

**Kehewin Cree Nation
Consolidated Financial Statements
March 31, 2018**

Kehewin Cree Nation

CONTENTS

	<u>Page</u>
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
AUDITORS' REPORT	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Financial Activities	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Consolidated Statement of Expenditures by Object	7
Schedule of Changes in Accumulated Surplus - Schedule 1	8
Consolidated Statement of Tangible Capital Assets -Schedule 2	9
Consolidated Statement of Financial Activities by Program - Schedule 3	10
Notes to the Consolidated Financial Statements	11 - 21



P.O. Box 220 Kehewin AB T0A1C0 Tel. (780) 626-3334/(780) 626-2611 Fax (780) 626-2355

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

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

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

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.

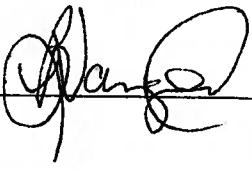
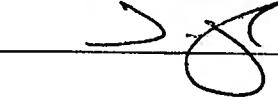
Opinion

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

Doyle & Company
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

Kehewin Cree Nation

Schedule of Changes in Accumulated Surplus - Schedule 1
For the year ended March 31, 2018

	Unrestricted Surplus	Equity in Tangible 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	Infrastructure	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 Revenue \$	Total Revenue \$	Total Expenditures \$	Surplus (Deficit) \$	Capital Expenditures \$	Surplus (Deficit) \$	2017 Surplus (Deficit) \$
ASSETS								
Administration	1,061,532	394,894	394,894	415,626	(20,732)	-	(20,732)	249,301
CMHC	-	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 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, 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 have been 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
<u>GST Receivable</u>	<u>36,457</u>	<u>50,521</u>
	4,492,438	3,244,866
<u>Allowance for Doubtful Accounts (Maintenance and Rent)</u>	<u>(2,581,289)</u>	<u>(2,028,685)</u>
	1,911,149	1,216,181

6. DEFERRED REVENUE

	2018	2017
	\$	\$
First Nation Development Fund	40,000	152,184
<u>General</u>	<u>3,511,904</u>	<u>723,364</u>
	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
<u>thereafter</u>	<u>2,125,290</u>
	<u>3,895,159</u>

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
	<u>136,493</u>	<u>136,493</u>

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
March 31, 2018

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
<u>Operating reserve (surplus)</u>	-	(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	March 31
	2018	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.