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**Little Red River Cree Nation  
Consolidated Financial Statements  
*March 31, 2017***

# Little Red River Cree Nation

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For the year ended March 31, 2017

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# Little Red River Cree Nation

P.O. Box 30 John D'or Prairie, T0H 3X0 Phone: 780 759 - 3912 Facsimile: 780 759 - 3780

## Management's Responsibility

To the Members of Little Red River Cree Nation:

The accompanying consolidated financial statements of Little Red River Cree 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.

Chief and Council of the Little Red River Cree Nation is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Chief and Council fulfil these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Chief and Council is also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP is appointed by Chief and Council on behalf of the Members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Chief and Council and management to discuss their audit findings.

July 28, 2017

  
\_\_\_\_\_  
Wally Chabouan  
Director of Nation  
Programs and  
Services

## Independent Auditors' Report

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To the Members of Little Red River Cree Nation:

We have audited the accompanying consolidated financial statements of Little Red River Cree Nation, which comprise the consolidated statement of financial position as at March 31, 2017, 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 a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Little Red River Cree Nation as at March 31, 2017 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Leduc, Alberta

July 28, 2017

**MNP LLP**

Chartered Professional Accountants

**MNP**

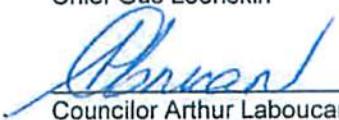


# Little Red River Cree Nation

P.O. Box 30 John D'or Prairie, T0H 3X0 Phone: 780 759 - 3912 Facsimile: 780 759 - 3780

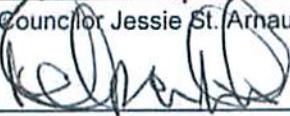
Approved at a meeting of Council on July 28, 2017

Chief Gus Loonskin

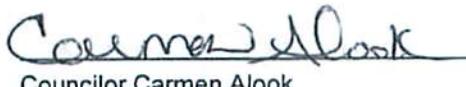


Councilor Arthur Laboucan

Councilor John Blesse

  
\_\_\_\_\_  
Councilor Jessie St. Arnault  


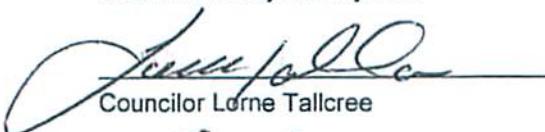
Councilor Delmer D'or



Councilor Carmen Alook

  
\_\_\_\_\_  
Councilor Hubert D'or

Councilor Henry Grandjambe

  
\_\_\_\_\_  
Councilor Lorne Tallcree

Councilor Chilouis Wapoose

Councilor Alfred Seeseequon

**Little Red River Cree Nation**  
**Consolidated Statement of Financial Position**  
*As at March 31, 2017*

	<b>2017</b>	<b>2016</b>
	<i>(Restated)</i>	
<b>Financial assets</b>		
<b>Current</b>		
Cash <i>(Note 2)</i>	18,441,263	6,114,541
Accounts receivable - Indigenous and Northern Affairs Canada	1,092,243	1,581,071
Accounts receivable - other	1,796,631	1,088,658
Term deposits	101,087	100,585
	21,431,224	8,884,855
Investment in and advances from First Nation business entities <i>(Note 3)</i>	7,681,744	8,165,314
Funds held in trust <i>(Note 4)</i>	1,468,960	1,432,695
Short term deposits - restricted <i>(Note 5)</i>	321,292	317,705
Investment in UFA Cooperative Ltd.	26,183	26,183
<b>Total financial assets</b>	<b>30,929,403</b>	<b>18,826,752</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	9,776,173	6,673,620
Deferred revenue <i>(Note 6)</i>	13,342,327	7,058,739
Current portion of long-term debt <i>(Note 7)</i>	247,916	237,488
	23,366,416	13,969,847
Long-term debt <i>(Note 7)</i>	1,056,355	1,174,874
<b>Total liabilities</b>	<b>24,422,771</b>	<b>15,144,721</b>
<b>Net financial assets</b>	<b>6,506,632</b>	<b>3,682,031</b>
<b>Contingent liabilities <i>(Note 8)</i></b>		
<b>Non-financial assets</b>		
Tangible capital assets <i>(Note 10) (Schedule 1)</i>	67,246,426	43,731,246
Inventory for First Nation use	130,000	220,776
Prepaid expenses	218,951	502,282
<b>Total non-financial assets</b>	<b>67,595,377</b>	<b>44,454,304</b>
<b>Accumulated surplus <i>(Note 16)</i></b>	<b>74,102,009</b>	<b>48,136,335</b>

Approved by a quorum of Chief and Council

**Little Red River Cree Nation**  
**Consolidated Statement of Operations**  
*For the year ended March 31, 2017*

	<b>Schedules</b>	<b>2017 Budget</b>	<b>2017</b>	<b>2016 (Restated)</b>
<b>Revenue</b>				
Indigenous and Northern Affairs Canada	37,599,158	76,663,284	47,891,643	
Health Canada	3,395,325	11,286,433	3,495,643	
First Nations Development Fund	-	1,065,374	1,158,661	
Employment and Social Development Canada	892,440	1,062,440	916,128	
Canada Mortgage and Housing Corporation	37,549	55,869	37,549	
Rental income	233,945	2,626,388	214,067	
Province of Alberta	135,000	982,025	174,998	
Child tax benefits	-	309,334	297,309	
Barge fees	125,000	311,906	293,169	
Other	42,500	273,199	350,843	
Treaty 8 First Nations of Alberta	225,983	240,650	260,982	
Alberta Remote Area Heating Allowances	125,000	175,982	159,237	
Askee Development Corporation	-	150,000	250,000	
Tuition fees	70,000	140,432	91,774	
North Peace Tribal Council	-	131,876	501,740	
Rental of teacherages	117,500	118,512	88,818	
Recovery of Goods and Services Tax rebates	-	134,623	-	
User fees	45,000	55,218	50,985	
CALP grant	-	54,777	54,777	
Prior year funding adjustments	-	(2,183)	(127,138)	
IRS personal credits	-	-	339,000	
Little Red River Wildland Firefighters Inc.	100,000	-	100,000	
Little Red River Forestry Limited	250,000	-	-	
Transfer from deferred revenue	1,101,563	7,058,739	2,747,639	
Transfer to deferred revenue	(1,007,813)	(13,342,327)	(7,058,739)	
	<b>43,488,150</b>	<b>89,552,551</b>	<b>52,289,085</b>	
<b>Expenses</b>				
Administration Segment	3	3,999,251	4,434,328	4,533,510
Economic Development Segment	4	207,504	783,630	962,247
Environment Segment	5	135,000	145,000	152,769
Health Services Segment	6	3,173,778	3,402,890	3,241,618
Community Services Segment	7	10,928,506	11,219,869	10,572,623
Community Infrastructure Segment	8	7,258,360	18,926,161	12,686,602
Board of Education Segment	10	10,353,220	15,659,046	11,065,999
Mamawi Awasis Society Segment	11	7,602,090	7,929,467	6,980,445
<b>Total expenses</b>		<b>43,657,709</b>	<b>62,500,391</b>	<b>50,195,813</b>
<b>Surplus (deficit) before other items</b>		<b>(169,559)</b>	<b>27,052,160</b>	<b>2,093,272</b>

*Continued on next page*

**Little Red River Cree Nation**  
**Consolidated Statement of Operations**  
*For the year ended March 31, 2017*

	<b>2017 Budget</b>	<b>2017</b>	<b>2016 (Restated)</b>
<b>Surplus (deficit) before other items</b> <i>(Continued from previous page)</i>	<b>(169,559)</b>	<b>27,052,160</b>	<b>2,093,272</b>
<b>Other income (expense)</b>			
Gain on disposal of tangible capital assets	10,000	-	7,251
Change in trust funds during the year	-	36,265	37,243
Results of corporate operations for the year	-	(874,269)	(3,487,834)
	10,000	(838,004)	(3,443,340)
<b>Surplus (deficit) before transfers</b>	<b>(159,559)</b>	<b>26,214,156</b>	<b>(1,350,068)</b>
<b>Transfers between programs and to/from deferred expenses</b>	<b>376,936</b>	<b>(248,482)</b>	<b>275,609</b>
<b>Surplus (deficit)</b>	<b>217,377</b>	<b>25,965,674</b>	<b>(1,074,459)</b>

**Little Red River Cree Nation**  
**Consolidated Statement of Accumulated Surplus**  
*For the year ended March 31, 2017*

	2017	2016 (Restated)
<b>Accumulated surplus, beginning of year, as previously stated</b>	<b>43,677,567</b>	<b>41,020,252</b>
Corrections of errors in prior period consolidated financial statements (Note 17)	4,458,768	8,190,542
<b>Accumulated surplus, beginning of year, as restated</b>	<b>48,136,335</b>	<b>49,210,794</b>
<b>Surplus (deficit)</b>	<b>25,965,674</b>	<b>(1,074,459)</b>
<b>Accumulated surplus, end of year</b>	<b>74,102,009</b>	<b>48,136,335</b>

**Little Red River Cree Nation**  
**Consolidated Statement of Changes in Net Financial Assets**  
*For the year ended March 31, 2017*

	<b>2017 Budget</b>	<b>2017</b>	<b>2016 (Restated)</b>
<b>Surplus (deficit)</b>	<b>217,377</b>	<b>25,965,674</b>	<b>(1,074,459)</b>
Purchases of tangible capital assets	-	(27,181,320)	(5,156,449)
Amortization of tangible capital assets	-	3,666,140	3,875,506
Gain on disposal of tangible capital assets	(10,000)	-	(7,251)
Proceeds of disposal of tangible capital assets	-	-	7,251
Acquisition of supplies inventories	-	-	(113,947)
Acquisition of prepaid expenses	-	-	(28,427)
Consumption of supplies inventories	-	90,776	-
Use of prepaid expenses	-	283,331	-
<b>Increase (decrease) in net financial assets</b>	<b>207,377</b>	<b>2,824,601</b>	<b>(2,497,776)</b>
<b>Net financial assets, beginning of year, as restated (Note 17)</b>	<b>3,682,031</b>	<b>3,682,031</b>	<b>6,179,807</b>
<b>Net financial assets, end of year</b>	<b>3,889,408</b>	<b>6,506,632</b>	<b>3,682,031</b>

**Little Red River Cree Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2017*

	<b>2017</b>	<b>2016</b>
	<i>(Restated)</i>	
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Cash receipts from contributors	95,612,907	56,945,757
Cash paid to suppliers	(27,279,005)	(18,565,243)
Cash paid for social assistance	(7,133,055)	(6,941,369)
Cash paid to employees	(23,112,948)	(20,525,649)
Interest paid	(192,938)	(156,525)
	<b>37,894,961</b>	<b>10,756,971</b>
<b>Financing activities</b>		
Repayment of long-term debt	(108,092)	(212,033)
Advances and revenue received from First Nation business entities	500,000	550,000
Repayment of advances from First Nation business entities	(550,000)	-
Payments made to First Nation business entities	(970,719)	(565,703)
	<b>(1,128,811)</b>	<b>(227,736)</b>
<b>Capital activities</b>		
Purchases of tangible capital assets	(24,439,428)	(5,884,002)
Proceeds of disposal of tangible capital assets	-	7,251
	<b>(24,439,428)</b>	<b>(5,876,751)</b>
<b>Increase in cash resources</b>	<b>12,326,722</b>	<b>4,652,484</b>
<b>Cash resources, beginning of year</b>	<b>6,114,541</b>	<b>1,462,057</b>
<b>Cash resources, end of year</b>	<b>18,441,263</b>	<b>6,114,541</b>

**Little Red River Cree Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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**1. Significant accounting policies**

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

***Reporting entity***

These consolidated financial statements include the Little Red River Cree Nation, Little Red River Board of Education, Little Red River Cree Nation Mamawi Awasis Society and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Little Red River Cree 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 3. 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 financing and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable under the terms of applicable funding agreements; 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.

***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. Actual results may vary from current estimates.

Accounts receivable are stated after evaluation as to their collectibility. Investment in First Nation business entities are stated after evaluation as to valuation and collectibility of advances. Amortization is based on the estimated useful lives of tangible capital assets. Inventory is based on the lower of cost and net realizable value. 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 are reviewed periodically and, as adjustments become necessary, they are reported in income in the periods in which they become known.

**Little Red River Cree Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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

***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, 2017.

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.

***Asset classification***

Assets are classified as either financial or non-financial. Financial assets are assets that can 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, inventory for First Nation use, and prepaid expenses.

**i. Tangible capital assets**

Tangible capital assets are initially recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost of the tangible capital assets are amortized over their expected useful lives using the following rates and methods:

	Method	Rate
Buildings	straight-line	5 %
Buildings - Mamawi Awasis	declining balance	4 %
Equipment	straight-line	10 %
Equipment - Board of Education	declining balance	10 %
Water and sewer services	straight-line	5 %
Teacherages	declining balance	5 %
Automotive and other equipment	straight-line	10-20 %
Automotive - Education	declining balance	30 %
Furniture and fixtures	declining balance	30 %
Computer equipment	declining balance	30 %
Roads	straight-line	10 years
Street lights	straight-line	30 years
Wireless infrastructure	straight-line	5 %

**ii. Inventory for First Nation use**

Inventory held for consumption consists of gravel and maintenance supplies, and is recorded at the lower of cost and replacement cost.

**iii. Prepaid expenses**

Prepaid expenses include propane costs incurred during March which will be expensed in the following fiscal year, and pre-payments on goods and services which will be utilized in the following fiscal year.

**Little Red River Cree Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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**1. 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 value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in income for the year; impairment of tangible capital assets is reflected in equity in tangible capital assets when impairment occurs. Prices for similar items are used to measure fair value of long-lived assets.

***Revenue recognition***

**Government transfers**

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

**Other revenue**

Other sources of revenue are recorded when received or receivable.

***Segments***

The First Nation conducts its business through eight reportable segments: administration, economic development, environment, health services, community services, community infrastructure, education and Mamawi Awasis Society. 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.

***Net financial assets***

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of consolidated financial position. The net financial assets of the First Nation is 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.

**Little Red River Cree Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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

***Recent accounting pronouncements***

**Financial instruments**

In June 2011, the Public Sector Accounting Board ("PSAB") issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2019. Earlier adoption is permitted.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, consolidated financial statements of prior periods, including comparative information, are not restated. The First Nation does not expect the adoption of these new standards to have a material impact on its consolidated financial statements.

**Related party disclosures**

In March 2015, the PSAB issued a new standard, PS 2200 *Related Party Disclosures*. This new Section defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the consolidated financial statements. This Section is effective for fiscal years beginning on or after April 1, 2017. Early adoption is permitted.

**Assets, Contingent Assets and Contractual Rights**

In June 2015, new PS 2310 *Assets*, PS 3320 *Contingent Assets* and PS 3380 *Contractual Rights* were included in the CPA Canada Public Sector Accounting Handbook.

PS 3210 *Assets* provides additional guidance to clarify the definition of assets set out in PS 1000 *Financial Statement Concepts*.

PS 3320 *Contingent Assets* establishes disclosure standards on contingent assets. Under previous standards, contingent assets could not be recognized.

PS 3380 *Contractual Rights* establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Standard are as follows:

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.

Until a transaction or event occurs under a contract or agreement, an entity only has a contractual rights to an economic resource. Once the entity has received an asset, it no longer has a contractual rights.

Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual rights.

These standards are effective for fiscal years beginning on or after April 1, 2017.

The First Nation does not expect the adoption of these new standards to have a material impact on its consolidated financial statements.

**2. Cash**

Peace Hills Trust - cash management agreement allows for a revolving loan up to \$1,000,000 bearing interest at prime plus 2%. Monthly extensions in excess of \$1,000,000 are approved by Peace Hills Trust, bear interest at 24% per annum, and are secured by a redirection of funding from Indigenous and Northern Affairs Canada. At March 31, 2017, the balance of the revolving loan was \$nil (2016 - \$982,301). Prime was 3.75% at year-end.

Included in cash is \$231,092 (2016 - \$753,837) of remaining proceeds of advances from the First Nations Development Fund, to be used for projects which have been applied for and approved. This is restricted by the Province of Alberta for this use.

**Little Red River Cree Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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

The First Nation has investments in the following entities:

						2017
	<i>Initial investment</i>	<i>Historical valuation adjustment</i>	<i>Opening cumulative share of earnings (loss)</i>	<i>Current earnings (loss)</i>	<i>Advances to (from) investment in related entities</i>	<i>Total investment</i>
Retail operations	101	-	(2,852,018)	148,776	(74,306)	(2,777,447)
Contracting operations	10,302	3,362,304	12,199,980	(1,022,945)	(4,090,450)	10,459,191
	<b>10,403</b>	<b>3,362,304</b>	<b>9,347,962</b>	<b>(874,169)</b>	<b>(4,164,756)</b>	<b>7,681,744</b>

						2016 (Restated)
	<i>Initial investment</i>	<i>Historical valuation adjustment</i>	<i>Opening cumulative share of earnings (loss)</i>	<i>Current earnings (loss)</i>	<i>Advances to (from) investment in related entities</i>	<i>Total investment</i>
Retail operations	101	-	(2,933,664)	81,646	(73,955)	(2,925,872)
Contracting operations	10,302	3,362,304	15,769,559	(3,569,480)	(4,481,499)	11,091,186
	<b>10,403</b>	<b>3,362,304</b>	<b>12,835,895</b>	<b>(3,487,834)</b>	<b>(4,555,454)</b>	<b>8,165,314</b>

The advances to (from) related parties are unsecured, have no fixed terms of repayment, and occurred in the normal course of business. They are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**Little Red River Cree Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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**3. Investment in First Nation business entities (Continued from previous page)**

	<i>Retail Operations</i>	<i>Contracting Operations</i>
	<i>As at January 31, 2017</i>	<i>As at December 31, 2016 and March 31, 2017</i>
<b>Assets</b>		
Current assets	407,165	8,624,598
Long-term assets	508,669	10,669,364
Advances to related entities	-	14,212,302
<b>Total assets</b>	<b>915,834</b>	<b>33,506,264</b>
<b>Liabilities</b>		
Current liabilities	531,886	3,724,572
Advances from related entities	3,087,090	12,607,897
Reforestation obligation	-	589,599
Long-term debt	-	4,793,312
<b>Total liabilities</b>	<b>3,618,976</b>	<b>21,715,380</b>
<b>Accumulated surplus (deficit)</b>	<b>(2,703,142)</b>	<b>11,790,884</b>
<b>Total revenue</b>	<b>4,026,894</b>	<b>12,607,805</b>
<b>Total expenses</b>	<b>3,878,118</b>	<b>13,586,170</b>
<b>Income taxes</b>	<b>148,776</b>	<b>(978,365)</b>
<b>Net income (loss)</b>	<b>148,776</b>	<b>(1,022,945)</b>

**Little Red River Cree Nation**  
**Notes to the Consolidated Financial Statements**  
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**4. Funds held in trust**

Funds held in trust on behalf of First Nation members by the Government of Canada are reported on the consolidated 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.

	<i>Capital trust</i>	<i>Revenue trust</i>	<i>Total</i>
Balance, beginning of year	152,042	1,280,653	1,432,695
Additions	-	36,265	36,265
<b>Balance, end of year</b>	<b>152,042</b>	<b>1,316,918</b>	<b>1,468,960</b>

**5. Short term deposits - restricted**

Term deposits are internally restricted in use by the First Nation in accordance with the agreement regarding the trust with the Department of Indigenous and Northern Affairs Canada. The deposits bear interest at rates between 0.25% and 1.70% and mature between April 2017 and February 2018.

**6. Deferred revenue**

Deferred revenue consists of funds received for specific purposes which were not completed at the end of the fiscal year. The major categories are:

	<i>Opening</i>	<i>Funding received</i>	<i>Recognized as revenue</i>	<i>Closing</i>
INAC - School modernization	3,960,158	13,903,875	(11,750,979)	6,113,054
INAC - Fox Lake access project	1,100,067	6,850,000	(7,720,917)	229,150
Building Collaboration and Capacity Education	-	713,692	(97,763)	615,929
First Nations Development Fund	855,893	1,065,374	(980,439)	940,828
Fox Lake Northern Store	1,101,563	500,000	(112,407)	1,489,156
Health Canada - Health centre funding	-	7,250,000	(3,334,791)	3,915,209
Province of Alberta - disaster readiness	2,433	-	(2,433)	-
Government of Alberta	15,000	-	(15,000)	-
Community Adult Learning Program	23,625	54,777	(39,401)	39,001
	<b>7,058,739</b>	<b>30,337,718</b>	<b>(24,054,130)</b>	<b>13,342,327</b>

**Little Red River Cree Nation**  
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**7. Long-term debt**

	<b>2017</b>	<b>2016</b>
Peace Hills Trust loan, repayable in monthly instalments of \$10,921 including interest at 6%, until May 2019, amortized over 10 years. Security consists of a GIC with a value of \$205,828 (2016 - \$202,378), a Band Council Resolution, insurance showing first loss payee as Peace Hills Trust Company, and teacherages with a net book value of \$947,483 (2016 - \$1,006,288).	743,740	827,421
CMHC construction loan repayable in monthly instalments of \$2,635 including interest at 1.65%, until June 2017, amortized over 20 years. Security consists of a charge over two four-plexes with a net book value of \$563,894 (2016 - \$620,283).	426,231	450,641
<u>Askee Development Corporation loan (a wholly owned subsidiary of the First Nation) relating to the Fox Lake Northern Store, with unspecified interest and repayment terms.</u>	<u>134,300</u>	<u>134,300</u>
	1,304,271	1,412,362
<u>Less: less: current portion</u>	<u>247,916</u>	<u>237,488</u>
	1,056,355	1,174,874

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

2018	247,916
2019	119,507
2020	125,744
2021	132,346
2022	139,336

**8. Contingent liabilities**

**Lawsuits**

In the normal conduct of operations, there are pending claims by and against the First Nation. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information of legal counsel, final determination of these other litigations will not materially affect the First Nation's consolidated financial position or results of operations.

**Indigenous and Northern Affairs Canada**

The First Nation has received the following advances from the Loans to Native Claimants program: 2000 - \$15,000, 2001 - \$80,850, 2008 - \$177,215, 2010 - \$226,096, and 2011 - \$74,475 for a total of \$573,636 (2016 - \$573,636). The loans are repayable on the earlier of March 31, 2020 or the date on which the claim is settled. If the claim is not settled by March 31, 2020, the repayment date will be extended by five years. As repayment will be made from future claim proceeds, the amount is a contingent liability.

**Contingencies**

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.

**Little Red River Cree Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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**9. Guarantees**

At March 31, 2017, the First Nation is contingently liable for a line of credit available to Little Red River Wildland Firefighters Inc. in the amount of 500,000.

As at March 31, 2017, no liability has been recorded associated with this guarantee.

**10. Tangible capital assets**

- (a) Roads include certain roads and bridges disclosed at a nominal amount.
- (b) 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.
- (c) The First Nation does not consider housing, other than teacherages and CMHC housing, to be assets of the First Nation and therefore these items are included in operations.
- (d) Tangible capital asset additions for the year ended March 31, 2017 include \$3,197,479 still in accounts payable at year-end (2016 - \$455,588). As a result, this amount is not included in the purchases of tangible capital assets on the consolidated statement of cash flows.
- (e) Included in tangible capital asset additions for the year is \$10,779,755 (2016 - \$3,340,648) of road work, \$999,918 (2016 - \$999,918) of water treatment lagoon work and \$20,478,857 (2016 - \$2,327,826) of school upgrade work that are in progress at March 31, 2017 and are therefore not being amortized.

**11. Economic dependence**

The First Nation receives substantially all of its funding through contribution arrangements with the Department of Indigenous and Northern Affairs Canada as administered under the conditions of the *Indian Act*. The ability of the First Nation to continue operations is dependent upon funding from this body.

**12. Pension plan**

The First Nation has established a defined contribution pension plan, in which all permanent full-time employees are required to participate. Pension contributions of either 3%, 5% or 8% are matched by the First Nation. No significant changes were made to the pension plan during the year. The pension expense for the year was \$787,580 (2016 - \$662,903).

**13. CMHC reserves fund**

Under conditions of agreements with the Canada Mortgage and Housing Corporation, the First Nation is required to maintain certain reserves related to on-reserve housing projects estimated at \$223,342 (2016 - \$215,332). The Nation has not fully funded these reserves, and is therefore in violation of its agreements with CMHC. As at March 31, 2017, the First Nation has funded \$181,683 (2016 - \$134,283) of the reserves. The possible effect of the violation has not yet been determined.

**Little Red River Cree Nation**  
**Notes to the Consolidated Financial Statements**  
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**14. Comparative figures**

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

**15. Budget information**

The disclosed budget information has been approved by Chief and Council. Budgets for departments and projects not disclosed in the various schedules were not prepared by the First Nation's management.

**16. Accumulated surplus**

Accumulated surplus consists of the following:

	<b>2017</b>	<b>2016</b> (Restated)
Unrestricted surplus (deficit)	432,446	(1,540,697)
Unexpended funding: Economic development	71,465	-
Unexpended funding: Health	91,185	219,166
Unexpended funding: Social development	-	51,073
Unexpended funding: FNYES	247,856	-
Unexpended funding: Post-secondary education	-	60,700
Unexpended funding: Housing	288,800	-
Unexpended funding: Schools O&M	602,251	1,281,052
Unexpended funding: Fire protection	-	75,960
Unexpended funding: Solid waste	-	234,699
Unexpended funding: Unallocated - equipment purchase	42,250	-
Unexpended funding: Capacity development	210,000	-
Unexpended funding: Land use community plan	79,617	-
Unexpended funding: Solid waste feasibility study	31,080	-
Unexpended funding: Unallocated - recreation feasibility study	20,006	-
Unexpended funding: Recreation feasibility study	155,175	-
Unexpended funding: Waste containers	938	-
Unexpended funding: Communication towers	1,260,000	-
Unexpended funding: Wentzel winter access road - capital	-	778
Unexpended funding: Roads and bridges (gravel) - capital	-	85,921
Unexpended funding: Airstrip repairs - capital	-	95,151
Unexpended funding: Instruction and Education Board	418,732	782,394
Unexpended funding: Low cost special education	123,307	-
Unexpended funding: High cost special education	328,811	-
Unexpended funding: ASETS	56,112	41,428
Internally restricted Child Special Allowance dollars	741,320	633,419
Equity in trust fund	1,468,960	1,432,695
Equity in enterprise fund	1,489,543	2,363,712
Equity in tangible capital assets	65,942,155	42,318,884
	<b>74,102,009</b>	<b>48,136,335</b>

Under the funding agreement with Indigenous and Northern Affairs Canada, surpluses in programs which receive fixed funding must be tracked; these are identified as "unexpended funding" above.

**Little Red River Cree Nation**  
**Notes to the Consolidated Financial Statements**  
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**17. Correction of errors**

In the prior year, the First Nation did not have sufficient financial information from some of its business entities to enable it to record its equity in those entities. The information on those entities was made available in the current year and adjusted accordingly. The effect on the financial statements in the prior year is an increase to the Investment in First Nation business entities of \$4,708,357, a decrease in the results of corporate operations for the year on the Equity Funds schedule of \$3,731,774 and an increase in opening accumulated surplus of \$8,440,131.

During the year, the First Nation determined that amounts received in 2015 related to previously recorded revenue and should have cleared part of the LRRCN Child and Family Services Society cheques not cashed. The effect on the financial statements in the prior year is a decrease of cash and opening accumulated surplus of \$249,589.

The cumulative effect of these corrections in the prior year is an increase in Investment in First Nation business entities of \$4,708,357, a decrease in cash of \$249,589, a decrease in the results of corporate operations for the year on the Equity Funds schedule of \$3,731,774, an increase in net financial assets of \$4,458,768 and an increase to opening accumulated surplus of \$8,190,542.

The effect on accumulated surplus in the current year is an increase of \$4,458,768.