

Siksika Nation
Consolidated Financial Statements
For the year ended March 31, 2017

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Siksika Nation (the "Nation") are the responsibility of management and have been approved by Chief and Council.

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board. Management is responsible 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.

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

The external auditors, BDO Canada LLP, conduct an audit, in accordance with Canadian generally accepted auditing standards, and express an opinion on the consolidated financial statements. The external auditors have access to financial management of the Nation and meet when required.

On behalf of Siksika Nation:

"signed" Ruben Breaker

Councillor

"signed" Carlin Black Rabbit

Councillor



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Independent Auditor's Report

To the Members of Siksika Nation

We have audited the accompanying consolidated financial statements of Siksika Nation, which comprise the consolidated statement of financial position as at March 31, 2017 and the consolidated statements of operations, 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, these consolidated financial statements present fairly, in all material respects, the financial position of Siksika Nation as at March 31, 2017 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

Calgary, Alberta
July 31, 2017

Siksika Nation
Consolidated Statement of Financial Position

| March 31 | 2017 | 2016 |
|--|-----------------------|-----------------------|
| Financial assets | | |
| Cash and cash equivalents | \$ 29,734,546 | \$ 31,122,141 |
| Restricted cash (Note 3) | 2,992,262 | 3,264,439 |
| Temporary investments (Note 4) | 1,118,377 | 1,962,151 |
| Accounts receivable (Note 5) | 13,319,199 | 11,491,993 |
| Loans receivable (Note 6) | 38,183,791 | 9,624,000 |
| Inventory for resale | 140,858 | 140,858 |
| Band funds held in trust (Note 7) | 14,120,939 | 20,946,289 |
| Siksika Trust (Note 8) | 98,409,624 | 97,269,176 |
| Siksika Heritage Trust (Note 9) | 114,843,494 | 54,983,648 |
| Investment in Nation business entities (Note 10) | 8,475,309 | 9,848,540 |
| | <u>321,338,399</u> | <u>240,653,235</u> |
| Liabilities | | |
| Accounts payable and accruals (Note 12) | 9,390,355 | 9,554,173 |
| Deferred revenue (Note 11) | 13,125,249 | 6,683,133 |
| Replacement and operating reserves (Note 13) | 2,755,120 | 2,617,372 |
| Long-term debt (Note 14) | 34,499,168 | 38,125,108 |
| | <u>59,769,892</u> | <u>56,979,786</u> |
| Net financial assets | <u>261,568,507</u> | <u>183,673,449</u> |
| Non-financial assets | | |
| Tangible capital assets (Note 15) | 192,412,538 | 176,394,314 |
| Prepaid expenses | 589,821 | 547,736 |
| Inventory for consumption | 280,000 | 356,750 |
| Funds held in escrow | - | 2,000,000 |
| | <u>193,282,359</u> | <u>179,298,800</u> |
| Accumulated surplus (Note 16) | <u>\$ 454,850,866</u> | <u>\$ 362,972,249</u> |

Commitments (Note 17)
Contingent liabilities (Note 18)

Approved on behalf of Chief and Council:

"signed" Ruben Breaker

Councillor

"signed" Carlin Black Rabbit

Councillor

Siksika Nation

Consolidated Statement of Operations

| For the year ended March 31 | Budget 2017 | 2017 | 2016 |
|--|-----------------------|----------------------|----------------------|
| Revenue | | | |
| Indigenous and Northern Affairs Canada | \$ 43,763,911 | \$ 49,479,530 | \$ 49,854,687 |
| Band capital funds (Note 11) | 3,439,982 | 2,919,713 | 4,674,434 |
| Band revenue funds (Note 11) | 1,365,000 | 3,733,879 | 3,665,124 |
| First Nation Inuit Health Branch (Note 11) | 2,916,837 | 7,371,953 | 6,973,483 |
| Castle Mountain Settlement (Note 9) | - | 123,585,957 | - |
| Provincial asset contribution (Note 15) | - | - | 28,636,150 |
| Canada Mortgage and Housing Corporation | - | 1,521,479 | 1,200,580 |
| Community Futures Treaty Seven | 2,786,928 | 3,015,130 | 2,405,798 |
| Fee for service | - | 2,088,002 | 2,023,951 |
| First Nation Development Fund | 504,440 | 1,354,342 | 1,423,804 |
| Grants - provincial and federal (Note 20) | 47,435,064 | 23,477,503 | 23,725,304 |
| Interest income | 43,542 | 1,101,828 | 415,269 |
| Land taxes and land use fees | 1,919,083 | 1,280,809 | 2,491,546 |
| Other | 3,460,559 | 2,873,950 | 3,857,819 |
| Insurance proceeds | - | 93,988 | 3,146,951 |
| Rental income | 110,382 | 1,175,028 | 1,247,466 |
| Retail sales | 180,000 | 265,448 | 211,775 |
| Siksika Heritage Trust distribution (Note 9) | 884,434 | 4,376,987 | 2,151,548 |
| Siksika Trust distribution (Note 8) | 1,668,507 | 2,372,726 | 2,179,582 |
| | 110,478,669 | 232,088,252 | 140,285,271 |
| Expenses | | | |
| Administration | 289,254 | 1,703,475 | 1,815,848 |
| Education | 25,695,620 | 25,588,885 | 22,523,402 |
| Community support services | 1,430,341 | 1,925,002 | 1,813,201 |
| Economic development | - | 1,290,179 | 911,861 |
| Family services corporation | 32,428,279 | 24,782,855 | 24,987,967 |
| Health services | 5,807,002 | 14,188,382 | 13,308,056 |
| Housing society | 2,429,048 | 8,322,386 | 7,668,281 |
| Justice | 875,323 | 1,031,027 | 949,064 |
| Land management | 1,338,028 | 1,254,690 | 1,464,270 |
| Major projects | 5,325,992 | 5,243,684 | 5,520,099 |
| Membership | 613,592 | 30,547,428 | 1,650,437 |
| Public works | 5,250,064 | 5,328,122 | 5,669,923 |
| Treasury services | 34,860,603 | 9,904,033 | 10,242,189 |
| | 116,343,146 | 131,110,148 | 98,524,598 |
| Annual surplus (deficit) before other items | (5,864,477) | 100,978,104 | 41,760,673 |
| Loss from business enterprises (Note 10) | - | (3,373,231) | (3,708,614) |
| Gain on derecognition of replacement reserves | - | 83,375 | 438,187 |
| Annual surplus (deficit) | \$ (5,864,477) | \$ 97,688,248 | \$ 38,490,246 |

Siksika Nation
Consolidated Statement of Accumulated Surplus

| For the year ended March 31 | Budget 2017 | 2017 | 2016 |
|--|----------------|----------------|----------------|
| Accumulated surplus, beginning of year | \$ 362,972,249 | \$ 362,972,249 | \$ 327,825,276 |
| Annual surplus (deficit) | (5,864,477) | 97,688,248 | 38,490,246 |
| Increase (decrease) in Siksika Trust (Note 8) | - | 1,140,448 | (389,183) |
| Increase (decrease) in Siksika Heritage Trust (Note 9) | - | (124,730) | 2,444,637 |
| Decrease in band funds held in trust | - | (6,825,349) | (5,398,727) |
| Accumulated surplus, end of year (Note 16) | \$ 357,107,772 | \$ 454,850,866 | \$ 362,972,249 |

Siksika Nation
Consolidated Statement of Changes in Net Financial Assets

| For the year ended March 31 | Budget 2017 | 2017 | 2016 |
|---|----------------|----------------|----------------|
| Annual surplus (deficit) | \$ (5,864,477) | \$ 97,688,248 | \$ 38,490,246 |
| Acquisition of tangible capital assets | - | (25,468,565) | (52,990,947) |
| Amortization of tangible capital assets | - | 9,450,341 | 8,345,386 |
| Change in Siksika Trust (Note 8) | - | 1,140,448 | (389,183) |
| Change in Siksika Heritage Trust (Note 9) | - | (124,730) | 2,444,637 |
| Change in band funds held in trust (Note 7) | - | (6,825,349) | (5,398,727) |
| Change in prepaid expenses | - | (42,085) | (71,178) |
| Change in inventory for consumption | - | 76,750 | - |
| Change in funds held in escrow | - | 2,000,000 | (2,000,000) |
| Change in net financial assets | (5,864,477) | 77,895,058 | (11,569,766) |
| Net financial assets, beginning of year | 183,673,449 | 183,673,449 | 195,243,215 |
| Net financial assets, end of year | \$ 177,808,972 | \$ 261,568,507 | \$ 183,673,449 |

The accompanying notes are an integral part of these consolidated financial statements

Siksika Nation
Consolidated Statement of Cash Flows

| For the year ended March 31 | 2017 | 2016 |
|---|----------------------|----------------------|
| Cash provided by (used in): | | |
| Operating activities | | |
| Annual surplus | \$ 97,688,248 | \$ 38,490,246 |
| Non-cash items included in annual surplus | | |
| Amortization | 9,450,341 | 8,345,386 |
| Bad debts | 951,745 | 807,499 |
| Loss from business enterprises | 3,373,231 | 3,708,614 |
| Provincial asset contributions | - | (28,636,150) |
| | <u>111,463,565</u> | <u>22,715,595</u> |
| Changes in non-cash working capital balances | | |
| Accounts receivable | (2,617,951) | 4,893,640 |
| Prepaid expenses | (42,085) | (71,178) |
| Accounts payable and accruals | (69,925) | (1,182,361) |
| Deferred revenue | 6,348,223 | 218,034 |
| Replacement and operating reserves | 137,748 | (25,547) |
| Inventory held for consumption | 76,750 | - |
| | <u>115,296,325</u> | <u>26,548,183</u> |
| Capital activities | | |
| Acquisition of tangible capital assets | <u>(25,468,565)</u> | <u>(24,354,797)</u> |
| Investing activities | | |
| Restricted cash | 272,177 | 766,294 |
| Receipt (payment) of funds held in escrow | 2,000,000 | (2,000,000) |
| Investment in Siksika Heritage Trust | (59,984,576) | - |
| Investment in business enterprises | (2,000,000) | - |
| (Purchase) redemption of temporary investments | 843,774 | (1,916,506) |
| Loans receivable advanced | (34,310,500) | (9,700,000) |
| Payments received on loan receivables | 5,589,709 | - |
| | <u>(87,589,416)</u> | <u>(12,850,212)</u> |
| Financing activities | | |
| Advances of long-term debt | 28,535,385 | 18,685,451 |
| Repayment of long-term debt | <u>(32,161,324)</u> | <u>(3,371,528)</u> |
| | <u>(3,625,939)</u> | <u>15,313,923</u> |
| Increase (decrease) in cash and cash equivalents | <u>(1,387,595)</u> | <u>4,657,097</u> |
| Cash and cash equivalents, beginning of year | <u>31,122,141</u> | <u>26,465,044</u> |
| Cash and cash equivalents, end of year | <u>\$ 29,734,546</u> | <u>\$ 31,122,141</u> |

Siksika Nation

Notes to the Consolidated Financial Statements

March 31, 2017

1. Operations

Siksika Nation (the "Nation") is located in the province of Alberta, and provides various services to its members. Siksika Nation includes the Nation's members, government and all related entities that are accountable to the Nation that are either owned or controlled by the Nation.

2. Significant accounting policies

a. Basis of accounting

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants, and include the following significant accounting policies:

b. Principles of consolidation

The consolidated financial statements include the financial activities of all entities and departments comprising the Nation reporting entity, except for Nation business entities which are accounted for on the modified equity basis as described below.

The Nation has consolidated the assets, liabilities, revenues and expenses of the following entities and departments:

Entities

- Health Services
- Blackfoot Crossing Historical Park
- Board of Education
- Family Services
- Old Sun Society
- Siksika Off Reserve Affordable Housing

Departments

- Administration
- Community Support Services
- Justice
- Land Management
- Major Projects and Council Initiatives
- Membership
- Public Works
- Treasury
- Adult Education
- Housing Society

All inter-entity balances have been eliminated on consolidation.

March 31, 2017

2. Significant accounting policies (continued)

b. Principles of consolidation (continued)

Siksika Nation business entities, owned or controlled by the Nation but not dependent on the Nation for their continuing operations, are included in the financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the Nation. Thus, the Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received.

Entities accounted for by the modified equity basis include:

- Siksika Resource Developments Ltd. ("SRDL"), which owns directly or indirectly 100% of the following:

Wholly owned subsidiaries:

- Siksika Economic Development Corporation ("SEDCo"), a non-profit private company
- Siksika Vacation Resort Company Ltd. ("SVRL")
- Siksika Irrigation Land Corporation ("SILC")
- Siksika Environmental Ltd. ("SEL")
- Siksika Service Station Ltd. ("SSSL")
- Siksika ATG Corporation ("ATG"), an inactive/dormant corporation
- Siksika Energy Resources Corporation ("SERC")
- Siksika Energy Limited Partnership ("SELP") (90% owned by Siksika Energy Resource Trust "SERT", 10% owned by SERC)
- SiksikaTel Inc.
- Siksika Holdings Inc. ("SHI")
- Siksika Holdings GP Inc. ("SHIGP")
- Siksika Hospitality Holdings GP Ltd.

Unincorporated divisions:

- Siksika Nation Tribal Ranch
- Siksika Nation Arts Co-operative
- Siksika Energy Tribal Farms

Corporations controlled by SRDL:

- Siksika Nation Holdings LP, which directly owns the following:
 - Siksika Nation Food and Beverage LP
 - Siksika Nation Mechanical Service LP
 - Siksika Nation Industrial Park LP
 - Siksika Herbz LP
- Siksika Hospitality Holdings LP, which directly owns the following:
 - Siksika Castle Mountain Properties LP
 - Siksika Calgary Airport LP
 - Siksika Edmonton Conference LP
 - Siksika Edmonton Hotel LP

Siksika Nation
Notes to the Consolidated Financial Statements

March 31, 2017

2. Significant accounting policies (continued)

c. Basis of presentation

Sources of financing and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become 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.

d. Cash and cash equivalents

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

e. Funds held in escrow

Funds held in escrow relate to the amount deposited with the Nation's lawyers for holdbacks relating to the construction of Crowfoot school.

f. Temporary investments

Temporary investments are short-term investments with initial maturity of more than three months and less than a year and are initially recorded at cost. At year end, temporary investments are recorded at amortized cost which approximates current market value.

g. Inventory

Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value. Inventories held for consumption are recorded at cost.

h. Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all amounts that are directly related to acquisition, construction, development, or betterment of the asset.

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

| | | |
|------------------------|-------------------|-----|
| Automotive | declining balance | 33% |
| Buildings | declining balance | 4% |
| Computer equipment | declining balance | 33% |
| Furniture and fixtures | declining balance | 20% |
| Infrastructure | declining balance | 5% |
| Machinery | declining balance | 20% |
| Office and equipment | declining balance | 20% |

March 31, 2017

2. Significant accounting policies (continued)

h. Tangible capital assets (continued)

No amortization is provided on land, sculptures and artwork or construction in progress. Assets under construction are not amortized until the asset is complete.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations

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

i. Funds held in trust

Funds held in trust on behalf of Nation members are reported on the statement of financial position with an offsetting amount in accumulated surplus. Trust monies consist of:

- Capital trust monies held by the Government of Canada derived from non-renewable resource transactions on the sale of land or other Nation tangible capital assets;
- Revenue trust monies held by the Government of Canada generated primarily through land leasing transactions or interest earned on deposits held in trust;
- Future Generation trust monies held by the Government of Canada generated through interest earned on deposits held in trust;
- Trust monies held by the Royal Bank of Canada derived from the Bassano Dam Settlement Agreement and a portion of the Castle Mountain Settlement Agreement; and
- Trust monies held by the Bank of Nova Scotia derived from the Siksika Acreage Discrepancy (Surface) Claim Settlement Agreement.

j. Liability for contaminated sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries. As at March 31, 2017, the Nation did not have a liability recorded for contaminated sites.

k. Segmented disclosure

The Nation provides a range of services to its members. For each reporting segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

March 31, 2017

2. Significant accounting policies (continued)

l. Loans receivable

Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. When the loss is known with sufficient precision and there is no realistic prospect of recovery the loan receivable is reduced by the amount of the loss. Loans are reviewed on an annual basis by management. Interest income is accrued on loans receivable to the extent it is deemed collectable.

m. Revenue recognition

Revenues are recognized in the period in which the transaction occurred or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis.

Indigenous and Northern Affairs Canada ("INAC") Federal Transfer Agreement revenue and other government funding agreements are recognized as they become receivable under the terms of applicable funding agreements.

Grant revenue is recognized as the related expenses are incurred and when the terms and conditions of the funding are satisfied.

The Nation recognizes revenues from the Band Capital and Revenue Fund as income when it is distributed to the trust by the federal government.

The Nation recognizes revenue for amounts transferred from the Siksika Trust and the Siksika Heritage Trust at the time funds are distributed to the Nation. Revenue not available to the Nation but remaining with the trustees is not reported in the consolidated statement of operations but instead is added directly to accumulated surplus.

Canada Mortgage and Housing Corporation ("CMHC"), Health Canada, Human Resources Development Canada, Community Futures Treaty Seven and First Nation Development Fund revenues are recognized as they become receivable under the terms of the applicable funding agreements.

Rental revenue is recorded in the period it is earned. At the end of each year management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

Land taxes and land use fees are recorded in the year they are earned and collectibility is reasonably assured.

Contributions of tangible capital assets are recorded at the fair market value of the tangible capital asset at the date of receipt.

Other revenue is recognized by the Nation when services are provided or goods are shipped.

n. Pension plan

The Nation provides a defined contribution pension plan for its employees. The pension costs are charged to operations as contributions are due. Contributions are a defined amount based on a set percentage of salary.

Siksika Nation
Notes to the Consolidated Financial Statements

March 31, 2017

2. Significant accounting policies (continued)

o. 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 are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided when considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Payables to funding agencies is based on anticipated repayment requirements; however, actual repayments will be determined upon funding agencies' review of the consolidated financial statements.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in surplus in the period in which they become known.

3. Restricted cash

| | 2017 | 2016 |
|--|---------------------|---------------------|
| First Nation Finance Authority: Cash deposits | \$ 240,861 | \$ 207,783 |
| First Nation Finance Authority: Debt reserve fund | 889,427 | 906,542 |
| Old Sun College: Scholarship fund | 31,010 | 32,417 |
| Siksika Housing Society: Damage deposits | 112,462 | 106,698 |
| Siksika Housing Society: Replacement reserve (Note 13) | 1,588,208 | 1,556,396 |
| Siksika Health Services: Moveable asset replacement | 107,279 | 432,836 |
| Siksika Off Reserve Housing: Security deposits | 23,015 | 21,767 |
| | <u>\$ 2,992,262</u> | <u>\$ 3,264,439</u> |

4. Temporary investments

Investments consist of 4 (2016 - 3) guaranteed investment certificates bearing interest at rates between 0.55% to 1.8% (2016 - 0.65% to 0.90%) maturing in 2017 (2016 - 2017). The fair market value of the temporary investments at March 31, 2017 is \$1,118,377 (2016 - \$1,962,151).

Siksika Nation
Notes to the Consolidated Financial Statements

March 31, 2017

5. Accounts receivable

| | 2017 | 2016 |
|--|---------------------|----------------------|
| Indigenous and Northern Affairs Canada | \$ 585,751 | \$ 489,999 |
| Government of Alberta | 1,918,766 | 3,550,929 |
| Siksika Trust | 3,389,609 | 3,113,689 |
| Siksika Nation business entities | 542,604 | - |
| Land taxes | 925,991 | 1,405,336 |
| Siksika Heritage Trust | 3,633,675 | 1,136,605 |
| Other | 2,526,720 | 1,996,798 |
| | 13,523,116 | 11,693,356 |
| Less: Allowance for doubtful accounts | (203,917) | (201,363) |
| | <u>\$13,319,199</u> | <u>\$ 11,491,993</u> |

6. Loans receivable

| | 2017 | 2016 |
|---------------------------------------|---------------------|---------------------|
| Siksika Hospitality Holdings LP | \$28,720,791 | \$ - |
| Siksika Resource Developments Ltd. | 7,000,000 | 7,000,000 |
| Indian Business Corporation | 2,700,000 | 2,700,000 |
| | 38,420,791 | 9,700,000 |
| Less: Allowance for doubtful accounts | (237,000) | (76,000) |
| | <u>\$38,183,791</u> | <u>\$ 9,624,000</u> |

The Siksika Hospitality Holdings LP loan receivable bears interest at 4%, is unsecured and repayable in annual payments of \$203,821 over a 20 year period beginning the earlier of one year from the date all properties acquired under the project are fully operational or November 2018. The purpose of the loan is to purchase hospitality properties.

The Siksika Resource Developments Ltd. loan receivable is non-interest bearing, unsecured and repayable in monthly payments of \$16,667 over a 35 year period beginning in January 2019.

The Indian Business Corporation loan receivable bears interest at 10%, is unsecured and is repayable over a 6 year term. This loan portfolio is administered by the Indian Business Corporation to provide loans to Nation members for economic development on the Nation.

Included in interest income is interest earned on debt from related entities of \$525,675 (2016 - \$nil).

Siksika Nation
Notes to the Consolidated Financial Statements

March 31, 2017

7. Band funds held in trust

Band capital and band revenue trust monies are transferred to the Nation on the authorization of the Minister of Indigenous and Northern Affairs Canada with the consent of the Nation's Chief and Council.

| | 2017 | 2016 |
|---|----------------------|----------------------|
| Capital Trust | | |
| Balance, beginning of year | \$ 18,033,104 | \$ 2,912,791 |
| Band Capital Trust additions | 538,837 | 1,231,763 |
| Transfer from Future Generation Trust | 335,326 | 20,000,000 |
| | <u>18,907,267</u> | <u>24,144,554</u> |
| Less: Transfers to Nation | 5,188,566 | 6,111,450 |
| Balance, end of year | <u>13,718,701</u> | <u>18,033,104</u> |
| Revenue Trust | | |
| Balance, beginning of year | 2,913,185 | 2,674,859 |
| Band Revenue Trust additions | 3,051,053 | 3,220,749 |
| Transfer from Future Generation Trust | - | 485,137 |
| | <u>5,964,238</u> | <u>6,380,745</u> |
| Less: Transfers to Nation | 5,562,000 | 3,467,560 |
| Balance, end of year | <u>402,238</u> | <u>2,913,185</u> |
| Future Generations Trust | | |
| Balance, beginning of year | - | 20,757,366 |
| Future Generations Trust additions | 335,326 | 484,954 |
| Transfer to Band Capital & Revenue Trusts | (335,326) | (20,485,137) |
| | <u>-</u> | <u>757,183</u> |
| Less: Transfers to Nation | - | 757,183 |
| Balance, end of year | <u>-</u> | <u>-</u> |
| Total band funds held in trust | <u>\$ 14,120,939</u> | <u>\$ 20,946,289</u> |

During the year, Band Council Resolutions ("BCR") #2015-83 was approved by Chief and Council for the withdrawals of \$4,278,566 of band capital from the Capital Trust and \$2,544,000 of band revenue from the the Revenue Trust, BCR #2017-81 was approved by Chief and Council for the withdrawal of \$3,018,000 of band revenue from the Revenue Trust and for the withdrawal of \$910,000 of band capital from the Capital Trust. The purpose of these funds was to provide operational funding for the Nation's various program departments.

Siksika Nation

Notes to the Consolidated Financial Statements

March 31, 2017

8. Siksika Trust

The Siksika Trust was established as part of the settlement agreement for the Siksika Acreage Discrepancy (Surface) land claim. The Trust Agreement required the Nation to establish the Siksika Trust ("the Trust") to hold the compensation and any income earned for the benefit of current and future generations of members of the Nation.

Under the terms of the Trust Agreement, the net annual income of the Trust will be paid to the Nation on or before December 31 of each year or as soon as possible after year end. On January 1 of each year or as soon as the prior year distribution is determined and paid, 30% of the net annual income will be contributed back to the Trust as trust capital.

At the fiscal year end of the trust, December 31, 2016, \$3,389,609 (2015 - \$3,113,689) of the net annual income of the Trust, as defined in the Trust Agreement, was allocated to the Nation. In addition, \$1,016,883 (2015 - \$934,107) will be contributed back to the Trust as trust capital and, has been recorded as accounts payable.

The Trust assets consist primarily of high grade government and corporate bonds with an annual yield between 1.25% and 6.50%.

The increase (2015 - decrease) in unallocated trust assets during the year of \$1,140,448 (2015 - \$389,183) is reported as a direct increase in equity and is not reported as income until such time as it is allocated by the trustee and becomes available for use.

9. Siksika Heritage Trust

The Heritage Trust was established as part of the settlement agreement for the Bassano Dam land claim. The Trust Agreement required the Siksika Nation to establish the Siksika Heritage Trust ("the Trust") to hold the compensation and any income there from for the benefit of current and future generations of members of the Siksika Nation.

In addition to funds held in relation to the Bassano Dam land claim, the Trust is also holding a portion of the funds in relation to Castle Mountain land claim settled during the year.

In 1982 Siksika Nation filed a claim with the government of Canada (the "Claim") for the unlawful use of 70 square kilometres of land by the Castle Mountain area granted to the Nation in 1883. The claim was for the Crown allowing timber sales and other transactions to occur on the land without compensation to the Nation, and in 1911 the land was returned to the Canadian government. On August 15, 2016 the Siksika Members ratified the \$123,585,957 settlement agreement.

Under the terms of the settlement agreement, Canada agrees to pay to Siksika \$123,585,957 in full and final settlement of the claim, including a contribution towards the costs of negotiation, settlement, ratification, legal, land acquisition, environmental assessment, survey and other costs related to the claim. Siksika authorized and directed Canada to deduct from the financial compensation \$1,732,596 to satisfy the full and final repayment of negotiation costs incurred by Siksika for the purpose of negotiation and settlement of the claim, resulting in a net settlement of \$121,853,361. Of this amount, \$59,984,876 was deposited to the Siksika Heritage Trust as authorized by BCR #2015-78 and #2016-65.

Siksika Nation
Notes to the Consolidated Financial Statements

March 31, 2017

9. Siksika Heritage Trust (continued)

Under the terms of the Trust Agreement, the net annual income or an allotment amount of the Trust will be allocated to the Siksika Nation on or before December 31 of each year and will be either paid by December 31 of each year or as soon as possible after year end.

At the fiscal year end of the trust, December 31, 2016, \$4,376,987 (2015 - \$2,151,548) of the net annual income of the Trust, as defined in the Trust Agreement, was allocated to the Nation.

The Trust assets consist primarily of high grade government and corporate bonds and equity instruments with an annual yield between 1.20% and 5.00%.

The decrease (2015 - increase) in unallocated trust assets during the year of 124,730 (2015 - \$2,444,637) is reported as a direct increase in equity and is not reported as income until such time as it is allocated by the trustee and becomes available for use.

During the year ended December 31, 2016, the Trust made loan payments on behalf of the Nation for \$596,970 (2015 - \$596,970), which reduced the income allocation payable to the Nation. For the 3 months subsequent to the Siksika Heritage Trust's year end, the Trust made loan payments on behalf of the Nation for \$149,242 (2016 - \$149,242).

10. Investment in Nation business entities

The Nation owns 100% of SRDL.

Siksika Resources Development Ltd.

SRDL was established on April 1, 1997 to hold all of the Nation's investments in for-profit enterprises. SRDL was given the mandate to promote investment in and development of natural resources of the Nation.

The Nation's investment in these government enterprises is as follows:

| | 2017 |
|-------------------------------|---------------------|
| Investment, beginning of year | \$ 9,848,540 |
| Contributed surplus | 2,000,000 |
| Loss from operations | (3,373,231) |
| Investment, end of year | <u>\$ 8,475,309</u> |

During the year the Nation contributed \$2,000,000 to SRDL for an irrigation project relating to the Bassano Dam settlement. Under the terms of the Bassano Dam land settlement agreement the Nation is required to spend \$4,000,000 on irrigation control by 2018. The amount has been recorded by SRDL as contributed surplus.

Included in SRDL's revenue is \$1,177,486 (2016 - \$963,119) in sales and service charges to the Nation. These transactions were in the normal course of operations and recorded at the exchange amount and management believes they were on normal commercial terms.

Siksika Nation
Notes to the Consolidated Financial Statements

March 31, 2017

10. Investment in Nation business entities (continued)

At March 31, 2017, included in accounts receivable is \$542,604 to the Nation from SRDL and its subsidiaries (2016 - \$1,005,168 included in accounts payable from the Nation to SRDL and its subsidiaries).

Funding transfers

During the year, Indigenous and Northern Affairs Canada funding was provided to SRDL and its subsidiaries in the amount of \$1,769,960 (2016 - \$1,000,000) of set funding and \$326,924 of block funding (2016 - \$326,924).

During the year, Disaster Recovery Program ("DRP") funding was provided to SRDL and its subsidiaries in the amount of \$nil (2016 - \$506,000).

Summary financial information of SRDL is as follows:

| | 2017 | 2016 |
|--|-----------------------|-----------------------|
| Assets | | |
| Cash | \$ 38,070,096 | \$ 12,127,881 |
| Accounts receivable | 2,726,390 | 3,871,156 |
| Intangible assets | 97,875 | 120,000 |
| Inventory | 1,735,325 | 1,468,499 |
| Investments | 401,114 | 354,948 |
| Property, plant and equipment | 11,031,637 | 8,353,090 |
| Prepaid expenses | 42,366 | 634,075 |
| Total assets | 54,104,803 | 26,929,649 |
| Liabilities | | |
| Accounts payable and accruals | 2,473,435 | 3,230,914 |
| Deferred revenue | 1,086,961 | 1,537,494 |
| Long-term debt | 35,799,922 | 7,000,000 |
| Advances from related parties | - | 1,300,637 |
| Decommissioning liability | 5,569,813 | 5,312,701 |
| Total liabilities | 44,930,131 | 18,381,746 |
| Shareholders equity | | |
| Share capital | 13 | 13 |
| Common control reserve | 13,356,369 | 13,356,369 |
| Contributed surplus | 2,722,810 | (1,277,193) |
| Retained earnings | 7,451,491 | 8,808,759 |
| Beneficiaries | (14,356,011) | (12,340,048) |
| Equity | 9,174,672 | 8,547,900 |
| Total liabilities and shareholders equity | \$ 54,104,803 | \$ 26,929,646 |
| Total revenue | \$ 9,782,433 | \$ 10,133,554 |
| Total expenses | 13,155,664 | 13,842,168 |
| Net loss | \$ (3,373,231) | \$ (3,708,614) |

Siksika Nation
Notes to the Consolidated Financial Statements

March 31, 2017

11. Deferred revenue

| | Balance March 31, 2016 | Funding Received 2017 | Revenue Recognized 2017 | Balance March 31, 2017 |
|--|---------------------------|--------------------------|-------------------------------|---------------------------|
| Federal Government | | | | |
| Band capital (Note 7) | \$ 1,470,409 | \$ 5,188,566 | \$ 2,919,713 | \$ 3,739,262 |
| Band revenue (Note 7) | 1,495,508 | 5,562,000 | 3,733,879 | 3,323,629 |
| First Nation and Inuit Health Traditional Parenting Prevention Model | 432,833 | 164,097 | 100,109 | 496,821 |
| Nation Energy Board | 147,942 | - | 147,942 | - |
| House renovations | 30,204 | - | 30,204 | - |
| | - | 250,000 | 156,107 | 93,893 |
| | <u>\$ 3,576,896</u> | <u>\$ 11,164,663</u> | <u>\$ 7,087,954</u> | <u>\$ 7,653,605</u> |
| Provincial Government | | | | |
| Band designate | \$ 100,000 | \$ - | \$ 100,000 | \$ - |
| Victim services | 12,393 | - | - | 12,393 |
| Repatriation | 140,100 | - | - | 140,100 |
| Child Welfare Services | - | 5,504,039 | 2,908,078 | 2,595,961 |
| Community wellness | 476,161 | 1,282,890 | 476,161 | 1,282,890 |
| Flood recovery | 1,782,205 | 1,324,968 | 2,164,022 | 943,151 |
| First Nations college grant | 412,423 | 640,000 | 815,569 | 236,854 |
| East Wells relocation | - | 731,992 | 726,461 | 5,531 |
| Aboriginal entrepreneur training program | - | 152,036 | 56,000 | 96,036 |
| | <u>\$ 2,923,282</u> | <u>\$ 9,635,925</u> | <u>\$ 7,246,291</u> | <u>\$ 5,312,916</u> |
| Other | | | | |
| Source water protection plan | \$ 182,955 | \$ - | \$ 155,875 | \$ 27,080 |
| First Nation Finance Authority | - | 14,427 | - | 14,427 |
| Traditional Parenting Model | - | 100,000 | 34,857 | 65,143 |
| Daycare centres | - | 589,711 | 537,633 | 52,078 |
| | <u>\$ 182,955</u> | <u>\$ 704,138</u> | <u>\$ 728,365</u> | <u>\$ 158,728</u> |
| | <u>\$ 6,683,133</u> | <u>\$ 21,504,726</u> | <u>\$ 15,062,610</u> | <u>\$ 13,125,249</u> |

March 31, 2017

11. Deferred revenue (continued)

Band capital

Funding received from INAC to be used towards programs and development on the Nation. During the year the Nation received Band Capital funding of \$910,000 that is in relation to the 2018 fiscal year and deferred \$2,829,262 of unspent funding.

Band revenue

Funding received from INAC to be used towards programs and development on the Nation. During the year the Nation received Band revenue funding of \$3,018,000 that is in relation to the 2018 fiscal year and deferred \$305,629 of unspent funding.

First Nation and Inuit Health

Funding received from First Nation and Inuit Health is to be used towards the acquisition of moveable capital assets.

Traditional parenting prevention model

Set funding received from INAC to be used for a pilot project on maintaining traditional parenting methods.

National Energy Board

Grant funding received from the National Energy Board for costs incurred relating to the regulatory process for pipeline projects.

Band designate grant

Grant funding received from the Alberta Government to establish best practices to achieve successful outcomes for Aboriginal children and families by clarifying the role of First Nations designates.

Victim services

Grant funding received from the Provincial Government to be used for providing a 24-hour crisis line for Siksika members.

Repatriation

Grant funding received from the Provincial Government to be used for the repatriation of Chief Crowfoot's artifacts from the Royal Albert Memorial Museum in the United Kingdom to Blackfoot Crossing Historical Park.

Child Welfare program

Grant funding received from the Provincial Government which has been approved for expenditure on a culturally based program in Siksika Child Welfare Services.

Flood recovery

Funding received from the Provincial Government for the flood recovery proceeds shall be used solely to cover costs incurred to purchase modular homes and trailers, manage the operating costs of the New Temporary Neighbourhoods (NTNs) and costs for the rebuild process from the 2013 flood.

Siksika Nation
Notes to the Consolidated Financial Statements

March 31, 2017

11. Deferred revenue (continued)

Aboriginal Entrepreneur Training Program

Funding received from the Provincial Government to assist with the Flood Recovery Youth Entrepreneurial Training, Flood Mentorship and Disaster Recovery Administration program.

First Nations college grant

Funding received from the Provincial Government to support and sustain an Indigenous adult learning program.

East Wells Relocation Grant

Funding received from the Provincial Government for the Siksika East Wells relocation construction.

Source Water Protection Plan

Funds received from the Calgary Foundation for Calgary Forever for the source water protection project as part of the flood rebuilding process.

First Nation Finance Authority

Interest revenue earned on the First Nation Finance Authority debt reserve fund that is to be applied to future principal payments.

Traditional Parenting Model

Funding received from the Calgary Foundation for Community for project on traditional parenting.

Day Care Centres

Funding received from Community Futures Treaty 7 to provide financial assistance for Nation members participating in the Siksika Employment and Training Program.

Deferred revenue represents conditional grant amounts received which will be taken into revenue in the period in which the conditions related to the respective grant above have been met.

12. Accounts payable and accruals

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Trade payables | \$ 5,101,364 | \$ 4,202,697 |
| Accrued salaries and benefits payable | 78,538 | 440,747 |
| Other accrued liabilities | 3,984,363 | 2,493,211 |
| Indigenous and Northern Affairs Canada (Note 18) | 23,582 | - |
| Siksika Resource Developments Ltd. (Note 10) | 157,044 | 1,005,168 |
| Holdbacks payable | <u>45,464</u> | <u>1,412,350</u> |
| | <u>\$ 9,390,355</u> | <u>\$ 9,554,173</u> |

Siksika Nation
Notes to the Consolidated Financial Statements

March 31, 2017

13. Housing reserves

Under agreements with CMHC, the Nation established the following:

A replacement reserve, established by an annual allocation of \$342,226 (2016 - \$316,705), to ensure adequate funds set aside for future repairs financed by CMHC. At March 31, 2017, the balance of this reserve is \$2,634,107 (2016 - \$2,660,366) which has been set aside to fund this reserve. The underfunded portion at March 31, 2017 was \$1,054,899 (2016 - \$1,103,969).

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

For pre 1997 projects

A operating surplus reserve fund is established by retaining excess federal assistance payments received to a maximum of \$500 per unit, plus interest for pre 1997 projects. Reserve funds may be used to meet future operating deficits, within the guidelines of the CMHC agreements. Any surpluses calculated in excess of the amounts allowed to be retained in this reserve is repayable to the CMHC. As at March 31, 2017 this fund had a balance of \$Nil (2016 - \$Nil).

For post 1996 projects

An operating surplus reserve fund is established by retaining excess federal assistance payments received to a maximum of minimum revenue contribution plus subsidy less eligible expenses for each post 1996 project. Reserve funds may be used to meet future operating deficits, within the guidelines of the CMHC agreements. In accordance with terms of the agreements, CMHC reserve monies must be held or invested only in accounts or instruments guaranteed by the CDIC, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal. As at March 31, 2017 the operating reserve is \$111,999 (2016 - \$111,995), the underfunded portion of the operating reserve is \$111,995 (2016 - \$111,995).

14. Long-term debt

| | 2017 | 2016 |
|---|--------------|---------------|
| Housing Rental Companies (Pre 97 and Post 96 Combined) | | |
| Mortgages payable in monthly installments of \$133,303 including interest at rates ranging from 1.04% to 5.44%, due on dates ranging from August 2017 to March 2036. | \$13,708,608 | \$ 12,225,528 |
| Siksika Heritage Trust | | |
| 10 year term loan payable in quarterly blended installments of \$145,136, bearing interest at bank prime per annum, due March 2022. | 2,568,452 | 3,129,913 |
| Rental Project 36 | | |
| Mortgage on housing under construction. Interest and principal payments to commence on completion of construction. Interest rates range from 1.01% to 1.02%, maturing 25 years from the date of completion of construction. | - | 2,089,483 |

Siksika Nation
Notes to the Consolidated Financial Statements

March 31, 2017

14. Long-term debt (continued)

| | | |
|---|---------------------|----------------------|
| Land Claims - non-capital Land claim agreement - non-interest bearing, repayable upon the date settlement is reached, secured by Siksika Nation guarantee. | 535,385 | 1,732,596 |
| Siksika Community Account Bylaw First Nation Finance Authority 9 year term loan payable in annual installments of \$189,173 plus interest payable semi-annually at 2.99%, guaranteed by a secured revenues trust account management agreement. | 8,664,691 | 8,858,120 |
| Siksika Community Account Bylaw First Nation Finance Authority Term loan payable in annual payments of \$178,664, plus interest payable semi-annually at 2.90%, expiring on June 6, 2024. | 8,366,002 | - |
| Siksika Community Account Bylaw First Nation Finance Authority, demand loan repayable at the earlier of: 5 years from the first principal amount withdrawn, the date of completion of the purpose of the borrowing or the date upon which the Authority issues debt securities to replace the demand loan plus interest payable monthly at 2.60%, guaranteed by a secured revenues trust account management agreement. | - | 8,500,000 |
| SORAH 5 year term loan payable in monthly blended installments of \$4,125, bearing interest at 5.45% per annum, due September 2017, and a monthly management fee is charged in the amount of \$300. | 259,095 | 293,452 |
| First Nation Development Fund Non-revolving term loan in the amount of \$4,160,000, payable in quarterly blended installments of \$235,000, bearing interest at bank prime plus 1.5%, due October 2018. | 396,935 | 1,296,016 |
| | <u>\$34,499,168</u> | <u>\$ 38,125,108</u> |

Principal repayments on long-term debt in each of the next 5 years are estimated as follows:

| | |
|---------------------|----------------------|
| 2018 | \$ 2,526,199 |
| 2019 | 1,899,648 |
| 2020 | 1,932,294 |
| 2021 | 2,501,200 |
| 2022 and thereafter | 25,639,827 |
| Total | <u>\$ 34,499,168</u> |

Prime rate as at March 31, 2017 was 2.7% (2016 - 2.70%). Interest expense for the year on long-term debt was \$832,894 (2016 - \$809,786).

Siksika Nation
Notes to the Consolidated Financial Statements

March 31, 2017

14. Long-term debt (continued)

During the year, the Nation entered into a secured revenues trust account agreement ("agreement") to guarantee the First Nations Finance Authority loans. The agreement establishes a secured revenues trust account ("SRTA"). The SRTA is in the name of both the First Nation Finance Authority and the Nation, and the SRTA is to be held by an approved bank. The SRTA agreed upon is the Siksika Nation Trust. First Nation Finance Authority is authorized to direct the SRTA manager to withdraw all or any of the funds, and to not deposit any new amounts in any approved bank specified in the notice.

The First Nation Finance Authority loans have the following covenants: the Nation is to use the funds only for the payment of the permitted expenditures and they are required to deliver audited consolidated financial statements.

Siksika Housing Society receives federal assistance from CMHC pursuant to Section 95 of the National Housing Act to reduce mortgage interest expense and enable the project to provide housing to members. At March 31, 2017, Siksika Nation Housing was not in compliance with the provision to maintain and fund replacement reserves and operating reserves. The continuation of this interest rate reduction is contingent upon compliance with the terms of the agreement. CMHC and Siksika Nation Housing are working together on a solution to the non compliance.

During the year the Nation entered into a credit facility agreement with RBC in which it borrowed \$28,000,000 for the purpose of distributing the Castle Mountain Settlement proceeds. When the settlement proceeds were received the Nation repaid the outstanding loan balance plus accrued interest of \$148,208 and the credit facility was closed.

15. Tangible capital assets

| | Cost | Additions | Disposals | Accumulated amortization | 2017 Net book value |
|--------------------------|----------------------|---------------------|----------------------|-----------------------------|---------------------------|
| Automotive | \$ 12,798,319 | \$ 505,565 | \$ 199,514 | \$ 11,530,800 | \$ 1,573,570 |
| Buildings | 159,385,753 | 18,749,060 | 72,406 | 63,998,106 | 114,064,301 |
| Computer equipment | 7,904,138 | 409,290 | 412,856 | 6,781,753 | 1,118,819 |
| Construction in progress | 21,257,069 | 15,459,641 | 16,357,513 | - | 20,359,197 |
| Furniture and fixtures | 6,560,194 | 329,671 | - | 6,205,256 | 684,609 |
| Infrastructure | 72,600,313 | 6,171,078 | - | 27,883,290 | 50,888,101 |
| Machinery | 10,236,087 | 201,773 | - | 7,905,608 | 2,532,252 |
| Office and equipment | 2,560,381 | - | 15,286 | 2,110,215 | 434,880 |
| Sculptures and artwork | 756,809 | - | - | - | 756,809 |
| | \$294,059,063 | \$41,826,078 | \$ 17,057,575 | \$126,415,028 | \$192,412,538 |

Siksika Nation
Notes to the Consolidated Financial Statements

March 31, 2017

15. Tangible capital assets (continued)

| | Cost | Additions | Disposals | Accumulated amortization | 2016 Net book value |
|--------------------------|----------------------|---------------------|---------------------|-----------------------------|---------------------------|
| Automotive | \$ 12,208,355 | \$ 589,964 | \$ - | \$ 11,172,781 | \$ 1,625,538 |
| Buildings | 151,472,463 | 7,947,887 | 34,600 | 59,501,488 | 99,884,262 |
| Computer equipment | 7,918,132 | 384,299 | 398,293 | 7,077,783 | 826,355 |
| Construction in progress | 4,437,692 | 18,238,080 | 1,418,703 | - | 21,257,069 |
| Furniture and fixtures | 6,516,306 | 43,888 | - | 6,081,352 | 478,842 |
| Infrastructure | 46,693,673 | 25,906,640 | - | 24,611,707 | 47,988,606 |
| Machinery | 9,670,765 | 565,322 | - | 7,203,653 | 3,032,434 |
| Office and equipment | 1,836,811 | 723,570 | - | 2,015,982 | 544,399 |
| Sculptures and artwork | 746,809 | 10,000 | - | - | 756,809 |
| | \$241,501,006 | \$54,409,650 | \$ 1,851,596 | \$117,664,746 | \$176,394,314 |

During the year, assets costing \$13,039,288 (2016 - \$Nil) were transferred from construction in progress to buildings.

During the year, assets costing \$3,318,225 (2016 - \$1,418,703) were transferred from construction in progress to infrastructure.

During the year, the Government of Alberta contributed \$Nil (2016 - \$28,636,150) of tangible capital assets to the Nation for infrastructure and temporary housing that are part of the rebuilding process from the 2013 flood. The contributed assets have been recorded as revenue and tangible capital assets.

16. Accumulated surplus

Accumulated surplus is comprised of the following:

| | 2017 | 2016 |
|------------------------------------|----------------------|-----------------------|
| Equity in funds held in trust | \$ 14,120,939 | \$ 20,946,289 |
| Equity in Nation business entities | 8,475,309 | 9,848,540 |
| Equity in Siksika Nation Trust | 98,409,624 | 97,269,176 |
| Equity in Siksika Heritage Trust | 114,843,494 | 54,983,648 |
| Equity in tangible capital assets | 161,414,141 | 144,427,731 |
| Unrestricted equity | 57,587,359 | 35,496,865 |
| | \$454,850,866 | \$ 362,972,249 |

Siksika Nation
Notes to the Consolidated Financial Statements

March 31, 2017

17. Commitments

The Nation has guaranteed mortgages for Nation members with CMHC Section 10 loans. As at March 31, 2017 the value of the mortgages guaranteed is \$1,209,588 (2016 - \$416,645).

The Nation has guaranteed mortgages for Nation members under the First Nations Market Housing Fund. As at March 31, 2017 the value of the mortgages guaranteed is \$1,133,344 (2016 - \$736,025).

The Nation has entered into various lease agreements for office equipment with estimated minimum annual payments as follows:

| | | |
|------|----|---------|
| 2018 | \$ | 494,368 |
| 2019 | \$ | 554,591 |
| 2020 | \$ | 58,776 |

18. Contingent liabilities

The Nation has been named as a defendant under various claims for general matters. Management has assessed the success of these claims as unlikely and/or has ensured adequate insurance is in place. Accordingly, no provision has been made in these consolidated financial statements.

Retention or repayment of individual program surpluses will be determined and negotiated with the appropriate funding agencies upon receipt of these consolidated financial statements. It is not possible at this time to determine the amount, if any, of retention or repayment of certain surpluses.

At year end the Nation has unexpended set funding of \$23,582 in relation to the LEDSP - Land Management Capacity program which is included in accounts payable. Also, at year end the Nation has unexpended set funding of \$70,749 and \$45,240 in relation to the Economic Development Designation and Basic Needs programs, respectively, these amounts have not yet been received by the Nation as at March 31, 2017 and as a result have not been recorded as payable to INAC.

19. Flood relief efforts

In June 2013, the Nation experienced severe flooding that damaged some of its assets. As a result, the Nation has incurred flood related costs for the year ended March 31, 2017 of \$nil (2016 - \$2,199,962). Submissions to the Government of Alberta have been made for cost recoveries under the Government's Disaster Relief Plan ("DRP"), and for the year ended March 31, 2017, the Nation has received \$nil (2016 - \$641,276) under the DRP. No receivable from the Government has been recorded for unrecovered costs as the Government has not indicated whether additional costs will be reimbursed. The Nation also received donation revenue for the year ended March 31, 2017 of \$nil (2016 - \$21,607) to assist with flood relief efforts.

During the year the Nation incurred expenses of \$15,079,058 (2016 - \$3,709,949) to rebuild homes damaged from the flood. Siksika received reimbursements of \$7,662,274 (2016 - \$3,517,243) from the Government of Alberta for the costs incurred under the Memorandum of Understanding signed with the Province of Alberta in 2013.

Siksika Nation
Notes to the Consolidated Financial Statements

March 31, 2017

19. Flood relief efforts (continued)

During the year, insurance proceeds of \$nil (2016 - \$3,146,951) for the damaged houses have been recorded as revenue, funding reimbursements from the Government of Alberta will be reduced by the insurance proceeds received by Siksika.

20. Grants - provincial and federal

| | 2017 | 2016 |
|--|---------------------|----------------------|
| Federal grants | | |
| Justice Canada | \$ 123,595 | \$ 273,595 |
| First Nation and Inuit Health Board | 944,943 | 1,416,176 |
| | <u>1,068,538</u> | <u>1,689,771</u> |
| Provincial grants | | |
| Human Services | 8,312,563 | 11,222,032 |
| Disaster Recovery Program | - | 641,276 |
| Aboriginal Relations | 12,701,493 | 7,740,100 |
| Enterprise and Advanced Education | 853,825 | 928,465 |
| Agriculture and Rural Development | 285,970 | 220,636 |
| Environmental and Sustainable Resource Development | - | 763,117 |
| Victim services | 46,445 | - |
| | <u>22,200,296</u> | <u>21,515,626</u> |
| Other grants | <u>208,669</u> | <u>519,907</u> |
| | <u>\$23,477,503</u> | <u>\$ 23,725,304</u> |

Siksika Nation
Notes to Consolidated Financial Statements

March 31, 2017

21. Expenditures by object

| | 2017 Budget | 2017 | 2016 |
|--|-----------------------|-----------------------|----------------------|
| Salaries and benefits | \$ 31,612,787 | \$ 38,991,485 | \$ 36,223,213 |
| Distributions | - | 29,919,516 | 1,541,985 |
| Program expense | 13,238,167 | 9,901,982 | 11,637,700 |
| Amortization | 140,000 | 9,450,341 | 8,345,386 |
| Supplies, rent, utilities and other | 7,315,311 | 7,324,549 | 6,931,798 |
| Repairs and maintenance | 34,397,498 | 6,695,945 | 5,774,003 |
| Tuition and student allowances | 5,935,848 | 5,795,357 | 5,187,509 |
| Travel | 3,401,438 | 3,833,016 | 3,000,402 |
| Social assistance | 6,950,107 | 3,578,370 | 2,562,942 |
| Professional fees | 5,520,060 | 3,334,863 | 3,272,139 |
| Child care | 2,608,846 | 3,112,070 | 2,364,033 |
| Contracted services | 2,869,017 | 2,722,034 | 3,442,862 |
| Grants to business enterprises (Note 10) | - | 2,098,577 | 1,832,924 |
| Insurance | 1,177,681 | 1,037,019 | 1,233,005 |
| Bad debts | 22,280 | 951,745 | 807,499 |
| Professional development | 1,145,506 | 867,511 | 980,774 |
| Interest on long-term debt | - | 832,894 | 809,786 |
| Bank charges and interest | 8,600 | 662,874 | 376,676 |
| Flood expenses (Note 14) | 500,000 | - | 2,199,962 |
| Total | \$ 116,343,146 | \$ 131,110,148 | \$ 98,524,598 |

22. Supplementary cash flow information

During the year \$16,357,513 (2016 - \$1,418,703) was transferred from construction in progress to buildings and infrastructure (2016 - buildings) as construction was completed during the year. There was no cash consideration included in these transactions.

During the year, \$nil (2016 - \$28,636,150) of tangible capital assets were contributed from the Government of Alberta. There was no cash consideration included in this transaction.

23. Defined contribution pension plan

The Nation has a defined contribution pension plan covering substantially all full-time employees. Each participant selects a contribution level of 4.0 - 7.6% of salary. The Nation matches the participant's contribution. This pension expense of \$450,571 (2016 - \$464,784) is included with salaries and benefits for the current and prior year.

24. Financial instruments

All significant financial assets, financial liabilities and equity instruments of the Nation are either recognized or disclosed in the consolidated financial statements together with other information relevant for making a reasonable assessment of future cash flows, liquidity risk, interest rate risk and credit risk.

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24. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Nation will not be able to meet its financial obligations as they come due. The Nation has a planning and budgeting process in place to help determine the funds required to support the normal operating requirements of the Nation on an ongoing basis. The Nation ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows and its holdings of cash and cash equivalents. The following table sets out the contractual maturities (representing contractual cash flows) of financial liabilities:

| | 0 - 90 Days | Over 90 days |
|-------------------------------|---------------------|----------------------|
| Accounts payable and accruals | \$ 9,390,355 | \$ - |
| Long-term debt | - | 34,499,168 |
| Replacement reserves | - | 2,755,120 |
| | <u>\$ 9,390,355</u> | <u>\$ 37,254,288</u> |

Interest rate risk

Interest rate cash flow risk

Interest rate cash flow risk is the risk that cash flows will fluctuate due to changes in the market interest rates. The Nation is exposed to interest rate cash flow risk on the loans which bare a floating charge.

Interest rate fair value risk

Interest rate fair value risk is the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. The Nation is exposed to interest rate fair value risk arising from fluctuations in interest rates on its fixed rate long-term debt.

Credit risk

The Nation is exposed to credit risk primarily through its trade accounts receivable. Credit risk is the risk that the Nation may not collect the trade receivables. The risk is mitigated as a large part of trade receivable is government funding and the risk of default is low. The maximum risk related to the trade receivables is the carrying value included in Note 5.

There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instrument risks.

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March 31, 2017

25. Approval of consolidated budgets

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

26. Approval of consolidated financial statements

Chief and Council have approved these consolidated financial statements.

27. Segmented disclosure

The Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by program.

The services are provided by several entities of the Nation. These activities can also be categorized into segments. The following segments have been identified and as such are separately disclosed:

Administration

Administration contains activities needed to run the Nation.

Community Support Services

Community support services contains activities that promote the development of the community.

Health Services

Health Services contains activities that provide medical related services to band members.

Justice

Justice contains activities that provide legal services to band members.

Land Management/Natural Resources

Land Management/Natural Resources contains activities that maintain the Nation's land.

Major Projects and Council Initiatives

Major Projects and Council Initiatives contain activities that relate to the initiation and approval of projects for the Nation.

Membership

Membership contains activities that oversee the membership of band members in the Nation.

Public Works

Public works contains activities related to the maintenance of buildings, infrastructure and lands of the Nation.

Treasury/Corporate Services

Treasury and corporate services contain activities that are needed to operate the Nation.

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27. Segmented disclosure (continued)

Education and Adult Education

Education and Adult Education contain activities that provide education to band members for primary and secondary schooling, as well as sponsorship to attend post secondary institutions.

Family Services

Family services contains activities that provide social services to band members and their families.

Housing Society

Housing society contains activities that provide housing and repairs and maintenance to band members' housing.

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27. Segmented disclosure (continued)

| | Administration | Community Support Services | First Nation Development Fund | Health Services | Justice | Land Management | Major Projects and Council Initiatives | Membership | Public Works | Total Carried Forward to Next Page |
|--------------------------|------------------|-------------------------------|----------------------------------|-----------------------|--------------------|--------------------|--|-------------------|---------------------|---------------------------------------|
| Revenue | | | | | | | | | | |
| INAC revenue | \$ - | \$ 34,864 | \$ - | \$ 724,756 | \$ - | \$ 303,110 | \$ 217,335 | \$ 107,109 | \$ 3,740,658 | \$ 5,127,832 |
| Band revenue | 1,222,594 | - | - | 192,951 | - | 739,180 | 2,296,862 | 16,800 | - | 4,468,387 |
| Other revenue | 497,602 | 1,790,295 | 1,357,669 | 11,317,686 | 962,424 | 359,918 | 3,488,498 | 30,687,314 | 935,559 | 51,396,965 |
| | 1,720,196 | 1,825,159 | 1,357,669 | 12,235,393 | 962,424 | 1,402,208 | 6,002,695 | 30,811,223 | 4,676,217 | 60,993,184 |
| Expenses | | | | | | | | | | |
| Amortization | 20,707 | 94,552 | - | 778,956 | 52,318 | 228,960 | 725,785 | 2,076 | 2,278,482 | 4,181,836 |
| Salaries and benefits | 436,165 | 828,388 | 131,655 | 8,756,160 | 659,879 | 665,774 | 2,163,022 | 258,997 | 1,369,703 | 15,269,743 |
| Debt servicing | - | - | - | - | - | - | - | - | - | - |
| Other expenses | 1,246,603 | 1,002,062 | 635,227 | 4,677,092 | 318,830 | 359,956 | 2,355,419 | 30,286,355 | 1,679,937 | 42,561,481 |
| | 1,703,475 | 1,925,002 | 766,882 | 14,212,208 | 1,031,027 | 1,254,690 | 5,244,226 | 30,547,428 | 5,328,122 | 62,013,060 |
| Surplus (deficit) | \$ 16,721 | \$ (99,843) | \$ 590,787 | \$ (1,976,815) | \$ (68,603) | \$ 147,518 | \$ 758,469 | \$ 263,795 | \$ (651,905) | \$ (1,019,876) |

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27. Segmented disclosure (continued)

| | Total Brought Forward from Prior Page | Treasury | Economic Development | Adult Education | Education | Family Services | Housing Society | Total Before Adjustments | Consolidation Adjustments | Consolidated 2017 Totals |
|--------------------------|---|---------------------|-------------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------------|------------------------------|-----------------------------|
| Revenue | | | | | | | | | | |
| INAC revenue | \$ 5,127,832 | \$ 51,639,124 | \$ - | \$ 3,756,343 | \$ 19,239,138 | \$ 14,467,741 | \$ 2,584,077 | \$ 96,814,255 | \$ (47,334,725) | \$ 49,479,530 |
| Band revenue | 4,468,387 | 7,945,771 | - | - | - | - | 930,729 | 13,344,887 | (6,691,295) | 6,653,592 |
| Other revenue | 51,396,965 | 15,454,456 | 133,565,155 | 2,766,700 | 1,242,618 | 11,028,130 | 2,949,018 | 218,403,042 | (42,447,912) | 175,955,130 |
| | 60,993,184 | 75,039,351 | 133,565,155 | 6,523,043 | 20,481,756 | 25,495,871 | 6,463,824 | 328,562,184 | (96,473,932) | 232,088,252 |
| Expenses | | | | | | | | | | |
| Amortization | 4,181,836 | 565,248 | - | 83,829 | 1,480,773 | 226,243 | 2,912,412 | 9,450,341 | - | 9,450,341 |
| Salaries and benefits | 15,269,743 | 2,352,864 | - | 2,870,737 | 8,677,765 | 8,915,239 | 905,137 | 38,991,485 | - | 38,991,485 |
| Debt servicing | - | - | 592,110 | - | - | - | 240,784 | 832,894 | - | 832,894 |
| Other expenses | 42,561,481 | 65,324,415 | 38,688,832 | 4,431,356 | 8,044,425 | 17,125,789 | 4,152,060 | 180,328,358 | (98,492,930) | 81,835,428 |
| | 62,013,060 | 68,242,527 | 39,280,942 | 7,385,922 | 18,202,963 | 26,267,271 | 8,210,393 | 229,603,078 | (98,492,930) | 131,110,148 |
| Surplus (deficit) | \$ (1,019,876) | \$ 6,796,824 | \$ 94,284,213 | \$ (862,879) | \$ 2,278,793 | \$ (771,400) | \$ (1,746,569) | \$ 98,959,106 | \$ 2,018,998 | \$ 100,978,104 |

March 31, 2016

27. Segmented disclosure (continued)

| | Administration | Community Support Services | First Nation Development Fund | Health Services | Justice | Land Management | Major Projects and Council Initiatives | Membership | Public Works | Total Carried Forward to Next Page |
|--------------------------|-------------------|-------------------------------|----------------------------------|-----------------------|---------------------|---------------------|--|-----------------------|-----------------------|---------------------------------------|
| Revenue | | | | | | | | | | |
| INAC revenue | \$ - | \$ 31,658 | \$ - | \$ 658,117 | \$ - | \$ 259,640 | \$ 248,852 | \$ 106,063 | \$ 2,731,447 | \$ 4,035,777 |
| Band revenue | 1,542,363 | 796,051 | - | 19,721 | 205,685 | 585,000 | 1,945,592 | 347,668 | - | 5,442,080 |
| Other revenue | 265,966 | 882,044 | 1,430,465 | 11,415,168 | 629,254 | 430,983 | 2,502,153 | 119,253 | 1,190,626 | 18,865,912 |
| | <u>1,808,329</u> | <u>1,709,753</u> | <u>1,430,465</u> | <u>12,093,006</u> | <u>834,939</u> | <u>1,275,623</u> | <u>4,696,597</u> | <u>572,984</u> | <u>3,922,073</u> | <u>28,343,769</u> |
| Expenses | | | | | | | | | | |
| Amortization | 26,079 | 65,492 | - | 814,501 | 56,767 | 251,144 | 764,610 | 2,537 | 1,710,690 | 3,691,820 |
| Salaries and benefits | 400,338 | 867,842 | 184,226 | 8,128,662 | 607,784 | 437,166 | 2,366,200 | 238,986 | 1,601,329 | 14,832,533 |
| Debt servicing | - | - | - | 2,331 | - | - | - | - | - | 2,331 |
| Other expenses | 1,389,431 | 879,867 | 670,861 | 4,446,377 | 287,763 | 775,960 | 2,389,289 | 1,408,914 | 2,357,904 | 14,606,366 |
| | <u>1,815,848</u> | <u>1,813,201</u> | <u>855,087</u> | <u>13,391,871</u> | <u>952,314</u> | <u>1,464,270</u> | <u>5,520,099</u> | <u>1,650,437</u> | <u>5,669,923</u> | <u>33,133,050</u> |
| Surplus (deficit) | <u>\$ (7,519)</u> | <u>\$ (103,448)</u> | <u>\$ 575,378</u> | <u>\$ (1,298,865)</u> | <u>\$ (117,375)</u> | <u>\$ (188,647)</u> | <u>\$ (823,502)</u> | <u>\$ (1,077,453)</u> | <u>\$ (1,747,850)</u> | <u>\$ (4,789,281)</u> |

March 31, 2016

27. Segmented disclosure (continued)

| | Total Brought Forward from Prior Page | Treasury | Economic Development | Adult Education | Education | Family Services | Housing Society | Total Before Adjustments | Consolidation Adjustments | Consolidated 2016 Totals |
|--------------------------|---|---------------------|-------------------------|---------------------|---------------------|---------------------|--------------------|-----------------------------|------------------------------|-----------------------------|
| Revenue | | | | | | | | | | |
| INAC revenue | \$ 4,035,777 | \$ 51,868,134 | \$ - | \$ 3,079,520 | \$ 22,506,863 | \$ 14,143,621 | \$ 2,204,727 | \$ 97,838,642 | \$ (47,983,955) | \$ 49,854,687 |
| Band revenue | 5,442,080 | 11,427,470 | - | - | - | - | 1,454,662 | 18,324,212 | (9,984,656) | 8,339,556 |
| Other revenue | 18,865,912 | 15,839,194 | 7,505,438 | 3,341,992 | 1,178,762 | 14,116,326 | 30,636,400 | 91,484,024 | (9,392,996) | 82,091,028 |
| | 28,343,769 | 79,134,798 | 7,505,438 | 6,421,512 | 23,685,625 | 28,259,947 | 34,295,789 | 207,646,878 | (67,361,607) | 140,285,271 |
| Expenses | | | | | | | | | | |
| Amortization | 3,691,820 | 547,289 | - | 90,621 | 740,527 | 337,561 | 2,937,568 | 8,345,386 | - | 8,345,386 |
| Salaries and benefits | 14,832,533 | 2,101,420 | - | 2,199,148 | 8,239,259 | 7,888,649 | 962,205 | 36,223,214 | - | 36,223,214 |
| Debt servicing | 2,331 | - | - | - | - | - | 260,366 | 262,697 | - | 262,697 |
| Other expenses | 14,606,366 | 68,152,426 | 5,544,647 | 4,381,492 | 6,872,355 | 17,835,235 | 3,509,142 | 120,901,663 | (67,208,362) | 53,693,301 |
| | 33,133,050 | 70,801,135 | 5,544,647 | 6,671,261 | 15,852,141 | 26,061,445 | 7,669,281 | 165,732,960 | (67,208,362) | 98,524,598 |
| Surplus (deficit) | \$ (4,789,281) | \$ 8,333,663 | \$ 1,960,791 | \$ (249,749) | \$ 7,833,484 | \$ 2,198,502 | ##### | \$ 41,913,918 | \$ (153,245) | \$ 41,760,673 |