

Muskeg Lake Cree Nation
Consolidated Financial Statements
March 31, 2017

Muskeg Lake Cree Nation

Consolidated Financial Statements

March 31, 2017

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Muskeg Lake Cree Nation

Management's Responsibility for Financial Reporting

March 31, 2017

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 Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

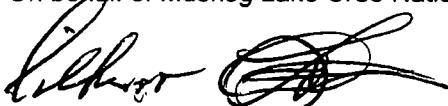
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

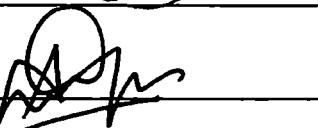
The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The 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


Controller

Aug 30 - 2017
Date
Aug 30/17
Date

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, 2017, 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, 2017, 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
August 30, 2017

Crowe MacKay LLP
Chartered Professional Accountants

Muskeg Lake Cree Nation

Consolidated Statement of Financial Position

March 31	2017	2016
Financial Assets		
Cash (Note 2)	\$ 828,806	\$ 670,452
Accounts receivable (Note 3)	688,723	769,222
Band member receivables (Note 4)	72,048	89,107
Portfolio investments (Note 5)	73,622	73,622
<u>Investments in government business organizations (Note 6)</u>	<u>4,011,534</u>	<u>3,507,636</u>
	5,674,733	5,110,039
Liabilities		
Bank indebtedness (Note 7)	309,521	510,010
Accounts payable (Note 8)	1,610,845	1,571,407
Deferred revenue (Note 10)	1,014,575	380,527
<u>Long-term debt (Note 11)</u>	<u>3,392,278</u>	<u>3,701,442</u>
	6,327,219	6,163,386
Net debt	(652,486)	(1,053,347)
Non-financial Assets		
Capital assets (Note 12)	13,644,491	14,221,181
Prepaid expenses	125,415	79,131
	13,769,906	14,300,312
Accumulated Surplus (Note 13)	\$ 13,117,420	\$ 13,246,965
Contingent liabilities (Note 16)		

Approved on behalf of the Council

Applied on behalf of the Council
, Chief

Kathy Van, Councilor

Muskeg Lake Cree Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31	2017 Budget	2017 Actual	2016 Actual
Revenue			
Federal Government:			
Indigenous and Northern Affairs Canada	\$ 5,383,152	\$ 5,869,127	\$ 5,566,246
Health Canada	153,825	120,796	159,860
CMHC	157,860	217,973	165,989
Saskatoon Tribal Council	1,489,058	1,481,253	1,546,616
Other	2,884,880	2,590,548	3,019,155
Equity income from government business enterprises	-	603,898	937,900
	10,068,775	10,883,595	11,395,766
Expenses (Note 14)			
Education	3,675,844	4,221,272	3,855,400
Health	864,582	810,278	729,847
Economic Development	688,968	502,997	734,908
Housing	849,090	1,189,218	714,590
Social Services	869,146	877,982	896,450
Band Government	1,373,934	1,368,356	1,671,385
Community Services	532,066	407,815	686,326
Public Works	917,704	880,972	830,432
Amortization	754,250	754,250	785,882
	10,525,584	11,013,140	10,905,220
Excess (deficiency) of revenue over expenses	(456,809)	(129,545)	490,546
Accumulated surplus, beginning of year (note 13)	13,246,965	13,246,965	12,756,419
Accumulated surplus, end of year	\$ 12,790,156	\$ 13,117,420	\$ 13,246,965

Muskeg Lake Cree Nation**Consolidated Statement of Change in Net Debt**

For the year ended March 31	2017 Budget	2017 Actual	2016 Actual
Excess (deficiency) of revenue over expenses	\$ (456,809)	\$ (129,545)	\$ 490,546
Acquisition of tangible capital assets	-	(177,560)	(236,528)
Amortization of tangible capital assets	<u>754,250</u>	<u>754,250</u>	<u>785,882</u>
	754,250	576,690	549,354
Acquisition of prepaid asset	-	(46,284)	(12,567)
Increase in net financial assets	297,441	400,861	1,027,333
Net debt, beginning of year	(1,053,347)	(1,053,347)	(2,080,680)
Net debt, end of year	\$ (755,906)	\$ (652,486)	\$ (1,053,347)

Muskeg Lake Cree Nation

Consolidated Statement of Cash Flow

For the year ended March 31	2017	2016
Cash flows from		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (129,545)	\$ 490,546
Items not affecting cash		
Amortization	754,250	785,882
Income from government business enterprises	(603,898)	(937,900)
	20,807	338,528
Change in non-cash operating working capital		
Accounts receivable	80,499	183,289
Prepaid expenses	(46,284)	(12,567)
Accounts payable	39,438	60,626
Deferred revenue	634,048	235,637
Band member receivables	17,059	(8,648)
Reserves	-	24,442
	745,567	821,307
Capital activities		
Purchase of capital assets	(177,560)	(236,528)
Financing activities		
Advance (repayment) of operating loans	(230,211)	(187,387)
Advances on long term debt	177,560	100,000
Repayment of long term debt	(457,002)	(522,861)
Dividend	100,000	200,000
	(409,653)	(410,248)
Increase in cash and cash equivalents	158,354	174,531
Cash and cash equivalents, beginning of year	670,452	495,921
Cash and cash equivalents, end of year	\$ 828,806	\$ 670,452

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2017

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 Chartered Professional Accountants of Canada.

(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 enterprises 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, 2017

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, 2017

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

(g) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

2. Cash

	2017	2016
Externally restricted		
Capital projects	\$ 118,231	\$ 144,527
Replacement reserves	286,512	196,842
	<hr/> 404,743	<hr/> 341,369
Unrestricted		
Operations	424,063	329,083
	<hr/> \$ 828,806	<hr/> \$ 670,452

3. Accounts receivable

	2017	2016
Accounts receivable	\$ 94,691	\$ -
Indigenous and Northern Affairs Canada	518	176,875
Canada Mortgage and Housing Corporation	-	3,050
Saskatoon Tribal Council	378,641	141,730
Other	214,873	205,049
Taxation	-	242,518
	<hr/> \$ 688,723	<hr/> \$ 769,222

Muskeg Lake Cree Nation**Notes to Consolidated Financial Statements**

March 31, 2017

4. Band member receivables

	2017	2016
Member advances	\$ 481,857	\$ 498,916
Allowance for uncollectible amounts	<u>(409,809)</u>	<u>(409,809)</u>
	<hr/> \$ 72,048	<hr/> \$ 89,107

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

5. Portfolio investments

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

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2017

6. Investment in Government Business Enterprises

	Aspen Developments Inc.	Muskeg Lake Economic Development LP	2017 Total	2016 Total
Cash	\$ 132,407	\$ 2,500,700	\$ 2,633,107	\$ 2,148,921
Accounts receivable	343,532	966,958	1,310,490	931,638
Inventory	-	546,468	546,468	448,106
Prepays	-	62,686	62,686	55,317
Investments	-	-	-	940,483
Tangible capital assets	758,902	7,918,557	8,677,459	8,885,375
Other assets	127,560	126,780	254,340	229,091
Total assets	\$ 1,362,401	\$ 12,122,149	\$ 13,484,550	\$ 13,638,931
Accounts payable	\$ 199,647	\$ 680,127	\$ 879,774	\$ 1,151,180
Long-term debt	-	8,593,242	8,593,242	8,980,115
Due to related parties	1,875,699	(1,875,699)	-	-
Total liabilities	2,075,346	7,397,670	9,473,016	10,131,295
Equity	(712,945)	4,724,479	4,011,534	3,507,636
Total liabilities and equity	\$ 1,362,401	\$ 12,122,149	\$ 13,484,550	\$ 13,638,931
	Aspen Developments Inc.	Muskeg Lake Economic Development LP	2017 Total	2016 Total
Revenue	\$ 409,353	\$ 20,346,542	\$ 20,755,895	\$ 21,055,626
Amortization	39,946	451,047	490,993	571,748
Cost of sales	-	15,406,655	15,406,655	14,831,165
General and administration	275,106	3,559,243	3,834,349	4,039,813
Total expenses	315,052	19,416,945	19,731,997	19,442,726
Net income	\$ 94,301	\$ 929,597	\$ 1,023,898	\$ 1,612,900

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2017

6. Investment in Government Business Enterprises, continued

	2017	2016
Cash distributions during the year:		
Apen Developments Inc.		
Dividends	\$ 100,000	\$ 200,000
Muskeg Lake Economic Development LP		
Distributions	345,000	600,000
Christmas distribution	75,000	75,000
	<hr/> \$ 520,000	<hr/> \$ 875,000

	2017	2016
Payments made by Muskeg Lake Economic Development LP on behalf of the Nation:		
Mortgage payments on debt assumed on the Elders Care Home	\$ 361,131	\$ 361,131
Overhead cost share of Saskatoon office	43,562	43,562
	<hr/> \$ 404,693	<hr/> \$ 404,693

7. Bank indebtedness

The Nation has an operating line of credit in the amount of \$500,000 bearing interest at prime plus 3% (4.85%) with further overdrafts bearing interest at 25%. At the year end, the Nation was overdrawn by \$510,010 (2015: \$802,168).

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

	2017	2016
Operating line of credit	\$ 104,880	\$ 294,950
Cheques issued in excess of funds on deposit	204,641	215,060
	<hr/> \$ 309,521	<hr/> \$ 510,010

8. Accounts payable

	2017	2016
Trade	\$ 512,329	\$ 664,696
Accrued salaries and employee benefits	121,875	123,639
Off-reserve tuition fees	976,641	783,072
	<hr/> \$ 1,610,845	<hr/> \$ 1,571,407

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2017

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, 2017 the amount in the Replacement Reserve account was underfunded by \$130,231 (2016 - \$177,291).

Subsequent to the 2014 year end, the Nation agreed to make 60 monthly payments of \$4,657 to the reserve account.

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.

	2017	2016
Indigenous and Northern Affairs Canada	\$ 590,622	\$ 154,527
Health Canada	36,000	36,000
Other	387,953	190,000
	<hr/> \$ 1,014,575	<hr/> \$ 380,527

11. Long-term debt

	2017	2016
John Deere vehicle loan with payments of \$1,067 per month including interest at 9.62% per annum, maturing June 19, 2018, secured by a vehicle with net book value of \$45,963.	\$ 14,076	\$ 24,949
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 Indigenous and Northern Affairs Canada and a first mortgage on housing units.	9,272	17,409
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 Indigenous and Northern Affairs Canada and a first mortgage on housing units.	11,061	16,211

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2017

11. Long-term debt, continued

	2017	2016
	\$	\$
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 Indigenous and Northern Affairs Canada and a first mortgage on housing units.	108,776	120,132
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 Indigenous and Northern Affairs Canada and a first mortgage on housing units.	128,479	139,159
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 Indigenous and Northern Affairs Canada and a first mortgage on housing units.	141,325	151,465
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 Indigenous and Northern Affairs Canada and a first mortgage on housing units.	185,333	201,606
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 Indigenous and Northern Affairs Canada and a first mortgage on housing units.	229,236	240,548
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 Indigenous and Northern Affairs Canada and a first mortgage on housing units.	703,716	737,331
Canada Mortgage and Housing Corporation mortgage with payments of \$3,115 per month including interest at 1.85% per annum, maturing February 1, 2034, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on housing units.	571,470	598,134
Operating loan repayable in quarterly instalments of \$10,014 including interest at 4.7% maturing April 2021 secured by a general security agreement.	160,211	-

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2017

11. Long-term debt, continued

	2017 \$	2016 \$
Government of Canada recovery on a contribution agreement for the Elders Care Home with repayment terms of \$7,500 per month without interest commencing September 1, 2014. Payments to be withheld from current funding agreements.	517,500	607,500
First Calgary vehicle lease with payments of \$251 per month included interest at 5% per annum, maturing April 3, 2017, secured by a vehicle with net book value of \$17,663.	10,030	12,473
First Calgary vehicle lease with payments of \$258 per month included interest at 5.00% per annum, maturing April 3, 2017, secured by a vehicle with net book value of \$17,843.	10,030	12,551
Operating loan repayable in quarterly instalments of \$56,850 including interest at prime plus 3% (4.85%) maturing 2019 secured by a general security agreement.	525,096	721,974
Operating loan repayable in annual instalments of \$33,333 with interest paid monthly at prime plus 2% (2.7%) maturing April 2018 secured by a general security agreement.	66,667	100,000
	<hr/> \$ 3,392,278	<hr/> \$ 3,701,442

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

2018	\$ 521,509
2019	500,574
2020	351,451
2021	252,511
2022 and thereafter	1,766,233
	<hr/> \$ 3,392,278

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2017

12. Tangible Capital Assets

	Cost			Accumulated amortization			2017 net book value
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	
Land	\$ 4,500	\$ -	\$ 4,500	\$ -	\$ -	\$ -	\$ 4,500
Buildings and infrastructure	15,081,001	-	15,081,001	5,227,894	489,811	5,717,705	9,363,296
Automotive equipment	1,503,022	177,560	1,680,582	1,229,591	72,442	1,302,033	378,549
Computer equipment	484,992	-	484,992	395,172	27,684	422,856	62,136
Office furniture and equipment	1,494,295	-	1,494,295	1,434,114	10,475	1,444,589	49,706
Band Houses	8,684,754	-	8,684,754	7,572,036	55,635	7,627,671	1,057,083
CMHC Houses	4,024,663	-	4,024,663	1,197,239	98,203	1,295,442	2,729,221
	\$ 31,277,227	\$ 177,560	\$ 31,454,787	\$ 17,056,046	\$ 754,250	\$ 17,810,296	\$ 13,644,491
	Cost			Accumulated amortization			2016 Net book value
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	
Land	\$ 4,500	\$ -	\$ 4,500	\$ -	\$ -	\$ -	\$ 4,500
Buildings and infrastructure	14,961,417	119,584	15,081,001	4,795,271	432,623	5,227,894	9,853,107
Automotive equipment	1,428,522	74,500	1,503,022	1,170,546	59,045	1,229,591	273,431
Computer equipment	442,548	42,444	484,992	362,259	32,913	395,172	89,820
Office furniture and equipment	1,494,295	-	1,494,295	1,334,749	99,365	1,434,114	60,181
Band Houses	8,684,754	-	8,684,754	7,513,471	58,565	7,572,036	1,112,718
CMHC Houses	4,024,663	-	4,024,663	1,093,868	103,371	1,197,239	2,827,424
	\$ 31,040,699	\$ 236,528	\$ 31,277,227	\$ 16,270,164	\$ 785,882	\$ 17,056,046	\$ 14,221,181

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2017

13. Accumulated Surplus

	2017	2016
Operating fund	\$ (2,315,044)	\$ (1,976,520)
Capital assets	11,004,187	11,341,714
Investment fund	4,011,534	3,507,636
CMHC replacement reserve	416,743	374,135
 Balance, closing	 \$ 13,117,420	 \$ 13,246,965

14. Expenses

For the year ended March 31	2017 Budget	2017 Actual	2016 Actual
Expenses			
Amortization	\$ 754,250	\$ 754,250	\$ 785,882
Bank charges	30,400	24,703	29,438
Contracts	284,006	32,732	18,700
Emergency assistance	-	68,716	55,030
Funding reductions and adjustments	-	126,933	239,695
Insurance	222,698	269,023	214,538
Interest on long term debt	43,840	69,533	94,592
Leases	35,806	39,834	39,611
Materials and supplies	568,449	276,986	512,390
Office	51,585	75,760	50,510
Professional development	41,500	56,042	35,136
Professional fees	418,484	405,106	439,779
Program expenses	3,006,409	3,435,395	3,389,072
Repairs and maintenance	718,040	1,114,264	661,386
Telephone	85,227	89,448	80,490
Travel and meetings	207,482	237,815	232,043
Utilities	148,560	128,995	160,715
Wages and benefits	3,908,848	3,807,605	3,866,213
	 \$ 10,525,584	 \$ 11,013,140	 \$ 10,905,220

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2017

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:

	2017	2016
Capital funds held in trust	\$ 468	\$ 468
Revenue funds held in trust	9	31
	\$ 477	\$ 499

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.
- d) The Nation has provided loan guarantees for mortgages owing by the Muskeg Lake Economic Development Limited Partnership group.

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2017

17. Comparative Amounts

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

18. Budget Information

The unaudited budget data in these financial statements is based upon the 2017 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 Indigenous and Northern Affairs Canada.

20. Correction of a classification error

Opening retained earnings at April 1, 2015 has been restated to include the balance of the CMHC replacement reserve that was previously classified as a liability. The restatement has increased opening retained earnings and decreased liabilities by \$374,135.

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2017

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:

	Education			Health			Economic Development		
	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual
Revenues									
INAC	2,663,014	2,822,261	2,697,714	-	-	-	249,428	277,990	249,533
Health Canada	-	-	-	153,825	120,796	159,860	-	-	-
Saskatoon Tribal Council	384,051	472,215	401,873	648,498	630,159	648,498	-	62,000	-
Other revenue	248,097	526,745	532,381	-	6,274	3,510	614,447	340,622	638,343
Total revenue	3,295,162	3,821,221	3,631,968	802,323	757,229	811,868	863,875	680,612	887,876
Expenses									
Wages and benefits	896,137	1,107,391	916,580	488,025	449,176	417,069	271,279	232,505	300,869
Program expenses	2,345,840	2,735,703	2,581,954	81,133	84,016	95,243	61,300	95,719	190,845
Contracts	59,000	27,205	8,150	107,112	-	-	55,000	-	-
Repairs and maintenance	66,885	142,052	118,070	35,500	49,304	41,076	51,700	112,353	48,176
Travel and meetings	14,826	20,219	26,778	21,200	32,032	18,482	10,500	3,909	9,462
Insurance	19,500	31,908	18,677	5,546	14,307	2,987	2,500	5,245	472
Interest on long term debt	-	1,964	-	-	-	-	-	-	-
Other expenses	273,656	154,830	185,191	126,066	181,443	154,990	236,689	53,266	185,084
Total expenses	3,675,844	4,221,272	3,855,400	864,582	810,278	729,847	688,968	502,997	734,908
Annual surplus (deficit)	(380,682)	(400,051)	(223,432)	(62,259)	(53,049)	82,021	174,907	177,615	152,968

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2017

21. Segmented information, continued

	2017	Housing	Social Services		Band Government			2016	
	Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual	
Revenues									
INAC - Block	544,856	766,521	546,129	796,039	812,035	788,546	650,856	667,270	736,375
CMHC	157,860	217,973	165,989						
Saskatoon Tribal Council				73,107	62,854	115,163	107,750	102,528	114,007
Equity income (loss) of business enterprises								603,898	937,900
Other revenue	462,000	296,443	160,880		1,000	100	956,563	862,960	1,030,112
Total revenue	1,164,716	1,280,937	872,998	869,146	875,889	903,809	1,715,169	2,236,656	2,818,394
Expenses									
Wages and benefits	204,326	268,760	269,211	128,259	149,336	163,138	1,225,389	967,631	1,105,583
Program expenses	115,979	106,223	72,265	659,246	583,973	636,163	(433,430)	(384,362)	(382,270)
Repairs and maintenance	327,000	595,824	165,058	10,000	9,995	20,939	32,005	39,422	22,137
Travel and meetings	8,000	5,226	9,210	3,500	3,549	3,602	122,140	146,122	107,035
Insurance	127,554	139,033	106,798	9,000	9,379	2,333	33,623	23,050	50,606
Interest on long term debt		33,413	48,215				43,840	34,156	46,377
Other expenses	66,231	40,739	43,833	59,141	121,750	70,275	350,367	542,337	721,917
Total expenses	849,090	1,189,218	714,590	869,146	877,982	896,450	1,373,934	1,368,356	1,671,385
Annual surplus (deficit)	315,626	91,719	158,408	-	(2,093)	7,359	341,235	868,300	1,147,009

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2017

21. Segmented information, continued

	Community Services			Public Works		
	2017 Budget	2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual
Revenues						
INAC - Block				478,959	523,050	547,949
Saskatoon Tribal Council	259,812	149,613	258,892	15,840	1,885	8,184
Other revenue	276,773	214,066	496,558	327,000	342,437	157,270
Total revenue	536,585	363,679	755,450	821,799	867,372	713,403
Expenses						
Wages and benefits	262,159	213,431	328,704	433,274	419,371	365,058
Program expenses	94,161	125,132	164,449	82,180	88,991	30,422
Contracts				62,894	5,527	10,550
Repairs and maintenance	18,000	6,482	14,452	176,950	158,833	231,478
Travel and meetings	8,300	10,131	38,379	19,016	16,627	19,094
Insurance	3,975	6,024	3,273	21,000	40,077	29,392
Other expenses	145,471	46,615	137,069	122,390	151,546	144,438
Total expenses	532,066	407,815	686,326	917,704	880,972	830,432
Annual surplus (deficit)	4,519	(44,136)	69,124	(95,905)	(13,600)	(117,029)

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2017

21. Segmented information, continued

	2017 Budget	Amortization		Consolidated totals		
		2017 Actual	2016 Actual	2017 Budget	2017 Actual	2016 Actual
Revenues						
INAC - Block	-	-	-	5,383,152	5,869,127	5,566,246
Health Canada	-	-	-	153,825	120,796	159,860
CMHC	-	-	-	157,860	217,973	165,989
Saskatoon Tribal Council	-	-	-	1,489,058	1,481,254	1,546,617
Equity income (loss) of business enterprises	-	-	-		603,898	937,900
Other revenue	-	-	-	2,884,880	2,590,547	3,019,154
Total revenue	-	-	-	10,068,775	10,883,595	11,395,766
Expenses						
Wages and benefits				3,908,848	3,807,601	3,866,212
Amortization	754,250	754,250	785,882	754,250	754,250	785,882
Program expenses	-	-	-	3,006,409	3,435,395	3,389,071
Contracts	-	-	-	284,006	32,732	18,700
Repairs and maintenance	-	-	-	718,040	1,114,265	661,386
Travel and meetings	-	-	-	207,482	237,815	232,042
Insurance	-	-	-	222,698	269,023	214,538
Interest on long term debt	-	-	-	43,840	69,533	94,592
Other expenses	-	-	-	1,380,011	1,292,526	1,642,797
Total expenses	754,250	754,250	785,882	10,525,584	11,013,140	10,905,220
Annual surplus (deficit)	(754,250)	(754,250)	(785,882)	(456,809)	(129,545)	490,546

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2017

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.