

**Kehewin Cree Nation  
Consolidated Financial Statements  
March 31, 2017**

# **Kehewin Cree Nation**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of **Kehewin Cree Nation** are the responsibility of management and have been approved by the **Kehewin Cree Nation Chief and Council**.

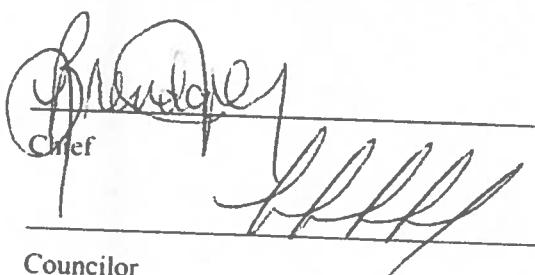
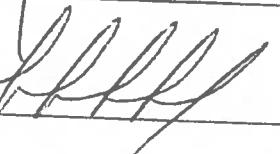
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgment. When alternative accounting methods exist, management 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.

Doyle & Company have full and free access to Chief and Council.

  
\_\_\_\_\_  
Chief  
\_\_\_\_\_  
  
\_\_\_\_\_  
Councilor

**DOYLE & COMPANY**  
CHARTERED PROFESSIONAL  
ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

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, 2017 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, 2017 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

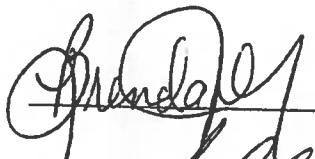
September 7, 2017  
Edmonton, Alberta

*Doyle & Company*  
Chartered Professional Accountants

**Kehewin Cree Nation**  
**Consolidated Statement of Financial Position**  
**As at March 31, 2017**

	2017 \$	2016 \$
<b>FINANCIAL ASSETS</b>		
Cash	3,260,280	-
Investment (Note 4)	2,000,000	-
Accounts receivable (Note 5)	1,216,181	718,682
Band trust funds (Note 11 and 16)	651,790	356,968
Investment in and advances to subsidiaries (Note 13)	5,813,312	4,754,299
	<b>12,941,563</b>	<b>5,829,949</b>
<b>LIABILITIES</b>		
Bank indebtedness	-	371,788
Accounts payable (Note 6)	1,572,973	1,568,107
Deferred revenue (Note 7)	875,548	425,821
Demand loan (Note 8)	1,481,007	1,436,595
Long-term liabilities (Note 9)	3,045,922	3,046,125
Reserves (Note 12)	1,356,408	682,637
	<b>8,331,858</b>	<b>7,531,073</b>
<b>NET FINANCIAL ASSETS</b>	<b>4,609,705</b>	<b>(1,701,124)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	18,466,164	17,557,135
Prepaid expenditures	4,175	5,100
	<b>18,470,339</b>	<b>17,562,235</b>
<b>ACCUMULATED SURPLUS (Schedule 1 and Note 17)</b>	<b>23,080,044</b>	<b>15,861,111</b>

Approved by:

  
 \_\_\_\_\_ Chief  
  
 \_\_\_\_\_ Councilor

The accompanying notes form part of these financial statements.

**Kehewin Cree Nation**  
**Consolidated Statement of Financial Activities**  
**For the year ended March 31, 2017**

	2017 Budget \$	2017 Actual \$	2016 Actual \$
<b>REVENUE</b>			
Indigenous and Northern Affairs Canada (INAC) - fixed	7,336,772	7,336,772	4,719,031
INAC - set	3,427,256	3,427,256	3,194,939
INAC - grant	521,905	521,905	525,247
Aboriginal Skills and Employment Training Strategy (ASETS)	435,640	543,291	390,792
Administration fees	-	97,852	103,545
Canada Mortgage Housing Corporation	300,000	318,874	408,676
First Nations Development Fund	-	649,378	681,967
Government of Alberta	125,600	475,109	228,711
Health Canada	2,251,327	2,251,327	2,314,070
Oil and gas	-	-	399,770
Rental income	335,000	1,081,363	1,099,334
Trust Funds with INAC - Capital account (Note 16)	-	-	340,669
Trust Funds with INAC - Revenue account (Note 16)	-	-	50,000
Other	1,750,000	10,211,583	1,275,476
Funding returned to provider	-	(36,890)	-
Revenue deferred from prior period	430,859	425,821	243,669
Revenue deferred to subsequent period	-	(875,548)	(425,821)
	<b>16,914,359</b>	<b>26,453,093</b>	<b>15,550,075</b>
<b>EXPENDITURES</b>			
Aboriginal Skills and Employment Training Strategies (ASETS)	677,000	540,240	504,145
Administration	2,278,000	3,165,794	2,231,053
Canada Mortgage and Housing Corporation (CMHC)	1,000,000	1,505,708	769,545
Chief and Council	600,000	629,970	637,493
Day care	310,000	339,602	361,612
Economic Development	243,000	237,506	151,473
Education	3,718,000	3,781,317	2,907,019
Education - Post - Secondary	593,500	592,251	537,608
Education - Student Transportation	210,000	221,070	216,874
First Nation Development Fund	511,049	497,194	595,734
Health	2,291,266	2,210,993	2,283,600
Housing	723,000	1,790,012	901,567
Public Works	1,205,100	1,374,176	1,181,073
Social Services (Note )	2,820,000	2,713,569	2,611,081
	<b>17,179,915</b>	<b>19,599,402</b>	<b>15,889,877</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES BEFORE OTHER REVENUES (EXPENDITURES)</b>	<b>(265,556)</b>	<b>6,853,691</b>	<b>(339,802)</b>
<b>OTHER REVENUE (EXPENDITURES)</b>			
Amortization	-	(888,594)	(895,150)
Investment in entities	-	959,014	(627,340)
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES BEFORE CAPITAL PURCHASES</b>	<b>(265,556)</b>	<b>6,924,111</b>	<b>(1,862,292)</b>
Capital purchases	-	(1,846,155)	(1,130,551)
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES AFTER CAPITAL PURCHASES</b>	<b>(265,556)</b>	<b>5,077,956</b>	<b>(2,992,843)</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, 2017**

	<b>2017</b> \$	<b>2016</b> \$
<b>EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES</b>	<b>6,924,111</b>	(1,862,292)
Acquisition of tangible capital assets	(1,846,155)	(1,130,551)
Amortization of tangible capital assets	888,594	895,150
Disposal of tangible capital assets	48,532	45,006
Increase (Decrease) in trust funds	294,822	(69,977)
	<b>(614,207)</b>	(260,372)
Use of prepaid assets	925	76,866
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>6,310,829</b>	(2,045,798)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>(1,701,123)</b>	344,675
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>4,609,706</b>	(1,701,123)

The accompanying notes form part of these financial statements.

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

	2017 \$	2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from funding agencies and customers	26,405,321	15,491,287
Cash paid to suppliers and employees	(18,171,082)	(15,488,855)
Interest on long-term liabilities	(83,022)	(88,786)
	<b>8,151,217</b>	<b>(86,354)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in long-term liabilities	329,530	-
Repayment of long-term liabilities	(329,734)	(450,102)
	<b>(204)</b>	<b>(450,102)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital asset additions	(1,846,155)	(1,130,551)
Decrease in investments	(1,059,013)	627,340
(Increase) Decrease in trust funds	(294,822)	69,977
Decrease in reserves	673,771	68,137
	<b>(2,526,219)</b>	<b>(365,097)</b>
<b>DECREASE IN CASH DURING THE YEAR</b>	<b>5,624,794</b>	<b>(901,553)</b>
<b>CASH - Beginning of year</b>	<b>(364,514)</b>	<b>529,765</b>
<b>CASH - End of year</b>	<b>5,260,280</b>	<b>(371,788)</b>
<b>Cash Consists of:</b>		
Cash and Short Term Deposits	3,260,280	-
GICs	2,000,000	-
Bank Indebtedness	-	(371,788)
	<b>5,260,280</b>	<b>(371,788)</b>

The accompanying notes form part of these financial statements.

**Kehewin Cree Nation**  
**Consolidated Statement of Expenditures by Object**  
**For the year ended March 31, 2017**

	<b>2017</b>	<b>2016</b>
	\$	\$
<b>EXPENDITURES</b>		
Amortization	926,019	895,150
Bad debt	484,618	483,185
Contracted and general services	3,796,271	2,374,295
Cultural Ceremonies	90,907	63,970
Education and tuition	604,407	562,491
Insurance	259,780	354,949
Interest and bank charges	49,330	29,127
Interest on long term debt	83,022	88,786
Office	28,991	15,728
Professional services	1,449,576	1,106,300
Rent	24,000	24,000
Repairs and maintenance	1,496,769	728,906
Replacement reserve	61,639	61,639
Social assistance (Note )	1,808,517	1,887,406
Supplies and materials	1,300,417	1,218,627
Telephone and utilities	408,060	296,391
Training, professional development and workshops	618,246	510,238
Travel	696,896	630,850
<u>Wages and benefits</u>	<u>6,300,531</u>	<u>5,452,990</u>
	<b>20,487,996</b>	<b>16,785,028</b>

The accompanying notes form part of these financial statements.

## Kehewin Cree Nation

### Schedule of Changes in Accumulated Surplus - Schedule 1 For the year ended March 31, 2017

	Unrestricted Surplus	Equity in Tangible Capital Assets	Enterprise Fund	Equity in Trust Funds	2017	2016
Balance, Beginning of Year	(4,142,760)	14,892,604	4,754,300	356,968	15,861,112	17,793,381
Excess (Shortfall) of revenue over expenditures	6,924,111	-	-	319,823	7,243,934	(1,541,601)
Shortfall of revenue over expenditures - investments	(1,059,014)	-	1,059,014	-	-	-
Trust funds used for operations	-	-	-	(25,000)	(25,000)	(391,669)
Current years funds used for tangible capital assets	(1,846,155)	1,846,155	-	-	-	-
Annual amortization expenditure	888,594	(888,594)	-	-	-	-
Long-term liabilities obtained	329,530	(329,530)	-	-	-	-
Long-term liabilities repaid	(329,734)	329,734	-	-	-	-
Change in accumulated surplus	4,907,332	957,765	1,059,014	294,823	7,218,934	(1,932,270)
Balance, End of Year	764,572	15,850,369	5,813,314	651,791	23,080,046	15,861,111

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, 2017

	Land	Buildings & Houses	Automotive	Computer Equipment	Furniture & Equipment	Infrastructure	2017	2016
COST:	\$	\$	\$	\$	\$	\$	\$	\$
Balance, Beginning of Year	1,500	24,990,941	2,919,843	259,293	1,206,839	3,082,198	32,460,614	31,375,069
Acquisition of tangible capital assets	-	1,685,348	158,984	1,823	-	-	1,846,155	1,130,551
Disposal of tangible capital assets	-	-	(48,532)	-	-	-	(48,532)	(45,006)
Balance, End of Year	1,500	26,676,289	3,030,295	261,116	1,206,839	3,082,198	34,258,237	32,460,614
<b>ACCUMULATED AMORTIZATION:</b>								
Balance, Beginning of Year	-	10,002,420	2,296,734	251,139	1,016,554	1,336,632	14,903,479	14,008,329
Annual amortization	-	633,248	182,171	2,720	38,057	69,823	926,019	901,901
Accumulated amortization on disposals	-	-	(37,425)	-	-	-	(37,425)	(6,751)
Balance, End of Year	-	10,635,668	2,441,480	253,859	1,054,611	1,406,455	15,792,073	14,903,479
<b>NET BOOK VALUE</b>	<b>1,500</b>	<b>16,040,621</b>	<b>588,815</b>	<b>7,257</b>	<b>152,228</b>	<b>1,675,743</b>	<b>18,466,164</b>	<b>17,557,135</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, 2017

	INAC Revenue \$	Other \$	Total Revenue \$	Total Expenditures \$	Surplus (Deficit) \$	Capital Expenditures \$	Surplus (Deficit) \$	2017 Surplus (Deficit) \$	2016 Surplus (Deficit) \$
<b>Aboriginal Skills and Employment Training Strategies (ASSETS)</b>									
Administration	262,904	526,637	789,541	540,240	249,301	-	-	249,301	26,550
CMIIC	751,965	9,447,683	10,199,648	3,165,794	7,033,854	-	-	7,033,854	(318,880)
Chief and Council	-	1,020,747	1,020,747	1,505,708	(484,961)	-	(484,961)	-	107,361
Daycare	-	-	-	629,970	(629,970)	-	-	(629,970)	(637,493)
Economic Development	149,040	161,262	310,302	339,602	(29,300)	-	-	(29,300)	(34,030)
Education	112,760	129,427	242,187	237,506	4,681	-	-	4,681	183,418
Education - Post Secondary	3,632,303	(118,345)	3,513,958	3,781,317	(267,359)	-	-	(267,359)	(401,335)
Education - Transportation	553,616	-	553,616	592,251	(38,635)	-	-	(38,635)	-
First Nation Development Fund	257,296	-	257,296	221,070	36,226	-	-	36,226	29,342
Health Centre	-	657,138	657,138	497,194	159,944	-	-	-	(21,422)
Housing	-	2,354,259	2,354,259	2,210,993	143,266	44,628	98,638	(95,131)	-
Public Works	2,051,753	473,555	2,525,308	1,790,012	735,296	1,513,904	(778,608)	(291,828)	-
Social Development	1,235,844	18,275	1,254,119	1,374,176	(120,057)	127,679	(247,736)	(90,982)	-
	2,278,454	515,177	2,793,631	2,713,569	80,062	-	80,062	5,105	-
	<b>11,285,935</b>	<b>15,185,815</b>	<b>26,471,750</b>	<b>19,599,402</b>	<b>6,872,348</b>	<b>1,846,155</b>	<b>5,026,193</b>	<b>(1,539,325)</b>	

The accompanying notes form part of these financial statements.

**Kehewin Cree Nation**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2017**

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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.

**I. 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, 2017**

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**I. 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, 2017**

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**I. 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 Indigenous and Northern Affairs Canada (INAC) 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.

**(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 Indigenous and Northern Affairs Canada (INAC). 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, 2017**

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**4. INVESTMENT**

Investment in a Guaranteed Investment Certificate (GIC) at the Peach Hills Trust with an interest rate of 0.45% and a maturity date April 30, 2017.

**5. ACCOUNTS RECEIVABLE**

	<b>2017</b>	<b>2016</b>
	\$	\$
Indigenous and Northern Affairs Canada	135,403	56,140
First Nation Development Fund	-	431,267
Members - Maintenance	1,063,924	811,124
Members - Rent	964,762	732,944
Trade Accounts	1,030,256	186,815
Tribal Chiefs	-	40,966
<b>GST Receivable</b>	<b>50,521</b>	<b>3,493</b>
	3,244,866	2,262,749
<b>Allowance for Doubtful Accounts (Maintenance and Rent)</b>	<b>(2,028,685)</b>	<b>(1,544,067)</b>
	<b>1,216,181</b>	<b>718,682</b>

**6. ACCOUNTS PAYABLE**

	<b>2017</b>	<b>2016</b>
	\$	\$
<b>Trade Accounts</b>	<b>1,572,973</b>	<b>1,568,107</b>

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

	2017 \$	2016 \$
First Nation Development Fund	132,184	159,944
Health Canada	-	60,083
National child benefit	-	2,461
Rental revenue	-	203,333
<u>General</u>	<u>723,364</u>	-
	<b>875,548</b>	<b>425,821</b>

**8. DEMAND LOAN**

	2017 \$	2016 \$
Alberta Indian Investment Corporation loan repayable in monthly installments of \$1,653 including interest at 10.00%, due August 2019.	-	55,114
Alberta Indian Investment Corporation loan repayable in monthly installments of \$3,628 including interest at 10.00%, due August 2019.	-	121,430
Alberta Indian Investment Corporation loan repayable in monthly installments of \$1,900 including interest at 10.00%, due June 2020.	-	78,994
RBC line of credit with a credit limit of \$2,801,400 and interest at RBC prime plus 0.75%.	1,481,007	1,181,057
	<b>1,481,007</b>	<b>1,436,595</b>

Interest paid on demand loans amounted to \$9,232 (2016 - \$27,291) during the year.

The First Nation has a \$300,000 line of credit with Peace Hills Trust. Advances under this operating loan are repayable on demand and bears interest at a rate of 5.75%. As at March 31, 2017 the balance was \$0.

**Kehewin Cree Nation**  
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**9. LONG-TERM LIABILITIES**

	<b>2017</b> \$	<b>2016</b> \$
First Nations Bank of Canada mortgage repayable in monthly installments \$3,473 including interest at 5.55%. due July 2018.	52,643	90,290
First Nations Bank of Canada mortgage repayable in monthly installments \$3,586 including interest at 5.55%. due June 2018.	50,960	89,914
First Nations Bank of Canada mortgage repayable in monthly installments \$3,429 including interest at 8.44%. due April 2017.	1,959	41,114
CMHC mortgage repayable in monthly installments of \$7,355 including interest at 14.75%, due December 2016.	-	15,948
CMHC mortgage repayable in monthly installments of \$908 including interest at 2.63%, due March 2026.	86,886	95,998
CMHC mortgage repayable in monthly installments of \$1,616 including interest at 1.64%, due January 2027.	175,987	192,698
CMHC mortgage repayable in monthly installments of \$2,489 including interest at 1.82%, due November 2036.	492,463	1,938,479
CMHC mortgage repayable in monthly installments of \$13,731 including interest at 2.69%. due August 2030.	1,810,834	514,255
CMHC mortgage repayable in monthly installments of \$1,974 including interest at 1.81%, due February 2019.	44,660	67,429
<b>Advances for 3 units 17-666-777-07</b>	<b>329,530</b>	-
	<b>3,045,922</b>	<b>3,046,125</b>

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

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 INAC 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 \$73,789 (2016 - \$50,362) during the year.

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

	\$
2018	609,798
2019	216,512
2020	177,903
2021	179,729
<u>thereafter</u>	<u>1,861,980</u>
	<hr/>
	3,045,922

**10. RELATED PARTY TRANSACTIONS**

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

	2017	2016
	\$	\$
Leadership administration fees	17,783	14,037
Program transfers (cultural)	9,400	10,350
Rent	109,310	98,810
	<hr/>	<hr/>
	136,493	123,197

Kehewin Cree Nation paid Kehewin Gasification \$122,993 (2016 - \$78,271) for gas purchases during the year.

KCN Contracting paid Kehewin Cree Nation \$28,787 (2016 - \$6,270) for work purchased during the year. There was also \$100,000 that was invested in KCN Contracting Ltd. during the year as per motion.

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.

**Kehewin Cree Nation**  
**Notes to the Consolidated Financial Statements**  
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**11. TRUST FUNDS**

The Government of Canada - Indigenous and Northern Affairs Canada (INAC) 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 - INAC. Capital funds held by INAC cannot be disbursed or committed by the First Nation without approval from the Government of Canada. Revenue funds held by INAC can be disbursed by Band Council Resolution (BCR).

**12. 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	2017	2016
	\$	\$	\$	\$
Replacement reserve	316,890	1,042,676	1,359,566	685,795
<u>Funded portion</u>	-	-	-	-
Un-funded replacement reserve	316,890	1,042,676	1,359,566	685,795
<u>Operating reserve (surplus)</u>	-	(3,158)	(3,158)	(3,158)
<b>Total CMHC reserves</b>	<b>316,890</b>	<b>1,039,518</b>	<b>1,356,408</b>	<b>682,637</b>

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

	2017 \$	2016 \$
<b><u>Wholly Owned Subsidiaries</u></b>		
<b>681415 Alberta Ltd. (Kehewin Gasification) - 100%</b>		
Shares (at cost)	100	100
Accumulated surplus in earnings	571,018	497,519
	<b>571,118</b>	<b>497,619</b>
<b>KCN Contracting Ltd. - 100%</b>		
Shares (at cost)	10	10
Accumulated surplus in earnings	1,552,869	862,269
	<b>1,552,879</b>	<b>862,279</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	1,843,296	1,610,400
	<b>1,843,396</b>	<b>1,610,500</b>
<b>Pimee Well Servicing Ltd. - 16.6666%</b>		
Shares (at cost)	20	20
Advances	202,053	183,095
	<b>202,073</b>	<b>183,115</b>
<b>Pimee Well Servicing Limited Partnership - 16.6666%</b>		
Accumulated surplus in earnings	1,643,846	1,600,786
<b>Total investments in wholly owned subsidiaries and investments</b>	<b>5,813,312</b>	<b>4,754,299</b>

**Wholly Owned Subsidiaries**

March 31, 2017 unaudited financial information for **681415 Alberta Ltd. (Kehewin Gasification)** is as follows:

	March 31 2017 \$	March 31 2016 \$
Assets	590,893	517,397
Liabilities	19,775	19,775
Revenue	228,522	305,765
Net Earnings for the Year	73,496	55,902

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

**Wholly Owned Subsidiaries - Continued**

March 31, 2017 draft audited financial information for **KCN Contracting Ltd.** is as follows:

	<b>March 31 2017</b>	<b>March 31 2016</b>
	\$	\$
Assets	2,819,305	3,259,998
Liabilities	766,756	1,572,928
Revenue	1,988,125	2,189,790
Net Earnings (Loss) for the Year	365,479	(1,067,967)

**14. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<b>2017</b>	<b>2016</b>
	\$	\$
Capital assets (Schedule 2)	34,258,237	32,460,614
Accumulated amortization (Schedule 2)	(15,792,073)	(14,903,479)
Long-term liabilities (Note 9)	(3,045,922)	(3,046,125)
<u>Long-term liabilities not related to tangible capital assets</u>	<u>430,127</u>	<u>381,594</u>
	<b>15,850,369</b>	<b>14,892,604</b>

**15. EQUITY IN ENTERPRISE FUND**

	<b>2017</b>	<b>2016</b>
	\$	\$
Balance, beginning of year	4,754,299	5,381,639
Surplus (Deficit) from controlled entities	1,059,014	(627,340)
<u>Balance, end of year (Note 13)</u>	<u>5,813,313</u>	<u>4,754,299</u>

**Kehewin Cree Nation**  
**Notes to the Consolidated Financial Statements**

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**16. EQUITY IN TRUST FUNDS**

	Capital \$	Revenue \$	Total \$
Balance, Beginning of year	293,904	63,064	356,968
Royalties	229,773	90,049	319,822
	<b>523,677</b>	<b>153,113</b>	<b>676,790</b>

BCR NUMBER	PROGRAM		
2152-2016-2017	Education	-	25,000
Balance, End of year		<b>523,677</b>	<b>128,113</b>

**17. ACCUMULATED SURPLUS**

	2017 \$	2016 \$
Unrestricted surplus	764,572	(4,142,760)
Equity in tangible capital assets (Note 14)	15,850,369	14,892,604
Equity in enterprise fund (Note 15)	5,813,313	4,754,299
Equity in trust funds (Note 16)	651,790	356,968
	<b>23,080,044</b>	<b>15,861,111</b>

**18. CONTINGENT LIABILITIES**

- a) As at March 31, 2017 the First Nation has guaranteed in full support of KCN Contracting Ltd.'s loan application with Alberta Indian Investment Corporation in the amount of \$568,503 (2016 - \$568,503). The amount of the loan outstanding at March 31, 2017 is \$192,628 (2016 - \$120,000).
- 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.

Subsequent to year-end on August 29, 2017 the plaintiff filed for Summary Judgment against the Nation for the Kehewin Cree Nation Elder's Lodge, renovations of single family homes known as the Kehewin Cree Nation Housing Project and indebtedness plus costs.

The Nation is actively defending its position in legal proceedings and at March 31, 2017, 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.

**Kehewin Cree Nation**  
**Notes to the Consolidated Financial Statements**  
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**19. 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, 2017, there is no liability provision recorded in these financial statements for the estimated closure and post-closure costs.

**20. FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISK**

**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.

**21. COMPARATIVE FIGURES**

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

**22. BUDGET FIGURES**

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