

Kehewin Cree Nation
Consolidated Financial Statements
March 31, 2019

Kehewin Cree Nation
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For the year ended March 31, 2019

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Management's Responsibility

To the Members of Kehewin Cree Nation:

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

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Kehewin Cree Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP is appointed by the Chief and Council on the behalf of Members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Chief and Council and management to discuss their audit findings.

September 17, 2019

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Band Manager

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Interim Finance
Manager

Independent Auditor's Report

To the Members of Kehewin Cree Nation:

Qualified Opinion

We have audited the consolidated financial statements of Kehewin Cree Nation and its subsidiaries (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, accumulated surplus, changes in net financial assets (net debt) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations, changes in its consolidated net financial assets (net debt) and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

We were unable to observe sufficient evidence of the First Nation's budget being formally prepared and approved. Therefore, the Nation did not meet the Canadian public sector accounting standard 1201 that requires a budget to be prepared and disclosed.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 16 to the consolidated financial statements, which explains that certain comparative information presented for the year ended March 31, 2018 has been restated. Our opinion is not modified in respect of this matter.

Emphasis of Matter - Subsequent Event

We draw attention to Note 15 to the consolidated financial statements which describes the subsequent event. Our opinion is not modified in respect of this matter.

Other Matter - Prior Year Financial Statements

The consolidated financial statements for the year ended March 31, 2018 (prior to the adjustments that were applied to restate certain comparative information explained in Note 16) were audited by another auditor who expressed an unmodified opinion on those statements on September 14, 2018.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Edmonton, Alberta

September 17, 2019

MNP LLP

Chartered Professional Accountants

Kehewin Cree Nation
Consolidated Statement of Financial Position
As at March 31, 2019

	2019	<i>2018 Restated (Note 15)</i>
Financial assets		
Cash and cash equivalents (Note 3)	5,678,903	3,377,943
Accounts receivable (Note 4)	1,985,741	1,911,596
Investments in partnerships and business entities (Note 5)	4,639,321	4,341,813
Funds held in trust (Note 6)	757,649	960,211
Total of assets	13,061,614	10,591,563
Liabilities		
Accounts payable and accruals (Note 11)	4,864,209	1,370,211
Deferred revenue (Note 7)	4,653,368	3,551,904
Demand loans (Note 8)	1,935,893	1,774,751
Long-term debt (Note 9)	3,880,279	3,895,159
Total of financial liabilities	15,333,749	10,592,025
Net debt	(2,272,135)	(462)
Contingencies (Note 11)		
Guarantees (Note 12)		
Subsequent events (Note 15)		
Non-financial assets		
Tangible capital assets (Schedule 1)	21,740,685	19,600,847
Prepaid expenses	46,195	124,457
Total non-financial assets	21,786,880	19,725,304
Accumulated surplus	19,514,745	19,724,842

Approved on behalf of the Council



Okimaw



Councilor

Kehewin Cree Nation
Consolidated Statement of Operations
For the year ended March 31, 2019

	<i>Schedules</i>	2019	2018
Revenue			
Indigenous Services Canada		15,608,890	12,421,196
First Nations Development Fund		652,156	653,063
Income from funds held in trust		248,083	308,421
Tribal Chiefs		430,259	268,717
First Nation and Inuit Health Branch		3,298,975	2,319,343
Canada Mortgage and Housing Corporation		581,489	876,874
Human Resources and Skills Development Canada		578,910	525,274
Other revenue		1,260,120	1,278,264
Rental income		1,120,623	1,126,612
Government of Alberta		583,867	550,665
Administration fees		159,152	97,852
Repayment of funding		(129,381)	(840)
Deferred revenue - prior year		3,551,905	875,548
Deferred revenue - current year		(4,653,369)	(3,551,905)
		23,291,679	17,749,084
Expenses			
Administration	3	2,586,181	3,055,419
Indigenous Skills and Employment Training (ISET)	4	338,726	435,768
Chief and Council	5	631,106	583,818
Daycare	6	423,377	374,476
Economic Development	7	349,874	527,678
Education	8	4,972,660	5,271,575
First Nation Development Fund	9	588,606	656,206
Health	10	2,542,681	2,442,183
Housing	11	2,519,085	2,540,143
Public Works	12	2,646,798	1,696,075
Social Development	13	2,593,798	2,489,350
		20,192,892	20,072,691
Surplus (deficit) before other items		3,098,787	(2,323,607)
Other income (expense)			
Impairment of tangible capital assets <i>(Note 11) (Schedule 1)</i>		(694,340)	-
Amortization <i>(Schedule 1)</i>		(964,105)	(956,688)
Investments in partnerships and business entities <i>(Note 5)</i>		274,568	(1,495,354)
Lawsuit settlement <i>(Note 11)</i>		(1,925,007)	-
		(3,308,884)	(2,452,042)
Deficit		(210,097)	(4,775,649)

The accompanying notes are an integral part of these consolidated financial statements

Kehewin Cree Nation
Consolidated Statement of Accumulated Surplus
For the year ended March 31, 2019

	2019	<i>2018 Restated (Note 15)</i>
Accumulated surplus, beginning of year, as previously stated	18,304,395	23,080,044
Correction of an error <i>(Note 16)</i>	1,420,447	1,420,447
Accumulated surplus, beginning of year, as restated	19,724,842	24,500,491
Deficit	(210,097)	(4,775,649)
Accumulated surplus, end of year	19,514,745	19,724,842

Kehewin Cree Nation
Consolidated Statement of Change in Net Financial Assets (Net Debt)
For the year ended March 31, 2019

	2019	<i>2018 Restated (Note 15)</i>
Annual deficit	(210,097)	(4,775,649)
Purchases of tangible capital assets	(3,798,283)	(2,091,373)
Amortization <i>(Schedule 1)</i>	964,105	956,688
Impairment of tangible capital assets <i>(Note 11) (Schedule 1)</i>	694,340	-
Correction of an error <i>(Note 16)</i>	-	1,420,447
Acquisition of prepaid expenses	-	(120,282)
Use of prepaid expenses	78,262	-
Increase (decrease) in net financial assets	(2,271,673)	(4,610,169)
Net financial assets (net debt), beginning of year	(462)	4,609,707
Net debt, end of year	(2,272,135)	(462)

The accompanying notes are an integral part of these consolidated financial statements

Kehewin Cree Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating activities		
Cash receipts from contributors	23,460,313	18,869,000
Cash paid to suppliers	(11,364,485)	(13,343,800)
Cash paid to employees	(6,507,116)	(6,386,728)
Interest on long-term debt	(86,331)	(86,494)
	5,502,381	(948,022)
Financing activities		
Advances of current portion of long-term debt	128,225	1,109,600
Repayment of current portion of long-term debt	(143,105)	(260,363)
Advances on demand loan net of repayments (Note 8)	161,142	293,744
Advance from funds held in trust	450,600	-
	596,862	1,142,981
Capital activities		
Purchases of tangible capital assets	(3,798,283)	(2,091,373)
Investing activities		
Decrease in investments	-	14,077
Increase (decrease) in cash resources	2,300,960	(1,882,337)
Cash resources, beginning of year	3,377,943	5,260,280
Cash resources, end of year	5,678,903	3,377,943

1. Operations

The Kehewin Cree Nation (the "First Nation") is located in the province of Alberta, and provides various services to its members. Kehewin Cree Nation includes the Nation's members, government and all related entities that are accountable to the Nation and are either owned or controlled by the First Nation.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards set out in the CPA Canada Handbook - Public Sector Accounting and are consistent with accounting policies set out by the Department of Indigenous Services Canada ("ISC"). Significant aspects of the accounting policies adopted by the First Nation are as follows:

Reporting entity

The consolidated financial statements consolidate the financial activities of all entities and departments comprising the Kehewin Cree First Nation, except for First Nation business entities.

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Kehewin Cree Nation business entities, owned or controlled by the First Nation's Council but not dependent on the First Nation for their continuing operations, are included in the financial statements using the modified equity method as outlined in Note 5. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- 681415 Alberta Ltd. (o/a Kehewin Gasification)
- Kwayaskwaw Contracting Ltd. (formerly KCN Contracting Ltd.)

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable under the terms of the applicable funding agreements; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets, prepaid expenses, construction in progress.

Cash and cash equivalents

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Construction in progress is initially recorded at the construction costs of the related capital projects. Contributed capital assets are initially recorded at the fair value at the date of contribution.

2. Significant accounting policies *(Continued from previous page)*

Amortization

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	<i>Method</i>	<i>Rate</i>
Automotive	declining balance	30 %
Buildings and housing	declining balance	4 %
Computer equipment	declining balance	30 %
Furniture and equipment	declining balance	20 %
Infrastructure	declining balance	4-20 %

Amortization is not recorded on buildings under construction as they are not yet in use.

Funds held in trust

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position with an offsetting amount in accumulated operating surplus. Trust monies consist of:

- Capital trust monies derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust monies generated primarily through land leasing transactions or interest earned on deposits held in trust.

Investments in partnerships and business entities

Investments in partnerships are accounted for using the equity method, less an provisions for permanent impairment. The investment in Pimee Well Services Ltd. is accounted for using the cost method, less any provisions for permanent impairment.

Deferred revenue

Funding received under funding agreements relating to projects that relate to a subsequent fiscal period are reflected as deferred revenue on the consolidated statement of financial position in the year of receipt. These amounts are recognized in revenue in the year the project costs are incurred.

Net financial assets (net debt)

The First Nation's consolidated financial statements are presented so as to highlight net financial assets (net debt) as the measurement of financial position. The net financial assets (net debt) of the First Nation is determined by its financial assets less its liabilities. Net financial assets (net debt) combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations in the periods in which they become known.

2. Significant accounting policies *(Continued from previous page)*

Revenue recognition

Government Transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Externally restricted revenue

The First Nation recognizes externally restricted inflows as revenue in the period the resources are used for the purposes specified in accordance with an agreement or legislation. Until this time, the First Nation records externally restricted inflows in deferred revenue.

Other revenue, rental income and administration fees

All other revenue received that are not subject to funding agreements are recorded in the year in which they are earned and collection is reasonably assured.

Segments

The First Nation conducts its business through 11 of reportable segments: Indigenous Skills and Employment Training Strategy, Administration, Chief and Council, Daycare, Economic Development, Education, First Nation Development Fund, Health, Housing, Public Works, and Social Development. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in this note.

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2019.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

At year-end, there was no liability recorded for contaminated sites.

Fair value measurements

The First Nation classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the First Nation to develop its own assumptions.

2. Significant accounting policies *(Continued from previous page)*

Fair value measurements *(Continued from previous page)*

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

Long-lived assets and discontinued operations

Long-lived assets consist of tangible capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in surplus for the year.

Financial instruments

The First Nation recognizes its financial instruments when the First Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the First Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The First Nation has made such an election during the year.

The First Nation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. Interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Management considers whether the investee has experienced continued losses for a period of years in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

3. Cash and cash equivalents

	2019	2018
Cash and cash equivalents	1,338,631	289,240
Restricted cash - Capital projects	3,595,610	3,018,093
Restricted cash - Canada Mortgage and Housing Corporation (CMHC)	686,762	70,610
Restricted cash - Funds held in trust	57,900	-
	5,678,903	3,377,943

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

4. Accounts receivable

	2019	2018
Indigenous Services Canada	239,424	109,238
First Nation and Inuit Health Branch	743,928	-
Member receivable - Maintenance	1,619,658	1,344,833
Member receivable - Rent	1,572,231	1,236,457
GST receivables	10,672	36,905
Trade receivables	991,716	1,765,452
	5,177,629	4,492,885
Less: Allowance for doubtful accounts (maintenance and rent)	3,191,888	2,581,289
	1,985,741	1,911,596

5. Investments in partnerships and business entities

The First Nation has investments in the following partnerships and business entities. The advances to Pimee Well Services Ltd. are unsecured and have no term of repayment and bear interest at 10%. The loans to Kwayaskwaw Contracting Ltd. (formerly KCN Contracting Ltd.) are unsecured, non-interest bearing and have no terms of repayment.

					2019	
	Investment cost	Opening loans / advances	Current loans / advances	Opening accumulated earnings (loss)	Current earnings (loss) and impairment	Total investment
Wholly-owned Businesses – modified equity:						
681415 Alberta Ltd.	100	-	-	540,101	47,833	588,034
Kwayaskwaw Contracting Ltd. (formerly KCN Contracting Ltd.)	10	(521,995)	24,906	490,333	-	(6,746)
	110	(521,995)	24,906	1,030,434	47,833	581,288
Advances and investment						
Pimee Well Services Ltd. - 16.66%	20	222,908	22,940	-	-	245,868
Partnerships – equity:						
Seven Lakes Oilfield Services Limited Partnership - 8.33%	100	-	-	1,846,333	110,574	1,957,007
Pimee Well Servicing Limited Partnership - 16.66%	-	-	-	1,738,997	116,161	1,855,158
	100	-	-	3,585,330	226,735	3,812,165
	230	(299,087)	47,846	4,615,764	274,568	4,639,321

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

5. Investments in partnerships and business entities *(Continued from previous page)*

						2018
	Investment cost	Opening loans / advances	Current loans / advances	Opening accumulated earnings (loss)	Current earnings (loss)	Total investment
Wholly-owned businesses – modified equity:						
681415 Alberta Ltd. Kwayaskwaw Contracting Ltd. (formerly KCN Contracting Ltd.)	100	-	-	571,018	(30,917)	540,201
	10	-	(521,995)	2,074,864	(1,559,625)	(6,746)
	110	-	(521,995)	2,645,882	(1,590,542)	533,455
Advances and investment						
Pimee Well Services Ltd. - 16.66%	20	202,053	20,855	-	-	222,928
Partnerships – equity:						
Seven Lakes Oilfield Services Limited Partnership - 8.33%	100	-	-	1,846,296	37	1,846,433
Pimee Well Servicing Limited Partnership - 16.66%	-	-	-	1,643,846	95,151	1,738,997
	100	-	-	3,490,142	95,188	3,585,430
	230	202,053	(501,140)	6,136,024	(1,495,354)	4,341,813

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

5. Investments in partnerships and business entities *(Continued from previous page)*

Summary financial information for each First Nation business enterprise, accounted for using the modified equity method, for the respective year-end is as follows:

	681415 Alberta Ltd. As at March 31, 2019	Kwayaskwaw Contracting Ltd. (formerly KCN Contracting Ltd.) As at March 31, 2019
Assets		
Cash	228,788	-
Accounts receivable	124,669	944,408
Prepays	8,123	-
Investments	215,266	-
Property and equipment	12,686	499,528
Total assets	589,532	1,443,936
Liabilities		
Bank indebtedness	-	3,456
Accounts payable and accruals	1,500	436,866
Long-term debt	-	326,382
Total liabilities	1,500	766,704
Share capital	100	10
Retained earnings	587,932	677,222
Net income	47,813	186,889

During the year, the First Nation recorded an impairment provision of \$186,889 against the net book value of its investment in Kwayaskwaw Contracting Ltd., as a result of the business operations and financial position of the company. This impairment offset the income that Kwayaskwaw Contracting Ltd. reported for the period ending March 31, 2019.

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

6. Funds held in trust

Funds held in trust on behalf of the First Nation by the Government of Canada are reported on the consolidated statement of financial position with an offsetting amount in accumulated surplus. Trust monies consist of capital trust monies derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets, and revenue trust monies generated primarily through land leasing transactions or interest earned on deposits held in trust.

	2019	2018
Capital Trust		
Balance, beginning of year	745,586	523,677
Gas royalties	155,229	221,955
	900,815	745,632
Less: Transfers to First Nation	450,600	-
Balance, end of year	450,215	745,632
Revenue Trust		
Balance, beginning of year	214,579	128,113
Interest	20,705	19,280
Land leases	72,150	67,186
Balance, end of year	307,434	214,579
	757,649	960,211

During the year the First Nation did not spend the entire amount withdrawn and the remaining amount is restricted in the bank account (Note 3).

7. Deferred revenue

	2019	2018
General	114,273	252,801
First Nation Development Fund	132,080	40,000
Indigenous Service Canada	3,800,340	3,059,103
Government of Alberta	356,675	200,000
First Nation and Inuit Health Branch	250,000	-
	4,653,368	3,551,904

Kehewin Cree Nation
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8. Demand loans

The First Nation has a line of credit with RBC bearing interest at RBC prime plus 0.75% (2018 - prime plus 0.75%), authorized to a maximum of \$2,801,400 (2018 - \$2,801,400), of which \$1,935,893 (2018 - \$1,774,751) was drawn at year-end.

The First Nation as operating loan with Peace Hills Trust bearing interest at 5.75% (2018 - 5.75%), authorized to a maximum of \$300,000 (2018 - \$300,000) of which \$nil (2018 - \$nil) was drawn at year end. Advances under this operating loan are repayable on demand.

At March 31, 2019, the prime interest rate was 3.95% (2018 - 3.45%)

Cash flows related to demand loans have been presented on a net basis as it is impracticable for management to determine the gross cash receipts and repayments.

9. Long-term debt

	2019	2018
CMHC Direct Lending financing repayable at \$11,975 per month including interest at 0.94% per annum, maturing September 2020, secured by ISC Ministerial guarantee and CMHC insurance.	1,555,128	1,684,922
CMHC Direct Lending financing repayable at \$5,079 per month including interest at 2.22% per annum, maturing January 2024, secured by ISC Ministerial guarantee and CMHC insurance.	1,164,015	936,000
CMHC Direct Lending financing repayable at \$2,128 per month including interest at 1.50% per annum, maturing July 2022, secured by ISC Ministerial guarantee and CMHC insurance.	502,846	521,384
CMHC Direct Lending financing repayable at \$2,367 per month including interest at 1.31% per annum, maturing December 2021, secured by ISC Ministerial guarantee and CMHC insurance.	447,958	470,878
CMHC Direct Lending financing repayable at \$1,590 per month including interest at 1.31% per annum, maturing December 2021, secured by ISC Ministerial guarantee and CMHC insurance.	142,000	159,281
CMHC Direct Lending financing repayable at \$846 per month including interest at 1.13% per annum, maturing July 2021, secured by ISC Ministerial guarantee and CMHC insurance.	68,332	77,735
First Nations Bank of Canada mortgage, repaid during the year.	-	23,359
CMHC Direct Lending financing, repaid during the year	-	21,600
	3,880,279	3,895,159

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
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9. Long-term debt *(Continued from previous page)*

Principal repayments on long-term debt in each of the next five years , assuming long-term debt subject to refinancing is renewed, are estimated as follows:

	Principal
2020	232,671
2021	235,598
2022	238,567
2023	241,578
2024 and thereafter	2,931,865
	<hr/> 3,880,279 <hr/>

Interest on long-term debt amounted to \$86,330 (2018 - \$86,495).

Security pledged on all mortgages, loans and finance contracts consists of Government of Canada ministerial guarantees, guarantees by the Kehewin Cree Nation, assignment of insurance, a guarantee by the Ottawa Trust accounts and specific equipment.

10. Replacement reserve

In accordance with terms of the agreements with CMHC, the First Nation is required to maintain certain reserves related to on-reserve housing projects estimated at \$588,090 (2018 - \$689,590). As at March 31, 2019, the First Nation has funded \$686,762 (2018 - \$70,610).

11. Contingencies

The First Nation is involved in a dispute over the legal ownership of certain property. The effects of any contingent claims relating to this dispute are not determinable at the date of this report.

The First Nation has been named as defendant in a lawsuit on behalf of a contractor for the construction of the elders' lodge and specific houses, seeking to recover damages allegedly sustained by them as a result of unpaid balances. The defendant is seeking total damages of \$3,718,250 plus costs and interest. The First Nation has a counterclaim for construction deficiencies associated with the construction of the lodge. In August 2019 there was a judgment against the First Nation that confirmed \$1,925,007 was legally enforceable. As at March 31, 2019, included in accounts payable and accruals the First Nation has recorded a liability of \$1,925,007 in connection with the claim. The recording of the amount does not constitute admission of claim. Any adjustments to this action or the counterclaim will be recorded when it can reasonably be estimated. Due to the construction deficiencies on the initial construction of the lodge a partial impairment on the remaining net book value was recorded in the year of \$694,340.

The First Nation has been named as defendant in a lawsuit on behalf of their former lawyer for unpaid fees and interest. The defendant is seeking total damages of \$819,000. As at March 31, 2019, included in accounts payable and accruals the First Nation has recorded a liability of \$549,000 in connection with the claim. The recording of the amount does not constitute admission of claim. Any adjustments to this action will be recorded when it can reasonably be estimated.

The consolidated financial statements are subject to review by the First Nation's funding agents. It is possible that adjustments, that may include repayment of amounts funded, could be based on the results of their reviews.

12. Guarantees

As at March 31, 2019, the First Nation has guaranteed the \$306,355 (2018 - \$178,671) of long-term debt of KCN Contracting Ltd., a First Nation government business enterprise. As at March 31, 2019, no liability (2018 - no liability) has been recorded associated with this guarantee.

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13. Related party transactions

During the year, the First Nation conducted the following transactions with related entities. The transactions were recorded at the exchange amount and are in the normal course of business.

	2019	2018
Gas purchases - 681415 Alberta Ltd.	72,496	122,142
Contracting services - Kwayaskwaw Contracting Ltd. (formerly KCN Contracting Ltd.)	1,115,455	130,696

Trade payables owing to related First Nation entities are as follows. These amounts are included in the loan balances included in Note 5.

	2019	2018
Due to:		
681415 Alberta Ltd.	25,773	-
Kwayaskwaw Contracting Ltd. (formerly KCN Contracting Ltd.)	295,033	-
	320,806	-

14. Financial Instruments

The First Nation as part of its operations carries a number of financial instruments. It is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit Risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations. The First Nation is exposed to credit risk primarily through its accounts receivable. The amount allowed for doubtful accounts is disclosed in Note 4.

Risk management

The First Nation manages its credit risk by performing regular credit assessments of its customers, providing allowances for potentially uncollectible accounts receivable.

Liquidity Risk

Liquidity risk is the risk that the First Nation will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The First Nation enters into transactions to purchase goods and services on credit; borrow funds from financial institutions or other creditors for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the First Nation's future net cash flows for the possibility of negative net cash flow.

Contractual maturities of long-term debt are disclosed in Note 9.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The First Nation is exposed to interest rate risk with respect to its demand loans which are subject to floating interest rates. The First Nation is exposed to interest rate price risk with respect to certain long-term debt amounts which bear interest at rates agreed upon at the time of issuance.

15. Subsequent events

Water treatment plant

The First Nation has entered into an agreement with Department of Indigenous Services Canada ("ISC") and Tribal Chiefs Ventures Inc. ("TCVI") for the building of a water treatment plant for use by the First Nation. The project has been administered by TCVI on behalf of the First Nation with the expectation that the project be turned over to the First Nation at some point in the future. As at March 31, 2019 TCVI has received \$9,547,962 of funding from ISC and has incurred \$6,065,300 of costs. During 2019/2020 the First Nation has entered into an agreement with ISC and TCVI to take ownership of the water treatment plant and the First Nation will receive future funding and pay any future costs to complete the project. The total cost of the project is expected to be \$24.6 million. During the 2019/2020 year-end the First Nation will record the asset value and associated revenue with the spending and monies received prior to the transfer of ownership to the First Nation.

Housing

The First Nation has made insurance claims related to houses that were destroyed during the year. These claims are still being processed by the insurance adjusters and no amount is known for potential insurance proceeds.

16. Correction of an error

During the year, the First Nation determined that the replacement reserve amounts should not be shown as a liability and should have been presented as part of accumulated surplus. For 2019 the impact of this correction has resulted in a decrease in replacement reserves and an increase in accumulated surplus of \$1,420,447. For 2018 the impact of this correction has resulted in a decrease in replacement reserves of \$1,420,447 and an increase in accumulated surplus of \$1,420,447.

17. Comparative figures

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