

Mohawk Council of Kahnawake
Consolidated Financial Statements
March 31, 2013

Mohawk Council of Kahnawake

Contents

For the year ended March 31, 2013

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Management's Responsibility

To the Community Members and Chief and Council of Mohawk Council of Kahnawake:

The accompanying consolidated financial statements of Mohawk Council of Kahnawake are the responsibility of management and have been approved by Chief and Council.


Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of MCK's external auditors.

MNP SENCRL, srl is appointed by Chief and Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Council and management to discuss their audit findings.

June 24, 2013



Director of Finance



Executive Director

Independent Auditors' Report

To the Community Members and Chief and Council of Mohawk Council of Kahnawake:

We have audited the accompanying consolidated financial statements of Mohawk Council of Kahnawake which comprise the consolidated statement of financial position as at March 31, 2013, and the consolidated statements of operations and accumulated surplus, change in net 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mohawk Council of Kahnawake as at March 31, 2013 and the results of its operations, change in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Montréal, Québec

June 24, 2013

MNP SENCRL, S.F.L.

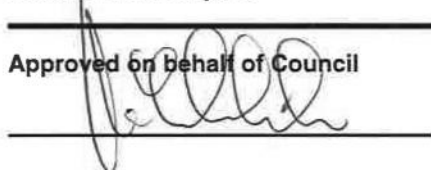
¹ CPA auditor, CA permit no. A103961

Mohawk Council of Kahnawake
Consolidated Statement of Financial Position

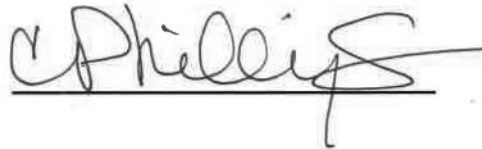
As at March 31, 2013

	2013	2012
Financial assets		
Cash resources (Note 3)	9,118,817	7,197,122
Term deposits (Note 4)	35,092,799	31,678,794
Accounts receivable (Note 5)	9,659,453	11,920,418
Advances to related organization	57,931	-
Portfolio investments (Note 6)	12,606	12,606
Loans receivable (Note 7)	15,096,993	15,149,282
Mortgage loans receivable (Note 8)	14,183,610	14,982,727
Housing initiative loans receivable (Note 8)	501,393	490,777
Total financial assets	83,723,602	81,431,726
Liabilities		
Accounts payable and accruals	8,361,295	7,706,542
Deferred revenue (Note 9)	3,873,486	3,373,956
Advances from related organization	231	10,035
Amounts held in trust	222,352	204,342
Long-term debt (Note 11)	2,610,109	2,942,608
Capital lease obligations (Note 12)	165,361	215,520
Total liabilities	15,232,834	14,453,003
Net financial assets	68,490,768	66,978,723
Contingencies		
Non-financial assets		
Tangible capital assets (Note 14)	77,627,349	77,111,060
Prepaid expenses	901,447	768,950
Deferred costs (Note 15)	590,404	590,404
Total non-financial assets	79,119,200	78,470,414
Accumulated surplus	147,609,968	145,449,137

Approved on behalf of Council



Grand Chief



Chief, FAO
Chairperson

The accompanying notes are an integral part of these financial statements

Mohawk Council of Kahnawake

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2013

	2013	2012
Revenue		
Government funding		
Aboriginal Affairs and Northern Development Canada		
Block funding	33,241,992	32,946,703
Set funding	4,877,897	4,942,048
Fixed funding	3,157,122	3,171,868
Health Canada	8,323,273	8,109,068
Additional government funding	3,930,675	2,925,257
Canada Mortgage and Housing Corporation	31,825	63,903
	53,562,784	52,158,847
Investment income	3,599,179	4,436,332
Interest income	1,371,704	1,366,726
Province of Québec	5,980,581	4,545,156
FNEC	1,494,822	2,035,876
FNHRDCQ	1,532,910	1,656,072
Other community income	10,948,106	11,791,458
Consulting revenue	347,753	63,332
Commercial and residential leasing	10,853	10,143
Deferred revenue - current year <i>(Note 9)</i>	(3,873,486)	(3,373,956)
Deferred revenue - prior year <i>(Note 9)</i>	3,373,956	4,160,528
	78,349,162	78,850,514
Expenses		
Lands, revenues and trusts	66,374	68,368
Education	14,130,273	13,981,461
Indian government support	1,662,907	2,342,896
Social development	15,082,878	14,886,342
Economic development	6,921,628	5,437,605
Community capital facilities & housing	986,924	1,122,342
Government negotiations	143,839	95,447
Amortization	4,990,843	4,515,286
Other	32,044,077	31,295,440
	76,029,743	73,745,187
Total expenses <i>(Schedule 1)</i>		
	2,319,419	5,105,327
Surplus before other items		
Other income (expense)		
Allocation to Kahnawake Youth Center	(150,000)	(150,000)
Allocation to Kateri Memorial Hospital	(42,356)	(5,991)
Deferred Expenses	(18,926)	(43,679)
Foreign Exchange	306,174	235,407
Loss on disposal of capital assets	(62,080)	-
Reimbursement of prior years' deficit	381,607	390,044
Repayment of government funding	(579,571)	(215,173)
	(165,152)	210,608

The accompanying notes are an integral part of these financial statements

Mohawk Council of Kahnawake
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2013

	<i>Schedules</i>	<i>2013</i>	<i>2012</i>
Surplus		2,154,267	5,315,935
Accumulated surplus, beginning of year		145,449,137	140,124,363
Allocation to replacement reserve		6,564	8,839
Accumulated surplus, end of year		147,609,968	145,449,137

The accompanying notes are an integral part of these financial statements

Mohawk Council of Kahnawake Consolidated Statement of Change in Net Assets

For the year ended March 31, 2013

	2013	2012
Annual surplus	2,154,267	5,315,935
Purchases of tangible capital assets	(5,533,241)	(5,634,409)
Acquisition of tangible capital assets through capital leases	(35,970)	(71,303)
Amortization of tangible capital assets	4,990,843	4,515,286
Loss on sale of tangible capital assets	62,080	-
Acquisition of deferred development costs	-	(73,847)
Allocation to replacement reserve	6,564	8,839
	(509,724)	(1,255,434)
Acquisition of prepaid expenses	(901,497)	(768,351)
Use of prepaid expenses	768,999	834,934
	(132,498)	66,583
Increase in net assets	1,512,045	4,127,084
Net assets, beginning of year	66,978,723	62,851,639
Net assets, end of year	68,490,768	66,978,723

The accompanying notes are an integral part of these financial statements

Mohawk Council of Kahnawake Consolidated Statement of Cash Flows

For the year ended March 31, 2013

	2013	2012
Cash provided by (used for) the following activities		
Operating activities		
Cash receipts from contributors	76,790,188	73,978,031
Cash paid to suppliers	(35,975,904)	(36,518,137)
Cash paid to employees	(35,104,419)	(34,042,420)
Interest income	1,371,704	1,366,726
Dividend income	3,599,179	4,436,332
Interest on long-term debt	(180,757)	(227,942)
	10,499,991	8,992,590
Financing activities		
Change in amounts held in trust	18,010	23,542
Repayment of long-term debt	(332,499)	(714,914)
Repayment of capital lease obligations	(86,127)	(107,969)
Advances from related Organizations	-	11,065
Repayment of Advances from related organizations	(13,293)	-
Deferred development costs	-	(73,847)
	(413,909)	(862,123)
Capital activities		
Purchases of tangible capital assets	(5,533,241)	(5,634,409)
Investing activities		
Purchase of temporary investments	(27,882,155)	(25,856,405)
Proceeds on disposal of temporary investments	24,468,150	23,230,232
New mortgages advanced in year	(75,000)	-
Principal repayments on mortgages receivable	874,117	901,679
New housing initiative loans granted	(139,104)	(173,358)
Principal repayments on housing initiative loans	128,488	129,902
Decrease in other loans receivable	52,289	41,185
Advances to related organizations	(57,931)	-
Repayment of Advances to related organizations	-	1,001
	(2,631,146)	(1,725,764)
Increase in cash resources	1,921,695	770,294
Cash resources, beginning of year	7,197,122	6,426,828
Cash resources, end of year	9,118,817	7,197,122

The accompanying notes are an integral part of these financial statements

Mohawk Council of Kahnawake
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

1. Operations

Mohawk Council of Kahnawake ("MCK") is located in the province of Quebec and provides various services to its community members. Mohawk Council of Kahnawake includes the government and all related entities that are accountable to MCK and are either owned or controlled by MCK.

2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the MCK reporting entity. Trusts administered on behalf of third parties by Mohawk Council of Kahnawake are excluded from the reporting entity.

MCK has consolidated the assets, liabilities, revenue and expenses of the following entities:

- Mohawk Council of Kahnawake
- Kahnawake Shakotiaa'takehnhas Community Services
- Tewatohnhi'saktha
- Kahnawake Education Center
- Kanien'kehaka Onkwawen:na Raotitiohkwa
- Kahnawake Fire Brigade
- Mohawk Council of Kahnawake Multi-Dwelling Project
- Kahnawake Service Complex

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Asset classification

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

Net financial assets

MCK's financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of MCK are determined by its financial assets less its liabilities. Net financial assets are comprised of two components, non-financial assets and accumulated surplus (deficit).

Mohawk Council of Kahnawake
Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

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

Segments

MCK conducts its business through four reportable segments: Government Operations, Education, Health and Social Services and Economic Development. These operating segments are established by senior management to facilitate the achievement of MCK's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the *Significant accounting policies*.

Measurement uncertainty

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable, loans receivable, mortgage loans receivable and housing initiative loans receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

Revenue recognition

Government Transfers

MCK recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, MCK recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Externally restricted revenue

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

Funds held in Ottawa Trust Fund

Due to measurement uncertainty, revenue related to the receipt of funds held in the Ottawa Trust Fund is recognized when it is received.

Investment Income

Interest is recognized on the accrual basis as it is earned. Dividends are recognized when declared.

Rental Income

Rental income is recognized on a straight line basis over the term of the lease.

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the statement of financial position date. Translation gains and losses are included in current year surplus.

Mohawk Council of Kahnawake
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

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

Cash and cash equivalents

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

Temporary investments

Temporary investments are valued at the lower of cost and market value.

Loans receivable

Loans are recorded at principal amounts, less any allowance for anticipated losses, plus accrued interest. Interest revenue is recorded on the accrual basis.

Allowance for loan impairment

The MCK maintains an allowance for loan impairment that reduces the carrying value of loans to their estimated realizable amount. The allowance is increased by a charge for loan impairment which is charged to income and reduced by write-offs, net of recoveries.

Portfolio investments

Long-term investments in entities that are not owned, controlled or influenced by MCK are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

Loan guarantees

MCK records a provision for losses on loan guarantees when it determines that a loss is likely.

The provision is determined based on the current circumstances of the individual borrowers; based on historical experience; based on current economic conditions facing the individual borrower; and is reviewed on an ongoing basis as new events occur, as more experience is acquired, or as additional information is obtained. Any changes in the provision is charged or credited to expenses. A provision for loss on a loan guarantee is removed from the statement of financial position when the guaranteed loan has been discharged or the term of the loan guarantee has expired.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records.

Capital lease

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at the present value of the minimum lease payments. Assets under capital leases are amortized on the straight-line basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Mohawk Council of Kahnawake
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

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

Amortization

Social housing assets acquired under Canada Mortgage and Housing Corporation ("CMHC") sponsored programs are amortized over their estimated useful lives at a rate equivalent to the annual principal reduction in the related long-term debt. Amortization for other tangible capital assets is provided using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	Method	Rates and years
Land improvements	straight-line	5 years
Buildings	declining balance	4 %
Housing	declining balance	4%
Furniture and fixtures	straight-line	5 years
Equipment	straight-line	5 years
Engineering works and infrastructure	declining balance	5%
Water treatment plant	declining balance	5 %
Computer hardware and software	straight-line	3 years
School buses	straight-line	10 years
Vehicles	straight-line	5 years
Parking lot	declining balance	5 %
Firefighting equipment	straight-line	5 years

Capital lease obligations

Long term financing received to fund tangible capital asset purchases is recognized in the period the financing is acquired and recorded as an increase in long-term debt.

Repayments of long term financing are recognized as a decrease in long-term debt.

Long-lived assets

Long lived assets consist of tangible capital assets, mortgage loans receivable and housing initiative loans receivable. Long lived assets held for use are measured and amortized as described in the applicable accounting policies.

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

Employee future benefits

MCK's employee future benefit programs consist of a defined benefit plan.

The estimated future cost of providing defined benefit pension is actuarially determined using the projected benefits method pro-rated on service, as future salary levels affect the amount of employee future benefits. The attribution period for such cost begins one year after the date of hire of the employee to the date the employee becomes fully eligible to receive the benefits. MCK determines its discount rates by reference to its plan asset earnings.

The expected return on plan assets is determined by applying the assumed rate of return on plan assets to the average market-related value of assets for the period. Actuarial gains and losses are amortized [on a straight-line basis over the average remaining service life of the related employee group/describe other systematic method]. Prior period employee service costs resulting from plan amendments are expensed in the period of the plan amendment.

MCK contributions to the defined contribution plan are expensed as incurred.

Mohawk Council of Kahnawake
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

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

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of MCK by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Recent accounting pronouncements

Financial instruments

In June 2011, the Public Sector Accounting Board (PSAB) issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2012. Earlier adoption is permitted.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. MCK has not yet determined the effect of these new standards on its consolidated financial statements.

3. Cash resources

	2013	2012
Cash on hand and balances with banks	5,765,873	4,299,830
Held in trust for community members	222,352	204,342
Internally restricted	3,041,233	2,610,792
CMHC replacement reserve	78,235	71,671
Ottawa trust funds	11,124	10,487
	9,118,817	7,197,122

4. Term deposits

Term deposits consist of various Canadian and U.S. dollar term deposits. Canadian term deposits bear interest at rates ranging from 0.65% and 1.40% and mature between April 2013 and January 2016. U.S. denominated term deposits included in term deposits amount to \$nil (2012 - \$7,016,000). Term deposits have been internally restricted.

5. Accounts receivable

	2013	2012
Aboriginal Affairs and Northern Development Canada	1,890,572	913,034
First Nations Education Council	296,555	337,560
Tickets and fines	158,435	218,970
Dividends receivable	3,456,270	4,422,128
Rent receivable	114,563	81,867
Taxes receivable	230,061	184,963
Other accounts receivable	3,512,997	5,761,896
	9,659,453	11,920,418

Mohawk Council of Kahnawake
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

6. Portfolio investments

MCK has investments in the following entities:

	2013	2012
Investment in Regional Economic Investment Fund (REIF) - First Nations L.P.	12,500	12,500
Investment in issued ordinary shares of Onkwawista Holdings Limited	106	106
	12,606	12,606

MCK has signed a commitment to invest an aggregate sum of \$50,000 in the REIF project which participates in the growth of Quebec First Nations controlled businesses.

MCK has a 100% investment in the issued ordinary shares of Onkwawista Holdings Limited (OHL), an investment holding company. This investment is being carried at cost, being \$106. OHL has a 100% interest in Onkwawista Limited (OL), whose primary asset is a 40% interest in an operating company, Continent 8 Technologies, Plc. (Continent 8). OHL, OL and Continent 8 are incorporated under the provisions of the Isle of Man Companies Act. MCK does not exercise effective control nor is it able to exert significant influence with respect to its 40% investment in Continent 8, a portfolio investment company, without the cooperation of the majority shareholders. During the year, MCK recorded a dividend receivable and income of US\$3,400,000 (2012 - US\$4,400,000).

MCK also has an investment in Mohawk Internet Technologies (MIT), a band empowered entity. This investment is carried at cost, being nil, since MCK does not exercise effective control over MIT's assets, liabilities and surplus without the cooperation of the other significant stakeholders.

7. Loans receivable

Loans receivable consist of the following:

	Principal	Allowance	2013 Net recoverable value	2012 Net recoverable value
Loan receivable - Onkwawista, non-interest bearing, unsecured with no specific terms of repayment	14,559,888	-	14,559,888	14,559,888
Loans receivable - Business Loan Fund	445,045	4,626	440,419	478,435
Loans receivable - Youth Business Fund	60,503	22,360	38,143	55,703
Loans receivable - Employees, non-interest bearing, due October 2017	58,543	-	58,543	55,256
	15,123,979	26,986	15,096,993	15,149,282

The primary purpose of the Business Loan Fund (BLF) and the Youth Business Fund (YBF) loans are to help the youth and community of Kahnawake to establish viable businesses. The general terms and conditions differ from conventional loan agreements. Amortization periods range from one to fifteen years depending on the size of the loan. Interest is charged at annual fixed rates of 7% (YBF) and prime plus 4% (BLF) compounded monthly. In addition, Youth Business Fund borrowers have the option of paying interest only during the first year of the loan and the corporation will forgive 25% of the loan once 75% of the loan is reimbursed and the borrower has met all the terms of the loan agreement.

Recovery of youth loans is dependent upon the success of the related borrowers' businesses as the youth loans require no equity or personal guarantees.

Mohawk Council of Kahnawake
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

8. Mortgage loans receivable and housing initiative loans receivable

Mortgage loans receivable represent funds advanced for the construction of homes for community residents and are secured by the related properties. Initial terms of these mortgages vary, up to a maximum term of approximately thirty years. These mortgages are repayable in monthly instalments and bear interest at 6% per annum.

Housing initiative loans receivable are unsecured loans which are repayable in monthly principal and interest instalments and bear interest at 6% per annum. The loans are generally granted with terms of approximately five years.

9. Deferred revenue

Deferred revenue per operational segment is comprised as follows:

	2013	2012
Education	-	25,856
Social development	379,574	370,608
Economic development	571,907	-
Community capital facilities & housing	100,000	-
Other	2,822,005	2,977,492
	3,873,486	3,373,956

10. Credit facilities

Mohawk Council of Kahnawake has available and unused credit facilities totaling \$720,000 which are renewable annually and bear interest at rates ranging from prime to prime plus 3%. The credit facilities are unsecured.

11. Long-term debt

	2013	2012
6.85% loan payable, due July 2014, repayable in blended monthly instalments of \$20,136, secured by a trust agreement in the lender's favour on the Business Complex having a net book value of \$4,171,145	1,911,503	2,020,060
3.95% loan payable (2012 - 4.25%), due October 2013, repayable in blended monthly instalments of \$16,186, secured by a trust agreement in the lender's favour on the Office Complex having a net book value of \$4,888,037	633,859	800,862
CMHC File #11-052-099¶ Bank loan, interest bearing at 4.7% with the Caisse Populaire Kahnawake, repayable in monthly principal and interest payments of \$5,116, maturing in April 2014 based upon an initial amortization period of 25 years, guaranteed by AANDC	64,747	121,686
	2,610,109	2,942,608

The Multi-Dwelling project loan, guaranteed by Aboriginal Affairs and Northern Development Canada (AANDC), was for the construction of an On-Reserve Non-Profit Housing unit having eighteen apartments. The unit is located on the Mohawk territory of Kahnawake, Reserve Lot 44, Block C.

Principal repayments on long-term debt in each of the next five years, assuming all term debt is subject to contractual terms of repayment, are estimated as follows:

	Total
2014	804,744
2015	1,802,365

Mohawk Council of Kahnawake
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

12. Capital lease obligations

	2013	2012
Obligation under capital lease relating to computer hardware and software, repayable in equal monthly instalments of \$2,885 including interest at 9.21%, due March 2014, secured by the related assets having a net book value of \$Nil	34,215	63,070
Obligation under capital lease relating to heavy equipment, repayable in equal monthly instalments of \$4,433 including interest at 6.73%, fully repaid as of March 31, 2013	-	21,800
Obligations under capital lease relating to vehicles, repayable in equal monthly aggregate instalments of \$4,129 (2012 - \$3,467) including interest at rates ranging from 4.39% to 7.49%, maturing from May 2014 to January 2018, secured by the related assets having a net book value of \$132,995 (2012 - \$135,170)	131,146	130,650
	165,361	215,520

Minimum lease payments related to obligations under capital lease are as follows:

2014	84,169
2015	42,894
2016	34,196
2017	10,061
2018	6,620
	177,940
Less: imputed interest	12,579
	165,361

13. Contingent liabilities

- (A) MCK has entered into contribution agreements with various government departments. Funding received under these contribution agreements is subject to repayment if the organization fails to comply with the terms and conditions of the agreements.
- (B) Mohawk Council of Kahnawake has been named as a defendant in several lawsuits as part of its ongoing operations. Details of the most significant cases are as follows:
- i) An action was filed in Federal Court claiming \$150,000 in damages. The action alleges that the plaintiff's land was erroneously transferred causing moral and exemplary damages to the plaintiff. The case is scheduled for trial in October 2013. The liability, if any, cannot be estimated at this time.
 - ii) A class action lawsuit was filed in Ontario Court on December 15, 2011, against numerous defendants including Mohawk Council of Kahnawake. The relief claimed is a sum unknown but estimated at approximately \$60,000,000. Mohawk Council of Kahnawake's legal counsel cannot determine the outcome at this time due to the complexity of the case. Mohawk Council of Kahnawake insurers confirmed they will provide coverage up to the maximum allotted amount.
 - iii) Various other legal matters are pending or are before the courts or other regulatory bodies. Damages in certain cases have either not been filed as yet or are not requested or cannot be awarded. Council is unable to accurately estimate the outcome of these actions. No provision has been recorded in the accounts. Any settlement resulting from these claims will be recorded as an expense in the year in which the settlement occurs.

Mohawk Council of Kahnawake

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

13. Contingent liabilities (Continued from previous page)

- (C) Mohawk Council of Kahnawake guarantees loans made to Kahnawake residents by Canada Mortgage and Housing Corporation for renovations. As at March 31, 2013, such loans are not significant. Mohawk Council of Kahnawake acted as co-signer on loans to residents from various lending institutions for an aggregate amount of \$8,423,333 (2012 - \$8,065,437) for purchases of houses. Mohawk Council of Kahnawake has also guaranteed loans from a financial institution in the amount of \$64,750 (2012 - \$121,687) with respect to the Multi-Dwelling residences. In addition, Mohawk Council of Kahnawake guarantees loans from a financial institution to residents as part of the On-reserve Loan Guarantee program in the amount of \$441,393 (2012 - \$465,357).
- (D) Mohawk Council of Kahnawake has incurred certain financial obligations with respect to the research, development and negotiation of its specific claim relating to the Seigneurie of Sault St. Louis Claim (program 1917). AANDC has agreed to provide Mohawk Council of Kahnawake with an interim loan to assist in meeting these obligations. AANDC has previously loaned an amount of \$3,798,041 (2012 - \$3,720,097) for this claim. For the 2013 fiscal year, AANDC agreed to loan an additional amount of \$469,720 (2012 - \$77,944). Any excess of the advance over eligible expenses must be repaid. The advance is secured by a promissory note which is payable on the earlier of March 31, 2016 or the date on which the claim is settled.
- (E) Tewatohni'saktha Business Loan Fund has guaranteed the Caisse Populaire Kahnawake for a portion of the approved bank borrowings to a maximum of \$284,287 for native entrepreneurs under the loan guarantee program. As at March 31, 2013, the total guaranteed indebtedness amounted to \$202,322 (2012 - \$206,900).
- (F) MCK has entered into an agreement with a service provider with respect to its related Organization Kahnawake Sustainable Energies Inc. The agreement calls for a commitment to pay \$2,976,000 for specific services (of which \$804,000 had been paid prior to the year-end). The payments are based on achieving certain milestones and providing specific services. In addition, there is a further commitment to pay a break-up fee of \$500,000 to the service provider in the event that certain specific circumstances occur.
- (G) MCK has also entered into an agreement with another contractor/supplier for a commitment to pay CND\$22,761,000 and 16,245,150 euros to construct a wind-farm facility on behalf of Kahnawake Sustainable Energies Inc. The commitment is conditional upon signature of a purchase contract which is presently subject to negotiation and other approvals.
- (H) MCK has also entered into agreements with a distributor of wind energy as follows:
- \$150,000 to secure a commitment to produce a feasibility study report on the grid interconnection;
 - \$240,000 to secure a commitment to begin delivery of contractual energy;
 - Letters of credit in the amount of \$390,000 have been provided to secure these obligations;
 - The organization is further committed to pay \$200,000 in consultation fees for social feasibility studies.

Mohawk Council of Kahnawake

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

14. Tangible capital assets

	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Accumulated amortization</i>	<i>2013 Net book value</i>
Land and land improvements	1,506,355	-	-	55,756	1,450,599
Buildings	57,047,104	204,539	-	20,741,257	36,510,386
Housing	864,900	-	-	730,032	134,868
Furniture and fixtures	515,538	4,636	23,134	435,141	61,899
Equipment	1,908,736	139,916	155,200	1,339,922	553,530
Engineering works and infrastructure	28,744,603	3,638,613	-	7,905,740	24,477,476
Water treatment plant	10,651,781	449,159	-	435,054	10,665,886
Computer hardware and software	1,153,560	304,711	42,550	616,829	798,892
School buses	1,226,545	468,000	-	587,065	1,107,480
Vehicles	1,866,621	359,638	-	1,477,654	748,605
Parking lot	31,221	-	-	13,209	18,012
Firefighting equipment	1,619,321	-	-	519,605	1,099,716
	107,136,285	5,569,212	220,884	34,857,264	77,627,349

	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Accumulated amortization</i>	<i>2012 Net book value</i>
Land and land improvements	1,257,110	249,245	-	24,720	1,481,635
Buildings	57,654,818	228,064	835,777	18,469,389	38,577,716
Housing	29,123	835,777	-	724,411	140,489
Furniture and fixtures	497,160	44,796	26,418	393,294	122,244
Equipment	2,039,812	39,441	217,825	1,196,959	664,469
Engineering works and infrastructure	26,589,124	2,175,629	20,150	6,635,949	22,108,654
Water treatment plant	8,519,715	2,132,066	-	-	10,651,781
Computer hardware and software	1,237,891	114,653	198,983	513,932	639,629
School buses	1,704,348	459,597	937,400	437,611	788,934
Vehicles	2,022,424	247,159	402,960	1,184,024	682,599
Parking lot	31,221	-	-	12,261	18,960
Firefighting equipment	1,651,564	15,062	-	432,676	1,233,950
	103,234,310	6,541,489	2,639,513	30,025,226	77,111,060

Tangible capital assets include assets under capital lease with a gross cost of \$395,144 (2012 - \$514,376), and accumulated amortization of \$262,149 (2012 - \$301,606).

Land and land improvements includes land with a carrying value of \$1,382,757 (2012 - \$1,382,757). No amortization of this asset has been recorded.

15. Deferred costs

Deferred costs relate to payments made on a wind energy project.

Mohawk Council of Kahnawake

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

16. Replacement reserve

Under agreements with Canada Mortgage and Housing Corporation (CMHC), MCK has established the following:

- A replacement reserve, established by an annual allocation of \$6,480, to ensure replacement of buildings financed by CMHC. At March 31, 2013, \$78,235 has been set aside to fund this reserve.

In accordance with terms of the agreements, CMHC reserve moneys must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal.

17. Related party transactions

During the year, MCK entered into transactions with related Organizations. These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Transactions and balances with related parties are summarized as follows:

	2013	2012
Accounts receivable	57,665	-
Accounts payable	-	(10,035)
Allocation to Kahnawake Youth Centre	150,000	150,000

18. Defined benefit and contribution plan

Mohawk Council of Kahnawake maintains a contributory defined benefit pension plan covering the employees of Mohawk Council of Kahnawake and other band empowered entities. According to the most recent actuarial valuation of the plan dated March 31, 2012, the plan had a funding surplus of \$24,519,000 (2012 - \$16,068,100) and a solvency deficiency of \$8,501,000 (2012 - \$4,914,200). The Pension Benefits Standards Act requires that Council fund the benefits determined under the plan. The determination of the value of these benefits was made on the basis of an actuarial valuation on March 31, 2012.

Other accounts receivable includes an amount of \$439,915 (2012 - \$538,865), net of a provision of \$439,915 (2012 - \$406,511) due from MCK Pension Plan. This comprises administrative expenses paid by Mohawk Council of Kahnawake on behalf of the Plan for current and prior years. Expenses for the current year are \$33,404 (2012 - \$207,322) and these amounts are charged at cost.

Pension plan contingency

Based on an actuarial report as at March 31, 2011, the actuary has provided the following information:

The amended Pension Benefits Standards Regulations, 1985 which became effective on July 1, 2011, has a transition rule allowing the Plan to use the solvency ratio at the valuation date as being the solvency ratio as at March 31, 2009 in order to determine the average solvency ratio over the last three Plan year ends. The minimum special payments required to be made by the employer to the Plan, over and above its required contributions with respect to current service cost, are as follows:

- i) \$141,683 at the end of each month retroactively to the month commencing on January 1, 2012 (net of any special payment already made for months ending after that date in accordance with the previous valuation) for a period of five years to amortize the adjusted solvency deficiency of \$8.5 million (2012 - \$4.9 million) existing on this valuation date;
- ii) Commencing on June 15, 2011, 5% of all transfer values paid to terminated members electing to transfer out of the Plan, the commuted value of their pension benefit credits in accordance with the portability provisions of the Plan, excluding terminated members with certain transfer values.

Mohawk Council of Kahnawake

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

18. Defined benefit and contribution plan *(Continued from previous page)*

The above schedule of employer solvency special payments must be maintained until the next actuarial valuation report is filed with the Office of the Superintendent of Financial Institutions, Canada, which requires that the next actuarial valuation report must be effective as at March 31, 2013 and must be filed by September 30, 2013.

Under the Pension Benefits Standards Act, a sponsor is permitted to use a letter of credit to reduce any solvency special payments otherwise required to be paid under the Act. With respect to the solvency special payments described above, Mohawk Council of Kahnawake entered into a letter of credit trust agreements with RBC Dexia Investor Services Trust. Mohawk Council of Kahnawake provided the Trust with two letters of credit for \$2,022,759 (2012 - \$573,321) issued by the Caisse Centrale Desjardins. The letters of credit expire on September 30, 2013 and March 31, 2014.

19. Segmented information

	<i>Government Operations</i>	<i>Education</i>	<i>Health and Social Services</i>	<i>Economic Development</i>	<i>Consolidated Total</i>
Revenues					
Government revenue	20,062,381	11,120,009	20,062,462	2,338,414	53,583,266
All other revenue	15,028,725	2,875,872	1,792,976	5,068,323	24,765,896
Total revenues	35,091,106	13,995,881	21,855,438	7,406,737	78,349,162
Expenses					
Salaries and other employee benefits	(20,313,472)	(7,761,358)	(7,824,343)	(2,647,921)	(38,547,094)
Amortization	(2,747,553)	(1,539,266)	(216,200)	(487,824)	(4,990,843)
Social assistance	-	-	(5,705,419)	-	(5,705,419)
Professional fees	(1,502,190)	(317,481)	(200,961)	(979,263)	(2,999,895)
Tuition and allowances	-	(3,571,934)	-	-	(3,571,934)
Foster and institutional care	-	-	(2,376,639)	-	(2,376,639)
All other expenses	(9,556,280)	(940,234)	(4,715,814)	(2,790,743)	(18,003,071)
Total Expenses	(34,119,495)	(14,130,273)	(21,039,376)	(6,905,751)	(76,194,895)
Total Surplus	971,611	(134,392)	816,062	500,986	2,154,267

20. Economic dependence

Mohawk Council of Kahnawake receives a significant portion 68% (2012 - 66%) of its revenue from Aboriginal Affairs and Northern Development Canada (AANDC) and other agencies of the Government of Canada. The ability of Mohawk Council of Kahnawake to continue operations is dependent upon the Government of Canada's continued financial commitments.

21. Compliance with authorities

Under the terms of the Health Canada funding agreement, one of MCK's controlled organizations is required to comply with certain regulatory requirements. As at March 31, 2013, the Organization was in compliance with all the requirements of the funding agreement.

Mohawk Council of Kahnawake

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

22. Budget information

Canadian public sector accounting (PSA) standards require the disclosure of budget information for comparison to the MCK's actual revenue and expenses. The consolidated budgeted revenue and expenses, and surplus have not been reported in these financial statements. While having no effect on reported revenue, expenses, and surplus, omission of this information is considered a departure from PSA standards.

23. Comparative figures

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

Mohawk Council of Kahnawake
Schedule 1 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2013

2013 2012

Consolidated expenses by object

Acquisitions	214,716	245,743
Administration	1,085,772	996,933
Advertising and promotion	438,354	426,320
Allocation	6,564	8,839
Allowances	1,025,248	1,138,862
Amortization	4,990,843	4,515,286
Bad debts	272,266	130,821
Bailiffs and justice of the peace services	38,809	33,942
Bank charges and interest	159,480	148,419
Board travel, training and honoraria	20,086	10,706
Chemicals	67,594	86,758
Child care	94,460	112,564
Community donations	12,095	18,352
Community events	12,852	8,213
Consulting	1,022,066	619,795
Contracted services	1,579,705	1,755,502
Dependant care	33,288	31,163
Fire prevention	2,207	3,162
Food and beverage	191,626	173,618
Foster care expenses	656,001	658,650
Furniture and equipment	56,720	75,576
Grants	66,000	-
Group home costs	140,774	87,935
Health management	110,731	-
Honorarium	66,804	58,084
Institutional Care	1,579,864	1,267,089
Insurance	255,166	178,945
Inter-departmental expenses	1,578,932	1,152,255
Interest on long-term debt	180,757	227,942
Laboratory costs	51,632	36,189
Living allowance	657,544	571,261
Materials	867,825	836,205
Medical supplies and prescriptions	354,901	562,991
Meeting	96,083	135,603
Miscellaneous	552,399	564,295
Non-professional services	26,527	5,567
Nursing and health services	1,158,924	1,114,645
Office equipment lease	579,484	533,689
Office expenses	585,613	495,693
Operational costs	10,487	10,392
Pension	3,442,675	3,716,582
Physician recruitment and retention	170,000	170,000
Placement costs	86,040	85,196
Professional fees	2,999,895	3,099,951
Program education	109,518	85,511
Program expense	2,129,730	2,055,412
Purchase of investments	559,847	323,952
Recovery of overhead allocations	(3,486,714)	(3,098,406)
Registration	10,517	8,016
Rent	165,927	335,434
Repairs and maintenance	1,159,694	1,062,910
Salaries and benefits	35,104,419	34,042,420
School transport and noon supervision	15,508	-
Septic waste hauling	18,447	15,564
Social assistance	5,705,419	5,164,378
Solvency special contribution	29,275	819,030
Sports and cultural activities	29,092	17,670

Mohawk Council of Kahnawake
Schedule 1 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2013

	<i>2013</i>	<i>2012</i>
Stop loss	66,943	44,920
Supplies	170,722	365,015
Support staff	51,590	65,898
Telephone	274,687	243,465
Training	728,748	665,828
Translation	21,874	8,678
Transportation	41,782	49,879
Travel	627,211	561,393
Tuition costs	2,546,686	2,503,010
Uniforms	45,960	65,430
Utilities	1,232,306	1,169,186
Vehicle	886,685	947,010
Wells and water filters	184,061	113,851
	76,029,743	73,745,187