

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

**March 31, 2019**

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## **Muskeg Lake Cree Nation**

### **Management's Responsibility for Financial Reporting**

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**March 31, 2019**

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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 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.

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:

Original signed by \_\_\_\_\_ Date \_\_\_\_\_  
Chief \_\_\_\_\_

Original signed by \_\_\_\_\_ Date \_\_\_\_\_  
Controller \_\_\_\_\_

## Independent Auditors' Report

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

#### *Opinion*

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

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

#### *Basis for Opinion*

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

## Independent Auditors' Report, continued

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

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

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

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

Edmonton, Canada  
July 19, 2019

*Clowé MacKay LLP*  
Chartered Professional Accountants

# Muskeg Lake Cree Nation

## Consolidated Statement of Financial Position

March 31	2019	2018
<b>Financial Assets</b>		
Cash (Note 2)	\$ 2,095,601	\$ 1,229,409
Accounts receivable (Note 3)	1,303,985	1,306,993
Band member receivable (Note 4)	77,873	80,392
Portfolio investments (Note 5)	73,622	73,622
Investments in MLCN government business enterprises (Note 6)	6,985,484	5,061,163
	<b>10,536,565</b>	<b>7,751,579</b>
<b>Liabilities</b>		
Bank indebtedness (Note 7)	539,373	235,699
Accounts payable (Note 8)	2,429,288	2,252,855
Deferred revenue (Note 10)	3,066,319	1,284,951
Long-term debt (Note 11)	2,902,204	3,182,866
	<b>8,937,184</b>	<b>6,956,371</b>
<b>Net financial assets</b>	<b>1,599,381</b>	<b>795,208</b>
<b>Non-financial Assets</b>		
Capital assets (Note 12)	14,118,026	13,849,474
Prepaid expenses	76,384	101,010
	<b>14,194,410</b>	<b>13,950,484</b>
<b>Accumulated Surplus (Note 13)</b>	<b>\$ 15,793,791</b>	<b>\$ 14,745,692</b>
Contingent liabilities (Note 17)		

Approved on behalf of the Muskeg Lake Cree Nation

Original signed by \_\_\_\_\_, Chief

Original signed by \_\_\_\_\_, Controller

## Muskeg Lake Cree Nation

### Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31	2019 Budget	2019 Actual	2018 Actual
<b>Revenue</b>			
Federal Government:			
Indigenous Services Canada	\$ 6,173,369	\$ 6,933,927	\$ 6,442,580
ISC funding clawed back	-	(20,794)	(3,689)
Health Canada	118,474	756,418	465,711
CMHC	152,441	269,720	405,229
Saskatoon Tribal Council	1,559,665	1,465,983	1,428,972
Other (Note 14)	2,194,018	2,774,693	3,180,930
Equity income from MLCN government business enterprises	-	1,695,781	1,047,463
	<b>10,197,967</b>	<b>13,875,728</b>	<b>12,967,196</b>
<b>Expenses (Note 15)</b>			
Education	3,686,359	4,072,482	3,912,606
Health	942,470	971,498	816,049
Economic Development	530,172	685,340	458,365
Housing	915,511	1,075,833	1,638,187
Social Services	928,804	905,559	873,216
Band Government	1,839,607	2,684,672	1,732,690
Community Services	431,892	555,429	361,435
Public Works	716,143	1,100,869	782,267
Amortization	775,947	775,947	764,109
	<b>10,766,905</b>	<b>12,827,629</b>	<b>11,338,924</b>
<b>Excess of revenue over expenses</b>	<b>(568,938)</b>	<b>1,048,099</b>	<b>1,628,272</b>
<b>Accumulated surplus, beginning of year</b>	<b>14,745,692</b>	<b>14,745,692</b>	<b>13,117,420</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 14,176,754</b>	<b>\$ 15,793,791</b>	<b>\$ 14,745,692</b>

## Muskeg Lake Cree Nation

### Consolidated Statement of Change in Net Financial Assets

For the year ended March 31	2019 Budget	2019 Actual	2018 Actual
<b>Excess of revenue over expenses</b>	\$ (568,938)	\$ 1,048,099	\$ 1,628,272
Acquisition of tangible capital assets	-	(1,044,499)	(976,622)
Amortization of tangible capital assets	775,948	775,947	764,109
Gain on disposal of capital assets	-	-	(92,470)
<u>Proceeds on disposal of capital assets</u>	-	-	100,000
	-	(268,552)	(204,983)
<u>Use of prepaid asset</u>	-	24,626	24,405
<b>Increase in net financial assets</b>	(544,312)	804,173	1,447,694
<b>Net financial assets (net debt), beginning of year</b>	<b>795,208</b>	<b>795,208</b>	<b>(652,486)</b>
<b>Net financial assets, end of year</b>	<b>\$ 250,896</b>	<b>\$ 1,599,381</b>	<b>\$ 795,208</b>

# Muskeg Lake Cree Nation

## Consolidated Statement of Cash Flow

For the year ended March 31	2019	2018
<b>Cash flows from Operating activities</b>		
Excess of revenue over expenses	\$ 1,048,099	\$ 1,628,272
Items not affecting cash		
Amortization	775,947	764,109
Income from government business enterprises	(1,695,781)	(1,047,463)
Gain on disposal of capital assets	-	(92,470)
	128,265	1,252,448
Change in non-cash operating working capital		
Accounts receivable	3,008	(618,270)
Prepaid expenses	24,626	24,405
Accounts payable	176,479	719,045
Deferred revenue	1,781,368	270,376
Band member receivables	2,519	(8,345)
	2,116,265	1,639,659
<b>Capital activities</b>		
Purchase of capital assets	(1,044,499)	(976,622)
Proceeds on disposal of capital assets	-	100,000
	(1,044,499)	(876,622)
<b>Financing activities</b>		
Repayment of operating loans	(280,635)	(344,772)
Repayment of bank indebtedness	(269,333)	(291,954)
Advances on long term debt	269,307	353,491
Due from/to related parties	75,087	(79,199)
	(205,574)	(362,434)
<b>Increase in cash and cash equivalents</b>	<b>866,192</b>	<b>400,603</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,229,409</b>	<b>828,806</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,095,601</b>	<b>\$ 1,229,409</b>

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# **Muskeg Lake Cree Nation**

## **Notes to Consolidated Financial Statements**

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**March 31, 2019**

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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 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
3. MLCN Community Store Ltd.

#### **(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, 2019

### 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, 2019

### 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

	2019	2018
Externally restricted		
Capital projects	\$ 117,690	\$ 117,894
Replacement reserves	<u>497,841</u>	<u>376,213</u>
	<u><b>615,531</b></u>	<u><b>494,107</b></u>
Internally restricted		
Elders activities	<b>39,135</b>	39,135
Unrestricted		
Operations	<b>1,440,935</b>	696,167
	<b>\$ 2,095,601</b>	<b>\$ 1,229,409</b>

### 3. Accounts receivable

	2019	2018
Indigenous Services Canada	\$ -	\$ 366,915
Health Canada	<b>21,667</b>	-
Canada Mortgage and Housing Corporation	<b>12,668</b>	161,272
Saskatoon Tribal Council	<b>542,184</b>	263,356
Other	<b>603,090</b>	409,415
Taxation	<b>89,610</b>	78,975
Government Remittances	<b>34,766</b>	27,060
	<b>\$ 1,303,985</b>	<b>\$ 1,306,993</b>

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## Muskeg Lake Cree Nation

### Notes to Consolidated Financial Statements

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March 31, 2019

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#### 4. Band member receivables

	2019	2018
Member advances	\$ 487,682	\$ 490,201
Allowance for uncollectible amounts	<u>(409,809)</u>	<u>(409,809)</u>
	<hr/> <b>\$ 77,873</b>	<hr/> <b>\$ 80,392</b>

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, 2019

### 6. Investment in MLCN Government Business Enterprises

	Aspen Developments Inc.	Muskeg Lake Economic Development LP	2019 Total	2018 Total
Cash	\$ 291,004	\$ 4,233,093	\$ 4,524,097	\$ 3,880,236
Accounts receivable	265,367	863,612	1,128,979	519,940
Inventory	-	568,840	568,840	500,600
Prepays	-	81,148	81,148	77,581
Investments	-	30,414	30,414	16,436
Due from related parties	-	1,587,052	1,587,052	1,719,021
Tangible capital assets	684,892	13,704,909	14,389,801	9,569,529
Other assets	101,932	1,161,009	1,262,941	234,806
<b>Total assets</b>	<b>\$ 1,343,195</b>	<b>\$ 22,230,077</b>	<b>\$ 23,573,272</b>	<b>\$ 16,518,149</b>
Accounts payable	\$ 828,726	\$ 833,372	\$ 1,662,098	\$ 1,422,135
Long-term debt	-	14,741,101	14,741,101	9,540,655
Due to related parties	1,685,883	1,339,877	3,025,760	2,860,222
<b>Total liabilities</b>	<b>2,514,609</b>	<b>16,914,350</b>	<b>19,428,959</b>	<b>13,823,012</b>
<b>Equity</b>	<b>(1,171,414)</b>	<b>5,315,727</b>	<b>4,144,313</b>	<b>2,695,137</b>
<b>Total liabilities and equity</b>	<b>\$ 1,343,195</b>	<b>\$ 22,230,077</b>	<b>\$ 23,573,272</b>	<b>\$ 16,518,149</b>
	Aspen Developments Inc.	Muskeg Lake Economic Development LP	2019 Total	2018 Total
Revenue	\$ 452,287	\$ 23,233,460	\$ 23,685,747	\$ 20,407,269
Amortization	56,597	500,090	556,687	526,680
Cost of sales	-	17,835,775	17,835,775	15,281,714
General and administration	196,388	4,260,180	4,456,568	4,429,550
Other income	(20,550)	(1,557,022)	(1,577,572)	(1,663,429)
<b>Total expenses</b>	<b>232,435</b>	<b>21,039,023</b>	<b>21,271,458</b>	<b>18,574,515</b>
<b>Net income</b>	<b>\$ 219,852</b>	<b>\$ 2,194,437</b>	<b>\$ 2,414,289</b>	<b>\$ 1,832,754</b>

## Muskeg Lake Cree Nation

### Notes to Consolidated Financial Statements

March 31, 2019

#### 6. Investment in Government Business Enterprises, continued

	2019	2018
Aspen Developments Inc. - equity	\$ (1,171,414)	\$ (1,254,301)
Muskeg Lake Economic Development LP - equity	5,315,727	3,949,438
MLCN Community Store Ltd. - equity		
Related party receivables	2,841,171	2,366,026
 Total investment in Government Business Enterprises	 \$ 6,985,484	 \$ 5,061,163

	2019	2018
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	\$ 343,667	\$ 350,944
Overhead cost share of Saskatoon office	16,856	40,982
Muskeg Lake Economic Development LP distributions	345,000	345,000
Christmas distribution	75,000	75,000
Education payment	47,625	75,000
Aspen Development Inc. dividends	136,965	219,127
 \$ 965,113	 \$ 1,106,053	

#### 7. Bank indebtedness

The Nation has an operating line of credit in the amount of \$500,000 bearing interest at prime plus 3% (5.95%) with further overdrafts bearing interest at 25%. At the year end, the Nation was overdrawn by \$124,452 (2018: \$78,238).

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

	2019	2018
Operating line of credit	\$ 124,452	\$ 78,238
Cheques issued in excess of funds on deposit	414,921	157,461
 \$ 539,373	 \$ 235,699	

#### 8. Accounts payable

	2019	2018
Trade	\$ 886,466	\$ 970,704
Accrued salaries and employee benefits	182,914	140,015
Off-reserve tuition fees	1,359,956	1,142,136
 \$ 2,429,336	 \$ 2,252,855	

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2019

### 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, 2019 the amount in the Replacement Reserve account was overfunded by \$27,646 (2018 - underfunded by \$81,240).

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, 2018	Funding received, 2019	Revenue recognized, 2019	March 31, 2019
<b>Federal government</b>				
Indigenous Services Canada	\$ 907,022	\$ 7,307,502	\$ (6,933,927)	\$ 1,280,597
Health Canada - Capital projects	-	756,418	(676,963)	79,455
	907,022	8,063,920	(7,610,890)	1,360,052
<b>Provincial Government</b>				
Government of Saskatchewan	4,500	-	(4,500)	-
<b>Other</b>				
Saskatoon Tribal Council	65,725	2,816,306	(1,465,983)	1,416,048
Community Development Corporation	276,333	221,509	(365,521)	132,321
Other	31,371	157,898	(31,371)	157,898
	373,429	3,195,713	(1,862,875)	1,706,267
	\$ 1,284,951	\$ 11,259,633	\$ (9,478,265)	\$ 3,066,319

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2019

### 11. Long-term debt

	2019	2018
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
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
Canada Mortgage and Housing Corporation mortgage with payments of \$452 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.	452	5,809
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.	85,556	97,232
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.	107,031	117,707
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.	120,497	131,005
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.	152,233	168,875
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.	\$ 205,908	\$ 217,695

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2019

### 11. Long-term debt, continued

	2019	2018
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.	<b>635,490</b>	669,775
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.	<b>516,687</b>	544,331
Operating loan repayable in quarterly instalments of \$10,014 including interest at 4.70% maturing April 2021, secured by a general security agreement.	<b>93,736</b>	127,378
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.	<b>337,500</b>	427,500
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.	<b>171,152</b>	218,992
Operating loan repayable in quarterly instalments of \$56,850 including interest at prime plus 2% (5.95%) maturing 2019 secured by a general security agreement.	<b>106,655</b>	320,314
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
1919 Soldier Settlement Board Surrender IR 102 Claim. There is no specific period of repayment. The loan bears interest rate of 0%.	<b>369,307</b>	100,000
	<b>2,902,204</b>	<b>3,182,866</b>

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## **Muskeg Lake Cree Nation**

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

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**March 31, 2019**

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#### **11. Long-term debt, continued**

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

2020	\$ 408,434
2021	307,415
2022	293,133
2023	212,812
<u>2024 and thereafter</u>	<u>1,680,410</u>
	<hr/>
	\$ 2,902,204
	<hr/>

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2019

### 12. Tangible Capital Assets

	Cost						Accumulated amortization					2019 net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year				
Land	\$ 4,500	\$ -	\$ -	\$ 4,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,500
Buildings and infrastructure	15,538,519	863,110	-	16,401,629	6,186,817	450,467	-	6,637,284				9,764,345
Automotive equipment	1,911,672	86,838	-	1,998,510	1,192,082	152,602	-	1,344,684				653,826
Computer equipment	510,426	77,109	-	587,535	439,978	22,983	-	462,961				124,574
Office furniture and equipment	1,494,295	-	-	1,494,295	1,454,540	9,453	-	1,463,993				30,302
Band Houses	8,684,754	-	-	8,684,754	7,680,526	50,211	-	7,730,737				954,017
CMHC Houses	4,048,583	17,442	-	4,066,025	1,389,332	90,231	-	1,479,563				2,586,462
	\$ 32,192,749	\$ 1,044,499	\$ -	\$ 33,237,248	\$ 18,343,275	\$ 775,947	\$ -	\$ 19,119,222				\$ 14,118,026

	Cost						Accumulated amortization					2018 Net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated 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

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2019

### 13. Accumulated Surplus

	2019	2018
Operating fund	\$ (2,710,115)	\$ (1,920,557)
Capital assets	11,046,906	11,147,633
Investment fund	6,985,484	5,061,163
CMHC replacement reserve	471,516	457,453
 Balance, closing	 \$ 15,793,791	 \$ 14,745,692

### 14. Other revenue

	2019	2018
Contributions from businesses	\$ 556,965	\$ 639,127
First Nations Trust	642,218	677,929
Grants, fundraising and sales	768,829	331,735
Rental and land lease revenue	280,340	292,660
Property taxes	241,807	233,697
Treaty Land Entitlement Trust	41,040	120,081
Community Development Corp	221,509	526,102
Insurance proceeds	-	203,783
Deferred Revenue	21,985	155,816
 	 \$ 2,774,693	 \$ 3,180,930

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

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**March 31, 2019**

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**15. Expenses**

<b>For the year ended March 31</b>	<b>2019 Budget</b>	<b>2019 Actual</b>	<b>2018 Actual</b>
<b>Expenses</b>			
Amortization	\$ 775,947	\$ 775,947	\$ 764,109
Bad debt expense	-	48,240	-
Bank charges	21,900	19,470	22,809
Contracts	44,100	86,882	32,586
Emergency assistance	83,000	117,746	83,991
Insurance	253,692	262,171	253,509
Interest on long term debt	37,856	58,993	70,743
Leases	18,864	18,434	20,160
Materials and supplies	278,123	395,056	265,799
Office	85,750	85,799	76,464
Professional development	45,625	105,543	47,008
Professional fees	479,213	1,078,997	578,109
Program expenses	3,657,154	3,848,948	3,217,595
Repairs and maintenance	544,056	862,733	1,497,440
Telephone	80,978	108,884	84,709
Travel and meetings	256,457	546,137	319,898
Utilities	147,650	205,123	179,965
Wages and benefits	3,956,540	4,202,526	3,824,030
	<b>\$ 10,766,905</b>	<b>\$ 12,827,629</b>	<b>\$ 11,338,924</b>

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## Muskeg Lake Cree Nation

### Notes to Consolidated Financial Statements

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March 31, 2019

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#### 16. Federal 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 (Indigenous Services Canada) in trust for the use and benefit of the Muskeg Lake Cree Nation are as follows:

	2019	2018
Capital funds held in trust	\$ 468	\$ 468
Revenue funds held in trust	5	5
	<hr/> <b>\$ 473</b>	<hr/> <b>\$ 473</b>

#### 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.

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## **Muskeg Lake Cree Nation**

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

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**March 31, 2019**

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#### **19. Budget Information**

The unaudited budget data in these financial statements is based upon the 2019 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, 2019

### 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				
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
<b>Revenues</b>									
ISC	3,158,474	3,075,406	2,965,998	-	-	-	251,898	447,533	269,868
Health Canada	-	-	-	118,474	756,418	465,711	-	-	-
Saskatoon Tribal Council	361,303	302,071	479,239	768,242	704,812	642,620	-	15,500	-
Other revenue	343,827	284,432	585,833	17,159	44,471	24,058	358,162	583,778	380,276
<b>Total revenue</b>	<b>3,863,604</b>	<b>3,661,909</b>	<b>4,031,070</b>	<b>903,875</b>	<b>1,505,701</b>	<b>1,132,389</b>	<b>610,060</b>	<b>1,046,811</b>	<b>650,144</b>
<b>Expenses</b>									
Wages and benefits	1,225,132	1,312,404	1,164,709	514,328	440,777	428,194	152,567	170,130	160,015
Program expenses	1,995,787	2,322,288	2,367,747	158,652	109,214	98,288	235,340	423,087	182,706
Contracts	-	23,500	1,294	19,500	20,312	-	-	3,750	-
Repairs and maintenance	165,600	116,197	151,468	41,500	34,249	41,592	21,265	21,332	8,315
Travel and meetings	18,500	57,873	24,578	28,000	70,303	42,126	5,000	21,499	21,977
Insurance	45,400	30,778	31,857	9,600	11,014	10,325	2,150	3,771	4,903
Other expenses	235,940	209,442	170,953	170,890	285,629	195,524	113,850	41,771	80,449
<b>Total expenses</b>	<b>3,686,359</b>	<b>4,072,482</b>	<b>3,912,606</b>	<b>942,470</b>	<b>971,498</b>	<b>816,049</b>	<b>530,172</b>	<b>685,340</b>	<b>458,365</b>
<b>Annual surplus (deficit)</b>	<b>177,245</b>	<b>(410,573)</b>	<b>118,464</b>	<b>(38,595)</b>	<b>534,203</b>	<b>316,340</b>	<b>79,888</b>	<b>361,471</b>	<b>191,779</b>

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2019

### 21. Segmented information, continued

	2019 Budget	Housing 2019 Actual	2018 Actual	2019 Budget	Social Services 2019 Actual	2018 Actual	2019 Budget	Band Government 2019 Actual	2018 Actual
<b>Revenues</b>									
ISC	702,538	734,187	903,433	861,840	860,261	832,610	694,157	982,656	911,705
CMHC	152,441	269,720	405,229	-	-	-	-	-	-
Saskatoon Tribal Council	-	-	-	76,228	24,528	47,431	102,000	83,169	115,235
Equity income (loss) of business enterprises	-	-	-	-	-	-	-	1,695,781	1,047,463
Other revenue	19,480	67,401	431,431	(9,264)	(38,377)	(9,264)	1,072,973	1,331,735	1,092,668
<b>Total revenue</b>	<b>874,459</b>	<b>1,071,308</b>	<b>1,740,093</b>	<b>928,804</b>	<b>846,412</b>	<b>870,777</b>	<b>1,869,130</b>	<b>4,093,341</b>	<b>3,167,071</b>
<b>Expenses</b>									
Wages and benefits	189,437	230,166	264,400	150,169	153,522	148,025	1,164,524	1,211,428	1,217,449
Program expenses	216,826	118,035	85,928	693,945	678,112	553,274	28,940	(71,192)	(259,016)
Contracts	-	-	-	-	2,020	53	-	-	-
Repairs and maintenance	166,071	401,370	1,047,367	2,500	4,743	1,736	12,300	25,819	58,242
Travel and meetings	7,500	11,903	11,012	8,807	13,403	4,409	138,291	296,441	144,299
Insurance	124,262	136,706	137,381	7,000	1,660	6,086	18,100	24,178	17,474
Interest on long term debt	-	29,829	31,070	-	-	-	29,000	20,308	31,650
Other expenses	211,415	147,824	61,029	66,383	52,099	159,633	448,452	1,177,690	522,592
<b>Total expenses</b>	<b>915,511</b>	<b>1,075,833</b>	<b>1,638,187</b>	<b>928,804</b>	<b>905,559</b>	<b>873,216</b>	<b>1,839,607</b>	<b>2,684,672</b>	<b>1,732,690</b>
<b>Annual surplus (deficit)</b>	<b>(41,052)</b>	<b>(4,525)</b>	<b>101,906</b>	<b>-</b>	<b>(59,147)</b>	<b>(2,439)</b>	<b>29,523</b>	<b>1,408,669</b>	<b>1,434,381</b>

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2019

### 21. Segmented information, continued

	Community Services		Public Works		2018 Actual
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	
<b>Revenues</b>					
ISC	-	-	-	504,462	833,884
Saskatoon Tribal Council	251,892	335,902	144,448	-	558,966
Other revenue	180,000	184,619	219,451	211,681	295,841
<b>Total revenue</b>	<b>431,892</b>	<b>520,521</b>	<b>363,899</b>	<b>716,143</b>	<b>1,129,725</b>
<b>Expenses</b>					
Wages and benefits	223,208	236,479	148,311	337,175	447,619
Program expenses	136,177	189,053	116,520	191,487	80,352
Contracts	-	-	8,700	24,600	37,300
Repairs and maintenance	13,500	13,472	24,754	121,320	245,597
Travel and meetings	30,400	42,800	49,333	19,959	31,916
Insurance	4,280	5,980	4,057	42,900	48,085
Interest on long term debt	-	-	-	8,856	8,856
Other expenses	24,327	67,645	9,760	(30,154)	201,144
<b>Total expenses</b>	<b>431,892</b>	<b>555,429</b>	<b>361,435</b>	<b>716,143</b>	<b>1,100,869</b>
<b>Annual surplus (deficit)</b>	<b>-</b>	<b>(34,908)</b>	<b>2,464</b>	<b>-</b>	<b>28,856</b>
					<b>229,486</b>

# Muskeg Lake Cree Nation

## Notes to Consolidated Financial Statements

March 31, 2019

### 21. Segmented information, continued

	2019 Budget	Amortization		Consolidated totals		
		2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
<b>Revenues</b>						
ISC	-	-	-	6,173,369	6,933,927	6,442,580
Health Canada	-	-	-	118,474	756,418	465,711
CMHC	-	-	-	152,441	269,720	405,229
Saskatoon Tribal Council	-	-	-	1,559,665	1,465,982	1,428,973
Equity income of business enterprises	-	-	-	-	1,695,781	1,047,463
Other revenue	-	-	-	2,194,018	2,753,900	3,177,240
<b>Total revenue</b>	-	-	-	10,197,967	13,875,728	12,967,196
<b>Expenses</b>						
Wages and benefits	-	-	-	3,956,540	4,202,525	3,824,029
Amortization	775,947	775,947	764,109	775,947	775,947	764,109
Program expenses	-	-	-	3,657,154	3,848,949	3,217,596
Contracts	-	-	-	44,100	86,882	32,586
Repairs and maintenance	-	-	-	544,056	862,779	1,497,439
Travel and meetings	-	-	-	256,457	546,138	319,899
Insurance	-	-	-	253,692	262,172	253,510
Interest on long term debt	-	-	-	37,856	58,993	70,743
Other expenses	-	-	-	1,241,103	2,183,244	1,359,013
<b>Total expenses</b>	775,947	775,947	764,109	10,766,905	12,827,629	11,338,924
<b>Annual surplus (deficit)</b>	(775,947)	(775,947)	(764,109)	(568,938)	1,048,099	1,628,272

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## **Muskeg Lake Cree Nation**

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

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**March 31, 2019**

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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 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.