

Tallcree First Nation
Consolidated Financial Statements
March 31, 2019

Tallcree First Nation Contents

For the year ended March 31, 2019

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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

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 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 First Nation's external auditors.

MNP LLP is appointed by the Chief and Council on behalf of the members 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 25, 2019

ORIGINAL SIGNED BY: _____

Band Manager



Tallcree First Nation

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

Approved at a meeting of Chief and Council on July 25, 2019

ORIGINAL SIGNED BY:

Chief Rupert Meneen

ORIGINAL SIGNED BY:

Councilor Terrance Meneen

ORIGINAL SIGNED BY:

Councilor David Bow Noskiye

ORIGINAL SIGNED BY:

Councilor John Laboucan

ORIGINAL SIGNED BY:

Councilor Kathleen Auger

Independent Auditor's Report

To the Members of Tallcree First Nation:

Opinion

We have audited the consolidated financial statements of Tallcree First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Leduc, Alberta

July 25, 2019

MNP LLP

Chartered Professional Accountants

Tallcree First Nation
Consolidated Statement of Financial Position
As at March 31, 2019

	2019	2018
Financial assets		
Current		
Cash and cash equivalents	10,941,356	10,744,929
Accounts receivable (Note 5)	2,088,160	1,665,159
	13,029,516	12,410,088
Investment in First Nation partnerships (Note 6)	6,521,937	4,804,101
Investment in First Nation business entities (Note 6)	1,291,967	809,062
Funds held in trust (Note 7)	8,211,453	8,162,733
Investment in UFA equity	27,592	28,306
Total financial assets	29,082,465	26,214,290
Liabilities		
Current		
Accounts payable and accruals	2,824,810	843,385
Deferred revenue (Note 9)	4,389,881	3,750,627
	7,214,691	4,594,012
Term loans due on demand (Note 10)	1,304,586	1,443,730
	8,519,277	6,037,742
Long-term debt (Note 11)	236,536	-
Advances payable (Note 12)	450,000	450,000
Total liabilities	9,205,813	6,487,742
Net financial assets	19,876,652	19,726,548
Contingencies (Note 13)		
Non-financial assets		
Tangible capital assets (Note 14) (Schedule 1)	40,777,700	32,681,276
Prepaid expenses	55,479	54,575
Total non-financial assets	40,833,179	32,735,851
Accumulated surplus (Note 15)	60,709,831	52,462,399

The accompanying notes are an integral part of these financial statements

Tallcree First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2019

	<i>Schedules</i>	<i>2019 Budget</i>	<i>2019</i>	<i>2018</i>
Revenue				
Indigenous Services Canada		20,865,829	16,885,073	16,421,464
First Nations and Inuit Health Branch		1,191,269	1,356,591	1,205,983
Employment and Social Development Canada		336,665	438,123	334,466
		22,393,763	18,679,787	17,961,913
Capital revenue		-	1,502,585	1,092,705
Government of Alberta		180,000	962,128	3,750,530
Other revenue		534,600	527,372	123,490
First Nations Development Fund		500,000	530,132	531,977
Trust funds (Note 7)		148,200	211,285	46,773
Consultation funding		135,000	135,000	135,000
First Nation Student Success Program		-	124,100	157,294
Rental income		-	34,040	23,818
User fees		-	31,900	29,000
Investment income		-	225	62
Deferred revenue - prior year (Note 9)		-	3,750,627	164,180
Deferred revenue - current year (Note 9)		-	(4,379,881)	(3,750,627)
		23,891,563	22,109,300	20,266,115
Expenses				
Administration	3	1,804,400	1,994,371	1,660,858
Economic Development	4	68,752	67,989	69,530
Community Services	5	4,654,000	3,914,993	2,896,334
Housing	6	438,000	572,865	800,362
Social Services	7	1,032,700	1,133,161	1,024,888
Education	8	3,540,666	3,804,861	3,543,262
Post Secondary Education	9	221,000	248,877	229,832
Human Resources Development	10	336,665	552,497	531,994
Health	11	1,072,627	1,287,941	1,147,551
First Nations Development Fund	12	-	295,128	281,529
Equity Funds	13	-	(342,728)	(2,721,113)
Forest Resource Improvement Association of Alberta	14	-	187,200	-
Alberta Future Leaders	15	-	36,607	36,041
Consultation Office	16	135,000	176,224	-
Total expenses		13,303,810	13,929,986	9,501,068
Surplus before other items		10,587,753	8,179,314	10,765,047

Continued on next page

Tallcree First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2019

	2019 Budget	2019	2018
Surplus before other items <i>(Continued from previous page)</i>	10,587,753	8,179,314	10,765,047
Other income			
Gain on disposal of tangible capital assets	-	68,118	-
Surplus before transfers	10,587,753	8,247,432	10,765,047
Transfers between programs			
Administration fees	140,000	-	-
Transfer from Health	(118,642)	-	-
Transfer from Education	(130,000)	-	-
Transfer from Post Secondary Education	(24,000)	-	-
Surplus	10,455,111	8,247,432	10,765,047
Accumulated surplus, beginning of year	52,462,399	52,462,399	41,697,352
Accumulated surplus, end of year <i>(Note 15)</i>	62,917,510	60,709,831	52,462,399

Tallcree First Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2019

	<i>2019 Budget</i>	<i>2019</i>	<i>2018</i>
Surplus	10,201,311	8,247,432	10,765,047
Purchases of tangible capital assets	(11,145,000)	(10,176,460)	(4,388,383)
Amortization of tangible capital assets	40,000	2,073,473	2,015,210
Gain on disposal of tangible capital assets	-	(68,118)	-
Proceeds of disposal of tangible capital assets	-	74,681	-
Change in prepaid expenses	-	(904)	(8,294)
Increase (decrease) in net financial assets	(903,689)	150,104	8,383,580
Net financial assets, beginning of year	19,726,548	19,726,548	11,342,968
Net financial assets, end of year	18,822,859	19,876,652	19,726,548

The accompanying notes are an integral part of these financial statements

Tallcree First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating activities		
Cash receipts from contributors	22,326,267	24,083,386
Cash paid to suppliers	(5,730,567)	(5,253,655)
Cash paid to employees	(4,710,109)	(4,431,143)
Interest paid	(71,873)	(76,963)
Social assistance paid	(850,842)	(732,137)
	10,962,876	13,589,488
Financing activities		
Advances of long-term debt	392,485	-
Repayment of term loans due on demand	(139,146)	(139,144)
Repayment of long-term debt	(155,949)	-
Net repayment of advances from related entities	-	165,214
Net advances to related entities	(1,906,773)	-
	(1,809,383)	26,070
Capital activities		
Purchases of tangible capital assets	(9,031,747)	(5,228,795)
Proceeds of disposal of tangible capital assets	74,681	-
	(8,957,066)	(5,228,795)
Increase in cash resources	196,427	8,386,763
Cash resources, beginning of year	10,744,929	2,358,166
Cash resources, end of year	10,941,356	10,744,929

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, 2019

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 Services Canada ("ISC"). 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 6. 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 assets include 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	5-30 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 %

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 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.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Included in cash are designated funds in the amount of \$8,151,723 (2018 - \$7,456,992) that may only be used for the purpose of funding specific capital projects and ISC programs and cannot be used for any other purpose. The funds represent the unexpended portion of fixed funding received from Indigenous Services Canada which can be found in Note 15.

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.

Capital revenue

Capital revenue is recognized when services have been provided, all significant contractual obligations have been satisfied and collectability is reasonably assured. Internal contracting revenue is received when the work has been completed related to the project being worked on.

Other revenue

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

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

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 14 reportable segments: Administration, Economic Development, Community Services, Housing, Social Services, Education, Post Secondary Education, Human Resources Development, Health, First Nations Development Fund, Equity Funds, Forest Resource Improvement Association of Alberta, Alberta Future Leaders, and Consultation Office. 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, 2019.

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, 2019

3. Change in accounting policy

Effective April 1, 2018, the First Nation adopted the recommendations relating to PS 3430 *Restructuring Transactions* as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statements of adopting the new Section.

4. Related party transactions

- a) The First Nation has, primarily in prior years, advanced funds to First Nation members and employees of \$470,659 (2018 - \$480,629). 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 (2018 - \$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 \$11,178 (2018 - \$10,725).
- c) Advances to and from First Nation owned entities, as detailed in Note 6, have no specified interest terms, and therefore no interest revenue or expense has been recorded on the advances.
- d) During the year, purchases were made by the First Nation that were subsequently reimbursed from Tallcree Wildland Limited Partnership totaling \$46,117 (2018 - \$46,963).
- e) During the year, Tallcree Wildland Limited Partnership was contracted by the First Nation to complete a fire guard project totalling \$187,200 (2018 - nil).
- f) Included in accounts receivable is \$12,600 (2018 - \$12,600) due from related parties of the First Nation.
- g) Included in accounts payable is \$379,561 (2018 - \$186,604) due to related parties of the First Nation.

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. Accounts receivable

	2019	2018
Interest receivable	730,123	518,838
Trade receivables	656,444	519,558
First Nations Development Fund	451,369	492,603
Indigenous Services Canada	138,618	96,801
Employment and Social Development Canada	93,274	9,511
Employee advances (net of allowance for doubtful accounts)	18,332	27,848
	2,088,160	1,665,159

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

6. Investments in First Nation partnerships and business entities

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

					2019
	<i>Investment cost</i>	<i>Advances to (from)</i>	<i>Accumulated earnings in equity</i>	<i>Current earnings (loss) in equity</i>	<i>Total investment</i>
Wholly-owned Businesses:					
Tallcree Wildland (GP) Ltd.	100	(100)	(2,852)	(725)	(3,577)
Netaskinan Development (GP) Ltd.	100	(100)	(3,015)	(750)	(3,765)
Netaskinan Contracting (GP) Ltd.	100	(100)	(796)	(650)	(1,446)
Tipeemso Development (GP) Ltd.	100	(100)	(3,000)	(750)	(3,750)
Tallcree Service Centre	100	738,898	(43,263)	108,016	803,751
2133182 Alberta Ltd.	-	265,105	-	234,137	499,242
Netaskinan Development Corporation	20	15,562	(16,977)	-	(1,395)
418318 Alberta Ltd.	1	2,906	-	-	2,907
	521	1,022,071	(69,903)	339,278	1,291,967
Partnerships:					
Tallcree Wildland Limited Partnership	100	964,176	1,477,277	252,990	2,694,543
Netaskinan Development Limited Partnership	100	(100)	2,785,316	(888)	2,784,428
Netaskinan Contracting Limited Partnership	100	1,617,932	(426,960)	(296,662)	894,410
Tipeemso Development Limited Partnership	100	152,206	(3,000)	(750)	148,556
	400	2,734,214	3,832,633	(45,310)	6,521,937
	921	3,756,285	3,762,730	293,968	7,813,904

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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

					2018
	<i>Investment cost</i>	<i>Advances to (from)</i>	<i>Accumulated earnings in equity</i>	<i>Current earnings (loss) in equity</i>	<i>Total investment</i>
Wholly-owned Businesses:					
Tallcree Wildland (GP) Ltd.	100	(100)	(2,139)	(713)	(2,852)
Netaskinan Development (GP) Ltd.	100	(100)	(2,250)	(765)	(3,015)
Netaskinan Contracting (GP) Ltd.	100	(100)	-	(796)	(796)
Tipeemso Development (GP) Ltd.	100	(100)	(2,250)	(750)	(3,000)
Tallcree Service Centre Ltd.	100	860,376	(19,639)	(23,624)	817,213
418318 Alberta Ltd.	1	2,906	-	-	2,907
Netaskinan Development Corporation	20	15,562	(16,977)	-	(1,395)
	521	878,444	(43,255)	(26,648)	809,062
Partnerships:					
Tallcree Wildland Limited Partnership	100	964,176	1,109,339	367,938	2,441,553
Netaskinan Development Limited Partnership	100	(100)	(2,250)	2,787,566	2,785,316
Netaskinan Contracting Limited Partnership	100	(145,214)	(426,960)	-	(572,074)
Tipeemso Development Limited Partnership	100	152,206	(2,250)	(750)	149,306
	400	971,068	677,879	3,154,754	4,804,101
	921	1,849,512	634,624	3,128,106	5,613,163

Continued on next page

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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

The First Nation's investments in Tallcree Wildland Limited Partnership, Netaskinan Development Limited Partnership, Netaskinan Contracting 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, 2019</i>	<i>Netaskinan Development Limited Partnership As at March 31, 2019</i>	<i>Netaskinan Contracting Limited Partnership As at March 31, 2019</i>	<i>Tipeemso Development Limited Partnership As at March 31, 2019</i>
Assets				
Cash	735,903	2,792,788	714,859	-
Accounts receivable	453,499	-	280,369	-
Prepays	30,000	-	-	-
Due from related parties	20,610	-	-	-
Property and equipment	1,326,044	-	1,260,155	1,500,000
Total assets	2,566,056	2,792,788	2,255,383	1,500,000
Liabilities				
Accounts payable and accruals	54,626	750	1,051,542	750
Due to related parties	781,140	2,950,010	1,626,170	1,502,900
Long-term debt	-	-	293,195	-
Total liabilities	835,766	2,950,760	2,970,907	1,503,650
Accumulated surplus (deficit)	1,730,290	(157,972)	(715,524)	(3,650)
Total revenue	1,839,293	-	4,666,818	-
Total expenses	1,586,303	888	4,963,480	750
Net income (loss), being comprehensive income (loss)	252,990	(888)	(296,662)	(750)

Continued on next page

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

6. Investments in First Nation partnerships and 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. As at March 31, 2019</i>	<i>Tallcree Wildland (GP) Ltd. As at March 31, 2019</i>
Assets		
Cash	-	-
Accounts receivable	-	1
Inventory	-	-
Due from related parties	163,713	100
Property and equipment	663,942	-
Total assets	827,655	101
Liabilities		
Accounts payable and accruals	2,000	750
Deferred revenue	-	-
Due to related parties	738,898	2,828
Total liabilities	740,898	3,578
Accumulated surplus (deficit)	86,757	(3,477)
Total revenue	181,218	25
Total expenses	73,202	750
Net income (loss), being comprehensive income (loss)	108,016	(725)

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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

	<i>Netaskinan Development (GP) Ltd. As at March 31, 2019</i>	<i>Netaskinan Contracting (GP) Ltd. As at March 31, 2019</i>	<i>Tipeemso Development (GP) Ltd. As at March 31, 2019</i>	<i>418318 Alberta Ltd. As at March 31, 2019</i>
Assets				
Cash	-	-	-	-
Accounts receivable	-	-	-	-
Inventory	-	-	-	-
Due from related parties	100	255	100	-
Property and equipment	-	-	-	-
Total assets	100	255	100	-
Liabilities				
Accounts payable and accruals	750	750	750	-
Deferred revenue	-	-	-	-
Due to related parties	3,016	750	3,000	2,906
Total liabilities	3,766	1,500	3,750	2,906
Accumulated surplus (deficit)	(3,666)	(1,245)	(3,650)	(2,906)
Total revenue	-	100	-	-
Total expenses	750	750	750	-
Net income (loss), being comprehensive income (loss)	(750)	(650)	(750)	-

	<i>Netaskinan Development Corporation As at March 31, 2019</i>	<i>2133182 Alberta Ltd. As at March 31, 2019</i>
Assets		
Cash	1,106	176,580
Accounts receivable	-	289,280
Inventory	-	262,261
Due from related parties	-	-
Property and equipment	-	17,424
Total assets	1,106	745,545
Liabilities		
Accounts payable and accruals	750	60,828
Deferred revenue	-	30,000
Due to related parties	16,312	420,580
Total liabilities	17,062	511,408
Accumulated surplus (deficit)	(15,956)	234,137
Total revenue	-	5,380,979
Total expenses	-	5,146,842
Net income (loss), being comprehensive income (loss)	-	234,137

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

The First Nation has guaranteed the following debt on behalf of its First Nation business partnership:

Netaskinan Contracting Limited Partnership has the following long-term debt and finance lease which the First Nation has issued a guarantee for repayment:

- Wells Fargo Equipment Finance loan bearing interest at 7.95% maturing December 23, 2019 payable in monthly blended instalments of \$8,989, secured by equipment and vehicles with a net book value of \$151,100 (2018 - \$173,550). The First Nation has guaranteed the full amount of this loan which is \$70,115. Payment under this guarantee, which will remain in place until December 23, 2019, is required if Netaskinan Contracting Limited Partnership defaults on the obligation.
- Brandt Equipment Finance lease bearing interest at 5.49% maturing December 2021 payable in monthly blended instalments of \$7,298, secured by equipment with a net book value of \$382,500. The First Nation is named as a co-lessee on the agreement and is joint and severally responsible for the full amount of this finance lease which is \$223,080. Payment under this agreement, which will remain in place until December 2021, is required if Netaskinan Contracting Limited Partnership defaults on the obligation. Annual repayments in the next three fiscal years are as follows:

2020	77,264
2021	81,610
2022	64,206

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

7. Funds held in trust

Funds held in trust on behalf of the First Nation members by the Government of Canada and Bank of Montreal 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 Services Canada, with the consent of the First Nation's Council.

	2019	2018
Capital Trust		
Balance, beginning and end of year	1,465	1,465
Revenue Trust		
Balance, beginning of year	133,502	122,539
Interest	11,474	10,963
	144,976	133,502
Land Entitlement Trust		
Balance, beginning of year	8,027,766	8,019,512
Interest	248,531	55,027
	8,276,297	8,074,539
Less: Transfers to Nation	211,285	46,773
Balance, end of year	8,065,012	8,027,766
	8,211,453	8,162,733

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

8. Bank indebtedness

At March 31, 2019, the First Nation had not drawn upon their line of credit (2018 - nil). 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 ISC and FNIHB funding and a general security agreement. As at March 31, 2019 prime rate was 3.95% (2018 - 3.54%).

9. 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, 2019.

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>
Government of Alberta - Building Collaboration and Capacity in Education	254,715	-	169,073	85,642
Government of Alberta - South Tallcree School project	3,297,604	-	-	3,297,604
Government of Alberta - Pellet Mill feasibility project	198,308	-	70,000	128,308
Government of Alberta - Innovation in First Nations Education	-	237,128	68,801	168,327
Government of Alberta - Economic development opportunities	-	700,000	-	700,000
Kee Tas Kee Now Tribal Council - Injury prevention project	-	10,000	-	10,000
	3,750,627	947,128	307,874	4,389,881

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.

10. Term loans due on demand

	2019	2018
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.	600,000	700,000
Bank of Montreal demand loan bearing interest at prime plus 1%, requiring monthly interest only payments until expiry of the term in August 2025.	704,586	743,730
	1,304,586	1,443,730

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

11. Long-term debt

2019 **2018**

Wells Fargo loan bearing interest 5.29%, maturing May 2022, payable in monthly blended instalments of \$6,774. The loan is secured by general equipment with a net book value of \$353,236.

236,536 **-**

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

	Principal	Interest	Total
2020	70,470	10,820	81,290
2021	74,290	7,001	81,291
2022	78,316	2,974	81,290
2023	13,460	89	13,549
	236,536	20,884	257,420

Interest on long-term debt amounted to \$11,793 (2018 - nil).

12. 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.

13. Contingencies

As at March 31, 2019, the First Nation is contingently liable for a \$300,000 (2018 - \$300,000) letter of credit issued to a contractor of the First Nation. The letter of credit will remain in place until such time as the contractor's 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, 2019, no liability has been recorded associated with this letter of credit.

The First Nation is working with representatives from ISC to identify and quantify the cost of remediation for certain sites, if any, 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 ISC 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, 2019

14. 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 waste transfer station construction project, the construction of a new school at South Tallcree, a water intake line construction project, the construction of two new homes, and a new fire hall with a carrying value of \$9,955,418 (2018 - \$1,626,792). Additions to construction in progress in the year total \$8,436,989 (2018 - \$142,727). Construction in progress in the prior year that remains in progress at the end of the current year totaled \$1,518,429 (2018 - \$1,484,065). Construction in progress projects from the prior year were transferred to tangible capital assets in the current year total \$108,364 (2018 - \$2,028,109). 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 \$1,639,435 (2018 - \$494,722) are included in accounts payable at March 31, 2019, and are therefore not included on the consolidated statement of cash flows.

The First Nation holds works of art from community members contributed to the First Nation 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 First Nation did not receive any contributed assets (2018 - nil) in the year.

15. Accumulated surplus

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

	2019	2018
Unrestricted surplus	1,696,110	2,444,444
Internally restricted surplus - Post Secondary	-	1,665
Internally restricted surplus - Economic Development	1,007	244
Internally restricted surplus - Education	165,436	45,921
Internally restricted surplus - Community Services	7,732,701	7,409,162
Internally restricted surplus - Administration	81,316	-
Internally restricted surplus - Social Services	169,722	-
Restricted surplus - trusts	8,211,453	8,162,733
Restricted surplus - enterprise	2,710,922	2,416,954
Equity in tangible capital assets	39,941,164	31,981,276
	60,709,831	52,462,399

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

The internally restricted surpluses from March 31, 2018 were fully expended in each department for the purposes outlined in the expenditures plan submitted to Indigenous Services Canada on July 26, 2018.

16. Economic dependence

Tallcree First Nation receives substantially all of its revenue from ISC and FNIHB 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
For the year ended March 31, 2019

17. Commitments

The First Nation has entered into contracts with Clark Builders and Krawford Construction Inc. for the construction of the waste transfer station and the South Tallcree Elementary School. The commitment remaining on each contract is \$306,897 and \$19,963,713, respectively.

18. Budget information

The disclosed budget has been approved by Chief and Council. The following is a reconciliation between the approved budget and that showing in the consolidated financial statements:

	<i>Budget 2019</i>
Approved budgeted operating deficit	(943,689)
Capital amounts, budgeted for in operating	11,145,000
<hr/>	
Surplus of revenue over expenses (Statement of Operations)	10,201,311
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Surplus of revenue over expenses (Statement of Operations)	10,201,311
Capital amounts, budgeted for in operating	(11,145,000)
Amortization of capital assets	40,000
<hr/>	
Decrease in net financial assets (Statement of Change in Net Financial Assets)	(903,689)
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