

**Mikisew Cree First Nation**  
**Consolidated Financial Statements**  
*March 31, 2018*

# Mikisew Cree First Nation

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*For the year ended March 31, 2018*

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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 27, 2018

Originally signed by Steve Wilde

Chief Financial  
Officer

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# 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, 2018, 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 5 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, 2018 and the results of its operations, 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 27, 2018

Chartered Professional Accountants

**Mikisew Cree First Nation**  
**Consolidated Statement of Financial Position**  
*As at March 31, 2018*

	2018	2017
<b>Financial assets</b>		
Cash resources (Note 2)	4,124,149	1,768,713
Accounts receivable (Note 3)	3,982,631	3,420,591
Agricultural benefits claim receivable (Note 4)	134,776,357	-
Investment in Nation business entities (Note 5)	32,952,947	23,930,334
Land claims assets (Note 6)	33,883,200	34,792,157
<b>Total of assets</b>	<b>209,719,284</b>	<b>63,911,795</b>
<b>Liabilities</b>		
Accounts payable and accruals	5,017,429	4,126,962
Agricultural benefits settlement related payables	8,597,608	-
Agricultural benefits claim member distributions (Note 7)	61,520,721	-
Deferred revenue (Note 9)	1,120,956	1,437,787
Long-term debt (Note 10)	30,598,278	6,657,643
Native Claims loan (Note 11)	-	1,196,581
Agriculture Benefit Claim loan (Note 12)	1,591,158	1,297,894
<b>Total of financial liabilities</b>	<b>108,446,150</b>	<b>14,716,867</b>
<b>Net financial assets</b>	<b>101,273,134</b>	<b>49,194,928</b>
<b>Commitments and guarantees</b> (Note 13), (Note 14)		
<b>Non-financial assets</b>		
Tangible capital assets (Note 15) (Schedule 1)	23,946,648	23,488,149
Inventory and work in progress (Note 16)	1,703,136	1,580,889
Prepaid expenses	80,139	82,110
Agriculture Benefits negotiations (Note 12), (Note 17)	-	2,494,475
<b>Total non-financial assets</b>	<b>25,729,923</b>	<b>27,645,623</b>
<b>Accumulated surplus</b>	<b>127,003,057</b>	<b>76,840,551</b>
<b>Accumulated surplus is comprised of:</b>		
Accumulated surplus	125,102,332	73,661,129
Accumulated remeasurement gains	1,900,725	3,179,422
	<b>127,003,057</b>	<b>76,840,551</b>

Approved on behalf of the Board

Originally signed by Archie Waquan

Chief

Originally signed by Calvin Waquan

Councillor

# Mikisew Cree First Nation

## Consolidated Statement of Operations

*For the year ended March 31, 2018*

	<i>Schedules</i>	<i>2018 Budget</i>	<i>2018</i>	<i>2017</i>
<b>Revenue</b>				
Government funding				
Indigenous Services Canada	<b>9,330,588</b>	<b>10,026,741</b>	9,222,937	
Prior years INAC funding	-	<b>545,935</b>	1,498,908	
First Nation Development Fund Grants	<b>250,000</b>	<b>706,382</b>	783,234	
Aboriginal Skills Employment & Training Services	<b>405,827</b>	<b>461,820</b>	441,158	
Canada Mortgage and Housing Corporation	<b>282,251</b>	<b>271,423</b>	308,195	
Alberta Health Funding	<b>250,000</b>	-	250,000	
<b>Total government funding</b>	<b>10,518,666</b>	<b>12,012,301</b>	12,504,432	
Industry relations	<b>4,095,028</b>	<b>5,923,224</b>	5,207,957	
Industry related funds	<b>2,874,024</b>	<b>1,096,735</b>	1,663,215	
Investment income	<b>1,100,000</b>	<b>1,530,274</b>	1,470,628	
Technical Services revenue	<b>1,100,000</b>	<b>1,040,564</b>	941,683	
Other revenue (Note 18)	<b>952,481</b>	<b>3,589,538</b>	632,073	
Receipts from MCFN Trust	<b>161,080</b>	<b>161,338</b>	500,000	
<b>Total revenue</b>	<b>20,801,279</b>	<b>25,353,974</b>	22,919,988	

*Continued on next page*

# Mikisew Cree First Nation

## Consolidated Statement of Operations

*For the year ended March 31, 2018*

	<i>Schedules</i>	<i>2018 Budget</i>	<i>2018</i>	<i>2017</i>
<i>(Continued from previous page)</i>		<b>20,801,279</b>	<b>25,353,974</b>	22,919,988
<b>Program expenses</b>				
Operations				
Administration	4	1,700,834	1,850,155	2,030,734
Government & Industry Relations	5	3,988,509	5,399,654	4,543,056
Mikisew Technical Services	6	3,049,773	3,023,918	3,482,154
Education	7	5,764,022	2,626,599	3,383,635
Social Enhancement	8	981,723	777,561	784,871
Property Management	9	776,941	701,678	396,341
Legislature	10	809,176	829,050	793,688
ASETS	11	486,377	586,888	416,368
Elders Care Facility	12	1,420,020	1,756,416	1,748,407
Paspew Place	13	357,212	229,607	21,397
<b>Total operations</b>		<b>19,334,587</b>	<b>17,781,526</b>	17,600,651
Land Claims				
Land Claims Members	14	768,300	2,539,265	1,553,542
Land Claims Elders	15	769,141	742,664	646,411
<b>Total land claims</b>		<b>1,537,441</b>	<b>3,281,929</b>	2,199,953
Other programs				
Capital Assets	16	-	781,712	731,008
Special Projects	17	-	-	30,291
<b>Total other programs</b>		<b>-</b>	<b>781,712</b>	761,299
<b>Total program expenses (Schedule 2)</b>		<b>20,872,028</b>	<b>21,845,167</b>	20,561,903
<b>Surplus from operations</b>		<b>(70,749)</b>	<b>3,508,807</b>	2,358,085
<b>Other items</b>				
Earnings (loss) from investments in Nation business entities (Note 5) (Schedule 18)		-	11,926,986	3,333,536
Transfer of earnings from investments in Nation business entities		-	(2,939,493)	-
		-	8,987,493	3,333,536
<b>Whachask Trust activity</b>				
Agricultural Benefits Claim revenue		-	135,972,938	-
Distributions to members		-	(85,580,721)	-
Professional fees		-	(8,451,640)	-
Prior year Agricultural Claim expenses		-	(2,494,475)	-
Insurance		-	(439,232)	-
Interest and bank charges		-	(61,967)	-
		-	38,944,903	-
<b>Surplus</b>		<b>(70,749)</b>	<b>51,441,203</b>	5,691,621

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, 2018*

	<b>2018</b>	<b>2017</b>
Accumulated surplus, beginning of year	<b>73,661,129</b>	67,969,508
Surplus	<b>51,441,203</b>	5,691,621
Accumulated surplus, end of year	<b>125,102,332</b>	73,661,129



**Mikisew Cree First Nation**  
**Consolidated Statement of Remeasurement Gains and Losses**  
*For the year ended March 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Accumulated remeasurement gains, beginning of year</b>	<b>3,179,422</b>	3,437,652
<b>Unrealized losses attributable to:</b>		
Land claim assets	<b>(1,057,457)</b>	(99,636)
<b>Amounts reclassified to the statement of operations:</b>		
Capital gains realized on land claims assets	<b>(221,240)</b>	(158,594)
<b>Change in remeasurement losses, for the year</b>	<b>(1,278,697)</b>	(258,230)
<b>Accumulated remeasurement gains, end of year</b>	<b>1,900,725</b>	3,179,422

**Mikisew Cree First Nation**  
**Consolidated Statement of Change in Net Financial Assets**  
*For the year ended March 31, 2018*

	<b>2018 Budget</b>	<b>2018</b>	<b>2017</b>
<b>Annual surplus</b>	<b>(70,748)</b>	<b>51,441,203</b>	5,691,621
Use of prepaid expenses	-	1,971	107,593
Change in remeasurement gains (losses) for the year	-	(1,278,697)	(258,230)
Amortization of tangible capital assets <i>(Schedule 1)</i>	-	1,139,186	1,088,482
Acquisition of tangible capital assets <i>(Schedule 1)</i>	-	(304,222)	(104,574)
Additions to construction in progress	-	(1,293,458)	(797,264)
(Purchase) sale of inventory	-	(122,252)	175,755
Advances on the agriculture benefits negotiations	-	(293,264)	(1,297,894)
Repayment of Native Claims loan	-	1,196,581	-
RBC Agricultural Benefits Claim expensed in the year	-	1,591,158	-
<b>Change in net financial assets</b>	<b>(70,748)</b>	<b>52,078,206</b>	4,605,489
<b>Net financial assets, beginning of year</b>	<b>49,194,928</b>	<b>49,194,928</b>	44,589,439
<b>Net financial assets, end of year</b>	<b>49,124,180</b>	<b>101,273,134</b>	49,194,928

**Mikisew Cree First Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2018*

	2018	2017
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Surplus	51,441,203	5,691,621
Non-cash items		
Bad debts	212,250	724,008
Earnings (loss) from investments in Nation business entities <i>(Note 5)</i>	(11,962,106)	(3,330,536)
Amortization	1,139,186	1,088,482
Investment income reinvested to land claim assets	(1,530,274)	(1,470,628)
	39,300,259	2,702,947
Changes in working capital accounts		
Accounts receivable	(773,760)	356,680
Agricultural benefits claim receivable <i>(Note 7)</i>	134,776,357	-
Prepaid expenses	1,971	107,593
Operating line of credit	-	(833,804)
Accounts payable and accruals	890,467	(4,006,277)
Agricultural benefits settlement related payables	8,597,608	-
Agricultural benefit claim member distributions payable	61,520,721	-
Inventory and work in progress	(122,247)	175,756
Deferred revenue	(316,831)	247,382
Agriculture benefits negotiations <i>(Note 17)</i>	2,494,475	(1,297,894)
	(23,183,694)	(2,547,617)
<b>Financing activities</b>		
Advances of long-term debt	24,197,688	3,850,000
Repayment of long-term debt	(257,053)	(278,328)
Advances of Agriculture Claims loan	293,264	1,297,894
Repayment of Native Claims loan <i>(Note 11)</i>	(1,196,581)	-
	23,037,318	4,869,566
<b>Capital activities</b>		
Purchases of tangible capital assets	(304,222)	(901,838)
Additions to construction-in-progress	(1,293,459)	-
<b>Investing activities</b>		
Net withdrawals from Nation entities <i>(Note 5)</i>	2,939,493	-
Advances to Nation entities <i>(Note 5)</i>	-	(1,342,927)
Withdrawals from land claim assets	1,160,000	1,165,000
	4,099,493	(177,927)
<b>Increase (decrease) in cash resources</b>	<b>2,355,436</b>	<b>1,242,184</b>
<b>Cash resources, beginning of year</b>	<b>1,768,713</b>	<b>526,529</b>
<b>Cash resources, end of year <i>(Note 2)</i></b>	<b>4,124,149</b>	<b>1,768,713</b>

**1. Significant accounting policies**

These consolidated 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 by third parties on behalf of 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 (ASETS)
- 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
- Mikisew Cree Whachask Trust

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.

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

***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 consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting principles.

**Agricultural benefits claim member distributions payable**

In the current year, the Agricultural Benefits Claim was settled resulting in the creation of the Mikisew Cree Whachask Trust. Under this trust agreement, each member of the Mikisew Cree First Nation at the trust ratification date is entitled to a distribution of varying amounts. The amount of distributions payable to members is estimated using the number of eligible Mikisew Elders, Adults, and Minors per the Band list as of the trust ratification date and the various distribution options available to the eligible members.

**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, 2018.

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 sixteen 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, 2018*

**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>2018</b>	<b>2017</b>
Unrestricted		
General accounts	<b>3,685,956</b>	1,331,865
Restricted		
Cash and cash equivalents	<b>431,499</b>	430,293
Ottawa Trust funds	<b>6,694</b>	6,555
<b>Total restricted</b>	<b>438,193</b>	436,848
<b>Total cash and short term deposits</b>	<b>4,124,149</b>	1,768,713

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 and 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>2018</b>	<b>2017</b>
Indigenous Service Canada	<b>554,638</b>	581,718
Aboriginal Skills Employment & Training Services	<b>653</b>	653
Canada Mortgage and Housing Corporation	<b>159,093</b>	194,944
First Nation Development Fund	<b>680,224</b>	182,352
Trade accounts receivable - members	<b>691,348</b>	693,784
Allowance for doubtful accounts - members	<b>(690,696)</b>	(667,586)
Member rent receivable	<b>2,010,988</b>	1,833,462
Allowance for doubtful accounts - member rent receivable	<b>(1,782,556)</b>	(1,611,474)
Trade accounts receivable - non-members	<b>2,360,530</b>	2,281,038
Allowance for doubtful accounts - non-members	<b>(501,404)</b>	(501,404)
Goods and Service Tax receivable	<b>499,813</b>	433,104
	<b>3,982,631</b>	3,420,591

**4. Agricultural benefits claim receivable**

In the current year, the Agricultural Benefits Claim was settled resulting in a total of \$135,972,938 payable to the Mikisew Cree First Nation. Of this amount, \$1,196,581 is being withheld to settle an outstanding loan with Indigenous Services Canada (ISC). The remaining \$134,776,357 is receivable as of March 31, 2018.

**Mikisew Cree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**5. Investment in Nation business entities**

The First Nation has investments in the following entities:

					<i>2018</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>(6,103,092)</b>	<b>(4,566,000)</b>	<b>23,131,555</b>	<b>640,119</b>	<b>13,102,582</b>
<b>Air Mikisew Group</b>	<b>1,854,238</b>	<b>-</b>	<b>(6,791,252)</b>	<b>4,203</b>	<b>(4,932,811)</b>
<b>Other entities</b>	<b>5,711,383</b>	<b>1,626,508</b>	<b>6,162,621</b>	<b>11,282,664</b>	<b>24,783,176</b>
	<b>1,462,529</b>	<b>(2,939,492)</b>	<b>22,502,924</b>	<b>11,926,986</b>	<b>32,952,947</b>

					<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>

**Mikisew Cree First Nation**  
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**6. 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>2018</b>	2017
Cash and short term notes	<b>3,885,074</b>	3,460,748
Accrued interest	<b>325,131</b>	273,126
Investments	<b>29,672,995</b>	31,058,283
	<b>33,883,200</b>	34,792,157
<b>Comprised of:</b>		
Land Claims Revenue	<b>1,384,265</b>	1,182,696
Land Claims Restricted	<b>32,498,935</b>	33,609,461
	<b>33,883,200</b>	34,792,157

**Mikisew Cree First Nation**  
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**7. Agricultural Benefits Claim member distributions payable**

Upon the settlement of the Agricultural Benefits Claim, the Mikisew Cree Whachask Trust was created to hold the funds received and distribute various amounts to the Mikisew Cree First Nation members as of the trust ratification date. The Band members were given a choice of various distributions as described below.

Each Mikisew Elder shall be entitled to receive one of the following:

- (i) a one time lump sum payment of thirty thousand dollars (\$30,000); or
- (ii) annual distributions of ten thousand dollars (\$10,000) per year for five (5) years up to a total of fifty thousand dollars (\$50,000), inclusive of interest.

Each Mikisew Adult shall be entitled to receive one of the following:

- (i) a one time lump sum payment of twenty five thousand dollars (\$25,000); or
- (ii) annual distributions of ten thousand dollars (\$10,000) per year for five (5) years up to a total of fifty thousand dollars (\$50,000), inclusive of interest.

Each Mikisew Minor that was alive on the Ratification Date shall be entitled to one of the following once they have reached the age of eighteen (18):

- (i) a one time lump sum payment of twenty five thousand dollars (\$25,000) plus accrued interest of 4% compounded annually from the Compensation Date; or
- (ii) annual distributions of ten thousand dollars (\$10,000) per year for five (5) years up to a total of fifty thousand dollars (\$50,000), inclusive of interest.

As of March 31, 2018, there were a total of 39 Mikisew Elders, 504 Mikisew Adults, and 747 Mikisew Minors who had not yet been paid out. The distributions payable for the Mikisew Elders and Adults were estimated based on the percentage of each option chosen by the members who had already received their distributions. The minor's distributions were estimated based on a conservative calculation which assumed that all minors at the Ratification Date were less than 1 year old and would chose the one time lump sum payment of \$25,000 plus the accrued 4% interest.

The payable balance as at March 31, 2018 is made up of the following estimates:

	<b>2018</b>	2017
Elders estimated to chose a one time \$30,000 payment	<b>964,286</b>	-
Elders estimated to chose \$10,000 per year for 5 years	<b>342,857</b>	-
Adults estimated to chose a one time \$25,000 payment	<b>2,968,528</b>	-
Adults estimated to chose \$10,000 per year for 5 years	<b>19,412,944</b>	-
Minors estimated to be paid out in the future	<b>37,832,106</b>	-
	<b>61,520,721</b>	-

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

The Nation has available an operating line of credit up to a maximum of \$1,000,000 (2017 - \$1,000,000) of which \$nil (2017 - \$nil) has been drawn. The operating line of credit bears interest at prime plus 1.00% (2017 - 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.

**9. Deferred revenue**

	<b>2018</b>	<b>2017</b>
GIR project funding	<b>605,875</b>	636,442
ISC fixed contribution	<b>451,847</b>	255,410
Special project funding	-	545,935
Technical Services	<b>63,234</b>	-
	<b>1,120,956</b>	<b>1,437,787</b>

**10. Long-term debt**

	<b>2018</b>	<b>2017</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>816,194</b>	850,334
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>524,101</b>	546,303
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>431,714</b>	448,356
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>367,015</b>	384,919
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>163,704</b>	180,338
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.	-	7,204
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>107,416</b>	116,947
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>31,138</b>	57,255

**Mikisew Cree First Nation**  
**Notes to the Consolidated Financial Statements**  
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**10. Long-term debt** *(Continued from previous page)*

	<b>2018</b>	<b>2017</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>91,927</b>	102,653
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>83,785</b>	94,226
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>	19,108
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>	1,250,000
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>2,514,488</b>	2,600,000
Royal Bank of Canada, credit facility secured by the funds held in the Mikisew Wachask Trust, interest at prime plus 1.00%, repayable at the earliest of June 30, 2018 and the seventh day following the date of receipt of agricultural settlement funds.	<b>24,197,688</b>	-
	<b>30,598,278</b>	6,657,643

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.

The entire balance owing to Royal Bank of Canada was paid in full as of April 25, 2018.

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:

2019	24,510,350
2020	279,085
2021	282,543
2022	290,780
2022 and thereafter	5,235,519
	<hr/>
	<b>30,598,277</b>

**Mikisew Cree First Nation**  
**Notes to the Consolidated Financial Statements**  
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**11. 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 and the entire balance was repaid as of March 31, 2018 through the settlement of the claim.

**12. Agriculture Benefit Claim loan**

	<b>2018</b>	<b>2017</b>
RBC Agriculture Claim	<b>1,591,158</b>	1,297,894

The Nation has available a non-revolving term facility up to a maximum of \$2,801,400 of which \$1,591,158 (2017 - \$1,297,894) 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.

The loan was paid off in full on April 23, 2018.

**13. Commitments**

The Nation leases rental space with annual lease payments of \$128,700 (2017 - \$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 (2017 - \$216,000).

The Nation leases vehicles from an unrelated third party with minimum annual lease payments of \$nil (2017 - \$95,908).

The Nation has entered into a partnership agreement which requires them to contribute additional capital. The estimated amount that they will have to contribute is between \$1,000,000 and \$1,600,000 of which \$nil (2017 - \$1,250,000) was advanced in the current year.

**14. Guarantees**

The Nation has signed letters of guarantees as follows:

	<b>Authorized</b>	<b>Outstanding</b>
Contact Air Leasing Limited Partnership	405,546	420,760
MM Limited Partnership	4,000,000	-
Beacon Hill Crossing Limited Partnership	1,482,000	-
Fort McMurray Hotel Limited Partnership	16,000,000	15,001,115

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

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**15. 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 \$1,597,681 (2017 - \$901,826) of which \$1,293,458 (2017 - \$797,262) are included in construction-in-progress.

Buildings and Improvements includes buildings under construction with a carrying value of \$4,180,195 (2017 - \$2,886,730). No amortization of this asset has been recorded during the year because the buildings are currently under construction.

**16. Inventory and work in progress**

	<b>2018</b>	<b>2017</b>
Building supplies	<b>1,677,449</b>	1,532,804
Supplies inventory	<b>1,765</b>	1,765
Work in progress	<b>23,922</b>	46,320
	<b>1,703,136</b>	1,580,889

**17. Agricultural Benefits Negotiations**

Agricultural Benefits Negotiations are accumulated costs incurred from fiscal 2007 to fiscal 2018 with respect to the research, development and negotiation of the Nation specific claim relating to the Agricultural Benefits Negotiations.

As disclosed in Note 11, 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 12. Additions of \$293,264 (2017 - \$1,297,894) were recorded during the year.

During the year the Agricultural Benefits claim was settled and the accumulated costs were expensed in operations.

**18. Other revenue**

	<b>2018</b>	<b>2017</b>
Rentals	<b>394,906</b>	404,648
Water and sewer revenue	<b>71,103</b>	104,577
Miscellaneous	<b>84,677</b>	83,312
Special event fundraising and donations	<b>75,550</b>	33,075
Interest income	<b>14,031</b>	3,961
Property tax	<b>1,984</b>	1,985
Athabasca tribal council - miscellaneous programs	<b>7,794</b>	515
East Tank Farm funding	<b>2,939,493</b>	-
	<b>3,589,538</b>	632,073

**19. 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.



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

***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 6 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.

**20. 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 expense 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 increased by \$3,135,788.
- Budgeted expenses are increased by \$1,543,021.

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 \$4,095,028 and an increase in the budgeted expenses by \$3,988,509.

The approved Budget showed a deficit of \$1,517,211. After adjusted for the transfers and additional Government & Industry Relations revenues, the net loss budgeted before transfers is \$50,963.