



Muskowekwan First Nation
Consolidated Financial Statements
March 31, 2018



Muskowekwan First Nation

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For the year ended March 31, 2018

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To the Members of Muskowekwan First Nation:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

Chief and Council are responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Chief and Council fulfil these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by Chief and Council to audit the consolidated financial statements and report directly to the Members of Muskowekwan First Nation; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Chief and Council and management to discuss their audit findings.

July 19, 2018

Signed By: Charles Pratt

Management

To the Members of Muskowekwan First Nation:

We have audited the accompanying consolidated financial statements of Muskowekwan First Nation, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows, and related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Muskowekwan First Nation as at March 31, 2018 and the results of its operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Saskatoon, Saskatchewan

July 19, 2018

MNP LLP

Chartered Professional Accountants



Muskowekwan First Nation
Consolidated Statement of Financial Position
As at March 31, 2018

	2018	2017
Financial assets		
Current		
Restricted cash (Note 4)	103,336	102,479
Accounts receivable (Note 5)	265,458	520,761
Inventory for resale	6,756	5,106
Due from related parties (Note 6)	100,809	277,208
Subtotal of current assets	476,359	905,554
Restricted cash (Note 4)	1,004,423	1,378,733
Term deposits	1,304	51,304
Investments (Note 7)	152,737	162,016
Funds held in Ottawa Trust Fund (Note 8)	408,589	393,994
Total financial assets	2,043,412	2,891,601
Liabilities		
Current		
Bank indebtedness (Note 9)	246,502	206,380
Accounts payable and accruals	670,001	760,102
Deferred revenue (Note 10)	139,158	139,158
Due to related party (Note 11)	366,050	350,000
Current portion of long-term debt (Note 12)	1,000,183	916,376
Subtotal of current liabilities	2,421,894	2,372,016
Long-term debt (Note 12)	8,812,909	8,813,873
Total financial liabilities	11,234,803	11,185,889
Net debt (Note 21)	(9,191,391)	(8,294,288)
Commitment (Note 7)		
Contingent liabilities (Note 13)		
Subsequent event (Note 22)		
Non-financial assets		
Tangible capital assets (Note 14)	33,551,107	34,351,442
Deposit (Note 15)	150,000	-
Accumulated surplus (Note 16)	24,509,716	26,057,154
Approved on behalf of Chief and Council		
<u>Signed By: Reginald Bellerose</u>	Chief	<u>Signed By: Ernest Moise</u>
		Councillor

The accompanying notes are an integral part of these financial statements



Muskowekwan First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2018

	2018 Budget (Note 20)	2018 Actual	2017 Actual
Revenues			
Department of Indigenous Services Canada (Note 23)	6,098,023	6,514,850	6,481,021
Muskowekwan Gaming Inc.	-	1,521,310	1,560,106
Lease	649,800	1,014,136	732,230
Health Canada	591,070	891,635	707,959
Other	775,000	653,921	1,103,426
First Nations Trust	600,000	602,339	593,762
Rental income	457,200	588,283	623,291
Touchwood Agency Tribal Council	428,568	515,654	393,980
CMHC	439,400	398,395	419,474
Insurance proceeds	-	356,449	412,933
Dakota Dunes Community Development Corporation	197,500	334,700	325,319
Interest	51,170	39,853	36,642
Health Canada - forfeited funding	-	-	(28,910)
Earnings (loss) from investments in government business enterprises (Note 7)	7,200	(9,279)	140,945
	10,294,931	13,422,246	13,502,178
Program expenses			
Band Government	1,427,861	2,333,384	2,095,290
Capital	159,533	867,827	329,644
Community Infrastructure	800,350	1,029,845	1,218,906
Education	4,298,021	4,220,725	4,209,520
Lands	412,542	883,526	676,997
Social Development	1,361,242	1,537,564	1,550,809
Health	649,090	1,046,906	846,195
Economic Development	25,500	185,662	203,344
Housing	521,400	1,258,179	1,037,606
Muskowekwan Gaming Inc.	-	1,613,566	1,742,771
Total expenses	9,655,539	14,977,184	13,911,082
Deficit before other income	639,392	(1,554,938)	(408,904)
Other income			
Gain on disposal of tangible capital assets	-	7,500	-
Gain on disposal of IMI Brokerage shares	-	-	179,484
Annual surplus (deficit)	639,392	(1,547,438)	(229,420)
Accumulated surplus, beginning of year	26,057,154	26,057,154	26,286,574
Accumulated surplus, end of year	26,696,546	24,509,716	26,057,154

The accompanying notes are an integral part of these financial statements



Muskowekwan First Nation
Consolidated Statement of Changes in Net Debt
For the year ended March 31, 2018

	<i>2018 Budget (Note 20)</i>	<i>2018 Actual</i>	<i>2017 Actual</i>
Annual surplus (deficit)	639,392	(1,547,438)	(229,420)
Purchases of tangible capital assets	-	(588,270)	(2,954,951)
Amortization of tangible capital assets	555,502	1,388,605	1,412,236
Gain on disposal of tangible capital assets	-	(7,500)	-
Proceeds on disposal of tangible capital assets	-	7,500	-
Deposit	-	(150,000)	-
	555,502	650,335	(1,542,715)
Change in net debt	1,194,894	(897,103)	(1,772,135)
Net debt, beginning of year	(8,294,288)	(8,294,288)	(6,522,153)
Net debt, end of year	(7,099,394)	(9,191,391)	(8,294,288)

The accompanying notes are an integral part of these financial statements



Muskowekwan First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating activities		
Annual deficit	(1,547,438)	(229,420)
Non-cash items		
Amortization	1,388,605	1,412,236
Loss (earnings) from investments in government business enterprises	9,279	(140,945)
Gain on disposal of IMI Brokerage shares	-	(179,484)
Gain on disposal of tangible capital assets	(7,500)	-
	(157,054)	862,387
Changes in accounts		
Accounts receivable	255,303	238,738
Inventory for resale	(1,650)	2,394
Accounts payable and accruals	(90,101)	(281,156)
Deferred revenue	-	(205,954)
	6,498	616,409
Financing activities		
Increase in due to related party (net)	16,050	351,146
Advances of long-term debt	856,803	2,670,347
Repayment of long-term debt	(773,960)	(1,066,195)
	98,893	1,955,298
Capital activities		
Purchases of tangible capital assets	(588,270)	(2,954,951)
Proceeds on disposal of tangible capital assets	7,500	-
Deposit	(150,000)	-
	(730,770)	(2,954,951)
Investing activities		
Decrease in restricted cash (net)	373,453	97,389
Decrease (increase) in due from related parties (net)	176,399	(263,068)
Decrease (increase) in term deposits	50,000	(183)
Increase in funds held in Ottawa Trust Fund	(14,595)	(26,201)
Investment in Muskowekwan Business Development Corporation II	-	(100)
Proceeds from disposal of IMI Brokerage shares	-	191,979
	585,257	(184)
Increase in cash deficiency	(40,122)	(383,428)
Cash resources (deficiency), beginning of year	(206,380)	177,048
Cash deficiency, end of year	(246,502)	(206,380)
Supplementary cash flow information		
Interest paid	370,153	309,685

The accompanying notes are an integral part of these financial statements



Muskowekwan First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

1. Nature of Operations

The Muskowekwan First Nation (the "First Nation") is located in Treaty 4 territory in the Province of Saskatchewan, and provides various services to its Members. The Muskowekwan First Nation financial reporting entity includes the First Nation's operations and all related entities that are accountable to the First Nation and are either owned or controlled by the First Nation.

2. Change in accounting policies

Effective April 1, 2017, the First Nation adopted the recommendations relating to the following Sections, as set out in the CPA Canada Public Sector Accounting Handbook:

- PS 2200 Related Party Disclosures
- PS 3210 Assets
- PS 3320 Contingent Assets
- PS 3380 Contractual Rights
- PS 3420 Inter-entity Transactions

Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statements from adopting the new Sections.

3. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards, and include the following significant accounting policies:

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity. The following entities and departments have been consolidated:

- Muskowekwan First Nation;
- Muskowekwan First Nation CMHC Housing;
- Muskowekwan Gaming Inc.;
- Muskowekwan Treaty Land Entitlement - Revenue Account;
- Muskowekwan Business Development Company Ltd.;
- 211413 Saskatchewan Ltd.

All inter-entity balances have been eliminated on consolidation.

First Nation business entities, owned or controlled by the First Nation, but not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include Muskowekwan Resources Ltd., Muskowekwan Gas Bar & Confectionary Ltd., and Muskowekwan Business Development Company II Ltd. The Muskowekwan Treaty Land Entitlement Trust - Principal Account and Ledcor Trust - Principal Account are not included in the consolidated financial statements as they are administered and controlled by Trustees.



Muskowekwan First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

3. Significant accounting policies (Continued from previous page)

Basis of presentation

Sources of revenues and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Restricted cash

Restricted cash consists of funds held for specific purposes. Cash held for specific purposes is maintained in separate bank accounts. Amounts restricted are for capital projects, CMHC replacement reserve, CMHC operating reserve and the Treaty Land Entitlement revenue account.

Inventory for resale

Inventory is valued at the lower of cost and estimated net realizable value.

Portfolio investments

Long-term investments in entities that are not owned or controlled by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of the First Nation by the Government of Canada consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Revenues from trust moneys are recognized when measurable, earned and collection is reasonably assured. These moneys are managed and reported on by the Government of Canada.

Tangible capital assets

Tangible capital assets are recorded at cost. Contributed tangible assets are recorded at their fair value at the date of contribution.

Land purchased is recorded at the purchase price. The First Nation holds original reserve land. This land is not recognized in the First Nation's financial statements.

Amortization

Tangible capital assets are amortized annually using the straight-line method at rates intended to amortized the cost of the assets over their estimated useful lives:

	Rate
Housing	20 - 25 years
Buildings	25 years
Water and sewer	25 years
Equipment	10 years
Subdivision	25 years

Land is not amortized. Work in progress is not amortized until assets are put into use.



Muskowekwan First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

3. Significant accounting policies *(Continued from previous page)*

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

Net debt

The First Nation's consolidated financial statements are presented so as to highlight net debt as a measurement of financial position. The net debt of the First Nation is determined by its financial assets less its liabilities. Net debt combined with non-financial assets comprises a second indicator of financial position, accumulated surplus.

Revenue recognition

Non-government funding

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the statement of financial position in the year of receipt.

Government Transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Other revenue

Rental revenue is recognized over the rental term. Other revenues are earned from other services provided by the First Nation and are recognized when the services have been provided. Muskowekwan Gaming Inc. revenue is recognized when the bingo event has occurred. Interest revenue is recognized on an accrual basis. Insurance proceeds are recognized when measurable, earned and collection is reasonably assured.

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amounts required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2018. There are no known liabilities at March 31, 2018.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates/assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the records in the period in which they become known.



Muskowekwan First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

3. Significant accounting policies (Continued from previous page)

Segments

The First Nation conducts its business through 12 reportable segments (Note 18). These operating segments are established by senior management to achieve the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

Other Economic Interests

The Muskowekwan First Nation is a member of the Touchwood Agency Specific Claim. The Touchwood Agency Specific Claim is an organization of five Nations, whose purpose is to negotiate a specific claim with regards to the Department of Indigenous and Northern Affairs Canada's alleged mismanagement of funds of the Touchwood Agency during the period 1920 to 1924.

The Muskowekwan First Nation is a member of Touchwood Child & Family Services Inc. The Touchwood Child & Family Services Inc. is an organization of six member Nations, whose purpose is to provide Child and Family services to the member Nations.

The Muskowekwan First Nation is a member of Touchwood Post Secondary Program Inc. The Touchwood Post Secondary Program Inc. is an organization of three member Nations, whose purpose is to provide education support services to the member Nations.

The Muskowekwan First Nation is a member of Touchwood Agency Tribal Council Inc. The Touchwood Agency Tribal Council Inc. is an organization of four member Nations, whose purpose is to provide services to the member Nations.

The First Nation does not have a share in the profit or loss of the above entities. As a result, the financial statements of the Touchwood Agency Specific Claim, Touchwood Child & Family Services Inc., Touchwood Post Secondary Program Inc. and Touchwood Agency Tribal Council Inc. have not been consolidated in the financial statements of Muskowekwan First Nation.

The First Nation is a member of several other entities. The First Nation does not share in the profit or loss of these entities. As a result these entities have not been reported in these consolidated financial statements.

4. Restricted cash

	2018	2017
Current		
Capital projects	101,816	101,968
TLE revenue account	919	364
Muskowekwan Ledcor Trust	601	147
	103,336	102,479
Long-term		
CMHC replacement reserve	655,620	1,030,226
CMHC operating reserve	348,803	348,507
	1,004,423	1,378,733
	1,107,759	1,481,212



Muskowekwan First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

5. Accounts receivable

	2018	2017
Touchwood Agency Tribal Council	85,430	26,143
Other	82,377	53,642
Canada Mortgage and Housing Corporation	32,260	131,742
TUPI Insurance Partners	27,818	55,635
Muskowekwan Ledcor Trust - Principal Account	21,853	28,233
Dakota Dunes Community Development Corporation	15,220	121,859
Health Canada	500	-
Department of Indigenous Services Canada	-	103,507
	265,458	520,761

6. Due from related parties

	2018	2017
Muskowekwan Gas Bar & Confectionary Ltd.	100,809	98,947
Muskowekwan Resources Ltd.	-	178,261
	100,809	277,208

Amounts due from related parties are non-interest bearing, unsecured and without fixed repayment terms. The First Nation owns Muskowekwan Gas Bar & Confectionary Ltd. and Muskowekwan Resources Ltd.

7. Investments

The First Nation has investments in the following entities:

	Opening balance	Cumulative share of earnings (loss)	2018 Total investment
Portfolio investment			
IMI Brokerage	12,005	-	12,005
Government business enterprises:			
Muskowekwan Gas Bar & Confectionary Ltd.	149,811	(25,329)	124,482
Muskowekwan Resources Ltd.	100	-	100
Muskowekwan Business Development Company II Ltd.	100	16,050	16,150
	150,011	(9,279)	140,732
	162,016	(9,279)	152,737



Muskowekwan First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

7. Investments (Continued from previous page)

Summary financial information for each government business enterprise, accounted for using the modified equity method:

	<i>Muskowekwan Gas Bar & Confectionary Ltd. As at March 31, 2018</i>	<i>Muskowekwan Resources Ltd. As at March 31, 2018</i>	<i>Muskowekwan Business Development Company II Ltd. As at March 31, 2018</i>
Assets			
Cash	23,574	-	-
Accounts receivable	62,741	32,232	-
Inventory	40,324	-	-
Investments	-	978,800	3,793,523
Building and equipment	216,974	6,883	-
Due from related parties	-	78,041	1,016,150
Total assets	343,613	1,095,956	4,809,673
Liabilities			
Accounts payable and accruals	118,322	38,248	-
Deferred revenue	-	347,600	4,730,400
Long-term debt	-	6,152,603	-
Due to related parties	100,809	270,148	63,123
Total liabilities	219,131	6,808,599	4,793,523
Accumulated other comprehensive loss	-	(2,475,783)	-
Net assets excluding accumulated other comprehensive loss	124,482	(3,236,860)	16,150
Total revenue	2,264,077	97,279	16,050
Total expenses	2,289,406	1,622,708	-
Net income (loss)	(25,329)	(1,525,429)	16,050

Muskowekwan Resources Ltd. ("MRL") was created to participate with a publicly-traded potash company in developing potash resources. MRL has entered into a head lease on certain lands owned by the First Nation, which it will sublease to the potash company.

MRL has a \$3 million demand debenture owing to First Nations and Metis Fund Inc. (the "Fund"), which bears interest at 12% per annum. At March 31, 2018, the total outstanding including accrued interest is \$6,152,603. Security for the debenture and accrued unpaid interest includes a specific interest in certain Encanto Potash Corp. shares and warrants owned by MRL, and a security interest in all other assets of the company. Should these shares be sold, the proceeds would first be directed to the payment of the outstanding debenture principal and accrued interest. The Fund would also receive 40% of any proceeds in excess of that amount. The debenture matured in 2017. The Fund has advised it does not currently intend to take action to enforce its security under the debenture, but reserves the right to take such action at any time.

MRL's accumulated other comprehensive loss is the accumulated decline in the fair market value of investments held by MRL. A significant portion of the realized accumulated deficit is accrued interest on the debenture owing to the Fund. The First Nation has no liability for these amounts, and therefore has not recorded any further losses on its investment in MRL once the carrying value of its investment was a nominal amount. The First Nation will only begin recognizing the investment when the value of the shares and warrants are sufficient to repay the outstanding debenture principal and accrued interest, or if the Fund forgives a sufficient amount of the debenture principal and accrued interest.

Commitment

Muskowekwan Business Development Company Ltd. has entered into a head lease with Her Majesty the Queen in Right of Canada for 319 acres of reserve lands, which they are sub-leasing to Muskowekwan Business Development Company II Ltd. In 2017, Muskowekwan Business Development Corporation II Ltd. then entered into a sub-sub lease for this land for 98 years in which prepayment has been received in the form of partnership units and cash.



Muskowekwan First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

8. Funds held in Ottawa Trust Fund

Funds held in Ottawa Trust Fund are held on behalf of the Members of Muskowekwan First Nation by the Government of Canada and consist of capital and revenue trust moneys. Moneys are transferred from these funds to the First Nation on the authorization of the First Nation's Chief and Council, with the consent of the Minister of Indigenous and Northern Affairs Canada.

	2018	2017
Capital Trust		
Balance, beginning and end of year	268,806	268,806
Revenue Trust		
Balance, beginning of year	125,188	98,987
Interest	8,821	7,734
Leases	51,234	59,917
Payments to First Nation	(45,460)	(41,450)
Balance, end of year	139,783	125,188
	408,589	393,994

9. Bank indebtedness

The First Nation has a line of credit with Peace Hills Trust with an authorized limit of \$75,000 bearing interest at prime (3.75%) plus 2.00%. Overdraft amounts up to \$500,000 in excess of the line of credit bear interest at 10%. The line of credit is secured by assignment of DISC transfers. As at March 31, 2018 the First Nation has drawn \$75,000 on the line of credit and has an overdraft amount of \$191,460.

10. Deferred revenue

	<i>Balance, beginning of year</i>	<i>Recognized</i>	<i>Balance, end of year</i>
DISC - Lagoon / Biological treatment	139,158	-	139,158

11. Due to related party

	2018	2017
Muskowekwan Business Development Company II Ltd.	366,050	350,000

Amounts due to related party are non-interest bearing, unsecured and without fixed repayment terms. The First Nation owns these related entities.



Muskowekwan First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

12. Long-term debt

The following loans are secured by government guarantees, and relate to the construction of on reserve housing. The First Nation receives a subsidy from Canada Mortgage and Housing Corporation to assist with the payment of principal and interest on the following loans:

Phase	Monthly Payment Including Interest	Interest Rate	Renewal Date	2018	2017
VIII	-	-	-	-	15,278
XII	-	-	-	-	2,053
XIII	2,297	1.10%	1-May-18	4,596	31,992
XIV	676	1.82%	1-Sep-19	47,283	54,465
XV	1,094	0.96%	1-Sept-21	104,119	116,189
XVI	790	1.43%	1-Apr-22	80,761	89,021
XVII	1,338	1.67%	1-Jun-18	148,931	162,385
XVIII	1,045	1.92%	1-Apr-19	123,443	133,515
XIX	1,305	1.05%	1-Apr-20	105,687	120,163
XX	7,317	1.31%	1-Dec-21	725,496	803,266
XXI	7,499	2.11%	1-Jan-19	1,200,316	1,264,352
XXII	7,583	1.85%	1-Aug-19	1,282,504	1,349,191
XXIII	2,155	1.50%	1-Jul-22	434,039	453,299
				4,257,175	4,595,169
Peace Hills Trust loan payable, interest at 4.95%, with blended principal and interest payments of \$109,508 semi-annually, matures June 2018, secured by land				3,100,000	2,648,197
Peace Hills Trust loan payable, interest at 6%, with blended principal and interest payments of \$117,000 semi-annually, matures December 2022, secured by an assignment of land lease revenues and a credit facility				971,570	1,075,821
Peace Hills Trust loan payable, interest at 6.5%, with blended principal and interest payments of \$90,000 quarterly, matures January 2020, secured by a GSA				665,452	893,986
Peace Hills Trust loan payable, interest at 6%, with blended principal and interest payments of \$30,000 semi-annually, matures October 2018, secured by a GSA				243,203	286,630
Peace Hills Trust loan payable, interest at 6%, with blended principal and interest payments of \$6,000 monthly, matures December 2020, secured by a GSA				170,692	230,446
Peace Hills Trust loan payable, interest at 6%, with blended principal and interest payments of \$57,000 semi-annually, matures December 2021, secured by a GSA				405,000	-
				9,813,092	9,730,249
Current portion				(1,000,183)	(916,376)
				8,812,909	8,813,873



Muskowekwan First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

12. Long-term debt (Continued from previous page)

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed with similar rates and terms, are estimated as follows:

2019	1,000,183
2020	1,113,000
2021	774,775
2022	762,901
2023	609,321

The general security agreement (GSA) provides a first right to the bank over DISC, Muskowekwan Gaming, lease and First Nations Trust revenues.

13. Contingent liabilities

Funding

These consolidated financial statements are subject to review by the First Nation's funding agents. It is possible that adjustments could be made based on the results of their reviews.

Touchwood Agency Specific Claim

The Government of Canada provided Touchwood Agency Specific Claim with an interest-free loan of approximately \$2,251,000 repayable on the earlier of March 31, 2010 or the date on which the claim is settled. The loan was advanced subject to conditions contained in a Native Claims Loan Agreement. If the conditions of this agreement are not met, the Touchwood Agency Specific Claim must repay all funds advanced by the Government of Canada. The five Nations who are members of the Touchwood Agency Specific Claim may be directly or indirectly responsible for the repayment of this loan. The amount of the liability, if any, is not determinable at this time. If any liability results from the guarantee, it will be recorded in the period the liability is determinable. As of March 31, 2018 the Government of Canada has not requested repayment.

Guarantee

The First Nation has guaranteed debt on behalf of 4 Directions Child & Family Services Inc. for the construction of a youth support facility located on the First Nation's land. The outstanding debt at March 31, 2018 was approximately \$2,285,000 (2017 - \$2,385,000). The First Nation would be liable if 4 Directions Child & Family Services Inc. defaults on the loan. As at March 31, 2018 the First Nation has no liability associated with this guarantee.



Muskowekwan First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

14. Tangible capital assets

	<i>Housing</i>	<i>Buildings</i>	<i>Water and sewer</i>	<i>Equipment</i>	<i>Subdivision</i>	<i>Work in Progress</i>	<i>Purchased Land</i>	<i>2018</i>	<i>2017</i>
Cost									
Balance, beginning of year	20,750,738	12,263,977	2,881,662	2,784,603	2,257,394	537,027	17,045,005	58,520,406	55,565,455
Acquisition of tangible capital assets	-	-	-	96,500	-	-	491,770	588,270	2,954,951
Disposal of tangible capital assets	-	-	-	(78,218)	-	-	-	(78,218)	-
Balance, end of year	20,750,738	12,263,977	2,881,662	2,802,885	2,257,394	537,027	17,536,775	59,030,458	58,520,406
Accumulated amortization									
Balance, beginning of year	13,148,642	8,118,219	474,186	1,976,437	451,480	-	-	24,168,964	22,756,728
Annual amortization	579,640	465,770	72,043	180,856	90,296	-	-	1,388,605	1,412,236
Disposal of tangible capital assets	-	-	-	(78,218)	-	-	-	(78,218)	-
Balance, end of year	13,728,282	8,583,989	546,229	2,079,075	541,776	-	-	25,479,351	24,168,964
Net book value	7,022,456	3,679,988	2,335,433	723,810	1,715,618	537,027	17,536,775	33,551,107	
2017 Net book value	7,602,096	4,145,758	2,407,476	808,166	1,805,914	537,027	17,045,005		34,351,442



Muskowekwan First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

15. Deposit

The First Nation has made a non-refundable deposit to purchase equipment with a total cost of \$412,500.

16. Accumulated surplus

Accumulated surplus consists of the following:

	2018	2017
Operating	(2,057,103)	(1,478,284)
Capital Asset	24,808,467	25,515,179
Commercial	152,737	162,016
CMHC Operating Reserve	397,838	404,775
CMHC Replacement Reserve	799,188	1,059,474
Ottawa Trust Funds	408,589	393,994
	24,509,716	26,057,154

17. Funds and reserves

The Muskowekwan First Nation maintains the following funds and reserves as part of its operations.

- Operating Fund reports on the general activities of the First Nation's administration;
- Capital Asset Fund reports on the capital assets and projects of the First Nation;
- Commercial Fund reports on commercial business operations owned by the First Nation;
- CMHC Operating Reserve Fund is required as part of the First Nation's CMHC Housing Program, which receives funds pursuant to the Post 1997 - Fixed Subsidy Program. Any surpluses are externally restricted and reserved for future operating losses that relate to the operation of houses under this Program;
- CMHC Replacement Reserve Fund is required as part of the First Nation's CMHC Housing Program. It has been established for replacement of capital equipment and for major repairs to the houses; and
- Ottawa Trust Funds report on trust moneys owned by the First Nation and held by the Government of Canada.



Muskowekwan First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

18. Segments

The First Nation has 12 reportable segments. These segments are differentiated by the major activities or services they provide. The First Nation's segments are as follows:

Ottawa Trust Funds - reports revenues allocated to the funds and transfers to other segments.

Investment in Business Entities - reports on gains and losses of the First Nation's business enterprises.

Band Government - reports on administration and governance activities.

Capital - reports on capital projects.

Community Infrastructure - reports on the maintenance of the community and its infrastructure.

Education - reports on the operations of education programs.

Lands - reports on activities for the development of the First Nation's land.

Social Development - reports on activities related to delivering social programs.

Health - reports on the First Nation's health programs.

Economic Development - reports on operations relating to developing the First Nation's economic opportunities.

Housing - reports on housing operations funded by Canada Mortgage and Housing Corporation.

Muskowekwan Gaming Inc. - reports on operations of the First Nation's not for profit organization.

Inter-segment transfers are recorded at their exchange amount. The accounting policies of the segments are the same as those described in Note 3.

Details of the segment revenues and expenses are provided in the accompanying schedules. There are no revenues or expenses that have not been allocated to a segment.

19. Economic dependence

Muskowekwan First Nation receives a significant portion of its revenues from the Government of Canada as a result of Treaties entered into with the Crown in Right of Canada. These Treaties are administered by the Department of Indigenous Services Canada under the terms and conditions of the Indian Act. The ability of the First Nation to continue to provide programming and essential services is dependent upon Canada's continued financial commitments as guaranteed by these Treaties.

20. Budget information

	Approved budget	Adjustments	Budget per consolidated financial statements
Statement of operations			
Revenues	10,234,931	60,000	10,294,931
Expenses	10,439,539	(784,000)	9,655,539
	(204,608)	844,000	639,392

The budget information disclosed was prepared and approved by management and Chief and Council. The approved budget only budgeted for a \$60,000 loss for Muskowekwan Gaming Inc. (modified equity method) instead of its entire operations, which is not in accordance with Canadian public sector accounting standards, so this amount has been adjusted and no budget for these operations has been presented. Also, the approved budget included \$784,000 of principal repayments on long-term debt in expenses. These amounts have been adjusted to present the budget information in accordance with Canadian public sector accounting standards.



Muskowekwan First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

21. Net debt

Included in net debt is a loan payable of \$3,100,000 (2017 - \$2,648,197) that is secured by the land that was purchased in 2017 and the current year and is currently fee simple. The land has been recorded as a tangible capital asset (non-financial asset) as required by Canadian public sector accounting standards.

22. Subsequent event

Subsequent to year end, a entity of the First Nation obtained a mortgage from the Royal Bank of Canada for \$11,571,570 with interest at Royal Bank prime plus 1.00% and to be repaid in semi-annual blended principal and interest payments of \$351,270. The proceeds from the mortgage were used to purchase \$7,561,175 of agricultural land and the remaining \$4,010,395 was used to pay existing long-term debt.

23. Department of Indigenous Services Canada (DISC) reconciliation

DISC funding per confirmation	6,544,329
Add:	
Deferred revenue - beginning of year	139,158
Deduct:	
Deferred revenue - end of year	(139,158)
Funding for Muskowekwan Resources Ltd. included on confirmation	(16,000)
16/17 Education Employee Benefits reconciliation	(13,479)
	6,514,850



Muskowekwan First Nation

Consolidated Schedule of Expenses by Object

For the year ended March 31, 2018

	2018 Budget (Note 20)	2018 Actual	2017 Actual
Salaries and benefits	2,689,220	2,930,055	2,673,622
Repairs and maintenance	497,490	1,535,048	1,102,379
Amortization	555,502	1,388,605	1,412,236
Social assistance	1,043,001	1,242,678	1,238,223
Cost of sales	-	1,068,327	1,068,006
Contracted services	736,428	1,065,127	890,476
Tuition	950,460	674,035	928,901
Flow through to Touchwood Post Secondary Program Inc.	624,432	655,952	624,679
Community support	49,180	617,710	749,849
Honourarium	406,880	501,030	382,344
Youth and elder activities	175,043	433,185	263,094
Interest on long-term debt	283,000	372,865	247,959
Travel	397,758	342,205	466,532
Bad debts	-	234,213	443
Insurance	136,100	192,999	165,924
School supplies	85,500	180,976	179,685
Utilities	120,420	176,161	153,271
Training	131,731	130,436	77,279
Student expenses	98,465	127,580	97,141
Administration	116,592	116,946	101,773
Supplies	59,249	104,261	108,382
Office equipment	31,000	103,309	34,137
Professional development	33,439	101,229	124,320
Professional fees	113,500	97,344	159,964
Rent	-	97,062	128,534
Office supplies	67,523	90,037	108,631
Vehicle	15,000	78,937	74,442
Bank charges and interest	36,650	71,076	68,114
Property tax	46,600	65,723	49,028
Telephone	63,000	49,393	70,822
Administration	37,427	47,377	43,213
Management fees	-	16,568	3,100
Funeral	-	12,625	30,630
Miscellaneous	5,457	11,828	16,597
Cultural	29,124	11,142	36,505
Program expense	14,643	10,989	10,830
Advertising	4,400	8,932	8,143
Cash short	-	7,889	4,896
User fees	1,325	5,330	6,978
	9,655,539	14,977,184	13,911,082



**Muskowekwan First Nation
Ottawa Trust Funds**

Schedule of Segment Revenues and Expenses and Surplus (Deficit)

For the year ended March 31, 2018

	2018	2017
Revenues		
Lease	51,234	59,917
Interest	8,821	7,734
Surplus before transfers	60,055	67,651
Transfers between programs	(45,460)	(41,450)
Surplus	14,595	26,201



Muskowekwan First Nation
Government Business Enterprises
Schedule of Segment Revenues and Expenses and Surplus (Deficit)
For the year ended March 31, 2018

	2018	2017
Revenue		
Earnings (loss) from investments in government business enterprises	(9,279)	140,945
Surplus (deficit)	(9,279)	140,945



Muskowekwan First Nation Band Government

Schedule of Segment Revenues and Expenses and Surplus (Deficit)

For the year ended March 31, 2018

	2018	2017
Revenues		
Department of Indigenous Services Canada	682,235	460,965
First Nations Trust	602,339	593,762
Dakota Dunes Community Development Corporation	320,700	303,794
Other	230,637	579,266
Touchwood Agency Tribal Council	8,000	-
Rental income	4,970	18,551
Interest	2,630	336
	1,851,511	1,956,674
Expenses		
Youth and elder activities	417,136	220,465
Honourarium	382,325	315,524
Community support	319,342	380,364
Salaries and benefits	312,680	301,077
Bad debts	234,213	-
Contracted services	132,919	135,248
Travel	107,005	203,972
Rent	84,222	128,534
Office equipment	78,407	8,584
Insurance	73,626	39,559
Professional fees	44,873	96,453
Repairs and maintenance	32,761	26,002
Telephone	27,278	47,633
Bank charges and interest	25,694	32,101
Office supplies	13,644	10,295
Funeral	12,625	29,330
Utilities	8,997	6,108
Miscellaneous	7,508	250
Administration	6,407	29,462
Cultural	5,863	20,252
Advertising	3,764	3,895
User fees	1,271	1,257
Vehicle	674	432
Professional development	150	58,419
Supplies	-	74
	2,333,384	2,095,290
Deficit	(481,873)	(138,616)



Muskowekwan First Nation
Capital

Schedule of Segment Revenues and Expenses and Surplus (Deficit)

For the year ended March 31, 2018

	2018	2017
Revenues		
Department of Indigenous Services Canada	162,752	554,540
Insurance proceeds	356,449	-
Rental income	102,919	91,257
Other	57,228	3,093
	679,348	648,890
Expenses		
Repairs and maintenance	725,220	223,361
Salaries and benefits	45,754	35,684
Insurance	35,000	35,000
Bank charges and interest	20,835	9,317
Travel	16,985	8,889
Contracted services	12,343	5,162
Utilities	9,730	10,270
Vehicle	1,539	1,592
Office supplies	421	369
	867,827	329,644
Surplus (deficit)	(188,479)	319,246



Muskowekwan First Nation
Community Infrastructure
Schedule of Segment Revenues and Expenses and Surplus (Deficit)
For the year ended March 31, 2018

	2018	2017
Revenues		
Department of Indigenous Services Canada	571,632	382,658
Other	20,846	48,205
Rental income	18,350	6,300
Health Canada	5,500	6,500
Insurance proceeds	-	412,933
	616,328	856,596
Expenses		
Contracted services	372,390	267,426
Amortization	326,825	276,893
Repairs and maintenance	98,617	454,875
Salaries and benefits	76,133	59,607
Utilities	68,132	70,324
Vehicle	21,510	16,791
Office supplies	20,715	19,594
Supplies	17,052	19,143
Travel	16,682	23,990
Bank charges and interest	6,565	4,288
User fees	2,971	2,971
Professional development	1,476	-
Telephone	777	808
Youth and elder activities	-	2,065
Office equipment	-	131
	1,029,845	1,218,906
Deficit before other income	(413,517)	(362,310)
Other income		
Gain on disposal of capital assets	7,500	-
Deficit	(406,017)	(362,310)



Muskowekwan First Nation Education

Schedule of Segment Revenues and Expenses and Surplus (Deficit)

For the year ended March 31, 2018

	2018	2017
Revenues		
Department of Indigenous Services Canada	3,378,036	3,378,155
Touchwood Agency Tribal Council	413,448	333,980
Other	320,158	333,296
Dakota Dunes Community Development Corporation	14,000	21,525
	4,125,642	4,066,956
Expenses		
Salaries and benefits	1,776,367	1,594,466
Tuition	674,035	928,901
Flow through to Touchwood Post Secondary Program Inc.	655,952	624,679
Contracted services	234,577	232,999
Amortization	276,663	281,448
School supplies	180,976	179,685
Student expenses	99,275	61,691
Repairs and maintenance	95,209	84,288
Travel	55,894	56,112
Utilities	42,196	20,071
Supplies	31,588	29,175
Professional development	25,545	31,077
Honourarium	17,400	13,286
Office equipment	12,776	12,157
Vehicle	10,613	12,568
Professional fees	10,500	11,813
Bank charges and interest	10,353	16,799
Telephone	6,261	6,546
Insurance	3,170	3,170
Office supplies	873	2,520
Training	315	2,387
Cultural	150	-
Community support	37	-
Miscellaneous	-	2,104
Advertising	-	878
Administration	-	500
Administration	-	200
	4,220,725	4,209,520
Deficit	(95,083)	(142,564)



Muskowekwan First Nation Lands

Schedule of Segment Revenues and Expenses and Surplus (Deficit)

For the year ended March 31, 2018

	2018	2017
Revenues		
Department of Indigenous Services Canada	144,972	143,238
Lease	962,902	672,313
Interest	21,869	21,868
Other	19,827	8,292
Rental income	250	1,675
	1,149,820	847,386
Expenses		
Interest on long-term debt	295,973	222,384
Honourarium	101,305	52,934
Salaries and benefits	95,148	94,167
Travel	91,543	82,840
Contracted services	86,096	110,856
Property tax	65,723	49,028
Administration	42,000	-
Training	24,188	-
Professional fees	22,310	9,415
Repairs and maintenance	12,482	10,207
Utilities	9,136	7,613
Professional development	8,610	-
Office supplies	8,280	6,586
Community support	7,557	3,650
Administration	4,927	11,908
Telephone	1,723	1,724
Miscellaneous	1,644	-
Bank charges and interest	1,421	2,170
Cultural activities	1,200	-
Vehicle	1,132	4,465
User fees	1,088	2,750
Advertising	40	-
Youth and elder activities	-	2,500
Funeral	-	1,300
Office equipment	-	500
	883,526	676,997
Surplus before transfers	266,294	170,389
Transfers between programs	45,460	41,450
Surplus	311,754	211,839



Muskowekwan First Nation
Social Development
Schedule of Segment Revenues and Expenses and Surplus (Deficit)
For the year ended March 31, 2018

	2018	2017
Revenue		
Department of Indigenous Services Canada	1,541,796	1,500,916
Expenses		
Social assistance	1,242,678	1,238,223
Training	105,933	73,737
Salaries and benefits	71,864	69,586
Supplies	54,978	59,840
Student expenses	28,305	35,450
Travel	14,067	10,373
Community support	8,619	14,526
Contracted services	5,600	1,700
Bank charges and interest	2,855	2,326
Cultural activities	1,854	14,102
Office equipment	811	5,893
Office supplies	-	25,053
	1,537,564	1,550,809
Surplus (deficit)	4,232	(49,893)



Muskowekwan First Nation Health

Schedule of Segment Revenues and Expenses and Surplus (Deficit)

For the year ended March 31, 2018

	2018	2017
Revenues		
Department of Indigenous Services Canada	33,427	33,427
Health Canada	886,135	701,459
Touchwood Agency Tribal Council	34,206	-
Other	5,225	-
Interest	-	67
Health Canada - forfeited funding	-	(28,910)
	958,993	706,043
Expenses		
Salaries and benefits	358,132	318,313
Contracted services	195,702	137,085
Community support	126,179	44,494
Amortization	92,061	82,247
Professional development	65,448	34,824
Office supplies	12,340	13,657
Vehicle	43,469	38,594
Administration	42,450	30,805
Travel	23,308	46,800
Youth and elder activities	16,049	38,064
Repairs and maintenance	15,824	9,422
Office equipment	11,315	6,872
Program expense	10,989	10,830
Telephone	10,766	7,571
Utilities	7,940	9,413
Insurance	7,003	3,995
Bank charges and interest	2,100	1,113
Administration	2,085	1,736
Cultural activities	2,075	2,151
Supplies	643	150
Advertising	528	-
Miscellaneous	500	7,459
Honourarium	-	600
	1,046,906	846,195
Deficit	(87,913)	(140,152)



Muskowekwan First Nation
Economic Development
Schedule of Segment Revenues and Expenses and Surplus (Deficit)
For the year ended March 31, 2018

	2018	2017
Revenues		
Department of Indigenous Services Canada	-	27,122
Touchwood Agency Tribal Council	60,000	60,000
Other	-	5,000
	60,000	92,122
Expenses		
Amortization	137,322	134,565
Contracted services	25,500	-
Rent	12,840	-
Community support	10,000	35,000
Professional fees	-	25,000
Travel	-	8,268
Administration	-	511
	185,662	203,344
Deficit before other income	(125,662)	(111,222)
Other income		
Gain on disposal of IMI Brokerage shares	-	179,484
Surplus (deficit)	(125,662)	68,262



Muskowekwan First Nation
Housing

Schedule of Segment Revenues and Expenses and Surplus (Deficit)

For the year ended March 31, 2018

	2018	2017
Revenues		
Rental income	403,842	443,256
CMHC	398,395	419,474
Interest	2,716	6,189
Other	-	126,274
	804,953	995,193
Expenses		
Amortization	521,364	602,711
Repairs and maintenance	515,739	254,115
Interest on long-term debt	76,892	24,136
Administration	66,454	69,864
Insurance	65,944	75,944
Professional fees	11,786	10,836
	1,258,179	1,037,606
Deficit	(453,226)	(42,413)



Muskowekwan First Nation
Muskowekwan Gaming Inc.
Schedule of Segment Revenues and Expenses and Surplus (Deficit)
For the year ended March 31, 2018

	2018	2017
Revenues		
Muskowekwan Gaming Inc.	1,521,310	1,560,106
Rental income	57,952	62,252
Interest	3,817	448
	1,583,079	1,622,806
Expenses		
Cost of sales	1,068,327	1,068,006
Salaries and benefits	193,977	200,722
Community support	145,976	271,815
Repairs and maintenance	39,196	40,109
Amortization	34,370	34,372
Office supplies	33,764	30,557
Utilities	30,030	29,472
Travel	16,721	25,288
Management fees	16,568	3,100
Insurance	8,256	8,256
Cash short	7,889	4,896
Professional fees	7,875	6,447
Advertising	4,600	3,370
Telephone	2,588	6,540
Miscellaneous	2,176	6,784
Bank charges and interest	1,253	-
Interest on long-term debt	-	1,439
Training	-	1,155
Bad debts	-	443
	1,613,566	1,742,771
Deficit	(30,487)	(119,965)