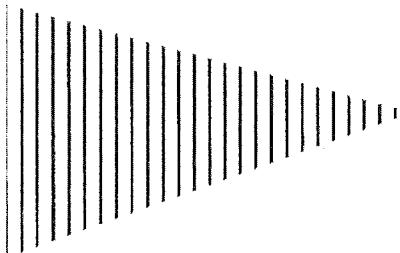


ERMINESKIN TRIBAL ENTERPRISES
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014



Building a better
working world

ERMINESKIN TRIBAL ENTERPRISES LTD.

BOX 219, HOBBEWA, ALBERTA T0C 1N0

PHONE (403) 585-3741

MARCH 31, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Ermineskin Tribal Enterprises are the responsibility of management and have been approved by the Chief and Council.

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

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

The First Nation's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Council carries out this responsibility principally through its approval of the consolidated financial statements.

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

The financial statements have been audited by Ernst & Young LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. Ernst & Young LLP have full and free access to the Council.



Chief Craig Makinaw
Ermineskin Tribal Enterprises

INDEPENDENT AUDITORS' REPORT

To the Members of
Ermineskin Tribal Enterprises

We have audited the accompanying consolidated financial statements of Ermineskin Tribal Enterprises which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

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 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 auditors consider 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 of the effectiveness of the entity's internal control. An audit also concludes 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 obtained in our audit 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 consolidated financial position of the Ermineskin Tribal Enterprises as at March 31, 2014 and the consolidated results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Chartered Accountants

Edmonton, Alberta
July 29, 2014



A member firm of Ernst & Young Global Limited



ERMINESKIN CREE NATION

BOX 219, HOBEMA, ALBERTA T0C 1N0

PHONE (780) 585-3741

EDM. LINE 420-0008
FAX 585-2550

Without prejudice

The Ermineskin Chief and Council affirm our Aboriginal and Inherent Right to govern the Ermineskin Cree Nation (ECN). We receive our authority from the Ermineskin Cree Nation Citizens and from the Creator.

The Ermineskin Cree Nation Chief and Council are vested by its citizenship with the duty and responsibility to care for and protect the interest of its citizens.

Our annual budget is developed to meet the needs of our citizenship and to further develop our Nation. We believe the funds received from the colonial Canadian Government is based on the fiduciary responsibility of the federal government to provide treaty based funding. Also our budgets have always been brought to and approved by our citizenship and as such we have been practising accountability and transparency in accordance with our own ECN Constitution (1983) long before the First Nation Financial Transparency Act (FNFTA) Bill C-27 ever came into effect.

We have submitted full financial reports that meet the Canadian Audited standards in the past and we'll continue to do so, but we do not agree with these reports being posted on a Government and/or Public website. The potential for any malcontent or troublemaker to read and to use in a malicious manner to complain about First Nations (i.e. the Canadian Taxpayer Federation) is very real. The Colonial Government has not provided any safe guards against this possible abuse.

The Department of Indian Affairs and Northern Development (DIAND) Canada in the past has mismanaged our capital monies held in Trust. Which is why we have created our Neyaskwayahk Trust that handles these monies now. To date this monies has generated anywhere from 3 to 4 times more dollars every year then what we were receiving from DIAND in the past.

FNFTA Bill C-27 fails to address the larger systemic issues of chronic federal underfunding and the impact this has on maintaining the poor social and economic condition many of our citizens' face.

Although we strongly disagree with the FNFTA Bill C-27 and the colonial government that has enacted it, we believe that for us not to comply would force us to endanger our citizenship's health and wellbeing.

We believe that not to comply will place our ability to serve our citizens and to act in the best interests of our Nation in jeopardy. Further, it will place our membership in harms way and will hurt our childrens' lives and education; it will also cause undue hardship to the most vulnerable citizens and families within our nation. In addition,



ERMINESKIN CREE NATION

BOX 219, HOBEMEA, ALBERTA T0C 1N0

PHONE (780) 585-3741

EDM. LINE 420-0008
FAX 585-2550

it will cause a discontinuation of vital services (e.g. water, sewer, education, etc...) to our nation citizens.

The aggressive and bullying styled tactics of the settler colonial government to force our hand on this issue leaves us no options but to comply under coercion.

We will continue to voice our opposition and lobby fair minded and compassionate members of the Settler Colonial Government of Canada until this unjust and racist law is repealed

We do not agree with the FNFTA Bill C-27 on principle:

1. We believe that we have an Inherent Right to Govern Ourselves.
2. That our relationship with the Settler Colonial State of Canada is through our Treaties.
3. We believe that the funds we receive from Canada represent a partial treaty payment and is in partial compliance to the Settler Colonial States legal, moral, and fiduciary responsibilities to meet their Treaty obligations.
4. We believe in accountability and transparency for the funds we receive from Canada and don't have an issue with reporting on these dollars.
5. We believe that this law is not in the spirit and intent of our treaties.
6. We believe the colonial settler government is contravening its own laws. E.g. Section 91 (24) of the BNA Act 1867.
7. We believe that DIAND has a responsibility to show accountability and transparency on how much money (funding) is given from the Treasury Board for all First Nation Programs and Services and to how these dollars are spent. That being administrative overhead (Wages and expenses on all DIAND employees listed by Name and region) and how much is actually spent on program and services at the FN's level.
8. The consultation process on the so-called FNFTA Bill C27 was flawed from the beginning and has never been addressed to our satisfaction.
9. We believe the FNFTA Bill C27 violates our Treaty and Privacy Rights.
10. We believe that our own source revenue is the business of ECN and its citizens, with the accountability and transparency on our own source revenue being made to the ECN citizens only and not to the general public.

The Ermineskin Cree Nation also strongly objects to the hypocrisy of the Harper Government with its own highly questionable track record on financial transparency. The Harper Government holds no moral high ground on this issue with its backroom deals in the Senate scandals, its failure to disclose the true costs of the war in Afghanistan and the recently leaked document showing that Indian Affairs has been cutting funding for First Nation infrastructure to pay for underfunded educational and social programs.

ERMINESKIN TRIBAL ENTERPRISES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014

	<u>2014</u>	<u>2013</u> [restated - note 2]
Financial assets		
Cash	\$ 1,084,258	\$ 6,175,921
Investments [note 4]	11,447,335	12,640,220
Accounts receivable [note 5]	4,450,982	1,629,430
Tribal funds [note 6]	291,992	376,498
Investment in Government Business Enterprises	468,680	16,084
Loans receivable [note 7]	2,344,219	1,936,629
Inventories held for sale	-	44,230
Properties held for development or sale	<u>161,125</u>	<u>161,125</u>
Total financial assets	<u>20,248,591</u>	<u>22,980,137</u>
Liabilities		
Accounts payable and accrued liabilities	2,682,565	3,006,680
Contributions carried forward [note 8]	2,583,277	3,908,434
Long-term debt [note 9]	<u>2,971,918</u>	<u>3,130,040</u>
Total liabilities	<u>8,237,760</u>	<u>10,045,154</u>
Net financial assets	<u>12,010,831</u>	<u>12,934,983</u>
Non-financial assets		
Deposits and prepaid expenses	344,956	211,093
Inventories held for internal use	-	33,560
Tangible capital assets [schedule 1]	<u>33,534,026</u>	<u>34,326,917</u>
Total non-financial assets	<u>33,878,982</u>	<u>34,571,570</u>
Accumulated surplus	<u>\$ 45,889,813</u>	<u>\$ 47,506,553</u>

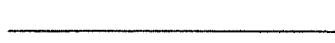
Contingencies [note 12]

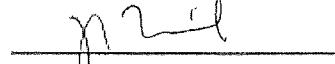
See accompanying notes

Approved by the First Nation:


 Chief Craig Makinaw


 Councilor Brian Lee

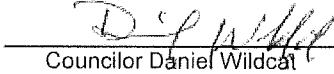

 Councilor Daniel Makinaw


 Councilor Gordon Minde


 Councilor Sam Minde


 Councilor Dennis Whitebear


 Councilor Collin Wildcat


 Councilor Daniel Wildcat


 Councilor Conrad Young

ERMINESKIN TRIBAL ENTERPRISES
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u>	Budget 2014 [unaudited]	2013 [restated - note 2]
Revenues			
Indian and Northern Affairs Canada (INAC)	\$ 24,301,695	\$ 21,400,066	\$ 20,286,354
Neyaskweyahk Trust allocation	11,162,525	11,184,253	11,962,023
Interest and other investment income	1,123,434	640,820	955,104
First Nations Development Fund (FNDF)	1,019,723	330,269	967,319
First Nations and Inuit Health Branch (FNIHB)	935,229	951,178	823,758
Six Inépendent FN Society of Hobbema	882,070	882,070	882,067
Revenue tribal funds	357,917	159,449	-
Canada Mortgage and Housing Corporation (CMHC)	271,022	204,227	248,553
Permits, fees and tribal land revenue	285,800	234,271	228,767
Rental income	221,408	277,627	300,303
Province of Alberta	158,498	101,000	227,241
Unrealized gain on investments	120,443	-	-
Gain (loss) on sale of tangible capital assets	25,230	-	(143,330)
Other	2,582,590	1,283,200	2,479,576
Net contributions carried forward	<u>1,323,006</u>	<u>374,773</u>	<u>811,143</u>
	<u>44,770,590</u>	<u>38,023,203</u>	<u>40,028,878</u>
Expenses			
Administration and Governance	6,176,331	5,453,214	5,162,821
Infrastructure	7,394,345	6,094,000	6,841,577
Neyaskweyahk Human Services	7,548,379	6,755,012	3,997,468
Community Services and Wellness	5,539,962	4,390,637	4,648,622
Industrial Relations	608,647	540,980	357,048
Corporate	2,104,101	652,054	2,527,188
Authorities	<u>16,967,447</u>	<u>14,915,670</u>	<u>16,407,827</u>
	<u>46,339,212</u>	<u>38,801,567</u>	<u>39,942,551</u>
Surplus (loss) from operations before other income (loss)	<u>(1,568,622)</u>	<u>(778,364)</u>	<u>86,327</u>
Other income (loss)			
Share of income (loss) from Government Business Enterprises	36,386	-	(176,987)
Deficit for the year	<u>(1,532,236)</u>	<u>(778,364)</u>	<u>(90,660)</u>
Accumulated surplus, beginning of year	48,121,661	-	47,342,704
Accounting changes [note 2]	(615,107)	-	-
As restated	<u>47,506,554</u>	-	47,342,704
Net change in trust funds	(84,506)	-	254,510
Accumulated surplus, end of year	<u>\$ 45,889,812</u>	<u>\$ -</u>	<u>\$ 47,506,554</u>

See accompanying notes

ERMINESKIN TRIBAL ENTERPRISES
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
Deficit for the year	\$ (1,532,236)	\$ (90,660)
Acquisition of tangible capital assets	(583,107)	(2,206,724)
Amortization of tangible capital assets	1,262,993	1,171,446
Net book value of tangible capital assets disposed	113,005	143,330
Acquisition of deposits and prepaid expenses	(133,861)	112,524
Net change in inventories held for internal use	33,560	-
Net change in tribal funds	<u>(84,506)</u>	<u>254,510</u>
Decrease in net financial assets	(924,152)	(615,574)
Net financial assets, beginning of year	<u>12,934,983</u>	<u>13,550,557</u>
Net financial assets, end of year	<u>\$ 12,010,831</u>	<u>\$ 12,934,983</u>

See accompanying notes

ERMINESKIN TRIBAL ENTERPRISES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
Operating activities		
Deficit for the year	\$ (1,532,236)	\$ (90,660)
Add (deduct) items not affecting cash:		
Amortization of tangible capital assets	1,262,993	1,171,446
Unrealized foreign exchange gain on investments	(120,443)	-
Share of (income) loss from Government Business Enterprises	(36,386)	176,987
(Gain) loss on sale of tangible capital assets	<u>(25,230)</u>	<u>143,330</u>
	<u>(451,302)</u>	<u>1,401,103</u>
Changes in non-cash working capital		
(Increase) decrease in accounts receivable	(2,821,552)	1,034,636
Decrease in inventories	77,790	-
(Increase) decrease in deposits and prepaid expenses	(133,863)	112,524
(Decrease) increase in accounts payable and accrued liabilities	(324,113)	210,649
Decrease in contributions carried forward	<u>(1,325,157)</u>	<u>(1,760,287)</u>
	<u>(4,526,895)</u>	<u>(402,478)</u>
Cash provided by (used in) operating activities	<u>(4,978,197)</u>	<u>998,625</u>
Financing activities		
Net repayment of long-term debt	<u>(158,122)</u>	<u>(123,928)</u>
Cash used in financing activities	<u>(158,122)</u>	<u>(123,928)</u>
Capital activities		
Additions to tangible capital assets	(583,107)	(2,206,724)
Proceeds on disposal of tangible capital assets	<u>138,235</u>	<u>-</u>
Cash used in capital activities	<u>(444,872)</u>	<u>(2,206,724)</u>
Investing activities		
Net proceeds on disposal of investments	1,313,328	237,496
Net investment in Government Business Enterprises	(416,210)	-
Net increase in loans receivable	<u>(407,590)</u>	<u>(51,879)</u>
Cash provided by investing activities	<u>489,528</u>	<u>185,617</u>
Decrease in cash	<u>(5,091,663)</u>	<u>(1,146,410)</u>
Cash, beginning of year	<u>6,175,921</u>	<u>7,322,331</u>
Cash, end of year	<u>\$ 1,084,258</u>	<u>\$ 6,175,921</u>

See accompanying notes

ERMINESKIN TRIBAL ENTERPRISES
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2014

		2014				2013			
		Band buildings	Distribution system	Equipment	Infrastructure	Automotive	Land	Computer hardware/software	Total
COST									
Balance, beginning of the year		34,320,982	386,437	2,276,200	2,390,519	891,269	2,863,380	164,381	43,293,168
Acquisition of tangible capital assets		104,685	-	417,491	-	37,500	-	23,431	583,107
Disposal of tangible capital assets				(192,637)	2,501,054	2,390,519	2,863,380	-	(192,637)
Balance, end of the year		<u>34,425,667</u>	<u>386,437</u>	<u>2,276,200</u>	<u>2,390,519</u>	<u>928,769</u>	<u>2,863,380</u>	<u>187,812</u>	<u>43,293,168</u>
ACCUMULATED AMORTIZATION									
Balance, beginning of the year		7,442,500	53,669	953,890	57,152	301,807	-	157,233	8,966,251
Annual amortization		961,960	6,901	147,054	59,763	77,135	-	10,180	1,262,983
Accumulated amortization on disposals		8,404,460	-	(79,632)	1,021,312	116,915	378,942	-	(79,632)
Balance, end of the year		<u>8,404,460</u>	<u>60,570</u>	<u>1,021,312</u>	<u>116,915</u>	<u>378,942</u>	<u>378,942</u>	<u>167,413</u>	<u>10,149,612</u>
Net book value of tangible capital assets		<u>\$ 26,021,207</u>	<u>\$ 325,867</u>	<u>\$ 1,479,742</u>	<u>\$ 2,273,604</u>	<u>\$ 549,827</u>	<u>\$ 2,863,380</u>	<u>\$ 20,399</u>	<u>\$ 33,534,026</u>
2013 Net book value of tangible capital assets		<u>\$ 26,878,482</u>	<u>\$ 332,768</u>	<u>\$ 1,322,310</u>	<u>\$ 2,333,367</u>	<u>\$ 589,462</u>	<u>\$ 2,863,380</u>	<u>\$ 7,148</u>	<u>\$ 34,326,917</u>

Included in band buildings is nil (2013 - \$1,072,131) of buildings under construction on which amortization has not commenced

See accompanying notes

ERMINESKIN TRIBAL ENTERPRISES
CONSOLIDATED SCHEDULE OF TOTAL EXPENSES BY OBJECT
FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u>	Budget <u>2014</u> [unaudited]	<u>2013</u>
Salaries and benefits	\$ 19,701,141	\$ 20,443,702	\$ 18,587,475
Program expenses	6,061,374	4,226,488	5,555,396
Repairs and maintenance	3,941,094	1,421,001	3,779,595
Allowances	3,153,509	2,916,690	-
Distribution to members	2,181,575	1,598,500	1,932,675
Materials and supplies	2,093,651	1,323,545	1,711,604
Telephone and utilities	1,461,871	1,260,994	1,316,601
Amortization of tangible capital assets	1,262,993	786,991	1,225,358
Travel	1,043,859	746,646	1,070,620
Office and general	900,457	1,016,923	841,492
Professional fees	874,386	666,000	344,628
Student allowances	643,635	-	618,464
Subcontractors and consultants	334,349	67,500	277,241
Interest and bank charges	197,792	269,922	178,134
Other	<u>2,487,526</u>	<u>2,056,665</u>	<u>2,503,268</u>
	<u>\$ 46,339,212</u>	<u>\$ 38,801,567</u>	<u>\$ 39,942,551</u>

See accompanying notes

ERMINESKIN TRIBAL ENTERPRISES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. Significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards established for local governments recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Principles of consolidation

These consolidated financial statements include Ermineskin Tribal Enterprises, Miyo Wahkohtowin Education, Ermineskin Education Trust Fund, Ermineskin Loan Fund, Ermineskin Women's Shelter Society, and all entities which are accountable to the First Nation and are either wholly-owned or controlled by the First Nation including Ermineskin Rural Electrification Association Ltd. and its wholly-owned subsidiary, Ermineskin Energy Inc., Ermineskin Tribal Enterprises Ltd. and Niwihcihaw Acceptance Ltd. The investments in Ermineskin Resources Limited Partnership and Neyaskweyak Group of Companies Inc. are recorded using the modified equity method.

Tangible capital assets

Tangible capital assets acquired after March 31, 2008 are recorded at cost which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset. Infrastructure costs that represent repairs to existing roads, water and sewage systems are not capitalized but rather treated as expenses of the period. Infrastructure costs considered to have lasting benefit are capitalized.

The cost, less the residual value of the tangible capital assets, is amortized over the expected useful life of the asset as follows:

Band buildings	4 - 10% diminishing balance
Distribution system	50 years straight-line
Equipment	10 - 30% diminishing balance
Infrastructure	3% straight-line
Automotive	10% - 30% diminishing balance
Computer hardware / software	33% - 50% diminishing balance

Amortization on tangible capital assets under construction commences once the assets are available for use. In the year of acquisition, half of the normal rate of available amortization is charged.

ERMINESKIN TRIBAL ENTERPRISES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. Significant accounting policies - continued

Cash

Cash consist of cash on hand, balances with banks and short-term, liquid investments with maturities of 90 days or less.

Investments

Fixed income investments are recorded at amortized cost. Purchase premiums and discounts are amortized on the present value basis over the terms of the issues. Investments in common and preferred shares are recorded at cost. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Revenue recognition

Funding received under the terms of agreements is recognized as revenue in the relevant funding period when the funding agreements are approved. Restricted contributions, including allocations from the Neyaskweyahk Trust, are recognized as revenue when the revenue is approved and the related expenditures are incurred. Restricted contributions which are not yet expended for the intended purpose are included in the statement of financial position as contributions carried forward.

Income earned from lease revenue in the Tribal Funds is recognized when a Band Council Resolution requesting to withdraw the amounts from the Tribal Fund account is approved. Approved withdrawals which are not yet expended for the intended purpose are included in the statement of financial position as contributions carried forward. The uncommitted balance in the Trust Fund account is included in the statement of financial position in accumulated surplus.

Other revenues are recognized when persuasive evidence of an arrangement exists, delivery of goods has occurred or services have been rendered, the selling price to the buyer is fixed or determinable, and collection of the selling price is reasonably assured. Revenue is measured at the fair value of the consideration received, excluding discounts and returns.

Investment in Government Business Enterprises

The investment in Government Business Enterprises is accounted for using the modified equity method whereby the investment is initially recorded at cost and adjusted thereafter to include the post acquisition earnings of the enterprise. The accounting policies of the Government Business Enterprises have not been adjusted to conform with those of Ermineskin Tribal Enterprises and inter-entity balances are not eliminated. Inter-entity gains and losses are eliminated on assets remaining within the government reporting entities at the reporting date.

Foreign currency translation

All assets and liabilities of operations in currencies other than Canadian dollars have been translated into Canadian dollars at the rate of exchange in effect at the year end date. Gains and losses resulting from the translation of assets and liabilities are reflected in the net earnings of the year. Revenues and expenses in foreign currencies are translated at the exchange rate prevailing at the time of the transaction.

ERMINESKIN TRIBAL ENTERPRISES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. Significant accounting policies - continued

Pension expenditures

Ermineskin Tribal Enterprises sponsors a defined contribution pension plan, under which all permanent full-time employees are eligible to participate. Under the plan, Ermineskin Tribal Enterprises matches the employee's contribution at a range of 3% to 5.5%. The employer's portion of the payment is recorded as employee benefits in the period when the benefit is earned.

Inventory

Inventory held for sale is valued at the lower of cost and net realizable value. Inventory of materials and supplies for internal use is valued at the lower of average cost and replacement cost.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They may have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, surplus (deficit) for the year and the net change in Tribal Funds provides the change in net financial assets for the year.

Financial instruments

Risk management

Credit risk arises from the possibility that certain receivables and loans receivable may not be collectible. Ermineskin Tribal Enterprises addresses this risk through monitoring of receivables and loan accounts to ensure that amounts are being collected in a timely manner. The majority of receivables are due from funding agencies which minimizes the exposure of non-collection. Loans receivable comprise a large number of individually insignificant loans which minimizes the exposure to credit risk.

Interest rate risk is managed by entering into fixed rate debt agreements in most instances. Ermineskin Tribal Enterprises' exposure to fluctuations in interest rates is minimized as the total variable rate debt is kept to a manageable level.

Fair value

Ermineskin Tribal Enterprises' financial instruments consist of cash, investments, accounts receivable, tribal funds, loans receivable, accounts payable and accrued liabilities and long-term debt.

The fair value of cash, accounts receivable, tribal funds and accounts payable and accrued liabilities approximates their carrying value due to their short-term nature. The fair value of investments is calculated based on market value when readily available. The fair value of loans receivable is determined by calculating the collectibility on an account by account basis. The fair value of long-term debt approximates carrying value as fixed and variable rate instruments approximate market rates.

ERMINESKIN TRIBAL ENTERPRISES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. Significant accounting policies - continued

Foreign currency risk

Foreign currency risk refers to the adverse consequences of foreign currency rate changes on cash flow, financial position and income. The risk relates primarily to investments held in United States currency. At year end, the investment balance denominated in United States currency totalled \$1,532,023 (2013 - \$867,350).

2. Accounting changes

During the year two errors were discovered in prior year balances as follows:

- i) Accounts receivable were overstated by \$417,925; and
- ii) Investments were overstated by \$197,182.

Correction of these errors has affected the prior financial statements as follows:

<i>Increase (decrease)</i>	<u>Previously reported</u>	<u>Correction</u>	<u>Adjusted balance</u>
Investments	\$ 12,837,402	\$ (197,182)	\$ 12,640,220
Accounts receivable	\$ 2,047,355	\$ (417,925)	\$ 1,629,430
Accumulated surplus	\$ 48,121,660	\$ (615,107)	\$ 47,506,553
Surplus (deficit)	\$ 524,447	\$ (615,107)	\$ (90,660)

3. Recent accounting pronouncements issued but not yet adopted

- i) Financial Statement Presentation

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

- ii) Financial Instruments

PS3450, Financial Instruments, applicable for fiscal years beginning on or after April 1, 2015, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities.

ERMINESKIN TRIBAL ENTERPRISES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

3. Recent accounting pronouncements issued but not yet adopted

iii) Portfolio Investments

Section PS3041, Portfolio Investments has removed the distinction between temporary and portfolio investments. This section now includes pooled investments in its scope and was amended to conform to Financial Instruments, PS3450. Upon adoption of PS3450 and PS3041, Temporary Investments PS3030 will no longer apply.

iv) Foreign Currency Translation

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

Ermineskin Tribal Enterprises continues to evaluate the impact of the adoption of the above new standards on its financial statements.

4. Investments

	<u>2014</u>	<u>2013</u>
Interest bearing investments (fair market value - \$4,911,458)	\$ 4,503,037	\$ 6,684,428
Equity investments (fair market value - \$7,911,488)	6,723,855	5,855,792
Other investment	100,000	100,000
Unrealized foreign exchange gain	<u>120,443</u>	<u>-</u>
	<u>\$11,447,335</u>	<u>\$12,640,220</u>

5. Accounts receivable

	<u>2014</u>	<u>2013</u>
Due from Neyaskweyahk Trust	\$ 2,912,516	\$ -
Trade receivables	1,083,051	1,471,484
Federal funding - INAC	400,298	62,098
Accrued interest receivable	<u>55,117</u>	<u>95,848</u>
	<u>\$ 4,450,982</u>	<u>\$ 1,629,430</u>

ERMINESKIN TRIBAL ENTERPRISES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

6. Tribal funds

Tribal funds are considered internally restricted assets, and are controlled directly by INAC. The expenditure of tribal funds is limited to purposes identified in the Indian Act. Information relating to the income earned in the tribal fund accounts from leases and rentals was obtained directly from INAC. The uncommitted balance at the end of the year is shown in accumulated surplus.

The balance consists of the following:

Revenue fund	2014	2013
Beginning of year	\$ 376,498	\$ 121,988
Income from interest, lease and rentals	273,411	254,510
Transfers to programs	<u>(357,917)</u>	<u>-</u>
End of year	<u>\$ 291,992</u>	<u>\$ 376,498</u>

7. Loans receivable

The balance consists of the following:

	2014	2013
Loans outstanding	\$ 6,408,885	\$ 6,001,295
Allowance for uncollectible amounts	<u>(4,064,666)</u>	<u>(4,064,666)</u>
	<u>\$ 2,344,219</u>	<u>\$ 1,936,629</u>

The loans bear interest at rates between 5% to 9.5%. Ermineskin Loan Fund performs regular credit assessments of its borrowers and takes payment history into account when evaluating any new loans to borrowers and when estimating an appropriate allowance for doubtful accounts. Determining the allowance for doubtful accounts is a significant estimate which is re-evaluated on an annual basis, considering actual loan performance. Differences between the estimate made and actual results realized are reflected in the operating results when the re-evaluation is performed.

8. Contributions carried forward

The balance consists of the following:

	2014	2013
INAC	\$ 365,087	\$ 21,108
Non-INAC	<u>2,041,418</u>	<u>3,887,326</u>
	<u>\$ 2,406,505</u>	<u>\$ 3,908,434</u>

ERMINESKIN TRIBAL ENTERPRISES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

9. Long-term debt

	<u>2014</u>	<u>2013</u>
CMHC mortgage bearing interest at 1.64% per annum, repayable at \$3,040 per month including interest, due February 2017, collateralized by a ministerial guarantee, for the purpose of housing.	\$ 590,700	\$ 617,286
CMHC mortgage bearing interest at 1.65% per annum, repayable at \$1,463 per month including interest, due June 2017, collateralized by a ministerial guarantee, for the purpose of housing.	275,520	288,429
CMHC mortgage bearing interest at 2.11% per annum, repayable at \$7,729 including interest, due January 2019, collateralized by a ministerial guarantee, for the purpose of housing.	1,175,421	1,240,160
CMHC mortgage bearing interest at 1.62% per annum, repayable at \$2,522 per month including interest, due March 2018, collateralized by a ministerial guarantee, for the purpose of housing.	493,122	515,233
CMHC mortgage bearing interest at 2.51% per annum, repayable at \$2,242 per month including interest, due March 2015, collateralized by a ministerial guarantee, for the purpose of housing.	437,155	452,932
CMHC loan for RRAP repairs forgiven during the year.	-	16,000
	<u>\$ 2,971,918</u>	<u>\$ 3,130,040</u>

Interest paid on long-term debt during the year amounted to \$65,074 (2013 - \$83,577).

Future estimated principal and interest payments over the next five years are as follows:

2015	\$ 624,169
2016	\$ 177,051
2017	\$ 684,762
2018	\$ 759,816
2019	\$ 978,972

10. Trust under administration

Ermineskin Tribal Enterprises administers the Ermineskin Minor's Trust relating to prior paid distributions. As this Trust is being administered on behalf of the beneficiaries, it is not reported in the consolidated financial statements. At March 31, 2014, the balance in this trust was \$1,285,794 (2013 - \$1,307,758).

ERMINESKIN TRIBAL ENTERPRISES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

11. Credit facilities

Ermineskin Tribal Enterprises has the following credit facilities available:

- i) operating line of credit with a limit of \$4,000,000, repayable on demand and bearing interest at prime plus 0.5%. At March 31, 2014 the balance on this facility was \$1,000,434 (2013 - nil); and
- ii) revolving demand instalment loan with a limit of \$300,000 for the purpose of assisting with the purchase of equipment, repayable on demand and bearing interest at prime plus 0.5%. At March 31, 2014 the line of credit was not drawn upon.

As collateral for the above loans the First Nation has provided the following:

- i) a general security agreement over all present and future property;
- ii) an irrevocable letter of direction directing INAC to pay all present and future oil and gas royalties to the financial institution; and
- iii) unlimited guarantee and postponement of claim from Ermineskin Tribal Enterprises Ltd.

Niwihiaw Acceptance Ltd. has demand operating credit facilities in the aggregate amount of \$1,830,00 available which bear interest at prime plus 0.5%. At March 31, 2014 the facilities were not drawn upon. The following have been pledged as collateral for the facilities:

- i) a general security agreement over all present and future property of Niwihiaw Acceptance Ltd.;
- ii) a pledge of certain investments in the aggregate amount of \$1,030,000; and
- iii) an unlimited guarantee from Ermineskin Tribal Enterprises.

12. Contingencies

Ermineskin Tribal Enterprises and several of its government owned enterprises have been named defendants in lawsuits arising in the normal course of operations and involving various amounts. Management is of the opinion that the results of these actions should not have any material effect on the financial position of the Nation. No amounts have been accrued in these financial statements relating to any of these actions. Any awards or settlements will be reflected in the statement of revenue and expenditures as the matters are resolved, or when sufficient information on amounts and likelihoods are known.

13. Segment information

Ermineskin Tribal Enterprises provides a wide range of services to its members. Services are delivered through a number of different programs and departments. Identified segments are defined by Ermineskin Tribal Enterprises for which separate financial information is available and is evaluated regularly by Chief and Council and management in allocating resources and assessing results.

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment. The accounting policies used in the segments are consistent with the accounting policies followed in the preparation of these consolidated financial statements as disclosed in Note 1.

ERMINESKIN TRIBAL ENTERPRISES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

14. Subsequent event

Subsequent to March 31, 2014, Ermineskin Tribal Enterprises entered into loan agreements to purchase equipment in the amount of \$1,109,200.

15. Comparative figures

Certain 2013 comparative figures have been reclassified to conform with the financial statement presentation adopted for the year ended March 31, 2014.

ERMINESKIN TRIBAL ENTERPRISES
CONSOLIDATED SEGMENT DISCLOSURES
FOR THE YEAR ENDED MARCH 31, 2014

	Administration / Governance	Infrastructure	Neyaskweyahk Human Services	Community Services / Wellness	Industrial Relations	Corporate	Authorities	Government Business Enterprises	Total
2014									
Revenue									
INAC	\$ 1,144,339	\$ 2,705,750	\$ 4,133,426	\$ 534,992	\$ 110,830	\$ 95,420	\$ 15,687,768	\$ -	\$ 24,301,695
Tribal funds	46,560	48,619	-	151,908	-	-	-	-	357,917
Neyaskweyahk Trust allocation	3,842,835	3,087,403	2,192,168	1,895,119	145,000	-	-	-	11,162,525
Other revenue	269,520	829,655	576,148	2,603,572	341,641	1,879,308	1,125,604	-	7,625,448
Net contributions carried forward	787,541	158,509	468,998	(107,936)	-	-	15,893	-	1,323,005
Share of income from Government Business Enterprises	-	-	-	-	-	-	-	-	36,386
6,090,795	6,829,936	7,370,740	5,077,655	597,471	1,974,728	16,829,265	36,386	44,806,976	
Expenses									
Salaries and benefits	2,752,239	2,373,889	1,229,789	1,863,127	373,163	380,341	10,729,593	-	19,701,141
Repairs and maintenance	71,137	2,706,114	30,037	428,383	-	445,162	260,261	-	3,941,094
Allowances	-	-	3,153,509	-	-	-	643,635	-	3,797,144
Materials and supplies	62,306	541,994	6,078	213,431	-	580,158	689,684	-	2,093,651
Amortization	-	411,213	4,254	30,070	-	19,833	797,623	-	1,262,993
Travel	729,336	61,101	44,992	133,243	19,700	33,813	19,474	-	1,041,659
Other	2,561,313	1,300,034	3,079,720	2,871,708	215,784	644,794	3,828,177	-	14,501,530
6,176,331	7,394,345	7,548,379	5,539,962	608,647	2,104,101	16,967,447	-	-	46,339,212
\$ (85,536)	\$ (564,499)	\$ (177,639)	\$ (462,307)	\$ (11,176)	\$ (129,373)	\$ (138,182)	\$ 36,386	\$ (1,532,236)	
2013									
Revenue									
INAC	\$ 1,266,368	\$ 2,240,124	\$ 524,597	\$ 538,964	\$ -	\$ 26,431	\$ 15,716,301	\$ -	\$ 20,286,354
Neyaskweyahk Trust allocation	3,524,466	4,496,286	2,508,568	1,261,272	145,000	1,795,968	771,062	-	11,962,023
Other revenue	312,712	572,983	868,189	2,480,185	-	-	(13,702)	-	6,969,358
Net contributions carried forward	(247,306)	713,943	(14,492)	372,700	-	-	-	-	811,143
Share of income from Government Business Enterprises	-	-	-	-	-	-	-	-	176,987
4,856,240	8,023,336	3,886,862	4,653,121	313,259	1,822,399	16,473,661	(176,987)	176,987	39,851,891
Expenses									
Salaries and benefits	2,528,394	2,317,180	896,299	1,979,412	101,828	471,113	10,293,249	-	18,587,475
Repairs and maintenance	41,033	2,781,200	15,899	293,126	-	463,610	184,727	-	3,779,595
Allowances	-	-	-	-	-	-	618,464	-	618,464
Materials and supplies	10,564	275,710	71,362	103,355	-	484,721	765,892	-	1,711,604
Amortization	6,026	371,786	2,644	25,541	-	45,548	773,813	-	1,225,358
Travel	737,378	54,582	36,380	172,849	-	35,042	34,389	-	1,070,620
Other	1,839,426	1,041,119	2,974,884	2,074,339	255,220	1,027,154	3,737,293	-	12,949,435
5,162,821	6,841,577	3,997,468	4,648,622	357,048	2,527,188	16,407,827	-	-	39,942,551
\$ (306,581)	\$ 1,181,759	\$ (110,606)	\$ 4,499	\$ (43,789)	\$ (704,789)	\$ 65,834	\$ (176,987)	\$ (90,660)	

ERMINESKIN TRIBAL ENTERPRISES
SUPPLEMENTARY INFORMATION FOR THE MODIFIED EQUITY METHOD
GOVERNMENT BUSINESS ENTERPRISES
MARCH 31, 2014
(Unaudited)

	2014	2013
Aggregated balance sheet information:		
Assets		
Cash	\$ 159,185	\$ 25,517
Accounts receivable	281,509	1,607
Deposits and prepaid expenses	6,659	-
Property	10,546	7,682
Due from related parties	<u>113,958</u>	<u>-</u>
	<u>\$ 571,857</u>	<u>\$ 34,806</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 98,773	\$ 5,567
Deferred income	6,294	6,294
Equity	<u>466,790</u>	<u>22,945</u>
	<u>\$ 571,857</u>	<u>\$ 34,806</u>
Aggregated income statement information:		
Revenues	\$ 734,656	\$ 32,323
Expenses	<u>698,270</u>	<u>209,310</u>
Net income (loss)	<u>\$ 36,386</u>	<u>\$ (176,987)</u>