

Stoney First Nation

Consolidated Financial Statements

March 31, 2014

Stoney First Nation

Consolidated Financial Statements

March 31, 2014

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Stoney First Nation

Management's Responsibility for Financial Reporting

March 31, 2014

The accompanying consolidated financial statements of Stoney First Nation are the responsibility of management and have been approved by Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

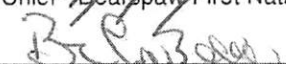
The external auditors, Crowe MacKay LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Stoney First Nation and meet when required.

On behalf of Stoney First Nation:




Chief - Bearsapaw First Nation

Sept 23, 2014
Date



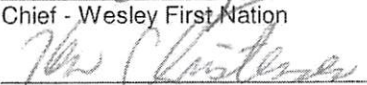
Chief - Chiniki First Nation

Sept 23, 2014
Date



Chief - Wesley First Nation

Sept 23, 2014
Date



Chief Financial Officer

Sept 23, 2014
Date

Independent Auditors' Report

To the Members of Stoney First Nation

We have audited the accompanying consolidated financial statements of Stoney First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations and accumulated operating surplus, remeasurement gains and losses, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the First Nation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Stoney First Nation as at March 31, 2014, and the results of its operations, the changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Stoney First Nation

Consolidated Statement of Financial Position

March 31 2014 2013

Financial Assets

Cash (Note 2)	\$ -	\$ 11,382,007
Restricted cash (Note 2)	9,155,331	8,257,126
Accounts receivable (Note 3)	14,536,920	7,905,179
Trust funds (Note 4)	245,710,778	248,780,341
	269,403,029	276,324,653

Liabilities

Bank indebtedness (Note 2)	2,527,097	-
Operating loan (Note 5)	1,961,667	-
Accounts payable and accrued liabilities	7,134,355	8,060,592
Deferred revenue (Note 6)	15,791,458	18,734,537
Long-term debt (Note 7)	51,953,317	52,564,600
	79,367,894	79,359,729

Net financial assets	190,035,135	196,964,924
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Non-financial Assets

Capital assets (Note 8)	185,658,910	189,809,433
Prepaid expenses	679,076	567,526
Inventories (Note 9)	448,306	330,377
	186,786,292	190,707,336

Accumulated Surplus (Note 10)	\$376,821,427	\$387,672,260
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Accumulated surplus is comprised of:


Accumulated operating surplus	\$376,260,169	\$386,677,806
Accumulated remeasurement gains	561,258	994,454


Accumulated Surplus	\$376,821,427	\$387,672,260
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Contingent liabilities (Note 11)

Approved on behalf of the Council

 , Chief - Bears paw First Nation

 , Chief - Chiniki First Nation

 , Chief - Wesley First Nation

Stoney First Nation

Consolidated Statement of Operations and Accumulated Operating Surplus

For the year ended March 31

	2014 Budget	2014 Actual	2013 Actual
Revenue			
Federal Government:			
Aboriginal Affairs and Northern Development Canada	\$ 30,959,026	\$ 31,449,905	\$ 38,371,663
CMHC subsidy	-	1,083,075	1,139,988
HRD funds	-	1,338,028	1,372,419
Health Canada	6,174,329	6,077,804	5,702,872
First Nation Development Funds	3,500,000	3,259,281	3,465,212
Other provincial funding	2,184,050	6,660,600	644,974
Investment and royalties income	22,241,191	21,664,034	9,520,448
Band owned business enterprises	2,051,000	19,794,189	18,133,892
Other income	17,403,423	10,885,454	12,376,498
	84,513,019	102,212,370	90,727,966
Expenses (Note 15)			
Education	16,612,512	15,558,098	15,922,935
Health	5,565,006	5,923,233	5,667,202
Economic Development	513,998	496,529	616,619
Housing	10,280,898	9,793,724	5,869,904
Community Service	5,259,331	4,597,027	4,375,454
Social Services	13,134,331	12,263,231	12,669,500
Band Government	11,411,117	11,294,580	13,726,189
Employment Programs	1,916,937	1,935,714	2,553,264
Public Works	5,681,145	5,252,234	4,487,392
Amortization	-	10,512,226	10,338,806
Other	19,455,359	35,003,411	28,172,661
	89,830,634	112,630,007	104,399,926
Deficiency of revenue over expenses	(5,317,615)	(10,417,637)	(13,671,960)
Accumulated operating surplus, beginning of year	386,677,806	386,677,806	400,349,766
Accumulated operating surplus, end of year	\$381,360,191	\$376,260,169	\$386,677,806

Stoney First Nation

Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31	2014	2013
Accumulated remeasurement gains, beginning of year	\$ 994,454	\$ 1,003,106
Unrealized losses on portfolio investments	(433,196)	(8,652)
Accumulated remeasurement gains, end of year	\$ 561,258	\$ 994,454

Stoney First Nation

Consolidated Statement of Change in Net Financial Assets

For the year ended March 31	2014 Budget	2014 Actual	2013 Actual
Deficiency of revenue over expenses	\$ (5,317,615)	\$ (10,417,637)	\$ (13,671,960)
Acquisition of tangible capital assets	-	(6,361,703)	(12,991,114)
Amortization of tangible capital assets	-	10,512,226	10,338,806
	-	4,150,523	(2,652,308)
Acquisition of prepaid asset	-	(111,550)	(477,732)
Acquisition of inventories	-	(117,929)	(22,674)
Net remeasurement losses	-	(433,196)	(8,652)
Decrease in net financial assets	(5,317,615)	(6,929,789)	(16,833,326)
Net financial assets, beginning of year	196,964,924	196,964,924	213,798,250
Net financial assets, end of year	\$191,647,309	\$190,035,135	\$196,964,924

Stoney First Nation

Consolidated Statement of Cash Flow

For the year ended March 31, 2014

2014

2013

Cash flows from

Operating activities

Deficiency of revenue over expenses	\$ (10,417,637)	\$ (13,671,960)
Items not affecting cash		
Amortization	10,512,226	10,338,806

94,589 (3,333,154)

Change in non-cash operating working capital

Accounts receivable	(6,631,741)	2,261,674
Inventories	(117,929)	(22,674)
Prepaid expenses	(111,550)	(477,732)
Accounts payable and accrued liabilities	(926,237)	(2,396,646)
Deferred revenue	(2,943,079)	9,114,020

(10,635,947) 5,145,488

Capital activities

Purchase of capital assets	(6,361,703)	(12,991,114)
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Financing activities

Long-term debt proceeds	2,004,304	-
Repayment of long-term debt	(2,615,587)	(2,671,800)

(611,283) (2,671,800)

Investing activities

Decrease in trust funds	3,069,563	20,355,315
Net remeasurement losses	(433,196)	(8,652)
Increase in restricted cash	(898,205)	(1,766,680)

1,738,162 18,579,983

Increase (decrease) in cash and cash equivalents

(15,870,771) 8,062,557

Cash and cash equivalents, beginning of year

11,382,007 3,319,450

Cash and cash equivalents, end of year

\$ (4,488,764) \$ 11,382,007

Represented by

Cash	\$ 2,077,804	\$ 11,382,007
Bank indebtedness	(4,604,901)	-
Operating loan	(1,961,667)	-

\$ (4,488,764) \$ 11,382,007

Stoney First Nation

Notes to Consolidated Financial Statements

March 31, 2014

1. Basis of Presentation and Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Reporting entity principles of financial reporting

The Stoney First Nation reporting entity includes the First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

The Consolidated Financial Statements include the assets, liabilities and results of operations for the following entities:

Bearspaw First Nation	Morley Health Centre
Bearspaw Settlement Funds	Nakoda Emergency Medical Services
Bearspaw Service Centre	Stoney Nakoda Telecom
Eden Valley Reserve	Education Authority
Eden Valley Medical Services	Social Assistance
Chiniki First Nation	Child and Family Services
Chiniki Settlement Funds	Social Housing Fund
Chiniki Restaurant	Ottawa Trust Funds
Chiniki Gas Bar	Per Capita Distribution
Chiniki Grocery	Mini Thni Foundation
Wesley First Nation	Stoney Nakoda Resort
Wesley Settlement Funds	Horse Shoe Lands Developments
Big Horn Reserve	218336 Development Ltd.
Big Horn Medical Services	Stoney Nakoda Developments Ltd.
Nakoda Lodge Ltd.	1117123 Alberta Ltd.
Tribal Common	Nakoda Oil and Gas Ltd.
Morley Common	Nakoda Contracting Ltd.
Stoney Nakoda Economic Development Trust	Iyahrhe Nakoda Food Bank Society
Capital Education	Capital Projects
Mini Thni Casino Corporation	Mini Thni Hotel Corporation
Mini Thni Utility Corporation	Stoney Nakoda Economic Development Ltd.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and balances in bank accounts, net of bank overdrafts.

(c) Inventory

Inventory is valued at lower of cost and net realizable value. Cost is determined using the first in first out method.

Stoney First Nation

Notes to Consolidated Financial Statements

March 31, 2014

1. Basis of Presentation and Significant Accounting Policies (continued)

(d) Investments

First Nation business enterprises that are owned or controlled by the Stoney First Nation are consolidated with the accounts of the First Nation as they do not qualify as government business enterprises.

Investments in term deposits, treasury bills and bonds are carried at fair value.

Investments are written down where there has been a loss in value that is other than a temporary decline.

(e) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and the Nation's incremental cost of borrowing.

Amortization is provided on the straight-line basis over the estimated useful life of the asset as follows:

Land	0 years Straight line
Buildings	20 years Straight line
Automotive equipment	3 years Straight line
Computer equipment	3 years Straight line
Furniture and Equipment	5 years Straight line
CMHC housing	20 years Straight line

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

Stoney First Nation

Notes to Consolidated Financial Statements

March 31, 2014

1. Basis of Presentation and Significant Accounting Policies (continued)

(f) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

Income from investments is recorded on the accrual basis.

(g) Financial instruments

All significant financial assets, financial liabilities and equity instruments of the entity are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

(h) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

A significant estimate made in the preparation of the accompanying consolidated financial statements involves the recoverability of expenditures incurred with respect to flood disaster clean up costs. As the expenditures are to be submitted, reviewed and approved by the Provincial Government prior to receiving the funds, management has estimated the recoverable amounts based on submitted expenditures.

Oil and gas royalties and surface rights 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. Adjustments are recorded by the Nation in the period that the information becomes available.

Stoney First Nation

Notes to Consolidated Financial Statements

March 31, 2014

2. Cash

	2014	2013
Externally restricted		
Cash Held in Trust	\$ 5,777,494	\$ 5,728,457
Replacement Reserve	2,060,233	2,060,233
Mini Thni Foundation	1,317,604	468,436
	<hr/>	
	9,155,331	8,257,126
Unrestricted		
Bank indebtedness	(4,604,901)	-
Cash	2,077,804	11,382,007
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	(2,527,097)	11,382,007
	<hr/>	
	\$ 6,628,234	\$ 19,639,133

Cash held in trust

Cash held in trust relates to the debt service reserve fund requirement of the Forbearance Agreement dated July 25, 2012 as described in note 7.

3. Accounts receivable

	2014	2013
Aboriginal Affairs and Northern Development Canada	\$ 2,596,146	\$ 1,610,717
Government of Alberta - flood damage recovery	3,380,422	-
Other	8,560,352	6,294,462
	<hr/>	
	\$ 14,536,920	\$ 7,905,179

Stoney First Nation

Notes to Consolidated Financial Statements

March 31, 2014

4. Trust funds

	2014	2013
Trust funds held by Ottawa:		
Capital account	\$ 12,475,966	\$ 5,860,480
Revenue account	7,865,262	5,180,703
Heritage capital account	183,714,961	183,714,961
Heritage revenue account	4,016,687	10,996,999
Other funds held in trust:		
Stoney Nakoda Economic Development Trust	16,993,679	20,449,025
Bearspaw Settlement Trust	6,710,787	7,058,951
Chiniki Settlement Trust	7,327,329	7,169,901
Wesley Settlement Trust	6,606,107	8,349,321
	\$245,710,778	\$248,780,341

Trust funds held by Ottawa

The trust fund accounts held in Ottawa arise from monies derived from capital and revenue sources which the Crown considers are described in Section 62 of the Indian Act. These funds are held in trust by the Government of Canada and the Crown treats these funds as primarily governed by sections 64 and 69 of the Indian Act.

The Heritage Royalty Trust Fund Capital Account was established in 1996 and is funded via the Ottawa Trust Fund Capital Account. The required annual contribution is graduated and ranges from a minimum of \$1 million to 50% of actual receipts over \$20 million. Commencing with the year ended March 31, 2010, the Nation has suspended the transfer.

These funds are treated by Canada as held in trust in the Consolidated Revenue fund of the Government of Canada. The funds attract interest pursuant to Section 61(2) of the Indian Act.

\$1,866,726 is held as security on housing loans.

Settlement trusts

Trusts were established in connection with the settlement of specific claims. The trust assets consist primarily of high grade government and corporate bonds with an annual yield of approximately 4%. The Stoney Nakoda Economic Development Trust also has made authorized loans to the Nation's entities of \$4,871,199 (2013: \$3,454,123). The securities are recorded at fair value and the loans are recorded at amortized cost.

5. Operating loan

Bank demand loan bearing interest at Royal Bank prime plus 1% secured by a band council resolution that authorizes redirection of funds received from specific government contribution agreements.

Stoney First Nation

Notes to Consolidated Financial Statements

March 31, 2014

6. Deferred revenue

Deferred revenue represents the following monies received for various First Nation operated programs which will be recognized as revenue in the fiscal year when the related expenditures are incurred.

	2014	2013
AANDC	\$ 1,968,057	\$ 2,048,599
Band funds	3,251,427	7,960,749
Band business entities	180,430	553,905
Health Canada	530,295	-
HRD	45,468	45,467
Other	9,463,610	7,881,885
Provincial Funding	352,171	243,932
	\$ 15,791,458	\$ 18,734,537

7. Long-term debt

	2014	2013
CMHC housing loans payable to various financial institution in monthly installments of \$180,431 including interest at rates varying from 1.01% to 3.76% with various maturity dates to 2035, secured by Ministerial guarantees and \$1,866,726 of Ottawa trust funds.	\$ 20,988,470	\$ 20,381,072
Financing repayable in equal monthly installments of \$276,848 including interest at 6.65%, due October 2028. The loan is secured by guarantees of the Stoney First Nation, a first mortgage on lands held by 218336 Development Ltd. and an assignment of First Nation Development Funds. At the year end, the Nation was in breach of the debt service coverage ratio and the required contributions to the maintenance reserve fund account. Per the Forbearance Agreement dated July 25, 2012, the lender waived its right to demand repayment as a result of the default until after March 31, 2014. As such the loan has been presented as callable in these financial statements. As at March 31, 2014 the maintenance reserve is under-funded by \$2,869,568.	30,964,847	32,183,528
	\$ 51,953,317	\$ 52,564,600

Principal portion of long-term debt due within the next five years:

2015	\$ 2,623,333
2016	2,568,445
2017	2,584,251
2018	2,620,003
2019 and thereafter	41,557,285
	\$ 51,953,317

Stoney First Nation

Notes to Consolidated Financial Statements

March 31, 2014

8. Tangible capital assets

	Cost				Accumulated amortization				
	Balance, beginning of year	Additions	Disposals/ Transfers	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year	2014 net book value
Land	\$ 19,036,515	\$ -	\$ -	\$ 19,036,515	\$ -	\$ -	\$ -	\$ -	\$ 19,036,515
Buildings	215,804,931	4,134,241	-	219,939,172	60,243,218	7,805,897	-	68,049,115	151,890,057
Automotive equipment	4,643,712	489,551	-	5,133,263	4,053,193	272,237	-	4,325,430	807,833
Computer equipment	963,424	46,856	-	1,010,280	815,306	74,199	-	889,505	120,775
Furniture and equipment	4,573,592	460,908	(3,094)	5,031,406	3,623,178	658,163	-	4,281,341	750,065
CMHC housing	34,034,617	-	-	34,034,617	24,596,985	1,701,730	-	26,298,715	7,735,902
Work in progress building	4,084,522	2,813,274	(1,580,033)	5,317,763	-	-	-	-	5,317,763
	\$ 283,141,313	\$ 7,944,830	\$ (1,583,127)	\$ 289,503,016	\$ 93,331,880	\$ 10,512,226	\$ -	\$ 103,844,106	\$ 185,658,910

	Cost				Accumulated amortization				
	Balance, beginning of year	Additions	Disposals/ Transfers	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year	2013 Net book value
Land	\$ 19,036,515	\$ -	\$ -	\$ 19,036,515	\$ -	\$ -	\$ -	\$ -	\$ 19,036,515
Buildings	189,943,414	25,961,493	(99,976)	215,804,931	52,825,518	7,517,676	(99,976)	60,243,218	155,561,713
Automotive equipment	4,453,368	438,178	(247,834)	4,643,712	3,955,361	291,138	(193,306)	4,053,193	590,519
Computer equipment	928,641	34,783	-	963,424	700,294	115,012	-	815,306	148,118
Equipment	4,498,402	72,561	2,629	4,573,592	2,923,052	702,755	(2,629)	3,623,178	950,414
CMHC housing	34,034,617	-	-	34,034,617	22,895,254	1,712,225	(10,494)	24,596,985	9,437,632
Work in progress building	17,561,649	11,414,218	(24,891,345)	4,084,522	-	-	-	-	4,084,522
	\$ 270,456,606	\$ 37,921,233	\$ (25,236,526)	\$ 283,141,313	\$ 83,299,479	\$ 10,338,806	\$ (306,405)	\$ 93,331,880	\$ 189,809,433

Stoney First Nation

Notes to Consolidated Financial Statements

March 31, 2014

9. Inventories

	2014	2013
Food and beverages	\$ 174,092	\$ 195,444
Tobacco	162,486	36,803
Fuel	96,421	79,614
Gift shop	15,307	18,516
	\$ 448,306	\$ 330,377

10. Accumulated surplus

	2014	2013
Operating fund	\$ (4,934,582)	\$ (3,120,530)
Capital fund	133,705,593	137,244,833
Trust fund	245,428,925	250,493,270
Replacement reserve	2,060,233	2,060,233
Remeasurement gains	561,258	994,454
	\$376,821,427	\$387,672,260

11. Contingent liabilities

A. Legal

Stoney First Nation has been named as defendant in certain legal proceedings. The Band is actively defending all lawsuits.

The Nation is currently defending claims for wrongful dismissal. Since the claims are at a preliminary stage, the amount of loss, if any, cannot be reasonably estimated. Should a loss be incurred, it will be expensed in the year the liability is determined.

There are also several proceedings in the Federal Court and Court of Queen's Bench of Alberta with respect to logging on the Stoney First Nation reserves in which the the Stoney First Nation is plaintiff which were pending as of March 31, 2009. The Crown is a defendant in certain of these proceedings and is also a plaintiff in one of the proceedings.

The Stoney First Nation is also a plaintiff in three actions filed by the Court of Queen's Bench of Alberta and the Supreme Court of British Columbia regarding aboriginal title and aboriginal and treaty rights of the Stoney First Nation in Alberta and British Columbia respectively and in the Court of Queen's Bench for Saskatchewan regarding aboriginal and treaty rights of the Stoney First Nation in lands and resources in certain areas of Saskatchewan. All three actions also raise fundamental issues in relation to the nature and scope of Treaty No. 7.

Stoney First Nation

Notes to Consolidated Financial Statements

March 31, 2014

11. Contingent liabilities (continued)

B. Contributions

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 are subject to audit by the various funding agencies. Should any instances be identified in which the amounts charged to 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 period in which they become known.

12. CMHC replacement reserve

Under the terms of an agreement with Canada Mortgage and Housing Corporation, the First Nation is required to provide a replacement reserve. This reserve is to ensure replacement of buildings financed by Canada Mortgage and Housing Corporation. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by Canada Deposit Insurance Corporation. At the year end, the replacement reserve was overfunded.

13. Employment retirement plan

The organization has a defined contribution plan for its employees. Participation in the pension plan is available to substantially all employees. Employees may contribute between 3.5% and 7.5% of their gross pay with the organization making a matching contribution to the plan. Any voluntary amounts paid by the employee are not matched. Total employer contributions for 2014 were \$818,501 (2013: \$739,295).

14. Flood relief recovery

In June 2013 the Nation experienced flooding which resulted in damage to roads, housing and infrastructure. The Nation requested relief from the Government of Alberta through the Government's Disaster Relief plan. As at March 31, 2014 the Nation has a receivable of \$3,380,422 with respect to expenditures submitted under the plan.

Stoney First Nation

Notes to Consolidated Financial Statements

March 31, 2014

15. Expenses

For the year ended March 31	2014 Budget	2014 Actual	2013 Actual
Expenses			
Amortization	\$ -	\$ 10,512,226	\$ 10,338,806
Contracted services	6,132,085	5,570,295	6,467,083
Insurance	-	1,161,461	2,138,236
Interest expense	-	2,687,373	2,607,888
Program costs	36,197,945	40,032,277	40,230,899
Repairs and maintenance	9,450,412	10,643,360	3,167,863
Salaries, wages and benefits	29,475,959	32,315,769	29,970,094
Telephone and utilities	4,104,187	5,543,771	5,379,595
Travel and meetings	2,392,975	2,229,127	2,235,224
Tuition and Student Allowance	2,077,071	1,934,348	1,864,238
	\$ 89,830,634	\$ 112,630,007	\$ 104,399,926

16. Financial instruments

The Nation's financial instruments consist of restricted cash, accounts receivable, trust funds, bank indebtedness, operating loan, accounts payable and long term debt. Unless otherwise noted, the carrying value of its financial instruments approximates fair value.

It is management's opinion that the Nation is not exposed to significant currency risks from its financial instruments. The Nation is subject to credit risk with respect to other income. Credit risk arises from the possibility that the entities may experience financial difficulty and be unable to fulfill their obligations. The large amount of annual funding received from the Government of Canada minimizes credit risk.

The Nation minimizes interest rate risk by borrowing at fixed rates and is exposed to market risk with respect to certain of its Trust Funds invested in securities.

17. Economic dependence

Stoney First Nation receives a significant portion of its revenue pursuant to funding agreements with Aboriginal Affairs and Northern Development Canada and Health Canada.

18. Budget

The budget reported in the financial statements was provided by management and is unaudited.

19. Comparative amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current year.

Stoney First Nation

Notes to Consolidated Financial Statements

March 31, 2014

20. Segmented information

The Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by function. The segment revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounts Policies as described in Note 2. The segment results for the period are as follows:

	2014 Budget	Education 2014 Actual	2013 Actual	2014 Budget	Health 2014 Actual	2013 Actual	Economic Development 2014 Budget	2014 Actual	2013 Actual
Revenues									
Aboriginal Affairs and Northern Development Canada	13,899,204	13,986,041	20,913,538	-	-	-	326,291	330,778	432,318
Health Canada	80,000	69,981	-	4,866,965	5,790,052	5,702,872	-	-	-
Investment and royalties income	436,784	200,975	1,076,635	-	5,582	3,797	101,022	113,320	177,392
Provincial funding	-	248,224	-	20,000	15,893	-	-	-	-
Other revenue	1,994,460	720,219	4,406,175	678,041	137,880	329,323	86,685	78,402	10,065
Total revenue	16,410,448	15,225,440	26,396,348	5,565,006	5,949,407	6,035,992	513,998	522,500	619,775
Expenses									
Salaries, wages and benefits	8,981,866	9,483,593	8,865,960	2,878,036	3,849,868	3,665,888	181,643	175,965	236,245
Contracted services	1,413,455	1,320,764	2,352,466	640,543	746,750	639,745	99,509	122,805	259,487
Repairs and maintenance	836,600	724,969	404,372	132,486	198,181	291,520	-	-	-
Travel and meetings	489,398	454,693	299,072	108,496	232,335	275,137	64,130	59,613	20,630
Telephone and utilities	34,875	517,857	34,656	16,255	68,896	84,399	2,000	6,575	3,150
Tuition and Student Allowance	1,133,697	993,958	1,163,014	10,300	10,007	-	9,739	9,683	-
Other expenses	3,722,621	2,062,264	2,803,395	1,778,890	817,196	710,513	156,977	121,888	97,107
Total expenses	16,612,512	15,558,098	15,922,935	5,565,006	5,923,233	5,667,202	513,998	496,529	616,619
Annual surplus (deficit)	(202,064)	(332,658)	10,473,413	-	26,174	368,790	-	25,971	3,156

Stoney First Nation

Notes to Consolidated Financial Statements

March 31, 2014

20. Segmented information, continued

	2014 Budget	Housing 2014 Actual	2013 Actual	2014 Budget	Community Service 2014 Actual	2013 Actual	2014 Budget	Social Services 2014 Actual	2013 Actual
Revenues									
Aboriginal Affairs and Northern Development Canada	241,855	246,648	311,722	330,672	330,672	383,412	10,994,140	10,549,222	10,690,163
CMHC subsidy	-	1,083,075	1,139,988	-	-	-	-	-	-
HRD funds	-	-	-	-	506,742	480,923	-	-	-
Health Canada	-	-	-	213,000	217,771	-	-	-	-
Investment and royalties income	5,513,577	3,162,317	8,608,352	2,379,375	2,144,615	2,882,791	180,000	140,000	456,259
Provincial funding	-	2,399,160	-	-	-	-	-	296,256	86,671
Other revenue	2,844,053	3,191,298	2,103,753	2,336,284	694,667	547,386	1,988,415	1,005,025	1,418,336
Total revenue	8,599,485	10,082,498	12,163,815	5,259,331	3,894,467	4,294,512	13,162,555	11,990,503	12,651,429
Expenses									
Salaries, wages and benefits	907,728	1,144,706	980,696	2,094,033	1,997,933	2,314,074	3,684,683	2,905,328	2,465,772
Contracted services	344,030	298,115	253,396	24,087	52,370	98,640	270,000	268,276	337,799
Repairs and maintenance	3,227,651	3,899,985	1,230,249	321,540	375,926	104,213	55,998	47,455	52,981
Travel and meetings	40,207	64,163	90,483	158,797	154,402	141,899	307,860	318,788	268,891
Telephone and utilities	3,050,915	3,258,955	3,096,425	442,699	376,897	438,181	39,085	40,192	31,631
Tuition and Student Allowance	-	-	-	101,378	78,026	-	8,800	2,100	-
Other expenses	2,710,367	1,127,800	218,655	2,116,797	1,561,473	1,278,447	8,767,905	8,681,092	9,512,426
Total expenses	10,280,898	9,793,724	5,869,904	5,259,331	4,597,027	4,375,454	13,134,331	12,263,231	12,669,500
Annual surplus (deficit)	(1,681,413)	288,774	6,293,911	-	(702,560)	(80,942)	28,224	(272,728)	(18,071)

Stoney First Nation

Notes to Consolidated Financial Statements

March 31, 2014

20. Segmented information, continued

	Band Government			Employment Programs			Public Works		
	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual
Revenues									
Aboriginal Affairs and Northern Development Canada	1,493,364	1,492,784	1,505,540	295,165	314,201	818,312	3,229,994	4,091,363	2,840,591
HRD funds	-	-	-	-	831,286	891,496	-	-	-
Investment and royalties income	9,409,046	6,027,506	15,390,073	165,268	165,268	394,417	1,228,331	225,743	2,592,377
Provincial funding	-	-	-	-	29,868	6,068	-	-	-
Band owned business enterprises	-	2,409,050	1,603,316	-	-	-	-	-	1,005,256
Other revenue	508,707	1,981,203	1,559,580	1,456,504	429,842	483,985	1,222,820	1,676,880	(331,838)
Total revenue	11,411,117	11,910,543	20,058,509	1,916,937	1,770,465	2,594,278	5,681,145	5,993,986	6,106,386
Expenses									
Salaries, wages and benefits	5,079,686	5,553,264	4,868,861	761,804	814,877	1,031,780	1,173,522	1,306,803	1,301,304
Contracted services	2,135,380	1,176,537	1,305,181	233,907	218,951	358,382	121,888	337,891	231,740
Repairs and maintenance	29,200	28,019	122,406	-	-	12,545	722,747	624,171	389,556
Travel and meetings	716,923	426,967	602,849	59,214	43,774	76,740	219,095	272,477	303,827
Telephone and utilities	315,499	382,400	417,883	27,068	27,809	31,437	102,640	95,058	99,741
Tuition and Student Allowance	-	-	3,183	546,857	580,239	698,041	-	-	-
Other expenses	3,134,429	3,727,393	6,405,826	288,087	250,064	344,339	3,341,253	2,615,834	2,161,224
Total expenses	11,411,117	11,294,580	13,726,189	1,916,937	1,935,714	2,553,264	5,681,145	5,252,234	4,487,392
Annual surplus (deficit)	-	615,963	6,332,320	-	(165,249)	41,014	-	741,752	1,618,994

Stoney First Nation

Notes to Consolidated Financial Statements

March 31, 2014

20. Segmented information, continued

	2014 Budget	Amortization 2014 Actual	2013 Actual	2014 Budget	Other 2014 Actual	2013 Actual	2014 Budget	Consolidated totals 2014 Actual	2013 Actual
Revenues									
Aboriginal Affairs and Northern Development Canada	-	-	-	148,341	108,196	476,067	30,959,026	31,449,905	38,371,663
CMHC subsidy	-	-	-	-	-	-	-	1,083,075	1,139,988
HRD funds	-	-	-	-	-	-	-	1,338,028	1,372,419
First Nation Development Funds	-	-	-	3,500,000	3,259,281	3,465,212	3,500,000	3,259,281	3,465,212
Health Canada	-	-	-	1,014,364	-	-	6,174,329	6,077,804	5,702,872
Investment and royalties income	-	-	-	2,827,788	9,478,708	(22,061,646)	22,241,191	21,664,034	9,520,447
Provincial funding	-	-	-	2,164,050	3,671,199	552,235	2,184,050	6,660,600	644,974
Band owned business enterprises	-	-	-	2,051,000	17,385,139	15,525,320	2,051,000	19,794,189	18,133,892
Other revenue	-	-	-	4,287,454	970,038	1,849,734	17,403,423	10,885,454	12,376,499
Total revenue	-	-	-	15,992,997	34,872,561	(193,078)	84,513,019	102,212,370	90,727,966
Expenses									
Salaries, wages and benefits	-	-	-	3,732,958	5,083,432	4,239,514	29,475,959	32,315,769	29,970,094
Contracted services	-	-	-	849,286	1,027,836	630,247	6,132,085	5,570,295	6,467,083
Repairs and maintenance	-	-	-	4,124,190	4,744,654	560,021	9,450,412	10,643,360	3,167,863
Travel and meetings	-	-	-	228,855	201,915	155,696	2,392,975	2,229,127	2,235,224
Telephone and utilities	-	-	-	73,151	769,132	1,142,092	4,104,187	5,543,771	5,379,595
Amortization	-	10,512,226	10,338,806	-	-	-	-	10,512,226	10,338,806
Tuition and Student Allowance	-	-	-	266,300	260,335	-	2,077,071	1,934,348	1,864,238
Other expenses	-	-	-	10,180,619	22,916,107	21,445,091	36,197,945	43,881,111	44,977,023
Total expenses	-	10,512,226	10,338,806	19,455,359	35,003,411	28,172,661	89,830,634	112,630,007	104,399,926
Annual surplus (deficit)	-	(10,512,226)	(10,338,806)	(3,462,362)	(130,850)	(28,365,739)	(5,317,615)	(10,417,637)	(13,671,960)