

Ermineskin Tribal Enterprises
Consolidated Financial Statements
March 31, 2016

Ermineskin Tribal Enterprises

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For the year ended March 31, 2016

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ERMINESKIN CREE NATION

BOX 219, HOBBEWA, ALBERTA T0C 1N0

PHONE (780) 585-3741

EDM. LINE 420-0008
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Management's Responsibility

To the Members of Ermineskin Tribal Enterprises:

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

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

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

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

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

July 28, 2016

Original signed by:

Administrator

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 2016, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, cash flows and the related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ermineskin Tribal Enterprises as at March 31, 2016 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The financial statements as at and for the year ended March 31, 2015 were audited by another firm of professional accountants, who provided an unqualified audit opinion in their report dated July 28, 2015.

Leduc, Alberta

July 28, 2016

MNP LLP

Chartered Professional Accountants



ERMINESKIN CREE NATION

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Approved at a meeting of Chief and Council on July 28, 2016

Original signed by:

Chief Randy Ermineskin

Original signed by:

Councilor Brian Lee

Councilor Collin Wildcat

Councilor Daniel Makinaw

Original signed by:

Councilor Daniel Wildcat

Original signed by:

Councilor Anne Wildcat

Original signed by:

Councilor Dennis Whitebear

Original signed by:

Councilor Gordon Minde

Councilor Nina Makinaw

Ermineskin Tribal Enterprises

Consolidated Statement of Financial Position

As at March 31, 2016

| | 2016 | 2015 (Restated) |
|---|-------------------|--------------------|
| Financial assets | | |
| Portfolio investments (Note 4) | 10,484,117 | 11,843,550 |
| Accounts receivable (Note 5) | 1,023,790 | 1,741,855 |
| Loans receivable (Note 6) | 4,154,960 | 4,045,295 |
| Properties held for sale | 161,125 | 161,125 |
| Investment in Nation business entities (Note 7) | 2,123,570 | 1,292,460 |
| Funds held in trust (Note 8) | 204,320 | 236,033 |
| Total financial assets | 18,151,882 | 19,320,318 |
| Liabilities | | |
| Bank indebtedness (Note 9) | 139,454 | 1,271,694 |
| Accounts payable and accruals (Note 10) | 2,241,789 | 2,046,561 |
| Deferred revenue (Note 11) | 990,551 | 1,321,364 |
| Long-term debt (Note 12) | 4,553,387 | 4,256,101 |
| Total liabilities | 7,925,181 | 8,895,720 |
| Net financial assets | 10,226,701 | 10,424,598 |
| Contingencies (Note 15) | | |
| Non-financial assets | | |
| Tangible capital assets (Note 16) | 35,266,335 | 33,704,841 |
| Prepaid expenses | 186,124 | 255,864 |
| Total non-financial assets | 35,452,459 | 33,960,705 |
| Accumulated surplus (Note 13) | 45,679,160 | 44,385,303 |

Approved by a quorum of Council on July 28, 2016

Ermineskin Tribal Enterprises

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2016

| | <i>Schedules</i> | <i>2016 Budget</i> | <i>2016</i> | <i>2015 (Restated)</i> |
|---|------------------|------------------------|-------------------|----------------------------|
| Revenue | | | | |
| Indigenous and Northern Affairs Canada | | 22,214,306 | 24,724,114 | 24,894,940 |
| Neyaskweyahk Trust allocation | | 9,985,735 | 12,699,239 | 11,912,359 |
| Six Independent First Nations of Alberta | | 1,242,070 | 1,006,783 | 972,070 |
| First Nation Development Fund | | - | 1,040,935 | 1,395,863 |
| Health Canada | | 790,388 | 965,204 | 868,973 |
| Canada Mortgage and Housing Corporation | | 204,227 | 472,804 | 492,064 |
| Other revenue | | 2,636,120 | 2,996,037 | 4,613,510 |
| Interest income | | 711,204 | 1,018,942 | 1,251,023 |
| Earnings (loss) from investment in Nation business entities | | - | 381,106 | (448,076) |
| Revenue trust funds | | - | 283,270 | 297,533 |
| Prior year funding | | - | 63,202 | - |
| Repayment of funding | | - | (43,511) | - |
| Deferred revenue - prior year | | - | 1,397,857 | 2,537,529 |
| Deferred revenue - current year | | - | (760,142) | (1,397,857) |
| | | 37,784,050 | 46,245,840 | 47,389,931 |
| Expenses | | | | |
| Administration / Governance | 2 | 5,325,659 | 5,539,510 | 5,695,753 |
| Infrastructure | 3 | 4,413,182 | 4,673,604 | 4,649,277 |
| Neyaskweyahk Human Services | 4 | 10,981,331 | 13,286,459 | 16,729,941 |
| Community Services / Wellness | 5 | 825,857 | 967,522 | 868,906 |
| Industrial Relations | 6 | 957,706 | 1,462,331 | 1,348,666 |
| Corporate | 7 | - | - | 854,363 |
| Authorities | 8 | 15,630,418 | 18,713,380 | 18,631,774 |
| | | 38,134,153 | 44,642,806 | 48,778,680 |
| Surplus (deficit) before other items | | (350,103) | 1,603,034 | (1,388,749) |
| Other income (expense) | | | | |
| Gain on disposal of portfolio investments | | - | 45,656 | 14,239 |
| Gain on disposal of tangible capital assets | | - | 74,215 | - |
| Forgiveness of advances to Nation business entities | | - | (397,335) | - |
| Change in trust funds | | - | (31,713) | (55,958) |
| | | - | (309,177) | (41,719) |
| Surplus (deficit) | | (350,103) | 1,293,857 | (1,430,468) |
| Accumulated surplus, beginning of year, as previously stated | | 44,385,303 | 44,451,079 | 45,889,960 |
| Correction of an error (Note 19) | | - | (65,776) | (74,189) |
| Accumulated surplus, beginning of year, as restated | | 44,385,303 | 44,385,303 | 45,815,771 |
| Accumulated surplus, end of year | | 44,035,200 | 45,679,160 | 44,385,303 |

The accompanying notes are an integral part of these financial statements

Ermineskin Tribal Enterprises
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2016

| | 2016 Budget | 2016 | 2015 (Restated) |
|---|------------------------|--------------------|----------------------------|
| Annual surplus (deficit) | (350,103) | 1,293,857 | (1,430,468) |
| Purchases of tangible capital assets | - | (3,322,974) | (1,499,768) |
| Amortization of tangible capital assets | - | 1,433,660 | 1,328,952 |
| Gain on sale of tangible capital assets | - | (74,215) | - |
| Proceeds of disposal of tangible capital assets | - | 82,500 | - |
| Net impact of change in presentation of business entity <i>(Note 7)</i> | - | 319,506 | - |
| Use of prepaid expenses | - | 69,769 | 15,051 |
| Decrease in net financial assets | (350,103) | (197,897) | (1,586,233) |
| Net financial assets, beginning of year | 10,424,598 | 10,424,598 | 12,010,831 |
| Net financial assets, end of year | 10,074,495 | 10,226,701 | 10,424,598 |

Ermineskin Tribal Enterprises
Consolidated Statement of Cash Flows
For the year ended March 31, 2016

| | 2016 | 2015 (Restated) |
|---|--------------------|--------------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | | |
| Cash receipts from contributors | 44,835,608 | 47,810,188 |
| Cash paid to suppliers | (21,097,489) | (26,595,270) |
| Cash paid to employees | (18,170,328) | (17,589,611) |
| Interest received | 1,018,942 | 1,251,023 |
| Interest paid | (217,571) | (233,251) |
| Social assistance paid | (3,439,720) | (3,636,321) |
| | 2,929,442 | 1,006,758 |
| Financing activities | | |
| Advances of long-term debt | 470,007 | 1,435,688 |
| Repayment of long-term debt | (172,721) | (151,506) |
| | 297,286 | 1,284,182 |
| Capital activities | | |
| Purchases of tangible capital assets | (3,322,974) | (1,499,768) |
| Proceeds of disposal of tangible capital assets | 82,500 | - |
| | (3,240,474) | (1,499,768) |
| Investing activities | | |
| Net advances to Nation business entities | (527,805) | (1,273,843) |
| Net proceeds (purchases) from portfolio investments | 1,783,186 | (172,205) |
| Net advances of loans receivable | (109,395) | (1,701,076) |
| | 1,145,986 | (3,147,124) |
| Increase (decrease) in cash resources | 1,132,240 | (2,355,952) |
| Cash resources (deficiency), beginning of year | (1,271,694) | 1,084,258 |
| Cash deficiency, end of year (Note 9) | (139,454) | (1,271,694) |

Ermineskin Tribal Enterprises

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016

1. First Nations Financial Transparency Act

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 practicing 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 Generally Accepted Auditing 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 react and to use in a malicious manner to complain about First Nations (i.e. the Canadian Taxpayers Federation) is very real. The Colonial Government has not provided any safe guards against this possible abuse.

The Department of Indigenous and Northern Affairs Canada (INAC) in the past has mismanaged our capital monies held in Trust. Which is why we have created our Neyaskweyahk Trust that handles these monies now. To date these monies have generated anywhere from 3 to 4 times more dollars every year then what we were receiving from INAC 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 harm's way and will hurt our children's lives and education; it will also cause undue hardship to the most vulnerable citizens and families within our Nation. In addition, it will cause a discontinuation of vital services (e.g. water, sewer, education, etc...) to our Nation's 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 State's 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 INAC 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 INAC 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.

Ermineskin Tribal Enterprises

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016

1. First Nations Financial Transparency Act *(Continued from previous page)*

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 Indigenous Affairs has been cutting funding for First Nation infrastructure to pay for underfunded educational and social programs.

2. Operations

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

3. Significant accounting policies

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

Reporting entity

These consolidated financial statements include Ermineskin Tribal Enterprises, Miyo Wahkohtowin Community Education Authority, the Ermineskin Education Trust Fund, Ermineskin Loan Fund, Ermineskin Womens' Shelter Society, and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation, being Ermineskin Tribal Enterprises Ltd. and Niwichehaw Acceptance Ltd.

Business entities, which are owned or controlled by the First Nation and which are not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method, as outlined in Note 7. Under the modified equity method, the equity method of accounting is modified only to the extent that the accounting principles of the business entity are not adjusted to conform with those of the First Nation. Thus, the First Nation's investment in these enterprises is recorded at cost and is increased for the proportionate share of post-acquisition earnings and decreased by post-acquisition losses and distributions received.

Basis of presentation

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

Measurement uncertainty (use of estimates)

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may vary from current estimates.

Accounts receivable are stated after evaluation as to their collectibility. Investment in First Nation business entities is stated after evaluation as to valuation and collectibility of advances. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the First Nation is responsible for.

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

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

Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2016.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

At year-end there was no liability for contaminated sites.

Asset classification

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

i) **Tangible capital assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost of the tangible capital assets are amortized over their expected useful life using the following rates and methods:

| | <i>Method</i> | <i>Rate</i> |
|------------------------|--|--------------------|
| Buildings | declining balance and straight-line | 2.5 - 10 % |
| Automotive | declining balance and straight-line | 7-20 % |
| Equipment | declining balance | 10-20 % |
| Infrastructure | straight-line | 3 % |
| Computers | straight-line | 33 % |
| Leasehold improvements | straight-line | 10 % |
| Distribution system | straight-line | 56 years |

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.

ii) **Prepaid expenses**

Prepaid expenses include deposits and payments for services that have not been provided as of year-end.

Net financial assets

The First Nation's financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

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

Revenue recognition

Government transfers

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

Externally restricted revenue

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

Tribal funds

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

Other revenue

Other sources of revenue are recorded when received or when services have been provided, all significant contractual obligations have been satisfied and collectibility is reasonably assured.

Neyaskweyahk trust

Neyaskweyahk trust allocations are recorded when received or receivable.

Segments

The First Nation conducts its business through seven reportable segments: administration / governance, infrastructure, Neyaskweyahk human services, community services / wellness, industrial relations, corporate, and authorities. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Administration fees have been apportioned based on a percentage of budgeted revenue, where permitted by the funder.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 3, the *Significant accounting policies*. Inter-segment transfers are recorded at their exchange amount.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

Portfolio investments

Long-term investments in entities that are not controlled by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

Employee future benefits

The First Nation's employee future benefit programs consist of a defined contribution pension plan, in which all permanent full-time employees are eligible to participate. Under the plan, the First Nation matches the employee's contribution at a range of 3% to 5.5%. The First Nation's contributions to the plan are expensed as incurred.

Ermineskin Tribal Enterprises

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016

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

Recent accounting pronouncements

Financial instruments

In June 2011, the PSAB issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2019. Earlier adoption is permitted. PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated.

Related party disclosures

In March 2015, the PSAB issued a new standard, PS 2200 *Related Party Disclosures*. This new Section defines a related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements. This Section is effective for fiscal years beginning on or after April 1, 2017. Early adoption is permitted.

The First Nation does not expect the adoption of these new standards to have a material impact on its financial statements.

4. Portfolio investments

| | 2016 | 2015 |
|---|-------------------|-------------|
| Investment in IMI Brokerage Inc and IMI Brokerage Limited Partnership | 100,000 | 100,000 |
| Equity investments | 6,619,599 | 6,879,756 |
| Interest-bearing investments | 3,386,421 | 4,541,428 |
| Unrealized foreign exchange gain | 378,097 | 322,366 |
| | 10,484,117 | 11,843,550 |

Market value of equity investments is \$8,454,859 (2015 - \$8,499,246) and market value of interest-bearing investments is \$3,750,421 (2015 - \$4,993,678).

5. Accounts receivable

| | 2016 | 2015 |
|--|------------------|-------------|
| Indigenous and Northern Affairs Canada | 335,156 | 699,331 |
| Goods and Services Tax | 89,707 | 104,712 |
| Trade receivables | 598,927 | 937,812 |
| | 1,023,790 | 1,741,855 |

Ermineskin Tribal Enterprises
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

6. Loans receivable

Loans receivable consist of the following:

| | <i>Principal</i> | <i>Allowance</i> | <i>2016 Net recoverable value</i> | <i>2015 Net recoverable value</i> |
|--|------------------|--------------------|---|---|
| Ermineskin Loan Fund loans, described below | 7,064,640 | (3,600,000) | 3,464,640 | 3,225,449 |
| Loan receivable, bearing interest at 8% per annum, repayable in monthly instalments of \$19,668, collateralized by a guarantee from the recipient's Chief and Council | 690,320 | - | 690,320 | 819,846 |
| | 7,754,960 | (3,600,000) | 4,154,960 | 4,045,295 |

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.

7. Investments in First Nation partnerships and business entities

As indicated in Note 3, the First Nation records its investments in government business enterprises using the modified equity method. The First Nation has investments in the following entities:

| | <i>Investment cost</i> | <i>Advances to (from)</i> | <i>Accumulated earnings and contributed surplus in equity</i> | <i>Current earnings (loss) in equity</i> | <i>Forgiveness of advances</i> | <i>2016 Total investment</i> |
|---------------------------|----------------------------|-------------------------------|---|--|------------------------------------|--------------------------------------|
| Retail operations | 400 | 1,574,677 | 562,057 | 224,609 | (397,335) | 1,964,408 |
| Contracting operations | 10 | 89,246 | 163,771 | (93,865) | - | 159,162 |
| | 410 | 1,663,923 | 725,828 | 130,744 | (397,335) | 2,123,570 |

| | <i>Investment cost</i> | <i>Advances to (from)</i> | <i>Accumulated earnings and contributed surplus in equity</i> | <i>Current earnings (loss) in equity</i> | <i>Impairment of advances</i> | <i>2015 Total investment</i> |
|---------------------------|------------------------|-------------------------------|---|--|-----------------------------------|--------------------------------------|
| Retail operations | 300 | 783,195 | 810,872 | (465,688) | - | 1,128,679 |
| Contracting operations | 10 | - | 146,159 | 17,612 | - | 163,781 |
| | 310 | 783,195 | 957,031 | (448,076) | - | 1,292,460 |

Ermineskin Tribal Enterprises
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

7. Investments in First Nation partnerships and business entities *(Continued from previous page)*

Summary financial information for the First Nation business entities, accounted for using the modified equity method, is summarized by business line as follows:

| | <i>Contracting operations As at March 31, 2016</i> | <i>Retail operations As at March 31, 2016</i> |
|--------------------------|--|---|
| Assets | | |
| Current | 94,069 | 950,087 |
| Long-term | 85,000 | 2,640,483 |
| Total assets | 179,069 | 3,590,570 |
| Liabilities | | |
| Current | 19,298 | 366,787 |
| Long-term | 89,246 | 2,443,010 |
| Total liabilities | 108,544 | 2,809,797 |
| | 70,525 | 780,773 |
| Total revenue | 16,980 | 8,031,835 |
| Total expenses | 111,794 | 7,807,226 |
| Net income (loss) | (94,814) | 224,609 |

During the year, the First Nation recorded an impairment provision of \$397,335 against the net book value of its investment in Ermineskin Rural Electrification Association Ltd., as a result of uncertainty in regards to the composition of the balance.

Effective April 1, 2015, it was determined that the Ermineskin Rural Electrification Association, which was previously fully consolidated into the financial statements, met the applicable criterion to be accounted for as a government business enterprise investment on a prospective basis. Prior year comparative figures have not been restated as a result of the change in accounting treatment.

8. Funds held in trust

Revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous and Northern Affairs Canada, with the consent of the First Nation's Council.

| | 2016 | 2015 |
|-----------------------------|----------------|---------|
| Revenue trust | | |
| Balance, beginning of year | 236,033 | 291,992 |
| Interest, lease and rentals | 251,557 | 241,574 |
| Less: Transfers to Nation | 283,270 | 297,533 |
| Balance, end of year | 204,320 | 236,033 |

Ermineskin Tribal Enterprises
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9. Bank indebtedness

| | 2016 | 2015 |
|--|------------------|--------------------|
| Cash on deposit | 3,520,484 | 3,035,200 |
| Draw on credit | (1,956,084) | (2,593,182) |
| Cheques issued in excess of bank balance | (1,703,854) | (1,713,712) |
| | (139,454) | (1,271,694) |

The First Nation 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, 2016 the balance on this facility was \$1,934,866; 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, 2016 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, 2016 the balance on this facility was \$21,218. 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 the First Nation.

The prime rate at March 31, 2016 was 2.7% (2015 - 2.7%).

10. Accounts payable and accruals

| | 2016 | 2015 |
|---------------------------------------|------------------|------------------|
| Trade payables | 544,798 | 139,368 |
| Accrued salaries and benefits payable | 307,654 | 270,126 |
| Due to Minors Trust | 1,125,569 | 1,125,569 |
| Other accrued liabilities | 263,768 | 511,497 |
| | 2,241,789 | 2,046,560 |

11. Deferred revenue

Deferred revenue consists of funds received for specific purposes which were not completed at the end of the fiscal year. The major categories are:

| | Opening | Funding received | Recognized as revenue | Closing |
|--------------------------------|------------------|-------------------|-----------------------|----------------|
| Neyaskweyahk Trust funds | 705,919 | 12,910,832 | 12,917,081 | 699,670 |
| First Nations Development Fund | 176,259 | 1,040,935 | 1,102,587 | 114,607 |
| Tribal funds | 93,839 | 377,109 | 313,490 | 157,458 |
| Other funds | 345,347 | - | 326,531 | 18,816 |
| | 1,321,364 | 14,328,876 | 14,659,689 | 990,551 |

Ermineskin Tribal Enterprises
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12. Long-term debt

| | 2016 | 2015 |
|---|------------------|-------------|
| 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. | 1,036,595 | 1,106,712 |
| 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. | 711,031 | 734,359 |
| 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. | 536,227 | 563,676 |
| CMHC mortgage bearing interest at 1.11% per annum, repayable at \$1,852 per month including interest, due April 2021, collateralized by a ministerial guarantee, for the purpose of housing. | 466,761 | 361,801 |
| 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. | 447,830 | 470,650 |
| 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. | 401,839 | 420,981 |
| CMHC mortgage bearing interest at 1.01% per annum, repayable at \$2,258 per month including interest, due February 2021, collateralized by a ministerial guarantee, for the purpose of housing. | 375,036 | 335,524 |
| CMHC forgivable, interest-free loan, with no repayment conditions, for the purpose of leasehold improvements and building repairs. | 329,000 | - |
| 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. | 249,067 | 262,397 |
| | 4,553,386 | 4,256,100 |
| Less: less: current portion | 220,085 | - |
| | 4,333,301 | 4,256,100 |

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

| | |
|------|---------|
| 2017 | 220,085 |
| 2018 | 223,767 |
| 2019 | 227,514 |
| 2020 | 231,328 |
| 2021 | 235,211 |

Interest on long-term debt amounted to \$93,374 (2015 - \$66,224).

Ermineskin Tribal Enterprises
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13. Accumulated surplus

Accumulated surplus consists of the following:

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Unrestricted surplus | 12,427,199 | 13,408,070 |
| Equity in tangible capital assets | 30,712,948 | 29,448,740 |
| Restricted surplus - enterprise | 2,123,570 | 1,292,460 |
| Restricted surplus - trusts | 204,320 | 236,033 |
| Internally restricted surplus - Infrastructure | 34,618 | - |
| Internally restricted surplus - Neyaskweyahk Human Services | 118,222 | - |
| Internally restricted surplus - Authorities | 58,283 | - |
| | 45,679,160 | 44,385,303 |

14. Commitments

The First Nation has entered into various operating lease agreements with estimated minimum annual payments as follows:

| | |
|------|---------|
| 2017 | 226,036 |
| 2018 | 18,836 |

15. Contingent liabilities

In the normal conduct of operations, there are pending claims by and against the First Nation. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information of legal counsel, final determination of these other litigations will not materially affect the First Nation's financial position or results of operations.

The First Nation is working with representatives from INAC to identify and quantify the cost of remediation for certain sites that are potentially environmentally contaminated. At the year-end, the number of sites, estimated costs of remediation, and estimated recovery of the associated costs from INAC are unknown and cannot be reasonably estimated. As a result, no liability for the potential remediation of these sites has been recorded.

These consolidated financial statements are subject to review by the First Nation's funding agents. It is possible that adjustments could be made based on the results of their reviews.