

Cowessess Development Account
Financial Statements
December 31, 2017

Cowessess Development Account
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Management's Responsibility

To the Members of Cowessess First Nation #73:

Management has responsibility for preparing the accompanying financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with the financial reporting requirements of the Cowessess First Nation Flood Claim Trust Agreement.

In discharging its responsibilities for the integrity and fairness of the 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 financial statements.

Chief and Council of Cowessess First Nation #73 are responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statement. 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 are also responsible for appointing the external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by Chief and Council to audit the financial statement and report directly to the Members of Cowessess First Nation #73; their report follows. The external auditors have full and free access to, and may meet periodically and separately with, both the Chief and Council and management to discuss their audit findings.

May 14, 2018



Management

Independent Auditors' Report

To the Members of Cowessess First Nation #73:

We have audited the accompanying financial statements of Cowessess Development Account (the "Development Account"), which comprise the statement of financial position as at December 31, 2017, the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements have been prepared by management in accordance with the financial reporting requirements of the Cowessess First Nation Flood Claim Trust Agreement ("Trust Agreement").

Management's Responsibility for Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the financial reporting requirements of the Trust Agreement, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 of 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 auditors' 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 Development Account's preparation 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 Development Account'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 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 of the Cowessess Development Account for the year ended December 31, 2017 are prepared, in all material respects, in accordance with the financial reporting requirements of the Cowessess First Nation Flood Claim Trust Agreement.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared to comply with the financial reporting requirements of the Trust Agreement. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Members of Cowessess First Nation #73 and should not be distributed to, or used by, parties other than the Members of Cowessess First Nation #73.

Regina, Saskatchewan
May 14, 2018




Chartered Professional Accountants

Cowessess Development Account
Statement of Financial Position
As at December 31, 2017

	Community Development Account	Per Capita Distribution Account	Total 2017	Community Development Account	Per Capita Distribution Account	Total 2016
Assets						
Current						
Cash	452,957	31,957	484,914	360,087	402,402	762,489
Due from Cowessess First Nation (Note 9)	50,183	-	50,183	57,241	-	57,241
Due to (from) Community Development/Per Capita Distribution	(2,625)	2,625	-	186,642	(186,642)	-
Due from Cowessess First Nation Flood Claim Trust (Note 5)	634,444	-	634,444	316,273	-	316,273
	1,134,959	34,582	1,169,541	920,243	215,760	1,136,003
Liabilities						
Current						
Accounts payable and accruals	11,882	-	11,882	11,383	-	11,383
Due to Cowessess Wind Developments LP	1,260	-	1,260	-	-	-
Due to Cowessess First Nation Flood Claim Trust (Note 5)	-	7,000	7,000	-	183,224	183,224
Current portion of per capita distributions payable (Note 4)	-	37,500	37,500	-	46,000	46,000
	13,142	44,500	57,642	11,383	229,224	240,607
Per capita distributions payable (Note 4)	-	466,500	466,500	-	492,500	492,500
	13,142	511,000	524,142	11,383	721,724	733,107
Net Assets						
Externally restricted (Note 8)	1,121,817	(476,418)	645,399	908,860	(505,964)	402,896
	1,134,959	34,582	1,169,541	920,243	215,760	1,136,003

Approved on behalf of the Development Account


 Chief


 Councillor

The accompanying notes are an integral part of these financial statements

Cowessess Development Account
Statement of Operations and Changes in Net Assets
For the year ended December 31, 2017

	Community Development Account	Per Capita Distribution Account	Total 2017	Community Development Account	Per Capita Distribution Account	Total 2016
Operating expenses						
Community development	409,825	-	409,825	-	-	-
Professional fees	11,328	-	11,328	11,683	-	11,683
Service charges	334	118	452	305	225	530
Meetings and travel	-	-	-	-	-	-
Total operating expenses	421,487	118	421,605	11,988	225	12,213
Interest on per capita distributions	-	4,406	4,406	-	4,620	4,620
Excess of total expenditures over revenues	(421,487)	(4,524)	(426,011)	(11,988)	(4,845)	(16,833)
Net assets (liabilities), beginning of year	908,860	(505,964)	402,896	604,575	(548,082)	56,493
	487,373	(510,488)	(23,115)	592,587	(552,927)	39,660
Transfers from Cowessess First Nation Flood Claim Trust (Note 6)	634,444	34,070	668,514	316,273	46,963	363,236
Net assets (liabilities), end of year	1,121,817	(476,418)	645,399	908,860	(505,964)	402,896

The accompanying notes are an integral part of these financial statements

Cowessess Development Account
Statement of Cash Flows
For the year ended December 31, 2017

	Community Development Account	Per Capita Distribution Account	Total 2017	Community Development Account	Per Capita Distribution Account	Total 2016
Cash provided by (used for) the following activities						
Operating						
Cash received from Cowessess First Nation Flood Claim Trust (Note 6)	316,273	34,070	350,343	294,633	87,710	382,343
Cash paid for community development	(409,825)	-	(409,825)	-	-	-
Per capita payments	-	(27,500)	(27,500)	-	(38,500)	(38,500)
Interest paid on per capita payments	-	(4,945)	(4,945)	-	(3,939)	(3,939)
Repayment to Cowessess First Nation Flood claim trust	-	(182,686)	(182,686)	-	-	-
Cash transfers between accounts	186,641	(186,641)	-	-	-	-
Cash paid for professional fees	-	(2,625)	(2,625)	-	-	-
Service charges	(219)	(118)	(337)	(181)	(225)	(406)
	92,870	(370,445)	(277,575)	294,452	45,046	339,498
Investing						
Withdrawals by Cowessess First Nation	-	-	-	(294,633)	-	(294,633)
Repayments by Cowessess First Nation	-	-	-	-	186,642	186,642
	-	-	-	(294,633)	186,642	(107,991)
Net increase (decrease) in cash	92,870	(370,445)	(277,575)	(181)	231,688	231,507
Cash, beginning of year	360,087	402,402	762,489	360,268	170,714	530,982
Cash, end of year	452,957	31,957	484,914	360,087	402,402	762,489

The accompanying notes are an integral part of these financial statements

1. The Development Account

The Cowessess Development Account was established to manage funds received pursuant to Cowessess First Nation Flood Claim Trust Agreement ("the Trust Agreement"), ratified as of November 9, 2011 by the Members of the Cowessess First Nation #73, with an effective date of the Trust of May 16, 2013.

The Trust Agreement provides specific provisions as to the procedures to be followed in the operations of the Trust and stipulates that the First Nation establish a "Development Account". The Development Account does not form part of the Trust, but instead is the personal property of the First Nation. The purpose of the Development Account is to receive and distribute monies from the Cowessess First Nation Flood Claim Trust in accordance with the trust agreement.

2. Significant accounting policies

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the financial reporting requirements of the Cowessess First Nation Flood Claim Trust Agreement.

a) **Capital Assets**

Pursuant to the Trust Agreement, there is no provision for the purchase of capital assets. All capital asset purchases are recorded as expenditures in the year they are purchased.

b) **Transfer from Cowessess First Nation Flood Claim Trust Account**

Transfers of funds from Cowessess First Nation Flood Claim Trust Account are recorded as an equity transfer in the year in which the transfer occurred.

c) **Band Development**

Band Development is recorded as an expenditure in the year in which the expenditure occurred.

d) **Revenue Recognition**

Income is recognized on an accrual basis.

e) **Use of Estimates**

The preparation of financial statements 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 year. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the year in which they become known.

3. Economic Dependence

Cowessess Development Account is economically dependent on Cowessess First Nation Flood Claim Trust Account to transfer "Annual Income" and other amounts pursuant to the Cowessess First Nation Flood Claim Trust Agreement.

Cowessess Development Account
Notes to the Financial Statements
For the year ended December 31, 2017

4. Per Capita Distributions

Pursuant to the Trust Agreement, \$1,375,000 was initially received on July 2, 2013 from the Cowessess First Nation Flood Claim Trust Account by the Cowessess Development Account. This money was to be used to make a per capita distribution of \$500 to each Member of the Cowessess First Nation born on or before May 16, 2013 and registered within three years of the effective date. For settlement payments made after this date, the amount includes a four percent interest payment on the per capital distribution which is compounded annually from the effective date of the Trust to the date in which the individual turns eighteen years of age.

The Chief and Council of the First Nation estimated that \$2,028,500 (4,057 members) will be required to make the per capita distribution between 2013 and 2031, excluding interest. The members will be eligible for payment as they turn eighteen years of age.

At December 31, 2017, of the funds received to date, \$504,000 (2016 - \$538,500) remains to be paid of which \$37,500 (2016 - \$46,000) is due in the next year. The remaining funds required to pay the per capita payments will be received from the Capital Trust Account and will be recorded when received.

During the year ended December 31, 2017 approximately 55 (\$27,500) members were paid. As of December 31, 2017 approximately 2,672 (\$1,336,000) members have been paid and 377 (\$188,500) members have had their per capita distribution payments expire, leaving 1,008 member payments outstanding.

5. Due from Cowessess First Nation Flood Claim Trust

Annual income	\$ 634,444
Expired per capital distributions - 2016	<u>(7,000)</u>
	\$ 627,444

The annual income amount was received in February 2018.

Pursuant to the Trust Agreement, the "Annual Income" of the Capital Trust Account shall be transferred to the Cowessess Development Account to be used for Community Development, payment of acquisition costs and other uses as specified by the Trust Agreement.

"Annual Income", pursuant to the Trust Agreement, means the revenue realized from the Cowessess First Nation Flood Claim Capital Trust Account together with revenue realized from the authorized investments purchased with funds from the Capital Trust Account less authorized expenses incurred by the Trustee.

Pursuant to section 5.8 of the Trust Agreement if a member becomes eligible after May 16, 2013 their entitlement to receive the payment is in effect for 1 year from the day they turn 18.

If a member was eligible on May 16, 2013 their entitlement to receive the payment is in effect for 3 years from May 16, 2013. After that time, any undistributed money must be returned to the Capital Trust Account. These undistributed funds were returned to the Trust in the year.

6. Transfers from Cowessess First Nation Flood Claim Trust

During the year ending December 31, 2017 the following transfers occurred from the Trust:

Annual income receivable - 2017	\$ 634,444
Per capita distribution received - 2017	<u>34,070</u>
	\$ <u>668,514</u>

The annual income distribution for 2016 in the amount of \$316,273 was received in the year.

Cowessess First Nation Flood Claim Trust Account is related by common membership. All transactions are measured at the exchange amount, as established by the Trust Agreement.

7. Community Development

During the year the amount of \$409,825 was withdrawn for community development purposes. The funds were used for the construction of the new Cowessess First Nation #73 pow-wow arbor.

8. Net Assets Externally Restricted

Use of the Trust Assets is externally restricted by the terms contained within the Trust Agreement.

9. Due from Cowessess First Nation

Advances from related entities are unsecured, non-interest bearing and without fixed terms of repayment. All transactions are measured at the exchange amount.

10. Income taxes

Based on advance tax rulings issued by Canada Revenue Agency to similar entities, it is the Cowessess Development Account's position that it does not have any taxable income.

11. Financial instruments

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

Fair value of financial instruments

The carrying amounts of due to Cowessess First Nation #73, due from Cowessess First Nation Flood Claim Trust Account, accounts payable and accruals, and current portion of per capita distributions payable approximate their fair values due to their short-term nature. The fair value of long-term per capita distributions payable is estimated to be \$423,000. A 1% change in the discount rate could increase or decrease fair value by \$45,000.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. Changes in market interest rates may have an effect on the cash flows 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. Management has attempted to minimize risk by maintaining assets in cash until an investment policy has been developed. The Development Account is also exposed to interest rate risk of the Trust assets as the annual income received is dependent on the returns of the Trust assets. The trustee and investment managers of the trust manage this risk by selecting investments with a variety of rates and maturity dates.

Risk management

The Development Account manages risk by following the guidelines set out by the Trust Agreement.

COWESSESS FIRST NATION FLOOD CLAIM TRUST ANNUAL INCOME FOR 2017

Calculation A:	<u>Income Received</u>		<u>2017</u>
	Interest and Dividend Income	\$	297,160.55
	taxable portion of realized capital gain (50% of \$762,113.83)	\$	381,056.92
	taxable portion of realized capital gain distributions (50% of \$93,846.79)		<u>\$46,923.40</u>
	Total Income Received	\$	725,140.87
	<u>Less Authorized Expenses:</u>		
	Royal Trust - Trustee, Custody and income tax preparation fees	\$	40,920.56
	Phillip Hager & North - Investment Management Fees	\$	<u>49,776.00</u>
	Total Authorized Expenses	\$	90,696.56
	Annual Income for 2017	\$	634,444.31

Calculation B: 4% of the average market value of the Trust Property less undistributed income and the taxable portion of any net capital gains realized during the Fiscal Year, on December 31st for the previous three Fiscal years

	2014	\$10,683,859.00 less \$435,020.00	\$10,248,839.00
	2015	\$10,780,663.00 less \$385,175.00	\$10,395,488.00
	2016	\$10,954,907.00 less \$316,273.00	<u>\$10,638,634.00</u>
	Average Market Value for previous three years		\$10,427,654.00
	4% of Average Market Value for previous three years		\$417,106.16
	Less Authorized Expenses		<u>(\$90,696.56)</u>
			<u>\$326,409.60</u>

Annual Income means the greater of calculation A or B:

Annual Income for 2017	\$634,444.31
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