

FORT MCKAY FIRST NATION

Financial Statements

Year Ended March 31, 2015

Pennock Acheson Nielsen Devaney

July 29, 2015

Management's Responsibility For Financial Reporting

The accompanying financial statements of the Fort McKay First Nation and all the information in this annual report are the responsibility of management and have been approved by the Chief and Councilor-in-Charge of Finance on behalf of Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

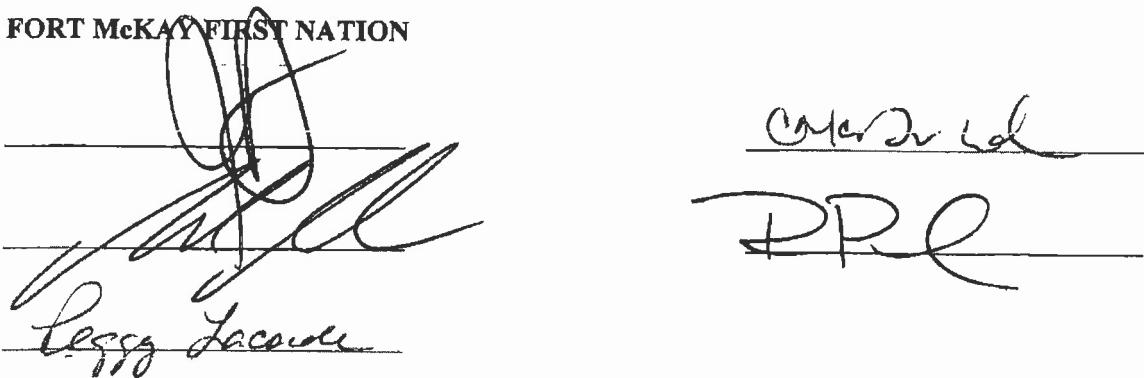
The Fort McKay First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Fort McKay First Nation assets are appropriately accounted for and adequately safeguarded.

The Fort McKay First Nation Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council carried out this responsibility principally through Chief and Council.

The Council, composed of five Council members, reviews the financial statements and recommends their approval to Chief and Council. The Fort McKay First Nation Chief and Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, financial statements and the external auditor's management report. The Chief and Council also approve the engagement of the external auditors.

The financial statements have been audited by Pennock Acheson Nielsen Devaney Chartered Accountants in accordance with Canadian generally accepted auditing standards on behalf of the band members. Pennock Acheson Nielsen Devaney have full and free access to the members of the Chief and Council.

FORT MCKAY FIRST NATION



Handwritten signatures and initials. The top line contains the signature of Carolin Lal and the initials P.R.L. The bottom line contains the signature of Leggy Lacoure.

Pennock Acheson Nielsen Devaney

Pennock Acheson Nielsen Devaney Chartered Accountants

2201 Toronto Dominion Tower
10088 - 102 Avenue
Edmonton, Alberta T5J 2Z1

Telephone: (780) 496-7774
Facsimile: (780) 423-0582

INDEPENDENT AUDITOR'S REPORT

To the Members of Fort McKay First Nation

We have audited the accompanying financial statements of Fort McKay First Nation, which comprise the statement of financial position as at March 31, 2015, and the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fort McKay First Nation as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

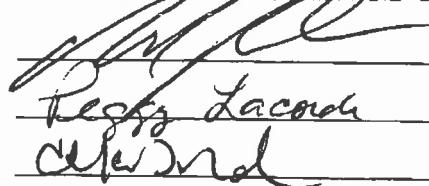
Pennock Acheson Nielsen Devaney
Chartered Accountants

July 29, 2015

FORT MCKAY FIRST NATION
Statement of Financial Position
As at March 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash held in trust (Note 3)	\$ 3,820,839	\$ 179,785
Accounts receivable (Note 4)	3,930,379	6,915,305
Investment in Settlement Trust (Note 5)	49,984,168	46,699,746
Investment in Business Enterprises (Note 6)	<u>86,958,518</u>	<u>88,798,817</u>
	\$ 144,693,904	\$ 142,593,653
LIABILITIES		
Short-term borrowings (Note 7)	\$ 3,782,523	\$ 3,308,894
Accounts payable and accrued liabilities (Note 8)	10,759,008	16,439,089
Unexpended grants (Note 9)	2,209,697	1,394,400
Debt (Note 10)	<u>37,077,670</u>	<u>31,458,726</u>
	<u>53,828,898</u>	<u>52,601,109</u>
NET FINANCIAL ASSETS	<u>90,865,006</u>	<u>89,992,544</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	103,627,843	98,578,592
Prepaid expenses	<u>332,182</u>	<u>254,370</u>
	<u>103,960,025</u>	<u>98,832,962</u>
COMMITMENTS AND CONTINGENCIES (Note 15)		
ACCUMULATED SURPLUS (Note 13)	<u>\$ 194,825,031</u>	<u>\$ 188,825,506</u>

APPROVED BY THE CHIEF AND COUNCIL


 Peggy Lacoste
 Clerk



Pennock Acheson Nielsen Devaney

FORT MCKAY FIRST NATION
Statement of Operations and Accumulated Surplus
Year Ended March 31, 2015

	2015	2014
REVENUE		
Business enterprise income	\$ 22,808,131	\$ 28,486,647
Long-term sustainability funding	15,033,183	15,743,687
Industry grants	8,067,981	10,542,087
Investment income	5,187,434	5,697,410
Property tax income	2,975,171	2,692,710
Rent	2,126,128	1,836,907
Miscellaneous and other	1,428,421	861,224
Aboriginal Affairs and Northern Development Canada	1,297,601	1,224,287
First Nations Development Funding	550,679	611,769
Health Canada	600,968	601,855
Athabasca Tribal Council	121,581	101,194
Canada Mortgage and Housing Corporation	68,095	136,400
Interest	17,357	150,706
Consulting services	-	1,348,263
	60,282,730	70,035,146
EXPENSES		
Education (<i>Schedule 1</i>)	1,748,375	1,728,576
Social development (<i>Schedule 2</i>)	426,690	739,179
Operation and maintenance (<i>Schedule 3</i>)	4,499,198	5,854,405
Housing and capital projects (<i>Schedule 4</i>)	14,122,542	16,319,890
Government support and administration (<i>Schedule 5</i>)	12,013,479	12,137,090
Economic development and human resources (<i>Schedule 6</i>)	1,010,480	5,844,059
Land trust and claims (<i>Schedule 7</i>)	1,645,425	748,814
Community health services (<i>Schedule 8</i>)	2,852,436	2,314,152
Enterprise fund (<i>Schedule 9</i>)	923,982	1,536,839
Sustainability department (<i>Schedule 10</i>)	5,671,939	7,847,582
	44,914,546	55,070,586
SURPLUS BEFORE THE FOLLOWING		
	15,368,184	14,964,560
OTHER ITEMS		
Depreciation	4,567,159	4,055,136
Per capita distributions	4,801,500	7,705,920
	9,368,659	11,761,056
ANNUAL SURPLUS	5,999,525	3,203,504
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	188,825,506	185,622,002
ACCUMULATED SURPLUS AT END OF YEAR	\$ 194,825,031	\$ 188,825,506

FORT MCKAY FIRST NATION
Statement of Change in Net Financial Assets
Year Ended March 31, 2015

	2015	2014
Annual surplus	\$ 5,999,525	\$ 3,203,504
Acquisition of tangible capital assets	(9,616,410)	(24,114,288)
Depreciation	<u>4,567,159</u>	<u>4,055,136</u>
	<u>(5,049,251)</u>	<u>(20,059,152)</u>
Net use (acquisition) of prepaid asset	<u>(77,812)</u>	<u>5,824</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	872,462	(16,849,824)
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	<u>89,992,544</u>	<u>106,842,368</u>
NET FINANCIAL ASSETS AT END OF YEAR	<u>\$ 90,865,006</u>	<u>\$ 89,992,544</u>

FORT MCKAY FIRST NATION

Statement of Cash Flows

Year Ended March 31, 2015

	2015	2014
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING ACTIVITIES		
Cash receipts from revenues	\$ 41,257,465	\$ 31,919,954
Cash paid to suppliers and employees	(48,892,797)	(42,802,212)
Interest received	17,357	150,706
Interest paid	<u>(1,779,642)</u>	<u>(1,801,151)</u>
	<u>(9,397,617)</u>	<u>(12,532,703)</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(9,629,410)	(24,114,288)
Proceeds on disposal of tangible capital assets	13,000	-
Investment in business enterprise - net	24,648,430	27,458,134
Investment in Settlement Trust	(3,284,422)	(3,670,091)
(Increase) decrease in cash held in trust	<u>(3,641,054)</u>	<u>13,014,405</u>
Advances from related parties	<u>-</u>	<u>15,723</u>
	<u>8,106,544</u>	<u>12,703,883</u>
FINANCING ACTIVITIES		
Proceeds from debt	7,487,488	7,162,660
Repayment of debt	(1,868,544)	(3,418,299)
Proceeds from short-term borrowings, net	473,629	2,152,029
Per capita distributions	<u>(4,801,500)</u>	<u>(7,705,920)</u>
	<u>1,291,073</u>	<u>(1,809,530)</u>
DECREASE IN CASH		
	-	(1,638,350)
CASH - BEGINNING OF YEAR		
	<u>-</u>	<u>1,638,350</u>
CASH - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

FORT MCKAY FIRST NATION

Notes to Financial Statements

Year Ended March 31, 2015

The Fort McKay First Nation (the First Nation) is a First Nation Settlement located in Fort McKay, Alberta, Canada and operates under the provisions of the Indian Act.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the First Nation are as follows:

Reporting Entity

The financial statements reflect the revenues, expenses, assets, liabilities and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of the financial affairs and resources of the First Nation and which are owned or controlled by the First Nation. In addition to general government tax-supported departments, they include the following:

- Education
- Social Development
- Operations and Maintenance
- Housing and Capital Projects
- Government Support and Administration
- Economic Development and Human Resources
- Land Trust Claims
- Community Health Services
- Business Enterprise
- Sustainability Department

The Fort McKay 2008 Business Trust holds investments which the First Nation is the beneficiary of and also is controlled through a trust agreement. These investments include:

- Fort McKay Group of Companies Limited Partnership
- Fort McKay Landing Limited Partnership

Investments in these limited partnerships are accounted for using the modified equity basis, consistent with the generally accepted accounting treatment for a government business enterprise. Under the modified equity basis, the government business enterprise's accounting principles are not adjusted to conform with those of the First Nation and inter-organizational transactions and balances are not eliminated. Effective April 1, 2014 the accounting policy was changed to coincide the business enterprise income with that of the First Nation. This policy change has been applied prospectively. (Note 6)

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as unexpended grants until used for the purpose specified.

Property tax revenue is based on market value assessments. Tax mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal.

Government transfers to the First Nation are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Prior to that time, any amounts received, along with restricted interest thereon is recorded as unexpended grants.

Rental revenue is recognized over the term of the rental agreement and when collection is reasonably assured.

FORT MCKAY FIRST NATION

Notes to Financial Statements

Year Ended March 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Expenses are recognized as they are incurred and measurable based upon receipt of the goods and services and/or the legal obligation to pay.

Budget information, as approved by Chief and Council, is reported on an accrual basis, consistent with principles applied in the financial statements (Note 18).

Use of Estimates

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 revenues and expenses during the period. Actual results could differ from those estimates.

Administration has used estimates to determine accrued liabilities, tangible capital asset useful lives as well as provisions made for allowances for amounts receivable or any provision for impairment of investment values.

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 provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets and prepaid expenses.

Cash and Cash Equivalents

Cash includes cash on hand, balances with banks net of bank overdraft, and short-term investments which mature at various times during the next fiscal year and are deemed to be temporary in nature. The short-term investments are recorded at cost.

Investment in Settlement Trust

Investments in cash and marketable securities are accounted for at market value. The Fort McKay Settlement Trust holds the Heritage Fund of which the First Nation is the beneficiary and also controls through a trust agreement. These funds are derived from the Fort McKay Treaty Entitlement Settlement Agreement, are held in trust by the Royal Trust Corporation of Canada and are subject to audit by the office of the Trustee. The management of these funds is governed by the Fort McKay Settlement Trust Agreement.

Tangible Capital Assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for delivering services.

Tangible capital assets are reported at net book value. Contributions received to assist in the acquisition of tangible capital assets are reported in income in the period received. Contributions received to assist in the construction of tangible capital assets are reported in deferred revenue and are amortized into income under the percentage of completion method.

Tangible capital assets are depreciated over their estimated useful lives using the declining balance method at the following rates:

Housing, buildings and improvements	4% and 5%
Infrastructure	4%
Office furniture and equipment	20%
Vehicles	30%

FORT MCKAY FIRST NATION

Notes to Financial Statements

Year Ended March 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

In the year of acquisition, one-half of the annual depreciation is recorded. Tangible capital assets under construction are not depreciated until the asset is available to be put into service.

Leases are classified as capital or operating leases. Leases which transfer substantially all benefits and risks incidental to ownership of property are accounted for as capital leases. Assets under capital lease are included within the respective asset classifications. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Equity in Tangible Capital Assets

Equity in tangible capital assets is included within accumulated surplus. It represents the investment in tangible capital assets, after deducting the portion financed by long-term debt.

Long-Lived Assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Net Financial Assets

The First Nation's financial statements are presented so as to highlight the net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities.

Employee Benefits

The First Nation has a defined contribution pension plan. Employer contributions to the plan are expensed as employees earn the entitlement and contributions are made.

Financial instruments

The First Nation's financial instruments recognized in the statement of financial position consist of cash held in trust, accounts receivable, investment in settlement trust, investment in business enterprises, short-term borrowings accounts payable and accrued liabilities, unexpended grants, and debt. Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments, which are subsequently measured at fair value, are expensed when incurred. All other financial instrument transaction costs are capitalized and amortized over the life of the instrument.

Future Accounting Standard Pronouncements

The following summarizes upcoming changes to public sector accounting standards issued by the Public Sector Accounting Standards Board (PSAB). In 2015, the First Nation will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in *Financial Statement Presentation* (PS1201), *Financial Instruments* (PS3450), and *Portfolio Investments* (PS3041) must be implemented at the same time.

FORT MCKAY FIRST NATION

Notes to Financial Statements

Year Ended March 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Statement Presentation

PS1201, Financial Statement Presentation, requires a new statement of re-measurement of gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the First Nation's proportionate share of other comprehensive income that arises when including the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2015.

Financial Instruments

PS3450, Financial Instruments, applicable for fiscal years beginning on or after April 1, 2016, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the First Nation. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities.

Foreign Currency Translation

PS2601, Foreign Currency Translation, which replaces the current PS2600, Foreign Currency Translation, is applicable for fiscal years beginning on or after April 1, 2016. This standard requires that monetary assets and liabilities denominated in a foreign currency and non-monetary items included in the fair value category, denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statements of re-measurement gains and losses.

Portfolio Investments

PS3041, Portfolio Investments applicable for fiscal years beginning on or after April 1, 2016, has removed the distinction between temporary and portfolio investments. This section now includes pooled investments in its scope and was amended to conform to Financial Instruments, PS3450. Upon adoption of PS3450 and PS3041, Temporary Investments (PS3030) will no longer apply.

2. ECONOMIC DEPENDENCE

The First Nation receives a major portion of its revenues from its Business Enterprises, funds operational requirements with cash generated from these investments, and is dependent on continued cash flow from these investments.

FORT MCKAY FIRST NATION**Notes to Financial Statements****Year Ended March 31, 2015****3. CASH HELD IN TRUST**

Trust fund accounts arise from monies derived from revenue sources as outlined in Section 62 of the Indian Act (lease of reserve lands). These funds are held in trust by AANDC in the Consolidated Revenue Fund of the Government of Canada, and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act. During the year \$1,125,240 (2014 - \$5,626,251) were withdrawn from the Trust fund.

The Fort McKay First Nation Community Trust holds funds for which the First Nation is the beneficiary and also controls through a trust agreement. These funds are derived from long-term sustainability agreements, are held in trust by the Royal Trust Corporation of Canada and are subject to audit by the office of the Trustee. The management of these funds is governed by the Fort McKay First Nation Community Trust Indenture.

	2015	2014
Consolidated Revenue Fund	\$ 2,048,092	\$ 179,785
Fort McKay First Nation Community Trust	772,747	-
Restricted Cash	<u>1,000,000</u>	<u>-</u>
	\$ 3,820,839	\$ 179,785

4. ACCOUNTS RECEIVABLE

	2015	2014
Due from members:		
Rent	\$ 198,282	\$ 233,936
Business loans	<u>95,858</u>	<u>98,358</u>
	294,140	332,294
Less: allowance for doubtful accounts	<u>(294,140)</u>	<u>(332,294)</u>
	-	-
Due from others:		
Trade accounts receivable	2,545,665	2,803,280
Property taxes receivable	1,324,575	1,137,807
GST rebate receivable	625,340	642,462
Health Canada	240,983	240,983
Sustainability department and other receivables	60,312	957,027
Canadian Mortgage and Housing Corporation	45,194	45,194
Athabasca Tribal Corporation	18,299	50,597
Aboriginal Affairs and Northern Development Canada	16,623	34,421
Rent receivable	-	1,244,511
Blood Tribe First Nation	-	177,051
First Nations Development Fund	-	49,929
	4,876,991	7,383,262
Less: allowance for doubtful accounts	<u>(946,612)</u>	<u>(467,957)</u>
	3,930,379	6,915,305
Total accounts receivable	\$ 3,930,379	\$ 6,915,305

FORT MCKAY FIRST NATION

Notes to Financial Statements

Year Ended March 31, 2015

5. INVESTMENT IN SETTLEMENT TRUST

	2015	2014
Balance, beginning of year	\$ 46,699,746	\$ 43,029,655
Current year income, net of fees	3,531,897	2,066,458
Increase in fair market value	2,385,419	3,630,952
Disbursements, net	<u>(2,632,894)</u>	<u>(2,027,319)</u>
Balance, end of year	49,984,168	46,699,746

6. INVESTMENT IN BUSINESS ENTERPRISES

	2015	2014
Balance, beginning of year	\$ 88,798,817	\$ 87,770,304
Equity earnings	22,808,131	28,486,647
Draws	<u>(24,648,430)</u>	<u>(27,458,134)</u>
Balance, end of year	\$ 86,958,518	\$ 88,798,817

The business enterprise income for the prior year was for the period January 1, 2013 to December 31, 2013. In the current year the business enterprise statements were prepared to coincide with the First Nation's. As a result income for the period January 1, 2014 to March 31, 2015 was recorded. Included in the above equity earnings for the current year is approximately \$3,200,000 of earnings related to the period January 1, 2014 - March 31, 2014.

7. SHORT-TERM BORROWINGS

	2015	2014
Demand operating loan	\$ 600,124	\$ 218,037
Outstanding items	3,215,034	3,123,492
Short-term investments	<u>(32,635)</u>	<u>(32,635)</u>
	\$ 3,782,523	\$ 3,308,894

The First Nation maintains a demand operating loan with an authorized credit limit of \$2,000,000. The demand operating loan bears interest at prime plus 0.75% and is secured by a general security agreement and by a corporate guarantee from the Fort McKay Group of Companies Limited Partnership.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Trade payables and accrued liabilities	\$ 8,934,926	\$ 14,740,571
Per capita distribution payable	1,396,964	1,243,289
Accrued salaries and employee benefits payable	<u>427,118</u>	<u>455,229</u>
	\$ 10,759,008	\$ 16,439,089

FORT MCKAY FIRST NATION
Notes to Financial Statements
Year Ended March 31, 2015

9. UNEXPENDED GRANTS

	2014	Approved	Expensed	2015
AANDC				
<i>Education</i>				
Student transportation services - FTP	-	35,207	35,207	-
<i>Social Development</i>				
Basic needs - Contribution	-	110,903	110,903	-
Child out-parental home - Contribution	-	200	200	-
Special needs - Contribution	-	7,254	7,254	-
In-home care - Contribution	-	58,415	58,415	-
Service delivery - FTP	-	164,846	164,846	-
<i>Operations and Maintenance</i>				
Fire protection - FTP	-	5,000	5,000	-
Wastewater systems - FTP	-	7,944	7,944	-
Water systems - FTP	-	18,965	18,965	-
Electrical services - FTP	-	7,211	7,211	-
Community buildings - FTP	-	55,437	55,437	-
Solid Waste - FTP	-	90,667	90,667	-
<i>Housing and Capital Projects</i>				
Equipment - Contribution	-	138,300	138,300	-
Major renovations, extenstions and repairs - FTP	-	231,200	231,200	-
Roads and bridges - FTP	-	25,624	25,624	-
Management support - FTP	-	2,200	2,200	-
<i>Government Support and Administration</i>				
Band Support Funding - Grant	-	275,412	275,412	-
Community Economic Developemnt - FTP	-	56,781	56,781	-
Registry Events - Contribution	-	6,035	6,035	-
TOTAL AANDC	-	1,297,601	1,297,601	-
CMHC Mortgage Subsidy	-	68,095	68,095	-
Community Trust	-	772,747		772,747
Long-term Sustainability	1,394,400	15,743,687	15,701,137	1,436,950
TOTAL	1,394,400	17,882,130	17,066,833	2,209,697

FORT MCKAY FIRST NATION
Notes to Financial Statements
Year Ended March 31, 2015

10. DEBT

23 individual Peace Hills Trust mortgages repayable with payments totaling \$210,186 per month, including interest at rates ranging from 3.95% to 4.25% maturing between December 2015 and March 2020, and secured by a government guarantee, assignment of insurance proceeds, and specific houses with a net book value of \$18,692,857.

Prime-based demand loan bearing interest at prime plus 1.25%. Monthly principal payments of \$54,915 plus interest are required, and is secured by a general security agreement and by a corporate guarantee from the Fort McKay Group of Companies Limited Partnership.

9 individual CMHC direct Section 95 housing mortgages repayable with payments totaling \$15,248 per month, including interest at rates ranging from 1.6% to 2.8% maturing between November 2024 and January 2040, and are secured by specific houses with a net book value of \$3,747,507.

Loans settled during the year.

	<u>2015</u>	<u>2014</u>
	<u>\$ 31,768,982</u>	<u>\$ 25,994,888</u>
	<u>2,752,872</u>	<u>2,807,787</u>
	<u>2,555,816</u>	<u>1,746,764</u>
	<u>-</u>	<u>909,287</u>
	<u><u>\$ 37,077,670</u></u>	<u><u>\$ 31,458,726</u></u>

Estimated principal payments required to service debt in each of the next five years are:

2016	\$ 2,059,162
2017	2,115,543
2018	2,174,248
2019	2,235,698
2020	1,739,004
Thereafter	<u>26,754,015</u>
	<u><u>\$ 37,077,670</u></u>

The above mortgages receive Federal assistance through the Canada Mortgage and Housing Corporation which reduces mortgage interest expense to 2% to enable the project to provide housing for low income individuals. The amount of assistance received for the year ended March 31, 2015 was \$68,095 (2014 - \$136,400).

11. TANGIBLE CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2015 Net Book Value</u>	<u>2014 Net Book Value</u>
Band buildings and houses	\$ 92,488,935	\$ 17,411,810	\$ 75,077,125	\$ 70,518,304
CMHC rental houses	5,285,067	1,362,488	3,922,579	2,400,524
Infrastructure	29,050,089	6,352,941	22,697,148	23,419,878
Office furniture and equipment	3,104,663	1,552,446	1,552,217	1,644,222
Vehicles	1,554,520	1,175,746	378,774	595,664
	<u><u>\$ 131,483,274</u></u>	<u><u>\$ 27,855,431</u></u>	<u><u>\$ 103,627,843</u></u>	<u><u>\$ 98,578,592</u></u>

FORT MCKAY FIRST NATION**Notes to Financial Statements****Year Ended March 31, 2015****12. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2015	2014
Tangible capital assets	\$ 131,483,274	\$ 122,068,841
Accumulated depreciation	(27,855,431)	(23,490,249)
Debt	<u>(37,077,670)</u>	<u>(31,458,726)</u>
	\$ 66,550,173	\$ 67,119,866

13. ACCUMULATED SURPLUS

	2015	2014
General First Nation operations	\$ 74,469,851	\$ 74,826,109
Restricted surplus:		
Cash held in trust	3,820,839	179,785
Settlement trust	49,984,168	46,699,746
Equity in tangible capital assets	<u>66,550,173</u>	<u>67,119,866</u>
	\$ 194,825,031	\$ 188,825,506

14. RELATED PARTY TRANSACTIONS

The First Nation purchases certain products and services from several of its Business Enterprises. These transactions are carried out at commercial terms offered to third parties. During the year the First Nation purchased contract services of \$614,180 (2014 - \$153,444) from a company controlled by a Councillor. All transactions have been carried out at commercial terms offered to third parties.

Included in trade accounts receivable are amounts receivable from related parties of \$127,690 (2014 - \$221,180). Included in trade accounts payable are amounts payable to related parties of \$2,005,228 (2014 - \$1,251,273).

15. COMMITMENTS AND CONTINGENCIES

- a) The First Nation is liable under a number of forgivable loans under the CMHC Residential Rehabilitation Assistance Program. The amount of any repayable liability is not known.
- b) The First Nation is contingently liable as the guarantor of financing for related parties. At March 31, 2015 the total guarantee was \$25,000,000.
- c) The First Nation has been named as a defendant in lawsuits with former employees of the First Nation for wrongful dismissal and breach of employment contracts. The amount of the claims total \$11,756,086 and the likelihood of gain or loss is not determinable at this time. The First Nation has accrued \$1,550,000, which management feels is a reasonable estimate of the potential loss.
- d) The First Nation's total annual obligations under various operating leases for vehicles are as follows: 2016 - \$79,696, 2017 - \$79,696 and 2018 - \$39,848.

FORT MCKAY FIRST NATION
Notes to Financial Statements
Year Ended March 31, 2015

16. EMPLOYEE BENEFITS

The First Nation has a defined contribution plan for employees into which the First Nation contributes 5% of the base salary for each employee. During the year, the First Nation funded contributions of \$341,252 (2014 - \$297,947) to the defined contribution plan.

17. RISK MANAGEMENT ACTIVITIES

The First Nation has exposure to the following risks from its use of financial instruments: credit risk, market risk, interest rate risk, liquidity risk, and currency risk

Risk management framework

The Chief and Council has overall responsibility for the establishment and oversight of the First Nations risk management framework. The First Nation's risk management policies are established to identify and analyze the risks faced by the First Nation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions to the First Nation's activities.

Credit risk

Accounts receivable include balances from a large number of customers. The majority of customers are large oil companies and their contractors, consequently management is of the opinion that the First Nation is not exposed to significant credit risk arising from the accounts receivable and that an adequate allowance for doubtful accounts has been provided.

Market risk

Market 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 interest rate risk or currency risk. The First Nation enters into transactions to purchase portfolio investments for which the market price fluctuates in the Fort McKay Settlement Trust. This portfolio is spread over a large number of public companies in various industries and is invested in both equity and fixed income products in order to reduce market risk exposure.

The First Nation's investment in Business Enterprises is primarily in businesses involved in the oil sands service and development, as such the First Nation is exposed to fluctuations in commodity prices for natural gas, crude oil and natural gas liquids. Commodity prices are affected by many factors including supply, demand and the Canadian to U.S. dollar exchange rate. The First Nation has no financial hedges or price commodity contracts in place at year-end.

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. In seeking to minimize the risks from interest rate fluctuations, the First Nation manages exposure through its normal operating and financing activities. The First Nation is exposed to interest rate risk primarily through its floating interest rate short-term borrowings.

Liquidity risk

Liquidity risk is the risk that the First Nation will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The First Nation enters into transactions to purchase goods and services on credit and borrow funds from financial institutions or other creditors for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Nation's future net cash flows for the possibility of negative net cash flow.

FORT MCKAY FIRST NATION

Notes to Financial Statements

Year Ended March 31, 2015

17. RISK MANAGEMENT ACTIVITIES *(continued)*

Currency risk

Currency risk is the risk to the First Nation's operations that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The First Nation is exposed to foreign currency exchange risk via the Heritage Trust Fund. The First Nation does not use derivative instruments to reduce its exposure to foreign currency risk.

18. BUDGET FIGURES

The 2015 budget figures represent the budget prepared by the First Nation for the fiscal period April 1, 2014 - March 31, 2015. The budget figures have not been audited.