# MISIPAWISTIK CREE NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

### 9. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated Amortization				Net Book Value	
	Opening Balance	Additions	Disposals, Write-offs & Adjustments	Closing Balance	Opening Balance	Amortization	Disposals, Write-offs & Adjustments	Closing Balance	Total	Total
									2019	2018
Automotive	\$ 1,063,854	\$ 32,661	\$ 1,031,193		\$ 820,232	\$ 87,884	\$ 32,661	\$ 875,455	\$ 155,738	\$ 243,622
Buildings	9,762,147	60,569		9,822,716	1,582,949	253,926		1,836,875	7,985,841	8,179,198
Construction in progress	15,601,056	1,276,677	15,601,056	1,276,677					1,276,677	15,601,056
Land improvements	938,931			938,931	140,650	28,687		169,337	769,594	798,281
Housing	32,978,334	20,541,602		53,519,936	9,967,551	1,341,578		11,309,129	42,210,807	23,010,783
Office equipment	304,311	57,656		361,967	240,034	21,571		261,605	100,362	64,277
Roads	1,950,001			1,950,001	1,773,761	48,750		1,822,511	127,490	176,240
Water and sewer	10,981,648	-	-	10,981,648	6,245,075	400,558	-	6,645,633	4,336,015	4,736,573
	<u>\$ 73,580,282</u>	<u>\$ 21,936,504</u>	<u>\$15,633,717</u>	<u>\$ 79,883,069</u>	<u>\$ 20,770,252</u>	<u>\$ 2,182,954</u>	<u>\$ 32,661</u>	<u>\$ 22,920,545</u>	<u>\$ 56,962,524</u>	<u>\$ 52,810,030</u>

# MISIPAWISTIK CREE NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

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### 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 \$718,250 (2018 - \$792,888) 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, 2019 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, 2019, the replacement reserve fund is underfunded by \$150,081. (2018 - underfunded by \$165,721)

### 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, 2019

### 14. GOVERNMENT TRANSFERS

	Operating	Capital	2 0 1 9	Operating	Capital	2 0 1 8
Indigenous Services						
Canada	\$ 3,303,290	\$ 1,554,920	\$ 4,858,210	\$ 3,326,139	\$ 376,866	\$ 3,703,005
First Nations and Inuit						
Health	2,583,198		2,583,198	2,167,459	175,460	2,342,919
Canada Mortgage and						
Housing Corporation	593,969	-	593,969	665,045	-	665,045
Sub-total	6,480,457	1,554,920	8,035,377	6,158,643	552,326	6,710,969
Provincial	49,687	-	49,687	87,617	-	87,617
	<u>\$ 6,530,144</u>	<u>\$ 1,554,920</u>	<u>\$ 8,085,064</u>	<u>\$ 6,246,260</u>	<u>\$ 552,326</u>	<u>\$ 6,798,586</u>

### 15. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	2 0 1 9	2 0 1 8
Amortization	\$ 2,182,954	\$ 1,765,555
Bad debts	299,782	306,968
Donations	209,050	335,606
Economic assistance	1,238,711	1,258,795
Insurance	421,284	409,855
Interest and bank charges	1,657,294	763,950
Member distribution	177,000	
Professional fees	195,097	100,597
Repairs and maintenance	1,250,235	983,143
Salaries and benefits	3,295,923	2,862,924
Student support	746,367	793,271
Supplies	390,638	232,859
Training		35,218
Travel	403,046	356,397
Utilities	487,177	419,174
Other	1,142,060	1,163,912
	<u>\$ 14,096,618</u>	<u>\$ 11,788,224</u>

# MISIPAWISTIK CREE NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

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### 16. RECONCILIATION OF INDIGENOUS SERVICES CANADA REVENUE

#### Revenue

Revenue - confirmation	\$ 5,160,037
Deferral of First Nation land management funds	( 147,763)
Deferral of community building funds	( 34,885)
Deferral of community well being initiative	( 186,862)
Deferral of construction of new homes	( 149,498)
Recognition of housing renovation funds	218,825
Recoveries	( 1,644)
	\$ 4,858,210
Revenue - financial statements	\$ 4,858,210

### 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 \$73,372 (2018 - \$62,004) which is payable to the Cree Nation's government business enterprises for goods and services purchased in the ordinary course of business.

### 18. GOING CONCERN

These financial statements have been prepared on the basis of a going concern which assumes that the Cree Nation will be able to realize its assets and settle its obligations in the normal course of operations. However conditions exist which may cast doubt on this assumption.

As of the date of these financial statements the Cree Nation has \$22,170,811 of short term debt outstanding which bears interest at a rate of prime + 13.3%. The Cree Nation is in the process of refinancing this debt into a term loan but has not yet completed the refinancing.

If the Cree Nation is not successful in its efforts to refinance this debt the going concern assumption may no longer be appropriate. In this case adjustments to the carrying values of reported assets, net debt and accumulated surplus would be required and these amounts could be material. This occurrence could also impact the Cree Nation's operations and service delivery.

# MISIPAWISTIK CREE NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

### 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	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>REVENUE</b>								
ISC	\$ 385,142	\$ 421,486	\$ 2,032,357	\$ 605,608	\$ 163,173	\$ 150,695	\$ 713,564	\$ 740,015
CMHC	-	-	593,969	665,045	-	-	-	-
	<u>385,142</u>	<u>421,486</u>	<u>2,626,326</u>	<u>1,270,653</u>	<u>163,173</u>	<u>150,695</u>	<u>713,564</u>	<u>740,015</u>
Other	<u>63,296</u>	<u>68,719</u>	<u>4,412,410</u>	<u>4,697,274</u>	<u>242,511</u>	<u>290,733</u>	<u>429,363</u>	<u>437,227</u>
	<u>448,438</u>	<u>490,205</u>	<u>7,038,736</u>	<u>5,967,927</u>	<u>405,684</u>	<u>441,428</u>	<u>1,142,927</u>	<u>1,177,242</u>
<b>EXPENDITURES</b>								
Amortization			1,941,063	1,500,464	37,465	42,830		
Salaries and benefits	396,926	385,468	402,422	402,121	360,534	324,254	316,984	301,527
Other	<u>346,789</u>	<u>306,085</u>	<u>4,284,689</u>	<u>3,084,448</u>	<u>348,558</u>	<u>385,995</u>	<u>950,908</u>	<u>943,826</u>
	<u>743,715</u>	<u>691,553</u>	<u>6,628,174</u>	<u>4,987,033</u>	<u>746,557</u>	<u>753,079</u>	<u>1,267,892</u>	<u>1,245,353</u>
<b>SURPLUS (DEFICIT)</b>	<u><u>\$ (295,277)</u></u>	<u><u>\$ (201,348)</u></u>	<u><u>\$ 410,562</u></u>	<u><u>\$ 980,894</u></u>	<u><u>\$ (340,873)</u></u>	<u><u>\$ (311,651)</u></u>	<u><u>\$ (124,965)</u></u>	<u><u>\$ (68,111)</u></u>

	Social Services		Health		TOTAL	
	2019	2018	2019	2018	2019	2018
<b>REVENUE</b>						
ISC	\$ 1,549,974	\$ 1,771,201	\$ 14,000	\$ 14,000	\$ 4,858,210	\$ 3,703,005
FNIH			2,583,198	2,342,919	2,583,198	2,342,919
CMHC	-	-	-	-	593,969	665,045
	<u>1,549,974</u>	<u>1,771,201</u>	<u>2,597,198</u>	<u>2,356,919</u>	<u>8,035,377</u>	<u>6,710,969</u>
Other	-	-	409,975	413,588	5,557,555	5,907,541
	<u>1,549,974</u>	<u>1,771,201</u>	<u>3,007,173</u>	<u>2,770,507</u>	<u>13,592,932</u>	<u>12,618,510</u>
<b>EXPENDITURES</b>						
Amortization			204,426	222,261	2,182,954	1,765,555
Salaries and benefits	142,930	173,892	1,648,325	1,275,662	3,268,121	2,862,924
Other	<u>1,489,920</u>	<u>1,492,300</u>	<u>1,224,679</u>	<u>947,091</u>	<u>8,645,543</u>	<u>7,159,745</u>
	<u>1,632,850</u>	<u>1,666,192</u>	<u>3,077,430</u>	<u>2,445,014</u>	<u>14,096,618</u>	<u>11,788,224</u>
<b>SURPLUS (DEFICIT)</b>	<u><u>\$ (82,876)</u></u>	<u><u>\$ 105,009</u></u>	<u><u>\$ (70,257)</u></u>	<u><u>\$ 325,493</u></u>	<u><u>\$ (503,686)</u></u>	<u><u>\$ 830,286</u></u>