

**Kehewin Cree Nation  
Consolidated Financial Statements  
March 31, 2014**

# **Kehewin Cree Nation**

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## Kehewin Cree Nation

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of **Kehewin Cree Nation** and all the financial information in this annual report are the responsibility of management and have been approved by the **Kehewin Cree Nation Chief and Council**.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgment. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The First Nation's management is also responsible for implementing and maintaining systems of internal accounting and administrative control. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The consolidated financial statements have been audited by Doyle & Company in accordance with Canadian auditing standards on behalf of the members.

ERNEST GADOURY

Chief



Councilor

# DOYLE & COMPANY

CHARTERED ACCOUNTANTS

Allan J. Grykuliak, C.A.\*

Scott T. Mockford, C.A.\*

\* Operates as a Professional Corporation

To the Chief and Council

## INDEPENDENT AUDITORS' REPORT

11210 - 107 Avenue N.W. 2nd Flr

Edmonton, Alberta T5H 0Y1

Tel (780) 452-2300, Fax (780) 452-2335

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the **Kehewin Cree Nation**, which comprise the statement of financial position as at March 31, 2014 and the statements of financial activities, change in net financial assets and the statement of cash flows 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's 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 auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's 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 preparations 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 audit evidence to provide a basis for our qualified audit opinion.

### Basis for Qualified Opinion

KCN Contracting Ltd. is a wholly owned subsidiary of Kehewin Cree Nation, we were unable to obtain sufficient appropriate audit evidence of Kehewin Cree Nation's share of KCN Contracting Ltd.'s net income (loss) and any advances to (from) the company for the year. The auditors are still in the process of preparing the financial statements for the current year. Consequently, we were not able to determine whether any adjustments to these amounts were necessary.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded program expenditures and payables, and the elements making up the consolidated statements of financial position, financial actives and cashflow.

### Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Kehewin Cree Nation as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

September 9, 2014  
Edmonton, Alberta

*Doyle & Company*  
Chartered Accountants

**Kehewin Cree Nation**  
**Consolidated Statement of Financial Position**  
**As at March 31, 2014**

	2014 \$	2013 \$
<b>FINANCIAL ASSETS</b>		
Cash	616,419	230,464
Investments	42,725	42,687
Accounts receivable (Note 6)	574,193	503,891
Band trust funds (Note 15)	346,363	439,257
Investment in and advances to subsidiaries (Note 12)	4,219,145	3,032,203
	<b>5,798,845</b>	<b>4,248,502</b>
<b>LIABILITIES</b>		
Accounts payable (Note 7)	1,609,108	2,484,538
Deferred revenue (Note 8)	472,244	520,371
Long-term liabilities (Note 9)	4,431,550	5,551,942
Reserves (Note 11)	559,194	491,247
	<b>7,072,096</b>	<b>9,048,098</b>
<b>NET FINANCIAL DEBT</b>	<b>(1,273,251)</b>	<b>(4,799,596)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	17,747,007	18,289,447
Prepaid expenses	11,563	-
	<b>17,758,570</b>	<b>18,289,447</b>
<b>ACCUMULATED SURPLUS (DEFICIT) (Note 16)</b>	<b>16,485,319</b>	<b>13,489,851</b>

Approved by:

HERNEST INNIS Chief

J. H. H. Councilor

**Kehewin Cree Nation**  
**Consolidated Statement of Financial Activities**  
**For the year ended March 31, 2014**

	2014 \$	2013 \$
<b>REVENUE</b>		
Aboriginal Affairs and Northern Development Canada (AANDC) - fixed	4,477,464	4,197,646
AANDC - set	874,246	2,806,951
AANDC - grant	517,280	518,906
Administration fees	149,713	87,540
Aboriginal Skills and Employment Training Strategy (ASETS)	277,640	438,758
Canada Mortgage Housing Corporation	434,986	432,106
First Nations Development Fund	675,996	680,414
Government of Alberta	228,401	447,492
Health Canada	2,102,650	1,985,396
Investment in entities	1,186,942	1,470,489
Oil and gas	330,000	320,022
Rental income	1,037,429	565,858
Solicitor General	16,071	22,499
Trust Funds with AANDC - Capital account (Note 15)	503,252	345,547
Trust Funds with AANDC - Revenue account (Note 15)	127,993	50,000
Other	2,931,182	1,318,678
Funding returned to provider	(307,776)	(387,933)
Recovery	-	(51,200)
Revenue deferred from prior period	352,680	2,895,131
Revenue deferred to subsequent period	(472,242)	(1,043,464)
	<b>15,443,907</b>	<b>17,100,836</b>
<b>EXPENDITURES</b>		
Aboriginal Skills and Employment Training Strategies (ASETS)	317,983	254,195
Administration	1,160,551	1,312,710
Band Support Funding - Third Party Managers (TPM)	564,430	429,201
Canada Mortgage and Housing Corporation (CMHC)	774,574	720,993
Chief and Council	501,863	396,275
Daycare	170,430	186,582
Daycare - TPM	144,615	171,945
Economic Development	11,359	112,146
Economic Development - TPM	-	3,661
Education	297,902	390,310
Education - TPM	2,723,281	2,373,054
Education - Post - Secondary - TPM	475,349	334,440
Education - Student Transportation - TPM	191,946	208,193
Health.	2,095,747	2,150,691
Housing	511,277	88,232
National Child Benefit - TPM	-	500
Public Works	48,663	270,542
Public Works - TPM	1,193,878	925,452
Social Services - TPM (Note 5)	-	2,344,003
Social Services Delivery - TPM (Note 5)	-	93,933
Previous Third Party Managers - TPM	229,155	-
	<b>11,413,003</b>	<b>12,767,058</b>
<b>EXCESS OF REVENUE OVER EXPENDITURE BEFORE OTHER REVENUES (EXPENSES)</b>	<b>4,030,904</b>	<b>4,333,778</b>
<b>OTHER REVENUE (EXPENSES)</b>		
Amortization	(887,542)	(863,287)
Loss on disposal of assets	(55,000)	-
	<b>(942,542)</b>	<b>(863,287)</b>
<b>EXCESS OF REVENUE OVER EXPENDITURE BEFORE CAPITAL PURCHASES</b>	<b>3,088,362</b>	<b>3,470,491</b>
Capital purchases	(481,602)	(74,128)
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES AFTER CAPITAL PURCHASES</b>	<b>2,606,760</b>	<b>3,396,363</b>

The accompanying notes form part of these financial statements.

**Kehewin Cree Nation**  
**Consolidated Statement of Change in Net Financial Assets**  
**For the year ended March 31, 2014**

	2014 \$	2013 \$
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>3,088,362</b>	<b>3,470,491</b>
Acquisition of tangible capital assets	(481,602)	(74,128)
Amortization of tangible capital assets	887,542	863,287
Equity adjustment	(276,087)	-
Proceeds on disposal of tangible capital assets	359,589	-
(Gain) Loss on disposal of tangible capital assets	55,000	-
Increase (Decrease) in trust Funds	(92,894)	2,668
	<b>451,548</b>	<b>791,827</b>
Acquisition of prepaid assets	(11,563)	-
<b>INCREASE IN NET ASSETS</b>	<b>3,528,347</b>	<b>4,262,318</b>
<b>NET FINANCIAL DEBT, BEGINNING OF YEAR</b>	<b>(4,801,598)</b>	<b>(9,063,916)</b>
<b>NET FINANCIAL DEBT, END OF YEAR</b>	<b>(1,273,251)</b>	<b>(4,801,598)</b>

**Kehewin Cree Nation**  
**Consolidated Statement of Cash Flows**  
**For the year ended March 31, 2014**

	2014	2013
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from funding agencies and customers	15,325,478	15,865,531
Cash paid to suppliers and employees	(12,042,392)	(13,387,784)
Interest on Long-term liabilities	(268,998)	(607,367)
	<b>3,014,088</b>	1,870,380
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in long-term liabilities	-	231,787
Repayment of long-term liabilities	(1,120,392)	(1,125,116)
	<b>(1,120,392)</b>	(893,329)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital asset additions	(481,602)	(74,128)
Increase in investments	(1,186,942)	(1,513,176)
Proceeds on disposal on investments	-	61,639
Decrease in trust funds	92,894	2,668
Decrease in reserves	67,947	-
	<b>(1,507,703)</b>	(1,522,997)
<b>INCREASE (DECREASE) IN CASH DURING THE YEAR</b>	<b>385,993</b>	(545,946)
<b>CASH - Beginning of year</b>	<b>273,151</b>	819,097
<b>CASH - End of year</b>	<b>659,144</b>	273,151
 <b>Cash Consists of:</b>		
Cash and Short Term Deposits	616,419	230,464
GICs	42,725	42,687
	<b>659,144</b>	273,151

**Kehewin Cree Nation**  
**Consolidated Statement of Expenditures by Object**  
**For the year ended March 31, 2014**

	<b>2014</b>	<b>2013</b>
	\$	\$
<b>EXPENDITURES</b>		
Amortization	887,542	863,286
Contracted and general services	2,442,718	2,199,135
Education and tuition	366,021	511,889
Insurance	332,042	211,024
Interest and bank charges	7,953	27,111
Interest on long term debt	268,998	607,367
Materials and supplies	109,631	290,126
Office	81,310	-
Professional services	970,230	577,685
Program expenses	1,183,797	117,845
Rent	12,411	143,165
Repairs and maintenance	575,584	562,539
Replacement reserve	61,639	61,639
Salaries, wages and benefits	3,776,976	4,554,105
Social assistance (Note 5)	20,629	1,871,966
Supplies and services	584,463	601,818
Training and workshops	106,541	113,768
Travel	85,208	44,192
Utilities and telephone	426,852	269,683
	<b>12,300,545</b>	<b>13,628,343</b>

**Kehewin Cree Nation**  
**Schedule of Changes in Accumulated Surplus - Schedule 1**  
**For the year ended March 31, 2014**

	Unrestricted Surplus	Equity in Tangible Capital Assets	Equity in Enterprise Fund	Equity in Trust Funds	2014 \$	2013 \$
<b>Balance, Beginning of Year</b>	<b>(3,258,388)</b>	<b>13,276,779</b>	<b>3,032,203</b>	<b>439,257</b>	<b>13,489,851</b>	<b>10,014,690</b>
Excess of revenue over expenses	3,088,362	-	-	538,351	3,626,713	3,868,706
Excess of revenue over expenses - investments	(1,186,942)	-	1,186,942	-	-	-
Trust funds used for operations	-	-	-	(631,245)	(631,245)	(395,547)
Current years funds used for tangible capital assets	(481,602)	481,602	-	-	-	-
Disposal of capital assets	136,500	(136,500)	-	-	-	-
Annual amortization expense	887,542	(887,542)	-	-	-	-
Long-term liabilities repaid	(1,120,615)	1,120,615	-	-	-	-
Change in accumulated surplus	1,323,245	578,175	1,186,942	(92,894)	2,995,468	3,473,159
<b>Balance, End of Year</b>	<b>(1,935,143)</b>	<b>13,854,954</b>	<b>4,219,145</b>	<b>346,363</b>	<b>16,485,319</b>	<b>13,487,849</b>

The accompanying notes form part of these financial statements.

**Kehewin Cree Nation**  
**Consolidated Statement of Tangible Capital Assets - Schedule 2**  
**For the year ended March 31, 2014**

	Land	Buildings & Houses	Automotive	Computer Equipment	Furniture & Equipment	Infrastructure	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
<b>COST:</b>								
Balance, Beginning of Year	1,500	24,119,746	2,296,474	257,903	1,130,781	3,082,198	30,888,602	30,814,474
Acquisition of tangible capital assets	-	402,860	77,352	1,390	-	-	481,602	74,128
Disposal of tangible capital assets	-	(497,228)	-	-	-	-	(497,228)	-
Balance, End of Year	1,500	24,025,378	2,373,826	259,293	1,130,781	3,082,198	30,872,976	30,888,602
<b>ACCUMULATED AMORTIZATION:</b>								
Balance, Beginning of Year	-	8,469,000	1,895,739	235,817	889,380	1,109,219	12,599,155	11,735,868
Annual amortization	-	647,512	105,996	6,834	48,281	78,919	887,542	863,287
Accumulated amortization on disposals	-	(360,728)	-	-	-	-	(360,728)	-
Balance, End of Year	-	8,755,784	2,001,735	242,651	937,661	1,188,138	13,125,969	12,599,155
<b>NET BOOK VALUE</b>	<b>1,500</b>	<b>15,269,594</b>	<b>372,091</b>	<b>16,642</b>	<b>193,120</b>	<b>1,894,060</b>	<b>17,747,007</b>	<b>18,289,447</b>

The accompanying notes form part of these financial statements.

**Kehewin Cree Nation**  
**Consolidated Statement of Financial Activities by Program - Schedule 3**  
**For the year ended March 31, 2014**

	AANDC Revenue \$	Other \$	Total Revenue \$	Total Expenditures \$	Surplus (Deficit) \$	Capital Expenditures \$	2014 Surplus (Deficit) \$	2013 Surplus (Deficit) \$
Aboriginal Skills and Employment Training Strategies (ASETS)	-	300,926	300,926	317,983	(17,057)	-	(17,057)	36,930
Administration	-	3,809,366	3,809,366	1,160,551	2,648,815	-	2,648,815	1,024,209
Band Support - TPM	564,430	-	564,430	564,430	-	-	-	(178,102)
CMHC	-	1,172,875	1,172,875	774,574	398,301	(402,860)	(4,559)	(6,722)
Chief and Council	-	285,682	285,682	501,863	(216,181)	-	(216,181)	(396,275)
Daycare	-	200,978	200,978	170,430	30,548	-	30,548	16,498
Daycare - TPM	149,040	6,000	155,040	144,615	10,425	-	10,425	(22,905)
Economic Development	-	1,236,966	1,236,966	11,359	1,225,607	-	1,225,607	2,010,086
Economic Development - TPM	-	-	-	-	-	-	-	185,989
Education	-	200,651	200,651	297,902	(97,251)	-	(97,251)	(108,594)
Education - TPM	2,771,758	139,714	2,911,472	2,723,281	188,191	-	188,191	269,320
Education - Post Secondary - TPM	535,616	-	535,616	475,349	60,267	-	60,267	201,176
Education - Transportation - TPM	268,505	-	268,505	191,946	76,559	-	76,559	38,023
Health Centre	-	2,167,401	2,167,401	2,095,747	71,654	(35,890)	35,764	(75,854)
Housing	-	361,400	361,400	511,277	(149,877)	-	(149,877)	-
National Child Benefit - TPM	-	-	-	-	-	-	-	259,460
Public Works	-	13,831	13,831	48,663	(34,832)	(42,852)	(77,684)	(248,043)
Public Works - TPM	1,579,641	(29,049)	1,550,592	1,193,878	356,714	-	356,714	342,706
Social Services - TPM	-	-	-	-	-	-	-	(738,279)
Social Services Delivery - TPM	-	-	-	-	-	-	-	265,409
Previous Third Party Manager	-	(291,821)	(291,821)	229,155	(520,976)	-	(520,976)	-
	<b>5,868,990</b>	<b>9,574,920</b>	<b>15,443,910</b>	<b>11,413,003</b>	<b>4,030,907</b>	<b>(481,602)</b>	<b>3,549,305</b>	<b>2,875,032</b>

The accompanying notes form part of these financial statements.

# Kehewin Cree Nation

## Notes to the Consolidated Financial Statements

March 31, 2014

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### **DESCRIPTION OF OPERATIONS**

The Chief and Council of Kehewin Cree Nation (the "First Nation") primary function is to administer the affairs of Kehewin Cree Nation.

#### **1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

##### **(a) Fund Accounting**

The Kehewin Cree Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the financial statements. Details of the operations of each fund are set out in the supplementary schedules. The Kehewin Cree Nation maintains the following funds:

- The Operating Fund which reports the general activities of the First Nation Administration.
- The Equity in Capital Assets Fund which reports the capital assets of the First Nation, together with their related financing.
- The Equity in Enterprise Fund which reports the investment made in controlled entities.
- The Trust Fund which reports on trust funds owned by the First Nation and held by third parties.

##### **(b) Reporting Entity and Principles of Financial Reporting**

The Kehewin Cree Nation reporting entity includes the Kehewin Cree Nation's government and all related entities which are accountable to the First Nation and are either owned or controlled by the Kehewin Cree Nation.

These financial statements consolidate the assets, liabilities and results of operations for the following entities which lend themselves to consolidation.

- Kehewin Cree Nation Operating Fund
- Kehewin Cree Nation Trust Funds
- Kehewin Health Services
- Third Party Managed Programs

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

**Kehewin Cree Nation**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2014**

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**1. SIGNIFICANT ACCOUNTING POLICIES - continued**

**(b) Reporting Entity and Principles of Financial Reporting - continued**

Incorporated business entities, which are owned or controlled by the Kehewin Cree Nation and which are not dependent on the First Nation for their continuing operations are included in the summary financial statements using the modified equity method. These include:

- 681415 Alberta Ltd. (Kehewin Gasification)
- KCN Contracting Ltd.

**(c) Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

**i) Tangible Capital Assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a declining balance basis over the estimated useful life of the assets at the annual rates as follows:

Automotive	30%
Buildings	4%
Computer equipment	30%
Furniture and equipment	20%
Machinery and equipment	20%
Projects under construction	0%
Water system	4%

Annual amortization is charged in the year of acquisition and not in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**ii) Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operation leases and the related lease payments are charges to expenses as incurred.

**d) Revenue Recognition**

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the statement of financial position.

**Kehewin Cree Nation**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2014**

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**1. SIGNIFICANT ACCOUNTING POLICIES - continued**

**(e) Trust Funds**

The Ottawa Trust Accounts arise from monies 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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

First Nation trust funds are included as revenue in these statements only to the extent they have been received from the First Nation's trust fund accounts, or are receivable or accrued at year-end, which have been authorized by Aboriginal Affairs and Northern Development Canada (AANDC) approved band council resolution (BCR). The amounts on deposit with the Government of Canada are audited by the Auditor General of Canada.

**(f) Financial Instruments**

The Nation's financial instruments consist of cash, accounts receivable, investments, trust funds, accounts payable, deferred revenue and long-term liabilities. Unless otherwise noted, it is management's opinion that the Nation is not exposed to significant interest or foreign currency risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

**(g) Measurement Uncertainty**

The preparation of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. ECONOMIC DEPENDENCE**

The Kehewin Cree Nation receives the majority of its funding from Aboriginal Affairs and Northern Development Canada (AANDC). The Nation is also dependent on Health Canada for funding to run its health program through a health funding consolidated contribution agreement.

**3. GOING CONCERN**

These financial statements have been prepared in accordance with accounting principles that apply to a going concern. Under the going concern assumption, an entity is viewed as being able to continue its operations in the foreseeable future and realize its assets and discharge its liabilities in the normal course of operations.

The Nation's ability to continue as a going concern depends on its ability to improve operations, access additional financing and obtain the ongoing support of its creditors.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate because management feels that the measures it intends to take will improve operations and a refinancing of accounts payable will mitigate the effect of the conditions and facts that raise doubt about the appropriateness of this assumption.

**Kehewin Cree Nation**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2014**

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**4. THIRD PARTY MANAGEMENT**

Effective April 1, 2010, Aboriginal Affairs and Northern Development Canada appointed a third party manager to administer the delivery of all programs funded by Aboriginal Affairs and Northern Development Canada and certain expenditures from the Nation's Ottawa trust funds. On April 1, 2013 there was a changeover to a new third party management group.

**5. SOCIAL ASSISTANCE PROGRAM**

Effective April 1, 2013, the social assistance program is administered by an independent third party. The program has been separately audited by another accounting firm and has not been consolidated with the Nation.

**6. ACCOUNTS RECEIVABLE**

	2014 \$	2013 \$
Aboriginal Affairs and Northern Development Canada	248,167	483,819
First Nation Development Fund	170,877	-
Members - Maintenance	266,642	-
Members - Rent	290,495	-
Trade Accounts	149,914	9,023
GST Receivable	5,234	11,049
	<b>1,131,329</b>	503,891
Allowance for Doubtful Accounts (Maintenance and Rent)	<b>(557,136)</b>	-
	<b>574,193</b>	503,891

**7. ACCOUNTS PAYABLE**

	2014 \$	2013 \$
Trade Accounts	1,460,237	1,970,269
Ministerial Loan Guarantee (MLG)	148,871	514,269
	<b>1,609,108</b>	2,484,538

**8. DEFERRED REVENUE**

	2014 Total \$	2013 Total \$
AANDC	45,120	-
First Nation Development Fund	3,189	167,688
Health Canada	134,419	16,294
National child benefit	6,183	13,056
Rental revenue	283,333	323,333
	<b>472,244</b>	520,371

**Kehewin Cree Nation**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2014**

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**9. LONG-TERM LIABILITIES**

	2014 \$	2013 \$
Alberta Indian Investment Corporation loan repayable in monthly installments of \$6,520 including interest at 10.00%, due October 2014.	39,466	116,881
First Nations Bank of Canada mortgage repayable in monthly installments \$3,473 including interest at 5.55%, due July 2018.	160,795	192,470
First Nations Bank of Canada mortgage repayable in monthly installments \$1,980 including interest at 5.55%, due June 2013.	-	4,157
First Nations Bank of Canada mortgage repayable in monthly installments \$3,586 including interest at 5.55%, due June 2018.	162,892	195,401
First Nations Bank of Canada mortgage repayable in monthly installments \$3,429 including interest at 8.44%, due April 2017.	110,856	141,232
CMHC mortgage repayable in monthly installments of \$7,355 including interest at 14.75%, due December 2016.	200,725	253,753
CMHC mortgage repayable in monthly installments of \$3,033 including interest at 11.75%, due February 2016.	62,253	89,223
CMHC mortgage repayable in monthly installments of \$908 including interest at 2.63%, due March 2026.	112,361	119,959
CMHC mortgage repayable in monthly installments of \$1,616 including interest at 1.64%, due January 2027.	224,686	239,962
CMHC mortgage repayable in monthly installments of \$2,489 including interest at 1.82%, due November 2036.	554,643	573,422
CMHC mortgage repayable in monthly installments of \$13,731 including interest at 2.69%, due August 2030.	2,167,693	2,268,151
CMHC mortgage repayable in monthly installments of \$1,974 including interest at 1.81%, due February 2019.	111,530	132,826
First Nations Bank of Canada mortgage repayable in monthly installments \$8,045 including interest at 7.64%, due October 2015.	142,641	224,732
First Nations Bank of Canada construction term loan bearing a variable interest rate at prime plus 2% per annum, repayable in monthly installments of \$8,285 including interest.	40,085	111,378
First Nations Bank of Canada term loan bearing interest at cost of fund plus 3.44% per annum, repayable in monthly installments of \$30,187 including interest.	339,385	882,217
CMHC mortgage repayable in monthly installments of \$198 including interest at 10.625%, due May 2015.	958	3,110

**Kehewin Cree Nation**  
**Notes to the Consolidated Financial Statements**  
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**9. LONG-TERM LIABILITIES - continued**

	2014 \$	2013 \$
CMHC mortgage repayable in monthly installments of \$86 including interest at 9.50%, due July 2013.	-	263
CMHC mortgage repayable in monthly installments of \$52 including interest at 10.00%, due May 2013.	-	34
CMHC mortgage repayable in monthly installments of \$198 including interest at 10.625%, due May 2015.	581	2,771
	<b>4,431,550</b>	<b>5,551,942</b>

Long-term debts are secured by:

The CMHC and First Nations Bank of Canada mortgage loans are guaranteed by the Minister of Indian Affairs.

Security for the First Nations Bank of Canada loans includes a Band Council Resolution authorizing AANDC to forward funding to the First Nations Bank of Canada, and an assignment of insurance over specific assets.

Interest paid on long-term liabilities amounted to \$261,654 (2013 - \$607,367) during the year.

Future principal repayments on long-term liabilities are estimated as follows:

	\$
2015	877,400
2016	444,115
2017	362,723
2018	269,886
2019	214,520
2020 and thereafter	2,262,906
	<b>4,431,550</b>

**10. TRUST FUNDS**

The Government of Canada - Aboriginal Affairs and Northern Development Canada (AANDC) has custody of the Capital fund on behalf of the First Nation and has full responsibility for the investment of this fund. Income from Oil and Gas royalties, surface rights, and interest income from investment of the capital fund is collected and controlled by the Government of Canada - AANDC. Capital funds held by AANDC cannot be disbursed or committed by the First Nation without approval from the Government of Canada. Revenue funds held by AANDC can be disbursed by Band Council Resolution (BCR).

**Kehewin Cree Nation**  
**Notes to the Consolidated Financial Statements**  
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**11. Canada Mortgage and Housing Corporation (CMHC) Reserves**

**Replacement Reserve**

Under the terms of the agreements with Canada Mortgage and Housing Corporation (CMHC), the Replacement Reserve account is to be credited annually plus interest, less any CMHC approved withdrawals. These funds, along with accumulated interest, must be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal.

The nation has previously not been submitting all expenditures to decrease the replacement reserve balance. CMHC has allowed the nation to review their invoices from 2008 to present to apply against the reserve. Once all amounts have been submitted the balance of the un-funded replacement reserve is expected to decrease.

**Operating Reserve**

Under the terms of agreement with CMHC, any surplus revenue, after payments of all costs and expenses including the allocation to the Replacement Reserve, may be retained by Kehewin Cree Nation in an Operating Reserve fund. These funds, along with accumulated interest, must be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal. The funds in this account may only be used to meet future deficits of the housing projects committed under the post 1997 On-Reserve Program. Withdrawals are credited to interest first and then principal.

At year-end the CMHC Reserves consisted of the following.

	<b>08-239-758</b>	<b>17-666-777</b>	<b>2014</b>	<b>2013</b>
			<b>\$</b>	<b>\$</b>
Replacement reserve	<b>169,460</b>	<b>393,057</b>	<b>562,517</b>	500,878
Funded portion	-	-	-	-
Un-funded replacement reserve	<b>169,460</b>	<b>393,057</b>	<b>562,517</b>	500,878
Operating reserve (surplus)	-	(3,323)	(3,323)	(9,631)
Total CMHC reserves	<b>169,460</b>	<b>389,734</b>	<b>559,194</b>	491,247

**Kehewin Cree Nation**  
**Notes to the Consolidated Financial Statements**  
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**12. INVESTMENTS IN AND ADVANCES TO (FROM) WHOLLY OWNED SUBSIDIARIES AND INVESTMENTS**

	2014	2013
	\$	\$
<b><u>Wholly Owned Subsidiaries</u></b>		
<b>681415 Alberta Ltd. (Kehewin Gasification) - 100%</b>		
Shares (at cost)	100	100
Accumulated surplus in earnings	499,442	491,984
	<b>499,542</b>	<b>492,084</b>
<b>KCN Contracting Ltd. - 100%</b>		
Shares (at cost)	10	10
Accumulated surplus in earnings	1,581,965	1,146,184
	<b>1,581,975</b>	<b>1,146,194</b>
<b><u>Investments</u></b>		
<b>Seven Lakes Oilfield Services Limited Partnership - 8.3333%</b>		
Preferred units (at cost)	100	100
Accumulated surplus in earnings	1,022,579	623,687
	<b>1,022,679</b>	<b>623,787</b>
<b>Pimee Well Servicing Ltd. - 16.6666%</b>		
Shares (at cost)	20	20
Advances	150,191	135,947
	<b>150,211</b>	<b>135,967</b>
<b>Pimee Well Servicing Limited Partnership - 16.6666%</b>		
Accumulated surplus in earnings	964,738	634,171
Total investments in wholly owned subsidiaries and investments	<b>4,219,145</b>	<b>3,032,203</b>

**Kehewin Cree Nation**  
**Notes to the Consolidated Financial Statements**  
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**12. INVESTMENTS IN AND ADVANCES TO (FROM) WHOLLY OWNED SUBSIDIARIES AND INVESTMENTS - continued**

**Wholly Owned Subsidiaries**

March 31, 2014 unaudited financial information for **681415 Alberta Ltd. (Kehewin Gasification)** is as follows:

	<b>March 31 2014</b>	<b>March 31 2013</b>
	\$	\$
Assets	586,308	577,173
Liabilities	19,277	17,600
Revenue	306,410	363,175
Net Earnings for the Year	7,458	29,392

March 31, 2014 draft audited financial information for **KCN Contracting Ltd.** is as follows:

	<b>March 31 2014</b>	<b>March 31 2013</b>
	\$	\$
Assets	4,774,219	1,504,126
Liabilities	91,895	313,886
Revenue	14,805,731	3,301,934
Net Earnings for the Year	3,062,003	1,016,043

**13. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<b>2014</b>	<b>2013</b>
	\$	\$
Capital assets (Schedule 2)	30,872,976	30,888,602
Accumulated amortization (Schedule 2)	(13,125,969)	(12,599,155)
Long-term liabilities (Note 9)	(4,431,550)	(5,551,942)
Long-term liabilities not related to tangible capital assets	688,368	1,053,542
Ministerial loan guarantee	(148,871)	(514,268)
	<b>13,854,954</b>	<b>13,276.779</b>

**Kehewin Cree Nation**  
**Notes to the Consolidated Financial Statements**  
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**14. EQUITY IN ENTERPRISE FUND**

	2014 \$	2013 \$
Balance, beginning of year	3,032,203	1,561,714
Surplus from controlled entities	1,186,942	1,470,489
Balance, end of year (Note 12)	<b>4,219,145</b>	<b>3,032,203</b>

**15. EQUITY IN TRUST FUNDS**

	Capital \$	Revenue \$	Total \$
Balance, Beginning of year	659,932	174,872	834,804
Royalties	88,071	-	88,071
Rental and interest	-	54,732	54,732
	<b>748,003</b>	<b>229,604</b>	<b>977,607</b>

BCR NUMBER	PURPOSE OF PROGRAM EXPENDITURE		
2370-2013-2014	Public Works	Operations	101,772
2374-2013-2014	Admin	Governance	75,550
2363-2013-2014	Housing	R&M	108,940
2362-2013-2014	Admin	Office	123,592
2348-2012-2013	Public Works	Utilities	57,435
2349-2012-2013	Housing	Plumbing	35,962
2374-2014-2014	Admin	Legal settlement	-
2346-2012-2013	Post Secondary	Tuition	8,914
2350-2012-2013	Admin	Vehicle	113,148
			<b>5,931</b>
			<b>503,251</b>
			<b>127,993</b>
			<b>631,244</b>
Balance, End of year			<b>244,752</b>
			<b>101,611</b>
			<b>346,363</b>

Note the following BCRs were submitted prior to March 31, 2014 but were approved after year-end:

BCR NUMBER	PURPOSE OF PROGRAM EXPENDITURE		
2348-2012-2013	Public Works	Utilities	57,435
2349-2012-2013	Housing	Plumbing	35,932
2346-2012-2013	Post Sec. Ed.	Tuition	-
2348-2012-2013	Public Works	Loan	113,148
			<b>5,931</b>
			<b>93,367</b>
			<b>119,079</b>
			<b>212,446</b>

**Kehewin Cree Nation**  
**Notes to the Consolidated Financial Statements**  
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**16. ACCUMULATED SURPLUS**

	2014 \$	2013 \$
Unrestricted surplus	(1,935,143)	(3,258,388)
Equity in tangible capital assets (Note 13)	13,854,954	13,276,779
Equity in enterprise fund (Note 14)	4,219,145	3,032,203
Equity in trust funds (Note 15)	346,363	439,257
	<b>16,485,319</b>	<b>13,489,851</b>

**17. CONTINGENT LIABILITIES**

a) An action filed against the Kehewin Cree Nation (Nation) by a contractor resulted in a judgment against the Nation in the amount of \$25,000.

The Nation has appealed this judgment and the appeal has not been heard yet. The Nation has not paid this judgment yet. These financial statements do not reflect the amount of this judgment.

b) A claim and an amended counter claim has been filed against the Nation by a contractor for the construction of the structure known as the Kehewin Cree Nation Elder's Lodge, renovations of single family homes known as the Kehewin Cree Nation Housing Project and indebtedness. The indebtedness is a loan repayment and for the cost of fuel used on the projects as mentioned above.

The Nation is actively defending its position in legal proceedings and at March 31, 2014, the Nation has not recorded a liability in connection with the above claim and an amended counter claim. Should a liability result from an unfavourable judgment, the amount will be recognized as an expense in the year the liability is determined.

c) A claim filed against the Nation by members of the band was settled in the amount of \$30,000.

The Nation has not paid this judgment yet. A provision for this amount has been set-up in these financial statements to reflect the amount of this judgment.

d) A claim filed against the Nation by members of the band was settled in the amount of \$4,240.

The Nation has not paid this judgment yet. A provision for this amount has been set-up in these financial statements to reflect the amount of this judgment.

e) The Nation has an unfunded CMHC replacement reserve balance of \$562,517.

**Kehewin Cree Nation**  
**Notes to the Consolidated Financial Statements**  
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**18. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY**

Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. Canadian Public Sector Accounting Standards require that the liability to close these sites be recorded based on an estimate of expected costs. As of March 31, 2014 there is no liability provision recorded in these financial statements for the estimated closure and post-closure costs.

**19. COMPARATIVE FIGURES**

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