

**MAKWA SAHGAIEHCAN FIRST NATION**

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

for the year ended March 31, 2016

**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, Bjorn Sigurdson CPA Prof Corp, 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:**

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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, 2016 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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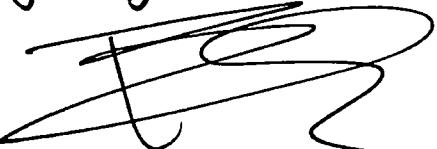


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*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, 2016, 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.

*Bjorn Sigurdson CPA Prof Corp*  


Chartered Professional  
Accountants

Saskatoon, Saskatchewan  
August 28, 2016



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# MAKWA SAHGAIIEHCAN FIRST NATION

**STATEMENT OF FINANCIAL POSITION**  
**as at March 31, 2016**

	2016	2015
<b><u>FINANCIAL ASSETS</u></b>		
Bank – restricted use (Note 8 & 9)	\$ 1,196,763	\$ 3,053,466
Accounts receivable (Note 2)	296,682	68,500
Member advances	38,212	32,509
Trust funds (Note 3)	175,510	170,874
Investments (Note 4)	236,115	293,931
Advance to related company	8,278	-
Store enterprise (Note 5)	570,243	428,169
Limited partnership interests (Note 6)	<u>3,842,343</u>	<u>4,686,541</u>
	<u>6,364,146</u>	<u>8,733,990</u>
<b><u>FINANCIAL LIABILITIES</u></b>		
Bank indebtedness	176,248	217,523
Accounts payable (Note 7)	1,229,314	1,008,089
Unexpended revenue (Note 8)	196,772	2,259,502
Funded reserves (Note 9)	949,862	694,304
Term debt (Note 10 & 11)	<u>7,654,745</u>	<u>6,550,058</u>
	<u>10,206,941</u>	<u>10,729,476</u>
<b>NET FINANCIAL ASSETS</b>	( 3,842,795)	( 1,995,486)
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 12)	17,656,456	17,357,799
Prepaid expenses	<u>47,878</u>	-
<b>SURPLUS</b>	\$ 13,861,539	\$ 15,362,313

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, 2016**

	<u>2016</u>	<u>2015</u>
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>	<b>\$ ( 876,940)</b>	<b>\$ ( 441,283)</b>
Receipt of deferred capital	-	108,350
Prepaid expenses	( 47,878)	
Purchase of tangible capital assets	( 1,284,709)	( 1,062,690)
Amortization of tangible capital assets	349,298	294,588
Prior period adjustment	<u>12,920</u>	<u>( 4,287)</u>
 <b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	 <b>( 1,847,309)</b>	 <b>( 1,105,322)</b>
 <b>BALANCE, beginning of the year</b>	 <b>( 1,995,486)</b>	 <b>( 890,164)</b>
 <b>BALANCE, end of the year</b>	 <b>\$ ( 3,842,795)</b>	 <b>\$ ( 1,995,486)</b>
	<u>=====</u>	<u>=====</u>

**MAKWA SAHGAIEHCAN FIRST NATION**

**STATEMENT OF OPERATIONS**  
**for the year ended March 31, 2016**

	<b>Budget</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>
	(unaudited)			
<b>REVENUE:</b>				
Grants and Contributions:				
- AANDC - Flexible transfer	\$ 333,200	\$ 333,200	\$ 5,153,600	
- Block Contribution	8,425,567	8,425,564	8,331,484	
- Fixed and Set Contributions	1,006,455	1,006,455	711,458	
- Revenue Trust (Note 3)	4,500	4,634	27,267	
- Health Canada	80,067	85,855	35,000	
- Meadow Lake Tribal Council	1,939,355	1,939,355	1,995,104	
- Government of Saskatchewan	45,250	5,250	27,262	
- Saskatchewan Lotteries	19,346	19,346	9,709	
- Canada Mortgage and Housing	100,000	110,786	64,667	
- Northern Lights Community Development	122,229	122,229	96,520	
First Nations Trust – Gaming	500,000	520,112	527,585	
Sales tax refunds	20,000	25,167	8,593	
Expense recoveries and other income	1,058,800	390,382	378,318	
Specific claim settlement (Note 17)	-	213,145	-	
Limited Partnership earnings (loss)	150,000	( 394,198)	46,881	
Earnings distributions (Note 4)	-	117,762	87,748	
Interest	-	5	117	
Store sales	4,200,000	4,333,431	4,024,461	
Housing rental and subsidy	<u>631,186</u>	<u>631,186</u>	<u>564,144</u>	
	18,635,955	17,889,666	22,089,918	
Unexpended revenue - prior year	2,259,502	2,259,502	517,854	
- current year	<u>-</u>	<u>( 129,912)</u>	<u>( 2,259,502)</u>	
	20,895,457	20,019,256	20,348,270	
<b>EXPENSES</b>	<u><b>20,105,491</b></u>	<u><b>20,838,380</b></u>	<u><b>20,796,604</b></u>	
<b>SURPLUS (DEFICIT) BEFORE THE UNDERNOTED</b>	789,966	( 819,124)	( 448,334)	
Equity change in investments	<u>40,000</u>	<u>( 57,816)</u>	<u>7,051</u>	
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>	<u><b>\$ 829,966</b></u>	<u><b>\$ ( 876,940)</b></u>	<u><b>\$ ( 441,283)</b></u>	

**MAKWA SAHGAIEHCAN FIRST NATION**

**STATEMENT OF CHANGES IN SURPLUS BALANCES**  
**for the year ended March 31, 2016**

	<u>2016</u>	<u>2015</u>
<b><u>DEFERRED CAPITAL TRANSFERS</u></b>		
BALANCE, beginning of the year	\$ 10,447,543	\$ 10,965,744
PLUS: Capital transfers received	-	108,350
LESS: Amortization recorded	( 636,753)	( 626,551)
BALANCE, end of the year	\$ 9,810,790	\$ 10,447,543
	<u>      </u>	<u>      </u>
<b><u>EQUITY IN INVESTMENTS</u></b>		
BALANCE, beginning of the year	\$ 293,931	\$ 286,880
Makwa Lake Development Company		
- Earnings (loss) for the year	59,909	94,799
- Earnings distribution	( 117,743)	( 87,748)
Meadow Lake Co-op		
- Allocation of equity	18	-
BALANCE, end of the year	\$ 236,115	\$ 293,931
	<u>      </u>	<u>      </u>

**MAKWA SAHGAIEHCAN FIRST NATION**

**STATEMENT OF CHANGES IN SURPLUS BALANCES**  
**for the year ended March 31, 2016**

	<u>2016</u>	<u>2015</u>
<b><u>SURPLUS, APPROPRIATED FOR HOUSING AUTHORITY</u></b>		
BALANCE, beginning of the year	\$ ( 9,825)	\$ 3,432
PLUS adjustment by funding agency	12,920	( 4,287)
	3,095	( 855)
SURPLUS (DEFICIT) FOR THE YEAR	- -	( 8,970)
BALANCE, end of the year	\$ 3,095	\$ ( 9,825)
	<u>—————</u>	<u>—————</u>
<b><u>SURPLUS, UNAPPROPRIATED</u></b>		
BALANCE, beginning of the year	\$ 4,630,663	\$ 5,070,027
SURPLUS (DEFICIT) FOR THE YEAR	( 876,940)	( 441,283)
	3,753,723	4,628,744
<b>ALLOCATION OF CURRENT SURPLUS (DEFICIT):</b>		
- Housing	- -	8,970
- Investments	57,816	( 7,051)
BALANCE, end of the year	\$ 3,811,539	\$ 4,630,663
	<u>—————</u>	<u>—————</u>

**MAKWA SAHGAIEHCAN FIRST NATION**

**STATEMENT OF CASH FLOWS**  
**for the year ended March 31, 2016**

	<u>2016</u>	<u>2015</u>
<b>OPERATIONS:</b>		
Surplus (Deficit) for the year	\$ ( 876,940)	\$ ( 441,283)
Amortization	349,298	294,588
Prior period adjustment	<u>12,920</u>	( 4,287)
	( 514,722)	( 150,982)
<b>Changes in non-cash Working Capital items:</b>		
Accounts receivable	( 228,182)	244,330
Member advances	( 5,703)	199
Advances receivable	( 8,278)	-
Prepaid expenses	( 47,878)	-
Accounts payable	221,225	431,600
Unexpended revenue	<u>( 2,062,730)</u>	<u>1,741,648</u>
	<u>( 2,646,268)</u>	<u>2,266,795</u>
<b>INVESTING ACTIVITIES:</b>		
Investment changes	755,304	152,970
Purchase of capital assets	<u>( 1,284,709)</u>	<u>( 1,062,690)</u>
	<u>( 529,405)</u>	<u>( 909,720)</u>
<b>FINANCING ACTIVITIES:</b>		
Receipt of deferred contributed	-	108,350
Proceeds of term debt	1,760,419	773,950
Repayment of term debt	<u>( 655,732)</u>	<u>( 482,231)</u>
	<u>1,104,687</u>	<u>400,069</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	( 2,070,986)	1,757,144
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<u>2,141,639</u>	<u>384,495</u>
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<u>\$ 70,653</u>	<u>\$ 2,141,639</u>
	<u>=====</u>	<u>=====</u>
<b>CASH AND CASH EQUIVALENTS ARE REPRESENTED BY:</b>		
Restricted deposits	\$ 1,196,763	\$ 3,053,466
Bank (indebtedness)	<u>( 176,248)</u>	<u>( 217,523)</u>
Funded reserves	<u>( 949,862)</u>	<u>( 694,304)</u>
	<u>=====</u>	<u>=====</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL  
 PART OF THESE FINANCIAL STATEMENTS

## **MAKWA SAHGAIEHCAN FIRST NATION**

### **NOTES TO THE FINANCIAL STATEMENTS** **for the year ended March 31, 2016**

#### **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 Makwa Sahgaiehcan 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, 2016**

#### **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**

Revenues 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 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. 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, 2016**

#### **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 assets 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 asset life expectancies:

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, 2016****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, 2016**

**2. ACCOUNTS RECEIVABLE:**

The First Nation's accounts receivable includes:

	<u>2016</u>	<u>2015</u>
MLTC Program Services Inc.	\$ 6,054	\$ -
MLTC Health and Social Development	- -	28,122
Health Canada	5,206	-
Northern Lights Development	23,338	-
Sask Lotteries	10,113	-
FSIN Tax Commission	5,000	-
Specific claim settlement (Note 17)	213,145	-
Expense recoveries	1,270	11,861
Housing Subsidy	<u>32,556</u>	<u>28,517</u>
	<u>\$ 296,682</u>	<u>\$ 68,500</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, 2015	\$ 59,969	\$ 110,905	\$ 170,874
Plus: Income recorded	<u>92</u>	<u>4,544</u>	<u>4,636</u>
	<u>60,061</u>	<u>115,449</u>	<u>175,510</u>
Less: Disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Balance, March 31, 2016	<u>\$ 60,061</u>	<u>\$ 115,449</u>	<u>\$ 175,510</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, 2016

#### 4. INVESTMENTS:

### **The First Nation holds the following investments:**

	<u>2016</u>	<u>2015</u>
<b>Makwa Lake Development Corp. (Note 11)</b>		
- Contributed capital	\$ 5	\$ 5
- Retained Earnings	<u>229,040</u>	<u>286,874</u>
	<u>229,045</u>	<u>286,879</u>
<b>MLTC Resource Development Inc.</b>		
- 1 Class A common share (11% ownership)	1	1
<b>MLTC Program Services Inc.</b>		
- 1 Class A common share (11% ownership)	1	1
<b>MLTC Health &amp; Social Development Inc.</b>		
- 1 Class A common share (11% ownership)	1	1
<b>First Nations Bank</b>		
- 537 common shares	940	940
<b>Meadow Lake Co-operative Ltd.</b>		
- current equity	<u>6,127</u>	<u>6,109</u>
	<b>\$ 236,115</b>	<b>\$ 293,931</b>

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

	<u>2016</u>	<u>2015</u>
<b>Makwa Lake Development Corp.</b>		
- Earnings distribution	\$ 117,743	\$ 87,748
<b>Meadow Lake Co-operative</b>	<u>19</u>	<u>19</u>
	\$ 117,762	\$ 87,767

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, 2016**

**5. STORE ENTERPRISE:**

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

	<u>2016</u>	<u>2015</u>
Bank	\$ 51,743	\$ 37,872
Accounts receivable	283,120	180,271
Inventory	135,646	127,015
Prepaid expenses	1,459	1,459
Fixed assets	110,243	97,078
Accounts payable	( 11,968)	( 15,526)
	<hr/> \$ 570,243	<hr/> \$ 428,169
	<hr/> <hr/>	<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>2016</u>	<u>2015</u>
Balance, beginning of the year	\$ 4,686,541	\$ 4,789,660
Plus : prior period adjustment share of earnings	( 394,198)	( 68,786 21,905)
Less : distribution received	( 450,000)	( 150,000)
Balance, end of the year	<hr/> \$ 3,842,343	<hr/> \$ 4,686,541
	<hr/> <hr/>	<hr/> <hr/>

**MAKWA SAHGAIEHCAN FIRST NATION**

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended March 31, 2016**

**7. ACCOUNTS PAYABLE:**

Accounts payable includes:

	<u>2016</u>	<u>2015</u>
Supplier accounts	\$ 732,386	\$ 500,336
Tuition billings	489,954	331,622
Accrued mortgage interest	6,974	13,958
Housing reserve liabilities (Note 9)	<u>-</u>	<u>162,173</u>
	<u>\$ 1,229,314</u>	<u>\$ 1,008,089</u>
	<u>_____</u>	<u>_____</u>

**8. UNEXPENDED REVENUE:**

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

	<u>Sch</u>	<u>2016</u>	<u>2015</u>
Adult Care	5	\$ 11,145	\$ ( 55,716)
Capital – Health Clinic	12	- -	17,491
Capital – Water Treatment	12	<u>185,627</u>	<u>2,297,727</u>
		<u>\$ 196,772</u>	<u>\$ 2,259,502</u>
		<u>_____</u>	<u>_____</u>

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, 2016**

**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>2016</u>	<u>2015</u>
Total obligation	\$ 901,984	\$ 856,477
Funded amount on deposit	( 949,862)	( 694,304)
Outstanding (prepaid) obligation (see Note 7)	\$ ( 47,878)	\$ 162,173

**10. TERM DEBT:**

The First Nation has the following loans/finance contracts:

	<u>2016</u>	<u>2015</u>
1) Finance contract with Case New Holland repayable at \$1,788 per month including interest at 7.046%.	\$ 36,808	\$ 54,975
2) Bank loan with First Nations Bank repayable at \$55,000 every three months plus interest at 4.25%.	-	840,000
3) Bank loan with First Nations Bank repayable at \$4,541 every three months including interest monthly at 5.05%.	204,345	222,509
4) Bank loan with First Nations Bank repayable at \$2,094 per month including interest at 4.95%.	334,781	343,066
5) Bank loan with First Nations Bank repayable at \$53,250 every three months plus interest at 3.70%.	1,065,000	-

**MAKWA SAHGAIEHCAN FIRST NATION**

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended March 31, 2016**

**10. TERM DEBT: (Continued)**

	<u>2016</u>	<u>2015</u>
6) Finance contract with Ford Credit repayable at \$1,242 per month including interest at 5.69%.	\$ 8,635	\$ 19,600
7) Finance contract with Ford Credit repayable at \$1,270 per month including interest at 4.39%.	62,133	-
8) Finance contract with Ford Credit repayable at \$1,164 per month including interest at 4.39%.	56,922	-
	<hr/>	<hr/>
	\$ 1,768,624	\$ 1,480,150
	<hr/>	<hr/>

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

2017	\$ 292,165
2018	282,934
2019	287,071
2020	268,767
2021	255,880
Subsequent years	<hr/>
	381,807
	<hr/>
	\$ 1,768,624
	<hr/>

**MAKWA SAHGAIEHCAN FIRST NATION**

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended March 31, 2016**

**11. MORTGAGES:**

The Housing Fund has the following mortgages outstanding which are all secured by a guarantee from Aboriginal Affairs and Northern Development:

	<u>2016</u>	<u>2015</u>
1) Canada Mortgage and Housing Corp., repayable at \$1,044 per month including interest at 1.82%. The mortgage's term expires on September 1, 2019.	\$ 97,687	\$ 108,330
2) Canada Mortgage and Housing Corp., repayable at \$1,785 per month including interest at 2.69%. The mortgage term expires on August 1, 2015.	173,169	190,440
3) Canada Mortgage and Housing Corp., repayable at \$1,610 per month including interest at 1.62%. The mortgage term expires on March 1, 2018.	208,008	223,824
4) Canada Mortgage and Housing Corp., repayable at \$2,131 per month including interest at 1.05%. The mortgage term expires on April 1, 2020.	219,591	242,556
5) Canada Mortgage and Housing Corp., repayable at \$5,057 per month including interest at 1.71%. The mortgage term expires on September 1, 2017.	868,373	913,798
6) Canada Mortgage and Housing Corp., repayable at \$1,982 per month including interest at 2.04%. The mortgage term expires on March 1, 2019	268,526	286,644
7) Canada Mortgage and Housing Corp., repayable at \$2,287 per month including interest at 2.69%. The mortgage term expires on August 1, 2015.	413,214	430,859

**MAKWA SAHGAIEHCAN FIRST NATION**

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended March 31, 2016**

**11. MORTGAGES: (Continued)**

	<u>2016</u>	<u>2015</u>
8) Canada Mortgage and Housing Corp., repayable at \$5,096 per month including interest at 1.67%. The mortgage term expires on June 1, 2018.	\$ 1,136,168	\$ 1,177,990
9) Canada Mortgage and Housing Corp., repayable at \$2,996 per month including interest at 2.18%. The mortgage term expires on January 1, 2019.	402,407	429,289
10) Canada Mortgage and Housing Corp., repayable at \$4,555 per month including interest at 1.77%. The mortgage term expires November 1, 2019.	663,396	665,219
11) Canada Mortgage and Housing Corp., repayable at \$4,587 per month including interest at 1.3%. The mortgage term expires December 1, 2020.	710,052	400,959
12) Canada Mortgage and Housing Corp., mortgage advances towards a total mortgage of \$852,000 for houses under construction.	725,530	-
	<hr/>	<hr/>
	\$ 5,886,121	\$ 5,069,908
	<hr/>	<hr/>

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

Year ended	2017	\$ 276,000
	2018	295,000
	2019	315,000
	2020	340,000
	2021	370,000
	Subsequent years	<u>4,290,121</u>
		<hr/>
		\$ 5,886,121
		<hr/>

**MAKWA SAHGAIEHCAN FIRST NATION**

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended March 31, 2016**

**12. TANGIBLE CAPITAL ASSETS:**

The First Nation's tangible capital assets include:

	<u>2016</u>	<u>2015</u>
<b><u>Cost</u></b>		
Land	\$ 11,186	\$ 11,186
Buildings	11,689,648	11,689,648
Houses	11,420,156	11,420,156
Rental homes	8,332,545	7,207,144
Infrastructure	2,732,368	2,732,368
Equipment	1,316,631	1,290,415
Roads	472,639	472,639
Vehicles	<u>461,393</u>	<u>328,301</u>
	<u>36,436,566</u>	<u>35,151,857</u>
<b><u>Accumulated Amortization</u></b>		
Buildings	4,517,932	4,133,841
Houses	9,345,819	9,151,114
Rental homes	1,372,038	1,101,724
Infrastructure	1,617,597	1,563,639
Equipment	1,208,587	1,163,761
Roads	472,639	472,639
Vehicles	<u>245,498</u>	<u>207,340</u>
	<u>18,780,110</u>	<u>17,794,058</u>
<b>Net Book Value</b>	<b>\$ 17,656,456</b>	<b>\$ 17,357,799</b>

**MAKWA SAHGAIEHCAN FIRST NATION**

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended March 31, 2016**

**13. MAKWA LAKE DEVELOPMENT CO.:**

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

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
BANK	\$ 4,519	\$ 70,467
ACCOUNTS RECEIVABLE	91,073	66,146
FIXED ASSETS	<u>136,037</u>	<u>151,208</u>
	\$ 231,649	\$ 287,821
	<u>=====</u>	<u>=====</u>

**LIABILITIES/SHAREHOLDERS' EQUITY**

ACCOUNTS PAYABLE	\$ 2,604	\$ 942
CONTRIBUTED CAPITAL	5	5
RETAINED EARNINGS	<u>229,040</u>	<u>286,874</u>
	\$ 231,649	\$ 287,821
	<u>=====</u>	<u>=====</u>

**MAKWA SAHGAIEHCAN FIRST NATION**

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended March 31, 2016**

**13. MAKWA LAKE DEVELOPMENT CO.: (Continued)**

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

**STATEMENT OF OPERATIONS**

	<u>2016</u>	<u>2015</u>
<b>REVENUE:</b>		
Rentals	\$ 12,000	\$ 21,040
Land leases and penalties	311,500	237,054
Contributions	<u>1,000</u>	<u>30,000</u>
	<u>324,500</u>	<u>288,094</u>
<b>EXPENSES:</b>		
Operating costs	244,190	180,594
Depreciation	20,401	21,941
Bad debts (recovery)	<u>-</u>	<u>( 9,240)</u>
	<u>264,591</u>	<u>193,295</u>
<b>NET EARNINGS (LOSS) FOR THE YEAR</b>	<b>\$ 59,909</b>	<b>\$ 94,799</b>

**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 First Nation's operations and activities are organized and reported using fund accounting. 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:

**MAKWA SAHGAIEHCAN FIRST NATION****NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended March 31, 2016****14. SEGMENTED INFORMATION: (Continued)***Social and family services*

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

**MAKWA SAHGAIEHCAN FIRST NATION****NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended March 31, 2016****14. SEGMENTED INFORMATION: (Continued)***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.

*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.

**MAKWA SAHGAIEHCAN FIRST NATION****NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended March 31, 2016****17. SPECIFIC CLAIM SETTLEMENT:**

The First Nation has recorded a specific claim settlement of \$213,145. The claim, related to a 1935 land surrender and lease to the Church of England, has been in negotiation for a number of years after being submitted to the Government of Canada on November 15, 1999.

The claim was qualified and agreed to by the Government of Canada and payment for the settlement will be made during the 2016/2017 fiscal year.

**18. BUDGETED FIGURES:**

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

**19. 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.

**20. COMPARATIVE FIGURES:**

Comparative figures for the 2015 fiscal year end 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, 2016**

	<u>Sch</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Unexpended Revenue</u>	<u>Surplus (Deficit)</u>
<b>RESERVES &amp; TRUSTS:</b>					
Land Management	1	\$ 56,336	\$ 60,464	\$ -	\$ ( 4,128)
Specific Claim	1	54,362	54,362	-	-
Registry	2	<u>11,065</u>	<u>11,065</u>	<u>-</u>	<u>-</u>
		<u>121,763</u>	<u>125,891</u>	<u>-</u>	<u>( 4,128)</u>
<b>EDUCATION:</b>					
Student Success	2	227,755	314,299	-	( 86,544)
General	3	2,953,213	3,001,268	-	( 48,055)
Post Secondary	4	592,775	540,908	-	51,867
Band Operated	4	<u>414,358</u>	<u>502,549</u>	<u>-</u>	<u>( 88,191)</u>
		<u>4,188,101</u>	<u>4,359,024</u>	<u>-</u>	<u>( 170,923)</u>
<b>SOCIAL SERVICES:</b>					
Social Assistance	5	2,164,710	2,134,898	-	29,812
Adult Care	5	168,653	168,653	-	-
Home Care	6	195,358	212,088	-	( 16,730)
National Child Benefit	7	445,757	445,757	-	-
Early Childhood	7	<u>34,008</u>	<u>34,008</u>	<u>-</u>	<u>-</u>
		<u>3,008,486</u>	<u>2,995,404</u>	<u>-</u>	<u>13,082</u>
<b>INFRASTRUCTURE:</b>					
Services	8	<u>1,040,670</u>	<u>1,107,495</u>	<u>-</u>	<u>( 66,825)</u>
<b>BAND SUPPORT:</b>					
Administration	9	1,193,710	1,241,760	-	( 48,050)
Service Delivery	10	<u>60,785</u>	<u>58,783</u>	<u>-</u>	<u>2,002</u>
		<u>1,254,495</u>	<u>1,300,543</u>	<u>-</u>	<u>( 46,048)</u>

**MAKWA SAHGAIEHCAN FIRST NATION**

**SUMMARY OF REVENUE AND EXPENSES BY ACTIVITY**  
**for the year ended March 31, 2016**

	<u>Sch</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Unexpended Revenue</u>	<u>Surplus (Deficit)</u>
<b>CAPITAL:</b>					
Renovations	11	\$ 871,036	\$ 922,015	\$ -	\$ ( 50,979)
Health Clinic	12	5	166	17,491	17,330
Water Treatment	12	<u>333,200</u>	<u>2,445,299</u>	<u>2,112,099</u>	<u>-</u>
		<u>1,204,241</u>	<u>3,367,480</u>	<u>2,129,590</u>	<u>( 33,649)</u>
<b>HEALTH:</b>					
Facility Management	13	32,570	35,728	-	( 3,158)
Management and Support	14	174,853	190,637	-	( 15,784)
Nursing	15	275,558	282,328	-	( 6,770)
Addictions	16	97,635	100,361	-	( 2,726)
Active Measures	17	80,030	80,030	-	-
Community Health	18	49,351	50,769	-	( 1,418)
Medical Travel	18	53,768	65,474	-	( 11,706)
Community Wellness	19	82,796	70,226	-	12,570
Pre-natal	19	17,504	17,539	-	( 35)
Community Based Healing	20	72,862	46,820	-	26,042
Prevention	21	152,306	152,330	-	( 24)
Daycare	22	146,662	148,282	-	( 1,620)
Child & Family Services	23	135,312	106,528	-	28,784
Water Safety	23	15,189	13,500	-	1,689
Loon Liaison Worker	24	42,346	42,346	-	-
Headstart	25	88,672	89,510	-	( 838)
Maternal Child	26	37,721	42,927	-	( 5,206)
Program Architecture	26	<u>9,013</u>	<u>9,013</u>	<u>-</u>	<u>-</u>
		<u>1,564,148</u>	<u>1,544,348</u>	<u>-</u>	<u>19,800</u>

**MAKWA SAHGAIEHCAN FIRST NATION**

**SUMMARY OF REVENUE AND EXPENSES BY ACTIVITY**  
**for the year ended March 31, 2016**

	<u>Sch</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Unexpended Revenue</u>	<u>Surplus (Deficit)</u>
<b>BAND PROGRAMS:</b>					
Economic Development	27	\$ 58,016	\$ 58,987	\$ -	\$ ( 971)
Fire Suppression	27	83,969	89,443	-	( 5,474)
Justice	28	40,771	46,056	-	( 5,285)
Community Initiative	28	120,000	134,477	-	( 14,477)
Skills Link	29	55,660	56,612	-	( 952)
Summer Student	29	27,698	34,381	-	( 6,683)
Recreation	30	121,172	124,767	-	( 3,595)
Police Management Board	31	5,250	2,400	-	2,850
RCMP Houses	31	20,000	17,164	-	2,836
Community Literary	32	57,241	57,241	-	-
Cultural	32	10,000	11,134	-	( 1,134)
FSIN Gaming	33	56,285	56,285	-	-
First Nation Funds	34	( 203,942)	369,917	-	( 573,859)
Arena	34	6,377	76,774	-	( 70,397)
Northern Lights Project	35	10,000	10,000	-	-
Ottawa Trust Funds	35	4,634	-	-	4,634
Youth Centre	36	<u>70,014</u>	<u>70,014</u>	<u>-</u>	<u>-</u>
		<u>543,145</u>	<u>1,215,652</u>	<u>-</u>	<u>( 672,507)</u>
<b>OTHER PROGRAMS:</b>					
CMHC Housing	38	631,186	631,186	-	-
Store Enterprise	39	<u>4,333,431</u>	<u>4,191,357</u>	<u>-</u>	<u>142,074</u>
		<u>4,964,617</u>	<u>4,822,543</u>	<u>-</u>	<u>142,074</u>
		<u><u>\$ 17,889,666</u></u>	<u><u>\$ 20,838,380</u></u>	<u><u>\$ 2,129,590</u></u>	<u><u>\$ ( 819,124)</u></u>