

MAKWA SAHGAIEHCAN FIRST NATION

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

for the year ended March 31, 2015

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MAKWA SAHGAIEHCAN FIRST NATION

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Management's Responsibility for the Financial Statements

To the Members of Makwa Sahgaiehcan First Nation:

The accompanying financial statements of Makwa Sahgaiehcan First Nation are the responsibility of management and have been approved by the Council.

These 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. Management is responsible 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.

Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the 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 financial statements and the external auditor's report.

The external auditors, HNG Accounting Group CPA PC Inc., conduct an audit in accordance with Canadian general auditing standards, and express their opinion on the financial statements. The external auditors have access to financial management of Makwa Sahgaiehcan First Nation and meet when required.

On behalf of Makwa Sahgaiehcan First Nation:

APPROVED BY COUNCIL:



2911A Cleveland Avenue
Saskatoon, Saskatchewan
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INDEPENDENT AUDITOR'S REPORT

To the Chief and Council and Members
MAKWA SAHGAIEHCAN FIRST NATION

We have audited the accompanying financial statements of Makwa Sahgaiechan First Nation which comprise of the statement of financial position as of March 31, 2015 and the statements of operations, changes in net financial assets, change in surplus balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility of the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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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 financial statements present fairly, in all material aspects, the financial position of Makwa Sahgaiehcan First Nation as at March 31, 2015, and the results of its operation and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The supplementary information contained in the accompanying schedules is presented for purposes of additional information to the membership and Aboriginal Affairs and Northern Development Canada and does not form part of the consolidated financial statements. The schedules have not been audited other than in the course of our audit of the financial statements to the extent necessary to allow us to render an opinion thereon.

HNG Accounting Group

Saskatoon, Saskatchewan
July 29, 2015

Chartered Professional
Accountants

MAKWA SAHGAIEHCAN FIRST NATION

STATEMENT OF FINANCIAL POSITION
as at March 31, 2015

	<u>2015</u>	<u>2014</u>
<u>FINANCIAL ASSETS</u>		
Bank – restricted use (Note 8 & 9)	\$ 3,053,466	\$ 1,254,935
Accounts receivable (Note 2)	68,500	312,830
Member advances	32,509	32,708
Trust funds (Note 3)	170,874	143,607
Investments (Note 4)	293,931	286,880
Store enterprise (Note 5)	428,169	512,338
Limited partnership interests (Note 6)	<u>4,686,541</u>	<u>4,789,660</u>
	<u>8,733,990</u>	<u>7,332,958</u>
<u>FINANCIAL LIABILITIES</u>		
Bank indebtedness	217,523	170,196
Accounts payable (Note 7)	1,008,089	576,489
Unexpended revenue (Note 8)	2,259,502	517,854
Funded reserves (Note 9)	694,304	700,244
Term debt (Note 10 & 11)	<u>6,550,058</u>	<u>6,258,339</u>
	<u>10,729,476</u>	<u>8,223,122</u>
NET FINANCIAL ASSETS	(1,995,486)	(890,164)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)	<u>17,357,799</u>	<u>17,216,247</u>
SURPLUS	\$ 15,362,313	\$ 16,326,083

APPROVED BY COUNCIL:



THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS

MAKWA SAHGAIEHCAN FIRST NATION

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
for the year ended March 31, 2015

	<u>2015</u>	<u>2014</u>
SURPLUS (DEFICIT) FOR THE YEAR	\$ (441,283)	\$ 291,759
Loss on disposal	-	26,500
Receipt of deferred capital	108,350	33,229
Proceeds of sale of tangible capital assets	-	50,000
Purchase of tangible capital assets	(1,062,690)	(1,144,054)
Amortization of tangible capital assets	294,588	184,391
Prior period adjustment	(4,287)	(13)
 INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,105,322)	(558,188)
 BALANCE, beginning of the year	(890,164)	(331,976)
 BALANCE, end of the year	\$ (1,995,486)	\$ (890,164)
	=====	=====

MAKWA SAHGAIEHCAN FIRST NATION

STATEMENT OF OPERATIONS
for the year ended March 31, 2015

	Budget	2015	2014
	2015	(unaudited)	
REVENUE:			
Grants and Contributions:			
- AANDC - Flexible transfer	\$ 5,153,600	\$ 5,153,600	\$ 1,000,000
- Block Contribution	8,331,484	8,331,484	8,380,471
- Fixed and Set Contributions	711,458	711,458	833,969
- Revenue Trust (Note 3)	20,000	27,267	14,492
- Health Canada	35,000	35,000	66,424
- Meadow Lake Tribal Council	1,995,104	1,995,104	1,862,207
- Government of Saskatchewan	40,000	27,262	21,000
- Solicitor General	-	-	4,690
- Canada Mortgage and Housing	-	64,667	143,842
- Northern Lights Community Development	75,000	96,520	191,520
First Nations Trust – Gaming	400,000	527,585	549,391
Sales tax refunds	10,000	8,593	23,502
Saskatchewan Lotteries	9,709	9,709	9,709
Expense recoveries and other income	299,935	378,318	286,328
Limited Partnership earnings	-	46,881	231,099
Capital and earnings distributions	100,000	87,748	95,941
Interest	-	117	39
Store sales	3,900,000	4,024,461	3,692,798
Housing rental and subsidy	<u>564,144</u>	<u>564,144</u>	<u>476,064</u>
	21,645,434	22,089,918	17,883,486
Unexpended revenue - prior year	517,854	517,854	375,608
- current year	<u>-</u>	<u>(2,259,502)</u>	<u>(517,854)</u>
	21,557,418	20,348,270	17,741,240
 EXPENSES	 <u>20,984,394</u>	 <u>20,796,604</u>	 <u>17,515,033</u>
 SURPLUS (DEFICIT) BEFORE THE UNDERNOTED	 573,024	 (448,334)	 226,207
Equity change in investments	<u>-</u>	<u>7,051</u>	<u>65,552</u>
 SURPLUS (DEFICIT) FOR THE YEAR	 <u>\$ 573,024</u>	 <u>\$ (441,283)</u>	 <u>\$ 291,759</u>

MAKWA SAHGAIEHCAN FIRST NATION

STATEMENT OF CHANGES IN SURPLUS BALANCES
for the year ended March 31, 2015

	<u>2015</u>	<u>2014</u>
<u>DEFERRED CAPITAL TRANSFERS</u>		
BALANCE, beginning of the year	\$ 10,965,744	\$ 11,608,208
PLUS: Capital transfers received	108,350	33,229
LESS: Amortization recorded	(626,551)	(675,693)
BALANCE, end of the year	\$ 10,447,543	\$ 10,965,744
	<u> </u>	<u> </u>
<u>EQUITY IN INVESTMENTS</u>		
BALANCE, beginning of the year	\$ 286,880	\$ 221,328
Makwa Lake Development Company		
- Earnings (loss) for the year	94,799	161,420
- Capital redemption	-	(63,376)
- Earnings distribution	(87,748)	(32,551)
Meadow Lake Corporation		
- Allocation of equity	-	59
BALANCE, end of the year	\$ 293,931	\$ 286,880
	<u> </u>	<u> </u>

MAKWA SAHGAIEHCAN FIRST NATION

STATEMENT OF CHANGES IN SURPLUS BALANCES
for the year ended March 31, 2015

	<u>2015</u>	<u>2014</u>
<u>SURPLUS, APPROPRIATED FOR HOUSING AUTHORITY</u>		
BALANCE, beginning of the year	\$ 3,432	\$ 3,445
PLUS adjustment by funding agency	(4,287)	(13)
	(855)	3,432
SURPLUS (DEFICIT) FOR THE YEAR	(8,970)	-
BALANCE, end of the year	\$ (9,825)	\$ 3,432
<u>SURPLUS, UNAPPROPRIATED</u>		
BALANCE, beginning of the year	\$ 5,070,027	\$ 4,843,820
SURPLUS (DEFICIT) FOR THE YEAR	(441,283)	291,759
	4,628,744	5,135,579
ALLOCATION OF CURRENT SURPLUS (DEFICIT):		
- Housing	8,970	-
- Investments	(7,051)	(65,552)
BALANCE, end of the year	\$ 4,630,663	\$ 5,070,027

MAKWA SAHGAIEHCAN FIRST NATION

STATEMENT OF CASH FLOWS
for the year ended March 31, 2015

	<u>2015</u>	<u>2014</u>
OPERATIONS:		
Surplus (Deficit) for the year	\$ (441,283)	\$ 291,759
Amortization	294,588	184,391
Loss on disposal	-	26,500
Prior period adjustment	(4,287)	(13)
	<u>(150,982)</u>	<u>502,637</u>
Changes in non-cash Working Capital items:		
Accounts receivable	244,330	(79,166)
Member advances	199	(2,459)
Accounts payable	431,600	(158,572)
Unexpended revenue	<u>1,741,648</u>	<u>142,246</u>
	<u>2,266,795</u>	<u>404,686</u>
INVESTING ACTIVITIES:		
Investment changes	152,970	(295,104)
Sale of capital assets	-	50,000
Purchase of capital assets	(1,062,690)	(1,144,054)
	<u>(909,720)</u>	<u>(1,389,158)</u>
FINANCING ACTIVITIES:		
Receipt of deferred contributed	108,350	33,229
Proceeds of term debt	773,950	1,979,597
Repayment of term debt	(482,231)	(1,054,931)
	<u>400,069</u>	<u>957,895</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,757,144	(26,577)
CASH AND CASH EQUIVALENTS, beginning of the year	<u>384,495</u>	<u>411,072</u>
CASH AND CASH EQUIVALENTS, end of the year	\$ 2,141,639	\$ 384,495
CASH AND CASH EQUIVALENTS ARE REPRESENTED BY:		
Restricted deposits	\$ 3,053,466	\$ 1,254,935
Bank (indebtedness)	(217,523)	(170,196)
Funded reserves	(694,304)	(700,244)
	<u>\$ 2,141,639</u>	<u>\$ 384,495</u>

MAKWA SAHGAIEHCAN FIRST NATION**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended March 31, 2015**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES:****Basis of Accounting**

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board.

Reporting Entity and Principles of Financial Reporting

The Flying Dust First Nation reporting entity includes the Makwa Sahgaiehcan First Nation government and all related entities, which are accountable to the First Nation and are either owned or controlled by the First Nation.

These financial statements consolidate the assets, liabilities and results of operations for the following entities, which use accounting principles, which lend themselves to consolidation:

Makwa Sahgaiehcan First Nation – Operations
Makwa Sahgaiehcan First Nation – CMHC Housing Fund
Makwa Sahgaiehcan First Nation – Store Enterprise

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

Net Financial Assets

Net financial assets are the net amount of financial assets less financial liabilities outstanding. Financial assets represent items which could provide resources to the First Nation to discharge existing liability or finance future operations.

Non-Financial Assets

Tangible capital assets and other non-financial assets are accounted for as assets by the First Nation as they can be used to provide services in future periods. These assets do not provide resources to discharge the liabilities of the First Nation unless they are sold.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with bank and term deposit having a maturity of three months or less at acquisition which are held for the purpose of meeting short term cash commitments.

MAKWA SAHGAIEHCAN FIRST NATION**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended March 31, 2015**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES: (Continued)****Investments**

Incorporated business entities, which are owned or controlled by the Makwa Sahgaiehcan First Nation for their continuing operations, are included in the financial statements using the modified equity method. These include:

Makwa Lake Development Co.

Long-term investments in non-controlled entities are recorded at the lower of cost or net realizable value.

Revenue Recognition

Revenue are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenue is 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 stipulation give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled. Contribution 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. Restricted contributions that must be maintained in perpetuity are recorded as revenue when received or receivable, and are presented as non-financial assets in the statement of financial operations.

Revenue related to fee or services received in advance of the fee being earned or the services performed is deferred and recognized when the fee is earned or service performed.

Pension Plan

Makwa Sahgaiehcan First Nation provides a defined contribution pension plan for its employees. The pension costs are charged to operations as contributions are due. Contributions are a defined amount whereby the employer matches that paid by the employee.

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS **for the year ended March 31, 2015**

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Tangible Capital Assets

Tangible capital asset acquisitions are recorded at their acquisition cost and include amounts that are directly related to the acquisition, design, construction, development, improvement, or betterment of the assets. Cost include overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Assets under construction are not amortized until available for use.

Amortization

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nation's ability to provide 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-down would be accounted for as expenses in the statement of operations. The cost of these tangible capital assets, less any residual value, is amortized over the asset's useful life using the straight-line method of amortization as recorded are amortized annually over their expected useful life using the straight line method at the following rates:

Roads	25
Buildings	50
Housing	40
Equipment	20
Vehicles and machinery	4
Infrastructure	20 to 80

No amortization is recorded in the year of acquisition.

Government Funding for Capital Assets

Funding received for the purchase of or construction of capital assets is accumulated as an equity account, Deferred Capital Transfers, and is amortized at the same rate as the applicable capital assets are amortized.

Leased assets

Leased assets that transfer substantially all the benefits and risks of ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the First Nation, and the obligation, including interest thereon, is repaid over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.

MAKWA SAHGAIEHCAN FIRST NATION**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended March 31, 2015**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES: (Continued)****Financial Instruments**

Financial instruments consist of bank, portfolio investments, accounts receivable, trust funds, accounts payable and unexpended revenue. The First Nation's financial instruments are measured at cost or amortized cost. Interest attributable to financial instruments is reported in the statement of operations. All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Due to the short-term nature of all financial instruments other than long-term investments and long-term debt, the carrying values are presented in the financial statements are reasonable estimates of fair value. As is true for all estimates, actual fair value could differ from this estimate and, if so, any difference could be accounted for in the period in which it becomes known. Since long-term investments are not traded in an organized financial market, it is not practicable within constraints of timeliness or cost to determine the fair value with sufficient reliability.

Use of Estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenditures during the year.

Accounts receivable and members advance are assessed for collectability annually and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from estimates.

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2015

2. ACCOUNTS RECEIVABLE:

The First Nation's accounts receivable includes:

	<u>2015</u>	<u>2014</u>
Aboriginal Affairs and Northern Dev.	\$ -	\$ 36,025
MLTC Program Services Inc.	- -	127,873
MLTC Health and Social Development	28,122	9,953
Health Canada	- -	30,000
Northern Lights Development	- -	37,753
CMHC – RRAP	- -	24,804
National Aboriginal	- -	9,043
Sales tax refund	- -	11,839
Other expense recoveries	11,861	1,649
Housing Subsidy	<u>28,517</u>	<u>23,891</u>
	<u>\$ 68,500</u>	<u>\$ 312,830</u>

3. TRUST FUNDS:

The First Nation has the following trust funds held by AANDC:

	<u>Capital</u>	<u>Revenue</u>	<u>Total</u>
Balance, March 31, 2014	\$ 59,789	\$ 83,818	\$ 143,607
Plus: Income recorded	<u>180</u>	<u>27,087</u>	<u>27,267</u>
	<u>59,969</u>	<u>110,905</u>	<u>170,874</u>
Less: Disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Balance, March 31, 2015	<u>\$ 59,969</u>	<u>\$ 110,905</u>	<u>\$ 170,874</u>

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2015

4. INVESTMENTS:

The First Nation holds the following investments:

	<u>2015</u>	<u>2014</u>
Makwa Lake Development Corp. (Note 11)		
- Contributed capital	\$ 5	\$ 5
- Retained Earnings	<u>286,874</u>	<u>279,823</u>
	<u>286,879</u>	<u>279,828</u>
MLTC Resource Development Inc.		
- 1 Class A common share (11% ownership)	1	1
MLTC Program Services Inc.		
- 1 Class A common share (11% ownership)	1	1
MLTC Health & Social Development Inc.		
- 1 Class A common share (11% ownership)	1	1
First Nations Bank		
- 537 common shares	940	940
Meadow Lake Co-operative Ltd.		
- current equity	<u>6,109</u>	<u>6,109</u>
	<u>\$ 293,931</u>	<u>\$ 286,880</u>
	<u>=====</u>	<u>=====</u>

During the fiscal year the First Nation received the following earnings distributions:

	<u>2015</u>	<u>2014</u>
Makwa Lake Development Corp.		
- Earnings distribution	\$ 87,748	\$ 32,551
Meadow Lake Co-operative	<u>19</u>	<u>77</u>
	<u>\$ 87,767</u>	<u>\$ 32,628</u>
	<u>=====</u>	<u>=====</u>

The First Nation entered into shareholder agreements with eight other First Nations to explore business opportunities with Meadow Lake Tribal Council (MLTC).

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2015

5. STORE ENTERPRISE:

The First Nation operates a store, which has net assets of:

	<u>2015</u>	<u>2014</u>
Bank	\$ 37,872	\$ 136,515
Accounts receivable	180,271	183,993
Inventory	127,015	107,967
Prepaid expenses	1,459	3,041
Fixed assets	97,078	114,522
Accounts payable	(15,526)	(33,700)
	<hr/> \$ 428,169	<hr/> \$ 512,338
	<hr/>	<hr/>

6. LIMITED PARTNERSHIP:

The First Nation has an 11.1% interest in a limited partnership, MLTC Resource Development Limited Partnership. The First Nation's limited partnership capital account consists of:

	<u>2015</u>	<u>2014</u>
Balance, beginning of the year	\$ 4,789,660	\$ 4,658,561
Plus : prior period adjustment share of earnings	68,786 (21,905)	- 231,099
Less : distribution received	(150,000)	(100,000)
Balance, end of the year	<hr/> \$ 4,686,541	<hr/> \$ 4,789,660
	<hr/>	<hr/>

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2015

7. ACCOUNTS PAYABLE:

Accounts payable includes:

	<u>2015</u>	<u>2014</u>
Supplier accounts	\$ 500,336	\$ 164,622
Tuition billings	331,622	331,662
Accrued mortgage interest	13,958	7,226
Housing reserve liabilities (Note 9)	<u>162,173</u>	<u>72,979</u>
	<hr/>	<hr/>
	\$ 1,008,089	\$ 576,489
	<hr/>	<hr/>

8. UNEXPENDED REVENUE:

The First Nation has the following programs, which had funding that was unexpended (overexpended):

	<u>Sch</u>	<u>2015</u>	<u>2014</u>
Adult Care	5	\$ (55,716)	\$ 7,108
Capital – Health Clinic	12	17,491	17,652
Capital – Water Treatment	12	<u>2,297,727</u>	<u>493,094</u>
		<hr/>	<hr/>
		\$ 2,259,502	\$ 517,854
		<hr/>	<hr/>

Capital project accounts have separate bank accounts with funds on deposits only available for the respective capital projects.

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2015

9. FUNDED RESERVES:

Under the terms of an agreement with Canada Mortgage and Housing Corporation, the First Nation is required to fund both an asset replacement reserve and an operating surplus reserve. Use of the funded reserves is subject to the terms of the agreement. As of the fiscal year end the reserve obligation is:

	<u>2015</u>	<u>2014</u>
Total obligation	\$ 856,477	\$ 773,223
Funded amount on deposit	(694,304)	(700,244)
Outstanding obligation (see Note 7)	\$ 162,173	\$ 72,979

10. TERM DEBT:

The First Nation has the following loans/finance contracts:

	<u>2015</u>	<u>2014</u>
1) Finance contract with Case New Holland repayable at \$1,788 per month including interest at 7.046%.	\$ 54,975	\$ 71,909
2) Bank loan with First Nations Bank repayable at \$55,000 every three months plus interest at 4.25%.	840,000	1,050,000
3) Bank loan with First Nations Bank repayable at \$5,528 every three months including interest at 5.05%.	222,509	240,673
4) Bank loan with First Nations Bank repayable at \$2,094 per month including interest at 4.95%.	343,066	351,087

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2015

10. TERM DEBT: (Continued)

	<u>2015</u>	<u>2014</u>
5) Finance contract with Ford Credit repayable at \$1,242 per month including interest at 5.69%.	\$ 19,600	\$ 29,961
	<hr/> \$ 1,480,150	<hr/> \$ 1,743,630

Assuming renewal on comparable terms, principal payments required on long term debt for the next five years and thereafter are as follows:

2016	\$ 278,132
2017	278,535
2018	271,209
2019	211,200
2020	32,500
Subsequent years	<u>408,574</u>
	<hr/> \$ 1,480,150

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2015

11. MORTGAGES:

The Fund has the following mortgages outstanding:

	<u>2015</u>	<u>2014</u>
1) CMHC, repayable at \$1,044 per month including interest at 1.82%, secured by a loan guarantee from AANDC. The mortgage term expires on September 1, 2019.	\$ 108,330	\$ 118,568
2) CMHC, repayable at \$1,785 per month including interest at 2.69%, secured by a loan guarantee from AANDC. The mortgage term expires on August 1, 2015.	190,440	206,526
3) CMHC, repayable at \$1,610 per month including interest at 1.62%, secured by a loan guarantee from AANDC. The mortgage term expires on March 1, 2018.	223,824	239,394
4) CMHC, repayable at \$2,131 per month including interest at 1.05%, secured by a loan guarantee from AANDC. The mortgage term expires on April 1, 2020.	242,556	263,258
5) CMHC, repayable at \$5,057 per month including interest at 1.71%, secured by a loan guarantee from AANDC. The mortgage term expires on September 1, 2017.	913,798	958,490
6) CMHC, repayable at \$1,982 per month including interest at 2.04%, secured by a loan guarantee from AANDC. The mortgage term expires on March 1, 2019.	286,644	304,410
7) CMHC, repayable at \$2,287 per month including interest at 2.69%, secured by a loan guarantee from AANDC. The mortgage term expires on August 1, 2015.	430,859	446,552

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2015

11. MORTGAGES: (Continued)

	<u>2015</u>	<u>2014</u>
8) CMHC, repayable at \$5,096 per month including interest at 1.67%, secured by a loan guarantee from AANDC. The mortgage term expires on June 1, 2018.	\$ 1,177,990	\$ 1,219,166
9) CMHC, repayable at \$2,996 per month including interest at 2.18%, secured by a loan guarantee from AANDC. The mortgage term expires on January 1, 2019.	429,289	432,206
10) CMHC, repayable at \$4,555 per month including interest at 1.77%, secured by a loan guarantee from AANDC. The mortgage term expires November 1, 2019.	665,219	326,139
11) CMHC, mortgage advances towards a total mortgage of \$750,000 for houses under construction.	400,959	-
	<hr/> 5,069,908	<hr/> 4,514,709
Less current portion	<hr/> 226,000	<hr/> 181,000
	<hr/> \$ 4,843,908	<hr/> \$ 4,333,709
	<hr/>	<hr/>

The principal payments on the mortgages during the subsequent years is estimated at:

Year ended	2016	\$ 226,000
	2017	245,000
	2018	265,000
	2019	290,000
	2020	320,000
	Subsequent years	<u>3,723,908</u>
		<hr/> \$ 5,069,908
		<hr/>

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2015

12. TANGIBLE CAPITAL ASSETS:

The First Nation's tangible capital assets include:

	<u>2015</u>	<u>2014</u>
<u>Cost</u>		
Land	\$ 11,186	\$ 11,186
Buildings	11,689,648	11,615,298
Houses	11,420,156	11,420,156
Rental homes	7,207,144	6,293,022
Infrastructure	2,732,368	2,732,368
Equipment	1,290,415	1,277,661
Roads	472,639	472,639
Vehicles	<u>328,301</u>	<u>266,837</u>
	35,151,857	34,089,167

Accumulated Amortization

Land	-	-
Buildings	4,133,841	3,749,750
Houses	9,151,114	8,956,409
Rental homes	1,101,724	882,973
Infrastructure	1,563,639	1,509,681
Equipment	1,163,761	1,112,317
Roads	472,639	478,742
Vehicles	<u>207,340</u>	<u>183,048</u>
	17,794,058	16,872,920

Net Book Value \$ 17,357,799 \$ 17,216,247

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2015

13. MAKWA LAKE DEVELOPMENT CO.:

Summarized financial information as at December 31, 2014 as follows:

	<u>ASSETS</u>	
	<u>2014</u>	<u>2013</u>
BANK	\$ 70,467	\$ 64,042
ACCOUNTS RECEIVABLE	66,146	52,618
FIXED ASSETS	<u>151,208</u>	<u>166,349</u>
	<hr/>	<hr/>
	\$ 287,821	\$ 283,009
	<hr/>	<hr/>

LIABILITIES/SHAREHOLDERS' EQUITY

ACCOUNTS PAYABLE	\$ 942	\$ 3,181
CONTRIBUTED CAPITAL	5	5
RETAINED EARNINGS	<u>286,874</u>	<u>279,823</u>
	<hr/>	<hr/>
	\$ 287,821	\$ 283,009
	<hr/>	<hr/>

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2015

13. MAKWA LAKE DEVELOPMENT CO.: (Continued)

Summarized financial information as at December 31, 2014 as follows:

STATEMENT OF OPERATIONS

	<u>2014</u>	<u>2013</u>
REVENUE:		
Rentals	\$ 21,040	\$ 11,933
Land leases	237,054	275,117
Contributions	<u>30,000</u>	<u>33,000</u>
	<u>288,094</u>	<u>320,050</u>
EXPENSES:		
Operating costs	180,594	145,471
Depreciation	21,941	3,919
Bad debts (recovery)	<u>(9,240)</u>	<u>9,240</u>
	<u>193,295</u>	<u>158,630</u>
NET EARNINGS (LOSS) FOR THE YEAR	\$ 94,799	\$ 161,420

14. SEGMENTED INFORMATION:

The Makwa Sahgaiehcan First Nation is a diversified government institution that provides a wide range of services to its members, including education, infrastructure maintenance, medical and other health services, administration, capital, enterprises, and other services. For management reporting purposes, the Dene Nation's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Social and family services

This department is responsible for administrating programs focussing on improving the lives of

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2015

14. SEGMENTED INFORMATION: (Continued)

members and families of the First Nation, including: better living, education and funeral policies; promoting awareness of cultural ties by gathering together youth and elders; youth employment projects; and distribution of trust settlement proceeds to members.

Education

The education department provides services to elementary and secondary students primarily by entering into service contracts with provincially funded area school boards, as well as native language study. In addition, the department reimburses tuition costs and provides living and other allowances to students who are attending post-secondary institutions.

Operations and maintenance

The infrastructure department provides public services that contribute to community development and sustainability through the provision of operating services such as water and sanitation, fire protection, electrical and community buildings.

Medical and other health services

The community wellness department provides a diverse bundle of services directed towards the well-being of members including such activities as medical transportation, pre-natal and early childhood care, nursing, health representation, traditional healing, family violence prevention, and many other smaller programs designed to enhance the health of members.

Administration

The administration department oversees the delivery of all governmental services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of Chief and Council.

Housing and community development

This department oversees construction and renovation of housing in the community and as well, operates the CMHC project and other band-owned homes. In addition, this department undertakes planning activities to ensure the long-term improvement of the community.

Enterprises and economic development

Band operated enterprises are activities conducted by the First Nation with the objective of promotion economic self-sufficiency. These activities could include income generated from renting out band-owned equipment, lease income, and other projects from time to time. This department also oversees economic development programs within the community.

MAKWA SAHGAIEHCAN FIRST NATION**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended March 31, 2015**14. SEGMENTED INFORMATION: (Continued)****Other services**

The First Nation provides a wide array of other services, including volunteer fire department, library, and land purchases, as well as administering Rama funding.

For each reported segment, revenues and expenses include 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.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the summary of significant accounting policies.

15. ABORIGINAL AFFAIRS AND NORTHERN CANADA DEVELOPMENT FUNDING:

The First Nation has entered into funding arrangements with Aboriginal Affairs and Northern Development Canada. The funds are used by the First Nation to administer its operations and provide service to its members in accordance with the terms of the funding arrangement. Funding received under these contribution agreements is subjected to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

16. PENSION AGREEMENT:

The First Nation provides a defined contribution plan for eligible members of its staff. The First Nation matches employees' contributions. The amount to be received by employees will be the amount of retirement annuity that could be purchased based on the employee's share of the pension plan at the time the employee's withdrawal from the plan.

17. BUDGETED FIGURES:

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates supplied by management.

MAKWA SAHGAIEHCAN FIRST NATION**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended March 31, 2015**18. RISK MANAGEMENT**

The First Nation is exposed to credit risk, liquidity risk, and other price risk from its financial instruments.

The First Nation's member advances are exposed to credit risk. The First Nation manages its exposure to credit risk by actively limiting the amount of non-funding accounts receivable outstanding.

The First Nation is exposed to liquidity risk which are limitations on the ability of the First Nation to convert financial assets to cash in order to meet financial liabilities as a result of being economically dependent on funding from AANDC. The First Nation's approach to managing its liquidity risk is to ensure that it will have sufficient cash flows to fund its operations and to meet its obligations when due, under both normal and stressed conditions.

The company is exposed to other price risk on its portfolio investments, which are subjected to market fluctuation.

19. COMPARATIVE FIGURES:

Comparative figures for 2013/2014 have been restated to match current reporting practices.

MAKWA SAHGAIEHCAN FIRST NATION

SUMMARY OF REVENUE AND EXPENSES BY ACTIVITY
for the year ended March 31, 2015

	<u>Sch</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Unexpended Revenue</u>	<u>Surplus (Deficit)</u>
RESERVES & TRUSTS:					
Land Management	1	\$ 50,763	\$ 54,949	\$ -	\$ (4,186)
Specific Claim	1	62,350	62,609	-	(259)
Registry	2	<u>10,941</u>	<u>180</u>	<u>-</u>	<u>10,761</u>
		<u>124,054</u>	<u>117,738</u>	<u>-</u>	<u>6,316</u>
EDUCATION:					
General	3	2,782,014	2,680,354	-	101,660
Post Secondary	4	640,156	642,167	-	(2,011)
Band Operated	4	<u>389,551</u>	<u>495,725</u>	<u>-</u>	<u>(106,174)</u>
		<u>3,811,721</u>	<u>3,818,246</u>	<u>-</u>	<u>(6,525)</u>
SOCIAL SERVICES:					
Social Assistance	5	2,107,189	2,177,284	-	(70,095)
Adult Care	5	112,500	175,324	62,824	-
Home Care	6	191,672	224,370	-	(32,698)
Special Needs	6	10,148	10,148	-	-
National Child Benefit	7	378,894	380,254	-	(1,360)
Early Childhood	7	<u>59,427</u>	<u>59,427</u>	<u>-</u>	<u>-</u>
		<u>2,859,830</u>	<u>3,026,807</u>	<u>62,824</u>	<u>(104,153)</u>
INFRASTRUCTURE:					
Services	8	<u>974,990</u>	<u>1,007,800</u>	<u>-</u>	<u>(32,810)</u>
BAND SUPPORT:					
Administration	9	1,019,987	1,072,173	-	(52,186)
Service Delivery	10	60,000	58,712	-	1,288
Capacity	10	<u>30,908</u>	<u>30,908</u>	<u>-</u>	<u>-</u>
		<u>1,110,895</u>	<u>1,161,793</u>	<u>-</u>	<u>(50,898)</u>

MAKWA SAHGAIEHCAN FIRST NATION

SUMMARY OF REVENUE AND EXPENSES BY ACTIVITY
for the year ended March 31, 2015

	<u>Sch</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Unexpended Revenue</u>	<u>Surplus (Deficit)</u>
CAPITAL:					
Renovations	11	\$ 671,263	\$ 684,594	\$ -	\$ (13,331)
Arena	11	74,350	74,350	-	-
Health Clinic	12	4	165	161	-
Water Treatment	12	<u>5,153,713</u>	<u>3,349,080</u>	<u>(1,804,633)</u>	<u>-</u>
		<u>5,899,330</u>	<u>4,108,189</u>	<u>(1,804,472)</u>	<u>(13,331)</u>
HEALTH:					
Facility Management	13	31,931	47,604	-	(15,673)
Management and Support	14	174,967	215,670	-	(40,703)
Nursing	15	271,764	276,031	-	(4,267)
MCARR	15	34,000	34,000	-	-
Addictions	16	95,799	72,179	-	23,620
Active Measures	17	120,169	120,169	-	-
Community Health	18	48,383	20,787	-	27,596
Medical Travel	18	-	61,652	-	(61,652)
Community Wellness	19	81,173	81,503	-	(330)
Pre-natal	19	17,161	17,243	-	(82)
Community Based Healing	20	73,246	41,508	-	31,738
Prevention	21	20,809	20,809	-	-
Daycare	22	123,917	123,917	-	-
Child & Family Services	23	284,901	284,913	-	(12)
Water Safety	23	14,891	14,981	-	(90)
Loon Liaison Worker	24	42,939	42,939	-	-
Headstart	25	91,846	94,427	-	(2,581)
Maternal Child	26	34,496	45,718	-	(11,222)
Program Activity	26	<u>9,758</u>	<u>9,758</u>	<u>-</u>	<u>-</u>
		<u>1,572,150</u>	<u>1,625,808</u>	<u>-</u>	<u>(53,658)</u>

MAKWA SAHGAIEHCAN FIRST NATION

SUMMARY OF REVENUE AND EXPENSES BY ACTIVITY
for the year ended March 31, 2015

	<u>Sch</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Unexpended Revenue</u>	<u>Surplus (Deficit)</u>
BAND PROGRAMS:					
Student Success	27	\$ 334,812	\$ 334,812	\$ -	\$ -
Economic Development	28	57,455	57,977	-	(522)
Fire Suppression	28	62,632	67,512	-	(4,880)
Justice	29	40,771	49,242	-	(8,471)
Skills Link	30	34,938	30,560	-	4,378
Summer Student	30	21,070	21,426	-	(356)
Recreation	31	131,445	131,445	-	-
FSIN Gaming	32	73,731	73,731	-	-
First Nation Funds	33	177,454	428,538	-	(251,084)
Police Management Board	34	10,500	10,968	-	(468)
RCMP Houses	34	23,865	26,072	-	(2,207)
Community Literary	35	47,483	47,483	-	-
Cultural	36	18,400	5,442	-	12,958
Northern Lights Project	37	10,000	10,000	-	-
Ottawa Trust Funds	37	27,267	-	-	27,267
Youth Centre	38	<u>76,520</u>	<u>76,520</u>	<u>-</u>	<u>-</u>
		<u>1,148,343</u>	<u>1,371,728</u>	<u>-</u>	<u>(223,385)</u>
OTHER PROGRAMS:					
CMHC Housing	38	564,144	573,114	-	(8,970)
Store Enterprise	39	<u>4,024,461</u>	<u>3,985,381</u>	<u>-</u>	<u>39,080</u>
		<u>4,588,605</u>	<u>4,558,495</u>	<u>-</u>	<u>30,110</u>
		<u><u>\$ 22,089,918</u></u>	<u><u>\$ 20,796,604</u></u>	<u><u>\$ (1,741,648)</u></u>	<u><u>\$ (448,334)</u></u>