

**Athabasca Chipewyan First Nation  
Consolidated Financial Statements**  
*For the year ended March 31, 2019*

# Athabasca Chipewyan First Nation Contents

*For the year ended March 31, 2019*

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## Management's Responsibility

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To the Members of the Athabasca Chipewyan First Nation:

The accompanying consolidated financial statements of the Athabasca Chipewyan 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 Athabasca Chipewyan 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 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.

August 6, 2019

*signed by "Maggie Farrington"*

Chief Executive  
Officer

*signed by "Larry Hewko"*

Chief Financial  
Officer

## Independent Auditor's Report

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To the Members of Athabasca Chipewyan First Nation:

### Opinion

We have audited the consolidated financial statements of Athabasca Chipewyan First Nation and its subsidiaries (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, changes in net financial assets, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

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

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

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

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

Those charged with governance are responsible for overseeing the 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 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 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 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 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.

Fort McMurray, Alberta

August 6, 2019

**MNP LLP**

Chartered Professional Accountants

**MNP**  
LLP

**Athabasca Chipewyan First Nation**  
**Consolidated Statement of Financial Position**

*As at March 31, 2019*

**2019**                    **2018**

**Financial assets**

Cash and cash equivalents <i>(Note 3)</i>	<b>11,566,786</b>	26,458,429
Accounts receivable <i>(Note 4)</i>	<b>3,037,171</b>	1,285,987
Tax receivable	<b>850,214</b>	504,089
Inventory for resale	<b>348,086</b>	213,117
Advances to related Nation entities and departments	<b>9,666</b>	-
Investments <i>(Note 5)</i>	<b>12,456,688</b>	-
Investment in Nation business entities <i>(Note 6)</i>	<b>52,958,400</b>	51,544,932
Funds held in trust and restricted investments <i>(Note 7)</i>	<b>45,506,054</b>	44,382,633
Investment in Cree Chip Development Corporation <i>(Note 8)</i>	<b>2,639,350</b>	2,526,023
Investment in joint venture and partnership <i>(Note 9)</i>	<b>708,506</b>	1,615,904

**Total assets**

**130,080,921**    128,531,114

**Liabilities**

Accounts payable and accruals <i>(Note 10)</i>	<b>3,400,011</b>	1,621,078
Deferred revenue <i>(Note 11)</i>	<b>2,804,936</b>	3,195,811
Advances from related Nation entities and departments	<b>74,827</b>	74,625
Long-term debt <i>(Note 12)</i>	<b>21,473,659</b>	16,533,464
Distributions due to minors <i>(Note 16)</i>	<b>3,363,750</b>	3,310,000

**Total liabilities**

**31,117,183**    24,734,978

**Net financial assets**

**98,963,738**    103,796,136

**Guarantees** *(Note 14)*

**Contingent liabilities** *(Note 15)*

**Non-financial assets**

Tangible capital assets <i>(Schedule 1)</i>	<b>27,122,097</b>	20,029,801
Prepaid expenses	<b>57,119</b>	2,499

**Total non-financial assets**

**27,179,216**    20,032,300

**Accumulated surplus**

**126,142,954**    123,828,436

**Accumulated surplus is comprised of:**

Accumulated surplus	<b>125,226,114</b>	123,898,883
Accumulated remeasurement gains (losses)	<b>916,842</b>	(70,448)
<b>126,142,956</b>		123,828,435

**Approved on behalf of the Council**

*signed by "Allan Adam"*

Chief

*signed by "Raymond Cardinal"*

Council  
Member

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

	<i>Schedules</i>	<i>2019 Budget</i>	<i>2019</i>	<i>2018</i>
<b>Revenue</b>				
Department of Indigenous Services Canada		- 2,858,991	636,460	
Store revenue		- 1,501,687	-	
Other revenue		3,122,700 1,253,464	1,313,596	
First Nations Development Fund		564,000 514,595	579,054	
Nutrition North Canada		- 335,180	-	
Canada Mortgage and Housing Corporation		180,000 217,914	714,405	
Employment and Social Development Canada		193,000 137,076	131,744	
HGS Resources		376,000 2,965	369,668	
Income from joint venture and partnership (Note 9)		2,100,000 2,126,312	2,618,570	
Industry contributions		5,745,000 8,058,932	7,557,116	
Earnings from investment in Nation business entities (Note 6)		- 3,475,954	3,067,299	
Investment income		- 1,681,522	985,988	
Athabasca tribal council		225,000 913,882	1,386,904	
Province of Alberta		- 822,535	-	
Rental income		92,000 98,513	181,447	
Administration fees		- 2,150	93,038	
Agricultural benefit claim		- -	54,129,430	
Deferred revenue - prior year		- -	6,456	
		<b>12,597,700</b>	<b>24,001,672</b>	<b>73,771,175</b>
<b>Program expenses</b>				
Athabasca Chipewyan First Nation - Administration	3	4,210,809	8,376,654	5,892,771
Social Development	4	1,060,440	685,562	732,025
Legal	5	250,000	103,908	118,192
Education and Training	6	208,071	454,460	217,954
Social Housing	7	1,026,530	2,007,801	849,866
First Nations Development Fund	8	646,000	530,739	530,742
850450 Alberta Ltd.	9	1,105,080	1,266,666	1,023,961
1497161 Alberta Ltd.	10	377,699	478,558	307,720
Agriculture Benefits Settlement Trust	11	- 744,698	13,703,180	
K'ai Taile Denesoline Trust	13	- 97,910	138,922	
K'ai Taile Market Ltd.	14	- 2,994,495	143,322	
ACFN Dene Land & Resource Management	15	- 4,843,592	3,120,624	
ACFN Trust - Business Account	16	- -	14,746	
ACFN Trust - Heritage Account	17	- -	21,559	
ACFN Trust - Infrastructure Account	18	- -	24,590	
<b>Total expenses</b>		<b>8,884,629</b>	<b>22,585,043</b>	<b>26,840,174</b>
<b>Surplus before other items</b>		<b>3,713,071</b>	<b>1,416,629</b>	<b>46,931,001</b>

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

	<b>2019 Budget</b>	<b>2019</b>	<b>2018</b>
<b>Surplus before other items</b> <i>(Continued from previous page)</i>	<b>3,713,071</b>	<b>1,416,629</b>	46,931,001
<b>Other income (expense)</b>			
Loss on disposal of tangible capital assets	-	(16,943)	-
Gain (loss) on disposal of portfolio investments	-	(72,455)	115,841
	-	<b>(89,398)</b>	115,841
<b>Surplus</b>	<b>3,713,071</b>	<b>1,327,231</b>	47,046,842
<b>Accumulated surplus, beginning of year</b>	<b>123,898,883</b>	<b>123,898,883</b>	76,852,041
<b>Accumulated surplus, end of year</b>	<b>127,611,954</b>	<b>125,226,114</b>	123,898,883

**Athabasca Chipewyan First Nation**  
**Consolidated Statement of Remeasurement Gains and Losses**  
*For the year ended March 31, 2019*

	<b>2019</b>	<b>2018</b>
<b>Accumulated remeasurement losses, beginning of year</b>	<b>(70,448)</b>	-
<b>Unrealized gains (losses) attributable to:</b>		
Portfolio investments	987,290	(70,448)
<b>Accumulated remeasurement gains (losses), end of year</b>	<b>916,842</b>	(70,448)

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

	<b>2019 Budget</b>	<b>2019</b>	<b>2018</b>
<b>Annual surplus</b>	<b>3,713,071</b>	<b>1,327,231</b>	<b>47,046,842</b>
Purchases of tangible capital assets	-	(4,836,273)	(893,208)
Amortization of tangible capital assets	-	751,568	359,787
Change in construction in progress	-	(3,026,138)	(7,696,850)
Loss on disposal of tangible capital assets	-	16,943	-
Proceeds of disposal of tangible capital assets	-	1,601	-
<b>Net changes of tangible capital assets</b>	<b>-</b>	<b>(7,092,299)</b>	<b>(8,230,271)</b>
Acquisition of prepaid expenses	-	(54,620)	-
Use of prepaid expenses	-	-	3,541
Change in remeasurement gains (losses) for the year	-	987,290	(70,448)
<b>Net changes of prepaid expenses and remeasurement gains (losses)</b>	<b>-</b>	<b>932,670</b>	<b>(66,907)</b>
<b>Changes in net financial assets</b>	<b>3,713,071</b>	<b>(4,832,398)</b>	<b>38,749,664</b>
<b>Net financial assets, beginning of year</b>	<b>103,796,136</b>	<b>103,796,136</b>	<b>65,046,472</b>
<b>Net financial assets, end of year</b>	<b>107,509,207</b>	<b>98,963,738</b>	<b>103,796,136</b>

**Athabasca Chipewyan First Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2019*

	<b>2019</b>	<b>2018</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Surplus	1,327,231	47,046,842
Non-cash items		
Amortization <i>(Schedule 1)</i>	751,568	359,787
Bad debts	181,444	152,614
Loss (gain) on disposal of portfolio investments	72,455	(115,841)
Unrealized remeasurement (gain) loss	(987,290)	70,448
Earnings from investment in Nation Business entities <i>(Note 6)</i>	(3,475,954)	(3,067,299)
Non-cash expenses paid by Nation Business entities <i>(Note 6)</i>	2,062,486	1,562,563
Earnings net of distributions from investment in joint venture and partnership <i>(Note 9)</i>	907,398	(770,353)
Loss on disposal of tangible capital assets	16,943	-
	856,281	45,238,761
Changes in working capital accounts		
Accounts receivable	(1,270,607)	1,320,419
Tax receivable	(346,121)	(112,611)
Inventory	(134,969)	(213,115)
Accounts payable and accruals	1,366,578	321,360
Deferred revenue	(390,875)	629,110
Prepaid expenses	(54,620)	3,541
Distributions due to minors	53,750	3,310,000
	79,417	50,497,465
<b>Financing activities</b>		
Advances of long-term debt	5,686,662	11,562,243
Repayment of long-term debt	(746,467)	-
Advances from related Nation entities and departments	202	-
Repayment of advances from related Nation entities and departments	(9,666)	(25,344)
	4,930,731	11,536,899
<b>Capital activities</b>		
Purchases of tangible capital assets <i>(Schedule 1)</i>	(4,377,254)	(893,208)
Proceeds of disposal of tangible capital assets	1,601	-
Increase in construction in progress <i>(Schedule 1)</i>	(3,026,138)	(7,696,850)
	(7,401,791)	(8,590,058)
<b>Investing activities</b>		
Purchase of restricted investments	(12,500,000)	(44,376,420)
Sale of investments held in Trust <i>(Note 7)</i>	-	4,470,783
Distributions from investment in Nation business entities <i>(Note 6)</i>	-	1,300,000
	(12,500,000)	(38,605,637)
<b>Increase (decrease) in cash resources</b>	(14,891,643)	14,838,669
<b>Cash resources, beginning of year</b>	26,458,429	11,619,760
<b>Cash resources, end of year</b>	<b>11,566,786</b>	<b>26,458,429</b>

**Athabasca Chipewyan First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

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**1. Operations**

The Athabasca Chipewyan First Nation (the "Nation") is located in the province of Alberta, and provides various services to its members. Athabasca Chipewyan First Nation includes the Nation's members, government and all related entities that are accountable to the Nation and are either owned or controlled by the Athabasca Chipewyan First Nation.

**2. Significant accounting policies**

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards set out in the CPA Canada Handbook - Public Sector Accounting and are consistent with accounting policies set out by the Department of Indigenous Services Canada ("ISC"). Significant aspects of the accounting policies adopted by the Nation are as follows:

***Reporting entity and principles of consolidation***

The consolidated financial statements consolidate the financial activities of all entities and departments comprising Athabasca Chipewyan First Nation, except for Nation business entities.

The Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Athabasca Chipewyan First Nation - Administration
- Social Development
- Legal
- Education and Training
- Social Housing
- First Nation Development Fund
- 850450 Alberta Ltd.
- 1497161 Alberta Ltd.
- K'ai Taile Market Ltd.
- ACFN Agriculture Benefits Settlement Trust
- Settlement Funds
- ACFN Trust - Infrastructure Account
- ACFN Trust - Heritage Account
- ACFN Trust - Business Account
- K'ai Taile Denesoline Trust
- ACFN Dene Land & Resource Management
- 2160415 Alberta Ltd.

Nation business entities accounted for by the modified equity basis include:

- Acden Business Trust
- ACFN Business Trust

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.

The Nation's business entities, which are owned or controlled by the Nation but not dependent on the Nation for their continuing operations, are included in the Nation's consolidated financial statements using the modified equity method. 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 Nation. Thus, the Nation's investment in these entities are recorded at acquisition cost and are increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received.

**Athabasca Chipewyan First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

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

***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 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.

***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, prepaid expenses, and construction in progress.

***Cash and cash equivalents***

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

***Funds held in trust and restricted investments***

Funds held in trust consist of cash and investments which are restricted in use. Gains resulting from a change in fair value of restricted financial assets and any interest income are recorded as an increase or decrease to the associated asset until the resources are used in accordance with their specified purpose.

***Investments in joint venture and partnership and investment in Cree Chip Development Corporation***

Investments in a joint venture and partnership, subject to joint control are accounted for using the equity method, less any provisions for permanent impairment. The investment in Cree Chip Development Corporation is accounted for using the cost method, less any provisions for permanent impairment.

***Inventory***

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

***Tangible capital assets***

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Construction in progress is recorded at the construction costs of the related housing project. Contributed tangible assets are recorded at their fair value at the date of contribution.

***Amortization***

Tangible capital assets are amortized annually, unless otherwise disclosed, using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	<b><i>Method</i></b>	<b><i>Rate</i></b>
Buildings	declining balance	4 %
Vehicles	declining balance	30 %
Computer equipment	declining balance	45 %
Equipment	declining balance	20 %

Amortization is not recorded on buildings under construction as they are not yet in use.

**Athabasca Chipewyan First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

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

***Funds held in Ottawa Trust Fund***

Funds held in trust on behalf of Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position with an offsetting amount in accumulated operating surplus. Trust monies consist of:

- Capital trust monies derived from non-renewable resource transactions on land or other Nation tangible capital assets; and
- Revenue trust monies generated primarily through land leasing transactions or interest earned on deposits held in trust.

***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 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 operations for the year; impairment of tangible capital assets is reflected in accumulated surplus when impairment occurs. Prices for similar items are used to measure fair value of long-lived assets.

***Deferred revenue***

Funding received under funding arrangements relating to projects that relate to a subsequent fiscal period are reflected as deferred revenue on the consolidated statement of financial position in the year of receipt. These amounts are recognized in revenue in the year the project costs are incurred.

***Net financial assets***

The 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 Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

***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 collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations in the periods in which they become known.

**Athabasca Chipewyan First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

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

***Revenue recognition***

***Funding***

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the consolidated statement of financial position in the year of receipt.

- i. **The Department of Indigenous Services ("DISC") and First Nations and Inuit Health ("FNIH")**  
The Athabasca Chipewyan 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 Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.
- ii. **Band Capital and Revenue Funds**  
The Athabasca Chipewyan First Nation recognizes revenue of the Capital and Revenue Fund as income is received and reported by the federal government.
- iii. **Canada Mortgage and Housing Corporation ("CMHC")**  
CMHC revenue is recognized as it becomes receivable under the terms of the applicable funding agreements, and is decreased for amounts anticipated to be repaid at year end.
- iv. **Rental income**  
Rental revenue is recorded in the year it is earned. At the end of each year management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.
- v. **Employment and Social Development Canada ("ESD")**  
ESD provides funding for Aboriginal skills and employment training. These funds are reported as revenue in the year the specific expenses are incurred. Funds which have not been expended by the fiscal year end are recorded as deferred revenue and appear as a liability on the consolidated statement of financial position.
- vii. **First Nation Development Fund ("FNDF")**  
FNDF provides funding for specific projects. These funds are reported as revenue in the year the specific expenses are incurred. Funds which have not been expended by the fiscal year end are recorded as deferred revenue and appear as a liability on the consolidated statement of financial position.
- viii. **HSG Resources**  
The Athabasca Chipewyan First Nation recognizes revenue from HSG Resources as income is received and reported by the federal government.
- ix. **Other revenue, industry contributions, administration fees, and investment income**  
All other revenue received that are not subject to funding agreements are recorded in the year in which they are earned and collection is reasonably assured.

***Externally restricted revenue***

The Nation recognizes externally restricted inflows as revenue in the period the resources are used for the purposes specified in accordance with an agreement or legislation. Until this time, the Nation records externally restricted inflows in deferred revenue.

**Athabasca Chipewyan First Nation**  
**Notes to the Consolidated Financial Statements**

*For the year ended March 31, 2019*

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

**Segments**

The Nation conducts its business through 16 reportable segments: See "reporting entity" accounting policy note for list of all segments. These operating segments are established by senior management to facilitate the achievement of the 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.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in this note.

**Financial instruments**

The Nation recognizes its financial instruments when the Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The Nation has not made such an election during the year.

The Nation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses while interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

**Fair value measurements**

The Nation classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the Nation to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

**Liability for contaminated site**

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 Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2019.

At each financial reporting date, the 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 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. No liabilities have been recorded as of March 31, 2019.

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**Athabasca Chipewyan First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

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

**Statement of remeasurement gains and losses**

By presenting remeasurement gains (losses) separately, changes in the carrying value of financial instruments arising from fair value measurement, unrealized foreign exchange gains (losses) and other comprehensive income arising from investments in government business entities are distinguished from revenue and expenses reported in the statement of operations. The statement of operations reports the extent to which revenue raised in the period were sufficient to meet the expenses incurred. Remeasurement gains (losses) do not affect this assessment as they are recognized in the statement of remeasurement gains and losses. Taken together, the two statements account for changes in a Nation's net assets (liabilities) in the period.

Upon settlement, the cumulative gain (loss) is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to all financial instruments are reported in the statement of operations.

**3. Cash and cash equivalents**

Included in cash and cash equivalents is \$265,052 (2018 - \$265,052) restricted for capital housing projects (Note13).

	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	11,103,147	25,994,790
Restricted cash	265,052	265,052
GIC	198,587	198,587
	<b>11,566,786</b>	26,458,429

**4. Accounts receivable**

	<b>2019</b>	<b>2018</b>
Accounts receivable	3,900,365	1,488,275
Less: Allowance for doubtful accounts	863,194	202,288
	<b>3,037,171</b>	1,285,987

**5. Investments**

Short term investments are carried at fair market value:

	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	168,695	-
Equities	8,645,059	-
Fixed income	3,642,934	-
	<b>12,456,688</b>	-

**Athabasca Chipewyan First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

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**6. Investments in Nation business entities**

The Nation has investments in the following entities:

	<i>Opening net investment</i>	<i>Current draws</i>	<i>Current earnings</i>	<i>Total investment</i>
<b>Investments held at modified equity method</b>				
ACFN Business Trust	<b>51,544,932</b>	<b>(2,062,486)</b>	<b>3,475,954</b>	<b>52,958,400</b>
2018				
	<i>Opening net investment</i>	<i>Current draws</i>	<i>Current earnings</i>	<i>Total investment</i>
<b>Investments held at modified equity method</b>				
ACFN Business Trust	51,340,196	(2,862,563)	3,067,299	51,544,932

Summary financial information for each Nation business enterprise, accounted for using the modified equity method, for their respective year-end is as follows:

	<b>Assets</b>	<b>Liabilities</b>	<b>Net assets</b>	<b>Revenue</b>	<b>Expenses</b>	<b>Net income</b>
ACFN Business Trust	<b>92,784,136</b>	<b>39,825,736</b>	<b>52,958,400</b>	<b>82,325,500</b>	<b>78,849,546</b>	<b>3,475,954</b>

During the year the ACFN Business Trust paid for \$2,062,486 (2018 - \$1,562,563) of expenses on behalf of the Nation. The amounts were settled through a non-cash distribution from the ACFN Business Trust.

**Athabasca Chipewyan First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

**7. Funds held in trust and restricted investments**

	<b>2019</b>	<b>2018</b>
<b>Ottawa Trust - Funds held in trust</b>		
Balance, beginning of year	6,213	6,082
Compensation payments	146	131
 Balance, end of year	 6,359	 6,213
<b>Agricultural Benefits Trust - Restricted investments</b>		
Cash and cash equivalents	2,922,662	41,141,880
Equities	25,003,967	1,903,325
Fixed income	17,573,066	1,331,215
 Balance, end of year	 45,499,695	 44,376,420
<b>ACFN Business Trust</b>		
Balance, beginning of year	-	1,070,693
Withdrawals	-	(1,070,693)
 Balance, end of year	 -	 -
<b>ACFN Trust Infrastructure Account</b>		
Balance, beginning of year	-	1,814,289
Withdrawals	-	(1,814,289)
 Balance, end of year	 -	 -
<b>ACFN Heritage Account</b>		
Balance, beginning of year	-	1,585,801
Withdrawals	-	(1,585,801)
 Balance, end of year	 -	 -
	  <b>45,506,054</b>	  <b>44,382,633</b>

The Ottawa trust accounts arise from moneys derived from capital or revenue sources as outlined in Section 62 of the *Indian Act*. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. Sections 63 to 69 of the *Indian Act* primarily govern the management of these funds.

**8. Investment in Cree Chip Development Corporation**

During the year, loans were advanced to Cree Chip Development Corporation, other governmental organization of the Nation. The Nation owns 50% (2018 – 50%) of the related entity. The advance bears no interest and has no fixed terms of repayment.

**Athabasca Chipewyan First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

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**9. Investment in joint venture and partnership**

During the year the income earned from the investment in the joint venture and the partnership was \$2,126,312 (2018 - \$2,618,570) and cash distributions was \$3,033,710 (2018 - \$1,848,217).

**10. Accounts payable and accruals**

	<b>2019</b>	<b>2018</b>
Accounts payable and accruals	3,205,146	992,383
Government remittances	67,493	42,304
Holdbacks payable	127,372	586,391
	<hr/> <b>3,400,011</b>	<hr/> <b>1,621,078</b>

**11. Deferred revenue**

	<b>2019</b>	<b>2018</b>
ACFN Dene Land & Resource Management	2,518,057	1,768,294
Nation	237,825	1,378,463
Social Development	4,523	4,523
Education and Training	44,531	44,531
	<hr/> <b>2,804,936</b>	<hr/> <b>3,195,811</b>

**Athabasca Chipewyan First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

**12. Long-term debt**

	<b>2019</b>	<b>2018</b>
CMHC, mortgage secured by property disclosed below and a guarantee from the Minister of the Department of Indigenous Services Canada, payable in monthly installments of \$1,439 including interest at 1.30%, renewing December 2020.	187,166	201,931
CMHC, mortgage secured by property disclosed below and a guarantee from the Minister of the Department of Indigenous Services Canada, payable in monthly installments of \$888 including interest at 1.30%, renewing December 2020.	115,438	124,544
CMHC, mortgage secured by property disclosed below and a guarantee from the Minister of the Department of Indigenous Services Canada, payable in monthly installments of \$955 including interest at 2.39%, renewing March 2023.	92,983	102,140
CMHC, mortgage secured by property disclosed below and a guarantee from the Minister of the Department of Indigenous Services Canada, payable in monthly installments of \$2,315 including interest at 1.39%, renewing June 2020.	402,761	424,835
CMHC, mortgage secured by property disclosed below and a guarantee from the Minister of the Department of Indigenous Services Canada, payable in monthly installments of \$828 including interest at 1.03%, renewing October 2021.	70,188	79,356
CMHC, mortgage secured by property disclosed below and a guarantee from the Minister of the Department of Indigenous Services Canada, payable in monthly installments of \$1,068 including interest at 0.96%, renewing August 2021.	30,639	43,111
CMHC, mortgage secured by property disclosed below and a guarantee from the Minister of the Department of Indigenous Services Canada, payable in monthly installments of \$3,866 including interest at 1.05%, renewing August 2021.	927,422	963,843
Royal Bank of Canada loan repaid during the year.	-	25,087
CMHC, mortgage secured by property disclosed below and a guarantee from the Minister of the Department of Indigenous Services Canada, payable in monthly installments of \$2,236 including interest at 2.50%, renewing June 2023.	410,884	427,438
Bank of Montreal demand loan, secured by the ACFN Agriculture Benefits Settlement Trust with a fair market value of \$45,506,054, and effective April 1, 2018 was payable in monthly installments of \$60,585 including interest at 3.2%, renewing August 2023.	12,187,490	12,500,000
CMHC, mortgage secured by property disclosed below and a guarantee from the Minister of the Department of Indigenous Services Canada, payable in monthly installments of \$313 including interest at 1.03%, renewing October 2021.	44,111	47,401
Bank of Montreal loan payable in monthly installments of \$2,750 including interest at prime plus 1%, renewing November 2019.	583,000	616,000
Bank of Montreal loan payable in monthly installments of \$11,111 including interest at prime plus 1%, renewing November 2019.	844,444	977,778
CMHC, mortgage secured by property disclosed below and a guarantee from the Minister of the Department of Indigenous Services Canada, payable in monthly installments of \$5,496 including interest at 2.70%, renewing November 2023.	1,191,193	-

**Athabasca Chipewyan First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

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**12. Long-term debt** *(Continued from previous page)*

Bank of Montreal demand loan, secured by the assets of K'ai Taile Market Ltd. and a full coverage guarantee from the Nation, payable in monthly installments of \$3,610 including interest at prime plus 1.25% until 2039.	3,465,536	-
Bank of Montreal demand loan, secured by the assets of K'ai Taile Market Ltd. and a full coverage guarantee from the Nation, payable in monthly installments of \$10,694 including interest at 1.25% until 2023, renewing January 2020.	320,833	-
Bank of Montreal demand loan, secured by assets of K'ai Taile Market Ltd. and a full coverage guarantee from the Nation, payable in monthly installments of \$7,024 including interest at prime plus 1.25% until 2026, renewing January 2020.	499,571	-
Bank of Montreal letter of credit, monthly installments of \$Nil, and an interest rate of 0.00%.	<u>100,000</u>	-
	<b>21,473,659</b>	<b>16,533,464</b>

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The prime rate as at March 31, 2019 is 3.95% (2018 - 3.45%).

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

2020	733,037
2021	741,089
2022	749,938
2023	761,241
2024	778,362
Thereafter	17,709,992

Security pledged on all mortgages, loans and finance contracts consists of Government of Canada ministerial guarantees, guarantees by the Athabasca Chipewyan First Nation, assignment of fire insurance, a guarantee by the Ottawa Trust accounts and specific equipment.

Included in Schedule 1, total Buildings of \$12,110,102 (2018 - \$7,000,066) are pledged as security for CMHC mortgages above.

The terms of the Bank of Montreal credit facility, including demand loans of \$3,465,536, \$320,833 and \$499,571 as at March 31, 2019, requires that certain measurable covenants be met. As at March 31, 2019, the Nation was in violation of certain covenants.

**13. Replacement reserves**

Under conditions of agreements with CMHC, the Nation is required to maintain certain reserves related to on-reserve housing projects estimated at \$285,137 (2018 - \$246,404). As at March 31, 2019, the Nation has funded \$265,052 (2018 - \$265,052). The Nation is in violation of their agreements with CMHC. The possible effect of the violation has not yet been determined.

**Athabasca Chipewyan First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

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**14. Guarantees**

As of March 31, 2019, the Nation and its business enterprises have assumed a joint and several obligation on a loan with Royal Bank of Canada, secured by property held by the Nation's business enterprises up to a maximum amount of \$2,000,000 (2018 - \$2,000,000), of which \$1,808,183 (December 31, 2017 - \$55,943) was drawn as of December 31, 2018. As at December 31, 2018, the borrower is in compliance with all financial covenants. The guarantees remain in place for the duration of the loan, which matures March 23, 2023. Payments under these guarantees, which will remain in place until March 23, 2023, are triggered upon event of default, consisting of an inability to service the debt by the borrower; failure to comply with or to perform any provision under the loan agreement; the borrower becomes insolvent or generally fails to pay or admits in writing their inability or refusal to pay their debts as they become due. As at March 31, 2019, no liability has been recorded associated with this guarantee.

**15. Contingent liabilities**

The Nation is involved in a lawsuit. The First Nation originally filed a claim against the defendants, but was counterclaimed by the defendants. This lawsuit remains at an early stage, and as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of these lawsuits or to estimate the loss, if any, which may result. Any amount awarded as a result of this action will be recorded when reasonably estimable.

**16. Distributions due to minors**

Upon the settlement of the Agriculture Benefits Claim, the Athabasca Chipewyan First Nation Agriculture Benefits Settlement Trust was created to hold the funds received and distribute amounts to minors once one of the following conditions have been met:

- i) reaching the age of eighteen (18) years with a Grade 12 education, or its equivalency; or
- ii) completing a Grade 12 education, or its equivalency, or enrolled in an apprenticeship or other post secondary program at any time during the ages of 18, 19, or 20 years; or
- iii) attaining the age of 21 years.

Subject to these conditions, each minor member that was alive at the date of ratification will be eligible to receive a single payment from the minors trust account in the amount of:

- i) \$10,000; plus
- ii) an inflation adjustment at a rate determined by reference to the CPI - All Items, published by Statistics Canada for Alberta for each year ended December 31, after 2017; plus
- iii) an investment adjustment at a rate of 2%, compounded annually, for each year ended December 31, after 2017.

At March 31, 2019 there were a total of 325 (2018 - 331) minors who had not yet been paid out. The minor's distributions were estimated based on a calculation which assumed no inflation and no investment adjustment has yet occurred. Total distributions made to minors in the year were \$60,000 (2018 - \$nil).

**Athabasca Chipewyan First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

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**17. Financial instruments**

The Nation as part of its operations carries a number of financial instruments. It is management's opinion that the Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments, except as otherwise disclosed.

***Risk management policy***

The Nation, as part of operations, has established management objectives such as avoidance of undue concentrations of risk. In seeking to meet these objectives, the Nation follows a risk management policy approved by Chief and Council.

***Credit risk***

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The carrying amount of the Nation's financial instruments best represents the maximum exposure to credit risk.

***Risk management***

The Nation manages its credit risk by providing allowances for potentially uncollectible accounts receivable.

***Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Nation is exposed to interest rate risk with respect to certain long-term debt amounts, which are subject to floating interest rates. The Nation is exposed to interest rate price risk with respect to certain long-term debt amounts which bear interest at rates agreed upon at the time of issuance. The Nation is also exposed to interest rate price risk with respect to its funds held in trust and restricted investments assets which earn interest.

***Other price risk***

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Nation enters into transactions to purchase portfolio investments through funds held in trust and restricted investments, for which the market price fluctuates.

Other price risk is measured using standard deviation which measures a portfolio investment's volatility regardless of the cause. The Nation manages its other price risk by utilizing investment managers and custodians to monitor the volatility of the portfolio investments held and manage the investments in accordance to the investment guidelines.

**18. Comparative figures**

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

Inventory for resale as at March 31, 2018 had been classified as a non-financial asset, so the balance was reclassified to be a financial asset. As a result, in the consolidated statement of financial position, the 2018 net financial assets was increased by \$213,117 and non-financial assets was decreased by \$213,117. In addition, 2018 changes in net financial assets was increased by \$213,117 on the consolidated statement of changes in net financial assets.