

Kehewin Cree Nation
Consolidated Financial Statements
March 31, 2020

Kehewin Cree Nation
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For the year ended March 31, 2020

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Management's Responsibility

To the Members of Kehewin Cree Nation:

The accompanying consolidated financial statements of Kehewin Cree Nation (the "First 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 consolidated 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 consolidated 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 consolidated financial statements.

The Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated 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 the Members to audit the consolidated 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.

December 3, 2020



Director of
Operations



Financial Controller

Independent Auditor's Report

To the Members of Kehewin Cree Nation:

Opinion

We have audited the consolidated financial statements of Kehewin Cree Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations, accumulated surplus, changes in 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2020, and the results of its consolidated operations, changes in its net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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 opinion.

Emphasis of Matter - Subsequent Events

We draw attention to Note 16 of the consolidated financial statements, which describes subsequent events. Our opinion is not modified in respect of this matter.

Emphasis of Matter - Restated Comparative Information

We draw attention to the Note 20 of the consolidated financial statements, which explains that certain comparative information presented for the year ended March 31, 2019 has been restated. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

December 3, 2020

MNP LLP
Chartered Professional Accountants

MNP

Kehewin Cree Nation
Consolidated Statement of Financial Position
As at March 31, 2020

	2020	2019
	<i>(restated - Note 20)</i>	
Financial assets		
Cash (Note 4)	11,618,285	5,678,903
Accounts receivable (Note 5)	3,950,252	1,985,741
Investments in partnerships and business entities (Note 6)	4,317,211	4,639,321
Funds held in trust (Note 7)	846,830	757,649
Total financial assets	20,732,578	13,061,614
Liabilities		
Bank indebtedness (Note 8)	2,327,872	1,935,893
Accounts payable and accruals (Note 9)	8,769,442	4,864,208
Deferred revenue (Note 10)	8,134,924	5,950,569
Long-term debt (Note 11)	3,647,550	3,880,279
Total financial liabilities	22,879,788	16,630,949
Net debt	(2,147,210)	(3,569,335)
Significant events (Note 13)		
Contingencies (Note 14)		
Guarantee (Note 15)		
Subsequent events (Note 16)		
Non-financial assets		
Tangible capital assets (Schedule 1)	55,586,716	21,740,685
Prepaid expenses	1,500	46,195
Total non-financial assets	55,588,216	21,786,880
Accumulated surplus	53,441,006	18,217,545

Approved on behalf of the Kehewin Cree Nation

 Okimaw

 Councillor

Kehewin Cree Nation
Consolidated Statement of Operations
For the year ended March 31, 2020

	<i>Schedules</i>	<i>2020 Budget</i>	<i>2020 Actual</i>	<i>2019 Actual (restated - Note 20)</i>
Revenue				
Indigenous Services Canada		33,134,599	38,836,498	15,608,890
Tribal Chiefs (Note 13)		39,720	10,248,761	430,259
First Nation and Inuit Health Branch		-	3,505,284	3,298,975
Human Resources and Skills Development Canada		214,368	609,549	578,910
First Nations Development Fund		567,352	603,056	652,156
Canada Mortgage and Housing Corporation		906,784	433,771	581,489
Income from funds held in trust (Note 7)		-	196,181	248,083
Other revenue		867,765	3,054,794	1,190,802
Administration fees		293,954	1,680,193	228,470
Rental income		741,707	1,040,827	1,120,623
Government of Alberta		472,180	633,830	583,867
Recovery (repayment) of funding		-	78,547	(129,381)
Deferred revenue - prior year		1,704,389	5,950,569	3,551,905
Deferred revenue - current year		-	(8,134,924)	(5,950,569)
		38,942,818	58,736,936	21,994,479
Expenses				
Administration	3	2,915,303	3,909,869	2,586,181
Indigenous Skills and Employment Training (ISET)	4	-	359,595	338,726
Chief and Council	5	622,000	578,568	631,106
Daycare	6	464,208	434,192	423,377
Economic Development	7	629,257	948,925	349,874
Education	8	3,756,512	5,135,424	4,972,660
First Nation Development Fund	9	699,432	699,432	588,606
Health	10	-	4,286,804	2,542,681
Housing	11	1,528,994	1,868,686	2,519,085
Public Works	12	1,516,692	1,856,368	2,646,798
Social Development	13	2,459,196	4,145,460	2,593,798
		14,591,594	24,223,323	20,192,892
Surplus (deficit) before other items		24,351,224	34,513,613	1,801,587
Other income (expense)				
Settlement of Treaty Annuities Specific Claim (Note 13)		-	3,335,526	-
Lawsuit settlement (Note 14)		-	-	(1,925,007)
Loss on disposal of tangible capital assets (Schedule 1)		-	(190,767)	-
Income (loss) from investments in partnerships and business entities (Note 6)		-	(286,408)	274,568
Legal fees related to the Treaty Annuities Specific Claim		-	(497,383)	-
Impairment of tangible capital assets (Note 14) (Schedule 1)		-	(694,340)	(694,340)
Amortization (Schedule 1)		-	(956,780)	(964,105)
		-	709,848	(3,308,884)
Surplus (deficit)		24,351,224	35,223,461	(1,507,297)

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, 2020

	2020	2019
	(restated - Note 20)	
Accumulated surplus, beginning of year, as previously stated	19,514,745	19,724,842
Correction of an error (Note 20)	(1,297,200)	-
Accumulated surplus, beginning of year, as restated	18,217,545	19,724,842
Surplus (deficit)	35,223,461	(1,507,297)
Accumulated surplus, end of year	53,441,006	18,217,545

Kehewin Cree Nation
Consolidated Statement of Changes in Net Debt
For the year ended March 31, 2020

	<i>2020 Budget</i>	<i>2020 Actual</i>	<i>2019 Actual (restated - Note 20)</i>
Surplus (deficit)	24,351,224	35,223,461	(1,507,297)
Acquisition of tangible capital assets (<i>Schedule 1</i>)	(25,585,553)	(35,687,918)	(3,798,283)
Amortization (<i>Schedule 1</i>)	-	956,780	964,105
Impairment of tangible capital assets (<i>Note 14</i>) (<i>Schedule 1</i>)	-	694,340	694,340
Loss on disposal of tangible capital assets (<i>Schedule 1</i>)	-	190,767	-
Use of prepaid expenses	-	44,695	78,262
(Increase) decrease in net debt	(1,234,329)	1,422,125	(3,568,873)
Net debt, beginning of year	(3,569,335)	(3,569,335)	(462)
Net debt, end of year	(4,803,664)	(2,147,210)	(3,569,335)

Kehewin Cree Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating activities		
Cash receipts from contributors and other sources (Note 13)	52,102,441	23,460,362
Cash paid to suppliers	(12,479,237)	(11,341,594)
Cash paid to employees	(7,694,699)	(6,507,116)
Interest paid	(151,119)	(86,331)
	31,777,386	5,525,321
Financing activities		
Advances of long-term debt	-	128,225
Repayment of long-term debt	(232,729)	(143,105)
Advances on demand loan net of repayments (Note 8)	391,979	161,142
	159,250	146,262
Capital activities		
Acquisition of tangible capital assets (Note 13) (Schedule 1)	(26,139,956)	(3,798,283)
Investing activities		
Advances to partnership and business enterprises	-	(22,940)
Repayments of advances to partnership and business enterprises	35,702	-
Advances from funds held in trust (Note 7)	107,000	450,600
Increase in restricted cash	(6,568,919)	(1,251,569)
	(6,426,217)	(823,909)
Increase (decrease) in cash resources	(629,537)	1,049,391
Cash resources, beginning of year (Note 4)	1,338,631	289,240
Cash resources, end of year (Note 4)	709,094	1,338,631

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

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 consolidated 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 Indigenous Services Canada ("ISC"). Significant aspects of the accounting policies adopted by the First Nation are as follows:

Reporting entity consolidated

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

- Kehewin Legacy Trust
- Kehewin Treaty Land Entitlement Trust
- Kehewin Specific Claims Settlement Trust

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 consolidated financial statements using the modified equity method as outlined in Note 6. 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.)

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.

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; 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 and prepaid expenses.

Net debt

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

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

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 purpose 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 is not subject to stipulations as defined by funding agreements is recorded in the year in which it is earned and collection is reasonably assured.

Cash

Cash includes 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.

Funds held in trust

Funds held in trust on behalf of First Nation members by the Government of Canada are reported on the consolidated statement of financial position. Trust monies consist of:

- Capital trust monies derived from non-renewable resource transactions on the 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.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Projects under construction are 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.

Amortization

Tangible capital assets are amortized annually using the declining balance method 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 projects under construction until such time the asset is completed and are ready for their intended use.

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

2. Significant accounting policies (Continued from previous page)

Long-lived assets

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 operations for the year.

Investments in partnerships and business entities

Investments in partnerships and business entities are accounted for using the modified equity method, less any provisions for permanent impairment. Investments in business entities that are not accounted for using the modified equity method are accounted for using the cost method, less any provisions for permanent impairment.

Liability for contaminated sites

A liability for remediation of contaminated sites is recognized at the best estimate of the amount required to remediate the contaminated sites 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, 2020.

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 (2019 - no liability recorded for contaminated sites).

Measurement uncertainty

The preparation of consolidated 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 consolidated 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. Deferred revenue is based upon estimates of expended amounts and amounts required to complete specific projects. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the Nation is responsible for.

In preparing these consolidated financial statements, management made estimates and judgments including consideration for the uncertainties and economic implications for the COVID-19 pandemic on the First Nation operations, financial performance and financial position for the year ended March 31, 2020. The uncertainty surrounding the COVID-19 pandemic could generate, in future reporting periods, a significant risk of material adjustment to the carrying amounts in the consolidated financial statements.

Oil and gas royalties and surface right payments related to oil and gas exploration and development activities are administered directly by the Government of Canada ("Canada") under the provisions of the *Indian Oil and Gas Act*. The Nation records receipts based on currently available information supplied by Canada. Royalty payments from oil and gas producers are subject to periodic revision.

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

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

2. Significant accounting policies (Continued from previous page)

Segments

The First Nation conducts its business through 11 of reportable segments: Administration, Indigenous Skills and Employment Training (ISET), Chief and Council, Daycare, Economic Development, Education, First Nation Development Fund, Health, Housing, Public Works, and Social Development. These operating segments are established by 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.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

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 not 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 consolidated statement of operations. Interest income is recognized in the consolidated 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 operations. 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 consolidated 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 operations

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

3. COVID-19 pandemic

On March 11, 2020, the World Health Organization declared a global pandemic. The outbreak of the novel strain of the coronavirus, COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility. Governments and central banks including Canadian federal, provincial, territorial and municipal governments have responded with significant monetary and fiscal interventions designed to stabilize economic conditions.

At the time of approval of these consolidated financial statements, in response to the COVID-19 pandemic:

- The First Nation has not permanently terminated employees.
- The First Nation has implemented remote work arrangements for those available to do so.
- The First Nation has implemented stringent health and safety procedures.
- The management of the First Nation has been proactive and diligent in addressing the implementation of infection prevention and other precautionary measures, guided by public health authorities, to limit the spread of COVID-19 and the impact of the pandemic and the related economic contraction on the entity.

The rapidly evolving event, including the health and safety conditions, economic environment and resulting government measures, creates a high level of uncertainty and risk that may result in significant impacts to the First Nation's activities, results of operations and financial condition. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. As such it is not possible to estimate the length and severity of these developments and the impact on the financial results and condition on the First Nation and its operations in future periods.

4. Cash

	2020	2019
Cash	709,094	1,338,631
Restricted cash - Capital projects	7,119,592	3,595,610
Restricted cash - Canada Mortgage and Housing Corporation ("CMHC")	454,073	686,762
Restricted cash - funds held in trust (Note 13)	3,335,526	57,900
	11,618,285	5,678,903

5. Accounts receivable

	2020	2019
Indigenous Services Canada	3,058,727	239,424
First Nation and Inuit Health Branch	-	743,928
Member receivable - Maintenance	1,881,535	1,619,658
Member receivable - Rent	1,841,682	1,572,231
Goods and services tax receivable	5,894	10,672
Trade receivables	885,631	991,716
	7,673,469	5,177,629
Less: Allowance for Doubtful Accounts - Member receivables	3,723,217	3,191,888
	3,950,252	1,985,741

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

6. 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, bear interest at 10% (2019 - 10%) and have no set terms of repayment. The loans from Kwayaskwaw Contracting Ltd. are unsecured, non-interest bearing and have no set terms of repayment.

	<i>Investment cost</i>	<i>Opening loans (advances)</i>	<i>Current loans (advances)</i>	<i>Opening accum. earnings</i>	<i>Current earnings (loss)</i>	<i>2020 Total investment</i>
Wholly-owned businesses – modified equity method:						
681415 Alberta Ltd.						
Kwayaskwaw Contracting Ltd.	100	-	-	587,934	(5,822)	582,212
	10	(497,089)	-	490,333	(257,654)	(264,400)
	110	(497,089)	-	1,078,267	(263,476)	317,812
Other investments - cost method:						
Pimee Well Services Ltd. - 16.66%	20	245,848	24,585	-	-	270,453
Partnerships – modified equity method:						
Seven Lakes Oilfield Services Limited Partnership - 8.33%						
Pimee Well Servicing Limited Partnership - 16.66%	100	-	(60,287)	1,956,907	93,942	1,990,662
	-	-	-	1,855,158	(116,874)	1,738,284
	100	-	(60,287)	3,812,065	(22,932)	3,728,946
	230	(251,241)	(35,702)	4,890,332	(286,408)	4,317,211

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

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

	<i>Investment cost</i>	<i>Opening loans (advances)</i>	<i>Current loans (advances)</i>	<i>Opening accum. earnings</i>	<i>Current earnings</i>	<i>2019 Total investment</i>
Wholly-owned businesses – modified equity method:						
681415 Alberta Ltd.	100	-	-	540,101	47,833	588,034
Kwayaskwaw Contracting Ltd.	10	(497,089)	-	490,333	-	(6,746)
	110	(497,089)	-	1,030,434	47,833	581,288
Other investments - cost method:						
Pimee Well Services Ltd. - 16.66%	20	222,908	22,940	-	-	245,868
Partnerships – modified equity method:						
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	(274,181)	22,940	4,615,764	274,568	4,639,321

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

	<i>681415 Alberta Ltd. March 31, 2020</i>	<i>Kwayaskwaw Contracting Ltd. March 31, 2020</i>	<i>Seven Lakes Oilfield Services LP March 31, 2020</i>	<i>Pimee Well Servicing LP March 31, 2020</i>
Assets				
Cash	265,404	160,384	2,529,050	228,553
Accounts receivable	192,026	264,246	12,805,318	1,851,831
Prepays	-	-	22,510	149,930
Investments	136,706	-	-	1,331,266
Inventory	-	-	113,285	470,000
Property and equipment	11,417	186,623	19,290,375	19,233,973
Total assets	605,553	611,253	34,760,538	23,265,553
Liabilities				
Accounts payable and accruals	23,341	418,570	3,631,387	1,090,514
Advances to related parties	-	195,686	-	-
Term loans due on demand	-	255,629	-	4,162,508
Long-term debt	-	5,768	7,239,331	-
Total liabilities	23,341	875,653	10,870,718	5,253,022
Share capital / Partners capital	100	10	1,201	5,167,601
Retained earnings (deficit)	582,112	(264,410)	23,888,619	12,844,930
Net earnings (loss)	(5,822)	(257,654)	1,127,739	(701,520)

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

7. Funds held in trust

	2020	2019
Capital Trust		
Balance, beginning of year	450,215	745,586
Gas royalties	118,895	155,229
	569,110	900,815
Less: transfers to First Nation	57,000	450,600
Balance, end of year	512,110	450,215
Revenue Trust		
Balance, beginning of year	307,434	214,579
Interest	14,754	20,705
Land leases	62,532	72,150
	384,720	307,434
Less: transfers to First Nation	50,000	-
Balance, end of year	334,720	307,434
	846,830	757,649

8. Bank indebtedness

The First Nation has access to a line of credit with the Royal Bank of Canada ("RBC") bearing interest at RBC prime plus 0.75% (2019 - prime plus 0.75%), authorized to a maximum of \$2,801,400 (2019 - \$2,801,400), of which \$2,327,872 (2019 - \$1,935,893) was drawn at year-end. The facility is secured by the following: a certified copy of insurance policy, surety bond in favour of the lender, statutory declarations, irrevocable direction and undertaking, irrevocable Band Council Resolution, a security agreement, and assignment of all proceeds under the insurance policy.

The First Nation has access to an operating loan with Peace Hills Trust bearing interest at prime plus 2% (2019 - prime plus 2%), authorized to a maximum of \$300,000 (2019 - \$300,000) of which \$nil (2019 - \$nil) was drawn at year end. Advances under this operating loan are repayable on demand.

At March 31, 2020, the prime interest rate was 2.45% (2019 - 3.95%).

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. Accounts payable and accruals

	2020	2019
Trade and other accounts payable	5,543,975	4,607,848
Government remittances payable	12,696	47,835
Holdbacks payable	3,212,771	208,525
	8,769,442	4,864,208

Kehewin Cree Nation
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10. Deferred revenue

Deferred revenue consists of revenue that has not yet been allocated to projects, revenue that has been allocated to projects to be carried out in future years, and the unexpended portion of revenue on projects in progress at March 31, 2020.

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	<i>Balance, beginning of year (restated - Note 20)</i>	<i>Amounts received in year</i>	<i>Recognized in year</i>	<i>Balance, end of year</i>
General	114,274	-	10,439	103,835
First Nation Development Fund	132,080	603,056	735,136	-
Indigenous Services Canada	5,097,540	38,836,498	36,203,299	7,730,739
Government of Alberta	356,675	633,830	738,550	251,955
First Nation and Inuit Health Branch	250,000	3,505,284	3,724,353	30,931
Tribal Chiefs	-	10,248,761	10,231,297	17,464
	5,950,569	53,827,429	51,643,074	8,134,924

11. Long-term debt

	2020	2019
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.	1,425,496	1,555,128
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.	1,128,486	1,164,015
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.	484,717	502,846
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.	425,278	447,958
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.	124,674	142,000
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.	58,899	68,332
	3,647,550	3,880,279

Kehewin Cree Nation
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11. Long-term debt (Continued from previous page)

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

2021	235,598
2022	238,567
2023	241,579
2024	206,111
2025 and thereafter	2,725,695
	3,647,550

Interest on long-term debt and demand loans amounted to \$151,119 (2019 - \$86,331).

12. 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 \$781,295 (2019 - \$588,090). As at March 31, 2020, the First Nation has funded \$454,073 (2019 - \$686,762).

13. Significant events

(a) Treaty Annuities Specific Claim ("TAC")

During the year, the First Nation received settlement funds of \$3,335,526 relating to the Kehewin Cree Nation Treaty Annuities Specific Claim ("TAC") from Her Majesty the Queen in Right of Canada, as represented by the Minister of Crown-Indigenous Relations ("Canada"). These funds were held in trust as at March 31, 2020 (Note 4) and were advanced to the Kehewin Legacy Trust (the "Legacy Trust") on June 24, 2020. The TAC provides for the payment of compensation for the unlawful termination of treaty annuity payments to the First Nation in the aftermath of the 1885 Northwest Rebellion. The First Nation established the Legacy Trust to receive any compensation payable by Canada in relation to the TAC and to allow for the deposit of capital monies, lease income, royalties, specific claim settlements, own source revenues and any other monies (the "Trust Property"). The Legacy Trust is to be managed and invested for the long-term use and benefit of the First Nation and to generate a sustainable source of income. The First Nation has appointed the CIBC Trust Corporation to hold the Trust Property

(b) Water treatment plant

During the year, Tribal Chiefs Ventures Inc. transferred the water treatment plant project in progress to the First Nation resulting in a direct increase in revenue and tangible capital assets of \$9,547,962 (2019 - \$nil). This was a non-cash transaction and as a result has been excluded from the consolidated statement of cash flows.

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
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14. Contingencies

(a) 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.

(b) 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 damaged 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, 2020, included in accounts payable and accruals the First Nation has recorded a liability of \$1,925,007 (2019 - \$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 elders' lodge an impairment provision was recorded during the year totaling \$694,340 (2019 - \$694,340). As at March 31, 2020, the entire net book value of the elders' lodge was recorded as impaired.

(c) 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, 2020, included in accounts payable and accruals the First Nation has recorded a liability of \$549,000 (2019 - \$549,000) in connection with the claim. The recording of the amount does not constitute admission of claim. The outcome of this matter is not determinable. Any adjustments to this action will be recorded when it can reasonably be estimated.

(d) Government contributions related to the projects of the First Nation are subject to conditions regarding the expenditure of funds. The First Nation's accounting records, as well as those agencies delegated to execute the projects, are subject to audit by the various funding agencies. Should any instances be identified in which the amounts charged to the projects are not in accordance with the agreed terms and conditions, amounts would be refundable to the respective funding agencies.

Adjustments to the consolidated financial statements as a result of these audits will be recorded in the year in which they become known.

(e) The First Nation has been named as a defendant in a number of other lawsuits which are subject to many uncertainties and consequently it is not possible to predict their ultimate outcomes or to estimate the losses, if any, which may result.

15. Guarantee

As at March 31, 2020, the First Nation has guaranteed the \$255,629 (2019 - \$306,355) of long-term debt of Kwayaskwaw Contracting Ltd. Payment under this guarantee is triggered upon an event of default by the borrower as defined by the lending arrangement. As at March 31, 2020, no liability (2019 - no liability) has been recorded associated with this guarantee.

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
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16. Subsequent events

(a) Demand loans

Subsequent to year-end, the First Nation entered into two agreements with the Canadian Imperial Bank of Canada ("CIBC") to obtain two demand loans relating to its ongoing trust claims. The First Nation obtained access to lines of credit authorized to a maximum of \$3,735,200 relating to the Kehewin Treaty Land Entitlement Trust and \$3,735,200 relating to the Kehewin Specific Claims Settlement Trust respectively. The lines of credit bear interest at prime plus 0.5% and are secured by the following: a general security agreement provided by the borrower, a general security agreement and guarantee provided by the First Nation, a first ranking assignment of insurance, a pledge of surety bond and guarantee from AmTrust Financial Services Inc., an irrevocable Band Council Resolution and other legal documents.

(b) Water treatment plant

Subsequent to year-end, the new water treatment plant was completed and the existing water treatment plant was decommissioned. Total costs budgeted after year-end related to this project were \$2,835,796. At March 31, 2020, the existing water treatment plant with a net book value of \$190,767 was written off as the asset was no longer in use.

(c) Indigenous Communities Syndicate Limited Partnership ("LP")

Subsequent to year-end, the Kehewin Power Trust was established, with the First Nation being the sole beneficiary, and the Kehewin Power Trust Corporation was incorporated as its trustee, with the First Nation being the sole shareholder.

On August 13, 2020, pursuant to a Unit Option Agreement, the Kehewin Power Trust exercised an option to purchase 75 Class A Limited Partnership Units at \$1.00 per unit from the Indigenous Communities Syndicate Limited Partnership ("LP").

The LP partners include the Alexis Nakota Sioux Nation, Enoch Cree Nation, Kehewin Cree Nation, O'Chiese First Nation, Paul First Nation and Whitefish Lake First Nation. The LP will be participating in the \$1.5 billion Cascade Power Project ("Cascade"), a 900MW combined cycled natural gas fired power plant located near Edson, Alberta. Cascade is a project developed and operated by Kineticor Resource Corp, that when completed in 2023 will supply eight percent of Alberta's electricity needs.

The Alberta Indigenous Opportunities Corporation ("AIOC") will provide \$93 million in loan guarantees to the LP. AIOC is a provincial Crown corporation established in November 2019.

17. Related party transactions and balances

Transactions

During the year, the First Nation conducted the following transactions with related entities:

	2020	2019
Gas purchases - 681415 Alberta Ltd.	-	72,496
Contracting services - Kwayaskwaw Contracting Ltd.	1,555,287	1,115,455

The transactions were recorded at the exchange amount and are in the normal course of business.

Balances

Trade payables owing to related First Nation entities are as follows:

	2020	2019
Due to:		
681415 Alberta Ltd.	68,607	25,773
Kwayaskwaw Contracting Ltd.	2,869	295,033
	<hr/> 71,476	<hr/> 320,806

These amounts are included in the loan balances included in Note 6.

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

18. 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.

Risk management policy

The First Nation, as part of operations, has established risk management objectives such as avoidance of undue concentrations of risk as risk management objectives. In seeking to meet these objectives, the Nation follows a risk management policy approved by Chief and Council.

Credit risk

Credit risk is the risk of financial loss because a counterparty 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 5. 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 11.

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 its long-term debt and certain of its advances from related parties which bear interest at rates agreed upon at the time of issuance.

19. Budget information

The disclosed budget information has been approved by Chief and Council. Budgets for departments and projects not disclosed in the various schedules were not prepared by the First Nation's management.

Budget as approved by Chief and Council	(1,234,329)
Acquisition of tangible capital assets	<u>25,585,553</u>
Adjusted budget as per consolidated statement of operations	<u>24,351,224</u>

20. Correction of an error

During the year, the First Nation determined that a portion of Indigenous Services Canada revenue should have been recorded as deferred revenue as at March 31, 2019. The impact of this correction as at and for the year ended March 31, 2019 has resulted in a decrease to revenue and an increase to deferred revenue in the amount of \$1,297,200. This correction has impacted the March 31, 2020 year-end with a decrease of \$1,297,200 in opening accumulated surplus.

Kehewin Cree Nation
Notes to the Consolidated Financial Statements
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21. Transfers between departments

	2020	2019
Administration	(762,881)	(613,106)
Chief and Council	578,568	631,106
Health	(21,475)	(18,000)
Public Works	205,788	-
	-	-

22. Comparative figures

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