

**Muskeg Lake Cree Nation**

**Consolidated Financial Statements**

**March 31, 2014**

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# Muskeg Lake Cree Nation

## Management's Responsibility for Financial Reporting

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March 31, 2014

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The accompanying consolidated financial statements of Muskeg Lake Cree Nation are the responsibility of management and have been approved by Council.

The consolidated financial statements have been prepared by management 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 and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

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 consolidated financial statements and the external auditor's report.

The external auditors, Crowe MacKay LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Muskeg Lake Cree Nation and meet when required.

On behalf of Muskeg Lake Cree Nation:

  
\_\_\_\_\_  
Chief  
\_\_\_\_\_  
Director of Operations

\_\_\_\_\_  
Date  
\_\_\_\_\_  
29/07/14  
\_\_\_\_\_  
Date



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## **Independent Auditors' Report**

### **To the Members of Muskeg Lake Cree Nation**

We have audited the accompanying consolidated financial statements of Muskeg Lake Cree Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and 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 the auditors' 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, the auditors consider internal control relevant to the First Nation'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 First Nation'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 financial position of Muskeg Lake Cree Nation as at March 31, 2014, and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Canada  
July 28, 2014

*Crowe MacKay LLP*  
Chartered Accountants

# Muskeg Lake Cree Nation

## Consolidated Statement of Financial Position

March 31	2014	2013 (Restated) (Note 20)
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### Financial Assets

Cash (Note 2)	\$ 564,650	\$ 1,277,340
Accounts receivable (Note 3)	951,352	1,225,259
Band member receivables (Note 4)	49,912	133,992
Portfolio investments (Note 5)	73,622	73,622
Investments in government business organizations (Note 6)	1,888,746	1,740,637
	<u>3,528,282</u>	<u>4,450,850</u>

### Liabilities

Bank indebtedness (Note 7)	871,896	1,239,744
Accounts payable (Note 8)	1,508,424	793,186
Reserves (Note 9)	316,536	283,381
Deferred revenue (Note 10)	125,000	1,072,286
Long-term debt (Note 11)	3,924,556	3,088,356
	<u>6,746,412</u>	<u>6,476,953</u>
<b>Net debt</b>	<b>(3,218,130)</b>	<b>(2,026,103)</b>

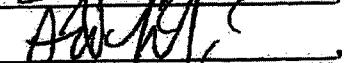
### Non-financial Assets

Capital assets (Note 12)	15,533,795	13,639,326
Prepaid expenses	11,290	9,777
	<u>15,545,085</u>	<u>13,649,103</u>
<b>Accumulated Surplus (Note 13)</b>	<b>\$ 12,326,955</b>	<b>\$ 11,623,000</b>

### Contingent liabilities (Note 16)

Approved on behalf of the Council

, Chief

, Councilor

**Muskeg Lake Cree Nation**

**Consolidated Statement of Operations and Accumulated Surplus**

<b>For the year ended March 31</b>	<b>2014 Budget</b>	<b>2014 Actual</b>	<b>2013 Actual (Restated) (Note 20)</b>
<b>Revenue</b>			
<b>Federal Government:</b>			
AANDC - Block	\$ 5,443,951	\$ 6,922,981	\$ 5,916,063
Health Canada	113,342	81,582	156,030
CMHC	151,222	112,114	268,171
Saskatoon Tribal Council	1,358,098	1,582,227	1,130,560
Other	2,191,536	2,645,611	3,306,889
Income from government business enterprises	-	359,521	51,354
	<b>9,258,149</b>	<b>11,704,036</b>	<b>10,829,067</b>
<b>Expenses (Note 14)</b>			
Education	3,116,999	3,662,490	3,543,629
Health	835,975	857,489	677,588
Economic Development	592,148	597,893	297,183
Housing	660,748	776,245	613,205
Social Services	831,576	676,022	645,084
Band Government	1,355,868	1,703,693	2,440,717
Community Services	764,018	707,680	792,676
Public Works	1,363,061	910,026	1,284,137
Amortization	1,108,543	1,108,543	1,158,699
	<b>10,628,936</b>	<b>11,000,081</b>	<b>11,452,918</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>(1,370,787)</b>	<b>703,955</b>	<b>(623,851)</b>
<b>Accumulated surplus, beginning of year</b>	<b>11,623,000</b>	<b>11,623,000</b>	<b>12,246,851</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 10,252,213</b>	<b>\$ 12,326,955</b>	<b>\$ 11,623,000</b>

**Muskeg Lake Cree Nation**

**Consolidated Statement of Change in Net Debt**

<b>For the year ended March 31</b>	<b>2014 Budget</b>	<b>2014 Actual</b>	<b>2013 Actual (Restated) (Note 20)</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ (1,370,787)</b>	<b>\$ 703,955</b>	<b>\$ (623,851)</b>
Acquisition of tangible capital assets	-	(3,003,011)	(984,468)
Amortization of tangible capital assets	1,108,542	1,108,542	1,158,699
<u>Asset transferred from controlled entity</u>	<u>-</u>	<u>-</u>	<u>(4,500)</u>
	1,108,542	(1,894,469)	169,731
<u>Acquisition of prepaid asset</u>	<u>-</u>	<u>(1,513)</u>	<u>(248)</u>
<b>Decrease in net financial assets</b>	<b>(262,245)</b>	<b>(1,192,027)</b>	<b>(454,368)</b>
<b>Net debt, beginning of year</b>	<b>(2,026,103)</b>	<b>(2,026,103)</b>	<b>(1,571,735)</b>
<b>Net debt, end of year</b>	<b>\$ (2,288,348)</b>	<b>\$ (3,218,130)</b>	<b>\$ (2,026,103)</b>

# Muskeg Lake Cree Nation

## Consolidated Statement of Cash Flow

For the year ended March 31, 2014	2014	2013 (Restated) (Note 20)
<b>Cash flows from Operating activities</b>		
Excess (deficiency) of revenue over expenses	\$ 703,955	\$ (623,851)
Items not affecting cash		
Amortization	1,108,543	1,158,699
Income from government business enterprises	(359,521)	(51,534)
	<b>1,452,977</b>	<b>483,314</b>
Change in non-cash operating working capital		
Accounts receivable	273,907	(177,154)
Prepaid expenses	(1,513)	(248)
Accounts payable	715,237	(1,737,650)
Deferred revenue	(947,286)	869,249
Band member receivables	84,080	17,588
Reserves	33,155	41,780
	<b>1,610,557</b>	<b>(503,121)</b>
<b>Capital activities</b>		
Purchase of capital assets	(3,003,011)	(984,468)
<b>Financing activities</b>		
Advance (repayment) of operating loans	(367,848)	732,144
Advances on long term debt	1,303,451	-
Repayment of long term debt	(467,251)	(923,548)
	<b>468,352</b>	<b>(191,404)</b>
<b>Investing activities</b>		
Distributions from government business enterprises	211,412	2,047,120
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(712,690)</b>	<b>368,127</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,277,340</b>	<b>909,213</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 564,650</b>	<b>\$ 1,277,340</b>

# **Muskeg Lake Cree Nation**

## **Notes to Consolidated Financial Statements**

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**March 31, 2014**

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### **1. Basis of Presentation and Significant Accounting Policies**

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

#### **(a) Reporting entity and principles of consolidation**

The Muskeg Lake Cree Nation reporting entity includes the First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation. Commercial enterprises which meet the definition of government business enterprises are recorded on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only the 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 Muskeg Lake Cree Nation.

Organizations accounted for on a modified equity basis include:

1. Aspen Developments Inc.
2. Muskeg Lake Economic Development Limited Partnership

#### **(b) 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. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities 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 is performed is deferred and recognized when the fee is earned or service performed.

Income from investments is recorded on the accrual basis.

#### **(c) Investments**

Portfolio investments are carried at cost.

##### **Impairment**

Investments are written down where there has been a loss in value that is other than a temporary decline.

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2014

### 1. Basis of Presentation and Significant Accounting Policies (continued)

#### (d) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, 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 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 Muskeg Lake Cree Nation's incremental cost of borrowing.

Amortization is provided on the straight-line basis over the estimated useful life of the asset as follows

Buildings and infrastructure	25 years Straight line
Automotive equipment	4 years Straight line
Computer equipment	4 years Straight line
Office furniture and equipment	5 years Straight line
Band Houses	20 years Straight line
CMHC Houses	20 years Straight line
Capital projects under construction	0 years Straight line

Tangible capital assets are written down when conditions indicate that they no longer contribute to Muskeg Lake 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 be reasonably 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.

#### (e) Cash

Cash and cash equivalents include cash on hand and balances in bank accounts.

#### (f) Financial instruments

All significant financial assets, financial liabilities and equity instruments of the entity are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2014

### 1. Basis of Presentation and Significant Accounting Policies (continued)

#### (g) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### 2. Cash

	2014	2013
Externally restricted		
Capital projects	\$ 68,561	\$ 923,929
Replacement reserves	<u>21,364</u>	<u>21,367</u>
	<u>89,925</u>	<u>945,296</u>
Unrestricted		
Operations	474,725	332,044
	<u>\$ 564,650</u>	<u>\$ 1,277,340</u>

### 3. Accounts receivable

	2014	2013
Aboriginal Affairs and Northern Development Canada	\$ 15,684	\$ 109,405
Health Canada	16,000	167
Canada Mortgage and Housing Corporation	18,271	120,996
Saskatoon Tribal Council	483,680	376,744
Other	<u>417,717</u>	<u>617,947</u>
	<u>\$ 951,352</u>	<u>\$ 1,225,259</u>

### 4. Band member receivables

	2014	2013
Member advances	\$ 459,721	\$ 543,801
Allowance for uncollectible amounts	<u>(409,809)</u>	<u>(409,809)</u>
	<u>\$ 49,912</u>	<u>\$ 133,992</u>

The loans to members are unsecured, non-interest bearing and repayable on demand.

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2014

### 5. Portfolio Investments

The portfolio investment consists of shares and advances in a development organization that serves a number of First Nations.

### 6. Investment in Government Business Enterprises

	Aspen Developments Ltd.	Muskeg Lake Economic Development LP	2014 Total	2013 Total
Cash	\$ 110,061	\$ 1,398,228	\$ 1,508,289	\$ 1,003,916
Accounts receivable	352,590	496,349	848,939	750,867
Inventory	-	456,298	456,298	390,158
Prepays	-	28,798	28,798	25,564
Investments	-	803,148	803,148	921,725
Tangible capital assets	885,165	5,200,675	6,085,840	6,569,954
<b>Total assets</b>	<b>\$ 1,347,816</b>	<b>\$ 8,383,496</b>	<b>\$ 9,731,312</b>	<b>\$ 9,662,184</b>

Accounts payable	\$ 4,787	\$ 535,461	\$ 540,248	\$ 303,466
Long-term debt	-	7,302,318	7,302,318	7,618,081
Due to related parties	2,125,830	(2,125,830)	-	-
<b>Total liabilities</b>	<b>2,130,617</b>	<b>5,711,949</b>	<b>7,842,566</b>	<b>7,921,547</b>
<b>Equity</b>	<b>(782,801)</b>	<b>2,671,547</b>	<b>1,888,746</b>	<b>1,740,637</b>
<b>Total liabilities and equity</b>	<b>\$ 1,347,816</b>	<b>\$ 8,383,496</b>	<b>\$ 9,731,312</b>	<b>\$ 9,662,184</b>

	Aspen Developments Ltd.	Muskeg Lake Economic Development LP	2014 Total	2013 Total
<b>Revenue</b>	<b>\$ 299,882</b>	<b>\$ 23,094,181</b>	<b>\$ 23,394,063</b>	<b>\$ 22,610,978</b>
Amortization	46,595	546,074	592,669	590,681
Cost of sales	-	17,415,002	17,415,002	16,689,468
General and administration	181,460	4,845,411	5,026,871	5,279,475
<b>Total expenses</b>	<b>228,055</b>	<b>22,806,487</b>	<b>23,034,542</b>	<b>22,559,624</b>
<b>Net income</b>	<b>\$ 71,827</b>	<b>\$ 287,694</b>	<b>\$ 359,521</b>	<b>\$ 51,354</b>

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2014

### 7. Bank indebtedness

The Nation has an operating line of credit in the amount of \$500,000 bearing interest at prime plus 2% (5%) with further overdrafts bearing interest at 25%. At the year end, the Nation was overdrawn by \$512,261 (2013: \$690,934).

The Nation has a construction line of credit in the amount of \$198,504 bearing interest at prime plus 2.5% (5.5%).

The loans are secured by a general security agreement and an assignment of receipts.

	2014	2013
Operating line of credit	\$ 500,000	\$ 500,000
Additional overdraft	12,261	190,934
Cheques issued in excess of funds on deposit	161,131	548,810
Construction line of credit	198,504	-
	<hr/> \$ 871,896	<hr/> \$ 1,239,744

### 8. Accounts payable

	2014	2013
Trade	\$ 688,542	\$ 647,125
Accrued salaries and employee benefits	130,689	146,061
Off-reserve tuition fees	689,193	-
	<hr/> \$ 1,508,424	<hr/> \$ 793,186

### 9. Reserves

Under the terms of the agreements with Canada Mortgage and Housing Corporation, the replacement reserve account is to be credited annually with agreed amounts. These funds, along with accumulated interest, must be held in a separate bank account, and invested in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal. As at March 31, 2014 the amount in the Replacement Reserve account was underfunded by \$295,172 (2013 - \$262,014).

	2014	2013
CMHC reserves	<hr/> \$ 316,536	<hr/> \$ 283,381

Subsequent to the year end, the Nation agreed to make 60 monthly payments of \$4,657 to the reserve account.

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2014

### 10. Deferred revenue

Deferred revenue arises as a result of revenue being received for specific projects which have not been completed as at the year end date. The amounts will be recognized as revenue at the time the corresponding expenditures are incurred.

	2014	2013
Saskatoon Tribal Council	\$ -	\$ 167,617
Aboriginal Affairs and Northern Development Canada - capital projects	68,560	904,669
Aboriginal Affairs and Northern Development Canada - program funding	21,500	-
Other	34,940	-
	<b>\$ 125,000</b>	<b>\$ 1,072,286</b>

### 11. Long-term debt

	2014	2013
First Nations Bank mortgage with payments of \$746 per month including interest at 4.74% per annum, maturing April 1, 2018, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on housing units.	\$ 32,589	\$ 40,672
Canada Mortgage and Housing Corporation mortgage with payments of \$451 per month including interest at 1.99% per annum, maturing April 1, 2019, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on housing units.	26,211	31,063
Canada Mortgage and Housing Corporation mortgage with payments of \$1,136 per month including interest at 2.63% per annum, maturing March 1, 2026, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on housing units.	140,608	150,455
Canada Mortgage and Housing Corporation mortgage with payments of \$1,068 per month including interest at 1.62% per annum, maturing February 1, 2028, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on housing units.	159,996	170,167
Canada Mortgage and Housing Corporation mortgage with payments of \$1,125 per month including interest at 2.61% per annum, maturing July 1, 2029, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on housing units.	170,996	179,962

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2014

### 11. Long-term debt, continued

	2014 \$	2013 \$
Canada Mortgage and Housing Corporation mortgage with payments of \$1,628 per month including interest at 1.71% per annum, maturing July 1, 2027, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on housing units.	233,312	248,768
Canada Mortgage and Housing Corporation mortgage with payments of \$1,351 per month including interest at 2.11% per annum, maturing December 1, 2033, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on housing units.	262,443	272,644
Canada Mortgage and Housing Corporation mortgage with payments of \$4,029 per month including interest at 2.75% per annum, maturing February 1, 2036, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on housing units.	793,699	820,066
Canada Mortgage and Housing Corporation mortgage advances with repayment terms to be determined on substantial completion of the project, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on housing units.	553,452	-
Operating loan with payments of \$108,231 per quarter including interest at prime plus 2.5% (5.75%) per annum maturing January 2016 secured by a general security agreement.	801,250	1,174,559
Government of Canada recovery with repayment terms of \$7,500 per month without interest commencing September 1, 2014. Payments to be withheld from current funding agreements.	750,000	-
	<b>\$ 3,924,556</b>	<b>\$ 3,088,356</b>

Estimated principal portion of long-term debt due within the next five years:

2015	\$ 542,539
2016	618,117
2017	215,585
2018	217,685
2019	214,023
2020 and thereafter	2,116,607
	<b>\$ 3,924,556</b>

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2014

### 12. Tangible Capital Assets

	Cost			Accumulated amortization			2014 net book value
	Balance, beginning of year	Additions	Transfers	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year
Land	\$ 4,500	\$ -	\$ -	\$ 4,500	\$ -	\$ -	\$ 4,500
Buildings and infrastructure	12,830,239	1,923,268	-	14,753,507	3,884,590	467,026	4,351,616
Automotive equipment	1,284,065	44,387	-	1,328,452	1,077,179	41,377	1,118,556
Computer equipment	397,868	18,841	-	416,709	323,262	16,805	340,067
Office furniture and equipment	1,494,295	-	-	1,494,295	1,164,163	53,829	1,217,992
Band Houses	8,184,754	-	-	8,184,754	6,873,913	409,238	7,283,151
CMHC Houses	2,405,333	863,369	-	3,268,702	551,240	120,266	671,506
Capital projects under construction	912,619	2,989,032	(2,835,887)	1,065,764	-	-	1,065,764
	\$ 27,513,673	\$ 5,838,897	\$ (2,835,887)	\$ 30,516,683	\$ 13,874,347	\$ 1,108,541	\$ 14,982,888
							\$ 15,533,795

	Cost			Accumulated amortization			2013 Net book value (Restated) (Note 20)
	Balance, beginning of year	Additions	Transfers	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year
Land	\$ -	\$ 4,500	\$ -	\$ 4,500	\$ -	\$ -	\$ 4,500
Buildings and infrastructure	12,098,129	732,110	-	12,830,239	3,489,572	395,018	3,884,590
Automotive equipment	1,284,065	-	-	1,284,065	1,025,458	51,721	1,077,179
Computer equipment	397,868	-	-	397,868	304,610	18,652	323,262
Office furniture and equipment	1,494,295	-	-	1,494,295	1,000,359	163,804	1,164,163
Band Houses	8,184,754	-	-	8,184,754	6,464,675	409,238	6,873,913
CMHC Houses	2,405,333	-	-	2,405,333	430,973	120,267	551,240
Capital projects under construction	660,258	832,071	(579,710)	912,619	-	-	912,619
	\$ 26,524,702	\$ 1,568,681	\$ (579,710)	\$ 27,513,673	\$ 12,715,647	\$ 1,158,700	\$ 13,874,347
							\$ 13,639,326

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2014

### 13. Accumulated surplus

	2014	2013
Capital assets	\$ 12,366,106	\$ 11,725,529
Investment	1,888,746	1,740,637
Operating	(1,927,897)	(1,843,166)
	<b>\$ 12,326,955</b>	<b>\$ 11,623,000</b>

### 14. Expenses

For the year ended March 31	2014 Budget	2014 Actual	2013 Actual
<b>Expenses</b>			
Amortization	\$ 1,108,543	\$ 1,108,543	\$ 1,158,699
Bank charges	48,000	43,279	99,007
Contracts	310,046	222,057	1,284,455
Emergency assistance	100,000	65,910	104,469
Insurance	211,332	146,600	185,450
Interest on long term debt	90,000	116,269	116,671
Leases	405,800	82,893	34,004
Office	76,300	82,727	30,791
Professional development	30,500	52,783	20,134
Professional fees	205,081	474,270	344,133
Program expenses	3,244,866	3,447,413	3,330,839
Repairs and maintenance	142,800	457,720	236,822
Telephone	147,600	80,126	109,357
Travel	384,622	460,311	519,773
Utilities	84,000	204,532	120,933
Wages and benefits	4,039,446	3,954,648	3,757,381
	<b>\$ 10,628,936</b>	<b>\$ 11,000,081</b>	<b>\$ 11,452,918</b>

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2014

### 15. Trust Funds

#### Treaty Land Entitlement Trust

The Muskeg Lake Treaty Land Entitlement Trust (TLE) was settled pursuant to the signing of an agreement between the Muskeg Lake Cree Nation and the Governments of Canada and Saskatchewan. The purpose of the Trust is to receive \$8,652,535 for the purchase of a minimum of 3,072 acres to be transferred to reserve status. These amounts were received by the trust over a twelve-year period ending in 2004. All entitlement monies received by the Trust are administered by the Trustees under the terms and conditions of the Trust Deed.

Separate audited financial statements are prepared by another firm of accountants for the Treaty Land Entitlement Trust.

#### Ottawa Trust Funds

Funds held by the Government of Canada (Aboriginal Affairs and Northern Development Canada) in trust for the use and benefit of the Muskeg Lake Cree Nation are as follows:

	2014	2013
Capital funds held in trust	\$ 468	\$ 468
Revenue funds held in trust	43	43
	<hr/> \$ 511	<hr/> \$ 511

### 16. Contingent Liabilities

- a) The First Nation is contingently liable for loans from CMHC under the RRAP program. Each loan is forgiven over a period of time and therefore no liability has been recorded in these statements.
- b) The First Nation together with a controlled company has commenced a lawsuit against a tenant for various breaches of rental agreements. The action has resulted in numerous claims and counter-claims by both parties. Since the amount of loss, if any, cannot be reasonably estimated, no provision has been recorded in these financial statements. Should a loss be incurred, it will be expensed in the year the liability is determined.
- c) Government contributions related to the projects of the First Nation are subject to conditions regarding the expenditure of funds. The First Nation's accounting records are subject to audit by the various funding agencies. Should any instances be identified in which the amounts charged to projects are not in accordance with the agreed terms and conditions, amounts would be refundable to the respective funding agencies. Adjustments to the financial statements as a result of these audits will be recorded in the period in which they become known.

### 17. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period.

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2014

### 18. Budget Information

The unaudited budget data in these financial statements is based upon the 2014 operating budget approved by Council.

Amortization was not contemplated on development of the budget and has been recognized at the amount expensed in the current year.

### 19. Economic Dependence

Muskeg Lake Cree Nation receives a significant portion of its revenue pursuant to a funding agreement from Aboriginal Affairs and Northern Development Canada.

### 20. Prior Period Adjustment

During the current year, management determined that a building that was held within a Government Business Enterprise (GBE) was improperly classified and should be carried as a First Nation Government asset. This adjustment has been recorded retroactively with the comparative figures restated. The result of this adjustment was to reallocate net assets of \$2,600,828 from investment in Government Business Enterprise to capital assets and to recognize the amortization on the building directly as amortization expense rather than business enterprise income.

The CMHC reserve was incorrectly classified as a liability in the prior year and has been reclassified to restricted equity.

	2013 (as reported)	2013 (restatement)	2013 (restated)
<b>Operations</b>			
Business enterprise income	\$ (175,420)	\$ 226,724	\$ 51,304
Amortization	931,925	226,724	1,158,649
Annual surplus	(623,581)	-	(623,581)
 <b>Accumulated surplus</b>	 11,623,000	 -	 11,623,000
 <b>Statement of Financial Position</b>			
Investment in GBE	4,341,465	(2,600,828)	1,740,638
Capital assets	11,038,500	2,600,828	13,639,328
	\$ 27,135,889	\$ 453,448	\$ 27,589,338

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2014

### 21. Segmented information

The Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by function. The segment revenues 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 Accounts Policies as described in Note 2. The segment results for the period are as follows:

	2014 Budget	Education 2014 Actual	2013 Actual	2014 Budget	Health 2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual
<b>Revenues</b>									
AANDC - Block	2,599,732	2,742,507	2,521,908	37,543	-	-	338,270	341,556	338,182
Health Canada				113,342	81,582	156,030			
Saskatoon Tribal Council	403,335	394,586	322,089	625,829	733,841	512,811		15,500	-
Other revenue	(172,285)	399,950	386,737	-	(73,691)	13,389	447,958	629,198	(46,469)
<b>Total revenue</b>	<b>2,830,782</b>	<b>3,537,043</b>	<b>3,230,734</b>	<b>776,714</b>	<b>741,732</b>	<b>682,230</b>	<b>786,228</b>	<b>986,253</b>	<b>291,713</b>
<b>Expenses</b>									
Wages and benefits	1,035,147	911,759	1,136,351	511,798	551,307	383,780	300,435	268,081	112,813
Program expenses	1,995,652	2,533,297	2,136,499	164,632	135,235	87,099	173,413	179,767	61,197
Contracts		23,746	169,425	3,510	28,663	90,049		2,459	44,311
Repairs and maintenance	30,000	76,463	9,381	4,800	9,546	10,474	10,000	1,482	14,395
Travel	8,000	37,110	52,525	41,522	42,743	47,938	54,100	28,858	29,887
Insurance	15,000	3,626	657	6,132	5,170	2,940	600		
Other expenses	33,200	76,489	38,791	103,581	84,825	55,308	53,600	117,246	34,580
<b>Total expenses</b>	<b>3,116,999</b>	<b>3,662,490</b>	<b>3,543,629</b>	<b>835,975</b>	<b>857,489</b>	<b>677,588</b>	<b>592,148</b>	<b>597,893</b>	<b>297,183</b>
<b>Annual surplus (deficit)</b>	<b>(286,217)</b>	<b>(125,447)</b>	<b>(312,895)</b>	<b>(59,261)</b>	<b>(115,757)</b>	<b>4,642</b>	<b>194,080</b>	<b>388,360</b>	<b>(5,470)</b>

## Muskeg Lake Cree Nation

### Notes to Consolidated Financial Statements

March 31, 2014

#### 21. Segmented information, continued

	2014 Budget	Housing 2014 Actual	2013 Actual	2014 Budget	Social Services 2014 Actual	2013 Actual	2014 Budget	Band Government 2014 Actual	2013 Actual
<b>Revenues</b>									
AANDC - Block	547,398	547,398	307,175	804,130	794,900	785,284	703,891	900,891	781,933
CMHC	151,222	112,114	268,171	-	59,198	-	37,934	178,618	95,852
Saskatoon Tribal Council	-	-	-	-	-	-	-	369,521	51,354
Equity income (loss) of business enterprises	-	-	-	-	-	-	-	-	-
Other revenue	185,192	38,525	693	70,000	(16,273)	(24,674)	1,006,850	1,154,013	1,525,772
<b>Total revenue</b>	<b>883,812</b>	<b>698,037</b>	<b>576,039</b>	<b>874,130</b>	<b>837,825</b>	<b>760,610</b>	<b>1,748,675</b>	<b>2,593,043</b>	<b>2,454,911</b>
<b>Expenses</b>									
Wages and benefits	37,273	256,878	97,848	138,673	63,981	99,389	1,101,884	1,263,726	1,061,225
Program expenses	532,239	134,968	33,978	646,603	577,980	452,327	(724,216)	(465,701)	260,081
Contracts	75,536	9,779	319,784	-	31,900	63,378	36,000	36,464	284,333
Repairs and maintenance	5,000	235,836	29,217	-	-	408	12,000	17,955	11,500
Travel	-	27,308	14,470	13,000	4,138	7,267	86,000	180,294	228,999
Insurance	5,600	6,926	-	-	-	-	9,000	2,926	7,722
Interest on long term debt	-	45,293	105,015	-	-	-	90,000	70,976	11,657
Other expenses	5,100	59,259	12,893	33,300	(1,977)	22,315	745,200	597,053	575,200
<b>Total expenses</b>	<b>660,748</b>	<b>776,245</b>	<b>613,205</b>	<b>831,576</b>	<b>676,022</b>	<b>645,084</b>	<b>1,355,868</b>	<b>1,703,693</b>	<b>2,440,717</b>
<b>Annual surplus (deficit)</b>	<b>223,064</b>	<b>(78,208)</b>	<b>(37,166)</b>	<b>42,554</b>	<b>161,803</b>	<b>115,526</b>	<b>392,807</b>	<b>889,350</b>	<b>14,194</b>

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2014

### 21. Segmented information, continued

	Community Services			Public Works		
	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual
<b>Revenues</b>						
AANDC - Block				412,987	1,595,730	1,181,581
Saskatoon Tribal Council	291,000	200,484	199,808	-	-	922,007
Other revenue	406,000	513,889	529,434	247,821	-	-
<b>Total revenue</b>	<b>697,000</b>	<b>714,373</b>	<b>729,242</b>	<b>660,808</b>	<b>1,595,730</b>	<b>2,103,588</b>
<b>Expenses</b>						
Wages and benefits	347,456	348,401	426,367	566,780	290,520	439,604
Program expenses	290,462	245,788	185,236	166,081	106,078	114,423
Contracts	45,000	17,870	53,866	150,000	71,177	259,308
Repairs and maintenance	-	3,245	14,276	81,000	113,193	147,171
Travel	46,000	60,537	58,547	136,000	79,323	80,139
Insurance	-	-	-	175,000	127,952	174,131
Other expenses	35,100	31,839	54,384	88,200	121,783	69,361
<b>Total expenses</b>	<b>764,018</b>	<b>707,680</b>	<b>792,676</b>	<b>1,363,061</b>	<b>910,026</b>	<b>1,284,137</b>
<b>Annual surplus (deficit)</b>	<b>(67,018)</b>	<b>6,693</b>	<b>(63,434)</b>	<b>(702,253)</b>	<b>685,704</b>	<b>819,451</b>

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2014

### 21. Segmented information, continued

	2014 Budget	Amortization 2014 Actual	2013 Actual	Consolidated totals		
				2014 Budget	2014 Actual	2013 Actual
<b>Revenues</b>						
AANDC - Block	-	-	-	5,443,951	6,922,981	5,916,063
Health Canada	-	-	-	113,342	81,582	156,030
CMHC	-	-	-	151,222	112,114	268,171
Saskatoon Tribal Council	-	-	-	1,358,098	1,582,227	1,130,560
Equity income (loss) of business enterprises	-	-	-	-	359,521	51,354
Other revenue	-	-	-	2,191,536	2,645,611	3,306,889
<b>Total revenue</b>	-	-	-	9,258,149	11,704,036	10,829,067
<b>Expenses</b>						
Wages and benefits	1,108,543	1,108,543	1,158,699	4,039,446	3,954,651	3,757,377
Amortization	-	-	-	1,108,543	1,108,543	1,158,699
Program expenses	-	-	-	3,244,866	3,447,412	3,330,840
Contracts	-	-	-	310,046	222,058	1,284,454
Repairs and maintenance	-	-	-	142,800	457,720	236,822
Travel	-	-	-	384,622	460,311	519,772
Insurance	-	-	-	211,332	146,600	185,450
Interest on long term debt	-	-	-	90,000	116,269	116,672
Other expenses	-	-	-	1,097,281	1,086,517	862,832
<b>Total expenses</b>	1,108,543	1,108,543	1,158,699	10,628,936	11,000,081	11,452,918
<b>Annual surplus (deficit)</b>	(1,108,543)	(1,108,543)	(1,158,699)	(1,370,787)	703,955	(623,851)

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## **Muskeg Lake Cree Nation**

### **Notes to Consolidated Financial Statements**

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**March 31, 2014**

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#### **22. Financial Instruments**

The First Nation's financial instruments consist of cash, accounts receivable, band member receivables, portfolio investments, investments in government business organizations, bank indebtedness, accounts payable, and long-term debt. Unless otherwise noted, the carrying value of its financial instruments approximates fair value.

It is management's opinion that the First Nation is not exposed to significant currency risks from its financial instruments. The First Nation is exposed to credit risk with respect to band member receivables and trade and other receivables. Credit risk arises from the possibility that band members and other entities may be unable to fulfill their obligations. The large number of members and other entities together with the credit worthiness of government funding minimizes credit risk. The First Nation also has liquidity risk in respect of its accounts payable and current portions of long-term debt. The First Nation minimizes this risk by monitoring cash flows and the terms and conditions negotiated with trade creditors and lenders. The First Nation is subject to interest rate risk arising primarily from fluctuations in rates on lines of credit and long term debt.