

Muskeg Lake Cree Nation
Consolidated Financial Statements
March 31, 2020

Muskeg Lake Cree Nation

Management's Responsibility for Financial Reporting

March 31, 2020

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.

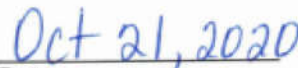
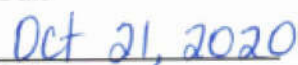
The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

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


Date

Date

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, 2020, 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, 2020, and the results of its consolidated operations, its changes in its consolidated net financial assets, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of First Nation taken as a whole. The supplementary information included on the schedules on pages 32 - 123 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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
October 21, 2020



Chartered Professional Accountants

Muskeg Lake Cree Nation

Consolidated Statement of Financial Position

| March 31 | 2020 | 2019 |
|----------|------|------|
|----------|------|------|

Financial Assets

| | | |
|--|-------------------|-------------------|
| Cash (Note 3) | \$ 5,027,916 | \$ 2,095,601 |
| Accounts receivable (Note 4) | 1,409,851 | 1,303,985 |
| Band member receivable (Note 5) | - | 77,873 |
| Portfolio investments (Note 6) | 73,622 | 73,622 |
| Investments in MLCN government business enterprises (Note 7) | 8,675,100 | 6,985,484 |
| | 15,186,489 | 10,536,565 |

Liabilities

| | | |
|----------------------------|-------------------|------------------|
| Bank indebtedness (Note 8) | - | 539,373 |
| Accounts payable (Note 9) | 3,001,114 | 2,429,328 |
| Deferred revenue (Note 11) | 7,020,454 | 3,066,319 |
| Long-term debt (Note 12) | 3,183,249 | 2,902,204 |
| | 13,204,817 | 8,937,224 |

| | | |
|-----------------------------|------------------|------------------|
| Net financial assets | 1,981,672 | 1,599,341 |
|-----------------------------|------------------|------------------|

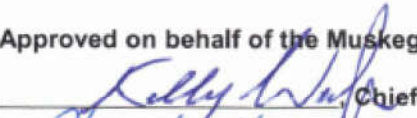
Non-financial Assets


| | | |
|--------------------------|-------------------|-------------------|
| Capital assets (Note 13) | 16,018,581 | 14,118,026 |
| Prepaid expenses | 80,392 | 76,384 |
| | 16,098,973 | 14,194,410 |

| | | |
|--------------------------------------|----------------------|----------------------|
| Accumulated Surplus (Note 14) | \$ 18,080,645 | \$ 15,793,751 |
|--------------------------------------|----------------------|----------------------|

Contingent liabilities (Note 18)

Approved on behalf of the Muskeg Lake Cree Nation

 Chief

 Controller

Muskeg Lake Cree Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31

| | 2020 Budget | 2020 Actual | 2019 Actual |
|---|----------------------|----------------------|----------------------|
| Revenue | | | |
| Federal Government: | | | |
| Indigenous Services Canada | \$ 6,232,450 | \$ 9,454,098 | \$ 6,933,927 |
| ISC funding clawed back | - | (33,356) | (20,794) |
| ISC - Health Canada | 365,218 | 654,475 | 756,418 |
| CMHC | 480,586 | 241,720 | 269,720 |
| Saskatoon Tribal Council | 2,520,408 | 2,383,241 | 1,465,983 |
| Other (Note 15) | 2,120,490 | 2,542,701 | 2,774,693 |
| Equity income from MLCN government business enterprises | - | 1,565,526 | 1,695,781 |
| | 11,719,152 | 16,808,405 | 13,875,728 |
| Expenses (Note 16) | | | |
| Education | 3,639,177 | 4,128,326 | 4,074,709 |
| Health | 1,339,359 | 1,432,390 | 971,498 |
| Economic Development | 784,788 | 680,837 | 685,340 |
| Housing | 1,122,464 | 1,168,571 | 1,075,833 |
| Social Services | 1,570,588 | 1,410,340 | 905,599 |
| Band Government | 1,891,587 | 2,516,463 | 2,684,672 |
| Community Services | 144,000 | 225,365 | 555,429 |
| Public Works | 889,595 | 1,329,310 | 1,098,642 |
| Amortization | - | 1,629,909 | 775,947 |
| | 11,381,558 | 14,521,511 | 12,827,669 |
| Excess of revenue over expenses | 337,594 | 2,286,894 | 1,048,059 |
| Accumulated surplus, beginning of year | 15,793,751 | 15,793,751 | 14,745,692 |
| Accumulated surplus, end of year | \$ 16,131,345 | \$ 18,080,645 | \$ 15,793,751 |

Muskeg Lake Cree Nation

Consolidated Statement of Change in Net Financial Assets

For the year ended March 31

| | 2020 Budget | 2020 Actual | 2019 Actual |
|--|---------------------|---------------------|---------------------|
| Excess of revenue over expenses | \$ 337,594 | \$ 2,286,894 | \$ 1,048,059 |
| Acquisition of tangible capital assets | - | (3,533,773) | (1,044,499) |
| Amortization of tangible capital assets | - | 1,629,909 | 775,947 |
| Gain on disposal of capital assets | - | (4,698) | - |
| Proceeds on disposal of capital assets | - | 8,007 | - |
| | - | (1,900,555) | (268,552) |
| Use of prepaid asset | - | (4,008) | 24,626 |
| Increase in net financial assets | 333,586 | 382,331 | 804,133 |
| Net financial assets, beginning of year | 1,599,341 | 1,599,341 | 795,208 |
| Net financial assets, end of year | \$ 1,932,927 | \$ 1,981,672 | \$ 1,599,341 |

Muskeg Lake Cree Nation

Consolidated Statement of Cash Flow

| For the year ended March 31 | 2020 | 2019 |
|---|---------------------|---------------------|
| Cash flows from | | |
| Operating activities | | |
| Excess of revenue over expenses | \$ 2,286,894 | \$ 1,048,059 |
| Items not affecting cash | | |
| Amortization | 1,629,909 | 775,947 |
| Income from government business enterprises | (1,565,526) | (1,695,781) |
| | 2,351,277 | 128,225 |
| Change in non-cash operating working capital | | |
| Accounts receivable | (105,866) | 3,008 |
| Prepaid expenses | (4,008) | 24,626 |
| Accounts payable | 571,781 | 176,519 |
| Deferred revenue | 3,954,135 | 1,781,368 |
| Band member receivables | 650 | 2,519 |
| Allowance for doubtful accounts | 77,223 | - |
| | 6,845,192 | 2,116,265 |
| Capital activities | | |
| Purchase of capital assets | (3,533,773) | (1,044,499) |
| Proceeds on disposal of capital assets | 8,007 | - |
| | (3,525,766) | (1,044,499) |
| Financing activities | | |
| Repayment of operating loans | (425,176) | (280,635) |
| Repayment of bank indebtedness | (539,373) | (269,333) |
| Advances on long term debt | 547,894 | 269,307 |
| Due from/to related parties | 29,544 | 75,087 |
| | (387,111) | (205,574) |
| Increase in cash and cash equivalents | 2,932,315 | 866,192 |
| Cash and cash equivalents, beginning of year | 2,095,601 | 1,229,409 |
| Cash and cash equivalents, end of year | \$ 5,027,916 | \$ 2,095,601 |

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2020

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, 2020

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, 2020

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

(g) Use of estimates and COVID-19 measurement uncertainty

In preparing these financial statements, management made estimates and judgments including consideration for the uncertainties and economic implications of the COVID-19 pandemic on the First Nation's operations, financial performance and financial position for the year ended March 31, 2020. The uncertainty surrounding the COVID-19 pandemic could generate, in future reporting periods, a significant risk of material adjustment to the carrying amounts in the financial statements. Estimates not associated with the COVID-19 pandemic are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

At the date of publication of these financial statements, it is not possible to reliably estimate the length and severity of the COVID-19 pandemic developments and its potential impact on the First Nation's financial results, conditions and cash flows.

2. COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared a global pandemic. The outbreak of the novel strain of the coronavirus, COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility. Governments and central banks including Canadian federal, provincial, territorial and municipal governments have responded with significant monetary and fiscal interventions designed to stabilize economic conditions.

At the time of approval of these financial statements, in response to the COVID-19 pandemic:

- Facilities remain temporarily closed to public access.
- The Nation has pursued available government assistance programs.
- The Nation has implemented remote work arrangements for those able to do so.
- The Nation has Implemented stringent health and safety procedures.
- The management of the Nation has been proactive and diligent in addressing the implementation of infection prevention and other precautionary measures, guided by public health authorities, to limit the spread of COVID-19 and the impact of the pandemic and the related economic contraction on the Nation.

The rapidly evolving event, including health and safety conditions, economic environment and resulting government measures, creates a high level of uncertainty and risk that may result in significant impacts to the First Nations activities, results of operations and financial condition. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. As such it is not possible to estimate the length and severity of these developments and the impact on the financial results and condition on the First Nation and its operations in future periods.

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2020

3. Cash

| | 2020 | 2019 |
|-----------------------|--------------------|--------------------|
| Externally restricted | | |
| Capital projects | \$ 117,531 | \$ 117,690 |
| Replacement reserves | 587,421 | 497,841 |
| | <hr/> 704,952 | <hr/> 615,531 |
| Internally restricted | | |
| Elders activities | 29,836 | 39,135 |
| Unrestricted | | |
| Operations | 4,293,128 | 1,440,935 |
| | <hr/> \$ 5,027,916 | <hr/> \$ 2,095,601 |

4. Accounts receivable

| | 2020 | 2019 |
|---|--------------------|--------------------|
| Indigenous Services Canada | \$ 204,646 | \$ 21,667 |
| Canada Mortgage and Housing Corporation | 14,630 | 12,668 |
| Saskatoon Tribal Council | 461,982 | 542,184 |
| Other | 588,483 | 603,090 |
| Taxation | 102,099 | 89,610 |
| Government Remittances | 38,011 | 34,766 |
| | <hr/> \$ 1,409,851 | <hr/> \$ 1,303,985 |

5. Band member receivables

| | 2020 | 2019 |
|-------------------------------------|------------|-----------------|
| Member advances | \$ 487,032 | \$ 487,682 |
| Allowance for uncollectible amounts | (487,032) | (409,809) |
| | <hr/> \$ - | <hr/> \$ 77,873 |

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

6. 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, 2020

7. Investment in MLCN Government Business Enterprises

| | Aspen Developments Inc. | Muskeg Lake Economic Development LP | MLCN Community Store Ltd. | 2020 Total | 2019 Total |
|-------------------------------------|-------------------------------|--|---------------------------------|----------------------|----------------------|
| Cash | \$ 381,785 | \$ 4,982,741 | \$ 31,862 | \$ 5,396,388 | \$ 4,524,097 |
| Accounts receivable | 293,009 | 684,632 | 41,798 | 1,019,439 | 1,239,812 |
| Inventory | - | 538,607 | 59,686 | 598,293 | 568,840 |
| Prepays | - | 69,972 | 2,365 | 72,337 | 81,148 |
| Investments | - | 34,900 | - | 34,900 | 30,414 |
| Due from related parties | - | 1,413,288 | - | 1,413,288 | 1,587,052 |
| Tangible capital assets | 650,647 | 24,722,803 | 110,521 | 25,483,971 | 14,389,801 |
| Other assets | 95,021 | 1,759,829 | - | 1,854,850 | 1,262,941 |
| Total assets | \$ 1,420,462 | \$ 34,206,772 | \$ 246,232 | \$ 35,873,466 | \$ 23,684,105 |
| Accounts payable | \$ 650,138 | \$ 850,359 | \$ 24,759 | \$ 1,525,256 | \$ 1,441,510 |
| Long-term debt | - | 25,010,903 | 248,386 | 25,259,289 | 14,741,101 |
| Due to related parties | 1,643,077 | 1,553,174 | 126,615 | 3,322,866 | 3,025,760 |
| Deferred revenue | 213,235 | 97,277 | - | 310,512 | 331,421 |
| Total liabilities | 2,506,450 | 27,511,713 | 399,760 | 30,417,923 | 19,539,792 |
| Equity | (1,085,988) | 6,695,059 | (153,528) | 5,455,543 | 4,144,313 |
| Total liabilities and equity | \$ 1,420,462 | \$ 34,206,772 | \$ 246,232 | \$ 35,873,466 | \$ 23,684,105 |
| | Aspen Developments Inc. | Muskeg Lake Economic Development LP | MLCN Community Store Ltd. | 2020 Total | 2019 Total |
| Revenue | \$ 492,376 | \$ 22,957,248 | \$ 582,768 | \$ 24,032,392 | \$ 23,685,747 |
| Amortization | 53,767 | 583,938 | 7,443 | 645,148 | 556,687 |
| Cost of sales | - | 16,721,309 | 494,161 | 17,215,470 | 17,835,775 |
| General and administration | 272,705 | 4,796,193 | 236,200 | 5,305,098 | 4,456,568 |
| Other income | (19,522) | (1,162,303) | (17,595) | (1,199,420) | (1,577,572) |
| Total expenses | 306,950 | 20,939,137 | 720,209 | 21,966,296 | 21,271,458 |
| Net income | \$ 185,426 | \$ 2,018,111 | \$ (137,441) | \$ 2,066,096 | \$ 2,414,289 |

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2020

7. Investment in Government Business Enterprises, continued

| | 2020 | 2019 |
|---|----------------|----------------|
| Aspen Developments Inc. - equity | \$ (1,085,988) | \$ (1,171,414) |
| Muskeg Lake Economic Development LP - equity | 6,695,059 | 5,315,727 |
| MLCN Community Store Ltd. - equity | (153,528) | - |
| Related party receivables | 3,219,557 | 2,841,171 |
| Total investment in Government Business Enterprises | \$ 8,675,100 | \$ 6,985,484 |

| | 2020 | 2019 |
|---|------------|------------|
| 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 | \$ 343,667 |
| Overhead cost share of Saskatoon office | - | 16,856 |
| Muskeg Lake Economic Development LP distributions | 172,512 | 345,000 |
| Christmas distribution | 75,000 | 75,000 |
| Education payment | 47,600 | 47,625 |
| Aspen Development Inc. dividends | 100,000 | 136,965 |
| | \$ 738,779 | \$ 965,113 |

8. 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 \$nil (2019: \$124,452).

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

| | 2020 | 2019 |
|--|------|------------|
| Operating line of credit | \$ - | \$ 124,452 |
| Cheques issued in excess of funds on deposit | - | 414,921 |
| | \$ - | \$ 539,373 |

9. Accounts payable

| | 2020 | 2019 |
|--|--------------|--------------|
| Trade | \$ 1,004,341 | \$ 886,466 |
| Accrued salaries and employee benefits | 294,192 | 182,914 |
| Off-reserve tuition fees | 1,702,581 | 1,359,956 |
| | \$ 3,001,114 | \$ 2,429,336 |

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2020

10. 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, 2020 the amount in the Replacement Reserve account was overfunded by \$106,732 (2019 - overfunded by \$27,646).

11. 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, 2019 | Funding received, 2020 | Revenue recognized, 2020 | March 31, 2020 |
|--|-------------------|------------------------------|--------------------------------|-------------------|
| Federal government | | | | |
| Indigenous Services Canada | \$ 375,311 | \$ 7,925,064 | \$ (8,000,673) | \$ 299,702 |
| ISC - Capital projects | 905,286 | 5,786,496 | (2,031,875) | 4,659,907 |
| ISC - Health Canada - Capital projects | 79,455 | 27,170 | (76,022) | 30,603 |
| | 1,360,052 | 13,738,730 | (10,108,570) | 4,990,212 |
| Other | | | | |
| Saskatoon Tribal Council | 1,416,048 | 2,824,721 | (2,370,916) | 1,869,853 |
| Community Development Corporation | 132,321 | 274,451 | (246,383) | 160,389 |
| Other | 157,898 | 57,572 | (215,470) | - |
| | 1,706,267 | 3,156,744 | (2,832,769) | 2,030,242 |
| | \$ 3,066,319 | \$ 16,895,474 | \$ (12,941,339) | \$ 7,020,454 |

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2020

12. Long-term debt

| | 2020 | 2019 |
|---|------------|------------|
| Canada Mortgage and Housing Corporation mortgage repaid in full during the year. | \$ - | \$ 452 |
| 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. | 73,748 | 85,556 |
| 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. | 96,139 | 107,031 |
| Canada Mortgage and Housing Corporation mortgage with payments of \$1,058 per month including interest at 1.69% per annum, maturing July 1, 2029, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on housing units. | 109,755 | 120,497 |
| 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. | 135,247 | 152,233 |
| Canada Mortgage and Housing Corporation mortgage with payments of \$1,311 per month including interest at 1.67% per annum, maturing December 1, 2033, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on housing units. | \$ 193,551 | \$ 205,908 |
| 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. | 600,871 | 635,490 |
| Canada Mortgage and Housing Corporation mortgage with payments of \$3,181 per month including interest at 1.73% per annum, maturing August 1, 2034, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on housing units. | 487,689 | 516,687 |

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2020

12. Long-term debt, continued

| | 2020 | 2019 |
|---|------------------|------------------|
| Canada Mortgage and Housing Corporation mortgage with payments of \$2,085 per month including interest at 1.83% per annum, maturing December 1, 2034, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on housing units. | 323,871 | - |
| Canada Mortgage and Housing Corporation mortgage with payments of \$1,804 per month including interest at 0.80% per annum, maturing May 1, 2035, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on housing units. | 240,305 | - |
| 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. | 247,500 | 337,500 |
| 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. | 121,199 | 171,152 |
| Operating loan repayable in quarterly instalments of \$10,014 including interest at 4.70% maturing April 2021, secured by a general security agreement. | 58,475 | 93,736 |
| Operating loan repaid in full during the year. | - | 106,655 |
| 1919 Soldier Settlement Board Surrender IR 102 Claim. There is no specific period of repayment. The loan bears an interest rate of 0%. | 494,899 | 369,307 |
| | 3,183,249 | 2,902,204 |

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

| | |
|---------------------|---------------------|
| 2021 | \$ 344,329 |
| 2022 | 333,253 |
| 2023 | 252,439 |
| 2024 | 173,494 |
| 2025 and thereafter | 2,079,734 |
| | \$ 3,183,249 |

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2020

13. Tangible Capital Assets

| | Balance, beginning of year | Additions | Disposals | Balance, end of year | Cost | Balance, beginning of year | Amortization of year | Accumulated amortization on disposals | Balance, end of year | 2020 net book value |
|-----------------------------------|----------------------------------|--------------|------------|-------------------------|---------------|----------------------------------|-------------------------|---|-------------------------|------------------------|
| Land | \$ 4,500 | \$ - | \$ - | \$ 4,500 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,500 |
| Buildings and infrastructure | 16,401,629 | 2,322,238 | - | 18,723,867 | 6,637,284 | 588,911 | 7,226,195 | - | 11,497,672 | 11,497,672 |
| Automotive equipment | 1,998,510 | 103,687 | (4,600) | 2,097,597 | 1,344,684 | 343,486 | 1,686,882 | (1,288) | 410,715 | 410,715 |
| Computer equipment | 587,535 | - | - | 587,535 | 462,961 | 52,196 | 515,157 | - | 72,378 | 72,378 |
| Office furniture and equipment | 1,494,295 | - | - | 1,494,295 | 1,463,993 | 23,248 | 1,487,241 | - | 7,054 | 7,054 |
| Band Houses | 8,684,754 | 586,886 | - | 9,271,640 | 7,730,737 | 448,910 | 8,179,647 | - | 1,091,993 | 1,091,993 |
| CMHC Houses | 4,066,025 | 520,963 | - | 4,586,988 | 1,479,563 | 173,156 | 1,652,719 | - | 2,934,269 | 2,934,269 |
| | \$ 33,237,248 | \$ 3,533,774 | \$ (4,600) | \$ 36,766,422 | \$ 19,119,222 | \$ 1,629,907 | \$ 20,747,841 | \$ (1,288) | \$ 16,018,581 | \$ 16,018,581 |

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

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2020

14. Accumulated Surplus

| | 2020 | 2019 |
|--------------------------|----------------------|----------------------|
| Operating fund | \$ (4,463,850) | \$ (3,448,769) |
| Capital assets | 13,388,706 | 11,785,520 |
| Investment fund | 8,675,100 | 6,985,484 |
| CMHC replacement reserve | 480,689 | 471,516 |
| | \$ 18,080,645 | \$ 15,793,751 |

15. Other revenue

| | 2020 | 2019 |
|-------------------------------|---------------------|---------------------|
| Contributions from businesses | \$ 347,512 | \$ 556,965 |
| First Nations Trust | 646,800 | 642,218 |
| Grants, fundraising and sales | 545,230 | 768,829 |
| Rental and land lease revenue | 296,194 | 280,340 |
| Property taxes | 247,910 | 241,807 |
| Treaty Land Entitlement Trust | 61,785 | 41,040 |
| Community Development Corp | 107,051 | 221,509 |
| Deferred Revenue | 290,219 | 21,985 |
| | \$ 2,542,701 | \$ 2,774,693 |

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2020

16. Expenses

| For the year ended March 31 | 2020 Budget | 2020 Actual | 2019 Actual |
|-----------------------------|----------------|----------------|----------------|
| Expenses | | | |
| Amortization | \$ - | \$ 1,629,909 | \$ 775,947 |
| Bad debt expense | - | 103,807 | 48,240 |
| Bank charges | 12,300 | 9,070 | 19,470 |
| Contracts | 152,947 | 239,567 | 93,918 |
| Emergency assistance | 83,000 | 108,920 | 117,746 |
| Insurance | 223,293 | 333,747 | 262,171 |
| Interest on long term debt | 196,999 | 44,268 | 58,993 |
| Leases | 18,900 | 19,508 | 18,434 |
| Materials and supplies | 350,980 | 631,477 | 395,056 |
| Office | 46,981 | 112,518 | 85,799 |
| Professional development | 39,554 | 152,340 | 105,543 |
| Professional fees | 662,593 | 570,886 | 1,078,997 |
| Program expenses | 4,123,396 | 3,893,832 | 3,819,746 |
| Repairs and maintenance | 523,205 | 807,643 | 867,304 |
| Telephone | 79,479 | 113,346 | 108,884 |
| Travel and meetings | 401,263 | 598,705 | 575,339 |
| Utilities | 168,250 | 178,105 | 205,123 |
| Wages and benefits | 4,298,418 | 4,973,863 | 4,190,959 |
| | \$ 11,381,558 | \$ 14,521,511 | \$ 12,827,669 |

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2020

17. 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:

| | 2020 | 2019 |
|-----------------------------|--------|--------|
| Capital funds held in trust | \$ 468 | \$ 468 |
| Revenue funds held in trust | - | 5 |
| | \$ 468 | \$ 473 |

18. Contingent Liabilities

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

19. 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, 2020

20. Budget Information

The unaudited budget data in these financial statements is based upon the 2020 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.

21. 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, 2020

22. 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 | |
|---------------------------------|------------------|------------------|------------------|------------------|----------------------|------------------|
| | 2020 Budget | 2019 Actual | 2020 Budget | 2019 Actual | 2020 Budget | 2019 Actual |
| Revenues | | | | | | |
| ISC | 3,178,009 | 3,320,721 | - | (105,157) | 320,177 | 471,295 |
| ISC - Health Canada | - | - | 365,218 | 756,418 | - | - |
| Saskatoon Tribal Council | 526,996 | 359,911 | 1,034,684 | 839,326 | - | 15,500 |
| Other revenue | 183,729 | 284,432 | - | 111,697 | 644,068 | 591,771 |
| Total revenue | 3,888,734 | 4,147,976 | 1,399,902 | 1,505,701 | 964,245 | 1,078,566 |
| Expenses | | | | | | |
| Wages and benefits | 1,191,759 | 1,384,726 | 690,550 | 497,493 | 152,567 | 248,552 |
| Program expenses | 2,087,336 | 2,311,608 | 219,834 | 213,585 | 563,956 | 300,937 |
| Contracts | 55,087 | 9,610 | 34,560 | 116,846 | - | 14,934 |
| Repairs and maintenance | 98,200 | 110,218 | 41,000 | 26,816 | 21,265 | 12,743 |
| Travel and meetings | 23,800 | 57,506 | 53,756 | 58,040 | 5,000 | 48,980 |
| Insurance | 26,075 | 34,202 | 10,326 | 27,701 | 2,150 | 1,037 |
| Other expenses | 156,920 | 220,456 | 289,333 | 491,909 | 39,850 | 53,654 |
| Total expenses | 3,639,177 | 4,128,326 | 1,339,359 | 1,432,390 | 784,788 | 680,837 |
| Annual surplus (deficit) | 249,557 | 19,650 | 60,543 | 67,951 | 179,457 | 397,729 |
| | | (410,573) | | 534,203 | | 361,471 |

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2020

22. Segmented information, continued

| | 2020 Budget | Housing | | Social Services | | Band Government | |
|--|----------------|----------------|----------------|-----------------|----------------|-----------------|----------------|
| | | 2020 Actual | 2019 Actual | 2020 Budget | 2019 Actual | 2020 Budget | 2019 Actual |
| Revenues | | | | | | | |
| ISC | 574,826 | 1,069,328 | 734,187 | 840,787 | 860,261 | 829,664 | 987,728 |
| CMHC | 480,586 | 241,720 | 269,720 | - | - | - | - |
| Saskatoon Tribal Council | - | - | - | 730,728 | 24,528 | 92,000 | 126,924 |
| Equity income (loss) of business enterprises | - | - | - | - | - | - | 1,565,526 |
| Other revenue | 26,000 | 63,655 | 67,401 | (8,801) | (38,377) | 880,813 | 1,043,243 |
| Total revenue | 1,081,412 | 1,374,703 | 1,071,308 | 1,562,714 | 846,412 | 1,802,477 | 3,723,421 |
| Expenses | | | | | | | |
| Wages and benefits | 189,437 | 325,125 | 225,635 | 463,088 | 526,321 | 1,219,395 | 1,471,178 |
| Program expenses | 385,826 | 100,197 | 108,891 | 948,414 | 653,350 | (297,597) | (146,784) |
| Contracts | - | - | - | - | 43,226 | 38,700 | 22,627 |
| Repairs and maintenance | 220,520 | 406,357 | 405,901 | 19,000 | 10,188 | 1,300 | 48,679 |
| Travel and meetings | 7,500 | 28,835 | 21,047 | 7,807 | 13,403 | 284,000 | 294,098 |
| Insurance | 117,262 | 192,116 | 136,706 | 8,500 | 1,992 | 16,000 | 17,243 |
| Interest on long term debt | 159,143 | 30,227 | 29,829 | - | - | 29,000 | 7,297 |
| Other expenses | 42,776 | 85,714 | 147,824 | 123,779 | 105,178 | 600,789 | 802,125 |
| Total expenses | 1,122,464 | 1,188,571 | 1,075,833 | 1,570,588 | 1,410,340 | 1,891,587 | 2,516,463 |
| Annual surplus (deficit) | (41,052) | 206,132 | (4,525) | (7,874) | (59,187) | (89,110) | 1,206,958 |
| | | | | | | | 1,408,669 |

Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2020

22. Segmented information, continued

| | Community Services | | | Public Works | | |
|----------------------------|--------------------|----------------|----------------|----------------|----------------|----------------|
| | 2020 Budget | 2020 Actual | 2019 Actual | 2020 Budget | 2020 Actual | 2019 Actual |
| Revenues | | | | | | |
| ISC | - | - | - | 488,987 | 2,848,649 | 831,657 |
| Saskatoon Tribal Council | 136,000 | 74,048 | 335,902 | - | - | - |
| Other revenue | 8,000 | 98,114 | 184,619 | 386,681 | 458,960 | 295,841 |
| Total revenue | 144,000 | 172,162 | 520,521 | 875,668 | 3,307,609 | 1,127,498 |
| Expenses | | | | | | |
| Wages and benefits | 54,447 | 75,345 | 236,479 | 337,175 | 445,120 | 447,619 |
| Program expenses | 85,188 | 122,198 | 185,142 | 130,439 | 338,741 | 80,352 |
| Contracts | - | - | - | 24,600 | 32,324 | 37,300 |
| Repairs and maintenance | 600 | 7,490 | 13,472 | 121,320 | 185,152 | 243,370 |
| Travel and meetings | 1,000 | 11,441 | 46,710 | 18,400 | 29,719 | 31,916 |
| Insurance | 80 | 2,630 | 5,980 | 42,900 | 56,826 | 48,085 |
| Interest on long term debt | - | - | - | 8,856 | 6,743 | 8,856 |
| Other expenses | 2,685 | 6,261 | 67,646 | 205,905 | 234,685 | 201,144 |
| Total expenses | 144,000 | 225,365 | 555,429 | 889,595 | 1,329,310 | 1,098,642 |
| Annual surplus (deficit) | - | (53,203) | (34,908) | (13,927) | 1,978,299 | 28,856 |

Notes to Consolidated Financial Statements

22. Segmented information, continued

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Muskeg Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2020

23. 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.

COVID-19 (see note 2) has resulted in an increase in risk of these financial instruments. The First Nation cannot predict changes in these risks or the impact on operating results. Such changes related to the COVID-19 pandemic, could have a material effect in the First Nations operations and financial condition.