

Blood Tribe
Consolidated Financial Statements
For the year ended March 31, 2017

Blood Tribe Contents

For the year ended March 31, 2017

Page

Management's Responsibility

Independent Auditors' Report

Consolidated Financial Statements

Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Changes in Net Financial Assets.....	4
Consolidated Statement of Cash Flows.....	5

Notes to the Consolidated Financial Statements	6
--	---

Schedules

Schedule 1 - Consolidated Schedule of Tangible Capital Assets.....	24
Schedule 2 - Schedule of Consolidated Expenses by Object.....	25
Schedule 3 - Schedule of Revenue and Expenses - Blood Tribe Administration.....	26
Schedule 4 - Schedule of Revenue and Expenses - Blood Tribe Department of Health Inc.....	27
Schedule 5 - Schedule of Revenue and Expenses - Blood Tribe Economic Development.....	28
Schedule 6 - Schedule of Revenue and Expenses - Blood Tribe Employment Skills and Training.....	29
Schedule 7 - Schedule of Revenue and Expenses - Blood Tribe Family and Community Support Services.....	30
Schedule 8 - Schedule of Revenue and Expenses - Blood Tribe Farming Initiative.....	31
Schedule 9 - Schedule of Revenue and Expenses - Blood Tribe First Nation Development Fund.....	32
Schedule 10 - Schedule of Revenue and Expenses - Blood Band Housing Authority.....	33
Schedule 11 - Schedule of Revenue and Expenses - Blood Indian Band Housing Society.....	34
Schedule 12 - Schedule of Revenue and Expenses - Blood Tribe Lands.....	35
Schedule 13 - Schedule of Revenue and Expenses - Blood Tribe Police Service.....	36
Schedule 14 - Schedule of Revenue and Expenses - Blood Tribe Public Works.....	37
Schedule 15 - Schedule of Revenue and Expenses - Blood Tribe Real Estate.....	38
Schedule 16 - Schedule of Revenue and Expenses - Blood Tribe Recreation.....	39
Schedule 17 - Schedule of Revenue and Expenses - Blood Tribe Revenue Fund.....	40
Schedule 18 - Schedule of Revenue and Expenses - Blood Tribe Social Development.....	41
Schedule 19 - Schedule of Revenue and Expenses - Kainai Education Society.....	42
Schedule 20 - Schedule of Revenue and Expenses - Kainai Manufactured Home Park.....	43
Schedule 21 - Schedule of Revenue and Expenses - Kainaiwa Akers Specific Claims Trust No. 1 and No. 2.....	44
Schedule 22 - Schedule of Revenue and Expenses - Kainaiwa Children's Services Corporation.....	45
Schedule 23 - Schedule of Revenue and Expenses - Kainaiwa Developments Ltd.....	46
Schedule 24 - Schedule of Revenue and Expenses - Kainaiwa Resources Inc.....	47
Schedule 25 - Schedule of Revenue and Expenses - Red Crow Community College.....	48

Blood Tribe

Contents

For the year ended March 31, 2017

	Page
Schedule 26 - Schedule of Revenue and Expenses - Investment in Business Enterprises.....	49
Schedule 27 - Schedule of Revenue and Expenses - Non-Consolidated Entities: Kainai Transition Centre Society.....	50
Schedule 28 - Schedule of Receipt and Expenditure of Trust Monies for Band Capital Funds.....	51
Schedule 29 - Schedule of Receipt and Expenditure of Trust Monies for Band Revenue Funds.....	53

Management's Responsibility

To the Chief and Council and Members of the Blood Tribe:

The accompanying consolidated financial statements of the Blood Tribe are the responsibility of management and have been approved by the Chief and Council.

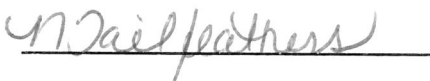
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate 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.

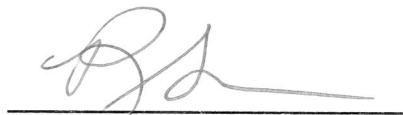
The Blood Tribe Chief and Council are responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Chief and Council fulfils these responsibilities by reviewing the financial information prepared by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

MNP LLP is appointed by the Chief and Council on 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.

June 30, 2017



Senior Executive
Officer



Senior Finance
Officer

Independent Auditors' Report



To the Chief and Council and Members of the Blood Tribe:

We have audited the accompanying consolidated financial statements of the Blood Tribe, which comprise the consolidated statement of financial position as at March 31, 2017 and the consolidated statements of operations and accumulated surplus, changes in net financial assets, cash flows and the related schedules 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 auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Blood Tribe as at March 31, 2017 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

June 30, 2017

Chartered Professional Accountants



ACCOUNTING > CONSULTING > TAX
3425 - 2ND AVENUE S, LETHBRIDGE AB, T1J 4V1
1.800.661.8097 T: 403.329.1552 F: 403.329.1540 MNP.ca

Blood Tribe

Consolidated Statement of Financial Position

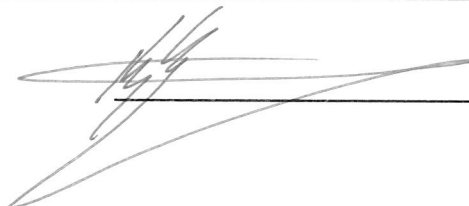
As at March 31, 2017

	2017	2016
Financial assets		
Current		
Cash resources	5,022,398	3,872,242
Temporary investments (Note 3)	5,033,632	1,155,189
Inventory for resale	1,518,346	2,489,783
Accounts receivable (Note 4)	20,573,565	16,359,799
Subtotal of current assets	32,147,941	23,877,013
Investment in Nation business enterprises (Note 5)	12,968,248	17,020,103
Restricted cash (Note 6)	4,672,252	4,430,629
Funds held in trust (Note 7)	66,670,129	72,959,622
Total financial assets	116,458,570	118,287,367
Liabilities		
Current		
Accounts payable and accruals (Note 9)	13,475,315	9,752,166
Deferred revenue (Note 10)	5,520,817	6,916,935
Current portion of long-term debt (Note 11)	2,628,520	1,623,521
Subtotal of current liabilities	21,624,652	18,292,622
Long-term debt (Note 11)	26,340,863	19,887,561
Replacement reserves (Note 12)	2,978,758	1,775,707
Total liabilities	50,944,273	39,955,890
Net financial assets	65,514,297	78,331,477
Contingencies, commitments and guarantees (Note 13)		
Non-financial assets		
Tangible capital assets (Note 14) (Schedule 1)	118,868,577	109,461,077
Prepaid expenses	2,777,333	2,754,872
Total non-financial assets	121,645,910	112,215,949
Accumulated surplus (Note 16)	187,160,207	190,547,426

Approved on behalf of of the Blood Tribe



Chief



Council
Member

The accompanying notes are an integral part of these financial statements

Blood Tribe

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2017

	<i>Schedules</i>	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
Revenue				
Indigenous and Northern Affairs Canada (Note 20)		83,396,159	93,159,129	80,829,794
Akers claim		-	49,427	52,738
Alberta Gaming and Liquor Commission		1,250,000	2,049,031	2,227,012
Band capital fund		2,956,478	9,482,028	6,227,143
Band revenue fund		3,652,140	4,509,037	2,830,313
Big lease funds		700,000	3,243,781	3,532,346
Canada Mortgage and Housing Corporation subsidy		3,022,462	1,438,236	1,495,141
Community Futures Treaty 7 and Treaty 7 Management Corporation		3,304,476	3,978,460	3,325,399
Education tuition		-	690,789	511,042
Farming income		-	394,893	1,044,452
Federal and Provincial funding and grants		1,447,171	13,175,797	11,446,278
First Nations and Inuit Health		13,313,329	14,388,073	14,623,422
Housing and real estate rents		2,257,630	6,215,534	5,864,598
Interest income		-	69,001	109,998
Land rent		1,333,608	1,558,907	1,573,931
Other government funding		-	124,144	-
Other revenue		10,436,102	7,432,226	10,729,343
Deferred revenue		226,897	1,585,737	2,135,478
		127,296,452	163,544,230	148,558,428
Program expenses				
Blood Tribe Administration	3	9,840,023	16,920,281	14,684,506
Blood Tribe Department of Health Inc.	4	13,507,659	15,480,671	15,123,612
Blood Tribe Economic Development	5	835,923	1,122,455	1,138,769
Blood Tribe Employment and Skills Training	6	2,788,784	3,975,686	3,398,837
Blood Tribe Family and Community Support Services	7	3,184,616	2,817,585	2,850,051
Blood Tribe Farming Initiative	8	-	1,117,304	1,228,818
Blood Tribe First Nation Development Fund	9	-	85,204	85,597
Blood Band Housing Authority	10	4,672,717	5,450,746	5,474,647
Blood Indian Band Housing Society	11	3,978,142	8,059,073	7,527,099
Blood Tribe Lands	12	2,079,549	1,827,309	1,927,153
Blood Tribe Police Service	13	-	6,284,390	6,359,690
Blood Tribe Public Works	14	11,930,331	7,792,510	7,546,879
Blood Tribe Real Estate	15	1,494,340	2,134,151	1,860,793
Blood Tribe Recreation	16	1,944,134	2,782,477	2,841,066
Blood Tribe Revenue Fund	17	-	457,919	688,875
Blood Tribe Social Development	18	14,652,201	17,252,756	14,998,181
Kainai Education Society	19	33,161,187	33,735,450	30,956,918
Kainai Manufactured Home Park	20	87,545	80,394	99,143
Kainaiwa Akers Specific Claims Trust No. 1 and No. 2	21	497,668	417,208	709,027
Kainaiwa Children's Services Corporation	22	12,898,597	14,146,305	12,749,640
Kainaiwa Developments Ltd.	23	140,250	198,847	247,516
Kainaiwa Resources Inc.	24	777,232	920,676	1,037,811
Red Crow Community College	25	10,987,300	11,327,320	9,799,267
Total expenses		129,458,198	154,386,717	143,333,895
Surplus (deficit) before other items		(2,161,746)	9,157,513	5,224,533

Continued on next page

Blood Tribe

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2017

	2017 Budget	2017	2016
Surplus (deficit) before other items <i>(Continued from previous page)</i>	(2,161,746)	9,157,513	5,224,533
Other income (expense)			
Gain (loss) on disposal of tangible capital assets	-	(299)	9,806
Unauthorized expenses <i>(Schedule 16)</i>	-	(3,218)	(10,142)
Change in funds held in trust <i>(Schedule 17)</i>	-	(6,303,143)	(1,187,239)
Loss from operation from investment in enterprises <i>(Schedule 26)</i>	-	(4,324,891)	(3,759,493)
Loss from fire <i>(Schedule 25)</i>	-	-	(3,829,037)
	-	(10,631,551)	(8,776,105)
Deficit	(2,161,746)	(1,474,038)	(3,551,572)
Accumulated surplus, beginning of year	190,547,426	190,547,426	192,321,123
Transfers (to) from non-consolidated entities	-	(1,913,181)	1,777,875
Accumulated surplus, end of year	188,385,680	187,160,207	190,547,426

The accompanying notes are an integral part of these financial statements

Blood Tribe
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2017

	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
Annual deficit	(2,161,746)	(1,474,038)	(3,551,572)
Purchases of tangible capital assets	-	(13,953,005)	(16,974,142)
Amortization of tangible capital assets	-	9,015,697	8,817,750
Change in construction in progress	-	(4,617,009)	(1,111,295)
(Gain) loss on sale of tangible capital assets	-	299	(9,806)
Proceeds of disposal of tangible capital assets	-	146,518	191,195
Net changes of tangible capital assets	-	(9,407,500)	(9,086,298)
Change in prepaid expenses	-	(22,461)	(2,116,832)
Transfers (to) from non-consolidated entities	-	(1,913,181)	1,777,875
Net changes of prepaid expenses and transfers	-	(1,935,642)	(338,957)
Changes in net financial assets	(2,161,746)	(12,817,180)	(12,976,827)
Net financial assets, beginning of year	78,331,477	78,331,477	91,308,304
Net financial assets, end of year	76,169,731	65,514,297	78,331,477

The accompanying notes are an integral part of these financial statements

Blood Tribe
Consolidated Statement of Cash Flows
For the year ended March 31, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating activities		
Deficit	(1,474,038)	(3,551,572)
Non-cash items		
Amortization	9,015,697	8,817,750
Deferred revenue	(1,396,118)	(1,194,856)
Loss from operation from investment in enterprises (Note 5)	4,324,891	3,759,493
(Gain) loss on sale of tangible capital assets	299	(9,806)
	10,470,731	7,821,009
Changes in working capital accounts		
Accounts receivable	(4,213,766)	4,101,964
Accounts payable and accruals	3,723,149	2,277,706
Replacement reserve	1,203,051	(689,476)
Inventory	971,437	(806,171)
Prepaid expenses	(22,461)	(2,116,832)
	12,132,141	10,588,200
Financing activities		
Advances of long-term debt	9,719,969	4,019,484
Repayment of long-term debt	(2,261,668)	(3,034,980)
Repayment of capital lease obligations	-	(2,125)
	7,458,301	982,379
Capital activities		
Purchases of tangible capital assets	(13,953,005)	(16,974,142)
Proceeds of disposal of tangible capital assets	146,518	191,195
Increase in construction in progress	(4,617,009)	(1,111,295)
	(18,423,496)	(17,894,242)
Investing activities		
Decrease (increase) in temporary investments	(3,878,443)	4,664,377
Decrease (increase) in restricted cash	(241,623)	420,807
Transfers from business enterprises (Note 5)	(273,036)	(2,252,436)
Decrease in trust assets	6,289,493	1,372,120
Transfers (to) from non-consolidated entities	(1,913,181)	1,777,875
	(16,790)	5,982,743
Increase (decrease) in cash resources	1,150,156	(340,920)
Cash resources, beginning of year	3,872,242	4,213,162
Cash resources, end of year	5,022,398	3,872,242

The accompanying notes are an integral part of these financial statements

Blood Tribe
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

1. Operations

The Blood Tribe is located in the province of Alberta, and provides various services to its members. Blood Tribe includes the Blood Tribe's members, government and all related entities that are accountable to the Blood Tribe and are either owned or controlled by the Blood Tribe.

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 the Department of Indigenous and Northern Affairs Canada ("INAC"). Significant aspects of the accounting policies adopted by the Blood Tribe are as follows:

Reporting entity

The Blood Tribe reporting entity includes all controlled departments or entities that are accountable to the Blood Tribe, except for Blood Tribe business enterprises.

The consolidated financial statements include the assets, liabilities, revenues and expenses of the following departments and entities:

Blood Tribe Administration	Blood Tribe Real Estate
Blood Tribe Department of Health Inc.	Blood Tribe Recreation
Blood Tribe Economic Development	Blood Tribe Revenue Fund
Blood Tribe Employment and Skills Training	Blood Tribe Social Development
Blood Tribe Family and Community Support Services	Kainai Education Society
Blood Tribe Farming Initiative	Kainai Manufactured Home Park
Blood Tribe First Nation Development Fund	Kainaiwa Akers Specific Claims Trust No. 1 and No. 2
Blood Band Housing Authority	Kainaiwa Children's Services Corporation
Blood Indian Band Housing Society	Kainaiwa Developments Ltd.
Blood Tribe Lands	Kainaiwa Resources Inc.
Blood Tribe Police Service	Red Crow Community College
Blood Tribe Public Works	

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.

Blood Tribe business enterprises that are owned or controlled by the Blood Tribe Council and that are not dependent on the Blood Tribe for their continuing operations are included in the consolidated financial statements using the modified equity method. The Blood Tribe's investment in these enterprises is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and contributions and decreased by post acquisition losses and distributions received. Enterprises accounted for by the modified equity basis include:

971445 Alberta Ltd.
1110340 Alberta Ltd.
1432126 Alberta Ltd.
Blood Band Farms Ltd.
Blood Tribe Agricultural Project Ltd., made up of:

- 709204 Alberta Ltd. (o/a Blood Tribe Forage Processing Plant)
- AOHKII Investment Property Management
- Blood Tribe Irrigation Management
- Sawkee Feedlot Inc.

Blood Tribe Oil and Gas Partnership
Kainai Agri-Business Corporation
Kainai Housing Corporation
Kainai Marketplace Ltd.
St. Mary's Construction Company #7 Ltd.

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

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 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, and construction in progress.

Cash resources

Cash resources 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.

Temporary investments

Temporary investments are valued at the lower of cost and market value.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Tangible capital assets

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

Capital lease

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital lease are amortized on the straight-line basis over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

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 and equipment	straight-line	3-10 years
Buildings	straight-line	20 years
Housing units	reverse sum of year digits	25 years
Infrastructure	straight-line	25 years

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

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of Blood Tribe 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 surplus. Trust monies consist of:

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

Long-lived assets

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

The Blood Tribe performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in operations for the year; impairment of tangible capital assets is reflected in accumulated surplus when impairment occurs. Prices for similar items are used to measure fair value of long-lived assets.

Investment in business enterprises

The Blood Tribe follows the modified equity method to account for its investment in business enterprises. The investment is stated at cost plus (less) the Blood Tribe's share of earnings/losses since acquisition plus capital and operating transfers to (from) the business enterprises. The statement of operations for business enterprises includes the business enterprises' annual surplus (deficit) for the year ended March 31, 2017. The business enterprises' accounting principles have not been adjusted to conform to those of the Blood Tribe.

Deferred revenue

Funding received under funding arrangements 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

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

Measurement uncertainty (use of estimates)

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 collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Payable to CMHC is based on anticipated repayment requirements; however, actual repayment will be determined upon CMHC's review of the Blood Tribe's consolidated financial statements.

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

- i. Indigenous and Northern Affairs Canada ("INAC") and First Nations and Inuit Health ("FNIH")
The Blood Tribe 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 Blood Tribe recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.
- ii. Band Capital and Revenue Funds
The Blood Tribe recognizes revenue of the Capital and Revenue Fund as income is received and reported by the federal government.
- iii. Canada Mortgage and Housing Corporation ("CMHC")
CMHC revenue is recognized as it becomes receivable under the terms of the applicable funding agreements, and is decreased for amounts anticipated to be repaid at year end.
- iv. Housing rental income
Rental revenue is recorded in the year it is earned. At the end of each year management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.
- v. Residential Rehabilitation Assistance Program ("RRAP")
RRAP provides five year, non interest bearing, forgivable loans for low income homeowners whose homes require major renovations. Revenue is reported upon substantial completion of the project. Any fund, which must be repaid because the homeowner did not comply with the terms of the assistance program, is recognized as an expense in the year funds are repaid.
- vi. Community Futures Treaty 7 ("CFT7") and Treaty 7 Management Corporation ("T7MC")
Treaty 7 provides funding for specific purposes. These funds are reported as revenue in the year the specific expenses are incurred. Funds which have not been expended by the fiscal year-end are recorded as deferred revenue and appear as a liability on the consolidated statement of financial position.
- vii. Alberta Gaming and Liquor Commission ("AGLC")
AGLC provide funding for specific projects. These funds are reported as revenue in the year the specific expenses are incurred. Funds which have not been expended by the fiscal year end are recorded as deferred revenue and appear as a liability on the consolidated statement of financial position.
- viii. Other Government Funding
The Blood Tribe 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 Blood Tribe recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.
- ix. Other revenue
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.

Blood Tribe

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

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

Segments

The Blood Tribe conducts its business through 23 reportable segments: See "reporting entity" accounting policy note for list of all segments. These operating segments are established by senior management to facilitate the achievement of the Blood Tribe'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. Administration fees have been apportioned based on a percentage of budgeted revenue, where permitted by the funder.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2 the *significant accounting policies*.

Liability for contaminated sites

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 Blood Tribe 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, 2017.

At each financial reporting date, the Blood Tribe 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 Blood Tribe 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. As at March 31, 2017, there is no liability for contaminated sites accrued in these consolidated financial statements.

3. Temporary investments

Temporary investments consist of guaranteed investment certificates bearing interest at rates ranging from 0.59% to 1.15% (2016 - 0.55% to 1.15%) with varying maturity dates from June 20, 2017 to March 16, 2018.

4. Accounts receivable

	2017	2016
Indigenous and Northern Affairs Canada	1,043,665	2,382,151
Alberta Gaming and Liquor Commission	477,055	548,348
First Nations and Inuit Health	402,509	1,725,362
Canada Revenue Agency	1,804,922	1,804,922
Canada Mortgage and Housing Corporation	148,082	8,746
Due from non-consolidated entities	4,520,772	1,415,276
Employees	47,964	49,919
Housing rents	3,137,464	2,877,771
Kainai Education Society - other federal and provincial grants	759,470	550,788
Other	4,184,307	3,027,510
Ottawa Trust	7,408,581	5,278,151
Treaty 7 Community Futures	720,673	531,500
Water and garbage fees	1,579,977	1,530,130
	26,235,441	21,730,574
Less: Allowance for doubtful accounts	5,661,876	5,370,775
	20,573,565	16,359,799

Blood Tribe
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

5. Investments in Nation business enterprises

The Blood Tribe has investments in the following entities:

	2016 <i>Investment in business enterprises</i>	2017 <i>Net income (loss)</i>	2017 <i>Equity transfers</i>	2017 <i>Investment in business enterprises</i>
Wholly-owned Businesses:				
971445 Alberta Ltd.	2,154,931	(32,592)	-	2,122,339
1110340 Alberta Ltd.	1,247,513	(292,500)	-	955,013
1432126 Alberta Ltd.	5,954,260	-	-	5,954,260
Blood Band Farms Ltd.	1,303,231	730,039	(470,465)	1,562,805
Blood Tribe Oil and Gas Partnership	1,000,000	-	-	1,000,000
Blood Tribe Agricultural Project Ltd.	5,421,210	(4,454,975)	741,501	1,707,736
Kainai Agri-Business Corporation	16,496	(2,000)	2,000	16,496
Kainai Marketplace Ltd.	-	(274,363)	-	(274,363)
Kainai Housing Corporation	(77,539)	1,500	-	(76,039)
St. Mary's Construction Company #7 Ltd.	1	-	-	1
	17,020,103	(4,324,891)	273,036	12,968,248
	2015 <i>Investment in business enterprises</i>	2016 <i>Net income (loss)</i>	2016 <i>Equity transfers</i>	2016 <i>Investment in business enterprises</i>
Wholly-owned Businesses:				
971445 Alberta Ltd.	2,179,786	(24,855)	-	2,154,931
1110340 Alberta Ltd.	2,040,513	(820,350)	27,350	1,247,513
1432126 Alberta Ltd.	5,954,260	-	-	5,954,260
Blood Band Farms Ltd.	2,822,508	(184,565)	(1,334,712)	1,303,231
Blood Tribe Oil and Gas Partnership	1,000,000	-	-	1,000,000
Blood Tribe Agricultural Project Ltd.	4,592,135	(2,727,723)	3,556,798	5,421,210
Kainai Agri-Business Corporation	15,496	(2,000)	3,000	16,496
Kainai Housing Corporation	(77,539)	-	-	(77,539)
St. Mary's Construction Company #7 Ltd.	1	-	-	1
	18,527,160	(3,759,493)	2,252,436	17,020,103

The Blood Tribe has guaranteed the following debt on behalf of its First Nation business enterprises:

Blood Tribe Agricultural Projects Ltd. has the following long-term debt which the Blood Tribe has issued a guarantee for repayment:

- Blood Tribe Agricultural Projects Ltd. has long-term debt due to the Bank of Montreal of \$620,000 (2016 – \$860,000), this term loan is payable in monthly instalments of \$20,000 (2016 – \$20,000) at an interest rate of prime plus 1.5% (2016 – prime plus 1.5%), maturing 2020. Security consists of a general security agreement and guarantee by the Blood Tribe. The Blood Tribe has guaranteed \$620,000 (2016 – \$860,000) of this long-term debt. Payment under this guarantee will remain in place until the long-term debt is fully repaid. Payment is required if the company defaults on the loan. No liability has been recorded associated with this guarantee.

Blood Tribe
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

5. Investment in Nation business enterprises *(Continued from previous page)*

709204 Alberta Ltd. has the following long-term debt which the Blood Tribe has issued a guarantee for repayment:

- 709204 Alberta Ltd. has long-term debt due to the Bank of Montreal of \$3,046,440 (2016 – \$3,550,001, this term loan is payable in monthly instalments of \$44,643 (2016 – \$44,643) at an interest rate of prime plus 1.5% (2016 – prime plus 1.5%), maturing 2024. This loan is secured by related equipment with a net book value of \$3,647,434 (2016 – \$3,767,310) as well as a general security agreement with Chief and Council. The Blood Tribe has guaranteed \$3,046,440 (2016 – \$3,550,001) of this long-term debt. Payment under this guarantee will remain in place until the long-term debt is fully repaid. Payment is required if the company defaults on the loan. No liability has been recorded associated with this guarantee.

Condensed financial information for each entity for their respective period ending March 31, 2017 is as follows:

	Assets	Liabilities	Investment in business enterprises	Revenue	Expenses	Net income (loss)
971445 Alberta Ltd.	2,319,012	196,673	2,122,339	156,928	189,520	(32,592)
1110340 Alberta Ltd.	956,513	1,500	955,013	-	292,500	(292,500)
1432126 Alberta Ltd.	5,954,260	-	5,954,260	-	-	-
Blood Band Farms Ltd.	2,112,551	549,746	1,562,805	1,807,488	1,077,449	730,039
Blood Tribe Oil and Gas Partnership	1,000,000	-	1,000,000	-	-	-
Blood Tribe Agricultural Project Ltd.	12,443,573	10,735,837	1,707,736	17,385,095	21,840,070	(4,454,975)
Kainai Agri-Business Corporation	18,496	2,000	16,496	-	2,000	(2,000)
Kainai Marketplace Ltd.	288,016	562,379	(274,363)	1,319,597	1,593,960	(274,363)
Kainai Housing Corporation	31,387	107,426	(76,039)	1,500	-	1,500
St. Mary's Construction Company #7 Ltd.	1	-	1	-	-	-
	25,123,809	12,155,561	12,968,248	20,670,608	24,995,499	(4,324,891)

Blood Tribe agricultural sector which includes Blood Tribe Agricultural Project Ltd is operating under the assumption that they will continue to occupy and obtain the use of Blood Tribe lands at zero cost.

Blood Tribe

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

6. Restricted cash

	2017	2016
Blood Tribe Lands	1,255,960	1,154,444
Blood Tribe First Nation Development Fund	2,258,770	3,096,477
Blood Tribe Department of Health	55,209	55,232
Blood Tribe Recreation	10,117	10,117
Blood Indian Band Housing Society	477,837	-
Red Crow Community College	614,359	114,359
	4,672,252	4,430,629

Notes to restricted cash

Blood Tribe Department of Health Inc. restricted cash must be used for future specific approved purchases under the MCARR (Note 12) and AYCES agreements. The amount is comprised of \$55,209 (2016 - \$55,232) for AYCES.

Blood Tribe First Nation Development Fund restricted cash represents funds which must be used for specific approved projects. Any underspending of funds must receive an approved redirection by Band Council Resolution and approval from Alberta Gaming and Liquor Commission.

Blood Tribe Lands is involved in an agency agreement with the Blood Tribe land occupants whereby the Blood Tribe collects and disburses the rental income from renters and receives a 5% administration fee. This cash represents the amounts which have not been disbursed under the terms of the rental agreement. As at March 31, 2017, the Blood Tribe Lands restricted cash account is under funded by \$131,111 (2016 - \$61,920) as compared to the amount owed to trusts and estates.

Blood Tribe Recreation's restricted cash relates to Band Capital trust monies that are transferred to the Department on authorization by Chief and Council through Band Council Resolution to take Band Capital out of the Ottawa Trust account, and are then kept in trust with the Blood Tribe's legal counsel for the purpose of the construction of the multi-purpose centre. The multi-purpose centre was completed in the 2015 fiscal year, the funds are currently still in trust awaiting a decision from Chief and Council.

Blood Indian Band Housing Society restricted cash relates to annual contributions to a replacement reserve in accordance with Canada Mortgage and Housing Corporation ("CMHC") guidelines. In accordance with the terms of the agreements, CMHC reserve monies must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal. Funds within the reserve account are required to be set aside for the replacement of housing units in accordance with CMHC policies.

Red Crow Community College restricted cash are term deposits that bear interest ranging from 1.13% to 1.15 % and mature in August 2017.

Blood Tribe
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

7. Funds held in trust

	2017	2016
Capital trust		
Balance, beginning of year	64,327,162	65,467,443
Gas royalties	459,853	326,636
Oil and gas bonus	-	1,083,680
Oil royalties	3,775,452	3,383,425
Less: transfers	(9,482,028)	(5,934,022)
Balance, end of year	59,080,439	64,327,162
Revenue trust		
Balance, beginning of year	7,815,729	7,862,686
Compensation payments	3,832	10,966
Easement payments	184,695	90,390
Interest	2,233,554	1,780,571
Land leases	1,028,539	1,106,517
Subsurface leases	1,996	94,912
Less: transfers	(4,509,037)	(3,130,313)
Balance, end of year	6,759,308	7,815,729
Akers trust		
Akers Claim	607,082	614,216
Akers Claim 2	223,300	202,515
	830,382	816,731
	66,670,129	72,959,622

The Ottawa trust accounts arise from moneys derived from capital or revenue sources as outlined in Section 62 of the *Indian Act*. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. Sections 63 to 69 of the *Indian Act* primarily govern the management of these funds.

Akers Claim and Akers Claim 2 are invested for the future benefit of the Blood Tribe in a trust created by the Blood Tribe. Trustees appointed by the Council of the Blood Tribe on terms and conditions set out in the specified Trust Agreement shall administer the trust. The Akers Claim and Akers Claim 2 consists of cash in the amount of \$144,031 (2016 - \$130,330) bearing interest at 0.10% (2016 - 0.10%), and guaranteed investment certificates totaling \$686,351 (2016 - \$686,401), bearing interest ranging from 2.65% to 2.75% (2016 - 2.65% to 2.70%) and having maturity dates ranging from May 2017 to August 2019.

8. Bank indebtedness

BANK OF NOVA SCOTIA

The Blood Tribe has a consolidated blanket overdraft facility of \$3,000,000 for Blood Tribe departments and entities, which incurs interest at prime plus 1.25% (2016 - 1.25%). Security pledged consists of Band Council Resolutions authorizing individual departments and entity borrowings up to a total of \$3,000,000, duly acknowledged by the Department of Indigenous and Northern Affairs Canada. The blanket overdraft is assessed on an overall basis for all Blood Tribe departments and entities, positive bank balances are netted with bank indebtedness and the net amount is assessed by the bank, overall the Blood Tribe is in a positive net cash balance. As at March 31, 2017, the prime rate used by Bank of Nova Scotia was 2.70% (2016 - 2.70%).

Blood Tribe

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

9. Accounts payable and accruals

	2017	2016
Accounts payable and accrued liabilities	7,770,240	7,700,562
Payable to trusts and estates	1,389,071	1,216,364
Payable to Land Occupants	4,316,004	835,240
	13,475,315	9,752,166

10. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to individual reporting entities:

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Contributions brought into revenue</i>	<i>Balance, end of year</i>
Blood Tribe Real Estate	226,897	-	226,897	-
Blood Tribe First Nation Development Fund	3,581,441	2,049,031	3,037,448	2,593,024
Blood Tribe Police	644,510	-	103,307	541,203
Blood Tribe Administration	91,000	-	91,000	-
Blood Tribe Economic Development	1,142,398	-	1,142,398	-
Kainai Board of Education	86,437	3,622,043	1,908,825	1,799,655
Red Crow Community College	526,931	341,707	301,503	567,135
Blood Tribe Farming Initiative	500,000	-	500,000	-
Kainaiwa Children's Services Corporation	100,000	-	100,000	-
Kainaiwa Resources Inc.	17,321	19,800	17,321	19,800
	6,916,935	6,032,581	7,428,699	5,520,817

Blood Tribe Real Estate March 31, 2017 deferred revenue amount is \$nil (2016 - \$226,897). The March 31, 2016 amount related to Band Capital revenue that was received prior to March 31, 2016 related to building repairs and maintenance, however was not spent as of March 31, 2016.

Blood Tribe First Nation Development Fund deferred revenue relates to Alberta Gaming and Liquor Commission funds that have been received for a number of programs that have not yet been undertaken or for programs that have not been fully expensed as of March 31, 2017.

Police Service, Kainai Education Society, Red Crow Community College and Kainaiwa Resources Inc deferred revenue relates to Federal and Provincial funds that have been received for capital expenditures and programs that have not yet been undertaken or for capital expenditures and programs that have not been fully expensed as of March 31, 2017.

Blood Tribe

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

11. Long-term debt

	2017	2016
Blood Tribe Administration	17,712	30,803
Blood Tribe Family and Community Support Services	115,885	87,743
Blood Band Housing Authority	-	520,307
Blood Tribe Lands	42,048	-
Blood Indian Band Housing Society	19,261,107	18,579,964
Blood Tribe Public Works	902,443	1,186,313
Blood Tribe Revenue Fund	2,000,000	-
Kainaiwa Children's Services Corporation	1,208,428	1,004,911
Red Crow Community College	31,610	101,041
Blood Tribe Recreation	2,411,579	-
Blood Tribe Economic Development	2,978,571	-
	28,969,383	21,511,082
Less: current portion	2,628,520	1,623,521
	26,340,863	19,887,561

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:

2018	2,628,520
2019	2,500,000
2020	2,400,000
2021	2,300,000
2022	2,200,000

Mortgages, loans and finance contracts bear interest ranging from 0.00% to 5.69% (2016 - 0.00% to 5.29%).

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

Cash interest paid on long-term debt during the year amounted to \$612,696 (2016 - \$519,172).

Blood Tribe
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

12. Replacement reserves

	2017	2016
Blood Tribe Department of Health Inc.:		
Moveable Capital Asset Replacement Reserve		
Replacement reserve, beginning of year	163,780	177,701
Allocation from operations	35,700	35,700
Replacement of MCARR assets	(35,606)	(49,621)
	163,874	163,780
Blood Indian Band Housing Society:		
CMHC Replacement Reserve		
Replacement reserve, beginning of year	1,611,927	2,287,482
Allocation from operations	173,205	203,716
Transfer to (from) reserve for matured projects	1,029,752	(879,271)
	2,814,884	1,611,927
Total replacement reserves	2,978,758	1,775,707

Blood Tribe Department of Health Inc.:

Under the terms of the Moveable Capital Asset Replacement Reserve ("MCARR") agreement with First Nation and Inuit Health ("FNIH") the replacement reserve account is to be credited in amounts negotiated at the time of the annual budget approval by FNIH. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by FNIH or such accounts as may be approved by FNIH from time to time. Withdrawals are charged to interest first and then principal. As at March 31, 2017 the replacement reserve was funded by cash of \$163,874, which has been included in current cash resources in 2017 (2016 - funded by cash of \$163,780).

Blood Indian Band Housing Society:

Under the terms of the agreements with Canada Mortgage and Housing Corporation ("CMHC") the replacement reserve account is to be credited in amounts negotiated at the time of the annual budget approval by CMHC. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts as may be approved by CMHC from time to time. Withdrawals are charged to interest first and then principal.

As at March 31, 2017, the replacement reserve is underfunded by \$2,337,047 (2016 - \$1,611,927) which is a breach of the CMHC covenant. The Department has agreed to repayment terms with CMHC to fund the underfunded portion over the next five years.

13. Contingencies, commitments and guarantees

The Blood Tribe has been named as defendant under various claims for general matters. Management has assessed the success of these claims as unlikely and/or has ensured adequate insurance is in place. Accordingly, no provision has been made in these consolidated financial statements.

In June of 2016, the Blood Tribe settled a seventy-five year old land claim settlement with the Government of Canada. The Department of National Defence confiscated 55,000 acres of land on the Blood Reserve for use as a bombing and gunnery range. Under the terms of the agreement, the funds will remain in trust until the Blood Tribe's Chief and Council consult with Blood Tribe members on the best use of the settlement funds. Under Public Sector Accounting Standards the trust is not recorded as an asset with a corresponding equity in accumulated surplus of the Blood Tribe as the trust is not controlled by the Blood Tribe, it is controlled by a third party for the benefit of Blood Tribe membership.

As at March 31, 2017, Blood Tribe Administration and Blood Tribe Revenue Fund have guaranteed the credit facility mortgages and term loans of several related departments and entities. These guarantees are collateralized by Band Council Resolutions, co-signed by the The Blood Tribe and the Departments and a mortgage over certain Department assets. Payment under this guarantee, which will remain in place until loan and mortgage amounts are fully repaid, is required if the related department and entities default on payment. As of March 31, 2017 no liability (2016 - \$nil) has been recorded associated with this guarantee. The total guarantee is \$25,853,310 (2016 - \$19,867,317) and includes the following departments and entities: Blood Indian Band Housing Society, Red Crow Community College, Recreation and Economic Development.

The Blood Tribe has guaranteed the term loan of Blood Tribe Irrigation Management up to a maximum amount of \$3,400,000 which is reduced as the term debt is paid down. This loan is also secured by a general security agreement. Payment under this guarantee is required if Blood Tribe Irrigation Management defaults on the loan. As at March 31, 2017 and 2016, no liability has been recorded associated with this guarantee. The outstanding balance as at March 31, 2017 is \$620,000 (2016 - \$860,000).

The Blood Tribe has guaranteed the term loan of 709204 Alberta Ltd. (o/a Blood Tribe Forage Processing Plant) up to a maximum amount of \$4,500,000 which is reduced as the term debt is paid down. This loan is also secured by related equipment with a net book value of \$3,647,434 (2016 - \$3,767,310) as well as a general security agreement with Chief and Council. Payment under this guarantee is required if 709204 Alberta Ltd. (o/a Blood Tribe Forage Processing Plant) defaults on the loan. As at March 31, 2017, no liability has been recorded associated with this guarantee. The outstanding balance as at March 31, 2017 is \$3,046,440 (2016 - \$3,550,001).

The Blood Band Housing Authority has an obligation to repay any Residential Rehabilitation Assistance Program funding received where a qualifying homeowner did not comply with the terms of the assistance program. The amount and likelihood of a potential obligation is not determinable at the consolidated financial statement date.

The Blood Band Housing Authority is contingently liable for contractor's obligations relating to performance and completion of construction contracts. Various claims and litigation arise in the normal course of the construction business. It is management's opinion that adequate provision has been made for any potential settlements relating to such matters and that they will not materially affect the financial position or future operation of the Blood Tribe.

The Blood Indian Band Housing Society is required by CMHC to meet certain requirements for replacement reserves and operating surplus reserves, which they are currently not in compliance with. The impact of these breaches is not determinable at this time and the liabilities resulting, if any, will be accounted for as an expense in the period the Blood Tribe becomes aware of them. The Department has agreed with CMHC on a 5 year repayment plan to repay the underfunded reserves.

The Blood Indian Band Housing Society is required to charge rent on a per unit basis using a rent income scale as provided by Canada Mortgage and Housing Corporation. For the years ended March 31, 2017 and 2016, there was insufficient documentation on older rental units to determine if the Housing Society was complying with the rent income scale, which is a breach of the CMHC covenant, the effect of which is not determinable at this time.

Red Crow Community College has issued a letter of credit to the Bank of Nova Scotia for coverage of tuition fees in the amount of \$112,500 (2016 - \$112,500), secured by a term deposit with a carrying value of \$116,948 (2016 - \$114,359). The Department's total commitments under various operating leases and a property lease agreement are as follows: 2018 - \$15,698; 2019 - \$13,000 and 2020 - \$13,000.

13. Contingencies, commitments and guarantees *(Continued from previous page)*

Blood Tribe Employment and Skills Training is required by Aboriginal Skills and Employment Training Strategy funding to maintain program files for each participant to verify whether they are eligible for employment insurance funding. Should the Blood Tribe fail to maintain these records, it may be liable for the repayment of funds received under this program. As of the year-end, the Blood Tribe believes that it has complied with all the requirements of this program.

The Blood Tribe Department of Health Inc. has been named as defendant under a claim by Aquashell for termination of a development agreement. The amount being claimed is \$3,107,500 plus additional unspecified damages. The Department has a counterclaim against Aquashell for amongst other things, the tort of deceit, negligent misstatement and unjust enrichment for amounts paid to Aquashell amounting to \$325,000. Given the preliminary stage of the proceedings, the risk of liability or potential exposure to damages is indeterminable, and thus no amounts have been reported in these consolidated financial statements with regards to this claim and counter claim.

The Blood Tribe Public Works operates a gravel pit to supply raw materials used in the ongoing maintenance of roads. The Department is responsible for the costs of reclaiming the gravel pits at the end of the production in accordance with provincial legislation. As at March 31, 2017 no amounts have been accrued for the reclamation costs as the liability cannot be reliably determined.

The First Nation Development Fund has entered into a commitment to pay a construction loan with a maximum authorized amount of \$2,500,000 on behalf of Blood Tribe Recreation for construction of the new community hall. The balance of this loan at March 31, 2017 is \$2,411,579. It will be paid with funding received from the Alberta Gaming and Liquor Commission and is due March 1, 2018, at which time the loan will be converted to a term loan with terms determinable at that time.

971445 Alberta Ltd. has an obligation to dismantle and remove the oil platforms at the end of each well's useful life, which range from 1 to 19 years. The entities total undiscounted proportionate amount of estimated cash flows required to settle the obligation is \$110,966 (2106 - \$65,483).

14. Tangible capital assets

The tangible capital assets reconciliation is included in Schedule 1.

The Blood Tribe holds a collector's item in the amount of \$20,000 (2016 - \$20,000) and an art collection in the amount of \$8,020 (2016 - \$8,020), which have been included in tangible capital assets with equipment, no amortization has been taken on the assets.

15. Construction in progress

Prior to March 31, 2016 Blood Tribe Economic Development entered into a construction management contract for the construction of the grocery store. The entire grocery store project was expected to cost \$5,750,000 and be funded through Alberta Aboriginal Relations, Band Capital funding, and long-term debt proceeds. As at March 31, 2017 the total cost of construction of the centre amounted to \$5,562,164 (2016 - \$1,857,080). The construction project was completed during the 2017 fiscal year and the grocery store has been operating since September of 2016.

In addition, Blood Tribe Economic Development had entered into a construction management contract for the site development of the area directly surrounding the grocery store to be developed into commercial property. The project was expected to cost \$1,000,000 and be funded through Band Capital funding and internally generated funds. As at March 31, 2017 the total cost for the construction amounted to \$1,004,301 (2016 - \$428,517). The construction project was completed during the 2017 fiscal year.

As at March 31, 2017 the Blood Band Housing Authority was in the process of construction of an 8 unit and 10 unit housing projects, both scheduled to be completed in 2018. The Department expects total construction costs of these projects to be \$5,454,200. As at March 31, 2017 \$3,279,015 has been expended to complete the projects. Partial funding for this project is to be provided by long-term debt proceeds from CMHC totaling \$2,848,000 of which \$nil has been received to date. The terms and conditions of this financing are not determinable at the consolidated financial statement date. Upon completion of construction the capital cost and associated debt will be transferred to Blood Indian Band Housing Society.

Blood Tribe
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

15. Construction in progress *(Continued from previous page)*

As at March 31, 2016 the Blood Band Housing Authority was in the process of construction of an 10 unit and 4 unit housing projects, which were completed in 2017. The Department expected total construction costs of these projects to be \$4,859,028. As at March 31, 2017 \$4,954,243 has been expended to complete the projects. Partial funding for this project had been provided by long-term debt proceeds from CMHC totaling \$2,051,000 of which \$1,898,260 has been received to date. In the current year this project was complete thus the construction capital cost and associated debt have been transferred to Blood Indian Band Housing Society. There is a corresponding receivable from CMHC for the remainder of the debt proceeds to be received as of March 31, 2017 in Blood Indian Band Housing Society

Under the terms of an agreement with the First Nation Development Fund ("FNDF"), Blood Tribe Recreation was approved to build a building that will be called the Kainai Community Centre Hall. The estimated cost of this building is \$3,800,000 and \$3,107,618 (2016 - \$50,000) has been expensed to date. Construction will be completed in the 2018 fiscal year.

As at March 31, 2017, the Kainai Education Society has received \$2,362,900 (2016 - \$nil) from INAC towards the expansion of Saipoyi Community School and an additional \$600,000 for additional expansion costs. As at March 31, 2017 the construction in progress has incurred costs of \$1,857,388 (2016 - \$nil).

As at March 31, 2017, Blood Tribe Public Works began construction on various infrastructure projects during the year. The projects will be funded through Band Capital funding and other internally generated Blood Tribe funds. The estimated cost to complete construction of the projects is \$5,000,000. As at March 31, 2017 the total costs expensed to date for the construction of the projects amounted to \$2,216,822 (2016 - \$194,625).

As at March 31, 2017 Kainaiwa Children's Services Corporation is in the process of constructing a new youth ranch facility. The project will be funded through insurance proceeds due to destruction of the old building, long-term financing and a portion may be funded through internally generated Blood Tribe Funds. As at March 31, 2017 the total estimated cost to complete the project is \$2,372,498 and \$334,440 (2016 - \$50,000) has been expensed to date.

Prior to March 31, 2012, the Blood Tribe entered into a construction management contract for the construction of the Courthouse. The project is expected to cost a total of \$14,297,270 and be funded through Band Capital funding, Alberta Gaming and Liquor Commission, long-term debt proceeds and other internally generated Blood Tribe funds. As at March 31, 2017 the total cost expensed to date for the construction is \$765,756 (2016 - \$765,756). No construction or progress was made on the building in the current year due to negotiations being put on hold with the Province of Alberta. Expectation is that the building construction will proceed within the next fiscal year under direction of Chief and Council.

16. Accumulated surplus

Accumulated surplus is comprised of the following:

	2017	2016
Equity in tangible capital assets	89,899,194	87,949,995
Equity in business enterprises	12,968,248	17,020,103
Equity in trust funds	66,670,129	72,959,622
Unrestricted accumulated surplus	17,622,636	12,617,706
	187,160,207	190,547,426

17. Professional fees

	2017	2016
Legal	2,972,697	2,101,466
Audit	501,750	501,750
Consulting	3,744,217	1,237,802
	7,218,664	3,841,018

Blood Tribe

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017

18. Defined contribution plan

The Blood Tribe has a defined contribution pension plan covering substantially all full-time employees. Each participant selects a contribution level of 2.5% - 5.5% of salary. The Blood Tribe matches the participant's contribution. Pension expense in the amount of \$1,592,483 (2016 - \$1,486,911) is included with salaries and benefits. There have been no changes to the pension plan in the current year.

19. Government transfers

During the year, the Blood Tribe recognized the following government transfers:

	2017	2016
Indigenous and Northern Affairs Canada	93,159,129	80,829,794
First Nations and Inuit Health	14,388,073	14,623,422
Canada Mortgage and Housing Corporation	1,438,236	1,495,141
Community Futures Treaty 7	2,875,516	2,576,857
Treaty 7 Management Corporation	1,102,944	748,542
Public Safety Canada - Police Services	2,907,580	2,875,340
Alberta Justice - Police Services	2,683,920	2,654,160
Other provincial and federal funding	7,584,297	5,916,778
	126,139,695	111,720,034

20. Indigenous and Northern Affairs Canada Funding

	Block	Fixed	Set	Total
Akers Claim 1 and 2	1,464	-	-	1,464
Chief and Council	2,245,981	-	-	2,245,981
Department of Health Inc.	575,000	-	-	575,000
Economic Development	749,258	-	-	749,258
Employment and Skills Training	110,476	124,452	333,003	567,931
Family and Community Support Services	1,707,367	-	-	1,707,367
Finance	715,728	-	-	715,728
Housing	2,252,606	1,884,000	-	4,136,606
Kainai Education Society	25,398,852	2,962,900	4,622,738	32,984,490
Kainai Developments Ltd.	105,239	-	-	105,239
Kainaiwa Children Services Corporation	801,000	9,139,884	-	9,940,884
Kainaiwa Resources Inc.	50,000	-	-	50,000
Lands	162,113	-	-	162,113
Management	712,314	-	-	712,314
Membership	253,988	-	-	253,988
Payroll	430,000	-	-	430,000
Public Relations	508,136	-	-	508,136
Public Services	3,114,173	-	-	3,114,173
Public Works	4,230,833	3,928,219	62,453	8,221,505
Real Estate	211,155	-	-	211,155
Recreation	1,470,902	200,000	-	1,670,902
Red Crow Community College	8,113,297	-	221,745	8,335,042
Social Development	12,741,016	1,735,200	425,225	14,901,441
Tribal Government	858,412	-	-	858,412
	67,519,310	19,974,655	5,665,164	93,159,129

Blood Tribe
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

21. Economic dependence

The Blood Tribe receives a significant portion of its revenue from Indigenous and Northern Affairs Canada ("INAC") as a result of Treaties entered into with the Government of Canada. These treaties are administered by INAC under the terms and conditions of the *Indian Act*. The ability of the Blood Tribe to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

22. Budget information

The disclosed budget information has been approved by the Chief and Council of the Blood Tribe on April 19, 2016.

23. Comparative figures

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

24. New and proposed accounting pronouncements

The following summarizes the upcoming changes to the Public Sector Accounting Standards by the Public Sector Accounting Standards Board ("PSAB"). In 2018, the Blood Tribe will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards are eligible for early adoption while others must be adopted concurrently.

i. PS 1201 Financial Statement Presentation (New)

The main features of the new standard are:

Remeasurement gains and losses are reported in a new statement: the statement of remeasurement gains and losses. Other comprehensive income arising when a government includes the results of government business enterprises and government business partnerships in its financial statements, is reported in the statement of remeasurement gains and losses. Accumulated surplus or deficit is presented as the total of the accumulated operating surplus or deficit and the accumulated remeasurement gains and losses. The standard is effective for fiscal years beginning on or after April 1, 2019.

ii. PS 2200 Related Party Disclosures (New)

This new Section defines a related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements. The standard is effective for fiscal years beginning on or after April 1, 2017.

iii. PS 3210 Assets (New)

The main features of this standard are as follows:

Assets are defined as economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained. Economic resources can arise from such events as agreements, contracts, other government's legislation, the government's own legislation, and voluntary contributions. The standard is effective for fiscal years beginning on or after April 1, 2017.

iv. PS 3320 Contingent Assets (New)

The main features of this standard are as follows:

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset. Disclosures should include existence, nature, and extent of contingent assets, as well as the reasons for any non-disclosure of extent, and the bases for any estimates of extent made. The standard is effective for fiscal years beginning on or after April 1, 2017.

v. PS 3380 Contractual Rights (New)

The main features of this standard are as follows:

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Disclosures should include descriptions about nature, extent, and timing. The standard is effective for fiscal years beginning on or after April 1, 2017.

24. New and proposed accounting pronouncements *(Continued from previous page)*

vi. PS 3420 Inter-entity Transactions (New)

The main features of the new Section are:

Under a policy of cost allocation, revenue and expenses are recognized on a gross basis. Transactions are measured at the carrying amount, except in specific circumstances. The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value. The standard is effective for fiscal years beginning on or after April 1, 2017.

vii. PS 3450 Financial Instruments (New and Amendment)

The main features of the new standard are:

Financial instruments are classified into two measurement categories: fair value, or cost or amortized cost. Portfolio investments in equity instruments quoted in an active market are measured at fair value. Other financial assets and financial liabilities are generally measured at cost or amortized cost. An entity may elect to measure any group of financial assets or financial liabilities (or both) at fair value when the entity has a risk management or investment strategy to manage those items on a fair value basis. Remeasurement gains and losses on financial instruments measured at fair value are reported in the statement of remeasurement gains and losses until the financial instrument is derecognized. Financial liabilities are derecognized when, and only when, they are extinguished. The standard is effective for fiscal years beginning on or after April 1, 2019.

vii. PS 3041 Portfolio Investments (New)

The main features of the new standard are:

PS 3041 does not make a distinction between temporary and portfolio investments, and is cross referenced and conformed to the requirements of PS 3450. Investments previously within the scope of PS 3030, which are not cash equivalents, are now accounted for within the scope of PS 3041. The standard is effective for fiscal years beginning on or after April 1, 2019.