

**Tallcree First Nation
Consolidated Financial Statements**
March 31, 2022

Tallcree First Nation Contents

For the year ended March 31, 2022

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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.

February 15, 2023



Band Manager

To the Members of Tallcree First Nation:

Qualified Opinion

We have audited the consolidated financial statements of Tallcree First Nation and its subsidiaries (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of operations, 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, except for the possible effects of the matters 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, 2022, 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 and accumulated surplus as at March 31, 2022 and March 31, 2021, and the revenue from government business enterprises for the years ended March 31, 2022 and March 31, 2021. The previous year's opinion on the financial statements for the year ended March 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

We were not able to observe the counting of the physical inventory for resale at the end of the year or satisfy ourselves concerning those inventory quantities by alternative means, and as a result, we are not able to determine whether any adjustments might be necessary to inventory for resale and accumulated surplus as at March 31, 2022 and expenses for the year ended March 31, 2022.

The First Nation did not prepare a budget, which is required by Canadian public sector accounting standards.

Our audit opinion on the financial statements for the year ended March 31, 2022 was modified accordingly because of the possible effects of these limitation in scope.

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 intends to cease operations, or has not 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

February 15, 2023

MNP LLP

Chartered Professional Accountants

MNP



Tallcree First Nation

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Approved at a meeting of Chief and Council on February 15, 2023

Chief Rupert Meneen

Councilor Terrance Meneen

Councilor David Bow-Noskiye

Councilor John Laboucan

Kathleen Auger
Councilor Kathleen Auger

Tallcree First Nation
Consolidated Statement of Financial Position
As at March 31, 2022

	2022	2021
Financial assets		
Current		
Cash and cash equivalents	5,046,820	2,669,076
Accounts receivable (Note 5)	4,727,577	2,151,369
Portfolio investments (Note 6)	120,000	1,000,000
Inventory for resale (Note 7)	454,650	-
	10,349,047	5,820,445
Investment in First Nation partnerships (Note 8)	4,178,599	8,004,883
Investment in First Nation business entities (Note 8)	881,601	972,019
Funds held in trust (Note 9)	8,723,479	8,641,216
Investment in UFA equity	25,269	25,893
Total financial assets	24,157,995	23,464,456
Liabilities		
Current		
Accounts payable and accruals	3,857,044	2,017,491
Deferred revenue (Note 10)	3,308,081	3,167,441
	7,165,125	5,184,932
Term loans due on demand (Note 11)	3,016,275	3,626,299
	10,181,400	8,811,231
Capital lease obligations (Note 12)	920,144	-
Total liabilities	11,101,544	8,811,231
Net financial assets	13,056,451	14,653,225
Contingencies (Note 13)		
Subsequent events (Note 20)		
Non-financial assets		
Tangible capital assets (Note 14) (Schedule 1)	63,565,456	62,679,475
Prepaid expenses	46,987	46,987
Total non-financial assets	63,612,443	62,726,462
Accumulated surplus (Note 15)	76,668,894	77,379,687

Tallcree First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2022

	<i>Schedules</i>	2022	2021
Revenue			
Indigenous Services Canada		15,319,193	18,731,830
First Nations and Inuit Health Branch		2,985,298	2,702,044
Employment and Social Development Canada		585,795	496,414
		18,890,286	21,930,288
Logging revenue		5,946,861	-
First Nations Development Fund		474,892	285,809
Trust interest		400,199	921,807
Other revenue		214,667	1,012,601
Government of Alberta		157,291	155,955
Consultation funding		110,000	142,000
User fees		43,200	14,400
Rental income		32,500	29,875
Investment income		46	187
Treaty 8 First Nations of Alberta		-	222,304
Deferred revenue - prior year		3,157,440	1,130,055
Deferred revenue - current year		(3,298,081)	(3,157,440)
		26,129,301	22,687,841
		-	-
Expenses			
Administration	3	1,956,289	1,633,197
Economic Development	4	208,234	281,125
Community Services	5	5,826,766	4,219,700
Housing	6	743,643	638,021
Social Services	7	1,109,253	1,079,102
Education	8	4,026,330	3,725,671
Post Secondary Education	9	395,689	214,373
I.S.E.T.P.	10	714,264	309,412
Health	11	1,841,673	1,561,331
Emergency Management Assistance	12	129,019	456,829
Land Management	13	123,026	72,101
First Nations Development Fund	14	364,341	365,147
Equity Funds	15	312,376	1,253,291
Consultation Office	16	182,666	201,426
C-92 Capacity Funding	17	79,227	-
Netaskinan Contracting	18	7,777,291	-
		25,790,087	16,010,726
Surplus before other items		339,214	6,677,115
Other income (expenses)			
Loss on disposal of tangible capital assets		(170,007)	-
Unrealized gain (loss) on portfolio investments		(880,000)	750,000
		(1,050,007)	750,000
Surplus (deficit)		(710,793)	7,427,115
Accumulated surplus, beginning of year		77,379,687	69,952,572
Accumulated surplus, end of year		76,668,894	77,379,687

Tallcree First Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2022

	2022	2021
Surplus (deficit)		
Purchases of tangible capital assets	(710,793)	7,427,115
Amortization of tangible capital assets	(2,384,577)	(11,248,819)
Tangible capital asset transferred to related party (Note 4)	4,515,875	2,654,909
Loss on disposal of tangible capital assets	- 170,007	313,989
Proceeds of disposal of tangible capital assets	367,289	-
Proceeds on trade-in of tangible capital assets	267,000	-
Net impact of change in presentation of business entity (Note 8)	(3,821,575)	-
Decrease in net financial assets	(1,596,774)	(852,806)
Net financial assets, beginning of year	14,653,225	15,506,031
Net financial assets, end of year	13,056,451	14,653,225

Tallcree First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating activities		
Cash receipts from contributors	23,694,359	23,079,118
Cash paid to suppliers	(10,738,625)	(5,846,881)
Cash paid to employees	(7,580,928)	(5,578,418)
Interest paid	(230,602)	(112,015)
Social assistance paid	(876,757)	(854,223)
	4,267,447	10,687,581
Financing activities		
Advances of term loans due on demand	-	2,500,000
Repayment of long term debt	-	(49,090)
Repayment of term loans due on demand	(871,799)	(39,144)
Repayment of capital lease obligations	(273,486)	-
Net advances from related entities	666,149	527,407
	(479,136)	2,939,173
Capital activities		
Purchases of tangible capital assets (Note 14)	(1,777,856)	(13,211,899)
Proceeds of disposal of tangible capital assets	367,289	-
Investing activities		
Purchase of portfolio investments	-	(250,000)
Increase in cash resources	2,377,744	164,855
Cash resources, beginning of year	2,669,076	2,504,221
Cash resources, end of year	5,046,820	2,669,076

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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 8. 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, 2022

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 \$8,126,282 (2021 - \$3,431,173) 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.

Inventory for resale

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Cost comprises all costs of logging and other costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Inventory held for resale is classified as a financial asset when all of the following criteria are met:

- Prior to March 31, 2022, the First Nation has committed to sell the asset;
- The asset is in a condition to be sold;
- The asset is publicly seen to be for sale;
- There is an active market for the asset;
- A plan exists for selling the asset; and
- A sale to a party external to the First Nation can reasonably be expected within one year.

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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

Revenue recognition

Government transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

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.

Logging revenue

Revenue is recognized as the services are provided at intervals identified in the contract for services.

Other revenue

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

Measurement uncertainty (use of estimates)

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

- Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.
- 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.
- 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 17 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, Consultation Office, C-92 Capacity Funding, and Netaskinan Contracting. 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.

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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

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, 2022.

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.

Funds held in trust

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund and the Tallcree Treaty Land Entitlement Trust ("TLE") are reported on the statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.
- TLE moneys generated primarily through investment returns earned on deposits held in trust.

3. Future accounting standards

PS 3450 Financial Instruments, a new standard establishing guidance on the recognition, measurement, presentation, and disclosure of financial instruments, including derivatives.

PS 3280 Asset Retirement Obligations, a new standard establishing guidance on the recognition, measurement, presentation and disclosure of a liability for retirement of a tangible capital asset. As this standard includes solid waste landfill sites active and post-closing obligations upon adoption of this new standard, existing Solid Waste Landfill Closure and Post-Closure Liability section PS 3270 will be withdrawn.

The extend of the impact on adoption of these future standards is not known at this time.

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

4. Related party transactions

- a) The First Nation has, primarily in prior years, advanced funds to First Nation members and employees of \$511,144 (2021 - \$512,870). 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 (2021 - \$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 \$31,052 (2021 - \$26,899).
- 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 \$61,328 (2021 - \$60,223).
- e) During 2021, the Wells Fargo long term debt balance \$116,976, and related asset were transferred to Netaskinan Contracting Limited Partnership. The asset had a carrying value of \$313,987.
- f) Included in accounts receivable is \$nil (2021 - \$nil) due from related parties of the First Nation.
- g) Included in accounts payable is \$216,911 (2021 - \$220,600) 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

	2022	2021
Interest receivable	1,120,506	867,389
Trade receivables	2,148,843	498,634
Indigenous Services Canada	765,141	507,379
Employment and Social Development Canada	613,003	201,703
Employee advances (net of allowance for doubtful accounts)	80,084	76,264
	4,727,577	2,151,369

6. Portfolio investments

	<i>Number of shares</i>	2022	2021
Measured at fair value:			
Bevcanna Enterprises Inc.	1,000,000	120,000	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 \$0.12 per share on March 31, 2022 resulting in an unrealized loss \$880,000 on investment at the year-end.

Subsequent to year end Bevcanna Enterprises Inc. have temporarily ceased trading. The last reported market value of the investment at August 3, 2022 was \$55,000, resulting in an unrealized loss subsequent to year-end of \$65,000.

7. Inventory for resale

Inventory for resale is composed of raw cut logs that are not yet delivered to the mill.

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

8. 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:

					2022
	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)	(5,061)	(1,272)	(6,333)
Netaskinan Development (GP) Ltd.	100	(100)	(5,265)	(1,250)	(6,515)
Tipeemso Development (GP) Ltd.	100	(100)	(5,250)	(1,250)	(6,500)
213318 Alberta Ltd.	-	112,739	954,954	(168,256)	899,437
Netaskinan Development Corporation	20	15,562	(16,977)	-	(1,395)
418318 Alberta Ltd.	1	2,906	-	-	2,907
	321	130,907	922,401	(172,028)	881,601
Partnerships:					
Tallcree Wildland Limited Partnership	100	933,967	1,929,369	(219,991)	2,643,445
Netaskinan Development Limited Partnership	100	(742,100)	2,132,718	(1,370)	1,389,348
Tipeemso Development Limited Partnership	100	152,206	(5,250)	(1,250)	145,806
	300	344,073	4,056,837	(222,611)	4,178,599
	621	474,980	4,979,238	(394,639)	5,060,200

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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

					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)
2133182 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

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Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

8. 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, 2022</i>	<i>Netaskinan Development Limited Partnership As at March 31, 2022</i>	<i>Tipeemso Development Limited Partnership As at March 31, 2022</i>
Assets			
Cash	668,056	1,400,458	-
Accounts receivable	123,938	-	-
Due from related parties	42,751	742,000	-
Property and equipment	1,705,759	-	1,500,000
Total assets	2,540,504	2,142,458	1,500,000
Liabilities			
Accounts payable and accruals	72,034	1,000	1,000
Due to related parties	759,071	2,302,760	1,498,900
Total liabilities	831,105	2,303,760	1,499,900
Accumulated surplus (deficit)	1,709,399	(161,302)	100
Total revenue	1,433,041	-	-
Total expenses	1,653,032	1,370	1,250
Net loss	(219,991)	(1,370)	(1,250)

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Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

8. 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, 2022</i>	<i>Netaskinan Development (GP) Ltd.</i> <i>As at March 31, 2022</i>	<i>Tipeemso Development (GP) Ltd.</i> <i>As at March 31, 2022</i>	<i>418318 Alberta Ltd.</i> <i>As at March 31, 2022</i>
Assets				
Cash	-	-	-	-
Accounts receivable	-	-	-	-
Inventory and prepaids	-	-	-	-
Investment in limited partnership	1	-	-	-
Due from related parties	100	100	100	-
Property and equipment	-	-	-	-
Total assets	101	100	100	-
Liabilities				
Accounts payable and accruals	1,000	1,000	1,000	-
Short-term debt	-	-	-	-
Due to related parties	5,330	4,516	4,500	2,906
Due to Tallcree First Nation	-	-	-	-
Long-term debt	-	-	-	-
Total liabilities	6,330	5,516	5,500	2,906
Accumulated deficit	(6,229)	(5,416)	(5,400)	(2,906)
Total revenue	-	-	-	-
Total expenses	1,272	1,250	1,250	-
Net loss	(1,272)	(1,250)	(1,250)	-

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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

	<i>Netaskinan Development Corporation</i> <i>As at March 31, 2022</i>	<i>2133182 Alberta Ltd. As at March 31, 2022</i>
Assets		
Cash	1,106	46,205
Accounts receivable	-	792,949
Inventory and prepaids	-	234,554
Investment in limited partnership	-	-
Due from related parties	-	72,450
Property and equipment	-	<u>3,240,270</u>
Total assets	1,106	4,386,428
Liabilities		
Accounts payable and accruals	750	550,551
Short-term debt	-	418,636
Due to related parties	<u>16,312</u>	-
Due to Tallcree First Nation	-	185,189
Long-term debt	-	<u>2,445,354</u>
Total liabilities	17,062	3,599,730
Accumulated deficit	(15,956)	786,698
Total revenue	-	9,341,282
Total expenses	-	9,509,538
Net loss	(168,256)	

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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

Effective April 1, 2021, it was determined that Netaskinan Contracting Limited Partnership and Netaskinan Contracting (GP) Ltd. no longer met the applicable criterion to be accounted for as government business enterprise investments, and as a result, have been fully consolidated into the First Nation's consolidated financial statements. The net impact to the financial statements on April 1, 2021 as a result of the consolidation is as follows:

	Netaskinan Contracting (GP) Ltd.	Netaskinan Contracting Limited Partnership
Cash	-	51,270
Accounts receivable	-	1,285,370
Due from Tallcree First Nation	100	
Accounts payable and accruals	750	1,351,877
Current portion of long-term debt	-	208,247
Current portion of capital lease obligation	-	238,841
Long-term debt	-	92,673
Capital lease obligation	-	321,038
Advances from related parties	2,440	79,591
Equipment	-	3,821,575

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

8. 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:

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 \$418,636 was drawn upon as at March 31, 2022 (2021 - \$403,202). Prime rate as at March 31, 2022 is 2.70%.

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, of which \$2,445,354 was outstanding as at March 31, 2022 (2021 - \$2,500,000).

9. 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.

	2022	2021
Capital Trust		
Balance, beginning and end of year	1,465	1,465
Revenue Trust		
Balance, beginning of year	167,115	156,174
Interest	11,640	10,941
	178,755	167,115
Land Entitlement Trust		
Balance, beginning of year	8,472,636	8,206,583
Excess (deficiency) of revenue over expenses	470,823	(539,545)
Reduction (recovery) of interest receivable	(253,117)	(715,001)
	8,690,342	6,952,037
Less: Transfers to the First Nation	147,083	103,425
	8,543,259	8,472,636
	8,723,479	8,641,216

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

10. 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, 2022.

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	165,409	-	112,067	53,342
Government of Alberta - SLS Funding	-	55,303	-	55,303
First Nations Development Fund	-	474,892	436,969	37,923
ESDC - unspent EI funds	62,139	77,502	50,941	88,700
ESDC - unspent Childcare funds	115,719	208,976	226,773	97,922
ESDC - unspent IELCC COVID funds	67,737	-	21,011	46,726
Kee Tas Kee Now Tribal Council - Injury prevention project	10,000	-	-	10,000
ISC - Aboriginal Headstart	51,313	-	51,313	-
ISC - Child Oral Health Initiative	21,032	-	21,032	-
ISC - Brighter Futures	30,696	-	-	30,696
ISC - National Native Alcohol & Drug Abuse Program	39,889	-	-	39,889
ISC - Building Health Communities	9,938	5,607	2,325	13,220
ISC - Suicide Prevention	24,714	-	-	24,714
ISC - HIV/AIDS Program	75,633	-	5,324	70,309
ISC - Jordan's Principle	17,656	-	-	17,656
ISC - HICP	123,013	-	112,420	10,593
ISC - Capital Investment, Building Recapitalization	65,388	-	65,388	-
ISC - TB Prevention & Promotion	3,935	5,860	586	9,209
ISC - COVID Safe Restart	19,351	-	-	19,351
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	374,224	50,074	549,150
ISC - COVID Capital Investment	139,847	-	139,847	-
ISC - Health Planning & Management	3,108	-	3,108	-
ISC - Health Services Integration	-	82,850	8,285	74,565
ISC - Special Needs	42,218	-	-	42,218
ISC - In home Care	920	-	-	920
ISC - Basic Needs	115,235	-	115,235	-
ISC - COVID EMAP	860,909	-	654,000	206,909
ISC - COVID Perimeter Security	137,795	-	113,982	23,813
ISC - COVID Response	629,667	-	-	629,667
ISC - COVID Base EMAP	-	310,000	-	310,000
ISC - COVID Food Security	-	180,000	-	180,000
ISC - Preparedness/Mitigation	-	109,136	-	109,136
ISC - COVID EMAP	-	495,044	983	494,061
	3,167,441	2,379,394	2,238,754	3,308,081

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, 2022

11. Term loans due on demand

	2022	2021
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.	2,000,000	2,500,000
Bank of Montreal demand loan bearing interest at prime plus 0.75%, requiring annual principal repayment of \$39,144 plus monthly interest payments until expiry of the term in February, 2030.	587,155	626,299
Bank of Montreal demand loan bearing interest at 3.45%, requiring annual principal repayment of \$100,000 plus 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.	400,000	500,000
Wells Fargo Loan bearing interest at 5.6% maturing October 16, 2022 payable in monthly installments of \$11,528, secured by contracting equipment with a net book value of \$49,032.	15,661	-
Wells Fargo Loan bearing interest at 5.29% maturing May 4, 2022 payable in monthly installments of \$6,774, secured by contracting equipment with a net book value of \$251,190.	13,460	-
	3,016,276	3,626,299

The demand loan above for \$587,155 has a total maximum balance of \$2,100,000. As at March 31, 2022, \$1,512,845 (2021 -\$1,473,701) was still available for use.

At March 31, 2022, 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, 2022, the First Nation had an outstanding standby letter of credit of \$300,000. None of this amount was drawn on at year-end.

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

12. Capital lease obligations

	2022	2021
Brandt Equipment Finance lease bearing interest at 7.0% maturing December 1, 2025 payable in monthly installments of \$7,826, secured by contracting equipment with a net book value of \$405,338.	309,006	-
Brandt Equipment Finance lease bearing interest at 7.0% maturing December 1, 2025 payable in monthly installments of \$7,347, secured by contracting equipment with a net book value of \$405,338.	290,099	-
Brandt Equipment Finance lease bearing interest at 5.5% maturing March 15, 2023 payable in monthly installments of \$12,227, secured by contracting equipment with a net book value of \$477,807.	234,538	-
Brandt Equipment Finance lease bearing interest at 6.5% maturing December 15, 2023 payable in monthly installments of \$4,327, secured by contracting equipment with a net book value of \$113,556.	<u>86,501</u>	-
	<hr/> <u>920,144</u>	-

Minimum lease payments related to the obligations under capital lease are as follows:

2023	329,736
2024	291,310
2025	166,434
2026	132,664
	<hr/> <u>920,144</u>

13. 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.

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

14. Tangible capital assets

The tangible capital assets details are included in Schedule 1.

Construction in progress included the South Tallcree school feasibility study and design, the construction of a new school at South Tallcree with a carrying value of \$nil (2021 - \$25,714,430). Additions to construction in progress in the year total \$nil (2021 - \$6,868,236). Construction in progress in the prior year that remains in progress at the end of the current year totaled \$nil (2021 - \$18,846,194). Construction in progress projects from the prior year were transferred to tangible capital assets in the current year total \$25,714,430 (2021 - \$128,831).

Costs related to the acquisition of tangible capital assets of \$524,444 (2021 - \$828,473) are included in accounts payable at March 31, 2022, and are therefore not included on the consolidated statement of cash flows.

Additions to tangible capital assets with a cost of \$900,750 (2021- nil) were acquired through finance leases and proceeds from the disposal of tangible capital assets totaling \$267,000 (2021 - nil) were received on a non-cash basis resulting from a trade-in on new finance leases. These are 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 (2021 - \$nil) in the year.

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

15. Accumulated surplus

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

	2022	2021
Unrestricted surplus (deficit)	(4,541,080)	3,016,277
Internally restricted surplus - Post Secondary	118,274	193,866
Internally restricted surplus - Housing	1,504,628	-
Internally restricted surplus - Emergency Management	508,434	261,946
Internally restricted surplus - Land Management	-	123,026
Internally restricted surplus - Education	2,103,996	1,179,273
Internally restricted surplus - Community Services	684,018	721,426
Internally restricted surplus - Administration	-	68,670
Internally restricted surplus - Social Services	1,412,617	502,882
Internally restricted surplus - Health	1,249,106	380,084
Internally restricted surplus - C-92 Capacity Funding	545,209	-
Restricted surplus - trusts	8,723,479	8,641,216
Restricted surplus - enterprise	3,888,723	2,611,546
Equity in tangible capital assets	60,471,490	59,679,476
	<hr/> 76,668,894	<hr/> 77,379,688

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

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.

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.

Tallcree First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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.

20. Subsequent event

Subsequent to year-end, the First Nation engaged in a private financing arrangement where \$4,750,000 was advanced to an arms-length party for a two year term, requiring interest only payments until the end of the term.