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DOYLE & COMPANY
CHARTERED ACCOUNTANTS

Allan J. Grykuliak, C.A.*
Scott T. Mockford, C.A.*
* Operates as a Professional Corporation

July 29, 2015

11210 - 107 Avenue N.W. 2nd Flr
Edmonton, Alberta T5H 0Y1
Tel (780) 452-2300, Fax (780) 452-2335

ABORIGINAL AFFAIRS AND NORTHERN DEVELOPMENT CANADA
630 Canada Place, 9700 Jasper Avenue
EDMONTON, Alberta T5J 4G2

Attention: Mr. Anil Patel, Field Service Officer

Dear Mr. Patel:

Re: KEHEWIN CREE NATION

Enclosed please find the following:

- 1. Two copies, for your use, of the audited Financial Statements for the year ended March 31, 2015.
2. Two copies, for your use, of the Program Revenue and Expense Schedules for the year ended March 31, 2015.
3. Two copies, for your use, of the Schedule of Salaries, Honoraria, Travel and other Remuneration for Elected or Appointed Officials for the year ended March 31, 2015.
4. Two copies, for your use, of the Schedule of Salaries, Honoraria, Travel and other Remuneration for unelected Senior Officials for the year ended March 31, 2015.
5. Two copies, for your use, of the Reconciliation of Grants and Contributions for the year ended March 31, 2015.
6. Copy of the Management letter.

Should you have any questions regarding the foregoing, please do not hesitate to contact this office.

Yours truly,

DOYLE & COMPANY



Allen Lee, CMA
AL/br
Enclosures

RECEIVED

JUL 29 2015

ABORIGINAL AFFAIRS & NORTHERN
DEVELOPMENT CANADA
ALBERTA REGION

**Kehewin Cree Nation
Consolidated Financial Statements
March 31, 2015**

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.

Chief



Councilor



DOYLE & COMPANY

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11210 - 107 Avenue N.W. 2nd Flr

Edmonton, Alberta T5H 0Y1

INDEPENDENT AUDITORS' REPORT

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

To the Chief and Council

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, 2015 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

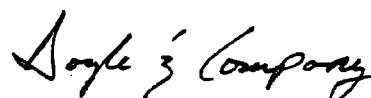
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Kehewin Cree Nation as at March 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Accountants

July 28, 2015
Edmonton, Alberta

Kehewin Cree Nation
Consolidated Statement of Financial Position
As at March 31, 2015

	2015 \$	2014 \$
FINANCIAL ASSETS		
Cash	529,765	616,419
Investments	-	42,725
Accounts receivable (Note 6)	523,657	574,193
Band trust funds (Note 18)	426,945	346,363
Investment in and advances to subsidiaries (Note 14 and 15)	5,381,639	6,542,895
	6,862,006	8,122,595
LIABILITIES		
Accounts payable (Note 7)	1,891,736	1,609,108
Deferred revenue (Note 8)	295,958	472,244
Demand loan (Note 9)	218,910	-
Long-term liabilities (Note 10)	3,496,227	4,431,550
Reserves (Note 13)	614,500	559,194
	6,517,331	7,072,096
NET FINANCIAL ASSETS	344,675	1,050,499
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	17,366,740	17,747,007
Prepaid expenditures	81,963	11,563
	17,448,703	17,758,570
ACCUMULATED SURPLUS (Note 19)	17,793,378	18,809,069

Approved by:

 Chief
 Councilor

Kehewin Cree Nation
Consolidated Statement of Financial Activities
For the year ended March 31, 2015

	2015 \$	2014 \$
REVENUE		
Aboriginal Affairs and Northern Development Canada (AANDC) - fixed	4,434,365	4,477,464
AANDC - set	831,281	874,246
AANDC - grant	540,158	517,280
Administration fees	270,850	149,713
Aboriginal Skills and Employment Training Strategy (ASETS)	325,739	277,640
Canada Mortgage Housing Corporation	438,698	434,986
First Nations Development Fund	698,384	675,996
Government of Alberta	312,440	228,401
Health Canada	2,154,725	2,102,650
Investment in entities (Note 15)	(1,061,257)	3,510,692
Oil and gas	448,666	330,000
Rental income	1,088,276	1,037,429
Solicitor General	16,071	16,071
Trust Funds with AANDC - Capital account (Note 18)	387,152	503,252
Trust Funds with AANDC - Revenue account (Note 18)	173,375	127,993
Other	1,524,351	2,931,182
Funding returned to provider	(30,450)	(307,776)
Revenue deferred from prior period	419,953	352,680
Revenue deferred to subsequent period	(243,669)	(472,242)
	12,729,108	17,767,657
EXPENDITURES		
Aboriginal Skills and Employment Training Strategies (ASETS)	337,505	317,983
Administration	1,789,708	1,160,551
Band Support Funding - Third Party Managers (TPM)	320,257	564,430
Canada Mortgage and Housing Corporation (CMHC)	775,607	774,574
Chief and Council	521,661	501,863
Daycare	286,013	170,430
Daycare - TPM	36,589	144,615
Economic Development	282,284	11,359
Education	1,844,585	297,902
Education - TPM	1,163,597	2,723,281
Education - Post - Secondary	359,348	-
Education - Post - Secondary - TPM	179,506	475,349
Education - Student Transportation	117,147	-
Education - Student Transportation - TPM	71,702	191,946
Health	2,410,206	2,095,747
Housing	1,028,100	511,277
Housing - TPM	23,840	2,853
Public Works	825,421	48,663
Public Works - TPM	487,295	1,191,025
Previous Third Party Managers - TPM	65,094	229,155
	12,925,465	11,413,003
EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES BEFORE OTHER REVENUES (EXPENDITURES)	(196,357)	6,354,654
OTHER REVENUE (EXPENDITURES)		
Amortization	(899,916)	(887,542)
Loss on disposal of assets	-	(55,000)
	(899,916)	(942,542)
EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES BEFORE CAPITAL PURCHASES	(1,096,273)	5,412,112
Capital purchases	(519,649)	(481,602)
EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES AFTER CAPITAL PURCHASES	(1,615,922)	4,930,510

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, 2015

	2015 \$	2014 \$
EXCESS OF REVENUES OVER EXPENDITURES	(1,096,273)	5,412,112
Acquisition of tangible capital assets	(519,649)	(481,602)
Amortization of tangible capital assets	899,916	887,542
Equity adjustment	-	(276,087)
Proceeds on disposal of tangible capital assets	-	359,589
Loss on disposal of tangible capital assets	-	55,000
Increase (Decrease) in trust funds	80,582	(92,894)
	460,849	451,548
Acquisition of prepaid assets	(70,400)	(11,563)
INCREASE (DECREASE) IN NET ASSETS	(705,824)	5,852,097
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	1,050,499	(4,801,598)
NET FINANCIAL ASSETS, END OF YEAR	344,675	1,050,499

Kehewin Cree Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2015

	2015	2014
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from funding agencies and customers	12,603,358	17,649,228
Cash paid to suppliers and employees	(12,481,041)	(12,042,392)
Interest on Long-term liabilities	(135,613)	(268,998)
	(13,296)	5,337,838
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in long-term liabilities	226,342	-
Repayment of long-term liabilities	(958,756)	(1,120,392)
	(732,414)	(1,120,392)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital asset additions	(519,649)	(481,602)
(Increase) Decrease in investments	1,161,256	(3,510,692)
(Increase) Decrease in trust funds	(80,582)	92,894
Decrease in reserves	55,306	67,947
	616,331	(3,831,453)
INCREASE (DECREASE) IN CASH DURING THE YEAR	(129,379)	385,993
CASH - Beginning of year	659,144	273,151
CASH - End of year	529,765	659,144
Cash Consists of:		
Cash and Short Term Deposits	529,765	616,419
GICs	-	42,725
	529,765	659,144

Kehewin Cree Nation
Consolidated Statement of Expenditures by Object
For the year ended March 31, 2015

	2015 \$	2014 \$
EXPENDITURES		
Amortization	899,917	887,542
Contracted and general services	2,189,096	1,476,994
Education and tuition	145,181	366,021
Insurance	348,646	332,042
Interest and bank charges	28,319	7,961
Interest on long term debt	135,613	268,998
Office	32,098	81,310
Professional services	923,906	970,230
Program expenditures	1,693,921	2,150,846
Rent	-	12,411
Repairs and maintenance	847,060	617,943
Replacement reserve	61,639	61,639
Salaries, wages and benefits	4,573,315	3,776,976
Social assistance (Note 5)	-	20,629
Supplies and materials	1,246,769	589,839
Training and workshops	204,510	106,541
Travel	164,040	131,108
Utilities and telephone	331,350	441,515
	13,825,380	12,300,545

Kehewin Cree Nation
Schedule of Changes in Accumulated Surplus - Schedule 1
For the year ended March 31, 2015

	Unrestricted Surplus	Equity in Tangible Capital Assets	Equity in Enterprise Fund	Equity in Trust Funds	2015 \$	2014 \$
Balance, Beginning of Year	(1,935,143)	13,854,954	6,542,895	346,363	18,809,069	13,489,851
Excess (Shortfall) of revenue over expenditures	(1,096,273)	-	-	641,109	(455,164)	5,950,463
Shortfall of revenue over expenditures - investments	1,161,257	-	(1,161,257)	-	-	-
Trust funds used for operations	-	-	-	(560,527)	(560,527)	(631,245)
Current years funds used for tangible capital assets	(519,649)	519,649	-	-	-	-
Annual amortization expenditure	899,916	(899,916)	-	-	-	-
Long-term liabilities obtained	226,342	(226,342)	-	-	-	-
Long-term liabilities repaid	(958,756)	958,756	-	-	-	-
Change in accumulated surplus	(287,163)	352,147	(1,161,257)	80,582	(1,015,691)	5,319,218
Balance, End of Year	(2,222,306)	14,207,101	5,381,638	426,945	17,793,378	18,809,069

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, 2015

	Land	Buildings & Houses	Automotive	Computer Equipment	Furniture & Equipment	Infrastructure	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
COST:								
Balance, Beginning of Year	1,500	24,025,378	2,373,826	259,293	1,130,781	3,082,198	30,872,976	30,888,602
Acquisition of tangible capital assets	-	156,180	343,872	-	19,597	-	519,649	481,602
Disposal of tangible capital assets	-	-	(17,556)	-	-	-	(17,556)	(497,228)
Balance, End of Year	1,500	24,181,558	2,700,142	259,293	1,150,378	3,082,198	31,375,069	30,872,976
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	8,755,784	2,001,735	242,651	937,661	1,188,138	13,125,969	12,599,155
Annual amortization	-	638,976	139,601	4,993	40,584	75,762	899,916	887,542
Accumulated amortization on disposals	-	-	(17,556)	-	-	-	(17,556)	(360,728)
Balance, End of Year	-	9,394,760	2,123,780	247,644	978,245	1,263,900	14,008,329	13,125,969
NET BOOK VALUE	1,500	14,786,798	576,362	11,649	172,133	1,818,298	17,366,740	17,747,007

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, 2015

	AANDC Revenue \$	Other \$	Total Revenue \$	Total Expenditures \$	Surplus (Deficit) \$	Capital Expenditures \$	2015 Surplus (Deficit) \$	2014 Surplus (Deficit) \$
Aboriginal Skills and Employment Training Strategies (ASETS)	-	325,739	325,739	337,505	(11,766)	-	(11,766)	(17,057)
Administration	201,793	2,953,304	3,155,097	1,789,708	1,365,389	-	1,365,389	2,648,815
Band Support - TPM	487,620	-	487,620	320,257	167,363	-	167,363	-
CMHC	-	820,288	820,288	775,607	44,681	425,641	(380,960)	398,301
Chief and Council	-	-	-	521,661	(521,661)	-	(521,661)	(216,181)
Daycare	49,680	169,550	219,230	286,013	(66,783)	-	(66,783)	30,548
Daycare - TPM	99,360	3,370	102,730	36,589	66,141	-	66,141	10,425
Economic Development	31,745	(646,117)	(614,372)	282,284	(896,656)	-	(896,656)	4,163,193
Economic Development - TPM	63,487	-	63,487	-	63,487	-	63,487	-
Education	1,228,964	276,382	1,505,346	1,844,585	(339,239)	156,180	(495,419)	(97,251)
Education - TPM	1,646,393	53,905	1,700,298	1,163,597	536,701	18,050	518,651	188,191
Education - Post Secondary	178,542	2,500	181,042	359,348	(178,306)	-	(178,306)	-
Education - Post Secondary - TPM	357,074	-	357,074	179,506	177,568	-	177,568	60,267
Education - Transportation	82,072	142	82,214	117,147	(34,933)	23,432	(58,365)	-
Education - Transportation - TPM	164,144	-	164,144	71,702	92,442	48,401	44,041	76,559
Health Centre	-	2,493,130	2,493,130	2,410,206	82,924	99,078	(16,154)	35,764
Housing	208,474	389,604	598,078	1,028,100	(430,022)	-	(430,022)	(149,877)
Housing - TPM	79,040	-	79,040	23,840	55,200	-	55,200	-
Public Works	395,349	36,391	431,740	825,421	(393,681)	-	(393,681)	(77,684)
Public Works - TPM	532,067	45,120	577,187	487,295	89,892	-	89,892	356,714
Previous Third Party Manager	-	-	-	65,094	(65,094)	-	(65,094)	(520,976)
	5,805,804	6,923,308	12,729,112	12,925,465	(196,353)	770,782	(967,135)	6,889,751

The accompanying notes form part of these financial statements.

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
March 31, 2015

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 results 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's 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, 2015

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 expenditures, 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 charged to expenditures 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, 2015

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. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Credit Risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the Nation by failing to discharge an obligation. The Nation's credit risk is mainly related to accounts receivable. The Nation provides credit to its clients in the normal course of its operations and assesses on a continuous basis the accounts receivable and records any amounts that are not collectible in the allowance for doubtful accounts.

Market Risk

Market risk is the risk that the fair value or future cash flows of the Nation's financial instrument will fluctuate because of changes in market prices. Some of the Nation's financial instruments expose it to this risk which comprises currency risk, interest rate risk, and other price risk.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Nation may purchase services and goods from outside of Canada and incurs expenditures in foreign currency.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate. The Nation is exposed to interest rate risk on its bank account balances and any of its fixed and/or floating interest rate financial instruments.

Liquidity Risk

Liquidity risk is the risk that the Nation will encounter difficulty in meeting its obligations associated with financial liabilities. The Nation manages its liquidity risk by monitoring its operating requirements and cash forecasts to ensure it has sufficient funds to fulfil its financial obligations.

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
March 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(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 expenditures 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, 2015

4. THIRD PARTY MANAGEMENT

Effective April 1, 2010, Aboriginal Affairs and Northern Development Canada (AANDC) appointed a third party manager to administer the delivery of all programs funded by AANDC 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. Effective October 1, 2014 the Nation was re-appointed to administer all programs.

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. As of April 1, 2015 this program will be administered by the Nation.

6. ACCOUNTS RECEIVABLE

	2015	2014
	\$	\$
Aboriginal Affairs and Northern Development Canada	289,925	248,167
First Nation Development Fund	171,873	-
Members - Maintenance	503,461	266,642
Members - Rent	557,421	290,495
Trade Accounts	32,695	320,791
Tribal Chiefs	27,452	-
GST Receivable	1,712	5,234
	1,584,539	1,131,329
Allowance for Doubtful Accounts (Maintenance and Rent)	(1,060,882)	(557,136)
	523,657	574,193

7. ACCOUNTS PAYABLE

	2015	2014
	\$	\$
Trade Accounts	1,891,736	1,460,237
Ministerial Loan Guarantee (MLG)	-	148,871
	1,891,736	1,609,108

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
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8. DEFERRED REVENUE

	2015 Total \$	2014 Total \$
AANDC	-	45,120
First Nation Development Fund	52,289	3,189
Health Canada	-	134,419
National child benefit	336	6,183
<u>Rental revenue</u>	243,333	283,333
	295,958	472,244

9. DEMAND LOAN

The demand loan consists of two loans from Alberta Indian Investment Corporation. Both loans are due June 2019 over a five year period in monthly instalments of \$1,653 and \$3,628 including interest charged at 10%.

Interest paid on demand loans amounted to \$13,534 during the year.

10. LONG-TERM LIABILITIES

	2015 \$	2014 \$
Alberta Indian Investment Corporation loan repayable in monthly installments of \$6,520 including interest at 10.00%, due October 2014.	-	39,466
First Nations Bank of Canada mortgage repayable in monthly installments \$3,473 including interest at 5.55%, due July 2018.	126,404	160,795
First Nations Bank of Canada mortgage repayable in monthly installments \$3,586 including interest at 5.55%, due June 2018.	127,280	162,892
First Nations Bank of Canada mortgage repayable in monthly installments \$3,429 including interest at 8.44%, due April 2017.	77,374	110,856
CMHC mortgage repayable in monthly installments of \$7,355 including interest at 14.75%, due December 2016.	100,319	200,725
CMHC mortgage repayable in monthly installments of \$3,033 including interest at 11.75%, due February 2016.	14,776	62,253
CMHC mortgage repayable in monthly installments of \$908 including interest at 2.63%, due March 2026.	104,284	112,361
CMHC mortgage repayable in monthly installments of \$1,616 including interest at 1.64%, due January 2027.	208,819	224,686
CMHC mortgage repayable in monthly installments of \$2,489 including interest at 1.82%, due November 2036.	534,623	554,643
CMHC mortgage repayable in monthly installments of \$13,731 including interest at 2.69%, due August 2030.	2,059,223	2,167,693

Kehewin Cree Nation
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10. LONG-TERM LIABILITIES - continued

	2015 \$	2014 \$
CMHC mortgage repayable in monthly installments of \$1,974 including interest at 1.81%, due February 2019.	89,692	111,530
First Nations Bank of Canada mortgage repayable in monthly installments \$8,045 including interest at 7.64%, due October 2015.	53,433	142,641
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
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
CMHC mortgage repayable in monthly installments of \$198 including interest at 10.625%, due May 2015.	-	958
CMHC mortgage repayable in monthly installments of \$198 <u>including interest at 10.625%, due May 2015.</u>	-	581
	3,496,227	4,431,550

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 \$122,017 (2014 - \$261,654) during the year.

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

	\$
2016	426,836
2017	325,102
2018	269,434
2019	212,996
<u>2020 and thereafter</u>	<u>2,261,859</u>
	3,496,227

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
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11. RELATED PARTY TRANSACTIONS

During the year the Health Centre paid the following amounts to Kehewin Cree Nation:

	2015	2014
	\$	\$
Contracts	6,570	6,570
Leadership administration fees	28,760	38,619
Program transfers (cultural)	12,300	21,275
Rent	120,220	121,309
Supplies	1,200	1,200
	169,050	188,973

Kehewin Cree Nation paid Kehewin Gasification \$97,483 (2014 - \$33,513) for gas purchases during the year.

KCN Contracting paid Kehewin Cree Nation \$6,120 (2014 - \$0) for miscellaneous purchases during the year.

These transactions are in the normal course of business and are measured at the exchange amount being the amount of consideration established and agreed to by the related parties. The transactions with related parties are in the normal course of operations and have been valued in these statements at the rates as if the party was not related.

12. 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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13. 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 expenditures 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.

	08-239-758	17-666-777	2015	2014
			\$	\$
Replacement reserve	169,460	454,696	624,156	562,517
Funded portion	-	-	-	-
Un-funded replacement reserve	169,460	454,696	624,156	562,517
Operating reserve (surplus)	-	(9,656)	(9,656)	(3,323)
Total CMHC reserves	169,460	445,040	614,500	559,194

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

	2015	2014
	\$	\$
<u>Wholly Owned Subsidiaries</u>		
681415 Alberta Ltd. (Kehewin Gasification) - 100%		
Shares (at cost)	100	100
Accumulated surplus in earnings	<u>441,618</u>	<u>499,442</u>
	<u>441,718</u>	<u>499,542</u>
KCN Contracting Ltd. - 100% (Note 15)		
Shares (at cost)	10	10
Receipts	(100,000)	-
Accumulated surplus in earnings	<u>2,255,358</u>	<u>3,905,715</u>
	<u>2,155,368</u>	<u>3,905,725</u>
<u>Investments</u>		
Seven Lakes Oilfield Services Limited Partnership - 8.3333%		
Preferred units (at cost)	100	100
Accumulated surplus in earnings	<u>1,369,418</u>	<u>1,022,579</u>
	<u>1,369,518</u>	<u>1,022,679</u>
Pimee Well Servicing Ltd. - 16.6666%		
Shares (at cost)	20	20
Advances	<u>165,859</u>	<u>150,191</u>
	<u>165,879</u>	<u>150,211</u>
Pimee Well Servicing Limited Partnership - 16.6666%		
Accumulated surplus in earnings	<u>1,249,156</u>	<u>964,738</u>
Total investments in wholly owned subsidiaries and investments	<u>5,381,639</u>	<u>6,542,895</u>

Wholly Owned Subsidiaries

March 31, 2015 unaudited financial information for **681415 Alberta Ltd. (Kehewin Gasification)** is as follows:

	March 31	March 31
	2015	2014
	\$	\$
Assets	461,496	586,308
Liabilities	19,778	19,277
Revenue	271,667	306,410
Net Earnings (Loss) for the Year	<u>(125,313)</u>	<u>7,458</u>

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Notes to the Consolidated Financial Statements
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14. INVESTMENTS IN AND ADVANCES TO (FROM) WHOLLY OWNED SUBSIDIARIES AND INVESTMENTS - continued

Wholly Owned Subsidiaries - Continued

March 31, 2015 draft audited financial information for **KCN Contracting Ltd.** is as follows:

	March 31 2015	March 31 2014
	\$	\$
Assets	3,221,518	4,348,397
Liabilities	466,481	135,754
Revenue	10,417,892	14,805,731
Net Earnings (Loss) for the Year	(1,500,506)	2,852,793

15. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was required to correct the following accounting error:

The financial statements for KCN Contracting Ltd. year-ending March 31, 2014 were received in July 2015. The results in these financial statements reflect the investment in KCN Contracting Ltd. should be \$3,905,715 instead of \$1,581,965 recorded in the Nation's March 31, 2014 statements. The difference is \$2,323,750.

The result of the \$2,323,750 adjustment is an increase in the prior year revenue in the Economic Development program under investments in entities and an increase in the investment in subsidiaries under the financial assets.

16. EQUITY IN TANGIBLE CAPITAL ASSETS

	2015	2014
	\$	\$
Capital assets (Schedule 2)	31,375,069	30,872,976
Accumulated amortization (Schedule 2)	(14,008,329)	(13,125,969)
Long-term liabilities (Note 10)	(3,496,227)	(4,431,550)
Long-term liabilities not related to tangible capital assets	336,587	688,368
Ministerial loan guarantee	-	(148,871)
	14,207,100	13,854,954

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

	2015 \$	2014 \$
Balance, beginning of year	6,542,895	3,032,203
Surplus (Deficit) from controlled entities	(1,161,256)	3,510,692
Balance, end of year (Note 14)	5,381,639	6,542,895

18. EQUITY IN TRUST FUNDS

	Capital \$	Revenue \$	Total \$
Balance, Beginning of year	244,752	101,611	346,363
Royalties	541,084	-	541,084
Rental and interest	-	100,025	100,025
	785,836	201,636	987,472

BCR
NUMBER PROGRAM

2006-2014/2015	Housing	60,621	-	60,621
	Legal	28,616	-	28,616
	Band Facilities	36,065	-	36,065
2021-2014/2015	Housing	93,700	-	93,700
2036-2014/2015	Housing	54,000	-	54,000
	Public Works	50,150	-	50,150
	Legal Fees	64,000	-	64,000
2007-2014/2015	Cultural, General Relief, and Chief and Council Travel	-	40,000	40,000
2006-2014/2015	Housing and Band Facilities	-	1,875	1,875
2022-2014/2015	Sponsorship Aid General relief/sponsorship/ Emergency Assistance	-	2,500	2,500
	Funeral	-	16,500	16,500
2025-2014/2015	Legal Fees	-	6,000	6,000
2033-2014/2015	Sponsorship Aid General relief/sponsorship/ Emergency Assistance	-	33,000	33,000
	Funeral	-	4,500	4,500
2038-2014/2015	Legal Fees	-	16,000	16,000
		387,152	173,375	560,527
	Balance, End of year	398,684	28,261	426,945

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

	2015	2014
	\$	\$
Unrestricted surplus	(2,222,306)	(1,935,143)
Equity in tangible capital assets (Note 16)	14,207,100	13,854,954
Equity in enterprise fund (Note 17)	5,381,639	6,542,895
<u>Equity in trust funds (Note 18)</u>	<u>426,945</u>	<u>346,363</u>
	17,793,378	18,809,069

20. CONTINGENT LIABILITIES

- a) 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, 2015, 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 expenditure in the year the liability is determined.

21. 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, 2015 there is no liability provision recorded in these financial statements for the estimated closure and post-closure costs.

22. COMPARATIVE FIGURES

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

23. BUDGET FIGURES

The budget figures are presented for information purposes only and have not been audited