

**Tallcree First Nation  
Consolidated Financial Statements**

*March 31, 2015*

# Tallcree First Nation Contents

For the year ended March 31, 2015

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# Tallcree First Nation

P.O. Box 100  
Fort Vermilion, Alberta  
T0H 1N0  
Phone: 780 927-3727  
Fax : 780 927-4375

## **Management's Responsibility**

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To the Members of Tallcree First Nation:

The accompanying consolidated financial statements of Tallcree First 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 Tallcree First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the First Nation's external auditors.

MNP LLP is appointed by the Chief and Council to audit the consolidated financial statements and report directly to them; 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 22, 2015

*Original signed by:*

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Band Manager

# Independent Auditors' Report

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To the Members of Tallcree First Nation:

We have audited the accompanying consolidated financial statements of Tallcree First Nation, which comprise the consolidated statement of financial position as at March 31, 2015, 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 qualified audit opinion.

## *Basis for Qualified Opinion*

The financial information for all Nation-owned companies were not audited, and accordingly we are unable to verify the balances or transactions with these companies, nor were we able to assess the valuation of amounts due from these companies. As a result, the investment in First Nation business entities and accumulated surplus may be understated or overstated.

## *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly in all material respects the financial position of Tallcree First Nation as at March 31, 2015 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 22, 2015

**MNP LLP**  
Chartered Accountants

**MNP**

**Tallcree First Nation**  
**Consolidated Statement of Financial Position**  
*As at March 31, 2015*

	<b>2015</b>	<b>2014</b>
	<i>(Restated)</i>	
<b>Financial assets</b>		
Cash resources	7,360	285,333
Accounts receivable		
Aboriginal Affairs and Northern Development Canada	530,744	901,171
Human Resources and Skills Development Canada	7,487	31,542
First Nations Development Fund	143,673	214,298
Employee advances (net of allowance for doubtful accounts)	28,196	1,249
Trade receivables	29,882	418,757
Interest receivable	312,165	311,261
Investment in First Nation business entities <i>(Note 5)</i>	2,171,226	2,009,606
Funds held in trust <i>(Note 6)</i>	8,038,147	7,973,657
Investment in UFA Equity	30,298	31,079
<b>Total financial assets</b>	<b>11,299,178</b>	12,177,953
<b>Liabilities</b>		
Bank indebtedness <i>(Note 7)</i>	431,751	323,568
Accounts payable and accruals	632,462	1,625,236
Deferred revenue <i>(Note 8)</i>	188,807	477,920
Advances payable <i>(Note 9)</i>	450,000	450,000
Term loans due on demand <i>(Note 10)</i>	1,000,000	-
Long-term debt <i>(Note 11)</i>	1,209,940	1,514,172
<b>Total liabilities</b>	<b>3,912,960</b>	4,390,896
<b>Net financial assets</b>	<b>7,386,218</b>	7,787,057
<b>Contingencies <i>(Note 12)</i></b>		
<b>Non-financial assets</b>		
Tangible capital assets <i>(Note 13) (Schedule 1)</i>	28,034,494	27,269,742
Prepaid expenses	24,454	144,590
<b>Total non-financial assets</b>	<b>28,058,948</b>	27,414,332
<b>Accumulated surplus <i>(Note 14)</i></b>	<b>35,445,166</b>	35,201,389

**Approved on behalf of the First Nation**

*Original signed by:*

Chief

*Original signed by:*

Councillor

**Tallcree First Nation**  
**Consolidated Statement of Operations and Accumulated Surplus**  
*For the year ended March 31, 2015*

	<i>Schedules</i>	<i>2015 Budget</i>	<i>2015</i>	<i>2014 (Restated)</i>
<b>Revenue</b>				
Aboriginal Affairs and Northern Development Canada		<b>4,792,665</b>	<b>6,015,985</b>	12,537,577
Health Canada		<b>1,461,882</b>	<b>1,079,757</b>	1,104,793
Human Resources and Skills Development Canada		<b>351,029</b>	<b>300,189</b>	405,260
First Nations Development Fund		<b>6,605,576</b>	<b>7,395,931</b>	14,047,630
Capital revenue		<b>300,000</b>	<b>583,799</b>	561,420
Trust interest (Note 6)		<b>326,000</b>	<b>312,165</b>	311,261
First Nation Student Success Program		<b>-</b>	<b>157,650</b>	186,418
Consultation funding		<b>107,000</b>	<b>134,268</b>	112,134
Other revenue		<b>52,801</b>	<b>98,004</b>	276,366
Rental income		<b>-</b>	<b>83,200</b>	483,169
Treaty 8 Tribal Association		<b>-</b>	<b>60,035</b>	44,428
User fees		<b>-</b>	<b>26,785</b>	32,500
Investment income		<b>-</b>	<b>266</b>	164
Capacity funding		<b>100,000</b>	<b>-</b>	209,781
Deferred revenue - prior year		<b>-</b>	<b>477,920</b>	224,950
Deferred revenue - current year		<b>-</b>	<b>(188,807)</b>	(477,920)
		<b>7,491,377</b>	<b>9,586,880</b>	16,733,163
<b>Expenses</b>				
Administration	3	<b>1,129,779</b>	<b>1,148,447</b>	1,616,241
Economic Development	4	<b>68,752</b>	<b>70,461</b>	138,456
Community Services	5	<b>1,380,000</b>	<b>2,071,856</b>	2,080,454
Housing	6	<b>438,000</b>	<b>1,011,116</b>	664,112
Social Services	7	<b>843,172</b>	<b>962,943</b>	873,265
Education	8	<b>2,079,010</b>	<b>2,612,857</b>	2,306,371
Post Secondary Education	9	<b>264,377</b>	<b>195,143</b>	190,903
Human Resources Development	10	<b>438,558</b>	<b>281,895</b>	448,910
Health	11	<b>1,489,648</b>	<b>1,052,251</b>	1,052,651
First Nations Development Fund	12	<b>626,847</b>	<b>229,741</b>	174,632
Capital Revenue	13	<b>-</b>	<b>-</b>	230,971
Equity Funds	14	<b>-</b>	<b>(258,207)</b>	(22,702)
<b>Total expenses</b>		<b>8,758,143</b>	<b>9,378,503</b>	9,754,264
<b>Surplus (deficit) before transfers</b>		<b>(1,266,766)</b>	<b>208,377</b>	6,978,899
<b>Transfers between programs</b>				
Capitalized transfers from Community Services		<b>-</b>	<b>35,400</b>	482,352
Transfer from Health		<b>(75,290)</b>	<b>-</b>	-
Transfer from Education		<b>(87,517)</b>	<b>-</b>	-
		<b>(162,807)</b>	<b>35,400</b>	482,352
<b>Surplus</b>		<b>(1,429,573)</b>	<b>243,777</b>	7,461,251

*Continued on next page*

**Tallcree First Nation**  
**Consolidated Statement of Operations and Accumulated Surplus**  
*For the year ended March 31, 2015*

	<i>Schedules</i>	<i>2015 Budget</i>	<i>2015</i>	<i>2014 (Restated)</i>
<b>Surplus</b> <i>(Continued from previous page)</i>		<b>(1,429,573)</b>	<b>243,777</b>	7,461,251
Accumulated surplus, beginning of year, as previously stated		<b>34,959,971</b>	<b>34,959,971</b>	27,740,138
Prior period adjustments <i>(Note 18)</i>		-	<b>241,418</b>	-
Accumulated surplus, beginning of year, as restated		<b>34,959,971</b>	<b>35,201,389</b>	27,740,138
Accumulated surplus, end of year		<b>33,530,398</b>	<b>35,445,166</b>	35,201,389

**Tallcree First Nation**  
**Consolidated Statement of Changes in Net Financial Assets**  
*For the year ended March 31, 2015*

	<b>2015 Budget</b>	<b>2015</b>	<b>2014 (Restated)</b>
<b>Annual operating surplus</b>			
Purchases of tangible capital assets	-	243,777	7,461,251
Amortization of tangible capital assets	-	(2,487,254)	(8,890,145)
Writedown of tangible capital assets	66,847	1,641,049	1,573,445
Proceeds of disposal of tangible capital assets	-	75,455	-
Change in prepaid expenses	-	6,000	-
	-	120,134	(144,590)
<b>Increase (decrease) in net financial assets</b>	<b>66,847</b>	<b>(400,839)</b>	<b>(39)</b>
<b>Net financial assets, beginning of year</b>	<b>7,787,057</b>	<b>7,787,057</b>	<b>7,787,096</b>
<b>Net financial assets, end of year</b>	<b>7,853,904</b>	<b>7,386,218</b>	<b>7,787,057</b>

**Tallcree First Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2015*

	<b>2015</b>	<b>2014</b>
	<i>(Restated)</i>	
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Cash receipts from contributors	9,762,049	15,600,642
Cash paid to suppliers	(3,798,588)	(4,179,651)
Cash paid to employees	(3,058,266)	(2,913,617)
Interest paid	(115,317)	(131,898)
Interest received	312,165	311,261
Social assistance paid	(708,531)	(661,462)
	<b>2,393,512</b>	8,025,275
<b>Financing activities</b>		
Advances of term loans due on demand	1,000,000	-
Repayment of long-term debt	(304,232)	(282,691)
Advance on bank indebtedness	108,183	127,890
Repayment of advances from related entities	79,237	73,028
	<b>883,188</b>	(81,773)
<b>Capital activities</b>		
Purchases of tangible capital assets	(3,560,673)	(7,840,616)
Proceeds of disposal of tangible capital assets	6,000	-
	<b>(3,554,673)</b>	(7,840,616)
<b>Increase (decrease) in cash resources</b>	<b>(277,973)</b>	102,886
<b>Cash resources, beginning of year</b>	<b>285,333</b>	182,447
<b>Cash resources, end of year</b>	<b>7,360</b>	285,333

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

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2015*

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**1. Operations**

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

**2. Significant accounting policies**

The consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada and are consistent with the accounting policies set out by the Department of Aboriginal Affairs and Northern Development Canada ("AANDC"). Significant aspects of the accounting policies adopted by the First Nation are as follows:

***Reporting entity***

Tallcree First Nation reporting entity includes the First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

Tallcree First Nation business entities, owned or controlled by the First Nation's Council but 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 5. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post-acquisition earnings and decreased by post-acquisition losses and distributions received.

***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.

***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.

Prepaid expenses included in non-financial asset include deposits on tangible capital assets and payment for services that have not been provided as of year end.

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 First Nation holds works of art and historical treasures of a cultural value, which have not been included in tangible capital assets due to the inability of estimating future benefits associated with such property. The cost of the tangible capital assets are amortized over their expected useful life using the following methods and rates:

	Rate
Buildings and infrastructure	straight-line 5-20 years
Buildings and infrastructure	declining balance 4 %
Band housing	straight-line 25-40 years
General equipment	straight-line 5-15 years
General equipment	declining balance 20 %
Automotive equipment	straight-line 2-10 years
Automotive equipment	declining balance 30 %
Computer equipment	straight-line 3 years
Computer equipment	declining balance 30 %

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2015*

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

***Long-lived assets***

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in surplus for the year.

***Net financial assets***

The First Nation's consolidated 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 are determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprises a second indicator of financial position, accumulated surplus.

***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.

***Other revenue***

Other revenue is recognized when services have been provided, all significant contractual obligations have been satisfied and collectability is reasonably assured.

***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. Employee advances receivable are based on estimates of the reasonable collection of balances from both existing and prior employees. Amounts due from First Nation members and investments in First Nation business enterprises are stated after evaluation as to their collectability and recoverability and an appropriate allowance for impairment is provided where considered necessary. Deferred revenue is based upon estimates of unexpended amounts and amounts required to complete specific projects. Amortization is based on the estimated useful lives of tangible capital assets. Accounts payable to employees for annual vacation allotments are based upon estimates of the unused balance at the year-end. 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 and assumptions are reviewed periodically and, as adjustments become necessary they are reported in income in the periods in which they become known.

***Segments***

The First Nation conducts its business through twelve reportable segments: Administration, Economic Development, Community Services, Housing, Social Services, Education, Post Secondary Education, Human Resources Development, Health, First Nations Development Fund, Capital Revenue, and Equity Funds. 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.

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2015*

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

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

***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, 2015.

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.

***Recent accounting pronouncements***

**Financial instruments**

In June 2011, the Public Sector Accounting Board ("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. The First Nation does not expect the adoption of these new standards to have a material impact on its financial statements.

**3. Change in accounting policy**

Effective April 1, 2014, the First Nation adopted the recommendations relating to PS 3260, *Liabilities for Contaminated Sites*, as set out in the Canadian public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

Previously, no accounting policy existed to account for a liability for contaminated sites. Under the new recommendations, the First Nation is required to recognize a liability for contaminated sites when economic benefits will be given up, as described in Note 2, *significant accounting policies*.

There was no effect on the First Nation's consolidated financial statements of adopting the above-noted change in accounting policy.

**4. Related party transactions**

- a) The First Nation has, primarily in prior years, advanced funds to First Nation members and employees of \$467,236 (2014 - \$464,178). These advances are repayable based on terms set when the advances are made. As there is currently no process in place to collect amounts that have been advanced to non-staff First Nation members, amounts have been offset by an allowance for impaired accounts of \$463,505 (2014 - \$463,505).
- b) In order to take advantage of bulk purchase discounts and minimize delivery charges, the First Nation purchases heating fuel in bulk on behalf of employees. These purchases are repayable through payroll withholdings in subsequent periods. Receivables from employees at the year-end total \$21,948 (2014 - nil).
- c) Advances to and from First Nation owned companies, as detailed in Note 5, have no specified interest terms, and therefore no interest revenue or expense has been recorded on the advances.

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2015*

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**4. Related party transactions** *(Continued from previous page)*

- d) During the year, the First Nation charged rent of \$48,000 (2014 - \$48,000) to Tallcree Wildland Firefighters Limited Partnership on a non-cash basis and has therefore not included it in the consolidated statement of cash flows. Equipment was leased to Tallcree Wildland Firefighters Limited Partnership in the year totalling \$83,923 (2014 - \$14,017).
- e) During the year, purchases were made by the First Nation that were subsequently reimbursed from Tallcree Wildland Firefighters Limited Partnership totalling \$40,858 (2014 - \$31,168).
- f) No equipment was rented from Tallcree Wildland Firefighters Limited Partnership (2014 - \$5,500) in the year.

The transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**5. Investments in First Nation business entities**

As indicated in Note 2, the First Nation records its investments in government business enterprises using the modified equity method. The First Nation has investments in the following government business enterprises:

					2015
	Investment cost	Advances to (from)	Accumulated earnings in equity	Current earnings (loss) in equity	Total investment
<b>Wholly-owned Businesses:</b>					
Tallcree Wildland (GP) Ltd.	100	(100)	-	(742)	(742)
Netaskinan Development (GP) Ltd.	100	(100)	-	(750)	(750)
Tipeemso Development (GP) Ltd.	100	(100)	-	(750)	(750)
Tallcree Service Centre Ltd.	100	1,109,600	(328,291)	92,389	873,798
Tallcree Wildland Inc.	3	270,804	(1,565,728)	1,368,362	73,441
418318 Alberta Ltd.	1	2,906	-	-	2,907
Netaskinan Development Corporation	20	15,562	(15,197)	(890)	(505)
	424	1,398,572	(1,909,216)	1,457,619	947,399
<b>Partnerships</b>					
Tallcree Wildland Firefighters Limited Partnership	100	989,488	-	83,434	1,073,022
Netaskinan Development Limited Partnership	100	(100)	-	(750)	(750)
Tipeemso Development Limited Partnership	100	152,205	-	(750)	151,555
	300	1,141,593	-	81,934	1,223,827
	724	2,540,165	(1,909,216)	1,539,553	2,171,226

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2015*

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**5. Investments in First Nation business entities** *(Continued from previous page)*

	<i>Investment cost</i>	<i>Advances to</i>	<i>Accumulated earnings in equity</i>	<i>Current earnings (loss) in equity</i>	<i>Total investment</i>
<b>Wholly-owned Businesses:</b>					
Tipeemso Development Corporation	1	194,702	(42,324)	-	152,379
Tallcree Service Centre Inc.	100	1,188,838	(427,180)	98,889	860,647
Netaskinan Development Corporation	20	15,562	(15,057)	(140)	385
Netaskinan Logging Ltd.	1	1,521,082	(1,470,646)	(3,489)	46,948
Tallcree Wildland Firefighters Inc.	1	995,608	88,951	(138,220)	946,340
418618 Alberta Ltd.	1	2,906	-	-	2,907
	124	3,918,698	(1,866,256)	(42,960)	2,009,606

The First Nation's investments in Tallcree Wildland Firefighters Limited Partnership, Netaskinan Development Limited Partnership, and Tipeemso Development Limited Partnership were established for the purposes of segregating operations related to firefighting, contract work, forestry and timber royalties, and property development.

Summary financial information for each First Nation business partnership, accounted for using the modified equity method, for their respective year-end is as follows:

	<i>Tallcree Wildland Firefighters Limited Partnership</i> <i>As at March 31, 2015</i>	<i>Netaskinan Development Limited Partnership</i> <i>As at March 31, 2015</i>	<i>Tipeemso Development Limited Partnership</i> <i>As at March 31, 2015</i>
<b>Assets</b>			
Cash	<b>249,574</b>	-	-
Accounts receivable	<b>12,374</b>	-	-
Timber quota	-	<b>2,942,500</b>	-
Property and equipment	<b>807,109</b>	-	<b>1,500,000</b>
<b>Total assets</b>	<b>1,069,057</b>	<b>2,942,500</b>	<b>1,500,000</b>
<b>Liabilities</b>			
Accounts payable and accruals	<b>21,447</b>	<b>750</b>	<b>1,750</b>
Due to Tallcree First Nation	<b>964,176</b>	<b>2,942,400</b>	<b>1,498,900</b>
<b>Total liabilities</b>	<b>985,623</b>	<b>2,943,150</b>	<b>1,500,650</b>
<b>Partner's capital (deficit)</b>	<b>83,434</b>	<b>(650)</b>	<b>(650)</b>
<b>Total revenue</b>	<b>1,556,715</b>	<b>8</b>	<b>-</b>
<b>Total expenses</b>	<b>1,473,281</b>	<b>750</b>	<b>750</b>
	<b>83,434</b>	<b>(742)</b>	<b>(750)</b>
<b>Net income (loss), being comprehensive income (loss)</b>	<b>83,434</b>	<b>(742)</b>	<b>(750)</b>

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2015*

**5. Investments in First Nation business entities** *(Continued from previous page)*

Summary financial information for each First Nation business enterprise, accounted for using the modified equity method, for their respective year-end is as follows:

	<i>Tallcree Service Centre Inc. As at March 31, 2015</i>	<i>Wildland (GP) Ltd. As at March 31, 2015</i>	<i>Netaskinan Development (GP) Ltd. As at March 31, 2015</i>	<i>Tipeemso Development (GP) Ltd. As at March 31, 2015</i>	<i>Tallcree Wildland Inc. As at March 31, 2015</i>	<i>418318 Alberta Ltd. As at March 31, 2015</i>	<i>Netaskinan Development Corporation As at March 31, 2015</i>
<b>Assets</b>							
Cash	<b>44,419</b>	-	-	-	-	-	<b>1,246</b>
Due from Tallcree First Nation	-	100	100	100	-	-	-
Property and equipment	<b>833,382</b>	-	-	-	-	-	-
<b>Total assets</b>	<b>877,801</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>1,246</b>
<b>Liabilities</b>							
Accounts payable and accruals	<b>4,002</b>	<b>750</b>	<b>750</b>	<b>750</b>	<b>1,000</b>	<b>-</b>	<b>1,750</b>
Due to Tallcree First Nation	<b>1,109,600</b>	-	-	-	<b>221,036</b>	<b>2,907</b>	<b>15,562</b>
<b>Total liabilities</b>	<b>1,113,602</b>	<b>750</b>	<b>750</b>	<b>750</b>	<b>222,036</b>	<b>2,907</b>	<b>17,312</b>
	<b>(235,801)</b>	<b>(650)</b>	<b>(650)</b>	<b>(650)</b>	<b>(222,036)</b>	<b>(2,907)</b>	<b>(16,066)</b>
<b>Total revenue</b>	<b>180,002</b>	-	-	-	<b>1,376,270</b>	-	-
<b>Total expenses</b>	<b>87,613</b>	<b>750</b>	<b>750</b>	<b>750</b>	<b>7,908</b>	-	<b>890</b>
	<b>92,389</b>	<b>(750)</b>	<b>(750)</b>	<b>(750)</b>	<b>1,368,362</b>	-	<b>(890)</b>

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2015*

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**5. Investments in First Nation business entities** *(Continued from previous page)*

On April 1, 2014, the First Nation and its enterprises underwent a corporate reorganization to insulate the First Nation and its enterprises from potential liabilities, to provide a tax effective corporate structure for the enterprises' business operations, and to provide economic and political stability for the future. As part of the reorganization, Tipeemso Development Corporation, Netaskinan Development Corporation, and Tallcree Wildland Firefighters Inc. were amalgamated to form a new company, Tallcree Wildland Inc. Immediately subsequent, the assets and liabilities of Tallcree Wildland Inc. were transferred to the newly formed Tallcree Wildland Firefighters Limited Partnership, Netaskinan Development Limited Partnership, and Tipeemso Development Limited Partnership, which in turn are managed by the newly formed Tallcree Wildland (GP) Ltd., Netaskinan Development (GP) Ltd., and Tipeemso Development (GP) Ltd.

The following adjustments to net assets, resulting from the transfer of assets between enterprises as part of the corporate reorganization have been recorded in the financial statements of the enterprises to arrive at the amount included in the First Nation's consolidated financial statements:

- a) Tallcree Wildland Inc. transferred land at the fair market value through the First Nation to Tipeemso Development Limited Partnership, resulting in a gain within Tallcree Wildland Inc. of \$1,346,694. As the land remains an asset of the consolidated First Nation, the gain recognized on the inter-organizational transfer within Tallcree Wildland Inc. has been reduced by \$1,346,694 and the balance payable to the Tallcree First Nation by Tallcree Wildland Inc. has been increased by \$1,346,694. Within Tipeemso Development Limited Partnership, the book value of the land has been reduced by \$1,346,694 and the balance payable to the Tallcree First Nation has been reduced by \$1,346,694.
- b) The First Nation transferred timber quota at fair market value to Netaskinan Development Limited Partnership, resulting in a gain within the First Nation of \$2,942,500. As the timber quota remains an asset of the consolidated First Nation, the gain recognized on the inter-organizational transfer within the Tallcree First Nation has been reduced by \$2,942,500 and the balance receivable from the Netaskinan Development Limited Partnership has been reduced by \$2,942,500. Within Netaskinan Development Limited Partnership, the book value of the timber quota has been reduced by \$2,942,500 and the balance payable to the Tallcree First Nation has been reduced by \$2,942,500.

There is no net effect on the consolidated financial statements at the end of the year.

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2015*

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**6. Funds held in trust**

Funds held in trust on behalf of the First Nation members by the Government of Canada and Peace Hills Trust are reported on the consolidated statement of financial position with an offsetting amount in accumulated surplus. Funds held in trust consist of capital trust moneys derived from non-renewable resource transactions on the sale of land of other First Nation capital assets, revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust, and land entitlement trust funds.

Per the terms of the Land Entitlement Trust Agreement a minimum of 15% of the net revenue derived by the trust must be capitalized and retained with the trust. The remaining 85% of the net revenue, after payment of the trustee administration fees, may be transferred to the First Nation.

Capital and revenue trust moneys are transferred to the First Nation on the authorization of the Minister of Aboriginal Affairs and Northern Development Canada, with the consent of the First Nation's Council.

	<b>2015</b>	<b>2014</b>
<b>Capital Trust</b>		
Balance, beginning and end of year	<b>1,465</b>	1,465
<b>Revenue Trust</b>		
Balance, beginning of year	90,716	80,992
Interest	10,260	9,724
	<b>100,976</b>	90,716
<b>Land Entitlement Trust</b>		
Balance, beginning of year	7,881,476	7,825,538
Interest	372,395	376,438
Management fees	(6,000)	(6,000)
	<b>8,247,871</b>	8,195,976
Less: Transfers to Nation	312,165	311,261
	<b>7,935,706</b>	7,881,476
	<b>8,038,147</b>	7,973,657

**7. Bank indebtedness**

At March 31, 2015, the First Nation had a line of credit totaling \$117,336 (2014 - \$0). The line of credit has a limit of \$300,000 bearing interest at prime plus 3%. The line of credit is secured by an assignment of AANDC and Health Canada funding and a general security agreement. The balance of bank indebtedness at year end includes outstanding cheques issued in excess of bank balances.

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2015*

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**8. Deferred revenue**

Deferred revenue consists of revenue that has not yet been allocated to projects, revenue that has been allocated to projects to be carried out in future years, and the unexpended portion of revenue on projects in progress at March 31, 2015.

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	<i>Balance, beginning of year (restated)</i>	<i>Revenue received</i>	<i>Transferred to revenue</i>	<i>Balance, end of year</i>
First Nations Development Fund	256,926	583,799	701,918	138,807
Community Facility Enhancement Program	50,000	-	-	50,000
Treaty 8 Games	39,794	-	39,794	-
Government of Alberta - Final Mile	109,200	-	109,200	-
Government of Alberta - Engaging our Elders	22,000	-	22,000	-
	<b>477,920</b>	<b>583,799</b>	<b>872,912</b>	<b>188,807</b>

Deferred revenue represents the liability that the First Nation has to either perform additional work on a particular project or repay the revenue to the funding body.

**9. Advances payable**

Toyma Capital Inc. entered into a Joint Venture with Tallcree First Nation and Tipeemso Development Corporation in November 2007 with respect to the commercial development opportunities, including but not limited to the "Widewater Property". The balance of \$450,000 was advanced to Tallcree First Nation. The balance will be reduced as Tallcree First Nation earns their share of future profits from the development. There are no set terms of repayment on the advances at this time.

**10. Term loans due on demand**

Bank of Montreal demand loan with a ten year term ending September 2024 requiring monthly interest only payments at prime plus 1%. The Bank of Montreal prime rate at the year end is 2.85%. The loan is secured by an assignment of fire insurance on the housing units built with the loan funds.

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2015*

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**11. Long-term debt**

	<b>2015</b>	<b>2014</b>
Peace Hills Trust demand loan with a three year term ending September 2018. Repayable in annual payments of \$302,594 including interest at 7.62%. Secured by a general security agreement over the assets of the First Nation.	985,003	1,209,999
Peace Hills Trust demand loan, related to Tallcree Service Centre Inc., with a five year term ending September 2017. Repayable in monthly payments of \$8,166 including interest at 7.24%. Secured by a general security agreement over all store assets and authorization to withdraw funds from the First Nation's cash management account in event of default.	224,937	304,173
	<b>1,209,940</b>	1,514,172
Less: current portion	<b>307,868</b>	285,645
	<b>902,072</b>	1,228,527

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

2016	307,868
2017	331,821
2018	309,882
2019	260,369

**12. Contingencies**

The First Nation is working with representatives from AANDC 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 AANDC 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.

**13. Tangible capital assets**

The tangible capital assets details are included in Schedule 1.

Construction in progress includes the South Tallcree school feasibility study and design, a North Tallcree subdivision power installation, the South Tallcree aeration project, and a waste transfer station feasibility and design project with a carrying value of \$764,747 (2014 - \$157,725). Construction in progress in the prior year that remains in progress at the end of the current year totalled \$157,725 (2014 - \$0). No amortization on these assets has been recorded during the year because they are currently under construction.

Costs related to the acquisition of tangible capital assets of \$91,835 (2014 - \$1,165,254) are included in accounts payable at March 31, 2015, and are therefore not included on the consolidated statement of cash flows.

The First Nation did not receive any contributed assets (2014 - \$44,736) in the year. Since contributed assets are non-cash transactions, they were not included as tangible capital asset additions in the 2014 consolidated statement of cash flows.

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2015*

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**14. Accumulated surplus**

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	<b>2015</b>	<b>2014</b> <i>(Restated)</i>
Unrestricted surplus	<b>2,084,302</b>	1,858,216
Internally restricted surplus - Post Secondary	4,580	4,410
Internally restricted surplus - Administration	-	4,582
Restricted surplus - trusts	8,038,147	7,973,657
Restricted surplus - enterprise	(1,716,357)	(1,909,216)
<b>Equity in tangible capital assets</b>	<b>27,034,494</b>	27,269,740
	<b>35,445,166</b>	35,201,389

Under the funding agreement with Aboriginal Affairs and Northern Development Canada, surpluses in programs which receive fixed funding must be tracked.

The internally restricted surpluses from March 31, 2014 were fully expended in each department for the purposes outlined in the expenditures plan submitted to Aboriginal Affairs and Northern Development Canada on July 28, 2014.

**15. Economic dependence**

Tallcree First Nation receives substantially all of its revenue from AANDC and Health Canada as a result of treaties entered into with the Government of Canada. These treaties are administered by the Government of Canada under the terms and conditions of the *Indian Act*. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

**16. Budget information**

The disclosed budget information has been approved by Chief and Council through a Band Council Resolution dated March 26, 2014.

**17. Comparative figures**

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

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2015*

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**18. Prior period adjustments**

During the year, the First Nation determined that revenue received for the First Nation Student Support Program, which was deferred in the prior year, was required to be spent or repaid in the prior year. Qualifying expenses in excess of the revenue were incurred in the prior year, therefore the revenue should have been recognized in full. A prior period adjustment was recorded to increase revenue by \$101,418 and to decrease deferred revenue by \$101,418. The net effect of adjustment in the current year is an increase in accumulated surplus of \$101,418.

In the prior year, a band manager bonus was approved by Council at the year-end. The band manager refused to accept the bonus. As a result, a prior period adjustment was recorded to reverse accounts payable by \$10,000 and to decrease band manager fees by \$10,000. The net effect of the adjustment in the current year is an increase in accumulated surplus of \$10,000.

In the prior year, an invoice related to the construction of the South Tallcree water treatment plant totalling \$158,010 was capitalized. Subsequent to the year-end, the Nation settled the invoice with the vendor by paying \$125,023. A prior period adjustment was recorded to decrease the the capital cost of buildings and infrastructure by \$32,987 and to decrease accounts payable by \$32,987. The net effect of the adjustment in the current year is a decrease in the opening balance of buildings and infrastructure assets of \$32,987.

In the prior year, a quote from a vendor related to the construction of the South Tallcree water treatment plant totalling \$130,001 was recorded in accounts payable and capitalized. In the current year it was noted that the vendor had not provided the service which was initially requested. The First Nation subsequently increased the internal administration charges by this same amount. A prior period adjustment was recorded to decrease accounts payable by \$130,001 and to increase capital revenue by \$130,001. The net effect of the adjustment in the current year is an increase in accumulated surplus of \$131,001.

The cumulative effect on 2015 opening accumulated surplus is an increase of \$241,418.