

**MCLEOD LAKE INDIAN BAND**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2015**

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# McLEOD LAKE INDIAN BAND

General Delivery

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of McLeod Lake Indian Band ("the Band") and all the information in this report are the responsibility of the Band's management and have been approved by the Chief and Council of the Band.

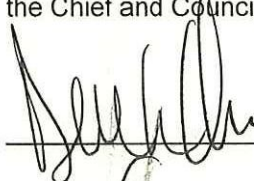
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen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

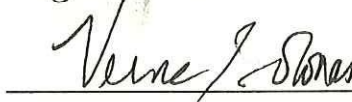
The Band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable costs. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Band's assets are appropriately accounted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

The Chief and Council are responsible for ensuring management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council review the Band's consolidated financial statements and recommend their approval. The Chief and Council meet 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, the consolidated financial statements and the external auditor's report. The Chief and Council take this information into consideration when approving the consolidated financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.

The consolidated financial statements have been audited by Deloitte LLP in accordance with Canadian generally accepted auditing standards, on behalf of the members. Deloitte LLP has full and free access to the Chief and Council.

  
\_\_\_\_\_  
Chief

  
\_\_\_\_\_  
Councillor

## Independent Auditor's Report

To the Members of the  
McLeod Lake Indian Band

We have audited the accompanying consolidated financial statements of McLeod Lake Indian Band, which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated 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 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 consolidated 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 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 auditor's 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 audit opinion.

### Opinion

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



Chartered Professional Accountants

Prince George, British Columbia  
July 22, 2015



**MCLEOD LAKE INDIAN BAND**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
year ended March 31, 2015

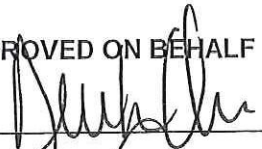
	Budget 2015 (Unaudited - Note 20)	2015	2014
<b>Revenue</b>			
Operations Fund			
Aboriginal Affairs and Northern Development Canada	\$ 1,857,107	\$ 2,051,434	\$ 1,903,858
First Nation and Inuit Health	386,747	404,093	384,186
PGNAETA	70,000	98,662	68,696
Oil and Gas Commission	1,225,000	977,835	1,161,000
Other	130,000	975,116	544,341
Other government funding	197,464	543,588	221,180
Sale of logs from settlement lands	2,500,000	419,281	1,665,964
Stumpage revenue	375,000	63,463	431,860
Contract revenue	-	1,435,596	1,107,080
McLeod Lake Indian Band Treaty 8 Trust	-	61,280	-
McLeod Lake Indian Band Treaty 8 Trust 10.1 loan recovery	-	-	3,655,536
Tse'khene Food & Fuel Ltd.	-	415,709	-
Tse'khene Community Development Corporation	-	493,854	312,162
Social Housing	-	354,435	325,652
Equity (loss) earnings from business enterprises	2,370,000	(2,534,096)	24,494,339
	<b>9,111,318</b>	<b>5,760,250</b>	<b>36,275,854</b>
<b>Expenses (Note 17)</b>			
Band Administration Program	2,139,806	2,590,096	2,621,996
Health and Welfare Services	415,747	498,137	507,880
Education Services	485,846	526,306	436,105
Social Development Services	416,864	319,375	315,506
Membership Services	1,458,412	2,275,107	11,248,845
Infrastructure	299,032	869,884	801,990
Natural Resources	1,188,536	1,356,551	1,896,423
Economic Development Program	109,769	105,888	54,020
Capital Projects Program	283,412	605,922	218,662
Trust Program - logging and silviculture	2,208,000	441,375	1,712,587
Tse'khene Community Development Corporation	-	355,127	278,874
Tse'khene Food & Fuel Ltd.	-	492,959	-
Social Housing	-	453,331	310,400
	<b>9,005,424</b>	<b>10,890,058</b>	<b>20,403,288</b>
<b>ANNUAL (DEFICIT) SURPLUS</b>	<b>105,894</b>	<b>(5,129,808)</b>	<b>15,872,566</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>51,716,000</b>	<b>51,716,000</b>	<b>35,756,756</b>
Recovery (net of reversion) from Trusts	-	87,392	59,897
Transfer of surplus (to) from reserve	-	(10,298)	26,781
<b>ACCUMULATED SURPLUS, END OF YEAR (Note 13)</b>	<b>\$ 51,821,894</b>	<b>\$ 46,663,286</b>	<b>\$ 51,716,000</b>

The accompanying notes to the financial statements are an integral part of this financial statement

**MCLEOD LAKE INDIAN BAND**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at March 31, 2015

	2015	2014
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	\$ 539,927	\$ 2,255,694
Restricted cash (Note 3)	174,105	341,670
Accounts receivable (Note 4)	871,288	1,988,629
Due from McLeod Lake Indian Band Treaty 8 Trust	15,357	-
Investment and advances (Note 5)	38,682,320	43,058,013
	<u>40,282,997</u>	<u>47,644,006</u>
<b>LIABILITIES</b>		
Demand loans (Note 6)	94,899	160,141
Accounts payable and accrued liabilities	517,252	2,297,243
Long-term debt (Note 7)	630,127	747,219
Due to Silviculture Trust (Note 8)	111,059	192,681
Due to McLeod Lake Indian Band Lands and Minerals Trust	114,643	258,268
	<u>1,467,980</u>	<u>3,655,552</u>
<b>NET FINANCIAL ASSETS</b>	<u>38,815,017</u>	<u>43,988,454</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	74,919	47,618
Inventories	19,718	-
Tangible capital assets (Note 9)	7,931,099	7,860,761
Investment in Treaty 8 Trust (Note 10)	265,943	2,272,480
Investment in Land and Minerals Trust and Provincial Land Trust (Note 11)	2,379,765	1,237,284
	<u>10,671,444</u>	<u>11,418,143</u>
<b>ACCUMULATED SURPLUS (Note 13)</b>	<u>\$ 49,486,461</u>	<u>\$ 55,406,597</u>
<b>CONTINGENT LIABILITIES (Note 14)</b>		

APPROVED ON BEHALF OF THE BAND COUNCIL

 Chief

 Councillor

The accompanying notes to the financial statements are an integral part of this financial statement

**MCLEOD LAKE INDIAN BAND**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
year ended March 31, 2015

	<b>Budget 2015 (Note 20)</b>	<b>2015</b>	<b>2014</b>
Annual surplus	\$ 105,894	\$ (5,129,808)	\$ 15,872,565
Acquisition of tangible capital assets	-	(645,425)	(489,547)
Amortization of tangible capital assets	-	492,356	502,261
Proceeds on disposal of tangible capital assets	-	161,060	-
Gain on sale of tangible capital assets	-	(78,329)	-
Recovery from Silviculture Trust	-	87,392	59,897
Provision for replacement and operating reserve - net	-	(13,468)	7,711
(Decrease) increase equity in Ottawa Trust	-	(197)	702
Increase in inventories	-	(19,718)	-
Use of prepaid expense	-	(27,300)	6,943
<b>(DECREASE) INCREASE IN NET FINANCIAL ASSETS</b>	<b>105,894</b>	<b>(5,173,437)</b>	<b>15,960,532</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>43,988,454</b>	<b>43,988,454</b>	<b>28,027,922</b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ 44,094,348</b>	<b>\$ 38,815,017</b>	<b>\$ 43,988,454</b>

The accompanying notes to the financial statements are an integral part of this financial statement



**MCLEOD LAKE INDIAN BAND**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
year ended March 31, 2015

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Annual (deficit) surplus	\$ (5,129,808)	\$ 15,872,566
Items not involving the outlay of funds		
Amortization	492,356	502,261
Gain on disposal of tangible capital assets	(78,329)	-
Provision for replacement and operating reserve - net	(13,468)	7,711
McLeod Lake Indian Band Treaty 8 Trust 10.1 loan recovery	-	(3,655,536)
(Decrease) increase in equity in Ottawa Trust	(197)	702
Share of loss (income) in related companies	2,534,096	(24,494,339)
	(2,195,350)	(11,766,635)
Net change in operating working capital		
Decrease (increase) in accounts receivable	1,117,341	(563,889)
(Increase) decrease in prepaid expenses	(27,301)	6,943
Increase in inventories	(19,718)	-
(Decrease) increase in accounts payable and accrued liabilities	(1,779,991)	1,282,948
	(2,905,019)	(11,040,633)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of demand loans	(65,242)	(62,868)
Repayment of long-term debt	(117,092)	(203,776)
Repayment of advance to Silviculture Trust - net	(81,622)	(1,498,661)
Repayment of advances from Land and Minerals Trust	(143,625)	(62,215)
Repayment of advances from McLeod Lake Indian Band Treaty 8 Trust	(15,357)	(3,969,537)
Recovery from McLeod Lake Indian Band Trusts (net)	87,392	59,897
	(335,546)	(5,737,160)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	(645,425)	(489,547)
Proceeds on disposal of tangible capital assets	161,060	-
Investments and advances from related entities	1,841,598	18,184,346
	1,357,233	17,694,799
<b>NET CASH (OUTFLOW) INFLOW</b>	(1,883,332)	917,006
<b>CASH , BEGINNING OF YEAR</b>	2,597,364	1,680,358
<b>CASH , END OF YEAR</b>	\$ 714,032	\$ 2,597,364
Cash is comprised of:		
Cash	\$ 539,927	\$ 2,255,694
Restricted cash	174,105	341,670
	\$ 714,032	\$ 2,597,364

The accompanying notes to the financial statements are an integral part of this financial statement



**MCLEOD LAKE INDIAN BAND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 2015

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**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements (the financial statements) include the assets, liabilities, revenue and expenditures of the McLeod Lake Indian Band (the "Band"), governed by the Chief and Council, and the entities which are controlled or are subject to joint control by the Band.

These financial statements have been prepared in accordance with Canadian public sector accounting standards and include the following principles:

*a) Fund accounting*

The Band uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the summary financial statements. All inter-fund balances have been eliminated.

The Band maintains the following funds:

- The Operations Fund, which reports the general activities of the Band administration.
- The Ottawa Trust Fund, which reports on trust funds owned by the Band and held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.
- The Canada Mortgage and Housing Corporation ("CMHC") Social Housing Fund, which reports the CMHC funded social housing operations of the Band.
- The Tse'khene Community Development Corporation Fund, which reports on the activities of Tse'khene Community Development Corporation.
- The Tse'khene Food & Fuel Ltd. Fund, which reports on the activities of Tse'khene Food & Fuel Ltd.
- The Enterprise Fund, which reports on activities of the Limited Partnerships and other incorporated entities controlled by the McLeod Lake Indian Band on a modified equity basis.

*b) Reporting entity and principles of financial reporting*

The Band reporting entity includes the Band government and all related entities which are accountable to the Band and are either owned or controlled by the Band.

These consolidated financial statements consolidate the assets, liabilities and results of operations of Tse'khene Development Corporation, a not-for-profit corporation created for the benefit of the Band members, and Tse'khene Food & Fuel Corporation, a corporation which operates a gas station on reserve lands.

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

*b) Reporting entity and principles of financial reporting (continued)*

Government business enterprises and government business partnerships, which are owned by the Band, or are controlled by the Band Council, and which are not dependent on the McLeod Lake Indian Band for their continuing operations, are included in the consolidated financial statements using the modified equity method, whereby the investment was initially recorded at cost and adjusted to recognize the Band's share of earnings or losses, and reduced by distributions received. The business entity's accounting principles are not adjusted to conform with those of the Band.

Government business enterprises and government business partnerships accounted for using the modified equity method are as follows:

- Duz Cho Logging Ltd. (100% owned)
- Duz Cho Logging Limited Partnership (100% owned)
- Duz Cho Construction Ltd. (100% owned)
- Duz Cho Construction Limited Partnership (100% owned)
- McLeod Lake Indian Band Exploration Corporation (100% owned)
- McLeod Lake Indian Band Exploration Limited Partnership (100% owned)
- Duz Cho Group of Companies Limited Partnership (100% owned)
- Three Feathers Limited Partnership

Entities which are not controlled or jointly controlled are accounted for at cost. These include:

- Mackenzie Fibre Management Corporation

*c) Non-financial assets*

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net financial assets for the year.

Tangible capital assets

Capital expenditures are any significant expenditure incurred to acquire or improve land, buildings, engineering structures, machinery and equipment. They normally confer benefits lasting beyond one year and result in the acquisition of an asset or in the extension of the life of an asset. Capital expenditures of the General Band Operations Fund, the CMHC Social Housing Fund and the Enterprise Fund are recorded at cost in the respective fund.

Assets under construction are not amortized until the asset is available for productive use.

Tangible assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue.

Tangible capital assets are amortized using the diminishing-balance method at the following rates:

Community buildings	4% and 10%
Automotive equipment	30%
Silviculture and logging equipment	30%
Office equipment	20%
Computer equipment	45%
Paving	20%
Water systems and fire protection	4%



**MCLEOD LAKE INDIAN BAND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 2015

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**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Tangible capital assets (continued)*

Tangible capital assets consisting of buildings financed by Canada Mortgage and Housing Corporation insured loans are amortized at a rate equal to the annual principle reduction in the loan.

Assets that no longer contribute to the ability of the Band to provide services are written down to residual value.

*(d) Revenue recognition*

Government transfers with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when, and to the extent that the transfer gives rise to an obligation that meets the definition of a liability. Any such liability is reduced, and an equivalent amount of revenue is recognized as the liability is settled.

Government transfers without stipulations are recognized in the period in which the transfer is authorized, any eligibility criteria have been met and reasonable estimate of the amount to be received can be made.

Certain funding received under the terms of specified use agreements (other than government transfers) is recognized as revenue when the related expenditures are incurred. Such funding received but not yet expended is included in the statement of financial position as deferred revenue.

Revenue earned on timber sale licences is recognized when wood fibre is delivered and the customer takes ownership and assumes the risk of loss, persuasive evidence of an arrangement exists and collection of the relevant receivables is reasonably assured.

Revenue earned from the sale of fuel, tobacco and confectionary items is recognized when the goods are delivered to the customer, persuasive evidence of an arrangement exists, and collection of the relevant receivables is reasonably assured.

Interest income, rental income, consulting fees and user fees are recognized when earned and/or the service is provided and collection is reasonably assured.

*(e) Impairment of long-lived assets*

The Band periodically reviews the useful lives and the carrying values of its long-lived assets for continued appropriateness. The Band reviews for impairment of long-lived assets (or asset groups) to be held and used whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the un-discounted expected future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying amount, it is considered to be impaired. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value. When quoted market prices are not available, the Band uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

*(f) Financial instruments*

The Band's financial instruments consist of cash, restricted cash, marketable securities, accounts receivable, timber sales deposits, advances and loans receivable.

Financial instruments are recorded at fair value on initial recognition. They are subsequently recorded at cost less any impairment losses if other than temporary.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method



**MCLEOD LAKE INDIAN BAND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 2015

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(f) Financial instruments (continued)*

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Band determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Band expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

*(g) 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 reporting period. Significant items subject to such estimates and assumptions include the useful lives for tangible capital assets and valuation allowance for trade receivables and investments, loans and advances. Actual results could differ from those estimates.

*(h) Reforestation*

The Band accounts for costs related to the reforestation of logged areas in the period such areas are logged. Costs represent estimated post logging expenditures related to silviculture responsibilities pursuant to the Band Forest Practices Code.

*(i) New accounting standard – Liability for contaminated sites*

During the year, the Band adopted new accounting standard PS 3260 – Liability for Contaminated Sites, effective for years beginning on or after April 1, 2014. The standard requires the Band to identify contaminated sites which meet the requirements of the standard, specifically those sites where:

- i. An environmental standard exists
- ii. Contamination exceeds the environmental standards
- iii. The Band is directly responsible or accepts responsibility
- iv. It is expected that future economic benefits will be given up and
- v. A reasonable estimate of the amount of those benefits can be made

The Band has elected to apply this standard prospectively. As at the date of these financial statements, no contaminated sites have been identified that meet the criteria outlined in the standard.

**2. CASH**

	2015	2014
Cash		
Operations Fund	\$ 434,286	\$ 1,963,616
Social Housing Fund	43,424	1,839
Tse'khene Community Development Corporation	47,099	290,239
Tse'khene Food & Fuel Ltd.	15,118	-
	<u>\$ 539,927</u>	<u>\$ 2,255,694</u>

**MCLEOD LAKE INDIAN BAND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 2015

**2. CASH (continued)**

The Band has an authorized operating line in the amount of \$800,000 which was not utilized at year end. The operating loan bears interest at prime plus 0.75% (3.60% - March 31, 2015) and is secured by a general security agreement over the assets of the Band.

**3. RESTRICTED CASH**

Operations Fund restricted cash representing a term deposit of \$12,278 (2014 - \$12,496) assigned to the Ministry of Forests, in support of licenses and \$nil (2014 - \$148,342) of unclaimed capital distributions.

\$113,831 (2014 - \$132,638) representing the social housing replacement reserve (see Note 12), can only be used upon approval of Canada Mortgage and Housing Corporation.

Funds on deposit with the Department of Aboriginal Affairs and Northern Development Canada of \$47,996 (2014 - \$48,194) arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust for the Band 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 funds are accessible to the Band upon the completion of certain prescribed procedures.

**4. ACCOUNTS RECEIVABLE**

	<b>2 0 1 5</b>	<b>2 0 1 4</b>
McLeod Lake Indian Band Operations Fund		
Aboriginal Affairs and Northern Development Canada	\$ -	\$ 63,952
PGNAETA	<b>26,117</b>	-
Other government agencies	<b>3,696</b>	55,472
Oil and Gas Commission	<b>135,000</b>	210,000
Mackenzie Fibre	<b>171,691</b>	655,215
Land Referral	-	423,851
Other	<b>567,167</b>	410,967
Less: Allowance for doubtful accounts	<b>(136,361)</b>	(90,379)
	<b>767,310</b>	1,729,078
Social Housing Fund		
Rents receivable	<b>55,331</b>	230,923
CMHC subsidy receivable	<b>3,590</b>	3,880
	<b>58,921</b>	234,803
Tse'khene Community Development Corporation		
Accounts receivable	<b>16,725</b>	24,748
Tse'khene Food & Fuel Ltd.		
Accounts receivable	<b>28,332</b>	-
	<b>\$ 871,288</b>	<b>\$ 1,988,629</b>

**MCLEOD LAKE INDIAN BAND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 2015

**5. INVESTMENTS AND ADVANCES**

Investments, loans and advances to commercial operations are summarized as follows:

	2015	2014
Government business enterprises	\$ (5,770)	\$ (1,868)
Government business partnerships	38,687,690	43,059,481
Other	400	400
	<u>\$ 38,682,320</u>	<u>\$ 43,058,013</u>

The Band has an ownership interest in limited partnerships in which the limited partner is the McLeod Lake Indian Band Business Trust. The general partners, which are corporations controlled by the McLeod Lake Indian Band, are Duz Cho Logging Ltd., which owns 0.01% of Duz Cho Logging Limited Partnership, Duz Cho Construction Ltd. which owns 0.01% of Duz Cho Construction Limited Partnership, Duz Cho Group of Companies Ltd., which owns 0.01% of Duz Cho Group of Companies Limited Partnership and McLeod Lake Indian Band Exploration Corporation which owns 0.01% of McLeod Lake Indian Band Exploration Limited Partnership. All of the loans and advances are non-interest bearing and have no specific terms of repayment.

The Band has made investments in and loans and advances to the government business enterprises as summarized below:

	2015	2014
Duz Cho Logging Ltd.		
Investment in shares, at cost	\$ 100	\$ 100
Share of losses		
Balance, beginning of year	(1,037)	172
Loss	(1,570)	(1,209)
	<u>(2,607)</u>	<u>(1,037)</u>
Balance, end of year	<u>(2,507)</u>	<u>(937)</u>
Duz Cho Group of Companies Ltd.		
Share of earnings (loss)		
Balance, beginning of year	(3)	-
Earnings	(1,385)	(3)
	<u>(1,388)</u>	<u>(3)</u>
Balance, end of year	<u>(1,388)</u>	<u>(3)</u>
Balance carried forward	\$ (3,895)	\$ (940)



**MCLEOD LAKE INDIAN BAND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 2015

**5. INVESTMENTS AND ADVANCES (continued)**

	2 0 1 5	2 0 1 4
Balance brought forward	\$ (3,895)	\$ (940)
Duz Cho Construction Ltd.		
Investment in shares, at cost	100	100
Due to Duz Cho Construction Ltd.	(100)	(100)
Share of earnings (loss)		
Balance, beginning of year	56	(550)
Earnings	(1,790)	606
Balance, end of year	(1,734)	56
Duz Cho Forest Products Ltd.		
Investment in shares, at cost	1	-
Share of earnings (loss)		
Balance, beginning of year	-	-
Earnings	(1,686)	-
Balance, end of year	(1,686)	-
	(1,685)	-
McLeod Lake Indian Band Exploration Corporation		
Share of earnings		
Balance, beginning of year	(985)	(2,335)
Earnings	2,529	1,350
Balance, end of year	1,544	(985)
	\$ (5,770)	\$ (1,869)

The McLeod Lake Indian Band holds the remaining 99.99% of McLeod Lake Indian Band Exploration Limited Partnership, Duz Cho Logging Limited Partnership, Duz Cho Construction Limited Partnership, Duz Cho Group of Companies Limited Partnership and McLeod Lake Indian Band Exploration Limited Partnership.

**MCLEOD LAKE INDIAN BAND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 2015

**5. INVESTMENTS AND ADVANCES (continued)**

The Band has made investments and contributions to government business partnerships as summarized below:

	2015	2014
Duz Cho Logging Limited Partnership		
Balance, beginning of year	\$ 7,960,750	\$ 5,804,660
Share of (loss) earnings	(697,174)	2,913,205
Drawings	(145,724)	(757,115)
	<u>7,117,852</u>	<u>7,960,750</u>
Balance, end of year		
Advances	<u>3,954,358</u>	<u>4,108,741</u>
	<u>11,072,210</u>	<u>12,069,491</u>
Duz Cho Construction Limited Partnership		
Balance, beginning of year	22,956,500	16,444,205
Share of (loss) earnings	(289,226)	8,052,295
Drawings	(1,611,140)	(1,540,000)
	<u>21,056,134</u>	<u>22,956,500</u>
Balance, end of year		
Advances	<u>14,642</u>	<u>11,665</u>
	<u>21,070,776</u>	<u>22,968,165</u>
Duz Cho Forest Products Limited Partnership		
Balance, beginning of year	-	-
Share of loss	(1,859,936)	-
Drawings	-	-
	<u>(1,859,936)</u>	<u>-</u>
Balance, end of year		
Advances	<u>6,208,873</u>	<u>-</u>
	<u>4,348,937</u>	<u>-</u>
Balance carried forward	\$ 36,491,923	\$ 35,037,656

**MCLEOD LAKE INDIAN BAND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**5. INVESTMENTS AND ADVANCES (continued)**

	2015	2014
Balance brought forward	\$ 36,491,923	\$ 35,037,656
McLeod Lake Indian Band Exploration Limited Partnership		
Balance, beginning of year	8,612,517	1,505,321
Share of earnings	266,472	13,496,371
Drawings	(6,216,507)	(6,389,175)
	2,662,482	8,612,517
Repayments	(577,274)	(590,692)
	2,085,208	8,021,825
Three Feathers Limited Partnership		
Share of earnings	-	-
Balance, beginning of year	190,559	31,724
Share of earnings	(80,000)	(31,724)
Drawings	110,559	-
	\$ 38,687,690	\$ 43,059,481

The summarized balance sheet and income statements of the government business partnerships, as at their year end of October 31, 2014, are shown below:

	2015	2014
Balance sheet information		
Assets	\$ 61,463,256	\$ 59,876,724
Liabilities	29,097,180	19,043,030
Partners' Capital	29,097,180	40,833,694
Results of operations		
Revenues	60,592,017	96,793,762
Expenses	62,808,523	72,326,846
Net (loss) earnings	(2,116,506)	24,466,916



**MCLEOD LAKE INDIAN BAND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 2015

**6. DEMAND LOANS**

	2015	2014
Royal Bank - demand loan payable in monthly instalments of \$5,500 including interest at prime plus 1.10% (3.95% - March 31, 2015), secured by a general security agreement over the assets of the Development Corporation, maturing December 2016	\$ 94,899	\$ 160,141

**7. LONG-TERM DEBT**

**Social Housing**

All Nations Trust Company - mortgage payable in monthly instalments of \$3,141 including interest at 1.67%, secured by a mortgage on buildings and ministerial guarantee, maturing March 2017	74,087	110,216
All Nations Trust Company - mortgage payable in monthly instalments of \$2,049 including interest at 1.67%, secured by a mortgage on buildings and ministerial guarantee, maturing April 2018	73,818	96,957
All Nations Trust Company - mortgage payable in monthly instalments of \$1,784 including interest at 1.65%, secured by a mortgage on buildings and ministerial guarantee, renewal June 2017, maturing April 2027	234,443	251,840
All Nations Trust Company - mortgage payable in monthly instalments of \$2,396 including interest at 1.67%, secured by a mortgage on buildings and ministerial guarantee, renewal June 2018, maturing May 2023	219,450	244,330
Balance carried forward	\$ 601,798	\$ 703,343

**MCLEOD LAKE INDIAN BAND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 2015

**7. LONG-TERM DEBT (continued)**

	<b>2 0 1 5</b>	<b>2 0 1 4</b>
Balance brought forward	\$ <b>601,798</b>	\$ 703,343
Royal Bank - mortgage payable in monthly instalments of \$1,384 including interest at 2.85%, secured by a mortgage on buildings and ministerial guarantee, maturing December 2015	<b>28,329</b>	43,876
	<u><b>\$ 630,127</b></u>	<u>\$ 747,219</u>

Scheduled principal repayments over the next five years are estimated as follows:

2016	\$ 159,874
2017	104,952
2018	68,732
2019	47,207
2020	45,909

**8. DUE TO SILVICULTURE TRUST**

A Silviculture Trust was established to bear the responsibility for funding silviculture expenditures on settlement lands. The Band funds the Silviculture Trust based on a set charge per cubic metre of logs harvested. Balances accrued based on logging performed are shown below:

	<b>2 0 1 5</b>	<b>2 0 1 4</b>
Balance accrued based on logging performed	\$ <b>7,031,761</b>	\$ 7,009,550
Less amount paid on behalf of Silviculture	<b>(6,920,702)</b>	(6,816,869)
	<u><b>\$ 111,059</b></u>	<u>\$ 192,681</u>

**MCLEOD LAKE INDIAN BAND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**9. TANGIBLE CAPITAL ASSETS**

	<b>2015</b>		<b>2014</b>	
	Net Book Value		Net Book Value	
McLeod Lake Indian Band				
Community buildings	\$	2,942,166	\$	3,010,851
Water system and fire protection		1,223,978		1,242,978
Automotive equipment		280,636		317,303
Silviculture equipment		6,138		8,769
Office equipment		193,945		163,173
Computer equipment		16,223		18,118
Paving		148,918		186,149
Community forest		59,595		59,595
Land		25,000		25,000
		<u>4,896,599</u>		<u>5,031,936</u>
Social Housing Fund				
Buildings		800,994		902,538
Tse'Khene Community Development Corporation				
Buildings		1,375,546		1,031,486
Office equipment		28,899		35,594
Computer equipment		1,426		34
Land		819,819		859,173
		<u>2,225,690</u>		<u>1,926,287</u>
Tse'Khene Food & Fuel Ltd.				
Leasehold improvements		3,720		-
Store equipment		4,096		-
		<u>7,816</u>		<u>-</u>
	\$	<u>7,931,099</u>	\$	<u>7,860,761</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule B)

**MCLEOD LAKE INDIAN BAND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended March 31, 2015

**10. EQUITY IN TREATY 8 TRUST**

The McLeod Lake Indian Band is the beneficiary of the McLeod Lake Indian Band Treaty 8 Trust which was established in April 2000 upon ratification of a land settlement agreement. The income from the Trust represented by the Trust Project and Development Account is to be allocated to the Band annually, and the Band must also loan an amount, determined by the Trust, to the Capital Account of the Trust each year. Details of Trust Project and Development Account transactions are shown below:

	2015	2014
Trust Project and Development Account, beginning of year, as previously reported	\$ 2,272,480	\$ 4,895,801
Revenue - Trust Project and Development Account	2,287,193	2,644,652
Expenses - Trust Project and Development Account	(575,372)	(492,167)
Interfund transfers - Trust Project and Development Account	(3,718,358)	(4,775,806)
	<u>\$ 265,943</u>	<u>\$ 2,272,480</u>

**11. EQUITY IN LAND AND MINERALS TRUST AND PROVINCIAL LAND TRUST**

The McLeod Lake Indian Band is the beneficiary of the McLeod Lake Indian Band Land and Minerals Trust which was established in May 2011. The income from the Trust represented by the Land and Minerals Project Account is to be allocated to the Band annually. Details of Land and Minerals Project Account transactions are shown below:

	2015	2014
Lands and Minerals Project Account, beginning of year	\$ 1,237,284	\$ 566,629
Revenue - Lands and Minerals Project Account	1,142,481	670,655
	<u>\$ 2,379,765</u>	<u>\$ 1,237,284</u>

**12. REPLACEMENT RESERVES**

Under the terms of agreements with Canada Mortgage and Housing Corporation ("CMHC"), the Band is required to make yearly deposits equal to required contributions to a replacement reserve account for each housing phase. Contributions are based on a percentage of total asset costs. The use of these funds is subject to approval by CMHC. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may be otherwise approved by CMHC. Withdrawals are credited to interest first and then principal.

Under the terms of agreements with CMHC – Full Subsidy Program, after the payment of all costs and expenses including the allocation to the Replacement Reserve fund, any surplus will be retained by the Band within an Operating Reserve fund. These funds, along with accumulated interest, must be held in a separate bank account. These funds may only be used for the ongoing operating costs of the housing projects committed under the Full Subsidy Program. Accordingly, future years' deficits may be recovered from the Operating Reserve fund.



**MCLEOD LAKE INDIAN BAND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**12. REPLACEMENT RESERVES (continued)**

Under agreements with CMHC, the Band may also establish a subsidy surplus reserve where any operating surplus can be retained to a maximum of \$500 per housing unit plus interest earned within the reserve. An additional operating surplus, within the CMHC Housing Programs, is subject to recovery by Canada Mortgage and Housing Corporation.

	2015	2014
Replacement Reserve	\$ 113,831	\$ 119,827
Operating Surplus Reserve	15,640	12,813
	<u>\$ 129,471</u>	<u>\$ 132,640</u>

Replacement reserve information relating to the Band's CMHC housing programs is as follows:

	2015	2014
Balance, beginning of year	\$ 132,640	\$ 151,710
Allocations for the year, replacement reserve	19,190	21,541
Allocations for the year, operating surplus	7,802	10,279
Expenditures	(32,656)	(13,830)
Transfer to surplus	(9,047)	(37,060)
CMHC adjustments to surplus	11,542	-
	<u>\$ 129,471</u>	<u>\$ 132,640</u>

**13. ACCUMULATED SURPLUS**

Surplus (deficit) is comprised of:

	2015	2014
Operations Fund	\$ 12,158,543	\$ 12,682,216
Enterprise Fund	34,457,046	38,999,650
Social Housing Fund	(775,100)	(665,906)
Tse' Khene Community Development Corporation	838,767	700,040
Tse'Khene Food & Fuel Ltd.	(15,970)	-
	<u>46,663,286</u>	<u>51,716,000</u>
Replacement reserves (Note 12)	129,471	132,640
Equity in McLeod Lake Indian Band Treaty 8 Trust (Note 10)	265,943	2,272,480
Equity in Lands and Minerals Trust (Note 11)	2,379,765	1,237,284
Equity in Ottawa Trust Funds	47,996	48,193
	<u>\$ 49,486,461</u>	<u>\$ 55,406,597</u>

**MCLEOD LAKE INDIAN BAND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**14. CONTINGENT LIABILITIES**

The Band has entered into an agreement with the McLeod Lake Indian Band Silviculture Trust to perform reforestation activities on behalf of the Band (Note 8). In the event actual future reforestation costs exceed the resources of the McLeod Lake Indian Band Silviculture Trust the Band is contingently liable to fund the shortfall.

The Band has a contingent liability related to Aboriginal Affairs and Northern Development Canada's ministerial loan guarantees on housing mortgages. The outstanding balance of these mortgages at March 31, 2015 was \$631,039.

**15. PENSION PLAN**

The Band has a defined contribution pension plan for certain employees. The employees contribute a minimum of 5% of their earnings which McLeod Lake Indian Band matches.

**16. RELATED PARTY TRANSACTIONS**

During the year, the Band paid logging costs in the amount of \$267,812 to Duz Cho Logging Limited Partnership (2014 - \$1,062,466) for logging settlement lands.

**17. EXPENSES BY OBJECT**

	2015	2014
Amortization	\$ 492,355	\$ 502,261
Communications	131,167	143,032
Consulting	153,339	346,581
Contracts	751,990	1,025,177
Contributions	61,280	-
Honoraria	493,117	402,942
Insurance	158,416	149,498
Legal and professional	1,031,473	1,033,762
Logging and silviculture	337,541	1,652,690
Material and supplies	324,144	312,648
Membership assistance and distributions	2,383,427	11,078,141
Office and miscellaneous	605,827	361,485
Other	623,021	523,297
Purchases of goods for resale	370,809	-
Travel	463,518	476,485
Wages and benefits	2,508,634	2,395,289
	<u>\$ 10,890,058</u>	<u>\$ 20,403,288</u>

**18. INCOME AND EXPENDITURES BY SEGMENT**

The Band has presented income and expenditures by segment in Schedule A. The segments presented are as follows:

*Operating Fund:*

Administration – this segment reflects funding and expenditures related to Band governance activities.

Community Health Services – this segment discloses program activities funded by the First Nations Health Authority (formerly funded by Health Canada) that relate to provision health related services to the Band members.

Education Services – this segment discloses program activities primarily funded by Aboriginal Affairs and Northern Development Canada ("AANDC"). These programs relate to elementary, secondary and post-secondary education.

Social Services – this segment relates to programs and services related to the social benefit and welfare of Band members, including social assistance, daycare and infant development, and is funded by primarily by AANDC and the Province of British Columbia.

Membership Services – this segment relates to programs and services to Band members and is funded primarily by the business entities owned by the Band and the Oil and Gas Commission. The programs relate to youth, elders, employment training and distributions.

Infrastructure Services – this segment relates to services relating to operation and maintenance of the Bands community buildings and water facilities.

Natural Resource Services – this segment relates to program and services involving forestry, land management and consultation and is primarily funded by contract revenue, AANDC and the Oil and Gas Commission.

Economic Development Services – this segment relates to programs relating to economic development and is primarily funded by the Oil and Gas Commission and AANDC.

Capital Services – this segment discloses the services related to housing renovations and repairs and is funded by the Oil and Gas Commission and AANDC.

Schedule A also discloses activities related to funds operated by the Band including the Social Housing Fund, Development Corporation Fund, Tse'khene Food & Fuel Ltd, Enterprise Fund, Trust Fund and the Ottawa Trust Fund, as disclosed in Note 1.

**19. COMPARATIVE FIGURES**

Certain balances have been reclassified to conform to the presentation adopted in the current year.

**20. BUDGETED FIGURES**

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Chief and Council.