

**Mikisew Cree First Nation
Consolidated Financial Statements**

March 31, 2019

Mikisew Cree First Nation Contents

For the year ended March 31, 2019

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Management's Responsibility

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.

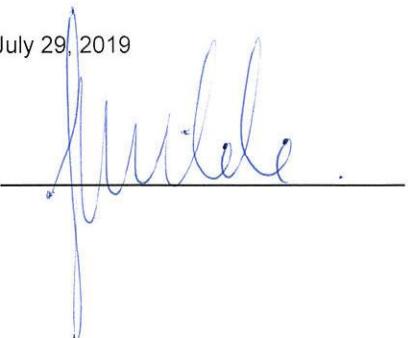
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate 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 29, 2019



Chief Financial
Officer

Independent Auditor's Report

To the Members of Mikisew Cree First Nation:

Qualified Opinion

We have audited the consolidated financial statements of Mikisew Cree First Nation and its subsidiaries (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, accumulated surplus, remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations, its consolidated remeasurement gains and losses, changes in its consolidated net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Fort McMurray, Alberta

July 29, 2019

MNP LLP

Chartered Professional Accountants

Mikisew Cree First Nation
Consolidated Statement of Financial Position
As at March 31, 2019

	2019	2018
Financial assets		
Cash resources	10,624,211	3,685,135
Restricted cash (Note 2)	79,684,411	439,014
Accounts receivable (Note 3)	4,126,686	3,982,631
Agricultural benefits claim receivable (Note 4)	-	134,776,357
Investment in Nation business entities (Note 5)	41,760,948	32,952,947
Land claims assets (Note 6)	34,372,103	33,883,200
Total of assets	170,568,359	209,719,284
Liabilities		
Accounts payable and accruals	1,479,265	5,017,429
Agricultural benefits settlement related payables	-	8,597,608
Agricultural benefits claim member distributions (Note 7)	38,460,368	61,520,721
Deferred revenue (Note 9)	12,654,303	1,120,956
Long-term debt (Note 10)	7,425,401	30,598,278
Agriculture Benefit Claim loan (Note 11)	-	1,591,158
Total of financial liabilities	60,019,337	108,446,150
Net financial assets	110,549,022	101,273,134
Commitments and guarantees (Note 12), (Note 13)		
Non-financial assets		
Tangible capital assets (Note 14) (Schedule 1)	28,062,218	23,946,648
Inventory and work in progress (Note 15)	1,427,808	1,703,136
Prepaid expenses	74,528	80,139
Total non-financial assets	29,564,554	25,729,923
Accumulated surplus	140,113,576	127,003,057
Accumulated surplus is comprised of:		
Accumulated surplus	137,568,120	125,102,332
Accumulated remeasurement gains	2,545,456	1,900,725
	140,113,576	127,003,057

Approved on behalf of the Council

Chief

Councilor

Mikisew Cree First Nation
Consolidated Statement of Operations
For the year ended March 31, 2019

	<i>Schedules</i>	<i>2019 Budget</i>	<i>2019</i>	<i>2018</i>
Revenue				
Government funding				
Indigenous Services Canada	8,656,210	9,645,804	10,026,741	
Prior years INAC funding	-	-	545,935	
Government of Alberta	500,000	1,356,898	-	
First Nation Development Fund Grants	775,000	761,496	706,382	
Aboriginal Skills Employment & Training Services	405,827	405,820	461,820	
Canada Mortgage and Housing Corporation	170,500	228,005	271,423	
Total government funding	10,507,537	12,398,023	12,012,301	
Industry relations	3,991,950	7,179,974	5,923,224	
Industry related funds	1,860,387	3,405,528	1,096,735	
Investment income	1,155,000	999,172	1,530,274	
Technical Services revenue	1,302,400	1,916,242	1,040,664	
Other revenue (Note 17)	5,645,793	2,386,839	3,589,438	
Receipts from MCFN Community Trust	1,354,000	1,286,000	161,338	
Biodiversity Stewardship Agreement	-	2,100,000	-	
Total revenue	25,817,067	31,671,778	25,353,974	

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Mikisew Cree First Nation
Consolidated Statement of Operations
For the year ended March 31, 2019

	<i>Schedules</i>	<i>2019 Budget</i>	<i>2019</i>	<i>2018</i>
<i>(Continued from previous page)</i>		25,817,067	31,671,778	25,353,974
Program expenses				
Administration	4	2,663,061	2,350,185	1,850,155
Government & Industry Relations	5	3,969,359	9,081,874	5,399,654
Mikisew Technical Services	6	2,898,450	5,145,100	3,023,918
Education	7	4,750,460	3,600,504	2,626,599
Social Enhancement	8	962,251	681,747	777,561
Property Management	9	1,269,901	852,273	701,678
Legislature	10	1,214,137	1,159,135	829,050
ASETS	11	485,008	461,139	586,888
Elders Care Facility	12	1,525,245	1,485,777	1,756,416
Paspew Place	13	286,462	221,749	229,607
Land Claims Members	14	2,079,700	1,931,360	2,539,265
Land Claims Elders	15	878,081	888,431	742,664
Capital Assets	16	-	1,024,843	781,712
Total		22,982,115	28,884,117	21,845,167
Surplus from operations		2,834,952	2,787,661	3,508,807
Other items				
Earnings (loss) from investments in Nation business entities (Note 5) (Schedule 17)		-	15,634,558	11,926,986
Transfer of earnings from investments in Nation business entities		-	(7,092,300)	(2,939,493)
		-	8,542,258	8,987,493
Whachask Trust activity				
Interest income		-	1,106,119	721
Distributions to members		-	-	(85,580,721)
Prior year Agricultural Claim expenses		-	-	(2,494,475)
Insurance		-	-	(439,232)
Interest and bank charges		-	-	(62,688)
Agricultural Benefits Claim revenue		-	-	135,972,938
Professional fees		-	(130,396)	(8,451,640)
Gain on sale of trust assets		-	160,146	-
		-	1,135,869	38,944,903
Surplus		2,834,952	12,465,788	51,441,203

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, 2019

	2019	2018
Accumulated surplus, beginning of year	125,102,332	73,661,129
Surplus	12,465,788	51,441,203
Accumulated surplus, end of year	137,568,120	125,102,332

Mikisew Cree First Nation
Consolidated Statement of Remeasurement Gains and Losses
For the year ended March 31, 2019

	2019	2018
Accumulated remeasurement gains, beginning of year	1,900,725	3,179,422
Unrealized gains (losses) attributable to:		
Land claim assets	586,631	(1,057,457)
Amounts reclassified to the statement of operations:		
Capital gains (losses) realized on land claims assets	58,100	(221,240)
Change in remeasurement gains (losses), for the year	644,731	(1,278,697)
Accumulated remeasurement gains, end of year	2,545,456	1,900,725

Mikisew Cree First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2019

	2019 Budget	2019	2018
Annual surplus	2,834,952	12,465,788	51,441,203
Use of prepaid expenses	-	5,611	1,971
Change in remeasurement gains (losses) for the year	-	644,731	(1,278,697)
Amortization of tangible capital assets	-	1,382,317	1,139,186
Acquisition of tangible capital assets (Schedule 1)	(2,003,500)	(4,414,845)	(304,222)
Additions to construction in progress (Note 14)	-	(1,083,042)	(1,293,458)
(Purchase) sale of inventory	-	275,328	(122,252)
Advances on the agriculture benefits negotiations	-	-	(293,264)
Repayment of Native Claims loan	-	-	1,196,581
RBC Agricultural Benefits Claim expensed in the year	-	-	1,591,158
Change in net financial assets	831,452	9,275,888	52,078,206
Net financial assets, beginning of year	101,273,134	101,273,134	49,194,928
Net financial assets, end of year	102,104,586	110,549,022	101,273,134

Mikisew Cree First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating activities		
Surplus	12,465,788	51,441,203
Non-cash items		
Bad debts	(103,354)	212,250
Earnings (loss) from investments in Nation business entities (Note 5)	(15,634,558)	(11,962,106)
Amortization	1,382,317	1,139,186
Investment income reinvested to land claim assets	(999,172)	(1,530,274)
	(2,888,979)	39,300,259
Changes in working capital accounts		
Accounts receivable	(40,701)	(773,760)
Agricultural benefits claim receivable (Note 4)	134,776,357	(134,776,357)
Prepaid expenses	5,611	1,971
Accounts payable and accruals	(3,538,164)	890,467
Agricultural benefits settlement related payables	(8,597,608)	8,597,608
Agricultural benefit claim member distributions payable	(23,060,353)	61,520,721
Inventory and work in progress	275,328	(122,247)
Deferred revenue	11,533,347	(316,831)
Agriculture benefits negotiations (Note 16)	-	2,494,475
	108,464,838	(23,183,694)
Financing activities		
Advances of long-term debt	1,300,000	24,197,688
Repayment of long-term debt	(24,472,877)	(257,053)
Advances of Agriculture Claims loan	-	293,264
Repayment of Agriculture Claims loan	(1,591,158)	-
Repayment of Native Claims loan	-	(1,196,581)
	(24,764,035)	23,037,318
Capital activities		
Purchases of tangible capital assets	(4,414,845)	(304,222)
Additions to construction-in-progress	(1,083,042)	(1,293,459)
Investing activities		
Net withdrawals from Nation entities (Note 5)	6,826,557	2,939,493
Withdrawals from land claim assets	1,155,000	1,160,000
	7,981,557	4,099,493
Increase in cash resources	86,184,473	2,355,436
Cash resources, beginning of year	4,124,149	1,768,713
Cash resources, end of year	90,308,622	4,124,149
Cash resources are composed of:		
Cash resources	10,624,211	3,685,135
Restricted cash	79,684,411	439,014
	90,308,622	4,124,149

Mikisew Cree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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.

Mikisew Cree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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

Asset classification

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

Net financial assets

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

Revenue recognition

Funding

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

Externally restricted revenue

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

Statement of Remeasurement Gains and Losses

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

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

Cash resources

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

Inventory and work in progress

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

Mikisew Cree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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.

Mikisew Cree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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, 2019.

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.

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.

Mikisew Cree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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

Fair Value Measurements

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

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

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

Long-lived assets

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

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

Financial Instruments

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

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

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

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

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

Mikisew Cree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

2. Restricted cash

	2019	2018
Whachask Trust cash	79,244,547	821
CMHC replacement reserve	433,015	431,499
Ottawa Trust funds	6,849	6,694
	79,684,411	439,014

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

	2019	2018
Indigenous Service Canada	408,477	554,638
Aboriginal Skills Employment & Training Services	653	653
Canada Mortgage and Housing Corporation	-	159,093
First Nation Development Fund	740,515	680,224
Trade accounts receivable - members	455,222	691,348
Allowance for doubtful accounts - members	(444,223)	(690,696)
Member rent receivable	1,903,590	2,010,988
Allowance for doubtful accounts - member rent receivable	(1,672,904)	(1,782,556)
Trade accounts receivable - non-members	3,103,065	2,360,530
Allowance for doubtful accounts - non-members	(742,813)	(501,404)
Goods and Service Tax receivable	375,104	499,813
	4,126,686	3,982,631

4. Agricultural benefits claim receivable

In the prior 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 was withheld to settle an outstanding loan with Indigenous Services Canada (ISC). The remaining \$134,776,357 was received in full as of March 31, 2019.

Mikisew Cree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

5. Investment in Nation business entities

The First Nation has investments in the following entities:

					2019
	Net contributions and (draws)	Current contributions and (draws)	Opening accumulated earnings (loss)	Current earnings (loss)	Total investment
Mikisew Energy Services Group	(10,669,092)	(6,430,322)	23,771,674	2,004,506	8,676,766
Air Mikisew Group	1,854,238	-	(6,787,049)	(336,033)	(5,268,844)
Other entities	7,337,891	(396,235)	17,445,285	13,966,085	38,353,026
	(1,476,963)	(6,826,557)	34,429,910	15,634,558	41,760,948
					2018
	Net contributions and (draws)	Current contributions and (draws)	Opening accumulated earnings (loss)	Current earnings (loss)	Total investment
Mikisew Energy Services Group	(6,103,092)	(4,566,000)	23,131,555	640,119	13,102,582
Air Mikisew Group	1,854,238	-	(6,791,252)	4,203	(4,932,811)
Other entities	5,711,383	1,626,508	6,162,621	11,282,664	24,783,176
	1,462,529	(2,939,492)	22,502,924	11,926,986	32,952,947

Mikisew Cree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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.

The costs of investments is \$31,826,647 (2018 - \$31,982,475).

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

	2019	2018
Cash and short term notes	3,821,192	3,885,074
Accrued interest	209,606	325,131
Investments	<u>30,341,305</u>	29,672,995
	<hr/>	<hr/>
	34,372,103	33,883,200
<hr/>		
Comprised of:		
Land Claims Revenue	1,240,438	1,384,265
Land Claims Restricted	<u>33,131,665</u>	32,498,935
	<hr/>	<hr/>
	34,372,103	33,883,200

Mikisew Cree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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.

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 is made up of the following estimates:

	2019	2018
Adult and Elder distributions payable	3,970,858	23,688,615
Minor distributions payable	34,489,510	37,832,106
	38,460,368	61,520,721

Mikisew Cree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

8. Operating line of credit

The Nation has available an operating line of credit up to a maximum of \$1,000,000 (2018 - \$1,000,000) of which \$nil (2018 - \$nil) has been drawn. The operating line of credit bears interest at prime plus 1.00% (2018 - 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

	2019	2018
GIR project funding	1,481,326	605,875
ISC contributions	668,339	451,847
East tank farm	6,238,559	-
Technical services	-	63,234
Government of Alberta	1,766,079	-
Industry funding	2,500,000	-
	12,654,303	1,120,956

10. Long-term debt

	2019	2018
Canada Mortgage and Housing Corporation, mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 1.97%, compounded semi annually, payments of \$4,270 per month, principal and interest, with the balance due December 2022.	781,036	816,194
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.	501,526	524,101
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.	414,793	431,714
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.	348,961	367,015
Canada Mortgage and Housing Corporation, mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 1.30%, compounded semi annually, payments of \$1,579 per month, principal and interest, with the balance due June 2022.	146,776	163,704
Canada Mortgage and Housing Corporation, mortgage secured by property disclosed in Schedule 1 and a Minister of Aboriginal Affairs guarantee, interest at 2.70%, payments of \$1,005 per month, principal and interest, with the balance due November 2023.	97,843	107,416
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.	4,493	31,138

Mikisew Cree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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

	2019	2018
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.	81,088	91,927
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.	73,234	83,785
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.	-	19,108
First Nation Bank, mortgage secured by property disclosed in Schedule 1 and a Cree- Ations Enterprises Limited guarantee, interest at prime plus 1.10%, interest only payments until May 2019.	1,250,000	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.	2,426,819	2,514,488
Royal Bank of Canada, credit facility secured by the funds held in the Mikisew Wachask Trust, interest at prime plus 1.00%, repaid in full during the year.	-	24,197,688
First Nation Bank, mortgage secured by property disclosed in Schedule 1 and a Cree- Ations Enterprises Limited guarantee, interest at prime plus 0.75%, payments of \$13,601 per month, principal and interest, with the balance due December 2023.	1,298,832	-
	7,425,401	30,598,278

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.

Prime rate as at March 31, 2019 was 3.95% (2018 - 3.45%).

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:

2020	1,594,683
2021	351,576
2022	363,425
2023	375,753
2024 and thereafter	4,739,964
	<hr/>
	7,425,401
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Mikisew Cree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

11. Agriculture Benefit Claim loan

	2019	2018
RBC Agriculture Claim	-	1,591,158

The Nation had available a non-revolving term facility up to a maximum of \$2,801,400 of which was paid in full on April 23, 2018. As at March 31, 2018 \$1,591,158 had been drawn. This facility bore interest at prime with interest payable quarterly, principal repayable on the earlier of the settlement date or January 28, 2021. The facility was secured with an insurance policy and a Band Council Resolution. Draws on this credit facility were limited to expenses incurred for the Agricultural Benefits negotiations.

12. Commitments

The Nation leases rental space with annual lease payments of \$128,700 (2018 - \$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 (2018 - \$216,000).

The Nation leases vehicles from an unrelated third party with minimum annual lease payments of \$45,197 (2018 - \$54,998).

The Nation has owns a property with annual condominium fees of \$27,364 (2018 - \$nil).

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 (2018 - \$nil) was advanced in the current year. To date they have contributed \$1,250,000 (2018 - \$1,250,000).

13. Guarantees

The Nation has signed letters of guarantees for the Mikisew Group of Companies (MSD Limited Partnership, MFM LP, MM Limited Partnership, 823786 Alberta Ltd., Beacon Hill Crossing Limited Partnership) in the amount of \$17,948,997 of which \$2,177,993 was outstanding.

The Nation has signed a letter of guarantee for the Fort McMurray Hotel Limited Partnership in the amount of \$16,000,000 of which \$15,001,115 is outstanding.

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
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

14. 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 \$5,497,887 (2018 - \$1,597,681) of which \$1,083,042 (2018 - \$1,293,458) are included in construction-in-progress.

Buildings and Improvements includes buildings under construction with a carrying value of \$5,263,237 (2018 - \$4,180,195). No amortization of this asset has been recorded during the year because the buildings are currently under construction.

15. Inventory and work in progress

	2019	2018
Building supplies	1,314,443	1,677,449
Supplies inventory	113,365	1,765
Work in progress	-	23,922
	1,427,808	1,703,136

16. 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 , 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 11. Additions of \$nil (2018 - \$293,264) were recorded during the year.

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

17. Other revenue

	2019	2018
Rentals	376,444	394,906
Water and sewer revenue	84,246	71,103
Miscellaneous	177,805	84,677
Special event fundraising and donations	316,080	75,550
Interest income	71,136	14,031
Property tax	2,081	1,984
Athabasca tribal council - miscellaneous programs	5,447	7,794
Allocation of earnings from Nation businesses	853,600	2,939,493
Management fees	500,000	-
	2,386,839	3,589,538

18. Financial Instruments

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

Mikisew Cree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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.

19. 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 decreased by \$9,719,100.
- Budgeted expenses are decreased by \$11,722,600.

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 \$3,991,950 and an increase in the budgeted expenses by \$3,969,359.

The approved Budget showed a surplus of \$831,452. After adjusted for the transfers and additional Government & Industry Relations revenues, the net income budgeted before transfers is \$2,834,952.

20. Comparative figures

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