

**Tallcree First Nation  
Consolidated Financial Statements**

*March 31, 2016*

# Tallcree First Nation Contents

For the year ended March 31, 2016

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# Tallcree First Nation

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## **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 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 fulfills 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 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 21, 2016

*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, 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 qualified audit opinion.

### *Basis for Qualified Opinion*

The financial information for all Nation-owned companies and partnerships 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 partnerships and business entities and accumulated surplus for the years ended March 31, 2016 and March 31, 2015 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, 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.

Leduc, Alberta

July 21, 2016

**MNP** LLP

Chartered Professional Accountants

**MNP** LLP

**Tallcree First Nation**  
**Consolidated Statement of Financial Position**  
*As at March 31, 2016*

	<b>2016</b>	<b>2015</b>
<b>Financial assets</b>		
<b>Current</b>		
Cash and cash equivalents	543,816	7,360
Accounts receivable (Note 4)	799,922	1,052,147
	<b>1,343,738</b>	1,059,507
<b>Investment in First Nation partnerships (Note 5)</b>	<b>1,437,264</b>	1,223,828
<b>Investment in First Nation business entities (Note 5)</b>	<b>887,688</b>	947,398
<b>Funds held in trust (Note 6)</b>	<b>8,068,350</b>	8,038,147
<b>Investment in UFA equity</b>	<b>29,587</b>	30,298
<b>Total financial assets</b>	<b>11,766,627</b>	11,299,178
<b>Liabilities</b>		
<b>Current</b>		
Bank indebtedness (Note 7)	458,121	431,751
Accounts payable and accruals	636,241	632,462
Deferred revenue (Note 8)	188,807	188,807
Current portion of long-term debt (Note 10)	241,752	307,868
	<b>1,524,921</b>	1,560,888
Term loans due on demand (Note 9)	<b>1,033,000</b>	1,000,000
	<b>2,557,921</b>	2,560,888
<b>Long-term debt (Note 10)</b>	<b>521,493</b>	902,072
<b>Advances payable (Note 11)</b>	<b>450,000</b>	450,000
<b>Total liabilities</b>	<b>3,529,414</b>	3,912,960
<b>Net financial assets</b>	<b>8,237,213</b>	7,386,218
<b>Contingencies (Note 12)</b>		
<b>Non-financial assets</b>		
Tangible capital assets (Note 13) (Schedule 1)	26,720,873	28,034,494
Prepaid expenses	72,130	24,454
<b>Total non-financial assets</b>	<b>26,793,003</b>	28,058,948
<b>Accumulated surplus (Note 14)</b>	<b>35,030,216</b>	35,445,166

**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, 2016*

	<i>Schedules</i>	<i>2016 Budget</i>	<i>2016</i>	<i>2015</i>
<b>Revenue</b>				
Indigenous and Northern Affairs Canada		6,040,725	6,100,388	6,015,985
Health Canada		1,122,165	1,122,165	1,079,757
Human Resources and Skills Development Canada		309,832	309,832	300,189
First Nations Development Fund		7,472,722	7,532,385	7,395,931
Other revenue		424,519	568,546	583,799
Capital revenue		361,159	208,144	98,004
First Nation Student Success Program		16,073	191,625	445,664
Consultation funding		190,000	176,970	157,650
Trust interest (Note 6)		134,269	134,269	134,268
GST recovered		312,165	115,742	312,165
Reconciliation settlement		- 85,155	66,000	-
Government of Alberta - governance development		- 62,501	-	-
Rental income		41,800	44,825	83,200
User fees		30,000	39,000	26,785
Treaty 8		28,193	28,193	60,035
Investment income		263	263	266
Deferred revenue - prior year (Note 8)		- 188,807	188,807	477,920
Deferred revenue - current year (Note 8)		- (188,807)	(188,807)	(188,807)
		<b>9,077,163</b>	<b>9,253,618</b>	<b>9,586,880</b>
<b>Expenses</b>				
Administration	3	1,437,535	1,348,194	1,148,447
Economic Development	4	193,737	167,316	70,461
Community Services	5	1,362,800	2,166,486	2,071,856
Housing	6	445,272	797,570	1,011,116
Social Services	7	906,990	883,028	962,943
Education	8	2,680,318	2,667,067	2,612,857
Post Secondary Education	9	217,000	192,413	195,143
Human Resources Development	10	341,421	347,363	281,895
Health	11	1,048,484	1,077,855	1,052,251
First Nations Development Fund	12	44	240,971	229,741
Cultural Programs	13	60,459	60,459	-
Equity Funds	14	-	(377,906)	(258,207)
<b>Total expenses</b>		<b>8,694,060</b>	<b>9,570,816</b>	<b>9,378,503</b>
<b>Surplus (deficit) before other items</b>		<b>383,103</b>	<b>(317,198)</b>	<b>208,377</b>

*Continued on next page*

**Tallcree First Nation**  
**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</i>
<b>Surplus (deficit) before other items</b> <i>(Continued from previous page)</i>	<b>383,103</b>	<b>(317,198)</b>	208,377	
<b>Other expense</b>				
Impairment of investment in business enterprises <i>(Note 5)</i>	-	<b>(97,752)</b>	-	
<b>Surplus (deficit) before transfers</b>	<b>383,103</b>	<b>(414,950)</b>	208,377	
<b>Transfers between programs</b>				
Capitalized transfer from Community Services	-	-	35,400	
<b>Surplus (deficit)</b>	<b>383,103</b>	<b>(414,950)</b>	243,777	
<b>Accumulated surplus, beginning of year</b>	<b>35,445,166</b>	<b>35,445,166</b>	35,201,389	
<b>Accumulated surplus, end of year</b>	<b>35,828,269</b>	<b>35,030,216</b>	35,445,166	

**Tallcree First Nation**  
**Consolidated Statement of Changes in Net Financial Assets**  
*For the year ended March 31, 2016*

	<b>2016 Budget</b>	<b>2016</b>	<b>2015</b>
<b>Surplus (deficit)</b>			
Purchases of tangible capital assets	383,103	(414,950)	243,777
Amortization of tangible capital assets	(333,784)	(330,000)	(2,487,254)
Writedown of tangible capital assets	-	1,643,622	1,641,049
Proceeds of disposal of tangible capital assets	-	-	6,000
Change in prepaid expenses	-	(47,677)	120,134
<b>Increase (decrease) in net financial assets</b>	<b>49,319</b>	<b>850,995</b>	<b>(400,839)</b>
<b>Net financial assets, beginning of year</b>	<b>7,386,218</b>	<b>7,386,218</b>	<b>7,787,057</b>
<b>Net financial assets, end of year</b>	<b>7,435,537</b>	<b>8,237,213</b>	<b>7,386,218</b>

**Tallcree First Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2016*

	<b>2016</b>	<b>2015</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Cash receipts from contributors	9,585,813	9,762,049
Cash paid to suppliers	(4,151,904)	(3,798,588)
Cash paid to employees	(3,552,881)	(3,058,266)
Interest paid	(102,887)	(115,317)
Interest received	115,742	312,165
Social assistance paid	(664,489)	(708,531)
	<b>1,229,394</b>	2,393,512
<b>Financing activities</b>		
Advances of term loans due on demand	190,000	1,000,000
Repayment of term loans due on demand	(157,000)	-
Repayment of long-term debt	(446,697)	(304,232)
Advance on bank indebtedness	26,370	108,183
Repayment of advances from related entities	96,224	79,237
	<b>(291,103)</b>	883,188
<b>Capital activities</b>		
Purchases of tangible capital assets	(401,835)	(3,560,673)
Proceeds of disposal of tangible capital assets	-	6,000
	<b>(401,835)</b>	(3,554,673)
<b>Increase (decrease) in cash resources</b>	<b>536,456</b>	(277,973)
<b>Cash resources, beginning of year</b>	<b>7,360</b>	285,333
<b>Cash resources, end of year</b>	<b>543,816</b>	7,360

*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, 2016*

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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 Indigenous and Northern Affairs Canada ("INAC"). 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.

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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

**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 assets 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:

	Method	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 %

**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 operations 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.

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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**2. 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.

**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. 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 12 reportable segments: Administration, Economic Development, Community Services, Housing, Social Services, Education, Post Secondary Education, Human Resources Development, Health, First Nations Development Fund, Equity Funds, and Cultural Programs. 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 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, 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.

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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

**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, consolidated 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. Related party transactions**

- a) The First Nation has, primarily in prior years, advanced funds to First Nation members and employees of \$469,759 (2015 - \$467,236). 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 (2015 - \$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 \$9,601 (2015 - \$21,948).
- 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.
- d) During the year, the First Nation reversed the rent charged in the March 31, 2015 year-end to Tallcree Wildland Limited Partnership, which totaled \$48,000, that was recorded on a non-cash basis and was therefore not included in the consolidated statement of cash flows. No equipment was leased to Tallcree Wildland Limited Partnership in the year (2015 - \$83,923).
- e) During the year, purchases were made by the First Nation that were subsequently reimbursed from Tallcree Wildland Limited Partnership totaling \$45,981 (2015 - \$40,585).

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.

**4. Accounts receivable**

	<b>2016</b>	<b>2015</b>
Indigenous and Northern Affairs Canada	<b>337,316</b>	530,744
Trade receivables	<b>171,476</b>	32,399
First Nation Development Fund	<b>144,027</b>	143,673
Interest receivable	<b>115,741</b>	312,165
Employee advances (net of allowance for doubtful accounts)	<b>15,855</b>	25,679
Human Resource and Skills Development Canada	<b>15,507</b>	7,487
	<b>799,922</b>	1,052,147

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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**5. Investments in First Nation partnerships and 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:

	<i>Investment cost</i>	<i>Advances to (from)</i>	<i>Accumulated earnings in equity</i>	<i>Current earnings (loss) in equity</i>	<i>Impairment of advances</i>	<i>2016 Total investment</i>
<b>Wholly-owned Businesses:</b>						
Tallcree Wildland (GP) Ltd.	100	(100)	(742)	(726)	-	(1,468)
Netaskinan Development (GP) Ltd.	100	(100)	(750)	(750)	-	(1,500)
Tipeemso Development (GP) Ltd.	100	(100)	(750)	(750)	-	(1,500)
Tallcree Service Centre Ltd.	100	1,013,376	(235,902)	113,070	-	890,644
Tallcree Wildland Inc.	3	270,803	(197,366)	(1,000)	(72,440)	-
418318 Alberta Ltd.	1	2,906	-	-	-	2,907
Netaskinan Development Corporation	20	15,562	(16,087)	(890)	-	(1,395)
	424	1,302,347	(451,597)	108,954	(72,440)	887,688
<b>Partnerships</b>						
Tallcree Wildland Limited Partnership	100	989,488	83,434	240,248	(25,312)	1,287,958
Netaskinan Development Limited Partnership	100	(100)	(750)	(750)	-	(1,500)
Tipeemso Development Limited Partnership	100	152,206	(750)	(750)	-	150,806
	300	1,141,594	81,934	238,748	(25,312)	1,437,264
	724	2,443,941	(369,663)	347,702	(97,752)	2,324,952

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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

	<i>Investment cost</i>	<i>Advances to (from)</i>	<i>Accumulated earnings in equity</i>	<i>Current earnings (loss) in equity</i>	<i>Impairment of advances</i>	<i>2015</i> <i>Total investment</i>
<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	270,803	(1,565,728)	1,368,362	-	73,440
418318 Alberta Ltd.	1	2,906	-	-	-	2,907
Netaskinan Development Corporation	20	15,562	(15,197)	(890)	-	(505)
	424	1,398,571	(1,909,216)	1,457,619	-	947,398
<b>Partnerships</b>						
Tallcree Wildland Limited Partnership	100	989,489	-	83,434	-	1,073,023
Netaskinan Development Limited Partnership	100	(100)	-	(750)	-	(750)
Tipeemso Development Limited Partnership	100	152,205	-	(750)	-	151,555
	300	1,141,594	-	81,934	-	1,223,828
	724	2,540,165	(1,909,216)	1,539,553	-	2,171,226

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**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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

The First Nation's investments in Tallcree Wildland 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 Limited Partnership As at March 31, 2016</i>	<i>Netaskinan Development Limited Partnership As at March 31, 2016</i>	<i>Tipeemso Development Limited Partnership As at March 31, 2016</i>
<b>Assets</b>			
Cash	565,877	-	-
Accounts receivable	7,980	-	-
Prepays	1,950	-	-
Timber quota	-	2,942,500	-
Due from related parties	5,500	-	-
Property and equipment	729,679	-	1,500,000
<b>Total assets</b>	<b>1,310,986</b>	<b>2,942,500</b>	<b>1,500,000</b>
<b>Liabilities</b>			
Accounts payable and accruals	23,128	750	750
Due to related parties	964,176	2,943,150	1,500,650
<b>Total liabilities</b>	<b>987,304</b>	<b>2,943,900</b>	<b>1,501,400</b>
	323,682	(1,400)	(1,400)
<b>Total revenue</b>	<b>1,589,888</b>	-	-
<b>Total expenses</b>	<b>1,349,640</b>	<b>750</b>	<b>750</b>
	240,248	(750)	(750)
<b>Net income (loss), being comprehensive income (loss)</b>	<b>240,248</b>	<b>(750)</b>	<b>(750)</b>

*Continued on next page*

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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**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 the respective year-end is as follows:

	<i>Tallcree Service Centre Inc.</i> <i>As at March 31, 2016</i>	<i>Tallcree Wildland (GP) Ltd.</i> <i>As at March 31, 2016</i>	<i>Netaskinan Development (GP) Ltd.</i> <i>As at March 31, 2016</i>	<i>Tipeemso Development (GP) Ltd.</i> <i>As at March 31, 2016</i>
<b>Assets</b>				
Cash	105,574	-	-	-
Accounts receivable	6,250	-	-	-
Investment in limited partnership	-	1	-	-
Due from related parties	-	100	100	100
Property and equipment	782,823	-	-	-
<b>Total assets</b>	<b>894,647</b>	<b>101</b>	<b>100</b>	<b>100</b>
<b>Liabilities</b>				
Accounts payable and accruals	2,000	750	750	750
Due to related parties	1,013,378	719	750	750
<b>Total liabilities</b>	<b>1,015,378</b>	<b>1,469</b>	<b>1,500</b>	<b>1,500</b>
	<b>(120,731)</b>	<b>(1,368)</b>	<b>(1,400)</b>	<b>(1,400)</b>
<b>Total revenue</b>	<b>180,001</b>	<b>24</b>	<b>-</b>	<b>-</b>
<b>Total expenses</b>	<b>66,931</b>	<b>750</b>	<b>750</b>	<b>750</b>
	<b>113,070</b>	<b>(726)</b>	<b>(750)</b>	<b>(750)</b>
<b>Net income (loss), being comprehensive income (loss)</b>	<b>113,070</b>	<b>(726)</b>	<b>(750)</b>	<b>(750)</b>
	<i>Tallcree Wildland Inc.</i> <i>As at March 31, 2016</i>	<i>418318 Alberta Ltd.</i> <i>As at March 31, 2016</i>	<i>Netaskinan Development Corporation</i> <i>As at March 31, 2016</i>	
<b>Assets</b>				
Cash	-	-	1,106	
Accounts receivable	-	-	-	
Investment in limited partnership	-	-	-	
Due from related parties	-	-	-	
Property and equipment	-	-	-	
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>1,106</b>	
<b>Liabilities</b>				
Accounts payable and accruals	1,000	-	1,000	
Due to related parties	222,036	2,906	16,312	
<b>Total liabilities</b>	<b>223,036</b>	<b>2,906</b>	<b>17,312</b>	
	<b>(223,036)</b>	<b>(2,906)</b>	<b>(16,206)</b>	
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total expenses</b>	<b>1,000</b>	-	<b>890</b>	
	<b>(1,000)</b>	<b>-</b>	<b>(890)</b>	
<b>Net income (loss), being comprehensive income (loss)</b>	<b>(1,000)</b>	<b>-</b>	<b>(890)</b>	

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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

During the year, the First Nation recorded an impairment provision of \$72,440 against the net book value of its investment in Tallcree Wildland Inc., as the entity is non-operational and is not expected to resume future operations.

During the year, the First Nation recorded an impairment provision of \$25,312 against the net book value of its investment in Tallcree Wildland Limited Partnership, to correct a variance that resulted from the corporate reorganization that was undertaken in the prior year.

In the prior year, the First Nation and its enterprises underwent a corporate reorganization. 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, 2016*

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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 Indigenous and Northern Affairs Canada, with the consent of the First Nation's Council.

	<b>2016</b>	<b>2015</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	100,976	90,716
Interest	9,778	10,260
	<b>110,754</b>	100,976
<b>Land Entitlement Trust</b>		
Balance, beginning of year	7,935,706	7,881,476
Interest	142,167	372,395
Management fees	(6,000)	(6,000)
	<b>8,071,873</b>	8,247,871
Less: Transfers to Nation	115,742	312,165
	<b>7,956,131</b>	7,935,706
	<b>8,068,350</b>	8,038,147

**7. Bank indebtedness**

At March 31, 2016, the First Nation had not drawn upon their line of credit (2015 - \$117,336). 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 INAC 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. As at March 31, 2016 prime rate was 2.70% (2015 - 2.85%).

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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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, 2016.

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

	<i>Balance, beginning of year</i>	<i>Revenue received</i>	<i>Transferred to revenue</i>	<i>Balance, end of year</i>
First Nations Development Fund	138,807	568,546	568,546	138,807
Community Facility Enhancement Program	50,000	-	-	50,000
	<b>188,807</b>	<b>568,546</b>	<b>568,546</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. Term loans due on demand**

	<i>2016</i>	<i>2015</i>
Bank of Montreal demand loan bearing interest at prime plus 1%, requiring monthly interest only payments until expiry of the term in September 2024. The loan is secured by an assignment of fire insurance on the housing units built with the loan funds.	900,000	1,000,000
Bank of Montreal demand loan bearing interest at prime plus 1%, requiring monthly interest only payments until expiry of the term in August 2025.	133,000	-
	<b>1,033,000</b>	<b>1,000,000</b>

As at March 31, 2016, the Bank of Montreal prime rate was 2.70% (2015 - 2.85%).

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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**10. Long-term debt**

	<b>2016</b>	<b>2015</b>
Peace Hills Trust demand loan with a three year term ending September 2018. Repayable in annual payments of \$302,594 including interest at 7.34%. Secured by a general security agreement over the assets of the First Nation.	<b>763,245</b>	985,003
Peace Hills Trust demand loan, related to Tallcree Service Centre Inc., with a five year term ending September 2017. The loan was repaid in full in the year.	-	224,937
	<b>763,245</b>	1,209,940
<u>Less: current portion</u>	<b>241,752</b>	307,868
	<b>521,493</b>	902,072

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

2017	241,752
2018	254,201
2019	267,292

**11. Advances payable**

Toyma Capital Inc. entered into a Joint Venture with Tallcree First Nation and Tipeemso Development Corporation in November 2007 with respect to 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.

**12. Contingencies**

As at March 31, 2016, the First Nation is contingently liable for a \$300,000 (2015 - nil) letter of credit issued to a contractor of the First Nation. The letter of credit will remain in place until such time as the contractors services are complete and they are paid for the services provided to the First Nation. In the event of default of payment by the First Nation the contractor can access these funds guaranteed by the First Nation. As at March 31, 2016, no liability has been recorded associated with this letter of credit.

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.

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2016*

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**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 and a waste transfer station feasibility and design project with a carrying value of \$454,155 (2015 - \$764,747). Construction in progress in the prior year that remains in progress at the end of the current year totaled \$354,155 (2015 - \$157,725). Construction in progress in the prior year which was transferred to tangible capital assets in the current year totaled \$410,592 (2015 - nil). 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 \$20,000 (2015 - \$91,835) are included in accounts payable at March 31, 2016, and are therefore not included on the consolidated statement of cash flows.

The First Nation did not receive any contributed assets (2015 - nil) in the year.

**14. Accumulated surplus**

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

	2016	2015
Unrestricted surplus	<b>2,576,461</b>	2,084,302
Utilization of prior year restricted surplus - Post Secondary	(4,580)	-
Internally restricted surplus - Post Secondary	7,480	4,580
Internally restricted surplus - Economic Development	2,006	-
Restricted surplus - trusts	<b>8,068,350</b>	8,038,147
Restricted surplus - enterprise	(1,440,374)	(1,716,357)
Equity in tangible capital assets	<b>25,820,873</b>	27,034,494
	<b>35,030,216</b>	35,445,166

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

The internally restricted surpluses from March 31, 2015 were fully expended in each department for the purposes outlined in the expenditures plan submitted to Indigenous and Northern Affairs Canada on July 22, 2015.

**15. Economic dependence**

Tallcree First Nation receives substantially all of its revenue from INAC 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.

**Tallcree First Nation**  
**Notes to the Consolidated Financial Statements**  
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**16. Budget information**

The disclosed budget information has been approved by Chief and Council through a Band Council Resolution dated February 26, 2015.

	<i>Budget</i> <b>2016</b>
Approved budgeted operating surplus (deficit)	(16,163)
Administration fees not included in budget	65,482
Capital amounts, budgeted in operating	333,784
<b>Excess of revenue over expenses (<i>Statement of Operations</i>)</b>	<b>383,103</b>
<hr/>	
Approved budgeted capital deficit	-
Capital amounts, budgeted for in operating	333,784
<b>Capital deficit</b>	<b>(333,784)</b>
<b>Increase in net financial assets (<i>Statement of Changes in Net Financial Assets</i>)</b>	<b>49,319</b>

**17. Comparative figures**

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