

**Tallcree First Nation
Consolidated Financial Statements**
March 31, 2021

Tallcree First Nation Contents

For the year ended March 31, 2021

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Tallcree First Nation

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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 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 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.

June 8, 2022

ORIGINAL SIGNED BY:

Mike Cardinal

Band Manager

To the Members of Tallcree First Nation:

Qualified 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, 2021, and the consolidated statements of operations, accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2021, and the results of its consolidated operations, changes in its net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Sufficient and appropriate audit evidence could not be obtained for 2133182 AB Ltd., one of Tallcree First Nation's business entities. Management has recorded revenue from the government business enterprise of \$297,195. As a result of this scope limitation, we were unable to determine whether any adjustments might be necessary to the investment in First Nation business entities, accumulated surplus, or the revenue from government business enterprises.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial 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 qualified 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 liquidate the First Nation or 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.

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

June 8, 2022

MNP LLP

Chartered Professional Accountants

MNP



Tallcree First Nation

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Approved at a meeting of Chief and Council on June 8, 2022

Chief Rupert Meneen

Councilor Terrance Meneen

ORIGINAL SIGNED BY: David Bow-Noskiye
Councilor David Bow-Noskiye

ORIGINAL SIGNED BY: John Laboucan
Councilor John Laboucan

ORIGINAL SIGNED BY: Kathleen Auger
Councilor Kathleen Auger

Tallcree First Nation
Consolidated Statement of Financial Position
As at March 31, 2021

	2021	2020
Financial assets		
Current		
Cash and cash equivalents	2,669,076	2,504,221
Accounts receivable (Note 4)	2,151,369	989,994
Portfolio investments (Note 5)	1,000,000	-
	5,820,445	3,494,215
Investment in First Nation partnerships (Note 6)	8,004,883	9,100,369
Investment in First Nation business entities (Note 6)	972,019	1,737,255
Funds held in trust (Note 7)	8,641,216	8,364,222
Investment in UFA equity	25,893	26,509
Total financial assets	23,464,456	22,722,570
Liabilities		
Current		
Accounts payable and accruals	2,017,491	4,269,623
Deferred revenue (Note 8)	3,167,441	1,165,407
	5,184,932	5,435,030
Term loans due on demand (Note 9)	3,626,299	1,165,443
	8,811,231	6,600,473
Long-term debt (Note 10)	-	166,066
Advances payable	-	450,000
Total liabilities	8,811,231	7,216,539
Net financial assets	14,653,225	15,506,031
Contingencies (Note 11)		
Non-financial assets		
Tangible capital assets (Note 12) (Schedule 1)	62,679,475	54,399,553
Prepaid expenses	46,987	46,987
Total non-financial assets	62,726,462	54,446,540
Accumulated surplus (Note 13)	77,379,687	69,952,571

Tallcree First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2021

	<i>Schedules</i>	2021 Budget (Note 16)	2021	2020
Revenue				
Indigenous Services Canada		15,556,811	18,731,830	16,144,747
First Nations and Inuit Health Branch		1,912,234	2,702,044	1,901,568
Employment and Social Development Canada		-	496,414	440,704
		17,469,045	21,930,288	18,487,019
Other revenue		517,609	1,012,601	325,017
Trust interest		148,200	921,807	-
First Nations Development Fund		500,000	285,809	471,290
Capital revenue		-	222,304	480,385
Government of Alberta		-	155,955	66,841
Consultation funding		315,000	142,000	300,000
Rental income		-	29,875	32,300
User fees		-	14,400	36,000
Investment income		-	187	405
Alberta Health Services		-	-	253,800
Decommitted Alberta funding		-	-	(79,977)
Deferred revenue - prior year (Note 8)		-	1,130,055	4,379,881
Deferred revenue - current year (Note 8)		-	(3,157,440)	(1,130,055)
		18,949,854	22,687,841	23,622,906
Expenses				
Administration	3	1,804,400	1,633,197	1,872,152
Economic Development	4	228,752	281,125	230,915
Community Services	5	1,336,000	4,219,700	4,148,396
Housing	6	438,000	638,021	580,505
Social Services	7	1,471,920	1,079,102	1,270,712
Education	8	4,199,349	3,725,671	4,215,658
Post Secondary Education	9	257,700	214,373	244,053
I.S.E.T.P.	10	-	309,412	409,141
Health	11	2,181,339	1,561,331	1,291,299
Emergency Management Assistance	12	-	456,829	-
Land Management	13	-	72,101	-
First Nations Development Fund	14	-	365,147	346,964
Equity Funds	15	-	1,253,291	(433,013)
Alberta Future Leaders	16	-	-	42,677
Consultation Office	17	135,000	201,426	160,702
		12,052,460	16,010,726	14,380,161
Other income				
Unrealized gain on portfolio investments (Note 5)		-	750,000	-
Transfers between programs		130,270	-	-
Surplus		7,027,664	7,427,115	9,242,745
Accumulated surplus, beginning of year		69,952,571	69,952,571	60,709,826
Accumulated surplus, end of year (Note 13)		76,980,235	77,379,686	69,952,571

Tallcree First Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2021

	2021 Budget	2021	2020
Surplus			
Purchases of tangible capital assets	7,027,664	7,427,115	9,242,745
Amortization of tangible capital assets	(8,345,355)	(11,248,819)	(16,061,774)
Tangible capital asset transferred to related party (Note 3)	40,000	2,654,909	2,439,924
Change in prepaid expenses	-	313,989	-
Decrease in net financial assets	(1,277,691)	(852,806)	(4,370,616)
Net financial assets, beginning of year	15,506,031	15,506,031	19,876,647
Net financial assets, end of year	14,228,340	14,653,225	15,506,031

Tallcree First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating activities		
Cash receipts from contributors	23,079,117	21,497,680
Cash paid to suppliers	(5,846,880)	(6,471,403)
Cash paid to employees	(5,578,418)	(5,070,531)
Interest paid	(112,015)	(92,152)
Social assistance paid	(854,223)	(977,449)
	10,687,581	8,886,145
Financing activities		
Advances of term loans due on demand	2,500,000	-
Repayment of long-term debt	(49,090)	(70,470)
Repayment of term loans due on demand	(39,144)	(139,144)
Net advances to related entities	527,407	(2,204,010)
	2,939,173	(2,413,624)
Capital activities		
Purchases of tangible capital assets (Note 12)	(13,211,899)	(14,909,656)
Investing activities		
Purchase of portfolio investments (Note 5)	(250,000)	-
Increase (decrease) in cash resources	164,855	(8,437,135)
Cash resources, beginning of year	2,504,221	10,941,356
Cash resources, end of year	2,669,076	2,504,221

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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 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 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 %

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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 \$3,461,418 (2020 - \$3,592,306) 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 13.

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.

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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 15 reportable segments: Administration, Economic Development, Community Services, Housing, Social Services, Education, Post Secondary Education, I.S.E.T.S., Health, Emergency Management, Land Management, First Nations Development Fund, Equity Funds, 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, 2021.

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, 2021

3. Related party transactions

- a) The First Nation has, primarily in prior years, advanced funds to First Nation members and employees of \$512,870 (2020 - \$512,890). 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 (2020 - \$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 \$26,899 (2020 - \$34,292).
- c) Advances to and from First Nation owned entities, 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, purchases were made by the First Nation that were subsequently reimbursed from Tallcree Wildland Limited Partnership totaling \$60,223 (2020 - \$81,924).
- e) During the year, the remaining Wells Fargo long term debt balance of \$116,976, and related asset were transferred to Netaskinan Contracting Limited Partnership. The asset had a carrying value of \$313,989. This transaction occurred on a non-cash basis and is therefore excluded from the statement of cash flows.
- f) Included in accounts receivable is \$nil (2020 - \$36,599) due from related parties of the First Nation.
- g) Included in accounts payable is \$220,600 (2020 - \$193,775) 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.

4. Accounts receivable

	2021	2020
Interest receivable	867,389	49,007
Indigenous Services Canada	507,379	331,341
Trade receivables	498,634	424,178
Employment and Social Development Canada	201,703	101,791
Employee advances (net of allowance for doubtful accounts)	76,264	83,677
	2,151,369	989,994

5. Portfolio investments

	<i>Number of shares</i>	2021	2020
Measured at fair value:			
Bevcanna Enterprises Inc.	1,000,000	1,000,000	-

The First Nation purchased 1,000,000 shares in Bevcanna Enterprises Inc., a publicly traded company listed on the Canadian National Stock Exchange on Oct 16, 2020 for \$0.25 per share. These shares were trading at a market value of \$1.00 per share on March 31, 2021 resulting in an unrealized gain of \$750,000 on investment at the year-end.

Subsequent to year end the value of the Bevcanna Enterprises Inc. investment's market value decreased significantly. The market value of the investment at June 8, 2022 was \$90,000, resulting in an unrealized loss subsequent to year-end of \$910,000.

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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:

					2021
	Investment cost	Advances to (from)	Accumulated earnings in equity	Current earnings (loss) in equity	Total investment
Wholly-owned Businesses:					
Tallcree Wildland (GP) Ltd.	100	(100)	(4,300)	(761)	(5,061)
Netaskinan Development (GP) Ltd.	100	(100)	(4,515)	(750)	(5,265)
Netaskinan Contracting (GP) Ltd.	100	(100)	(1,429)	(953)	(2,382)
Tipeemso Development (GP) Ltd.	100	(100)	(4,500)	(750)	(5,250)
213318 Alberta Ltd.	-	33,511	657,759	297,195	988,465
Netaskinan Development Corporation	20	15,562	(16,977)	-	(1,395)
418318 Alberta Ltd.	1	2,906	-	-	2,907
	421	51,579	626,038	293,981	972,019
Partnerships:					
Tallcree Wildland Limited Partnership	100	942,108	1,998,292	(68,923)	2,871,577
Netaskinan Development Limited Partnership	100	(650,100)	2,783,588	(870)	2,132,718
Netaskinan Contracting Limited Partnership	100	4,522,866	84,333	(1,753,767)	2,853,532
Tipeemso Development Limited Partnership	100	152,206	(4,500)	(750)	147,056
	400	4,967,080	4,861,713	(1,824,310)	8,004,883
	821	5,018,659	5,487,751	(1,530,329)	8,976,902

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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

					2020
	Investment cost	Advances to (from)	Accumulated earnings in equity	Current earnings (loss) in equity	Total investment
Wholly-owned Businesses:					
Tallcree Wildland (GP) Ltd.	100	(100)	(3,577)	(723)	(4,300)
Netaskinan Development (GP) Ltd.	100	(100)	(3,765)	(750)	(4,515)
Netaskinan Contracting (GP) Ltd.	100	(100)	(1,446)	17	(1,429)
Tipeemso Development (GP) Ltd.	100	(100)	(3,750)	(750)	(4,500)
213318 Alberta Ltd.	-	1,092,728	234,137	423,622	1,750,487
Netaskinan Development Corporation	20	15,562	(16,977)	-	(1,395)
418318 Alberta Ltd.	1	2,906	-	-	2,907
	421	1,110,796	204,622	421,416	1,737,255
Partnerships:					
Tallcree Wildland Limited Partnership	100	964,176	1,730,267	268,025	2,962,568
Netaskinan Development Limited Partnership	100	(100)	2,784,428	(840)	2,783,588
Netaskinan Contracting Limited Partnership	100	3,121,974	(723,622)	807,955	3,206,407
Tipeemso Development Limited Partnership	100	152,206	(3,750)	(750)	147,806
	400	4,238,256	3,787,323	1,074,390	9,100,369
	821	5,349,052	3,991,945	1,495,806	10,837,624

Continued on next page

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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, 2021</i>	<i>Netaskinan Development Limited Partnership As at March 31, 2021</i>	<i>Netaskinan Contracting Limited Partnership As at March 31, 2021</i>	<i>Tipeemso Development Limited Partnership As at March 31, 2021</i>
Assets				
Cash	1,202,091	2,142,578	51,270	-
Accounts receivable	23,311	-	1,285,990	-
Due from related parties	36,751	-	-	-
Property and equipment	1,464,337	-	3,821,575	1,500,000
Total assets	2,726,490	2,142,578	5,158,835	1,500,000
Liabilities				
Accounts payable and accruals	38,029	750	1,812,001	750
Due to related parties	759,071	2,301,760	4,602,457	1,504,400
Long-term debt	-	-	413,711	-
Total liabilities	797,100	2,302,510	6,828,169	1,505,150
Accumulated surplus (deficit)	1,929,390	(159,932)	(1,669,334)	(5,150)
Total revenue	1,479,525	-	5,514,540	-
Total expenses	1,548,448	870	7,512,676	750
Net loss, being comprehensive loss	(68,923)	(870)	(1,998,136)	(750)

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Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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 Wildland (GP) Ltd.</i> <i>As at March 31, 2021</i>	<i>Netaskinan Development (GP) Ltd.</i> <i>As at March 31, 2021</i>	<i>Netaskinan Contracting (GP) Ltd.</i> <i>As at March 31, 2021</i>	<i>Tipeemso Development (GP) Ltd.</i> <i>As at March 31, 2021</i>
Assets				
Cash	-	-	-	-
Accounts receivable	-	-	-	-
Inventory and prepaids	-	-	-	-
Investment in limited partnership	1	-	-	-
Due from related parties	100	100	100	100
Property and equipment	-	-	-	-
Total assets	101	100	100	100
Liabilities				
Accounts payable and accruals	750	750	750	750
Due to related parties	4,312	4,516	2,444	4,500
Due to Tallcree First Nation	-	-	-	-
Bank indebtedness	-	-	-	-
Long-term debt	-	-	-	-
Total liabilities	5,062	5,266	3,194	5,250
Accumulated surplus (deficit)	(4,961)	(5,166)	(3,094)	(5,150)
Total revenue	(11)	-	(203)	-
Total expenses	750	750	750	750
Net income (loss), being comprehensive income (loss)	(761)	(750)	(953)	(750)

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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

	<i>418318 Alberta Ltd.</i> <i>As at March 31, 2021</i>	<i>Netaskinan Development Corporation</i> <i>As at March 31, 2021</i>	<i>2133182 Alberta Ltd.</i> <i>As at March 31, 2021</i>
Assets			
Cash	-	1,106	170,264
Accounts receivable	-	-	232,190
Inventory and prepaids	-	-	331,360
Investment in limited partnership	-	-	-
Due from related parties	-	-	72,450
Property and equipment	-	-	3,384,889
Total assets	-	1,106	4,191,153
Liabilities			
Accounts payable and accruals	-	750	299,485
Due to related parties	2,906	16,312	-
Due to Tallcree First Nation	-	-	33,511
Bank indebtedness	-	-	403,202
Long-term debt	-	-	2,500,000
Total liabilities	2,906	17,062	3,236,198
Accumulated surplus (deficit)	(2,906)	(15,956)	954,955
Total revenue	-	-	7,217,390
Total expenses	-	-	6,920,195
Net income (loss), being comprehensive income (loss)	-	-	297,195

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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 enterprises:

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

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 \$297,500 (2020 - \$340,000). 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 \$64,205 (2020 - \$145,816).

Brandt Equipment Finance lease bearing interest at 5.49% maturing March 2023 payable in monthly blended instalments of \$12,227, secured by equipment with a net book value of \$537,532. 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 \$364,460.

Brandt Equipment Finance lease bearing interest at 6.5% maturing December 2023 payable in monthly blended instalments of \$4,327, secured by equipment with a net book value of \$127,751. 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 \$131,214.

Payment under these agreements, which will remain in place until March 2023, is required if Netaskinan Contracting Limited Partnership defaults on the obligation. Annual repayments in the next three fiscal years are as follows:

2022	\$238,841
2023	\$184,958
2024	\$136,081

2133182 Alberta Ltd. has the following operating line of credit and loan which the First Nation has issued a guarantee for repayment:

BMO operating line of credit bearing interest at prime + 1.00%. The First Nation guarantees the full amount of this operating line of credit which is \$500,000, of which \$403,202 was drawn upon as at March 31, 2021 (2020 - \$264,772). Prime rate as at March 31, 2021 is 2.45%.

BMO real estate financing bearing interest at prime + 1.00%. The First Nation guarantees the full amount of this demand loan which is \$2,500,000 and was fully drawn upon as at March 31, 2021. Prime rate as at March 31, 2021 is 2.45%.

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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.

	2021	2020
Capital Trust		
Balance, beginning and end of year	1,465	1,465
Revenue Trust		
Balance, beginning of year	156,174	144,976
Interest	10,941	11,198
	167,115	156,174
Land Entitlement Trust		
Balance, beginning of year	8,206,583	8,065,012
Excess (deficiency) of revenue over expenses	1,084,479	(539,545)
Reduction (recovery) of interest receivable	(715,001)	681,116
	8,576,061	8,206,583
Less: Transfers to Nation	103,425	-
	8,472,636	8,206,583
Balance, end of year	8,641,216	8,364,222

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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, 2021.

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 - Innovation in First Nations				
Education	100,752	118,564	53,907	165,409
ESDC - unspent EI funds	6,097	62,139	6,097	62,139
ESDC - unspent Childcare funds	44,357	115,719	44,357	115,719
ESDC - unspent IELCC COVID funds	-	67,737	-	67,737
ISC - Tuition Agreements	38,091	-	38,091	-
Kee Tas Kee Now Tribal Council - Injury prevention project	10,000	-	-	10,000
ISC - Environmental Health	11,640	-	11,640	-
ISC - Aboriginal Headstart	11,548	51,313	11,548	51,313
ISC - Community Health Representative	34,407	-	34,407	-
ISC - Prenatal Nutrition	6,156	-	6,156	-
ISC - Child Oral Health Initiative	16,439	21,032	16,439	21,032
ISC - Brighter Futures	80,379	-	49,683	30,696
ISC - National Native Alcohol & Drug Abuse Program	39,889	-	-	39,889
ISC - Building Health Communities	10,225	9,938	10,225	9,938
ISC - Suicide Prevention	3,048	24,714	3,048	24,714
ISC - HIV/AIDS Program	19,153	75,633	19,153	75,633
ISC - CDE	20,321	-	20,321	-
ISC - Jordan's Principle	249,413	17,656	249,413	17,656
ISC - HICP	242,151	-	119,138	123,013
ISC - Capital Investment, Building Recapitalization	-	65,388	-	65,388
ISC - TB Prevention & Promotion	-	3,935	-	3,935
ISC - COVID Safe Restart	-	19,350	-	19,350
ISC - COVID SH Health Facility	-	19,709	-	19,709
ISC - COVID NH Health Facility	-	27,382	-	27,382
ISC - COVID IELCC	-	62,089	-	62,089
ISC - CDE COVID Funding	-	225,000	-	225,000
ISC - COVID Capital Investment	-	139,847	-	139,847
ISC - Health Planning & Management	-	3,108	-	3,108
ISC - Special Needs	25,000	42,218	25,000	42,218
ISC - COPH	1,093	-	1,093	-
ISC - Social Assistance Employee Training	53,588	-	53,588	-
ISC - In home Care	100	920	100	920
ISC - Basic Needs	-	115,235	-	115,235
ISC - COVID EMAP	-	860,909	-	860,909
ISC - COVID Perimeter Security	-	137,795	-	137,795
ISC - COVID Response	116,208	629,667	116,208	629,667
	1,140,055	2,916,997	889,612	3,167,440

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.

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

9. Term loans due on demand

	2021	2020
Bank of Montreal demand loan bearing interest at prime plus 0.75% requiring annual principal repayment of \$500,000, beginning on April 30, 2021, maturing April 2025. Also, requires interest payable in quarterly instalments.	2,500,000	-
Bank of Montreal demand loan bearing interest at prime plus 0.75%, requiring monthly interest only payments until expiry of the term in February, 2030.	626,299	665,443
Bank of Montreal demand loan bearing interest at 3.45%, 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.	500,000	500,000
	3,626,299	1,165,443

The demand loan above for \$626,299 has a total maximum balance of \$2,100,000. As at March 31, 2021, \$1,473,701 (2020 -\$1,434,557) was still available for use.

At March 31, 2021, the First Nation had access to an additional demand loan to a maximum of \$500,000 for operating financing. None of this amount was drawn on at year-end.

At March 31, 2021, the First Nation had an outstanding standby letter of credit of \$300,000. None of this amount was drawn on at year-end.

10. Long-term debt

	2021	2020
Wells Fargo loan bearing interest at 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 \$nil (2020 - \$313,987).	-	166,066

The Wells Fargo loan balance and related asset were transferred to Netaskinan Contracting Limited Partnership in November 2020. See Note 3 for related party transactions. Interest on long-term debt amounted to \$5,104 (2020 - \$10,820).

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

11. Contingencies

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.

12. 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, the construction of a new school at South Tallcree with a carrying value of \$25,717,429 (2020 - \$18,975,025). Additions to construction in progress in the year total \$6,868,236 (2020 - \$14,733,262). Construction in progress in the prior year that remains in progress at the end of the current year totaled \$18,846,194 (2020 - \$4,241,762). Construction in progress projects from the prior year were transferred to tangible capital assets in the current year total \$128,831 (2020 - \$5,713,656). 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 \$828,473 (2020 - \$2,791,553) are included in accounts payable at March 31, 2021, 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 (2020 - nil) in the year.

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

13. Accumulated surplus

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

	2021	2020
Unrestricted surplus	3,641,313	660,146
Internally restricted surplus - Post Secondary	193,866	49,461
Internally restricted surplus - Housing	-	46,796
Internally restricted surplus - Emergency Management	261,946	-
Internally restricted surplus - Land Management	123,026	-
Internally restricted surplus - Education	1,179,273	599,578
Internally restricted surplus - Community Services	721,426	2,543,984
Internally restricted surplus - Administration	68,670	68,816
Internally restricted surplus - Social Services	502,882	283,671
Restricted surplus - trusts	8,396,263	7,824,755
Restricted surplus - enterprise	2,611,546	4,141,875
Equity in tangible capital assets	59,679,476	53,733,489
	77,379,687	69,952,571

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, 2020 were fully expended in each department for the purposes outlined in the expenditures plan submitted to Indigenous Services Canada on October 5, 2020.

14. 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.

15. Commitments

The First Nation has entered into a contract with Krawford Construction Inc. for the construction of the South Tallcree Elementary School. The commitment remaining on the contract is \$241,403 (2020 - \$6,118,571).

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

16. 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 2021</i>
Approved budgeted operating deficit	(1,317,691)
Capital amounts, budgeted for in operating	<u>8,345,355</u>
Surplus (Statement of Operations)	7,027,664
Capital amounts, budgeted for in operating	<u>(8,345,355)</u>
Amortization of tangible capital assets	<u>40,000</u>
Decrease in net financial assets (Statement of Change in Net Financial Assets)	<u>(1,277,691)</u>

17. Comparative figures

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

18. Compliance with laws and regulations

The First Nation is required by the *First Nations Financial Transparency Act* to submit its consolidated financial statements to ISC, and post its consolidated financial statements on a website, within 120 days of the year-end. As the First Nation had not done this, it is not in compliance with this law. The potential effect of the non-compliance is unknown. The reason for the late submission is delays due to COVID-19.

19. Significant event

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on First Nations through the restrictions put in place by the Tallcree First Nation, Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the First Nation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the virus, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and isolation/quarantine measures that are currently, or may be put, in place by Tallcree First Nation, Canada or other countries to fight the virus.