

Kehewin Cree Nation
Consolidated Financial Statements
March 31, 2018

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.

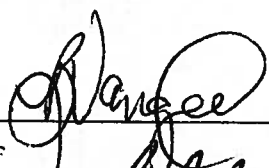
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgment. When alternative accounting methods exist, management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

Allan J. Grykuliak, CPA, CA*
Scott T. Mockford, CPA, CA*
Allen Lee, CMA, CA*
Jason Bondarevich, CPA, CA*
*Operates as a professional Corporation

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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, 2018 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.

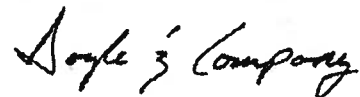
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

September 14, 2018
Edmonton, Alberta



Chartered Professional Accountants

Kehewin Cree Nation

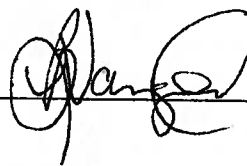
Consolidated Statement of Financial Position

As at March 31, 2018

| | 2018 \$ | 2017 \$ |
|--|--------------------|-------------------|
| FINANCIAL ASSETS | | |
| Cash | 3,377,943 | 3,260,280 |
| Investment - GIC | - | 2,000,000 |
| Accounts receivable (Note 5) | 1,911,149 | 1,216,181 |
| Band trust funds (Note 10 and 15) | 960,211 | 651,790 |
| Investment in and advances to subsidiaries (Note 12) | 4,341,813 | 5,813,312 |
| | 10,591,116 | 12,941,563 |
| LIABILITIES | | |
| Accounts payable | 1,369,765 | 1,572,973 |
| Deferred contribution (Note 6) | 3,551,904 | 875,548 |
| Demand loan (Note 7) | 1,774,751 | 1,481,007 |
| Long-term liabilities (Note 8) | 3,895,159 | 3,045,922 |
| Reserves (Note 11) | 1,420,447 | 1,356,408 |
| | 12,012,026 | 8,331,858 |
| NET FINANCIAL ASSETS | (1,420,910) | 4,609,705 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Schedule 2) | 19,600,847 | 18,466,164 |
| Prepaid expenditures | 124,457 | 4,175 |
| | 19,725,304 | 18,470,339 |
| ACCUMULATED SURPLUS (Schedule 1 and Note 16) | 18,304,394 | 23,080,044 |

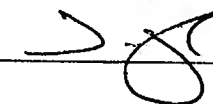
CONTINGENT LIABILITIES (Note 17)

Approved by:

 Chief

 Councilor

Councilor

 Councilor

Councilor

Councilor

The accompanying notes form part of these financial statements.

Kehewin Cree Nation

Consolidated Statement of Financial Activities

For the year ended March 31, 2018

| | 2018 Budget \$ | 2018 Actual \$ | 2017 Actual \$ |
|---|----------------------|----------------------|----------------------|
| REVENUE | | | |
| Indigenous Services Canada (ISC) - fixed | 9,576,905 | 9,576,905 | 7,336,772 |
| ISC - set | 2,270,817 | 2,270,817 | 3,427,256 |
| ISC - grant | 573,475 | 573,475 | 521,905 |
| Aboriginal Skills and Employment Training Strategy (ASETS) | 275,640 | 525,274 | 704,410 |
| Administration fees | 97,852 | 97,852 | 97,852 |
| Canada Mortgage Housing Corporation (CMHC) | 300,000 | 290,277 | 318,874 |
| First Nations Development Fund | 653,063 | 653,063 | 649,378 |
| Government of Alberta | 353,365 | 552,165 | 475,109 |
| Health Canada | 2,251,327 | 2,319,343 | 2,251,327 |
| Rental income | 335,000 | 1,100,989 | 1,081,363 |
| Trust Funds with ISC - Capital account (Note 15) | - | - | 25,000 |
| Other | 1,094,636 | 2,125,306 | 10,050,464 |
| Funding returned to provider | - | - | (36,890) |
| Revenue deferred from prior period | 430,859 | 875,548 | 425,821 |
| Revenue deferred to subsequent period | - | (3,551,905) | (875,548) |
| | 18,212,939 | 17,409,109 | 26,453,093 |
| EXPENDITURES | | | |
| ASETS | 573,700 | 415,626 | 540,240 |
| Administration | 2,315,491 | 3,126,518 | 3,165,794 |
| CMHC | 650,000 | 1,263,999 | 1,505,708 |
| Chief and Council | 600,000 | 583,818 | 629,970 |
| Daycare | 310,000 | 374,476 | 339,602 |
| Economic Development | 243,000 | 477,424 | 237,506 |
| Education | 4,393,885 | 4,326,661 | 3,781,317 |
| Education - Post - Secondary | 605,246 | 688,298 | 592,251 |
| Education - Student Transportation | 301,993 | 256,585 | 221,070 |
| First Nation Development Fund | 511,049 | 655,857 | 497,194 |
| Health | 2,506,340 | 2,454,482 | 2,210,993 |
| Housing | 710,553 | 1,276,144 | 1,790,012 |
| Public Works | 1,129,602 | 1,696,075 | 1,374,176 |
| Social Development | 2,551,208 | 2,489,027 | 2,713,569 |
| | 17,402,067 | 20,084,990 | 19,599,402 |
| EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES BEFORE OTHER REVENUES (EXPENDITURES) | 810,872 | (2,675,881) | 6,853,691 |
| OTHER REVENUE (EXPENDITURES) | | | |
| Amortization | - | (956,690) | (888,594) |
| Investment in entities | - | (1,451,500) | 959,014 |
| EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES BEFORE CAPITAL PURCHASES | 810,872 | (5,084,071) | 6,924,111 |
| Capital purchases | - | (2,091,373) | (1,846,155) |
| EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES AFTER CAPITAL PURCHASES | 810,872 | (7,175,444) | 5,077,956 |

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, 2018

| | 2018 \$ | 2017 \$ |
|---|--------------------|--------------------|
| EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES | (5,084,071) | 6,924,111 |
| Acquisition of tangible capital assets | (2,091,373) | (1,846,155) |
| Amortization of tangible capital assets | 956,690 | 888,594 |
| Disposal of tangible capital assets | - | 48,532 |
| Increase (Decrease) in trust funds | 308,421 | 294,822 |
| | (826,262) | (614,207) |
| Acquisition (Use) of prepaid assets | (120,282) | 925 |
| INCREASE (DECREASE) IN NET ASSETS | (6,030,615) | 6,310,829 |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | 4,609,705 | (1,701,124) |
| NET FINANCIAL ASSETS, END OF YEAR | (1,420,910) | 4,609,705 |

The accompanying notes form part of these financial statements.

Kehewin Cree Nation

Consolidated Statement of Cash Flows

For the year ended March 31, 2018

| | 2018 \$ | 2017 \$ |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from funding agencies and customers | 19,390,497 | 26,405,321 |
| Cash paid to suppliers and employees | (20,022,320) | (19,524,917) |
| Interest on long-term liabilities | (86,494) | (83,022) |
| | (718,317) | 6,797,382 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in long-term liabilities | 1,109,600 | 329,530 |
| Repayment of long-term liabilities | (260,363) | (329,734) |
| | 849,237 | (204) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital asset additions | (2,091,373) | (1,846,155) |
| Decrease in investments | 14,077 | - |
| Increase in reserves | 64,039 | 673,771 |
| | (2,013,257) | (1,172,384) |
| INCREASE (DECREASE) IN CASH DURING THE YEAR | (1,882,337) | 5,624,794 |
| CASH - Beginning of year | 5,260,280 | (364,514) |
| CASH - End of year | 3,377,943 | 5,260,280 |

The accompanying notes form part of these financial statements.

Kehewin Cree Nation

Consolidated Statement of Expenditures by Object

For the year ended March 31, 2018

| | 2018 \$ | 2017 \$ |
|--|-------------------|-------------------|
| EXPENDITURES | | |
| Amortization | 956,690 | 926,020 |
| Bad debt | 552,604 | 484,618 |
| Contracted and general services | 4,428,159 | 3,819,877 |
| Cultural Ceremonies | 241,970 | 90,907 |
| Education and tuition | 732,804 | 604,407 |
| Insurance | 173,680 | 259,780 |
| Interest and bank charges | 42,998 | 49,330 |
| Interest on long term debt | 86,494 | 83,022 |
| Office | 39,135 | 28,991 |
| Professional services | 491,566 | 1,449,576 |
| Rent | 24,000 | 24,000 |
| Repairs and maintenance | 1,261,045 | 1,473,157 |
| Replacement reserve | 63,041 | 61,639 |
| Social assistance | 1,846,125 | 1,808,517 |
| Supplies and materials | 1,667,420 | 1,300,417 |
| Telephone and utilities | 365,482 | 408,060 |
| Training, professional development and workshops | 509,133 | 618,246 |
| Travel | 728,937 | 696,896 |
| Wages and benefits | 6,830,397 | 6,300,536 |
| | 21,041,680 | 20,487,996 |

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, 2018

| | Unrestricted Surplus \$ | Equity in Capital Assets \$ | Equity in Enterprise Fund \$ | Equity in Trust Funds \$ | 2018 \$ | 2017 \$ |
|--|-------------------------------|-----------------------------------|------------------------------------|--------------------------------|--------------------|-------------------|
| Balance, Beginning of Year | 1,194,699 | 15,420,242 | 5,813,313 | 651,790 | 23,080,044 | 15,861,110 |
| Excess (Shortfall) of revenue over expenditures | (3,612,571) | - | (1,471,500) | - | (5,084,071) | 7,243,934 |
| Revenues in trust funds | - | - | - | 308,421 | 308,421 | - |
| Trust funds used for operations | - | - | - | - | - | (25,000) |
| Current years funds used for tangible capital assets | (2,091,373) | 2,091,373 | - | - | - | - |
| Annual amortization expenditure | 956,690 | (956,690) | - | - | - | - |
| Long-term liabilities obtained | 1,109,600 | (1,109,600) | - | - | - | - |
| Long-term liabilities repaid | (260,363) | 260,363 | - | - | - | - |
| Change in accumulated surplus | (3,898,017) | 285,446 | (1,471,500) | 308,421 | (4,775,650) | 7,218,934 |
| Balance, End of Year | (2,703,318) | 15,705,688 | 4,341,813 | 960,211 | 18,304,394 | 23,080,044 |

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, 2018

| | Land | Buildings & Houses | Automotive | Computer Equipment | Furniture & Equipment | Infra- Structure | 2018 | 2017 |
|--|--------------|-----------------------|----------------|-----------------------|--------------------------|---------------------|-------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| COST: | | | | | | | | |
| Balance, Beginning of Year | 1,500 | 26,584,754 | 3,030,294 | 261,117 | 956,840 | 3,082,198 | 33,916,703 | 32,460,614 |
| Acquisition of tangible capital assets | - | 1,965,982 | 125,391 | - | - | - | 2,091,373 | 1,846,155 |
| Disposal of tangible capital assets | - | - | - | - | - | - | - | (48,532) |
| Balance, End of Year | 1,500 | 28,550,736 | 3,155,685 | 261,117 | 956,840 | 3,082,198 | 36,008,076 | 34,258,237 |
| ACCUMULATED AMORTIZATION: | | | | | | | | |
| Balance, Beginning of Year | - | 10,544,133 | 2,441,481 | 253,859 | 804,611 | 1,406,455 | 15,450,539 | 14,903,479 |
| Annual amortization | - | 695,694 | 155,417 | 4,248 | 34,301 | 67,030 | 956,690 | 926,019 |
| Accumulated amortization on disposals | - | - | - | - | - | - | - | (37,425) |
| Balance, End of Year | - | 11,239,827 | 2,596,898 | 258,107 | 838,912 | 1,473,485 | 16,407,229 | 15,792,073 |
| NET BOOK VALUE | 1,500 | 17,310,909 | 558,787 | 3,010 | 117,928 | 1,608,713 | 19,600,847 | 18,466,164 |

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, 2018

| | ISC Revenue \$ | Other \$ | Total Revenue \$ | Total Expenditures \$ | Surplus (Deficit) \$ | Capital Expenditures \$ | 2018 Surplus (Deficit) \$ | 2017 Surplus (Deficit) \$ |
|----------------------------|----------------------|-------------|------------------------|-----------------------------|----------------------------|-------------------------------|------------------------------------|------------------------------------|
| ASETS | | | | | | | | |
| Administration | - | 394,894 | 394,894 | 415,626 | (20,732) | - | (20,732) | 249,301 |
| CMHC | 1,061,532 | 1,001,060 | 2,062,592 | 3,126,518 | (1,063,926) | - | (1,063,926) | 7,033,854 |
| Chief and Council | - | 967,449 | 967,449 | 1,263,999 | (296,550) | 1,454,671 | (1,751,221) | (484,961) |
| Daycare | - | - | - | 583,818 | (583,818) | - | (583,818) | (629,970) |
| Economic Development | 149,040 | 225,436 | 374,476 | 374,476 | - | - | - | (29,300) |
| Education | 126,326 | 401,124 | 527,450 | 477,424 | 50,026 | - | 50,026 | 4,681 |
| Education - Post Secondary | 6,777,744 | (2,452,121) | 4,325,623 | 4,326,661 | (1,038) | 235,671 | (236,709) | (267,359) |
| Education - Transportation | 605,246 | 83,052 | 688,298 | 688,298 | - | - | - | (38,635) |
| FNDF | 301,993 | - | 301,993 | 256,585 | 45,408 | - | 45,408 | 36,226 |
| Health | - | 765,247 | 765,247 | 655,857 | 109,390 | 109,390 | - | (21,422) |
| Housing | - | 2,579,318 | 2,579,318 | 2,454,482 | 124,836 | 16,000 | 108,836 | (95,131) |
| Public Works | 204,553 | 879,903 | 1,084,456 | 1,276,144 | (191,688) | 275,641 | (467,329) | (209,052) |
| Social Development | 1,125,691 | 2,339 | 1,128,030 | 1,696,075 | (568,045) | - | (568,045) | (247,736) |
| | 2,069,072 | 140,211 | 2,209,283 | 2,489,027 | (279,744) | - | (279,744) | 80,062 |
| | 12,421,197 | 4,987,912 | 17,409,109 | 20,084,990 | (2,675,881) | 2,091,373 | (4,767,254) | 5,380,558 |

The accompanying notes form part of these financial statements.

Kehewin Cree Nation

Notes to the Consolidated Financial Statements

March 31, 2018

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

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, 2018

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 charges 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, 2018

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 Indigenous and Northern Affairs Canada (ISC) 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

(i) Measurement of financial instruments

The Kehewin Cree Nation initially measures all of its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Kehewin Cree Nation subsequently measures all of its financial assets and liabilities at amortized cost, except in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, investment - GIC, accounts receivable, and band trust funds.

Financial liabilities measured at amortized cost include accounts payable, demand loan, and long-term liabilities.

(ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would be reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

2. 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.

Kehewin Cree Nation

Notes to the Consolidated Financial Statements

March 31, 2018

3. ECONOMIC DEPENDENCE

The Kehewin Cree Nation receives the majority of its funding from Indigenous Services Canada (ISC). The Nation is also dependent on Health Canada for funding to run its health program through a health funding consolidated contribution agreement.

4. 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.

5. ACCOUNTS RECEIVABLE

| | 2018 \$ | 2017 \$ |
|--|-------------|-------------|
| Indigenous Services Canada | 109,238 | 135,403 |
| Members - Maintenance | 1,344,833 | 1,063,924 |
| Members - Rent | 1,236,457 | 964,762 |
| Trade Accounts | 1,765,453 | 1,030,256 |
| GST Receivable | 36,457 | 50,521 |
| | 4,492,438 | 3,244,866 |
| Allowance for Doubtful Accounts (Maintenance and Rent) | (2,581,289) | (2,028,685) |
| | 1,911,149 | 1,216,181 |

6. DEFERRED REVENUE

| | 2018 \$ | 2017 \$ |
|-------------------------------|------------|------------|
| First Nation Development Fund | 40,000 | 152,184 |
| General | 3,511,904 | 723,364 |
| | 3,551,904 | 875,548 |

Kehewin Cree Nation

Notes to the Consolidated Financial Statements

March 31, 2018

7. DEMAND LOAN

| | 2018 \$ | 2017 \$ |
|---|------------|------------|
| RBC line of credit with a credit limit of \$2,801,400 and interest at RBC prime plus 0.75%. | 1,774,751 | 1,481,007 |

Interest paid on demand loans amounted to \$12,209 (2017 - \$9,232) 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, 2018 the balance was \$0 (2017 - \$0).

8. LONG-TERM LIABILITIES

| | 2018 \$ | 2017 \$ |
|--|------------|------------|
| First Nations Bank of Canada mortgage repayable in monthly installments \$3,473 including interest at 5.55%, due July 2018. | 10,153 | 52,643 |
| First Nations Bank of Canada mortgage repayable in monthly installments \$3,586 including interest at 5.55%, due June 2018. | 13,206 | 50,960 |
| First Nations Bank of Canada mortgage repayable in monthly installments \$3,429 including interest at 8.44%, due April 2017. | - | 1,959 |
| CMHC mortgage repayable in monthly installments of \$908 including interest at 2.63%, due March 2026. | 77,735 | 86,886 |
| CMHC mortgage repayable in monthly installments of \$1,616 including interest at 1.64%, due January 2027. | 159,281 | 175,987 |
| CMHC mortgage repayable in monthly installments of \$2,489 including interest at 1.82%, due November 2036. | 470,878 | 1,810,834 |
| CMHC mortgage repayable in monthly installments of \$13,731 including interest at 2.69%, due August 2030. | 1,684,922 | 492,463 |
| CMHC mortgage repayable in monthly installments of \$1,974 including interest at 1.81%, due February 2019. | 21,600 | 44,660 |
| Advance for 6 plex unit 17-666-777-08 | 936,000 | - |
| CMHC mortgage repayable in monthly installments of \$2,128 including interest at 1.5%, due February 2042. | 521,384 | 329,530 |
| | 3,895,159 | 3,045,922 |

Kehewin Cree Nation

Notes to the Consolidated Financial Statements

March 31, 2018

8. 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 ISC 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 \$74,285 (2017 - \$73,789) during the year.

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

| | \$ |
|------------|------------------|
| 2019 | 1,170,951 |
| 2020 | 199,965 |
| 2021 | 198,115 |
| 2022 | 200,838 |
| thereafter | 2,125,290 |
| | 3,895,159 |

9. RELATED PARTY TRANSACTIONS

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

| | 2018 \$ | 2017 \$ |
|--------------------------------|----------------|----------------|
| Leadership administration fees | 17,783 | 17,783 |
| Program transfers (cultural) | 9,400 | 9,400 |
| Rent | 109,310 | 109,310 |
| | 136,493 | 136,493 |

Kehewin Cree Nation paid Kehewin Gasification \$122,142 (2017 - \$122,993) for gas purchases during the year.

KCN Contracting paid Kehewin Cree Nation \$130,696 (2017 - \$628,787) for work purchased 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.

Kehewin Cree Nation

Notes to the Consolidated Financial Statements

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10. TRUST FUNDS

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

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 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 | 2018 | 2017 |
|-------------------------------|------------|------------|-----------|-----------|
| | \$ | \$ | \$ | \$ |
| Replacement reserve | 822,402 | 530,563 | 1,352,965 | 1,313,968 |
| Funded portion | 23,229 | 47,411 | 70,640 | 45,598 |
| Un-funded replacement reserve | 845,631 | 577,974 | 1,423,605 | 1,359,566 |
| Operating reserve (surplus) | - | (3,158) | (3,158) | (3,158) |
| Total CMHC reserves | 845,631 | 574,816 | 1,420,447 | 1,356,408 |

Kehewin Cree Nation

Notes to the Consolidated Financial Statements

March 31, 2018

12. INVESTMENTS IN AND ADVANCES TO (FROM) WHOLLY OWNED SUBSIDIARIES AND INVESTMENTS

| | 2018 \$ | 2017 \$ |
|---|------------------|------------------|
| <u>Wholly Owned Subsidiaries</u> | | |
| 681415 Alberta Ltd. (Kehewin Gasification) - 100% | | |
| Shares (at cost) | 100 | 100 |
| Accumulated surplus in earnings | 540,101 | 571,018 |
| | 540,201 | 571,118 |
| KCN Contracting Ltd. - 100% | | |
| Shares (at cost) | 10 | 10 |
| Accumulated surplus in earnings | (6,756) | 1,552,869 |
| | (6,746) | 1,552,879 |
| <u>Investments</u> | | |
| Seven Lakes Oilfield Services Limited Partnership - 8.3333% | | |
| Preferred units (at cost) | 100 | 100 |
| Accumulated surplus in earnings | 1,846,333 | 1,843,296 |
| | 1,846,433 | 1,843,396 |
| Pimee Well Servicing Ltd. - 16.6666% | | |
| Shares (at cost) | 20 | 20 |
| Advances | 222,908 | 202,053 |
| | 222,928 | 202,073 |
| Pimee Well Servicing Limited Partnership - 16.6666% | | |
| Accumulated surplus in earnings | 1,738,997 | 1,643,846 |
| Total investments in wholly owned subsidiaries and investments | 4,341,813 | 5,813,312 |

Wholly Owned Subsidiaries

March 31, 2018 unaudited financial information for **681415 Alberta Ltd. (Kehewin Gasification)** is as follows:

| | March 31 2018 \$ | March 31 2017 \$ |
|----------------------------------|------------------------|------------------------|
| Assets | 563,373 | 590,893 |
| Liabilities | 23,173 | 19,775 |
| Revenue | 250,493 | 228,522 |
| Net Earnings (Loss) for the Year | (30,917) | 73,496 |

Kehewin Cree Nation

Notes to the Consolidated Financial Statements

March 31, 2018

12. INVESTMENTS IN AND ADVANCES TO (FROM) WHOLLY OWNED SUBSIDIARIES AND INVESTMENTS - continued

Wholly Owned Subsidiaries - Continued

March 31, 2018 draft review engagement information for KCN Contracting Ltd. is as follows:

| | March 31 2018 \$ | March 31 2017 \$ |
|----------------------------------|------------------------|------------------------|
| Assets | 1,246,568 | 2,819,305 |
| Liabilities | 753,644 | 766,756 |
| Revenue | 946,810 | 1,988,125 |
| Net Earnings (Loss) for the Year | (1,581,950) | 365,479 |

13. EQUITY IN TANGIBLE CAPITAL ASSETS

| | 2018 \$ | 2017 \$ |
|---------------------------------------|--------------|--------------|
| Capital assets (Schedule 2) | 36,008,076 | 34,258,237 |
| Accumulated amortization (Schedule 2) | (16,407,229) | (15,792,073) |
| Long-term liabilities (Note 8) | (3,895,159) | (3,045,922) |
| | 15,705,688 | 15,420,242 |

14. EQUITY IN ENTERPRISE FUND

| | 2018 \$ | 2017 \$ |
|--|-------------|------------|
| Balance, beginning of year | 5,813,313 | 4,754,299 |
| Surplus (Deficit) from controlled entities | (1,471,500) | 1,059,014 |
| Balance, end of year (Note 12) | 4,341,813 | 5,813,313 |

Kehewin Cree Nation

Notes to the Consolidated Financial Statements

March 31, 2018

15. EQUITY IN TRUST FUNDS

| | Capital \$ | Revenue \$ | Total \$ |
|----------------------------|---------------|---------------|-------------|
| Balance, Beginning of year | 523,677 | 128,113 | 651,790 |
| Royalties | 221,955 | 86,466 | 308,421 |
| Balance, End of year | 745,632 | 214,579 | 960,211 |

16. ACCUMULATED SURPLUS

| | 2018 \$ | 2017 \$ |
|---|-------------|------------|
| Unrestricted surplus | (2,703,318) | 1,194,699 |
| Equity in tangible capital assets (Note 13) | 15,705,688 | 15,420,242 |
| Equity in enterprise fund (Note 14) | 4,341,813 | 5,813,313 |
| Equity in trust funds (Note 15) | 960,211 | 651,790 |
| | 18,304,394 | 23,080,044 |

17. CONTINGENT LIABILITIES

a) As at March 31, 2018 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 (2017 - \$568,503). The amount of the loan outstanding at March 31, 2018 is \$178,671 (2017 - \$192,628)

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 total claim amount is for \$3,712,850 including interest.

The Nation is actively defending its position in legal proceedings and at March 31, 2018, 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.

c) An action filed against the Kehewin Cree Nation (Nation) by their former lawyer on July 4, 2018 for unpaid fees and interest. The claim amount is \$1,070,030.

The Nation is actively defending its position at March 31, 2018, the Nation had recorded a liability of \$549,000 in connection with the above claim. The recording of the amount does not constitute admission of claim. Should any additional 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

March 31, 2018

18. 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.

19. COMPARATIVE FIGURES

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

20. BUDGET FIGURES

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