

Ermineskin Cree Nation
Consolidated Financial Statements
March 31, 2017

	Page
Management's Responsibility	
Independent Auditors' Report	
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Changes in Net Financial Assets.....	3
Consolidated Statement of Cash Flows.....	4
Notes to the Consolidated Financial Statements	5
Schedules	
Schedule 1 - Schedule of Consolidated Expenses by Object.....	17
Schedule 2 - Schedule of Administration / Governance Revenue and Expenses.....	18
Schedule 3 - Schedule of Infrastructure Revenue and Expenses.....	19
Schedule 4 - Schedule of Neyaskweyahk Human Services Revenue and Expenses.....	20
Schedule 5 - Schedule of Community Services / Wellness Revenue and Expenses.....	22
Schedule 6 - Schedule of Industrial Relations Revenue and Expenses.....	23
Schedule 8 - Schedule of Authorities Revenue and Expenses.....	24



ERMINESKIN TRIBAL ENTERPRISES

BOX 219, HOBBEWA, ALBERTA T0C 1N0

PHONE (780) 585-3741

EDM. LINE 420-0008

FAX 585-2550

Management's Responsibility

To the Members of Ermineskin Cree Nation:

The accompanying consolidated financial statements of Ermineskin Cree Nation 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 Cree Nation 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 21, 2017

Administrator

Independent Auditors' Report

To the Members of Ermineskin Cree Nation:

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

Leduc, Alberta

July 21, 2017

MNP LLP

Chartered Professional Accountants



ERMINESKIN TRIBAL ENTERPRISES

BOX 219, HOBBEWA, ALBERTA T0C 1N0

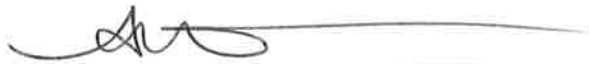
PHONE (780) 585-3741

EDM. LINE 420-0008

FAX 585-2550

Approved at a meeting of Chief and Council on July 21, 2017


Chief Randy Ermineskin



Councilor Anne Wildcat



Councilor Cheryl Montour



Councilor Collin Wildcat



Councilor Daniel Makinaw

Councilor Daniel Wildcat



Councilor Dennis Whitebear



Councilor Nina Makinaw



Councilor Ryan Ermineskin

Ermineskin Cree Nation
Consolidated Statement of Financial Position
As at March 31, 2017

	2017	2016
Financial assets		
Cash and cash equivalents	1,941,955	-
Portfolio investments (Note 4)	10,139,526	10,484,117
Accounts receivable (Note 5)	4,825,073	1,023,790
Loans receivable (Note 6)	3,911,196	4,154,960
Properties held for sale	161,125	161,125
Investment in Nation business entities (Note 7)	2,517,143	2,123,574
Funds held in trust (Note 8)	252,424	204,320
Total financial assets	23,748,442	18,151,886
Liabilities		
Bank indebtedness (Note 9)	-	139,454
Accounts payable and accruals (Note 10)	3,934,159	2,241,793
Deferred revenue (Note 11)	433,895	990,551
Long-term debt (Note 12)	6,052,743	4,553,387
Total liabilities	10,420,797	7,925,185
Net financial assets	13,327,645	10,226,701
Contingencies (Note 14)		
Non-financial assets		
Tangible capital assets (Note 15)	38,563,828	35,266,335
Prepaid expenses	266,276	186,124
Total non-financial assets	38,830,104	35,452,459
Accumulated surplus (Note 13)	52,157,749	45,679,160

Approved by a quorum of Council on July 21, 2017

Ermineskin Cree Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2017

	<i>Schedules</i>	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
Revenue				
Indigenous and Northern Affairs Canada		21,719,199	33,985,711	24,724,114
Neyaskweyahk Trust allocation		13,013,015	13,707,881	12,910,832
Six Independent First Nations of Alberta		1,190,070	1,114,594	1,006,783
First Nations Development Fund		330,000	993,321	1,040,935
Health Canada		691,085	992,372	965,204
Canada Mortgage and Housing Corporation		211,227	1,019,306	472,804
Other revenue		2,202,725	4,683,910	2,996,037
Interest income		384,052	1,279,738	1,018,942
Earnings (loss) from investment in Nation business entities		-	(158,798)	381,106
Revenue trust funds		-	238,788	283,270
Prior year INAC funding adjustments		-	36,582	63,202
Repayment of federal funding		-	(214,654)	(43,511)
Deferred revenue - prior year <i>(Note 11)</i>		-	971,735	1,397,857
Deferred revenue - current year <i>(Note 11)</i>		-	(433,895)	(971,735)
		39,741,373	58,216,591	46,245,840
Expenses				
Administration / Governance	2	5,687,416	6,053,730	5,539,510
Infrastructure	3	4,943,799	5,865,589	4,673,604
Neyaskweyahk Human Services	4	12,946,015	15,286,521	13,286,459
Community Services / Wellness	5	846,797	752,436	967,522
Industrial Relations	6	1,302,110	2,569,582	1,462,331
Authorities	7	14,695,808	21,742,371	18,713,380
		40,421,945	52,270,229	44,642,806
Surplus (deficit) before other items		(680,572)	5,946,362	1,603,034
Other income (expense)				
Gain on disposal of portfolio investments		-	140,978	45,656
Gain on disposal of tangible capital assets		-	137,516	74,215
Forgiveness of advances to Nation business entities <i>(Note 7)</i>		-	(123,371)	(397,335)
Change in trust funds		-	48,104	(31,713)
Forgiveness of CMHC debt <i>(Note 12)</i>		-	329,000	-
		-	532,227	(309,177)
Surplus (deficit)		(680,572)	6,478,589	1,293,857
Accumulated surplus, beginning of year		45,679,160	45,679,160	44,385,303
Accumulated surplus, end of year		44,998,588	52,157,749	45,679,160

The accompanying notes are an integral part of these financial statements

Ermineskin Cree Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2017

	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
Surplus (deficit)	(680,572)	6,478,589	1,293,857
Purchases of tangible capital assets	-	(4,929,734)	(3,322,974)
Amortization of tangible capital assets	-	1,615,257	1,433,660
Gain on sale of tangible capital assets	-	(137,516)	(74,215)
Proceeds of disposal of tangible capital assets	-	154,502	82,500
Net impact of change in presentation of business entity	-	-	319,506
Use (acquisition) of prepaids	-	(80,154)	69,769
Increase (decrease) in net financial assets	(680,572)	3,100,944	(197,897)
Net financial assets, beginning of year	10,226,701	10,226,701	10,424,598
Net financial assets, end of year	9,546,129	13,327,645	10,226,701

Ermineskin Cree Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2017

	2017	2016
<hr/>		
Cash provided by (used for) the following activities		
Operating activities		
Cash receipts from contributors	52,999,419	44,835,608
Cash paid to suppliers	(24,555,516)	(21,097,489)
Cash paid to employees	(20,212,774)	(18,170,328)
Interest received	1,091,493	1,018,942
Interest paid	(267,686)	(217,571)
Social assistance paid	(3,915,523)	(3,439,720)
	5,139,413	2,929,442
<hr/>		
Financing activities		
Advances of long-term debt	2,049,225	470,007
Repayment of long-term debt	(239,390)	(172,721)
	1,809,835	297,286
<hr/>		
Capital activities		
Purchases of tangible capital assets	(4,929,734)	(3,322,974)
Proceeds of disposal of tangible capital assets	154,502	82,500
	(4,775,232)	(3,240,474)
<hr/>		
Investing activities		
Net advances to Nation business entities	(675,739)	(527,805)
Net proceeds from portfolio investments	339,368	1,783,186
Net repayments (advances) of loans receivable	243,764	(109,395)
	(92,607)	1,145,986
<hr/>		
Increase in cash resources	2,081,409	1,132,240
<hr/>		
Cash resources (deficiency), beginning of year	(139,454)	(1,271,694)
<hr/>		
Cash resources (deficiency), end of year	1,941,955	(139,454)

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 Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

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 Trudeau Government with its own highly questionable track record on financial transparency.

2. Operations

Ermineskin Cree Nation (the "First Nation") is located in the province of Alberta, and provides various services to its members. Ermineskin Cree Nation 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 Cree Nation, 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 controlled by the First Nation, being Ermineskin Tribal Enterprises Ltd. and Niwichehaw Acceptance Ltd.

Business entities, which are 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 and loans 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, 2017.

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:

	Method	Rate
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 six reportable segments: administration / governance, infrastructure, Neyaskweyahk human services, community services / wellness, industrial relations, 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. Interest-bearing investments 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 Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

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

	2017	2016
Investment in IMI Brokerage Inc and IMI Brokerage Limited Partnership	49,000	100,000
Equity investments	6,459,906	6,619,599
Interest-bearing investments	3,257,746	3,386,421
Unrealized foreign exchange gain	372,873	378,097
	10,139,525	10,484,117

Market value of equity investments is \$9,045,464 (2016 - \$8,454,859) and market value of interest-bearing investments is \$3,632,713 (2016 - \$3,750,421).

5. Accounts receivable

	2017	2016
Indigenous and Northern Affairs Canada	503,626	335,156
Goods and Services Tax	91,769	89,707
Trade receivables	676,355	598,927
Neyaskweyahk Trust funds receivable	3,553,323	-
	4,825,073	1,023,790

Ermineskin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

6. Loans receivable

Loans receivable consist of the following:

	<i>Principal</i>	<i>Allowance</i>	<i>2017 Net recoverable value</i>	<i>2016 Net recoverable value</i>
Ermineskin Loan Fund loans, described below	6,949,080	(3,600,000)	3,349,080	3,464,640
Loan receivable from a First Nation, bearing interest at 8% per annum, repayable in monthly instalments of \$19,668, collateralized by a guarantee from the recipient's Chief and Council	562,116	-	562,116	690,320
	7,511,196	(3,600,000)	3,911,196	4,154,960

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. There was no change in the allowance for doubtful accounts during the year.

7. Investments in First Nation partnerships and business entities

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

						<i>2017</i>
	<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>Total investment</i>
Retail operations	400	1,702,295	786,666	(25,988)	(520,706)	1,942,667
Contracting operations	10	637,370	69,906	(132,810)	-	574,476
	410	2,339,665	856,572	(158,798)	(520,706)	2,517,143

						<i>2016</i>
	<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>Total investment</i>
Retail operations	400	1,574,681	562,057	224,609	(397,335)	1,964,412
Contracting operations	10	89,246	163,771	(93,865)	-	159,162
	410	1,663,927	725,828	130,744	(397,335)	2,123,574

Continued on next page

Ermineskin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

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>Retail operations As at March 31, 2017</i>	<i>Contracting operations As at March 31, 2017</i>
Assets		
Current	990,148	160,606
Long-term	1,213,581	85,000
Property, plant and equipment	1,426,902	275,063
Total assets	3,630,631	520,669
Liabilities		
Current	350,483	19,298
Long-term	2,571,085	637,370
Total liabilities	2,921,568	656,668
	709,063	(135,999)
Total revenue	9,350,029	137,521
Total expenses	9,376,017	270,331
Net income (loss)	(25,988)	(132,810)

During the year, the First Nation forgave debt in the amount of \$123,371 (2016 - \$397,335) from Ermineskin Rural Electrification Association Ltd. in partial repayment of funds appropriated from that company in 1990.

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.

	2017	2016
Revenue trust		
Balance, beginning of year	204,320	236,033
Interest, lease and rentals	286,892	251,557
Less: Transfers to First Nation	238,788	283,270
Balance, end of year	252,424	204,320

Ermineskin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

9. Bank indebtedness

	2017	2016
Cash on deposit	-	3,520,484
Draw on credit	-	(1,956,084)
Cheques issued in excess of bank balance	-	(1,703,854)
	-	(139,454)

The First Nation has a multi-part centralized cash control agreement with the net cash balance being positive at March 31, 2017. 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, 2017 the balance on this facility was \$4,728,159 (2016 - \$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, 2017 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, 2017 the balance on this facility was nil (2016 - \$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, 2017 was 2.7% (2016 - 2.7%).

10. Accounts payable and accruals

	2017	2016
Trade payables	1,275,944	544,802
Accrued salaries and benefits payable	123,217	307,654
Due to Minors Trust	1,125,569	1,125,569
Other accrued liabilities	1,409,430	263,768
	3,934,160	2,241,793

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:

	<i>Opening</i>	<i>Funding received</i>	<i>Recognized as revenue</i>	<i>Closing</i>
Neyaskweyahk Trust funds	699,670	13,707,881	14,407,551	-
First Nations Development Fund	114,607	1,016,345	1,015,162	115,790
Tribal funds	157,458	58,619	162,232	53,845
Indigenous Northern Affairs Canada	-	33,985,711	33,916,924	68,787
Other	18,816	176,657	-	195,473
	990,551	48,945,213	49,501,869	433,895

Ermineskin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

12. Long-term debt

	2017	2016
CMHC mortgage, non-interest bearing and no repayment terms established as at March 31, 2017 as the interest adjustment date has not been set.	1,937,090	-
CMHC mortgage bearing interest at 2.11% per annum, repayable at \$7,729 per month including interest, renewal January 2019, maturing December 2028, collateralized by a ministerial guarantee, for the purpose of housing.	964,893	1,036,595
CMHC mortgage bearing interest at 2.01% per annum, repayable at \$3,154 per month including interest, renewal October 2019, maturing October 2039, collateralized by a ministerial guarantee, for the purpose of housing.	687,166	711,031
CMHC mortgage bearing interest at 1.64% per annum, repayable at \$3,040 per month including interest, renewal March 2022, maturing February 2032, collateralized by a ministerial guarantee, for the purpose of housing.	508,287	536,227
CMHC mortgage bearing interest at 1.11% per annum, repayable at \$1,852 per month including interest, renewal April 2021, maturing October 2039, collateralized by a ministerial guarantee, for the purpose of housing.	469,528	466,761
CMHC mortgage bearing interest at 1.62% per annum, repayable at \$2,522 per month including interest, renewal March 2018, maturing February 2033, collateralized by a ministerial guarantee, for the purpose of housing.	424,606	447,830
CMHC mortgage bearing interest at 0.98% per annum, repayable at \$1,932 per month including interest, renewal March 2020, maturing March 2035, collateralized by a ministerial guarantee, for the purpose of housing.	382,490	401,839
CMHC mortgage bearing interest at 1.01% per annum, repayable at \$2,258 per month including interest, renewal February 2021, maturing February 2031, collateralized by a ministerial guarantee, for the purpose of housing.	351,610	375,036
CMHC mortgage bearing interest at 1.65% per annum, repayable at \$1,463 per month including interest, renewal June 2017, maturing May 2032, collateralized by a ministerial guarantee, for the purpose of housing.	235,496	249,067
CIBC loan bearing interest at 3.20% per annum, repayable at \$2,258 per month including interest, due April 2018, collateralized by a hydrovac truck with a net book value of \$363,375.	91,577	-
CMHC forgivable, interest-free loan, with no repayment conditions, for the purpose of leasehold improvements and building repairs. Forgiven during the year.	-	329,000
	6,052,743	4,553,386
Less: current portion	315,344	220,085
	5,737,399	4,333,301

Ermineskin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

12. Long-term debt *(Continued from previous page)*

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:

2018	315,344
2019	227,514
2020	231,328
2021	235,211
2022	239,163

Interest on long-term debt amounted to \$93,723 (2016 - \$93,374).

13. Accumulated surplus

Accumulated surplus consists of the following:

	2017	2016
Unrestricted surplus	14,816,878	14,091,122
Equity in tangible capital assets	32,511,085	30,712,948
Restricted surplus - enterprise	177,478	459,647
Restricted surplus - trusts	252,424	204,320
Internally restricted surplus - Infrastructure	-	34,618
Internally restricted surplus - Neyaskweyahk Human Services	107,973	118,222
Internally restricted surplus - Authorities	3,767,622	58,283
Internally restricted trust surplus - Administration / Governance	459,090	-
Internally restricted trust surplus - Neyaskweyahk Human Services	65,199	-
	52,157,749	45,679,160

14. 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.

Ermineskin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

15. Tangible capital assets

	<i>Opening Cost</i>	<i>Additions</i>	<i>Cost of Disposals</i>	<i>Accumulated amortization</i>	<i>2017 Net book value</i>
Buildings	37,609,056	2,734,426	64,000	11,587,408	28,692,074
Automotive	1,034,085	90,425	-	543,787	580,723
Equipment	3,539,421	399,361	-	1,571,310	2,367,472
Infrastructure	2,390,519	-	-	296,204	2,094,315
Land	2,863,380	-	-	-	2,863,380
Computers	232,272	19,970	-	201,999	50,243
Leasehold improvements	274,493	65,000	-	44,424	295,069
Construction in progress	-	1,620,552	-	-	1,620,552
	47,943,226	4,929,734	64,000	14,245,132	38,563,828

	<i>Opening Cost</i>	<i>Additions</i>	<i>Cost of Disposals</i>	<i>Accumulated amortization</i>	<i>2016 Net book value</i>
Buildings	35,148,098	2,460,959	-	10,461,997	27,147,060
Automotive	963,837	112,122	41,874	465,212	568,873
Equipment	3,214,423	425,000	100,003	1,321,549	2,217,871
Infrastructure	2,390,519	-	-	236,441	2,154,078
Land	2,863,380	-	-	-	2,863,380
Computers	187,812	50,400	5,941	177,966	54,305
Distribution system	386,437	-	386,437	-	-
Leasehold improvements	-	274,493	-	13,725	260,768
	45,154,506	3,322,974	534,255	12,676,890	35,266,335

Amortization expense of \$1,615,257 (2016 - \$1,433,660) was recorded in amortization on the consolidated statement of expenses by object. Total amortization expense consists of \$1,172,425 (2016 - \$1,066,299) amortization for buildings, \$78,575 (2016 - \$70,895) for automotive, \$249,761 (2016 - \$215,168) for equipment, \$59,763 (2016 - \$59,763) for infrastructure, \$24,034 (2016 - \$7,810) for computers, and \$30,699 (2016 - \$13,725) for leasehold improvements.

The total cost of tangible capital assets at March 31, 2017 is \$52,808,960.

The distribution system was considered disposed of in 2016 when the Ermineskin Rural Electrification Association Ltd. begun being accounted for as a government business enterprise, and its assets, liabilities, revenue and expenses ceased to be consolidated on a line-by-line basis. The assets are still owned by the Ermineskin Rural Electrification Association Ltd.

Ermineskin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

16. Budget information

The disclosed budget information has been approved by the Chief and Council of Ermineskin Cree Nation. The First Nation does not budget for amortization. Included in actual expenses on the consolidated statement of operations and accumulated surplus is amortization of \$1,615,257 (2016 - \$1,433,660).

17. Comparative figures

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