



# ERMINESKIN CREE NATION

BOX 219, HOBBEWA, 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, HOBBEWA, 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.

Consolidated Financial Statements

**Ermineskin Tribal Enterprises**

March 31, 2015



Building a better  
working world





# ERMINESKIN TRIBAL ENTERPRISES

BOX 219 HOBBEWA, ALBERTA T0C 1N0

PHONE 780-585-3741

EDM. LINE 780-420-0008

FAX 780-585-2550

**MARCH 31, 2015**

## **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 Randy Ermineskin  
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, 2015 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 **Ermineskin Tribal Enterprises** as at March 31, 2015 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 28, 2015



A member firm of Ernst & Young Global Limited

## Ermineskin Tribal Enterprises


### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

	2015	2014
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents [note 3]	-	1,084,258
Portfolio investments [note 4]	11,843,550	11,447,335
Accounts receivable [note 5]	1,741,891	4,450,982
Tribal funds [note 6]	236,033	291,992
Investment in Government Business Enterprises	1,294,447	468,680
Loans receivable [note 7]	4,045,295	2,344,219
Properties held for development or sale	161,125	161,125
	<u>19,322,341</u>	<u>20,248,591</u>
<b>LIABILITIES</b>		
Bank indebtedness [note 3]	1,072,478	-
Accounts payable and accrued liabilities [note 8]	2,292,990	2,682,565
Contributions carried forward [note 9]	1,321,364	2,583,277
Long-term debt [note 10]	4,256,100	2,971,918
	<u>8,942,932</u>	<u>8,237,760</u>
<b>NET FINANCIAL ASSETS</b>	<u>10,379,409</u>	<u>12,010,831</u>
<b>NON-FINANCIAL ASSETS</b>		
Deposits and prepaid expenses	366,829	344,956
Tangible capital assets [Schedule 1]	33,704,841	33,534,026
	<u>34,071,670</u>	<u>33,878,982</u>
<b>ACCUMULATED SURPLUS</b>	<u>44,451,079</u>	<u>45,889,813</u>
Contractual obligations [note 13]		
Contingencies [note 14]		

See accompanying notes

Approved by the First Nation:

  
Chief Randy Ermineskin

  
Councilor Brian Lee

  
Councilor Daniel Makinaw

  
Councilor Nina Makinaw

  
Councilor Gordon Minde

  
Councilor Dennis Whitebear

  
Councilor Collin Wildcat

  
Councilor Anne Wildcat

  
Councilor Daniel Wildcat

# Ermineskin Tribal Enterprises

## CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31

	2015	[Unaudited] Budget	2014
	\$	\$	\$
<b>REVENUES</b>			
Indian and Northern Affairs Canada (INAC)	24,882,482	23,331,787	24,301,695
Neyaskweyahk Trust allocation	11,912,359	11,650,065	11,162,525
First Nations Development Fund (FNDF)	1,064,594	-	1,019,723
Interest and other investment income	1,037,806	680,000	937,753
Six Independent FN of Alberta Society of Maskwacis	972,070	972,070	882,070
First Nations and Inuit Health Branch (FNIHB)	906,782	861,868	953,118
Canada Mortgage and Housing Corporation (CMHC)	486,214	204,227	271,022
Revenue tribal funds	297,533	48,619	357,917
Unrealized foreign exchange gain on investments	224,010	-	120,443
Permits, fees and tribal land revenue	209,065	236,165	285,800
Province of Alberta	178,839	140,000	158,498
Rental income	112,993	-	221,408
Program transfers	-	578,279	-
Gain on sale of portfolio investments	14,239	-	185,683
Gain on sale of tangible capital assets	-	-	25,230
Other	3,365,071	2,841,212	2,564,701
Net contributions carried forward	1,139,672	1,612,196	1,323,006
	<b>46,803,729</b>	<b>43,156,488</b>	<b>44,770,592</b>
<b>EXPENSES [Schedule 2]</b>			
Administration and Governance	6,448,647	6,164,263	6,176,330
Infrastructure	7,638,459	7,710,535	7,394,348
Neyaskweyahk Human Services	7,979,689	7,769,107	7,548,379
Community Services and Wellness	5,095,614	4,245,464	4,863,686
Industrial Relations	1,348,666	957,706	1,284,924
Corporate	1,635,813	369,578	2,104,101
Authorities	17,591,538	16,798,692	16,967,446
	<b>47,738,426</b>	<b>44,015,345</b>	<b>46,339,214</b>
<b>Deficit for the year before other income (loss)</b>	<b>(934,697)</b>	<b>(858,857)</b>	<b>(1,568,622)</b>
Share of income (loss) from Government Business Enterprises [Supplementary schedule 2]	(448,076)	-	36,386
<b>Deficit for the year [Supplementary schedule 1]</b>	<b>(1,382,773)</b>	<b>(858,857)</b>	<b>(1,532,236)</b>
Accumulated surplus, beginning of year	45,889,812	45,889,812	47,506,554
Net change in tribal funds	(55,958)	-	(84,506)
<b>Accumulated surplus, end of year</b>	<b>44,451,081</b>	<b>45,030,955</b>	<b>45,889,812</b>

See accompanying notes

**Ermineskin Tribal Enterprises**

**CONSOLIDATED STATEMENT OF CHANGE IN  
NET FINANCIAL ASSETS**

Year ended March 31

	2015	2014
	\$	\$
<b>Deficit for the year</b>	<b>(1,382,773)</b>	<b>(1,532,236)</b>
Acquisition of tangible capital assets	<b>(1,499,768)</b>	(583,107)
Amortization of tangible capital assets	<b>1,328,953</b>	1,262,993
Net book value of tangible capital assets disposed	-	113,005
Acquisition of deposits and prepaid expenses	<b>(21,876)</b>	(133,861)
Net change in inventories held for internal use	-	33,560
Net change in tribal funds	<b>(55,958)</b>	<b>(84,506)</b>
	<b>(248,649)</b>	608,084
<b>Decrease in net financial assets</b>	<b>(1,631,422)</b>	<b>(924,152)</b>
Net financial assets, beginning of year	<b>12,010,831</b>	12,934,983
<b>Net financial assets, end of year</b>	<b>10,379,409</b>	12,010,831

*See accompanying notes*



# Ermineskin Tribal Enterprises

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31

	2015 \$	2014 \$
<b>OPERATING ACTIVITIES</b>		
Deficit for the year	(1,382,773)	(1,532,236)
Add (deduct) items not affecting cash:		
Amortization of tangible capital assets	1,328,953	1,262,993
Unrealized foreign exchange gain on portfolio investments	(224,010)	(120,443)
Share of income (loss) from Government Business Enterprises	448,076	(36,386)
Loss on sale of tangible capital assets	-	(25,230)
	<u>170,246</u>	<u>(451,302)</u>
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	2,709,091	(2,820,837)
Decrease in inventories	-	77,790
Increase in deposits and prepaid expenses	(21,873)	(133,863)
Decrease in accounts payable and accrued liabilities	(389,577)	(324,828)
Decrease in contributions carried forward	<u>(1,261,913)</u>	<u>(1,325,157)</u>
	<u>1,035,728</u>	<u>(4,526,895)</u>
<b>Cash provided by (used in) operating activities</b>	<u>1,205,974</u>	<u>(4,978,197)</u>
<b>FINANCING ACTIVITIES</b>		
Long-term debt obtained	1,435,688	-
Repayment of long-term debt	<u>(151,506)</u>	<u>(158,122)</u>
<b>Cash provided by (used in) financing activities</b>	<u>1,284,182</u>	<u>(158,122)</u>
<b>CAPITAL ACTIVITIES</b>		
Additions to tangible capital assets	(1,499,768)	(583,107)
Proceeds on disposal of tangible capital assets	-	138,235
<b>Cash used in capital activities</b>	<u>(1,499,768)</u>	<u>(444,872)</u>
<b>INVESTING ACTIVITIES</b>		
Net cash flows on disposal (purchase) of portfolio investments	(172,205)	1,313,328
Investment in Government Business Enterprises	<u>(1,273,843)</u>	<u>(416,210)</u>
Net increase in loans receivable	<u>(1,701,076)</u>	<u>(407,590)</u>
<b>Cash (used in) provided by investing activities</b>	<u>(3,147,124)</u>	<u>489,528</u>
Decrease in cash and cash equivalents during the year	(2,156,736)	(5,091,663)
Cash and cash equivalents, beginning of year	<u>1,084,258</u>	<u>6,175,921</u>
<b>(Bank indebtedness) cash and cash equivalents, end of year</b>	<u>(1,072,478)</u>	<u>1,084,258</u>

See accompanying notes

# CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

Year ended March 31

	2015					2014			
	Band buildings \$	Distribution system \$	Equipment \$	Infrastructure \$	Automotive \$	Land \$	Computer hardware/ software \$	Total \$	Total \$
<b>COST</b>									
Balance, beginning of year	34,425,667	386,437	2,501,054	2,390,519	928,769	2,863,380	187,812	43,683,638	43,293,168
Acquisition of tangible capital assets	722,431	-	713,369	-	63,968	-	-	1,499,768	583,107
Disposal of tangible capital assets	-	-	-	-	(28,900)	-	-	(28,900)	(192,637)
Balance, end of year	35,148,098	386,437	3,214,423	2,390,519	963,837	2,863,380	187,812	45,154,506	43,683,638
<b>ACCUMULATED AMORTIZATION</b>									
Balance, beginning of year	8,404,460	60,570	1,021,312	116,915	378,942	-	167,413	10,149,612	8,966,251
Annual amortization	991,238	6,900	184,984	59,763	77,865	-	8,203	1,328,953	1,262,993
Accumulated amortization on disposals	-	-	-	-	(28,900)	-	-	(28,900)	(79,632)
Balance, end of year	9,395,698	67,470	1,206,296	176,678	427,907	-	175,616	11,449,665	10,149,612
<b>Net book value of tangible capital assets</b>	25,752,400	318,967	2,008,127	2,213,841	535,930	2,863,380	12,196	33,704,841	33,534,026
2014 Net book value of tangible capital assets	26,021,207	325,867	1,479,742	2,273,604	549,827	2,863,380	20,399	33,534,026	

Included in band buildings is \$305,983 [2014 - nil] of buildings under construction on which amortization has not commenced.

See accompanying notes

**CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT**

Year ended March 31

	2015	[Unaudited] Budget	2014
	\$	\$	\$
Salaries and benefits	20,583,644	17,230,727	19,740,367
Program expenses	7,967,917	10,132,588	6,442,492
Repairs and maintenance	3,791,685	3,520,746	3,926,062
Allowances	3,544,742	3,312,953	3,153,509
Materials and supplies	1,848,514	1,264,908	2,013,041
Distribution to members	1,647,750	1,640,000	2,181,575
Professional fees	1,352,790	972,640	1,556,587
Amortization of tangible capital assets	1,328,953	786,991	1,262,993
Utilities	1,031,388	846,187	1,082,235
Office and general	836,747	910,992	1,032,750
Travel	820,917	753,815	1,040,765
Cultural events	521,985	289,634	443,575
Interest and bank charges	287,771	267,922	197,792
Subcontractors and consultants	112,187	248,058	334,349
Other	2,061,436	1,837,184	1,931,122
	<u>47,738,426</u>	<u>44,015,345</u>	<u>46,339,214</u>

*See accompanying notes*

## **Ermineskin Tribal Enterprises**

# **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2015

## **1. SUMMARY OF 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 consolidated 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 consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount and useful lives and residual values of property and equipment and to test the impairment of property and equipment, estimates of accrued liabilities, and the valuation allowances for loan and accounts receivable and inventories. Actual results could differ from those estimates. 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, Neyaskweyak Group of Companies Inc. and Neyaskweyahk Gas Bar & Convenience Store Ltd. are recorded using the modified equity method.

### **Cash and cash equivalents**

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



## **Ermineskin Tribal Enterprises**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2015

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

##### **Portfolio 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.

##### **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 CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2015

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

### **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 consolidated 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 consolidated statement of financial position as contributions carried forward. The uncommitted balance in the Trust Fund account is included in the consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2015

#### **1. SUMMARY OF 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.

## **Ermineskin Tribal Enterprises**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2015

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

##### **Fair value**

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

The fair value of cash and bank indebtedness, accounts receivable, tribal funds and accounts payable and accrued liabilities approximates their carrying value due to their short-term nature. The fair value of portfolio 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.

##### **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 portfolio investments held in United States currency. At year end, the investment balance denominated in United States currency totaled \$1,730,211 [2014 - \$1,532,023]

#### **2. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED**

##### **Financial statement presentation**

PS1201, Financial statement presentation, requires a new consolidated statement of re-measurement gains and losses separate from the consolidated 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, 2016.



## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2015

### **2. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED - CONTINUED**

#### **Financial instruments**

PS3450, Financial instruments, 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 consolidated 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. This standard is applicable for fiscal years beginning on or after April 1, 2016.

#### **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 PS3450, Financial Instruments. Upon adoption of PS3450 and PS3041, Temporary Investments PS3030 will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2016.

#### **Foreign currency translation**

PS2601, Foreign currency translation, 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 consolidated statement of re-measurement gains and losses. This standard is applicable for fiscal years beginning on or after April 1, 2016.

#### **Related party disclosures**

PS2200, related party disclosures, requires sufficient information to be disclosed about the terms and conditions on which transactions between related parties are conducted and the relationship underlying them. The disclosure provides information necessary to assess the effect that the related party transactions have had, or, if not recognized, may have had on the entity's financial position and financial performance. This standard is applicable for fiscal years beginning on or after April 1, 2017.

#### **Inter-entity transactions**

PS3420, Inter-entity transactions specifically addresses the reporting of transactions between entities controlled by a government and that comprise the government's reporting entity from both a provider and recipient perspective. This standard is applicable for fiscal years beginning on or after April 1, 2017.

## **Ermineskin Tribal Enterprises**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2015

#### **2. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED - CONTINUED**

##### **Assets**

PS3210, Assets, provides guidance for applying the definition of assets set out in PS1000, Financial Statement, Concepts, and establishes general disclosure standards for assets, including disclosure requirements about major categories of assets that are not recognized. This standard is applicable for fiscal years beginning on or after April 1, 2017.

##### **Contingent assets**

PS3320, Contingent assets, defines and establishes disclosure standards on contingent assets including disclosure requirements about contingent assets when the occurrence of the confirming future event is likely. This standard is applicable for fiscal years beginning on or after April 1, 2017.

##### **Contractual rights**

PS3380, Contractual rights, defines and establishes disclosure standards on contractual rights, including requirements for the description about their nature, extent and the timing. This standard is applicable for fiscal years beginning on or after April 1, 2017.

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

#### **3. CASH (BANK INDEBTEDNESS)**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Cash on deposit	<b>3,035,200</b>	4,253,115
Overdraft	<b>(2,593,182)</b>	(1,568,929)
Cheques issued in excess of bank balance	<b>(1,514,496)</b>	(1,599,928)
	<b><u>(1,072,478)</u></b>	<u>1,084,258</u>

## **Ermineskin Tribal Enterprises**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2015

#### **4. PORTFOLIO INVESTMENTS**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Equity investments [quoted market value - \$8,499,246]	<b>6,879,756</b>	6,723,855
Interest bearing investments [quoted market value - \$4,993,678]	<b>4,541,428</b>	4,503,037
Unrealized foreign exchange gain	<b>322,366</b>	120,443
Other investment	<b>100,000</b>	100,000
	<b><u>11,843,550</u></b>	<b><u>11,447,335</u></b>

#### **5. ACCOUNTS RECEIVABLE**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	<b>1,006,265</b>	1,083,051
Federal funding - INAC	<b>699,331</b>	400,298
Accrued interest receivable	<b>36,295</b>	55,117
Due from Neyaskweyahk Trust	<b>-</b>	2,912,516
	<b><u>1,741,891</u></b>	<b><u>4,450,982</u></b>

#### **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:

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue fund</b>		
Beginning of year	<b>291,992</b>	376,498
Income from interest, lease and rentals	<b>241,574</b>	273,411
Transfers to programs	<b>(297,533)</b>	(357,917)
End of year	<b><u>236,033</u></b>	<b><u>291,992</u></b>

## **Ermineskin Tribal Enterprises**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2015

#### **7. LOANS RECEIVABLE**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Ermineskin Loan Fund loans, described below	<b>7,290,115</b>	<b>6,408,885</b>
Allowance for uncollectible amounts	<b>(4,064,666)</b>	<b>(4,064,666)</b>
	<b>3,225,449</b>	<b>2,344,219</b>
Loan receivable, bearing interest at 8% per annum, repayable in monthly installments of \$19,668, collateralized by a guarantee from the recipient's shareholder	<b>819,846</b>	<b>-</b>
	<b>4,045,295</b>	<b>2,344,219</b>

The Ermineskin Loan Fund 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. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Trade payables	<b>747,608</b>	<b>1,144,459</b>
Accrued salaries and benefits payable	<b>314,529</b>	<b>256,517</b>
Other liabilities	<b>1,125,569</b>	<b>1,125,569</b>
Other accrued liabilities	<b>105,284</b>	<b>156,020</b>
	<b>2,292,990</b>	<b>2,682,565</b>

#### **9. CONTRIBUTIONS CARRIED FORWARD**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
INAC	<b>-</b>	<b>365,087</b>
Non-INAC	<b>1,321,364</b>	<b>2,218,190</b>
	<b>1,321,364</b>	<b>2,583,277</b>



# Ermineskin Tribal Enterprises

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

### 10. LONG-TERM DEBT

	2015 \$	2014 \$
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.	563,676	590,700
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.	262,397	275,520
CMHC mortgage bearing interest at 2.11% per annum, repayable at \$7,729 per month including interest, due January 2019, collateralized by a ministerial guarantee, for the purpose of housing.	1,106,712	1,175,421
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.	470,650	493,122
CMHC mortgage bearing interest at 0.98% per annum, repayable at \$1,932 per month including interest, due March 2020, collateralized by a ministerial guarantee, for the purpose of housing.	420,981	437,155
CMHC mortgage bearing interest at 2.01% per annum, repayable at \$3,154 per month including interest, due October 2019, collateralized by a ministerial guarantee, for the purpose of housing.	734,359	-
CMHC mortgage advance, not yet fully disbursed, without repayment terms, for the purpose of housing.	361,801	-
CMHC mortgage advance, not yet fully disbursed, without repayment terms, for the purpose of housing.	335,524	-
	<u>4,256,100</u>	<u>2,971,918</u>

## **Ermineskin Tribal Enterprises**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2015

#### **10. LONG-TERM DEBT - CONTINUED**

Interest paid on long-term debt during the year amounted to \$66,224 [2014 - \$65,074].

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

	<u>\$</u>
2016	935,408
2017	745,794
2018	820,848
2019	968,321
2020	993,601
	<u>4,463,972</u>

#### **11. 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, 2015, the balance in this trust was \$1,227,684 [2014 - \$1,285,794].

## **Ermineskin Tribal Enterprises**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2015

#### **12. CREDIT FACILITIES**

Ermineskin Tribal Enterprises has the following credit facilities available:

- i) operating line of credit with a limit of \$6,000,000, repayable on demand and bearing interest at prime plus 0.5%. At March 31, 2015 the balance on this facility was \$2,800,202 [2014 - \$1,000,434]; and
- ii) revolving demand installment 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, 2015 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.

Niwihcihaw Acceptance Ltd. has demand operating credit facilities in the aggregate amount of \$1,830,000 available which bear interest at prime plus 0.5%. At March 31, 2015 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 Niwihcihaw 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.

#### **13. CONTRACTUAL OBLIGATIONS**

Ermineskin Tribal Enterprises is committed to payments under operating leases for equipment as follows:

	\$
2016	226,036
2017	226,036
2018	18,836
	<u>470,908</u>

## **Ermineskin Tribal Enterprises**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2015

#### **14. 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 consolidated financial statements relating to any of these actions. Any awards or settlements will be reflected in the consolidated statement of operations as the matters are resolved, or when sufficient information on amounts and likelihoods are known.

#### **15. 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.

#### **16. COMPARATIVE FIGURES**

Certain 2014 comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted for the year ended March 31, 2015.

## CONSOLIDATED SEGMENT DISCLOSURES

Year ended March 31

	Administration / Governance	Infrastructure	Neyaskweyahk Human Services	Community Services / Wellness	Industrial Relations	Corporate	Authorities	Government Business Enterprises	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
									2015
<b>REVENUES</b>									
INAC	1,132,227	2,505,641	4,704,234	304,474	188,878	-	16,047,028	-	24,882,482
Tribal funds	-	48,619	-	-	248,914	-	-	-	297,533
Neyaskweyahk Trust allocation	4,164,670	3,354,580	2,272,164	1,982,093	138,852	-	-	-	11,912,359
Other revenue	345,215	1,263,160	1,063,444	2,092,596	905,306	1,684,805	1,217,157	-	8,571,683
Net contributions carried forward	239,438	427,511	(193,380)	666,103	-	-	-	-	1,139,672
Share of income from Government	-	-	-	-	-	-	-	(448,076)	(448,076)
Business Enterprises	5,881,550	7,599,511	7,846,462	5,045,266	1,481,950	1,684,805	17,264,185	(448,076)	46,355,653
<b>EXPENSES</b>									
Salaries and benefits	3,040,342	2,455,307	1,401,088	1,485,867	864,532	388,646	10,947,862	-	20,583,644
Program expenses	704,829	196,357	1,096,802	2,357,950	225,407	332,100	3,054,472	-	7,967,917
Repairs and maintenance	49,499	2,516,051	33,143	630,558	100	363,412	198,922	-	3,791,685
Allowances	-	-	3,544,742	-	-	-	-	-	3,544,742
Materials and supplies	31,556	780,682	6,549	138,312	-	264,975	626,440	-	1,848,514
Distribution to members	-	-	1,647,750	-	-	-	-	-	1,647,750
Amortization	-	472,123	5,704	23,672	-	24,173	803,280	-	1,328,952
Professional fees	1,169,993	27,055	9,000	14,644	14,156	64,534	53,408	-	1,352,790
Utilities	146,902	274,044	60,951	160,693	108,380	22,177	258,241	-	1,031,388
Office and general	267,787	66,746	61,878	31,269	466	18,582	390,019	-	836,747
Travel	569,727	60,503	53,792	27,424	56,396	33,645	19,430	-	820,917
Other	468,012	789,591	58,290	225,225	79,229	123,569	1,239,464	-	2,983,380
	6,448,647	7,638,459	7,979,689	5,095,614	1,348,666	1,635,813	17,591,538	-	47,738,426
Surplus (deficit) for the year	(567,097)	(38,948)	(133,227)	(50,348)	133,284	48,992	(327,353)	(448,076)	(1,382,773)

## CONSOLIDATED SEGMENT DISCLOSURES

Year ended March 31

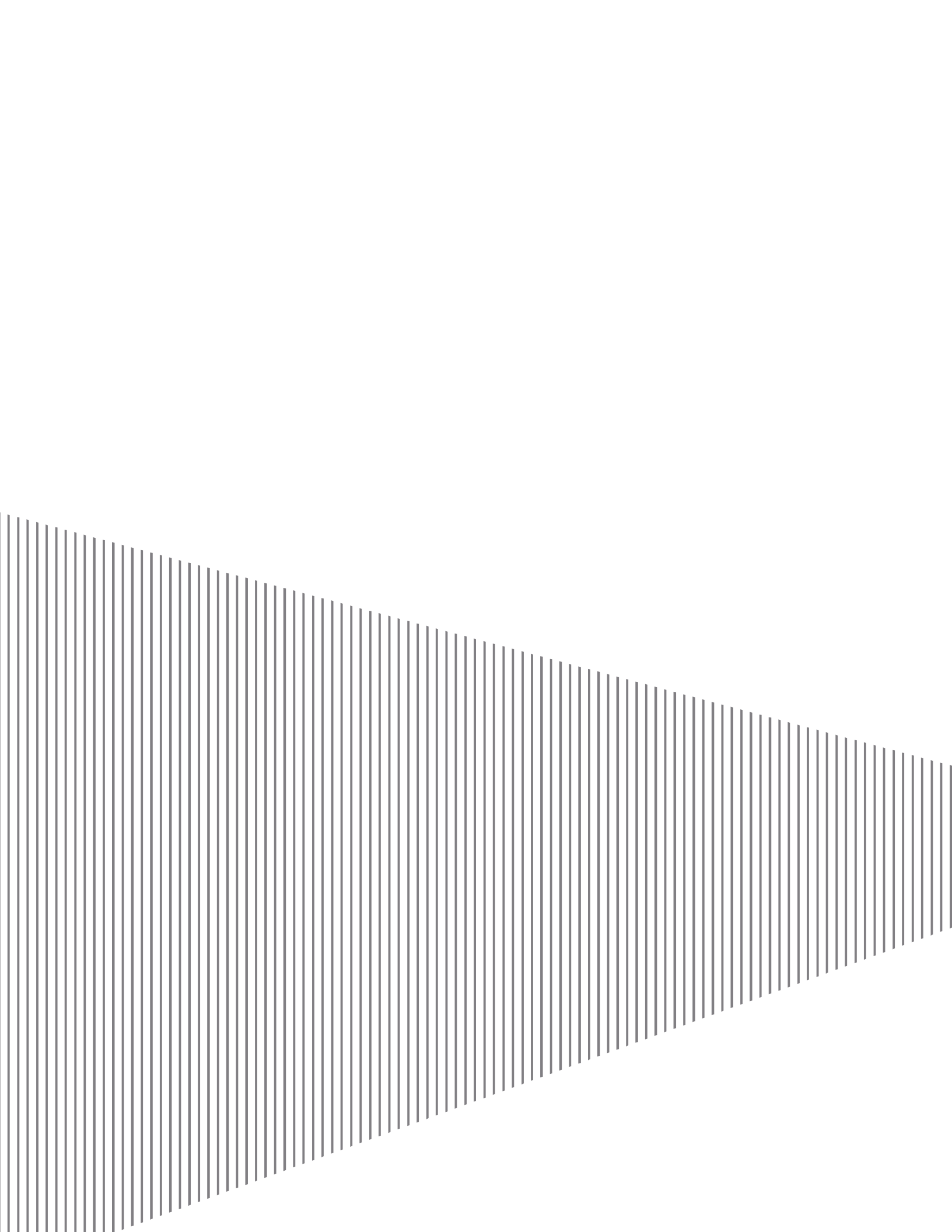
	Administration / Governance	Infrastructure	Neyaskweyahk Human Services	Community Services / Wellness	Industrial Relations	Corporate	Authorities	Government Business Enterprises	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUES</b>									<b>2014</b>
INAC	1,144,339	2,705,750	4,133,426	304,474	230,518	95,420	15,687,768	-	24,301,695
Tribal funds	46,560	48,619	-	-	262,738	-	-	-	357,917
Neyaskweyahk Trust allocation	3,842,835	3,087,403	2,192,168	1,495,119	545,000	-	-	-	11,162,525
Other revenue	251,649	829,655	576,148	2,519,694	443,408	1,879,308	1,125,604	-	7,625,466
Net contributions carried forward	787,541	158,509	468,998	(172,936)	65,000	-	15,893	-	1,323,005
Share of income from Government	-	-	-	-	-	-	-	36,386	36,386
Business Enterprises	6,072,924	6,829,936	7,370,740	4,146,351	1,546,664	1,974,728	16,829,265	36,386	44,806,994
<b>EXPENSES</b>									
Salaries and benefits	2,764,001	2,373,889	1,229,789	1,720,487	515,804	368,578	10,767,819	-	19,740,367
Program expenses	372,320	345,923	690,880	1,745,284	509,789	197,693	2,580,603	-	6,442,492
Repairs and maintenance	71,137	2,706,114	30,037	427,942	441	445,162	245,229	-	3,926,062
Allowances	-	-	3,153,509	-	-	-	-	-	3,153,509
Distribution to members	-	-	2,181,575	-	-	-	-	-	2,181,575
Materials and supplies	62,306	541,994	6,078	141,003	-	580,158	681,502	-	2,013,041
Professional fees	1,349,460	29,368	9,000	20,850	35,028	67,138	45,743	-	1,556,587
Amortization	-	411,213	4,254	30,070	-	19,833	797,623	-	1,262,993
Utilities	130,969	295,031	46,286	168,105	99,682	48,651	293,511	-	1,082,235
Travel	729,336	63,301	44,992	82,167	70,776	33,813	16,378	-	1,040,763
Office and general	259,217	76,937	98,371	175,478	2,737	28,092	391,918	-	1,032,750
Other	437,600	550,578	53,608	352,300	50,667	314,983	1,147,120	-	2,906,856
	6,176,346	7,394,348	7,548,379	4,863,686	1,284,924	2,104,101	16,967,446	-	46,339,230
Surplus (deficit) for the year	(103,422)	(564,412)	(177,639)	(717,335)	261,740	(129,373)	(138,181)	36,386	(1,532,236)

# SUPPLEMENTARY INFORMATION FOR THE MODIFIED EQUITY METHOD - GOVERNMENT BUSINESS ENTERPRISES

Year ended March 31

Unaudited

	2015	2014
	\$	\$
<b>Aggregated balance sheet information:</b>		
<b>ASSETS</b>		
Cash	1,037,665	159,185
Portfolio investments	103,500	-
Accounts receivable	116,397	281,509
Inventory	60,222	-
Deposits and prepaid expenses	12,486	6,659
Property	86,003	10,546
Due from related parties	344,419	113,958
	<u>1,760,692</u>	<u>571,857</u>
<b>LIABILITIES AND EQUITY</b>		
Accounts payable and accrued liabilities	117,565	98,773
Deferred income	-	6,294
Due to related parties	1,124,513	-
<b>Equity</b>	<u>518,614</u>	<u>466,790</u>
	<u>1,760,692</u>	<u>571,857</u>
<b>Aggregated income statement information:</b>		
Revenues	5,795,469	734,656
Expenses	6,243,545	698,270
Net income (loss)	<u>(448,076)</u>	<u>36,386</u>





Schedule of Remuneration and Expenses - Chief and Council

**Ermineskin Tribal Enterprises**

Unaudited - See Review Engagement Report

March 31, 2015



Building a better  
working world

## REVIEW ENGAGEMENT REPORT

To the Members of  
**Ermineskin Tribal Enterprises**

At the request of Chief and Council, we have reviewed the Schedule of Remuneration and Expenses - Chief and Council of **Ermineskin Tribal Enterprises** for the year ended March 31, 2015 prepared in accordance with the provisions of paragraph 6 of the First Nations Financial Transparency Act. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by management.

A review does not constitute an audit and consequently we do not express an audit opinion on this financial information.

Based on our review nothing has come to our attention that causes us to believe that this financial information is not, in all material respects, prepared in accordance with the provisions of paragraph 6 of the First Nations Financial Transparency Act.

Edmonton, Alberta  
July 28, 2015

*Ernst & Young LLP*

Chartered Accountants

