

# Mikisew Cree First Nation Contents

For the year ended March 31, 2014

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	Page
<b>Management's Responsibility</b>	
<b>Independent Auditors' Report</b>	
<b>Financial Statements</b>	
Statement of Financial Position.....	1
Statement of Operations.....	2
Statement of Accumulated Operating Surplus.....	3
Statement of Remeasurement Gains and Losses.....	4
Statement of Change in Net Financial Assets.....	5
Statement of Cash Flows.....	6
<b>Notes to the Financial Statements.....</b>	<b>7</b>
<b>Schedules</b>	
Schedule 1 - Schedule of Tangible Capital Assets.....	19
Schedule 2 - Schedule of Expenses by Object.....	21
Schedule 3 - General Revenues.....	22
Schedule 4 - Administration.....	23
Schedule 5 - Government & Industry Relations.....	24
Schedule 6 - Education.....	25
Schedule 7 - Technical Services.....	26
Schedule 8 - Social Enhancement.....	27
Schedule 9 - Paspew Place.....	28
Schedule 10 - Property Management.....	29
Schedule 11 - Legislature.....	30
Schedule 12 - Human Resources Development.....	31
Schedule 13 - Elders Care Facility.....	32
Schedule 14 - Land Claims Members.....	33
Schedule 15 - Land Claims Elders.....	34
Schedule 16 - Capital Assets.....	35
Schedule 17 - Entities.....	36

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## **Management's Responsibility**

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To the Members of Mikisew Cree First Nation:

The accompanying financial statements of Mikisew Cree First Nation are the responsibility of management and have been approved by the Chief and Council.

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

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

The Chief and Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Chief and Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Chief and Council is also responsible for recommending the appointment of the Nation's external auditors.

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

July 29, 2014

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*"Originally signed by Steve Wilde, CFO"*

Chief Financial  
Officer

To the Members of Mikisew Cree First Nation:

We have audited the accompanying financial statements of Mikisew Cree First Nation, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, accumulated operating surplus, remeasurement gains and losses, changes in net financial assets, cash flows and the related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for 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 financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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

#### *Basis for Qualified Opinion*

Canadian public sector accounting standards require the disclosure of relevant financial information of subsidiary businesses which are accounted for using the modified equity method. The Chief and Council instructed management to exclude the disclosure of such financial information.

#### *Opinion*

In our opinion, except for the matter described above in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Mikisew Cree First Nation as at March 31, 2014 and the results of its operations (including remeasurement gains and losses), changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Fort McMurray, Alberta

July 29, 2014

*MNP LLP*

Chartered Accountants

**Mikisew Cree First Nation**  
**Statement of Financial Position**  
*As at March 31, 2014*

**2014**                    **2013**  
*(Restated -*  
*Note 19)*

**Financial assets**

Cash resources <i>(Note 2)</i>	2,369,991	2,717,467
Accounts receivable <i>(Note 3)</i>	4,180,439	7,048,204
Investment in Nation business entities <i>(Note 4)</i>	24,166,255	20,984,469
Land claims assets <i>(Note 5)</i>	34,784,782	35,918,129
<b>Total financial assets</b>	<b>65,501,467</b>	66,668,269

**Liabilities**

Operating line of credit <i>(Note 6)</i>	-	370,383
Accounts payable and accruals	5,222,335	2,935,156
Long-term debt <i>(Note 7)</i>	3,030,347	2,842,313
Capital lease obligation <i>(Note 8)</i>	58,412	88,437
Native Claims Loan <i>(Note 9)</i>	1,196,581	1,196,581
<b>Total liabilities</b>	<b>9,507,675</b>	7,432,870

<b>Net financial assets</b>	<b>55,993,792</b>	59,235,399
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**Commitments and guarantees *(Note 10), (Note 11)***

**Non-financial assets**

Tangible capital assets <i>(Note 12) (Schedule 1)</i>	21,082,962	12,335,720
Inventory and work in progress <i>(Note 13)</i>	1,559,237	1,366,703
Prepaid expenses <i>(Note 14)</i>	32,030	155,099
Agricultural Benefits negotiations <i>(Note 15)</i>	1,196,581	1,196,581

<b>Total non-financial assets</b>	<b>23,870,810</b>	15,054,103
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<b>Accumulated surplus</b>	<b>79,864,602</b>	74,289,502
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**Accumulated surplus is comprised of:**

Accumulated operating surplus	75,841,513	69,314,626
Accumulated remeasurement gains	4,023,089	4,974,876
	<b>79,864,602</b>	74,289,502

**Approved on behalf of Council**

*"Originally signed by Chief Steve Courtoeil"*

**Chief**

*"Originally signed by Steve Wilde, CFO"*

**Chief Financial  
Officer**

**Mikisew Cree First Nation**  
**Statement of Operations**  
For the year ended March 31, 2014

	<i>Schedules</i>	<i>2014 Budget</i>	<i>2014</i>	<i>2013 (Restated - Note 19)</i>
<b>Revenue</b>				
Government funding				
Aboriginal Affairs and Northern Development Canada		<b>7,832,519</b>	<b>7,543,328</b>	7,743,277
First Nation Development Fund Grants		<b>475,000</b>	<b>804,629</b>	1,401,876
Canada Mortgage and Housing Corporation		<b>265,962</b>	<b>298,266</b>	265,962
Human Resources Development Canada		<b>496,514</b>	<b>466,501</b>	408,551
<b>Total government funding</b>		<b>9,069,995</b>	<b>9,112,724</b>	9,819,666
Industry relations		<b>3,099,741</b>	<b>4,179,698</b>	6,080,799
Trust revenue		<b>6,425,000</b>	<b>5,976,990</b>	2,729,815
Technical Services revenue		<b>1,072,000</b>	<b>1,300,146</b>	1,291,426
Investment income		<b>1,950,000</b>	<b>1,648,421</b>	1,173,937
Other revenue (Note 16)		<b>680,610</b>	<b>757,183</b>	646,140
Donations for capital projects		-	<b>2,750,000</b>	500,000
<b>Total revenue</b>		<b>22,297,346</b>	<b>25,725,162</b>	22,241,783
<b>Program expenses</b>				
Operations				
Administration	4	<b>2,127,804</b>	<b>2,709,394</b>	2,505,126
Government & Industry Relations	5	<b>3,009,700</b>	<b>4,843,940</b>	3,829,811
Education	6	<b>4,162,700</b>	<b>4,040,854</b>	3,607,032
Technical Services	7	<b>4,817,520</b>	<b>5,468,821</b>	4,630,163
Social Enhancement	8	<b>1,289,226</b>	<b>1,161,283</b>	1,473,651
Paspew Place	9	<b>288,875</b>	<b>253,910</b>	258,921
Property Management	10	<b>508,288</b>	<b>586,138</b>	501,185
Legislature	11	<b>843,613</b>	<b>827,367</b>	772,845
Human Resources Development	12	<b>549,172</b>	<b>539,130</b>	500,180
Elders Care Facility	13	-	<b>31,173</b>	-
<b>Total operations</b>		<b>17,596,898</b>	<b>20,462,010</b>	18,078,914
Land Claims				
Land Claims Members	14	<b>3,352,200</b>	<b>3,790,123</b>	2,455,643
Land Claims Elders	15	<b>1,022,733</b>	<b>843,972</b>	507,307
<b>Total land claims</b>		<b>4,374,933</b>	<b>4,634,095</b>	2,962,950
Other programs				
Capital Assets	16	-	<b>671,764</b>	458,026
Entities	17	-	<b>18,873</b>	47,889
<b>Total other programs</b>		-	<b>690,637</b>	505,915
<b>Total program expenses</b>		<b>21,971,831</b>	<b>25,786,742</b>	21,547,779
<b>Surplus (deficit) from operations</b>		<b>325,515</b>	<b>(61,580)</b>	694,004
<b>Earnings from investments in Nation business entities (Note 4)</b>		-	<b>6,588,467</b>	4,057,151
<b>Surplus</b>		<b>325,515</b>	<b>6,526,887</b>	4,751,155

**Mikisew Cree First Nation**  
**Statement of Accumulated Operating Surplus**  
*For the year ended March 31, 2014*

	<b>2014</b>	<b>2013</b> (Restated - Note 19)
<b>Accumulated operating surplus, beginning of year, as previously stated</b>	<b>65,864,352</b>	60,808,809
Correction of an error (Note 19)	3,450,274	3,754,662
<b>Accumulated operating surplus, beginning of year, as restated</b>	<b>69,314,626</b>	64,563,471
<b>Surplus</b>	<b>6,526,887</b>	4,751,155
<b>Accumulated operating surplus, end of year</b>	<b>75,841,513</b>	69,314,626

**Mikisew Cree First Nation**  
**Statement of Remeasurement Gains and Losses**  
*For the year ended March 31, 2014*

	<b>2014</b>	<b>2013</b>
<b>Accumulated remeasurement gains, beginning of year</b>	<b>4,974,876</b>	3,209,579
<b>Unrealized gains (losses) attributable to:</b>		
Portfolio investments	(1,163,628)	2,065,509
<b>Amounts reclassified to the statement of operations:</b>		
Capital gains (losses) realized on land claims assets	211,841	(300,212)
<b>Change in remeasurement gains, for the year</b>	<b>(951,787)</b>	1,765,297
<b>Accumulated remeasurement gains, end of year</b>	<b>4,023,089</b>	4,974,876

**Mikisew Cree First Nation**  
**Statement of Change in Net Financial Assets**  
*For the year ended March 31, 2014*

	<b>2014 Budget</b>	<b>2014</b>	<b>2013 (Restated - Note 19)</b>
<b>Annual operating surplus</b>	<b>325,515</b>	<b>6,526,887</b>	4,751,155
Change in remeasurement gains (losses) for the year	-	(951,788)	1,765,297
Affect of remeasurement gains (losses) prior to March 31, 2013	-	-	3,209,579
Amortization of tangible capital assets (Schedule 1)	-	671,764	458,026
Purchase of tangible capital assets (Schedule 1)	-	(9,419,006)	(5,920,863)
Use (acquisition) of prepaid expenses	-	123,069	(9,413)
Purchase of inventory	-	(192,533)	(376,618)
<b>Change in net financial assets</b>	<b>325,515</b>	<b>(3,241,607)</b>	3,877,163
<b>Net financial assets, beginning of year</b>	<b>55,785,125</b>	<b>59,235,399</b>	55,358,236
<b>Net financial assets, end of year</b>	<b>56,110,640</b>	<b>55,993,792</b>	59,235,399

**Mikisew Cree First Nation**  
**Statement of Cash Flows**  
*For the year ended March 31, 2014*

**2014**                    **2013**  
*(Restated -*  
*Note 19)*

**Cash provided by (used for) the following activities**

**Operating activities**

Surplus	<b>6,526,887</b>	4,751,155
Non-cash items		
Bad debts	337,443	628,197
Amortization	671,764	458,026
Earnings (loss) from investments in Nation business entities	(6,588,467)	(4,057,151)
		947,627
Changes in working capital accounts		1,780,227
Accounts receivable	2,530,321	(5,295,799)
Operating line of credit	(370,383)	370,383
Accounts payable and accruals	1,339,810	126,770
Inventory and work in progress	(192,533)	(376,618)
Prepaid expenses	123,069	(9,413)
	4,377,911	(3,404,450)

**Financing activities**

Advances of long-term debt	445,132	977,296
Repayments of long-term debt	(257,099)	(276,117)
Repayments of capital lease obligation	(30,025)	(21,763)
	158,008	679,416

**Capital activities**

Purchases of tangible capital assets (Note 12)	(8,471,636)	(5,128,325)
	(8,471,636)	(5,128,325)

**Investing activities**

Investment in Nation entities	2,156,681	3,856,283
Distributions from Nation entities	1,250,000	2,985,173
Investment in land claims assets	181,560	1,575,311
	3,588,241	8,416,767

**Increase (decrease) in cash resources**

<b>Cash resources, beginning of year</b>	<b>2,717,467</b>	2,154,059
<b>Cash resources, end of year (Note 2)</b>	<b>2,369,991</b>	2,717,467

**Mikisew Cree First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

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**1. Significant accounting policies**

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

***Basis of presentation***

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

***Reporting entity and principles of consolidation***

The financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity, except for Nation business entities. Trusts administered on behalf of third parties by Mikisew Cree First Nation are excluded from the Nation reporting entity.

The Nation includes the assets, liabilities, revenue and expenses of the following entities and departments:

- Mikisew Cree First Nation General Revenues
- Mikisew Cree First Nation Administration
- Mikisew Cree First Nation Government & Industry Relations
- Mikisew Cree First Nation Education
- Mikisew Cree First Nation Technical Services (reserve operations, maintenance and member housing)
- Mikisew Cree First Nation Social Enhancement
- Mikisew Cree First Nation Paspew Place
- Mikisew Cree First Nation Property Management (housing CMHC operations)
- Mikisew Cree First Nation Legislature
- Mikisew Cree First Nation Human Resources Development
- Mikisew Cree First Nation Elders Care Facility
- Mikisew Cree First Nation Land Claims Members
- Mikisew Cree First Nation Land Claims Elders
- Mikisew Cree First Nation Capital Assets
- Mikisew Cree First Nation Entities

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Mikisew Cree First Nation business entities controlled by the Nation's Council but not dependent on the Nation for their continuing operations, are included in the financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the Nation. Thus, the Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. The following is a list of business entities which the Nation considers Government Business Enterprises:

Mikisew Commercial Trust (823786 Alberta Ltd.), MM Limited Partnership, 1326866 Alberta Ltd., MSD Limited Partnership, Mikisew Industrial Supply Ltd., Fort Petroleum Limited Partnership, Borealis Sport Fishing Limited Partnership, Beacon Hill Crossing Limited Partnership, Contact Air Leasing Limited Partnership, Borealis Air Services Limited Partnership, Air Mikisew Ltd., Fort McMurray Super 8 Limited Partnership, 1665322 Alberta Ltd., Cree-Ations Ltd., Cree-Chip Development Corporation, Mikisew Capital Corporation, 1112958 Alberta Ltd., Golosky Services Ltd., and Mikisew Cree Foundation.

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**Mikisew Cree First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

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

***Asset classification***

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

***Net financial assets***

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

***Revenue recognition***

**Funding**

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

**Externally restricted revenue**

The Nation recognizes externally restricted inflows as revenue in the period the resources are used for the purposes specified in accordance with an agreement or legislation. Until this time, the Nation records externally restricted inflows in deferred revenue.

***Statement of Remeasurement Gains and Losses***

By presenting remeasurement gains (losses) separately, changes in the carrying value of financial instruments arising from fair value measurement are distinguished from revenues and expenses reported in the statement of operations. The statement of operations reports the extent to which revenues raised in the period were sufficient to meet the expenses incurred. Remeasurement gains (losses) attributable to financial instruments in the fair value category do not affect this assessment as they are recognized in the statement of remeasurement gains and losses. Taken together, the two statements account for changes in the Nation's net assets (liabilities) in the period.

Upon settlement of a financial asset or liability measured at fair value, the cumulative gain (loss) is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to all financial instruments are reported in the statement of operations.

***Cash resources***

Cash resources includes balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

***Inventory and work in progress***

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

**Mikisew Cree First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

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

***Tangible capital assets***

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

***Capital lease***

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at the present value of the minimum lease payments. Assets under capital leases are amortized on the straight-line basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

***Amortization***

Tangible capital assets are amortized annually, unless as otherwise disclosed. Reserve infrastructure consists of water and sewer, roads and bridges and some buildings. Tangible capital assets are amortized over expected useful life using the following rates and method:

	Method	Rate
Buildings and improvements	straight-line	20-30 years
Reserve infrastructure	straight-line	20-30 years
General equipment	straight-line	5 years
Vehicles	straight-line	3 years
Playground equipment	straight-line	10 years

Aircrafts are not being amortized as they are currently not in use.

***Long-term debt and capital lease obligation***

Long-term financing received to fund tangible capital asset purchases is recognized in the period the financing is acquired and recorded as an increase in long-term debt or capital lease obligation.

Repayments of long-term financing are recognized as a decrease in long-term debt or capital lease obligation.

***Measurement uncertainty***

The preparation of financial statements in conformity with Canadian public accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting principles.

***Segments***

The Nation conducts its business through fifteen reportable segments as described in the reporting entity and principles of consolidation accounting policy note. These operating segments are established by the Chief and Council to facilitate the achievement of the Nation's long-term objectives, to aid in resource allocation decisions, and to assess operational performance.

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

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

**Mikisew Cree First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

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

***Fair Value Measurements***

The Nation classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the Nation to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

***Long-lived assets***

Long-lived assets consist of tangible capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in surplus for the year.

***Financial Instruments***

The Nation recognizes its financial instruments when the Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The Nation has not made such an election during the year.

The Nation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses, while interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

All financial assets except derivatives are tested annually for impairment. Management considers whether the investee has experienced continued losses for a period of years in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

**Mikisew Cree First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

**2. Cash resources**

		<b>2014</b>	<b>2013</b>
Unrestricted	Balances with banks	1,463,050	1,913,544
Restricted	Cash and cash equivalents (i)	900,812	797,945
	Ottawa Trust funds	6,129	5,978
<b>Total restricted</b>		<b>906,941</b>	<b>803,923</b>
<b>Total cash and short term deposits</b>		<b>2,369,991</b>	<b>2,717,467</b>

i) Restricted cash and cash equivalents includes balances with banks and guaranteed investment certificates as described below.

The guaranteed investment certificates are invested on a short term basis at rates between 0.15% and 0.90% (2013 - between 0.15% and 0.90%). Canada Mortgage and Housing Corporation restricts an amount of \$799,272 (2013 - \$799,272) for capital replacement reserve, subsidy surplus reserve and operating reserve requirements. These funds, along with accumulated interest, must be held in a separate bank account and invested only in accounts or instruments secured by the Canada Deposit Insurance Corporation. At March 31, 2014 the Nation has internally restricted \$900,812 (2013 - \$797,945) in cash for the purposes of the capital replacement reserve, subsidy surplus reserve and operating reserve. The reserve is in a surplus of \$101,540 (2013 - deficit of \$1,327) at year end.

The Ottawa Trust accounts arise from monies derived from capital or revenue source 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 and are subject to audit by the Office of the Auditor General of Canada. Sections 63-69 of the Indian Act primarily govern the management of these funds. These funds have been internally restricted by the Nation.

The Nation has pledged a guaranteed investment certificate in the amount of \$80,000 (2013 - \$80,000) for a letter of guarantee on behalf of Beacon Hill Crossing Limited Partnership.

**3. Accounts receivable**

		<b>2014</b>	<b>2013</b>
Aboriginal Affairs and Northern Development Canada - core funding		216,142	548,409
Human Resource Development Canada		224,913	128,727
Canada Mortgage and Housing Corporation		241,436	87,374
First Nation Development Fund		722,930	197,347
Impact benefit receivable		-	2,729,815
Trade accounts receivable - members		631,640	685,212
Allowance for doubtful accounts - members		(570,787)	(575,943)
Member rent receivable		1,345,291	1,285,237
Allowance for doubtful accounts - member rent receivable		(1,202,009)	(1,109,413)
Trade accounts receivable - non-members		2,682,361	3,304,215
Allowance for doubtful accounts - non-members		(549,112)	(549,112)
Goods and Service Tax receivable		437,634	316,336
		<b>4,180,439</b>	<b>7,048,204</b>

**Mikisew Cree First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

**4. Investment in Nation business entities**

The Nation has investments in the following entities:

	<i>Net contributions and (draws)</i>	<i>Current contributions and (draws)</i>	<i>Opening accumulated earnings (loss)</i>	<i>Current earnings (loss)</i>	<i>2014 Total investment</i>
<b>Mikisew Energy Services Group</b>	<b>271,679</b>	<b>(87,476)</b>	<b>14,631,445</b>	<b>5,831,068</b>	<b>20,646,716</b>
<b>Air Mikisew Group</b>	<b>4,416,744</b>	<b>(2,562,506)</b>	<b>(6,943,429)</b>	<b>128,948</b>	<b>(4,960,243)</b>
<b>Other entities</b>	<b>1,783,432</b>	<b>(756,684)</b>	<b>6,824,583</b>	<b>628,451</b>	<b>8,479,782</b>
<b>Total</b>	<b>6,471,855</b>	<b>(3,406,666)</b>	<b>14,512,599</b>	<b>6,588,467</b>	<b>24,166,255</b>

  

	<i>Net contributions and (draws)</i>	<i>Current contributions and (draws)</i>	<i>Opening accumulated earnings (loss)</i>	<i>Current earnings (loss)</i>	<i>2013 (Restated - Note 19) Total investment</i>
<b>Mikisew Energy Services Group</b>	<b>273,373</b>	<b>-</b>	<b>10,894,112</b>	<b>3,735,639</b>	<b>14,903,124</b>
<b>Air Mikisew Group</b>	<b>4,155,010</b>	<b>261,734</b>	<b>(6,550,060)</b>	<b>(393,369)</b>	<b>(2,526,685)</b>
<b>Other entities</b>	<b>5,901,446</b>	<b>(7,103,191)</b>	<b>9,094,894</b>	<b>714,881</b>	<b>8,608,030</b>
<b>Total</b>	<b>10,329,829</b>	<b>(6,841,457)</b>	<b>13,438,946</b>	<b>4,057,151</b>	<b>20,984,469</b>

**Mikisew Cree First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

**5. Land claims assets**

The Nation settled its land claim with the federal and provincial governments in 1986 and received \$26,600,000 in financial compensation and 24,000 acres of reserve land. This land is held in the following reserves:

- Old Fort Indian Reserve #217
- Doghead Indian Reserve #218
- Allison Bay Indian Reserve #219
- Devil's Gate Indian Reserve #220
- Sandy Point Indian Reserve #221
- Peace Point Indian Reserve #222
- Collin Lake Indian Reserve #223
- Cornwall Lake Indian Reserve #224
- Charles Lake Indian Reserve #225

The agreements restrict the use of the financial compensation received. "A" or "B" institutions as defined under the Bank Act must hold this amount. This money can be used for any purposes other than per capita distributions if approved by 75% of the eligible voters. Without approval of 75% of eligible voters, it is to be invested in the following:

- (a) Debt instruments of Canada, the provinces, Canadian municipalities, certain chartered banks;
- (b) Commercial paper rated R1 or corporate bonds rated A1 of up to \$1,000,000 per issuer;
- (c) Corporate bonds rated A or better of up to \$1,000,000 per issuer;
- (d) Mortgage backed securities guaranteed by the Government of Canada;
- (e) Convertible debentures rated BBB or better up to \$250,000 per issuer;
- (f) Preferred shares and convertible preferred shares rated P2 or better up to \$250,000 per issuer;
- (g) Subject to certain restrictions equity securities of corporations up to \$250,000 per issuer.

Investment income from the capital monies is to be reported in a "revenue" account. No more than 50% of the revenue money on hand as of January 1 of a year may be used for per capita distributions.

Assets at fair value in the Revenue and Restricted accounts are as follows:

	2014	2013
Cash and short term notes	3,810,771	3,529,147
Accrued interest	311,735	333,359
Investments	30,662,276	32,055,623
	<hr/>	<hr/>
	34,784,782	35,918,129
<b>Comprised of:</b>		
Land Claims Revenue	1,338,311	1,245,048
Land Claims Restricted	33,446,471	34,673,081
	<hr/>	<hr/>
	34,784,782	35,918,129

**6. Operating line of credit**

The Nation has available an operating line of credit up to a maximum of \$1,000,000 (2013 - \$1,000,000) none of which has been drawn as at March 31, 2014 (2013 - \$370,383). The operating line of credit bears interest at prime plus 1% per annum, with interest payable monthly, secured by a Band Council Resolution authorizing the borrowing of up to \$1,000,000.

**Mikisew Cree First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

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**7. Long-term debt**

	<b>2014</b>	<b>2013</b>
Canada Mortgage and Housing Corporation, mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 1.61%, compounded semi annually, payments of \$4,130 per month, principal and interest, with the balance due November 2017.	955,440	969,418
Canada Mortgage and Housing Corporation, mortgage advanced prior to completion of relevant housing units, and as is not on repayment as of March 31, 2014. Terms to be established once housing units are complete and repayment plan initiates.	445,132	-
Canada Mortgage and Housing Corporation, mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 1.65%, compounded semi annually, payments of \$1,952 per month, principal and interest, with the balance due September 2016.	435,167	451,295
Industrial Alliance Insurance and Financial Services Inc., mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 4%, compounded semi annually, payments of \$7,257 per month, principal and interest, with the balance due May 2015.	252,402	327,848
Canada Mortgage and Housing Corporation, mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 1.65%, compounded semi annually, payments of \$1,606 per month, principal and interest, with the balance due June 2017.	228,047	243,434
Canada Mortgage and Housing Corporation, mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 3.16%, payments of \$1,055 per month, principal and interest, with the balance due June 2018.	144,611	153,277
Canada Mortgage and Housing Corporation, mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 2.61%, compounded semi annually, payments of \$2,283 per month, principal and interest, with the balance due September 2014.	132,323	155,951
Canada Mortgage and Housing Corporation, mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 2.63%, compounded semi annually, payments of \$1,055 per month, principal and interest, with the balance due June 2016.	131,808	140,891
Canada Mortgage and Housing Corporation, mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 2.56%, compounded semi annually, payments of \$1,015 per month, principal and interest, with the balance due December 2015.	122,795	131,722
Bank of Nova Scotia, interest at prime plus 1.0%, payments of \$2,778 per month, principal plus interest, with the balance due on demand.	91,634	124,970
Canadian Imperial Bank of Commerce, mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 7.19%, payments of \$2,022 per month, principal and interest, with the balance due November 2014.	66,427	84,637
Peace Hills Trust, CMHC insured loan secured property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 5.44%, payments of \$1,076 per month, principal and interest, with the balance due April 2016.	24,561	35,881

**Mikisew Cree First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

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**7. Long-term debt** *(Continued from previous page)*

Peace Hills Trust mortgage - repaid in full during the year.	-	17,111
<u>Canada Mortgage and Housing Corporation mortgage - repaid in full during the year.</u>	<u>-</u>	<u>5,878</u>
	<b>3,030,347</b>	<b>2,842,313</b>

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Tangible capital assets included in Schedule 1, insurance coverage, assignment of book debts and investment revenues, a general security assignment and Band Council Resolutions have been pledged as security on the long-term debt.

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

2015	705,851
2016	268,456
2017	255,065
2018	135,743
2019 and thereafter	1,665,232

**8. Capital lease obligation**

	<b>2014</b>	<b>2013</b>
Alberta Motor Products, interest at 7%, payments of \$2,939 per month, principal plus interest, secured by a specific automotive asset with a net book value of \$36,733 (2013 - \$73,467), balance due January 2016.	<b>58,412</b>	88,437

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Minimum lease payments related to the obligation under capital lease are as follows:

2015	35,264
2016	27,004
	62,268
Less: imputed interest	3,856
	<b>58,412</b>

**9. Native Claims Loans**

The Native Claims loans are interim loans payable to the Government of Canada Department of Aboriginal Affairs and Northern Development. The loans are to assist the Nation in pursuing its specific claim.

The loans are payable on the earlier of March 31, 2015 or the date in which the Agricultural Benefit negotiation claim is settled. Should a loan become due and payable while the claim is still in negotiation, the loan repayment date will be extended for five years or a period deemed appropriate to coincide with the anticipated claim settlement date.

The loans are interest free unless the Nation is in default or the promissory note comes to maturity, in such case interest will accrue from the date of default or maturity at a rate to be determined.

No advances on the Native Claims loans were made during the year.

**Mikisew Cree First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

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**10. Commitments**

The Nation leases rental space with annual lease payments of \$113,087 (2013 - \$113,087). The lease is with a related party subject to common ownership. The lease was arranged during the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Nation leases vehicles from an unrelated third party with minimum annual lease payments of \$57,653 (2013 - \$57,653).

**11. Guarantees**

The Nation has signed letters of guarantees as follows:

	Authorized	Outstanding
Contact Air Leasing Limited Partnership	1,085,752	1,085,752
MM Limited Partnership	6,000,000	2,855,421
Band members	65,400	65,000

In the event of default by these affiliates, the Nation would be responsible for these debts. None of the loans are currently in arrears.

**12. Tangible capital assets**

The tangible capital assets reconciliation is included in Schedule 1.

Tangible capital assets include a vehicle under capital lease with a gross cost of \$110,200 (2013 - \$110,200), and accumulated amortization of \$73,467 (2013 - \$36,733).

Included in accounts payable and accruals is \$947,370 (2013 - \$682,338) in tangible capital assets acquired. This non-cash acquisition is excluded from the statement of cash flows.

Set funding of \$100,000 provided by Aboriginal Affairs and Northern Development Canada was spent on eligible costs included in construction in progress as disclosed in Schedule 1.

**13. Inventory and work in progress**

	2014	2013
Building supplies	1,558,237	1,365,703
Supplies inventory	1,000	1,000
	<b>1,559,237</b>	<b>1,366,703</b>

**14. Prepaid expenses**

	2014	2013
Student allowances	-	79,825
Retainer for professional fees	-	60,097
Deposits and other	<b>32,030</b>	15,177
	<b>32,030</b>	155,099

**Mikisew Cree First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

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**15. Agricultural Benefits Negotiations**

Agricultural Benefits Negotiations are costs incurred from fiscal 2007 to fiscal 2014 with respect to the research, development and negotiation of the Nation specific claim relating to the Agricultural Benefits Negotiations. As disclosed in Note 9, no additional funding was provided for the Agricultural Benefits Negotiation during the current fiscal year.

**16. Other revenue**

	<b>2014</b>	<b>2013</b>
Rentals	<b>249,037</b>	281,666
Miscellaneous	<b>222,769</b>	201,923
Water and sewer	<b>88,364</b>	64,249
Special event fundraising and donations	<b>130,246</b>	34,500
Interest income	<b>21,311</b>	31,558
Property tax	<b>20,202</b>	5,459
Investment income - other	<b>19,266</b>	26,685
Athabasca tribal council - miscellaneous programs	<b>5,988</b>	100
	<b>757,183</b>	646,140

**17. Comparative figures**

Certain comparative figures have been reclassified to conform with current year's presentation.

**18. Financial Instruments**

The Nation as part of its operations carries a number of financial instruments. It is management's opinion that the Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

***Risk Management Policy***

The Nation, as part of operations, has established risk management objectives such as avoidance of undue concentrations of risk as risk management objectives. In seeking to meet these objectives, the Nation follows a risk management policy approved by the Chief and Council.

***Fair Value of Financial Instruments***

The Nation has elected to measure land claim assets described in Note 5 at fair value, using level 1: quoted prices available in active markets.

***Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the future cash flow associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities known as price risk.

The Nation is exposed to interest rate cash and flow risk with respect to its operating line of credit and operating line of credit, which are subject to floating interest rates. The Nation is exposed to interest rate price risk with respect to certain long-term debt amounts and capital lease obligation, which bear interest at rates agreed upon at the time of issuance.

**Mikisew Cree First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

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**17. Financial Instruments** *(Continued from previous page)*

***Other price risk***

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Nation enters into transactions to purchase portfolio investments, for which the market price fluctuates via the land claim assets.

Other price risk is measured using standard deviation which measures a portfolio investment's volatility regardless of the cause. The Nation manages its other price risk by utilizing investment managers and custodians to monitor the volatility of the portfolio investments held and manage the investments in accordance to the investment guidelines.

**19. Correction of an error**

During the year, the Nation determined that prior year investments in Nation business entities were understated by \$3,450,274 due to differences from the basis of accounting used by the business entities. The 2013 opening accumulated surplus and investments in Nation business entities were understated by \$3,754,662. The 2013 earnings from investments in Nation business entities were overstated by \$304,388. For 2014, the impact of this correction resulted in an increase to opening accumulated surplus and investments in Nation business entities of \$3,450,274.