

MAKWA SAHGAIEHCAN FIRST NATION

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

for the year ended March 31, 2017

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:

Two handwritten signatures are present. The top signature is a stylized, cursive "Makwa Sahgaiehcan First Nation". The bottom signature is a stylized, cursive "Chief". Both signatures are placed over a horizontal line.



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, 2017 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.



Bjorn Sigurdson CPA, CA
Accountant | Financial Consultant

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, 2017, 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



Saskatoon, Saskatchewan
August 25, 2017

Chartered Professional
Accountant

MAKWA SAHGAIIEHCAN FIRST NATION

STATEMENT OF FINANCIAL POSITION
as at March 31, 2017

	<u>2017</u>	<u>2016</u>
<u>FINANCIAL ASSETS</u>		
Bank	\$ 175,638	\$ -
Bank – restricted use (Note 8 & 9)	1,018,668	1,196,763
Accounts receivable (Note 2)	647,981	296,682
Member advances	45,079	38,212
Funds in trust	162,690	-
Trust funds (Note 3)	230,844	175,510
Investments (Note 4)	250,231	236,115
Advance to related company	12,433	8,278
Store enterprise (Note 5)	437,911	570,243
Limited partnership interests (Note 6)	<u>5,079,177</u>	<u>3,842,343</u>
	<u>8,060,652</u>	<u>6,364,146</u>
<u>FINANCIAL LIABILITIES</u>		
Bank indebtedness	-	176,248
Accounts payable (Note 7)	1,447,331	1,229,314
Unexpended revenue (Note 8)	1,440,481	196,772
Deferred revenue	174,555	-
Funded reserves (Note 9)	959,267	949,862
Term debt (Note 10 & 11)	<u>8,107,632</u>	<u>7,654,745</u>
	<u>12,129,266</u>	<u>10,206,941</u>
NET FINANCIAL ASSETS	(4,068,614)	(3,842,795)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)	17,756,810	17,656,456
Prepaid expenses	<u>-</u>	<u>47,878</u>
SURPLUS	\$ 13,688,196	\$ 13,861,539

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, 2017

	<u>2017</u>	<u>2016</u>
SURPLUS (DEFICIT) FOR THE YEAR	\$ 410,274	\$ (876,940)
Gain on disposal of capital assets	(19,000)	-
Proceeds on sale of capital assets	75,000	-
Receipt of deferred capital	43,390	-
Prepaid expenses	47,878	(47,878)
Purchase of tangible capital assets	(1,219,868)	(1,284,709)
Amortization of tangible capital assets	430,760	349,298
Prior period adjustment	<u>5,747</u>	<u>12,920</u>
 INCREASE (DECREASE) IN NET FINANCIAL ASSETS	 (225,819)	 (1,847,309)
 BALANCE, beginning of the year	 <u>(3,842,795)</u>	 <u>(1,995,486)</u>
 BALANCE, end of the year	 <u>\$ (4,068,614)</u>	 <u>\$ (3,842,795)</u>

MAKWA SAHGAIEHCAN FIRST NATION

STATEMENT OF OPERATIONS
for the year ended March 31, 2017

	Budget	2017	2016
	2017	(unaudited)	
REVENUE:			
Grants and Contributions:			
- AANDC - Flexible transfer	\$ 3,247,234	\$ 3,247,234	\$ 333,200
- Block Contribution	8,833,188	8,833,188	8,425,564
- Fixed and Set Contributions	1,632,032	1,632,032	1,006,455
- Revenue Trust (Note 3)	10,000	55,334	4,634
- Health Canada	795,000	761,984	85,855
- Meadow Lake Tribal Council	2,119,636	2,119,636	1,939,355
- Government of Saskatchewan	5,000	5,000	5,250
- Saskatchewan Lotteries	-	-	19,346
- Canada Mortgage and Housing	201,281	201,281	110,786
- Northern Lights Community Development	134,456	134,456	122,229
- First Nations Trust – Gaming	400,000	505,780	520,112
Sales tax refunds	25,000	31,556	25,167
Expense recoveries and other income	255,225	427,847	457,242
Specific claim settlement (Note 17)	-	-	213,145
Limited Partnership earnings (loss)	200,000	1,236,834	(394,198)
Earnings distributions (Note 4)	100,000	120,018	117,762
Interest	-	42	5
Store sales	4,350,000	4,471,819	4,333,431
Housing rental and subsidy	<u>759.101</u>	<u>759,049</u>	<u>631,186</u>
	23,007,101	24,543,090	17,956,526
Unexpended revenue - prior year	196,772	196,772	2,259,502
- current year	<u>(140,000)</u>	<u>(1,440,481)</u>	<u>(196,772)</u>
	23,063,873	23,299,381	20,019,256
EXPENSES	<u>22,630,970</u>	<u>22,903,223</u>	<u>20,838,380</u>
SURPLUS (DEFICIT) BEFORE THE UNDERNOTED	432,903	396,158	(819,124)
Equity change in investments	<u>10,000</u>	<u>14,116</u>	<u>(57,816)</u>
SURPLUS (DEFICIT) FOR THE YEAR	<u>\$ 442,903</u>	<u>\$ 410,274</u>	<u>\$ (876,940)</u>

MAKWA SAHGAIEHCAN FIRST NATION

STATEMENT OF CHANGES IN SURPLUS BALANCES
for the year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
<u>DEFERRED CAPITAL TRANSFERS</u>		
BALANCE, beginning of the year	\$ 9,810,790	\$ 10,447,543
PLUS: Capital transfers received	43,390	-
LESS: Amortization recorded	(632.754)	(636.753)
BALANCE, end of the year	\$ 9,221,426	\$ 9,810,790
	<u>_____</u>	<u>_____</u>
<u>EQUITY IN INVESTMENTS</u>		
BALANCE, beginning of the year	\$ 236,115	\$ 293,931
Makwa Lake Development Company		
- Earnings (loss) for the year	134,027	59,909
- Earnings distribution	(120,000)	(117,743)
Meadow Lake Co-op		
- Allocation of equity	<u>89</u>	<u>18</u>
BALANCE, end of the year	\$ 250,231	\$ 236,115
	<u>_____</u>	<u>_____</u>

MAKWA SAHGAIEHCAN FIRST NATION

STATEMENT OF CHANGES IN SURPLUS BALANCES
for the year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
<u>SURPLUS, APPROPRIATED FOR HOUSING AUTHORITY</u>		
BALANCE, beginning of the year	\$ 3,095	\$ (9,825)
PLUS adjustment by funding agency	<u>5,747</u>	<u>12,920</u>
	<u>8,842</u>	<u>3,095</u>
SURPLUS (DEFICIT) FOR THE YEAR	<u>-</u>	<u>-</u>
BALANCE, end of the year	<u>\$ 8,842</u>	<u>\$ 3,095</u>
<u>SURPLUS, UNAPPROPRIATED</u>		
BALANCE, beginning of the year	\$ 3,811,539	\$ 4,630,663
SURPLUS (DEFICIT) FOR THE YEAR	<u>410,274</u>	<u>(876,940)</u>
	<u>4,221,813</u>	<u>3,753,723</u>
ALLOCATION OF CURRENT SURPLUS (DEFICIT):		
- Investments	<u>(14,116)</u>	<u>57,816</u>
BALANCE, end of the year	<u>\$ 4,207,697</u>	<u>\$ 3,811,539</u>

MAKWA SAHGAIEHCAN FIRST NATION

STATEMENT OF CASH FLOWS for the year ended March 31, 2017

	2017	2016
OPERATIONS:		
Surplus (Deficit) for the year	\$ 410,274	\$ (876,940)
Amortization	430,760	349,298
Prior period adjustment	5,747	12,920
Gain on disposal	(19,000)	-
	827,781	(514,722)
Changes in non-cash Working Capital items:		
Accounts receivable	(351,299)	(228,182)
Member advances	(6,867)	(5,703)
Advances receivable	(4,155)	(8,278)
Funds in trust	(162,690)	-
Prepaid expenses	47,878	(47,878)
Accounts payable	218,017	221,225
Unexpended and deferred revenue	1,418,264	(2,062,730)
	<u>1,986,929</u>	<u>(2,646,268)</u>
INVESTING ACTIVITIES:		
Proceeds of disposal	75,000	-
Investment changes	(1,173,952)	755,304
Purchase of capital assets	(1,219,868)	(1,284,709)
	<u>(2,318,820)</u>	<u>(529,405)</u>
FINANCING ACTIVITIES:		
Receipt of deferred contributed	43,390	-
Proceeds of term debt	1,154,181	1,760,419
Repayment of term debt	(701,294)	(655,732)
	<u>496,277</u>	<u>1,104,687</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	164,386	(2,070,986)
CASH AND CASH EQUIVALENTS, beginning of the year	<u>70,653</u>	<u>2,141,639</u>
CASH AND CASH EQUIVALENTS, end of the year	<u>\$ 235,039</u>	<u>\$ 70,653</u>
CASH AND CASH EQUIVALENTS ARE REPRESENTED BY:		
Restricted deposits	\$ 1,018,668	\$ 1,196,763
Bank (indebtedness)	175,638	(176,248)
Funded reserves	(959,267)	(949,862)
	<u>\$ 235,039</u>	<u>\$ 70,653</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, 2017

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, 2017

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, 2017

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 SAHGAIIEHCAN FIRST NATION**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended March 31, 2017**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, 2017

2. ACCOUNTS RECEIVABLE:

The First Nation's accounts receivable includes:

	<u>2017</u>	<u>2016</u>
AANDC	\$ 199,791	\$ -
MLTC Program Services Inc.	6,166	6,054
MLTC Health and Social Development	23,542	-
Health Canada	37,808	5,206
Northern Lights Development	32,579	23,338
Sask Lotteries	-	10,113
FSIN Tax Commission	-	5,000
Specific claim settlement (Note 17)	-	213,145
Expense recoveries	22,680	1,270
Housing Subsidy	49,077	32,556
Mortgage proceeds	34,220	-
Insurance proceeds	<u>242,118</u>	<u>-</u>
	<u>\$ 647,981</u>	<u>\$ 296,682</u>
	<u>_____</u>	<u>_____</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, 2016	\$ 60,061	\$ 115,449	\$ 175,510
Plus: Income recorded	<u>60,661</u>	<u>55,334</u>	<u>55,334</u>
	<u>60,661</u>	<u>170,783</u>	<u>230,844</u>
Less: Disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Balance, March 31, 2017	<u>\$ 60,661</u>	<u>\$ 170,783</u>	<u>\$ 230,844</u>
	<u>_____</u>	<u>_____</u>	<u>_____</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, 2017

4. INVESTMENTS:

The First Nation holds the following investments:

	<u>2017</u>	<u>2016</u>
Makwa Lake Development Corp. (Note 11)		
- Contributed capital	\$ 5	\$ 5
- Retained Earnings	<u>243,067</u>	<u>229,040</u>
	<u>243,072</u>	<u>229,045</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>6,216</u>	<u>6,127</u>
	<u>\$ 250,231</u>	<u>\$ 236,115</u>
	<u>=====</u>	<u>=====</u>

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

	<u>2017</u>	<u>2016</u>
Makwa Lake Development Corp.		
- Earnings distribution	\$ 120,000	\$ 117,743
Meadow Lake Co-operative	<u>18</u>	<u>19</u>
	<u>\$ 120,018</u>	<u>\$ 117,762</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, 2017

5. STORE ENTERPRISE:

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

	<u>2017</u>	<u>2016</u>
Bank	\$ 51,350	\$ 51,743
Accounts receivable	212,471	283,120
Inventory	146,875	135,646
Prepaid expenses	1,459	1,459
Fixed assets	315,372	110,243
Accounts payable	(112,125)	(11,968)
Term debt	(177.491)	_____
	<hr/> \$ 437,911	<hr/> \$ 570,243
	<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>2017</u>	<u>2016</u>
Balance, beginning of the year	\$ 3,842,343	\$ 4,686,541
Plus : share of earnings	1,236,834	(394,198)
Less : distribution received	- _____	(450,000)
Balance, end of the year	<hr/> \$ 5,079,177	<hr/> \$ 3,842,343
	<hr/> <hr/>	<hr/> <hr/>

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

7. ACCOUNTS PAYABLE:

Accounts payable includes:

	<u>2017</u>	<u>2016</u>
Supplier accounts	\$ 782,525	\$ 732,386
Tuition billings	609,189	489,954
Accrued mortgage interest	7,366	6,974
Housing reserve liabilities (Note 9)	<u>48,251</u>	-
	<u>\$ 1,447,331</u>	<u>\$ 1,229,314</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>2017</u>	<u>2016</u>
Adult Care	5	\$ -	\$ 11,145
Capital - Water Treatment	13	20,035	185,627
Capital - School Control	14	118,093	-
Capital - Community Ctr	14	331,687	-
Capital - Elders	15	93,379	-
Capital - Duplex	15	714,597	-
Capital - Headstart	16	<u>162,690</u>	-
		<u>\$ 1,440,481</u>	<u>\$ 196,772</u>
		<u>_____</u>	<u>_____</u>

Some of the 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, 2017

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>2017</u>	<u>2016</u>
Total obligation	\$ 1,007,518	\$ 901,984
Funded amount on deposit	(959,267)	(949,862)
Outstanding (prepaid) obligation (see Note 7)	\$ 48,251	\$ (47,878)

10. TERM DEBT:

The First Nation has the following loans/finance contracts:

	<u>2017</u>	<u>2016</u>
1) Finance contract with Case New Holland	\$ -	\$ 36,808
2) Bank loan with First Nations Bank repayable at \$4,541 every three months plus interest monthly at 5.05%.	186,181	204,345
3) Bank loan with First Nations Bank repayable at \$2,094 per month including interest at 4.95%.	326,032	334,781
4) Bank loan with First Nations Bank repayable at \$53,200 every three months plus interest monthly at 3.70%.	852,200	1,065,000
5) Bank loan with First Nations Bank repayable at \$19,286 every three months plus interest monthly at prime plus 2.7%.	96,428	-

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

10. TERM DEBT: (Continued)

	<u>2017</u>	<u>2016</u>
6) Finance contract with Ford Credit	\$ -	\$ 8,635
7) Finance contract with Ford Credit repayable at \$1,270 per month including interest at 4.39%.	49,365	62,133
8) Finance contract with Ford Credit repayable at \$1,164 per month including interest at 4.39%.	45,224	56,922
9) Finance contract with Case New Holland repayable at \$1,714 per month including interest at 5.24%.	82,312	-
	<hr/>	<hr/>
	\$ 1,637,742	\$ 1,768,624
	<hr/>	<hr/>

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

2018	\$ 359,608
2019	302,948
2020	285,164
2021	273,753
2022	370,293
Subsequent years	<u>45,976</u>
	<hr/>
	\$ 1,637,742
	<hr/>

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2017

11. MORTGAGES:

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

		<u>2017</u>	<u>2016</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.	\$ 86,842	\$ 97,687
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.	155,094	173,169
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.	191,919	208,008
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.	196,198	219,591
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.	822,099	868,373
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	250,012	268,526
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.	393,712	413,214
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.	1,093,557	1,136,168

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

11. MORTGAGES: (Continued)

	<u>2017</u>	<u>2016</u>
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.	\$ 374,894	\$ 402,407
10) Canada Mortgage and Housing Corp., repayable at \$4,555 per month including interest at 1.77%. The mortgage term expires November 1, 2019.	620,059	663,396
11) Canada Mortgage and Housing Corp., repayable at \$4,587 per month including interest at 1.3%. The mortgage term expires December 1, 2020.	692,854	710,052
12) Canada Mortgage and Housing Corp., repayable at \$5,147 per month including interest at 1.13%. The mortgage term expires July 1, 2017.	817,107	725,530
13) Canada Mortgage and Housing Corp., advances towards a total mortgage of \$803,110 for houses under construction	775,542	-
	<hr/>	<hr/>
	\$ 6,469,890	\$ 5,886,121
	<hr/>	<hr/>

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

Year ended	2018	\$ 355,000
	2019	375,000
	2020	400,000
	2021	430,000
	2022	465,000
	Subsequent years	<u>4,444,890</u>
		<hr/>
		\$ 6,469,890
		<hr/>

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

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12. TANGIBLE CAPITAL ASSETS:

The First Nation's tangible capital assets include:

	<u>2017</u>	<u>2016</u>
<u>Cost</u>		
Rental homes	\$ 9,277,349	\$ 8,332,545
Land	11,186	11,186
Buildings	11,716,296	11,689,648
Houses	11,420,156	11,420,156
Infrastructure	2,732,368	2,732,368
Equipment	1,356,021	1,316,631
Roads	472,639	472,639
Vehicles	<u>461,393</u>	<u>461,393</u>
	<u>37,447,408</u>	<u>36,436,566</u>
<u>Accumulated Amortization</u>		
Rental homes	1,645,106	1,372,038
Buildings	4,902,023	4,517,932
Houses	9,540,524	9,345,819
Infrastructure	1,671,555	1,617,597
Equipment	1,145,654	1,208,587
Roads	472,639	472,639
Vehicles	<u>313,097</u>	<u>245,498</u>
	<u>19,690,598</u>	<u>18,780,110</u>
Net Book Value	<u><u>\$ 17,756,810</u></u>	<u><u>\$ 17,656,456</u></u>

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2017

13. MAKWA LAKE DEVELOPMENT CO.:

Summarized financial information as at December 31, 2016 as follows:

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
BANK	\$ 64,395	\$ 4,519
ACCOUNTS RECEIVABLE	78,080	91,093
FIXED ASSETS	<u>122.656</u>	<u>136.037</u>
	\$ 265,131	\$ 231,649

LIABILITIES/SHAREHOLDERS' EQUITY

ACCOUNTS PAYABLE	\$ 22,059	\$ 2,604
CONTRIBUTED CAPITAL	5	5
RETAINED EARNINGS	<u>243,067</u>	<u>229,040</u>
	\$ 265,131	\$ 231,649

MAKWA SAHGAIEHCAN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2017

13. MAKWA LAKE DEVELOPMENT CO.: (Continued)

Summarized financial information as at December 31, 2016 as follows:

STATEMENT OF OPERATIONS

	<u>2016</u>	<u>2015</u>
REVENUE:		
Rentals	\$ 7,350	\$ 12,000
Land leases and penalties	343,846	311,500
Contributions	<u>-</u>	<u>1,000</u>
	<u><u>351,196</u></u>	<u><u>324,500</u></u>
EXPENSES:		
Operating costs	195,748	244,190
Depreciation	20,401	20,401
Bad debts (recovery)	<u>1,020</u>	<u>-</u>
	<u><u>217,169</u></u>	<u><u>264,591</u></u>
NET EARNINGS (LOSS) FOR THE YEAR	\$ 134,027	\$ 59,909

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, 2017****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, 2017**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, 2017

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 2016 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, 2017

	<u>Sch</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Unexpended Revenue</u>	<u>Surplus (Deficit)</u>
RESERVES & TRUSTS:					
Land Management	1	\$ 53,820	\$ 60,007	\$ -	\$ (6,187)
Specific Claim Registry	1	118,858	119,947	-	(1,089)
	2	<u>11.600</u>	<u>11.597</u>	<u>-</u>	<u>3</u>
		<u>184,278</u>	<u>191,551</u>	<u>-</u>	<u>(7,273)</u>
EDUCATION:					
Student Success	2	462,831	474,068	-	(11,237)
General	3	3,012,185	2,729,185	-	283,000
Instruction Services	4	24,900	25,056	-	(156)
Instruction Services	4	86,541	86,584	-	(43)
Post Secondary	5	621,453	519,038	-	102,415
Band Operated	5	<u>756,370</u>	<u>756,370</u>	<u>-</u>	<u>-</u>
		<u>4,964,280</u>	<u>4,590,301</u>	<u>-</u>	<u>373,979</u>
SOCIAL SERVICES:					
Social Assistance	6	2,467,042	2,404,000	-	63,042
Adult Care	6	114,750	125,895	11,145	-
Home Care	7	200,694	273,479	-	(72,785)
National Child Benefit	8	<u>445,757</u>	<u>448,535</u>	<u>-</u>	<u>(2,778)</u>
		<u>3,228,243</u>	<u>3,251,909</u>	<u>11,145</u>	<u>(12,521)</u>
INFRASTRUCTURE:					
Services	9	<u>996,295</u>	<u>1,022,357</u>	<u>-</u>	<u>(26,062)</u>
BAND SUPPORT:					
Administration	10	1,068,672	1,183,142	-	(114,470)
Service Delivery	11	114,110	75,710	-	38,400
Capacity	11	<u>9,600</u>	<u>9,600</u>	<u>-</u>	<u>-</u>
		<u>1,192,382</u>	<u>1,268,452</u>	<u>-</u>	<u>(76,070)</u>

MAKWA SAHGAIEHCAN FIRST NATION

SUMMARY OF REVENUE AND EXPENSES BY ACTIVITY
for the year ended March 31, 2017

	<u>Sch</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Unexpended Revenue</u>	<u>Surplus (Deficit)</u>
CAPITAL:					
Renovations	12	\$ 1,087,048	\$ 1,545,169	\$ -	\$ (458,121)
Arena	12	270,000	250,628	-	19,372
Water Treatment	13	30	165,622	165,592	-
School Control	14	140,000	21,907	(118,093)	-
Community Centre	14	1,200,000	868,313	(331,687)	-
Elders	15	100,000	6,621	(93,379)	-
Duplex	15	1,263,534	548,937	(714,597)	-
Headstart Building	16	775,012	612,322	(162,690)	-
		<u>4,835,624</u>	<u>4,019,519</u>	<u>(1,254,854)</u>	<u>(438,749)</u>
HEALTH:					
Facility Management	16	33,221	35,209	-	(1,988)
Management and Support	17	180,621	194,276	-	(13,655)
Nursing	18	274,437	275,473	-	(1,036)
Addictions	19	99,508	69,982	-	29,526
Active Measures	20	3,000	3,000	-	-
Enhanced Service	20	32,500	34,207	-	(1,707)
Community Health	21	50,338	56,106	-	(5,768)
Medical Travel	21	26,954	71,704	-	(44,750)
Community Wellness	22	84,452	82,516	-	1,936
Pre-natal	22	17,854	17,854	-	-
Community Based Healing	23	72,971	72,098	-	873
Prevention	24	233,170	233,170	-	-
Daycare	25	138,129	139,749	-	(1,620)
Child & Family Services	26	147,312	148,112	-	(800)
Water Safety	26	15,493	15,493	-	-
Loon Liaison Worker	27	40,000	41,498	-	(1,498)
Headstart	28	82,060	82,331	-	(271)
Maternal Child	29	34,496	47,380	-	(12,884)
		<u>1,566,516</u>	<u>1,620,158</u>	<u>-</u>	<u>(53,642)</u>

MAKWA SAHGAIEHCAN FIRST NATION

SUMMARY OF REVENUE AND EXPENSES BY ACTIVITY
for the year ended March 31, 2017

	<u>Sch</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Unexpended Revenue</u>	<u>Surplus (Deficit)</u>
BAND PROGRAMS:					
Economic Development	30	\$ 58,964	\$ 59,756	\$ -	\$ (792)
Fire Suppression	30	66,124	75,942	-	(9,818)
Justice	31	40,771	41,319	-	(548)
Community Initiative	31	178,120	180,231	-	(2,111)
Skills Link	32	131,324	131,431	-	(107)
Summer Student	32	24,236	24,236	-	-
Recreation	33	216,294	219,829	-	(3,535)
Police Management Board	33	5,000	5,600	-	(600)
RCMP Houses	33	19,865	16,378	-	3,487
FSIN Gaming	36	125,923	125,923	-	-
First Nation Funds	37	1,320,772	730,738	-	590,034
Arena	37	79,377	51,796	-	27,581
Northern Lights Project	38	22,500	22,500	-	-
Ottawa Trust Funds	38	55,334	-	-	55,334
		<u>2,344,604</u>	<u>1,685,679</u>	<u>-</u>	<u>658,925</u>
OTHER PROGRAMS:					
CMHC Housing	39	759,049	759,049	-	-
Store Enterprise	40	<u>4,471,819</u>	<u>4,494,248</u>	<u>-</u>	<u>(22,429)</u>
		<u>5,230,868</u>	<u>5,253,297</u>	<u>-</u>	<u>(22,429)</u>
		<u><u>\$ 24,543,090</u></u>	<u><u>\$ 22,903,223</u></u>	<u><u>\$ (1,243,709)</u></u>	<u><u>\$ 396,158</u></u>