

**Mikisew Cree First Nation**  
**Consolidated Financial Statements**  
*March 31, 2017*

# Mikisew Cree First Nation

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*For the year ended March 31, 2017*

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## Management's Responsibility

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To the Members of Mikisew Cree First Nation:

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

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

The Chief and Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated 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 Professional Accountants, is appointed by the Chief and Council to audit the consolidated 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 21, 2017

*"Originally signed by Stephen Wilde"*

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Chief Financial  
Officer

# Independent Auditors' Report



To the Members of Mikisew Cree First Nation:

We have audited the accompanying consolidated financial statements of Mikisew Cree First Nation, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations, accumulated 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 consolidated Financial Statements*

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

## *Auditors' Responsibility*

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 condensed financial information related to the assets, liabilities, revenues and expenses of subsidiary business operations from Note 4 of the consolidated financial statements.

## *Opinion*

In our opinion, except for the matter described above in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Mikisew Cree First Nation as at March 31, 2017 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 21, 2017

Chartered Professional Accountants

**Mikisew Cree First Nation**  
**Consolidated Statement of Financial Position**  
*As at March 31, 2017*

	2017	2016
<b>Financial assets</b>		
Cash resources (Note 2)	1,768,713	526,529
Accounts receivable (Note 3)	3,420,591	4,501,280
Investment in Nation business entities (Note 4)	23,930,334	19,256,871
Land claims assets (Note 5)	34,792,157	34,744,759
<b>Total of assets</b>	<b>63,911,795</b>	<b>59,029,439</b>
<b>Liabilities</b>		
Operating line of credit (Note 6)	-	833,804
Accounts payable and accruals	4,126,962	8,133,239
Deferred revenue (Note 7)	1,437,787	1,190,405
Long-term debt (Note 8)	6,657,643	3,085,971
Native Claims loan (Note 9)	1,196,581	1,196,581
Agriculture Benefit Claim loan (Note 10)	1,297,894	-
<b>Total of financial liabilities</b>	<b>14,716,867</b>	<b>14,440,000</b>
<b>Net financial assets</b>	<b>49,194,928</b>	<b>44,589,439</b>
<b>Commitments and guarantees</b> (Note 11), (Note 12)		
<b>Non-financial assets</b>		
Tangible capital assets (Note 13) (Schedule 1)	23,488,149	23,674,793
Inventory and work in progress (Note 14)	1,580,889	1,756,644
Prepaid expenses	82,110	189,703
Agriculture Benefits negotiations (Note 10), (Note 15)	2,494,475	1,196,581
<b>Total non-financial assets</b>	<b>27,645,623</b>	<b>26,817,721</b>
<b>Accumulated surplus</b>	<b>76,840,551</b>	<b>71,407,160</b>
<b>Accumulated surplus is comprised of:</b>		
Accumulated surplus	73,661,129	67,969,508
Accumulated remeasurement gains	3,179,422	3,437,652
	<b>76,840,551</b>	<b>71,407,160</b>
<b>Approved on behalf of the Board</b>		
<u>"Originally signed by Archie Waquan"</u>	Chief	<u>"Originally signed by Calvin Waquan"</u> Councilor

The accompanying notes are an integral part of these financial statements

# Mikisew Cree First Nation

## Consolidated Statement of Operations

*For the year ended March 31, 2017*

	<i>Schedules</i>	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
<b>Revenue</b>				
Government funding				
Indigenous and Northern Affairs Canada	10,966,963	9,222,937	8,772,910	
Prior years INAC funding	-	1,498,908	-	
First Nation Development Fund Grants	780,000	783,234	820,774	
Human Resources Development Canada	405,827	441,158	341,472	
Canada Mortgage and Housing Corporation	856,751	308,195	290,642	
Alberta Health Funding	250,000	250,000	-	
<b>Total government funding</b>	<b>13,259,541</b>	<b>12,504,432</b>	<b>10,225,798</b>	
Industry relations	3,871,798	5,207,957	5,344,794	
Industry related funds	3,326,300	1,663,215	2,904,297	
Investment income	1,300,000	1,470,628	1,871,803	
Technical Services revenue	-	941,683	1,354,484	
Other revenue (Note 16)	775,356	632,073	772,052	
Receipts from MCFN Trust	1,299,332	500,000	-	
<b>Total revenue</b>	<b>23,832,327</b>	<b>22,919,988</b>	<b>22,473,228</b>	

*Continued on next page*

# Mikisew Cree First Nation

## Consolidated Statement of Operations

*For the year ended March 31, 2017*

	<i>Schedules</i>	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
<i>(Continued from previous page)</i>		23,832,327	22,919,988	22,473,228
<b>Program expenses</b>				
Operations				
Administration	3	1,524,843	2,030,734	1,876,628
Government & Industry Relations	4	3,862,447	4,543,056	4,510,725
Mikisew Technical Services	5	3,012,761	3,482,154	4,528,619
Education	6	5,494,289	3,383,635	3,969,175
Social Enhancement	7	988,335	784,871	792,341
Paspew Place	8	183,860	21,397	30,915
Property Management	9	531,049	396,341	434,958
Legislature	10	855,176	793,688	809,160
Human Resources Development	11	482,581	416,368	415,062
Elders Care Facility	12	1,695,620	1,748,407	2,051,488
Total operations		18,630,961	17,600,651	19,419,071
Land Claims				
Land Claims Members	13	1,694,300	1,553,542	1,582,334
Land Claims Elders	14	704,911	646,411	620,879
Total land claims		2,399,211	2,199,953	2,203,213
Other programs				
Capital Assets	15	-	731,008	710,094
Special Projects	16	-	30,291	-
Total other programs		-	761,299	710,094
<b>Total program expenses (Schedule 2)</b>		21,030,172	20,561,903	22,332,378
<b>Surplus from operations</b>		2,802,155	2,358,085	140,850
<b>Other items</b>				
Earnings (loss) from investments in Nation business entities (Note 4)		-	3,333,536	2,227,538
Loss on disposal of tangible capital assets (Note 13)		-	-	(36,115)
<b>Transfers between programs (Note 18)</b>		-	-	-
<b>Surplus</b>		2,802,155	5,691,621	2,332,273

The accompanying notes are an integral part of these financial statements

**Mikisew Cree First Nation**  
**Consolidated Statement of Accumulated Surplus**  
*For the year ended March 31, 2017*

	<b>2017</b>	<b>2016</b>
Accumulated surplus, beginning of year, as previously stated	<b>67,969,508</b>	65,637,235
Surplus	<b>5,691,621</b>	2,332,273
Accumulated surplus, end of year	<b>73,661,129</b>	67,969,508



**Mikisew Cree First Nation**  
**Consolidated Statement of Remeasurement Gains and Losses**  
*For the year ended March 31, 2017*

	<b>2017</b>	<b>2016</b>
<b>Accumulated remeasurement gains, beginning of year</b>	<b>3,437,652</b>	<b>4,771,030</b>
<b>Unrealized losses attributable to:</b>		
Land claim assets	<b>(99,636)</b>	<b>(808,710)</b>
<b>Amounts reclassified to the statement of operations:</b>		
Capital gains realized on land claims assets	<b>(158,594)</b>	<b>(524,668)</b>
<b>Change in remeasurement losses, for the year</b>	<b>(258,230)</b>	<b>(1,333,378)</b>
<b>Accumulated remeasurement gains, end of year</b>	<b>3,179,422</b>	<b>3,437,652</b>

**Mikisew Cree First Nation**  
**Consolidated Statement of Change in Net Financial Assets**  
*For the year ended March 31, 2017*

	<b>2017</b> <b>Budget</b>	<b>2017</b>	<b>2016</b> <i>Restated - Note 19</i>
<b>Annual surplus</b>	<b>2,802,155</b>	<b>5,691,621</b>	2,332,273
Loss on sale of tangible capital assets	-	-	36,115
Acquisition of prepaid expenses	-	-	(26,061)
Use of prepaid expenses	-	<b>107,593</b>	-
Change in remeasurement gains (losses) for the year	-	<b>(258,230)</b>	(1,333,378)
Amortization of tangible capital assets <i>(Schedule 1)</i>	-	<b>1,088,482</b>	1,067,568
Acquisition of tangible capital assets <i>(Schedule 1)</i>	-	<b>(104,574)</b>	(507,666)
Additions to construction in progress	-	<b>(797,264)</b>	(371,050)
(Purchase) sale of inventory	-	<b>175,755</b>	(322,178)
Advances on the agriculture benefits negotiations	-	<b>(1,297,894)</b>	-
<b>Change in net financial assets</b>	<b>2,802,155</b>	<b>4,605,489</b>	875,623
<b>Net financial assets, beginning of year</b>	<b>44,589,439</b>	<b>44,589,439</b>	43,713,816
<b>Net financial assets, end of year</b>	<b>47,391,594</b>	<b>49,194,928</b>	44,589,439

*The accompanying notes are an integral part of these financial statements*

**Mikisew Cree First Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2017*

	2017	2016
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Surplus	5,691,621	2,332,273
Non-cash items		
Bad debts	724,008	132,283
Loss on investments in Nation business entities <i>(Note 4)</i>	(3,330,536)	(2,227,538)
Loss on disposal of tangible capital assets	-	36,115
Amortization	1,088,482	1,067,568
Investment income reinvested to land claim assets	(1,470,628)	(1,871,803)
	2,702,947	(531,102)
Changes in working capital accounts		
Accounts receivable	356,680	(1,767,132)
Prepaid expenses	107,593	(26,061)
Operating line of credit	(833,804)	139,431
Accounts payable and accruals	(4,006,277)	1,041,956
Inventory and work in progress	175,756	(322,178)
Deferred revenue	247,382	348,565
Agriculture benefits negotiations <i>(Note 15)</i>	(1,297,894)	-
	(2,547,617)	(1,116,521)
<b>Financing activities</b>		
Advances of long-term debt	3,850,000	-
Repayment of long-term debt	(278,328)	(316,996)
Advances of Agriculture Claims loan	1,297,894	-
Repayment of capital lease obligations	-	(26,217)
	4,869,566	(343,213)
<b>Capital activities</b>		
Purchases of tangible capital assets	(901,838)	(878,721)
<b>Investing activities</b>		
Advances to Nation entities <i>(Note 4)</i>	(1,342,927)	(114,973)
Withdrawals from land claim assets	1,165,000	1,605,000
	(177,927)	1,490,027
<b>Increase (decrease) in cash resources</b>	1,242,184	(848,428)
<b>Cash resources, beginning of year</b>	526,529	1,374,957
<b>Cash resources, end of year <i>(Note 2)</i></b>	1,768,713	526,529

**1. Significant accounting policies**

These financial statements are the representations of management, prepared in accordance with Canadian public sector 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 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 Special Projects
- 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.), 1326866 Alberta Ltd., Mikisew Industrial Supply Ltd., Air Mikisew Ltd., Fort McMurray Super 8 Limited Partnership, 1665322 Alberta Ltd., Cree-Ations Ltd., Cree-Chip Development Corporation, Mikisew Cree Foundation and MBH Fort McMurray Hotel Limited Partnership.

**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.

**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 years
Reserve infrastructure	straight-line	20-30 years
General equipment	straight-line	5-10 years
Vehicles	straight-line	3 years
Playground equipment	straight-line	10 years
Elders Care Facility	straight-line	40 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 sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the Nation is responsible for. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting principles.

**Liability for contaminated sites**

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding environmental standard exists, the Nation is either directly responsible or accepts responsibility, it is expected that the future economic benefit will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2015.

At each financial reporting date, the Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

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

**Segments**

The Nation conducts its business through thirteen 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 consolidated financial statements as disclosed.

**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.

**Mikisew Cree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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

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.

**2. Cash resources**

	<b>2017</b>	<b>2016</b>
Unrestricted		
General accounts	<b>1,331,865</b>	116,339
Restricted		
Cash and cash equivalents	<b>430,293</b>	403,887
Ottawa Trust funds	<b>6,555</b>	6,303
<b>Total restricted</b>	<b>436,848</b>	410,190
<b>Total cash and short term deposits</b>	<b>1,768,713</b>	526,529

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.

**3. Accounts receivable**

	<b>2017</b>	<b>2016</b>
Indigenous and Northern Affairs Canada	<b>581,718</b>	1,243,818
Human Resource Development Canada	<b>653</b>	128,805
Canada Mortgage and Housing Corporation	<b>194,944</b>	251,746
First Nation Development Fund	<b>182,352</b>	400,102
Trade accounts receivable - members	<b>693,784</b>	590,608
Allowance for doubtful accounts - members	<b>(667,586)</b>	(556,228)
Member rent receivable	<b>1,833,462</b>	1,619,071
Allowance for doubtful accounts - member rent receivable	<b>(1,611,474)</b>	(1,450,256)
Trade accounts receivable - non-members	<b>2,281,038</b>	2,184,951
Allowance for doubtful accounts - non-members	<b>(501,404)</b>	(549,112)
Goods and Service Tax receivable	<b>433,104</b>	637,775
	<b>3,420,591</b>	4,501,280



**Mikisew Cree First Nation**  
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**4. Investment in Nation business entities**

The Nation has investments in the following entities:

					<i>2017</i>
	<i>Net contributions and (draws)</i>	<i>Current contributions and (draws)</i>	<i>Opening accumulated earnings (loss)</i>	<i>Current earnings (loss)</i>	<i>Total investment</i>
<b>Mikisew Energy Services Group</b>	<b>(3,715,797)</b>	<b>(2,387,295)</b>	<b>20,363,488</b>	<b>2,768,067</b>	<b>17,028,463</b>
<b>Air Mikisew Group</b>	<b>1,854,238</b>	<b>-</b>	<b>(6,947,995)</b>	<b>156,743</b>	<b>(4,937,014)</b>
<b>Other entities</b>	<b>1,981,161</b>	<b>3,730,222</b>	<b>5,721,776</b>	<b>405,726</b>	<b>11,838,885</b>
	<b>119,602</b>	<b>1,342,927</b>	<b>19,137,269</b>	<b>3,330,536</b>	<b>23,930,334</b>

					<i>2016</i>
	<i>Net contributions and (draws)</i>	<i>Current contributions and (draws)</i>	<i>Opening accumulated earnings (loss)</i>	<i>Current earnings (loss)</i>	<i>Total investment</i>
<b>Mikisew Energy Services Group</b>	<b>184,203</b>	<b>(3,900,000)</b>	<b>18,569,675</b>	<b>1,793,813</b>	<b>16,647,691</b>
<b>Air Mikisew Group</b>	<b>1,854,238</b>	<b>-</b>	<b>(7,005,006)</b>	<b>57,011</b>	<b>(5,093,757)</b>
<b>Other entities</b>	<b>(2,033,812)</b>	<b>4,014,973</b>	<b>5,345,062</b>	<b>376,714</b>	<b>7,702,937</b>
	<b>4,629</b>	<b>114,973</b>	<b>16,909,731</b>	<b>2,227,538</b>	<b>19,256,871</b>

**Mikisew Cree First Nation**  
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**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:

	<b>2017</b>	2016
Cash and short term notes	<b>3,460,748</b>	3,775,138
Accrued interest	<b>273,126</b>	273,900
Investments	<b>31,058,283</b>	30,695,721
	<b>34,792,157</b>	34,744,759
<b>Comprised of:</b>		
Land Claims Revenue	<b>1,182,696</b>	1,264,953
Land Claims Restricted	<b>33,609,461</b>	33,479,806
	<b>34,792,157</b>	34,744,759

**Mikisew Cree First Nation**  
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**6. Operating line of credit**

The Nation has available an operating line of credit up to a maximum of \$1,000,000 (2016 - \$1,000,000) of which \$nil (2016 - \$833,804) has been drawn. The operating line of credit bears interest at prime plus 1.00% (2016 - prime plus 1.00%) per annum, with interest payable monthly, secured by a Band Council Resolution authorizing the borrowing of up to \$1,000,000.

**7. Deferred revenue**

	<b>2017</b>	<b>2016</b>
GIR project funding	<b>636,442</b>	976,960
INAC fixed contribution	<b>255,410</b>	213,445
Special project funding	<b>545,935</b>	-
	<b>1,437,787</b>	1,190,405

**8. Long-term debt**

	<b>2017</b>	<b>2016</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.	<b>850,334</b>	885,965
Canada Mortgage and Housing Corporation, mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 1.67%, compounded semi annually, payments of \$2,684 per month, principal and interest, with the balance due January 2020.	<b>546,303</b>	568,163
Canada Mortgage and Housing Corporation, mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 1.67%, compounded semi annually, payments of \$2,012 per month, principal and interest, with the balance due January 2020.	<b>448,356</b>	464,741
Canada Mortgage and Housing Corporation, mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 1.03%, compounded semi annually, payments of \$1,816 per month, principal and interest, with the balance due November 2021.	<b>384,919</b>	402,119
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.	<b>180,338</b>	196,510
Industrial Alliance Insurance and Financial Services Inc., mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 3.50%, compounded semi annually, payments of \$7,224 per month, principal and interest, with the balance due April 2017.	<b>7,204</b>	92,039
Canada Mortgage and Housing Corporation, mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 1.67%, payments of \$951 per month, principal and interest, with the balance due June 2018.	<b>116,947</b>	126,327
Canada Mortgage and Housing Corporation, mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 2.01%, compounded semi annually, payments of \$2,252 per month, principal and interest, with the balance due May 2019.	<b>57,255</b>	82,859

**Mikisew Cree First Nation**  
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**8. Long-term debt** *(Continued from previous page)*

	<b>2017</b>	<b>2016</b>
Canada Mortgage and Housing Corporation, mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 1.05%, compounded semi annually, payments of \$979 per month, principal and interest, with the balance due August 2021.	<b>102,653</b>	112,921
Canada Mortgage and Housing Corporation, mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 1.05%, compounded semi annually, payments of \$948 per month, principal and interest, with the balance due August 2021.	<b>94,226</b>	104,252
Bank of Nova Scotia, interest at prime plus 1.50%, payments of \$2,778 per month, principal plus interest, paid in full during the year.	-	24,962
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 \$2,002 per month, principal and interest, with the balance due May 2017.	<b>19,108</b>	25,113
First Nation Bank, mortgage secured by property disclosed in Schedule 1 and a Cree-Ations Enterprises Limited guarantee, interest at prime plus 0.75%, interest only payments of \$3,594 until April 2018, followed by monthly payments of \$7,460, principal and interest, with the balance due March 2022.	<b>1,250,000</b>	-
First Nation Bank, mortgage secured by property disclosed in Schedule 1 and a Cree-Ations Enterprises Limited guarantee, interest at 4.30%, payments of \$16,175 per month, principal and interest, with the balance due March 2022.	<b>2,600,000</b>	-
	<b>6,657,643</b>	3,085,971

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:

2018	277,377
2019	306,658
2020	288,648
2021	292,133
2022 and thereafter	5,492,827
	<b>6,657,643</b>

**Mikisew Cree First Nation**  
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**9. Native Claims Loans**

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

The loans are payable on the earlier of March 31, 2021 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.

**10. Agriculture Benefit Claim loan**

	2017	2016
RBC Agriculture Claim	1,297,894	-

The Nation has available a non-revolving term facility up to a maximum of \$2,801,400 of which \$1,297,894 (2016 - \$nil) has been drawn. This facility bears interest at prime with interest payable quarterly, principal repayable on the earlier of the settlement date or January 28, 2021. The facility is secured with an insurance policy and a Band Council Resolution. Draws on this credit facility are limited to expenses incurred for the Agricultural Benefits negotiations.

**11. Commitments**

The Nation leases rental space with annual lease payments of \$128,700 (2016 - \$128,700). 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 rental space from an unrelated third party with annual lease payments of \$216,000 (2016 - \$108,000).

The Nation leases vehicles from an unrelated third party with minimum annual lease payments of \$95,908 (2016 - \$87,397).

The Nation has entered into a partnership agreement which requires them to contribute additional capital. The estimate amount that they will have to contribute is between \$1,000,000 and \$1,600,000 of which \$1,250,000 (2016 - \$nil) was advanced in the current year.

**12. Guarantees**

The Nation has signed letters of guarantees as follows:

	Authorized	Outstanding
Contact Air Leasing Limited Partnership	405,546	576,683
MM Limited Partnership	4,000,000	26,389
Beacon Hill Crossing Limited Partnership	1,482,000	-
Fort McMurray Hotel Limited Partnership	16,000,000	1,295,777

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

**Mikisew Cree First Nation**  
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**13. Tangible capital assets**

The tangible capital assets reconciliation is included in Schedule 1.

The Nation's tangible capital asset purchases in the current year were \$901,826 (2016 - \$878,721) of which \$797,262 (2016 - \$371,052) are included in construction-in-progress.

Buildings and Improvements includes buildings under construction with a carrying value of \$2,886,730 (2016 - \$2,069,924). No amortization of this asset has been recorded during the year because the buildings are currently under construction.

**14. Inventory and work in progress**

	2017	2016
Building supplies	1,532,804	1,577,277
Supplies inventory	1,765	1,000
Work in progress	46,320	178,367
	<b>1,580,889</b>	<b>1,756,644</b>

**15. Agricultural Benefits Negotiations**

Agricultural Benefits Negotiations are costs incurred from fiscal 2007 to fiscal 2017 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 from the Government of Canada for the Agricultural Benefits Negotiation during the current fiscal year.

Additional expenses were incurred, funded by the Nation through the Agriculture Benefit Claim Loan as disclosed in Note 10. Additions of \$1,297,894 (2016 - \$nil) were recorded during the year.

**16. Other revenue**

	2017	2016
Rentals	404,648	433,017
Water and sewer revenue	104,577	111,184
Miscellaneous	83,312	180,515
Special event fundraising and donations	33,075	41,300
Interest income	3,961	5,026
Property tax	1,985	-
Athabasca tribal council - miscellaneous programs	515	1,010
	<b>632,073</b>	<b>772,052</b>

**17. 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.

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

***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 certain long-term debt amounts, which are subject to floating interest rates. The Nation is exposed to interest rate price risk with respect to certain long-term debt amounts which bear interest at rates agreed upon at the time of issuance. The Nation is also exposed to interest rate price risk with respect to its land claims assets which earn interest on investment at fixed annual rates.

***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.

**18. Budget information**

The disclosed budget information has been approved by the Chief and Council of Mikisew Cree First Nation. The budget differs from the budget included in these financial statements as some items do not comply with Public Sector Accounting Standards.

In the approved budget, transfers between programs were recognized as revenue in the program received and an expense in the program transferred from. Also, the approved budget shows capital purchases as an expenses and use of unspent funds or savings as revenue. These practices do not comply with Public Sector Accounting Standards. Therefore the budget shown differs from the approved budget as follows:

- Budgeted revenue is reduced by \$5,541,821.
- Budgeted expenses are reduced by 8,125,198.

The Government & Industry Relations budget was not included in the overall budget but was approved separately. This resulted in an increase in the budgeted revenue by \$3,871,798 and an increase in the budgeted expenses by \$3,862,447.

The approved Budget showed a surplus of \$209,427. After adjusted for the transfers and additional Government & Industry Relations revenues, the net income budgeted before transfers is \$2,802,155.

**19. Comparative figures**

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