

Muskeg Lake Cree Nation
Consolidated Financial Statements

March 31, 2018

Muskeg Lake Cree Nation**Consolidated Financial Statements**

March 31, 2018

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Muskeg Lake Cree Nation

Management's Responsibility for Financial Reporting

March 31, 2018

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


July 19, 2018
Date
July 19, 2018
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, 2018, and the consolidated statements of operations and accumulated surplus, change in net financial assets 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, 2018, and the results of its operations, the changes in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Canada
July 19, 2018

Crowe MacKay LLP
Chartered Professional Accountants

Muskeg Lake Cree Nation

Consolidated Statement of Financial Position

March 31	2018	2017
Financial Assets		
Cash (Note 2)	\$ 1,229,409	\$ 828,806
Accounts receivable (Note 3)	1,306,993	688,723
Band member receivables (Note 4)	80,392	72,048
Portfolio investments (Note 5)	73,622	73,622
<u>Investments in government business organizations (Note 6)</u>	<u>5,061,163</u>	<u>4,011,534</u>
	7,751,579	5,674,733
Liabilities		
Bank indebtedness (Note 7)	235,699	309,521
Accounts payable (Note 8)	2,252,855	1,610,845
Deferred revenue (Note 10)	1,284,951	1,014,575
<u>Long-term debt (Note 11)</u>	<u>3,182,866</u>	<u>3,392,278</u>
	6,956,371	6,327,219
<u>Net financial assets (debt)</u>	<u>795,208</u>	<u>(652,486)</u>
Non-financial Assets		
Capital assets (Note 12)	13,849,474	13,644,491
Prepaid expenses	101,010	125,415
	13,950,484	13,769,906
<u>Accumulated Surplus (Note 13)</u>	<u>\$ 14,745,692</u>	<u>\$ 13,117,420</u>
Contingent liabilities (Note 16)		

Approved on behalf of the Council

Approved on behalf of the Council

 , Councilor

Muskeg Lake Cree Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31	2018 Budget	2018 Actual	2017 Actual
Revenue			
Federal Government:			
Indigenous Services Canada	\$ 6,357,847	\$ 6,442,580	\$ 5,869,127
ISC funding clawed back	-	(3,689)	-
Health Canada	122,015	465,711	120,796
CMHC	156,933	405,229	217,973
Saskatoon Tribal Council	1,460,926	1,460,854	1,481,253
Other (Note 14)	2,234,536	3,149,048	2,590,548
Equity income from government business enterprises	-	1,047,463	603,898
	10,332,257	12,967,196	10,883,595
Expenses (Note 15)			
Education	4,004,420	3,912,606	4,221,272
Health	853,657	816,049	810,278
Economic Development	487,317	458,365	502,997
Housing	1,124,346	1,638,187	1,189,218
Social Services	836,902	873,216	877,982
Band Government	1,369,033	1,732,690	1,368,356
Community Services	513,342	361,435	407,815
Public Works	936,563	782,267	880,972
Amortization	767,274	764,109	754,250
	10,892,854	11,338,924	11,013,140
Excess (deficiency) of revenue over expenses	(560,597)	1,628,272	(129,545)
Accumulated surplus, beginning of year	13,117,420	13,117,420	13,246,965
Accumulated surplus, end of year	\$ 12,556,823	\$ 14,745,692	\$ 13,117,420

Muskeg Lake Cree Nation

Consolidated Statement of Change in Net Financial Assets (Debt)

For the year ended March 31	2018 Budget	2018 Actual	2017 Actual
Excess (deficiency) of revenue over expenses	\$ (560,597)	\$ 1,628,272	\$ (129,545)
Acquisition of tangible capital assets	-	(976,622)	(177,560)
Amortization of tangible capital assets	767,274	764,109	754,250
Gain on disposal of capital assets	-	(92,470)	-
Proceeds on disposal of capital assets	-	100,000	-
	767,274	(204,983)	576,690
Acquisition of prepaid asset	-	24,405	(46,284)
Increase in net financial assets	231,082	1,447,694	400,861
Net debt, beginning of year	(652,486)	(652,486)	(1,053,347)
Net financial assets (net debt), end of year	\$ (421,404)	\$ 795,208	\$ (652,486)

Muskeg Lake Cree Nation

Consolidated Statement of Cash Flow

For the year ended March 31	2018	2017
Cash flows from Operating activities		
Excess (deficiency) of revenue over expenses	\$ 1,628,272	\$ (129,545)
Items not affecting cash		
Amortization	764,109	754,250
Income from government business enterprises	(1,047,463)	(603,898)
Gain on disposal of capital assets	(92,470)	-
	1,252,448	20,807
Change in non-cash operating working capital		
Accounts receivable	(618,270)	80,499
Prepaid expenses	24,405	(46,284)
Accounts payable	719,045	25,112
Deferred revenue	270,376	634,048
Band member receivables	(8,345)	17,059
	1,639,659	731,241
Capital activities		
Purchase of capital assets	(976,622)	(177,560)
Proceeds on disposal of capital assets	100,000	-
	(876,622)	(177,560)
Financing activities		
Repayment of operating loans	(344,772)	(230,211)
Advances on long term debt	353,491	177,560
Repayment of long term debt	(291,954)	(457,002)
Dividend		100,000
Due from/to Aspen Developments Inc.	(79,199)	14,326
	(362,434)	(395,327)
Increase in cash and cash equivalents	400,603	158,354
Cash and cash equivalents, beginning of year	828,806	670,452
Cash and cash equivalents, end of year	\$ 1,229,409	\$ 828,806

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2018

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, 2018

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

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, including recognized interest in reserve lands and natural resources, as well as 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, 2018

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

	2018	2017
Externally restricted		
Capital projects	\$ 117,894	\$ 118,231
Replacement reserves	<u>376,213</u>	<u>286,512</u>
	<u>494,107</u>	<u>404,743</u>
Internally restricted		
Elders activities	<u>39,135</u>	-
Unrestricted		
Operations	<u>696,167</u>	424,063
	<u>\$ 1,229,409</u>	<u>\$ 828,806</u>

3. Accounts receivable

	2018	2017
Indigenous Services Canada	\$ 366,915	\$ 518
Canada Mortgage and Housing Corporation	161,272	-
Saskatoon Tribal Council	263,356	378,641
Other	436,475	309,564
Taxation	<u>78,975</u>	-
	<u>\$ 1,306,993</u>	<u>\$ 688,723</u>

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

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4. Band member receivables

	2018	2017
Member advances	\$ 490,201	\$ 481,857
<u>Allowance for uncollectible amounts</u>	<u>(409,809)</u>	<u>(409,809)</u>
	\$ 80,392	\$ 72,048

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, 2018

6. Investment in MLCN Government Business Enterprises

	Aspen Developments Inc.	Muskeg Lake Economic Development LP	2018 Total	2017 Total
Cash	\$ 198,621	\$ 3,681,615	\$ 3,880,236	\$ 2,633,107
Accounts receivable	246,390	273,550	519,940	1,310,490
Inventory	-	500,600	500,600	546,468
Prepaid's	-	77,581	77,581	62,686
Investments	-	16,436	16,436	-
Due from related parties	-	1,719,021	1,719,021	-
Tangible capital assets	720,938	8,848,591	9,569,529	8,677,459
Other assets	108,843	125,963	234,806	254,340
Total assets	\$ 1,274,792	\$ 15,243,357	\$ 16,518,149	\$ 13,484,550
Accounts payable	\$ 809,070	\$ 613,065	\$ 1,422,135	\$ 879,774
Long-term debt	-	9,540,655	9,540,655	8,593,242
Due to related parties	1,720,023	1,140,199	2,860,222	2,043,421
Total liabilities	2,529,093	11,293,919	13,823,012	11,516,437
Equity	(1,254,301)	3,949,438	2,695,137	1,968,113
Total liabilities and equity	\$ 1,274,792	\$ 15,243,357	\$ 16,518,149	\$ 13,484,550

	Aspen Developments Inc.	Muskeg Lake Economic Development LP	2018 Total	2017 Total
Revenue	\$ 457,753	\$ 19,949,516	\$ 20,407,269	\$ 20,755,895
Amortization	59,595	467,085	526,680	490,993
Cost of sales	-	15,281,714	15,281,714	15,406,655
General and administration	238,018	4,191,532	4,429,550	3,834,349
Other income	(21,631)	(1,641,798)	(1,663,429)	-
Total expenses	275,982	18,298,533	18,574,515	19,731,997
Net income	\$ 181,771	\$ 1,650,983	\$ 1,832,754	\$ 1,023,898

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2018

6. Investment in Government Business Enterprises, continued

	2018	2017
Aspen Developments Inc. - equity	\$ (1,254,301)	\$ (1,216,945)
Muskeg Lake Economic Development LP - equity	3,949,438	3,185,058
Related party receivables	2,366,026	2,043,421
Total investment in Government Business Enterprises	\$ 5,061,163	\$ 4,011,534

	2018	2017
Distributions and payments made by Muskeg Lake Economic Development LP on behalf of the Nation:		
Mortgage payments on debt assumed on the Elders Care Home	\$ 350,944	\$ 361,131
Overhead cost share of Saskatoon office	40,982	43,562
Muskeg Lake Economic Development LP distributions	345,000	345,000
Christmas distribution	75,000	75,000
Education payment	75,000	-
Aspen Development Inc. dividends	219,127	100,000
	\$ 1,106,053	\$ 924,693

7. Bank indebtedness

The Nation has an operating line of credit in the amount of \$500,000 bearing interest at prime plus 3% (6.45%) with further overdrafts bearing interest at 25%. At the year end, the Nation was overdrawn by \$78,238 (2017: \$104,880).

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

	2018	2017
Operating line of credit	\$ 78,238	\$ 104,880
Cheques issued in excess of funds on deposit	157,461	204,641
	\$ 235,699	\$ 309,521

8. Accounts payable

	2018	2017
Trade	\$ 970,704	\$ 512,329
Accrued salaries and employee benefits	140,015	121,875
Off-reserve tuition fees	1,142,136	976,641
	\$ 2,252,855	\$ 1,610,845

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2018

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, 2018 the amount in the Replacement Reserve account was underfunded by \$81,240 (2017 - \$130,231). Subsequent to year end, there was a deposit of \$161,272.

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.

	March 31, 2017	Funding received, 2018	Revenue recognized, 2018	March 31, 2018
Federal government				
Indigenous Services Canada	\$ 482,808	\$ 6,881,794	\$ (6,457,580)	\$ 907,022
Health Canada	36,000	465,711	(501,711)	-
	518,808	7,347,505	(6,959,291)	907,022
Provincial Government				
Government of Saskatchewan	-	4,500	-	4,500
Other				
Saskatoon Tribal Council	63,029	1,463,549	(1,443,694)	82,884
Community Development Corporation	190,000	148,284	(61,951)	276,333
Housing Insurance	107,814	-	(107,814)	-
TLE Housing	8,574	-	(8,574)	-
Prairie Spirit School Division	126,350	-	(126,350)	-
Other	-	13,883	329	14,212
	495,767	1,625,716	(1,748,054)	373,429
	\$ 1,014,575	\$ 8,977,721	\$ (8,707,345)	\$ 1,284,951

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2018

11. Long-term debt

	2018	2017
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 \$23,533.	\$ 2,180	\$ 14,076
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 Services Canada and a first mortgage on housing units.	740	9,272
Canada Mortgage and Housing Corporation mortgage with payments of \$451 per month including interest at 1.98% per annum, maturing April 1, 2019, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on housing units.	5,809	11,061
Canada Mortgage and Housing Corporation mortgage with payments of \$1,059 per month including interest at 1.14% per annum, maturing March 1, 2026, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on housing units.	97,232	108,776
Canada Mortgage and Housing Corporation mortgage with payments of \$1,110 per month including interest at 2.41% per annum, maturing February 1, 2028, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on housing units.	117,707	128,479
Canada Mortgage and Housing Corporation mortgage with payments of \$1,065 per month including interest at 1.82% per annum, maturing July 1, 2029, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on housing units.	131,005	141,325
Canada Mortgage and Housing Corporation mortgage with payments of \$1,649 per month including interest at 1.97% per annum, maturing July 1, 2027, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on housing units.	168,875	185,333
Canada Mortgage and Housing Corporation mortgage with payments of \$1,352 per month including interest at 2.11% per annum, maturing December 1, 2033, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on housing units.	\$ 217,695	\$ 229,236

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Notes to Consolidated Financial Statements

March 31, 2018

11. Long-term debt, continued

	2018	2017
Canada Mortgage and Housing Corporation mortgage with payments of \$3,404 per month including interest at 1.01% per annum, maturing February 1, 2036, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on housing units.	669,775	703,716
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 Services Canada and a first mortgage on housing units.	544,331	571,470
Operating loan repayable in quarterly instalments of \$10,014 including interest at prime plus 2% (5.45%) maturing April 2021 secured by a general security agreement.	127,378	160,211
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 and future funding agreements.	427,500	517,500
First Calgary vehicle lease paid in full during the year	-	10,030
First Calgary vehicle lease paid in full during the year	-	10,030
CAT140K Grader loan with payments of \$4,725 per month including interest at 4.49% per annum, maturing June 30, 2022, secured by a grader with net book value of \$318,142.	218,992	-
Operating loan repayable in quarterly instalments of \$56,850 including interest at prime plus 2% (5.45%) maturing 2019 secured by a general security agreement.	320,314	525,096
Operating loan repayable in annual instalments of \$33,333 with interest paid monthly at prime plus 2% (5.45%) maturing April 2018 secured by a general security agreement.	33,333	66,667
1919 Soldier Settlement Board Surrender IR 102 Claim. There is no specific period of repayment. The loan bears interest rate of 0%.	100,000	-
	3,182,866	3,392,278

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Notes to Consolidated Financial Statements

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11. Long-term debt, continued

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

2019	\$ 552,761
2020	406,388
2021	307,416
2022	292,085
<u>2023 and thereafter</u>	<u>1,624,216</u>
	<hr/>
	\$ 3,182,866

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2018

12. Tangible Capital Assets

	Cost				Accumulated amortization				2018 net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	on disposals	Balance, end of year	
Land	\$ 4,500	\$ -	\$ -	\$ 4,500	\$ -	\$ -	\$ -	\$ -	\$ 4,500
Buildings and infrastructure	15,081,001	457,518	-	15,538,519	5,717,705	469,112	-	6,186,817	9,351,702
Automotive equipment	1,680,582	469,750	(238,660)	1,911,672	1,302,033	121,179	(231,130)	1,192,082	719,590
Computer equipment	484,992	25,434	-	510,426	422,856	17,122	-	439,978	70,448
Office furniture and equipment	1,494,295	-	-	1,494,295	1,444,589	9,951	-	1,454,540	39,755
Band Houses	8,684,754	-	-	8,684,754	7,627,671	52,855	-	7,680,526	1,004,228
CMHC Houses	4,024,663	23,920	-	4,048,583	1,295,442	93,890	-	1,389,332	2,659,251
	\$ 31,454,787	\$ 976,622	\$ (238,660)	\$ 32,192,749	\$ 17,810,296	\$ 764,109	\$ (231,130)	\$ 18,343,275	\$ 13,849,474

	Cost				Accumulated amortization				2017 Net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	on disposals	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

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

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13. Accumulated Surplus

	2018	2017
Operating fund	\$ (1,920,557)	\$ (2,315,044)
Capital assets	11,147,633	11,004,187
Investment fund	5,061,163	4,011,534
CMHC replacement reserve	457,453	416,743
 <u>Balance, closing</u>	 <u>\$ 14,745,692</u>	 <u>\$ 13,117,420</u>

14. Other revenue

	2018	2017
Contributions from businesses	\$ 639,127	\$ 420,000
First Nations Trust	677,929	668,257
Grants, fundraising and sales	335,135	483,224
Rental	292,660	287,674
Property taxes	233,697	223,410
Treaty Land Entitlement Trust	120,081	186,797
Community Development Corp	526,102	343,924
Insurance proceeds	203,783	112,186
Deferred Revenue	120,534	(134,924)
 <u></u>	 <u>\$ 3,149,048</u>	 <u>\$ 2,590,548</u>

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2018

15. Expenses

For the year ended March 31	2018 Budget	2018 Actual	2017 Actual
Expenses			
Amortization	\$ 767,274	\$ 764,109	\$ 754,250
Bank charges	25,600	22,809	24,703
Contracts	123,700	32,586	32,732
Emergency assistance	60,000	83,991	68,716
Funding reductions and adjustments	-	-	126,933
Insurance	264,115	253,509	269,023
Interest on long term debt	214,096	70,743	69,533
Leases	30,114	20,160	39,834
Materials and supplies	261,468	265,835	276,986
Office	73,474	76,464	75,760
Professional development	148,423	47,008	56,042
Professional fees	355,533	578,109	405,106
Program expenses	3,318,953	3,217,559	3,435,395
Repairs and maintenance	857,061	1,497,440	1,114,264
Telephone	91,888	84,709	89,448
Travel and meetings	294,926	319,898	237,815
Utilities	118,150	179,965	128,995
Wages and benefits	3,888,079	3,824,030	3,807,605
	\$ 10,892,854	\$ 11,338,924	\$ 11,013,140

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2018

16. 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:

	2018	2017
Capital funds held in trust	\$ 468	\$ 468
Revenue funds held in trust	5	9
	<hr/> \$ 473	<hr/> \$ 477

17. 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) 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.
- c) The Nation has provided loan guarantees for mortgages owing by the Muskeg Lake Economic Development Limited Partnership group.

18. 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, 2018

19. Budget Information

The unaudited budget data in these financial statements is based upon the 2018 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.

20. Economic Dependence

Muskeg Lake Cree Nation receives a significant portion of its revenue pursuant to a funding agreement from Indigenous Services Canada.

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2018

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				
	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual
Revenues									
ISC	3,240,659	2,965,998	2,822,261	-	-	-	250,530	269,868	277,990
Health Canada	-	-	-	122,015	465,711	120,796	-	-	-
Saskatoon Tribal Council	354,777	475,839	472,215	726,728	677,902	630,159	-	-	62,000
Other revenue	424,550	589,233	526,745	(29,758)	(11,224)	6,274	247,638	380,276	340,622
Total revenue	4,019,986	4,031,070	3,821,221	818,985	1,132,389	757,229	498,168	650,144	680,612
Expenses									
Wages and benefits	1,103,407	1,164,709	1,107,391	502,561	428,194	449,176	171,679	160,015	232,505
Program expenses	2,425,944	2,367,711	2,735,703	98,668	98,288	84,016	102,777	182,706	95,719
Contracts	3,000	1,294	27,205	-	-	-	-	-	-
Repairs and maintenance	204,000	151,468	142,052	49,000	41,592	49,304	92,900	8,315	112,353
Travel and meetings	36,097	24,578	20,219	31,759	42,126	32,032	20,000	21,977	3,909
Insurance	45,110	31,857	31,908	7,400	10,325	14,307	2,150	4,903	5,245
Interest on long term debt	-	-	1,964	-	-	-	-	-	-
Other expenses	186,862	170,989	154,830	164,269	195,524	181,443	97,811	80,449	53,266
Total expenses	4,004,420	3,912,606	4,221,272	853,657	816,049	810,278	487,317	458,365	502,997
Annual surplus (deficit)	15,566	118,464	(400,051)	(34,672)	316,340	(53,049)	10,851	191,779	177,615

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2018

21. Segmented information, continued

	2018 Budget	Housing		Social Services		Band Government			2017 Actual
		2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	
Revenues									
ISC	804,623	903,433	766,521	818,373	832,610	812,035	666,834	911,705	667,270
CMHC	156,933	405,229	217,973						
Saskatoon Tribal Council				18,529	47,431	62,854	109,000	115,235	102,528
Equity income (loss) of business enterprises								1,047,463	603,898
Other revenue	196,790	431,431	296,443		(9,264)	1,000	774,131	1,092,668	862,960
Total revenue	1,158,346	1,740,093	1,280,937	836,902	870,777	875,889	1,549,965	3,167,071	2,236,656
Expenses									
Wages and benefits	235,614	264,400	268,760	156,644	148,025	149,336	1,091,350	1,217,449	967,631
Program expenses	87,063	85,928	106,223	602,412	553,274	583,973	(348,766)	(259,016)	(384,362)
Contracts					53				
Repairs and maintenance	234,193	1,047,367	595,824	8,000	1,736	9,995	45,800	58,242	39,422
Travel and meetings	6,070	11,012	5,226	8,500	4,409	3,549	150,000	144,299	146,122
Insurance	137,450	137,381	139,033	9,250	6,086	9,379	20,100	17,474	23,050
Interest on long term debt	166,510	31,070	33,413				41,000	31,650	34,156
Other expenses	257,446	61,029	40,739	52,096	159,633	121,750	369,549	522,592	542,337
Total expenses	1,124,346	1,638,187	1,189,218	836,902	873,216	877,982	1,369,033	1,732,690	1,368,356
Annual surplus (deficit)	34,000	101,906	91,719		(2,439)	(2,093)	180,932	1,434,381	868,300

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2018

21. Segmented information, continued

	Community Services			Public Works		
	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual
Revenues						
ISC				576,828	558,966	523,050
Saskatoon Tribal Council	251,892	144,448	149,613			1,885
Other revenue	261,450	219,451	214,066	359,735	452,787	342,437
Total revenue	513,342	363,899	363,679	936,563	1,011,753	867,372
Expenses						
Wages and benefits	270,363	148,311	213,431	356,461	292,926	419,371
Program expenses	182,572	116,520	125,132	168,283	72,149	88,991
Contracts		8,700		120,700	22,539	5,527
Repairs and maintenance	16,000	24,754	6,482	207,168	163,965	158,833
Travel and meetings	41,500	49,333	10,131	1,000	22,165	16,627
Insurance	4,260	4,057	6,024	38,395	41,427	40,077
Interest on long term debt				6,586	8,023	
Other expenses	(1,353)	9,760	46,615	37,970	159,073	151,546
Total expenses	513,342	361,435	407,815	936,563	782,267	880,972
Annual surplus (deficit)		2,464	(44,136)		229,486	(13,600)

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2018

21. Segmented information, continued

	2018 Budget	Amortization		Consolidated totals		
		2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual
Revenues						
ISC	-	-	-	6,357,847	6,442,580	5,869,127
Health Canada	-	-	-	122,015	465,711	120,796
CMHC	-	-	-	156,933	405,229	217,973
Saskatoon Tribal Council	-	-	-	1,460,926	1,460,855	1,481,254
Equity income of business enterprises	-	-	-	-	1,047,463	603,898
Other revenue	-	-	-	2,234,536	3,145,358	2,590,547
Total revenue	-	-	-	10,332,257	12,967,196	10,883,595
Expenses						
Wages and benefits				3,888,079	3,824,029	3,807,601
Amortization	767,274	764,109	754,250	767,274	764,109	754,250
Program expenses	-	-	-	3,318,953	3,217,560	3,435,395
Contracts	-	-	-	123,700	32,586	32,732
Repairs and maintenance	-	-	-	857,061	1,497,439	1,114,265
Travel and meetings	-	-	-	294,926	319,899	237,815
Insurance	-	-	-	264,115	253,510	269,023
Interest on long term debt	-	-	-	214,096	70,743	69,533
Other expenses	-	-	-	1,164,650	1,359,049	1,292,526
Total expenses	767,274	764,109	754,250	10,892,854	11,338,924	11,013,140
Annual surplus (deficit)	(767,274)	(764,109)	(754,250)	(560,597)	1,628,272	(129,545)

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2018

22. Financial Instruments

The First Nation's financial instruments consist of cash, accounts receivable, band member receivables, portfolio investments, investments in government business enterprises, 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.