



**Waterhen Lake First Nation
Consolidated Financial Statements**

March 31, 2019



Waterhen Lake First Nation Contents

For the year ended March 31, 2019

	Page
Management's Responsibility	
Independent Auditor's Report	
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Change in Net Debt.....	3
Consolidated Statement of Cash Flows	4
Notes to the Consolidated Financial Statements.....	5
Schedules	
Schedule 1 - Schedule of Consolidated Expenses by Object.....	15
Schedule 2 - Segment Revenues and Expenses and Surplus (Deficit) - Administration.....	16
Schedule 3 - Segment Revenues and Expenses and Surplus (Deficit) - Band Programs.....	17
Schedule 4 - Segment Revenues and Expenses and Surplus (Deficit) - Capital.....	18
Schedule 5 - Segment Revenues and Expenses and Surplus (Deficit) - Economic Development.....	19
Schedule 6 - Segment Revenues and Expenses and Surplus (Deficit) - Education.....	20
Schedule 7 - Segment Revenues and Expenses and Surplus (Deficit) - Health.....	21
Schedule 8 - Segment Revenues and Expenses and Surplus (Deficit) - Infrastructure.....	22
Schedule 9 - Segment Revenues and Expenses and Surplus (Deficit) - Reserves and Trusts.....	23
Schedule 10 - Segment Revenues and Expenses and Surplus (Deficit) - Social Services.....	24

Management's Responsibility



To the Members of Waterhen Lake First Nation:

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.

Management is responsible for the integrity and fairness of the consolidated financial statements, management is responsible to design and maintain 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 Waterhen Lake First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by Council to audit the consolidated financial statements and report directly to the Members of Waterhen Lake First Nation; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

September 19, 2019

Signed by: Calvin Opikokew

Management

Independent Auditor's Report

To the Members of Waterhen Lake First Nation:

Qualified Opinion

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

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

Basis for Qualified Opinion

The First Nation operates a retail gas bar located in the community, the financial results of which are included in the First Nation's consolidated financial statements. Due to deficiencies in the accounting records and systems of internal control of the retail gas bar, we were unable to obtain sufficient appropriate evidence about the completeness of retail sales reported, the collectability of retail charge accounts and the classification of amounts recorded as cost of sales. Consequently, we were unable to determine whether any adjustments to retail sales, accounts receivable, bad debts, cost of sales and annual surplus were necessary.

Additionally, it is a requirement of Canadian public sector accounting standards that the First Nation's statement of operations and change in net debt present a comparison of the results for the accounting period with those budgeted. No budget is included in these financial statements which is a departure from Canadian public sector accounting standards.

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

Responsibilities of Management and Chief and Council for the Consolidated Financial Statements

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

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

Chief and Council are responsible for overseeing the First Nation's financial reporting process.

Independent Auditor's Report

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

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

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

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

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

Saskatoon, Saskatchewan

September 19, 2019

MNP LLP

Chartered Professional Accountants



Waterhen Lake First Nation
Consolidated Statement of Financial Position
As at March 31, 2019

	2019	2018
Financial assets		
Current		
Accounts receivable (Note 4)	521,514	491,670
Inventory for resale	54,192	54,192
Restricted cash (Note 5)	280,546	37,190
	856,252	583,052
Portfolio investments (Note 6)	9,802	9,802
Investment in Waterhen Forestry Products Inc. (Note 7)	2,110,357	1,372,653
Funds held in trust (Note 8)	221,145	137,373
Restricted cash (Note 5)	304,822	209,823
Total financial assets	3,502,378	2,312,703
Liabilities		
Current		
Bank indebtedness (Note 9)	226,514	333,063
Accounts payable and accruals	817,988	600,747
Deferred revenue (Note 10)	926,882	423,171
Current portion of long-term debt (Note 11)	552,358	458,432
	2,523,742	1,815,413
Long-term debt (Note 11)	3,294,804	2,066,639
Total financial liabilities	5,818,546	3,882,052
Net debt	(2,316,168)	(1,569,349)
Non-financial assets		
Tangible capital assets (Note 12)	17,280,354	14,188,289
Prepaid expenses	-	60,447
Total non-financial assets	17,280,354	14,248,736
Accumulated surplus (Note 13)	14,964,186	12,679,387
Approved by:		
Signed by: Carolyn Bernard	Chief	Councillor
Signed by: Ableheza Ernest	Councillor	Councillor
Signed by: Dean Martell	Councillor	Councillor

The accompanying notes are an integral part of these financial statements



Waterhen Lake First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2019

	<i>Schedules</i>	2019	2018
Revenues			
Indigenous Services Canada (Note 14)		7,691,380	5,793,335
Meadow Lake Health & Social Development Authority Inc.		2,507,032	1,264,599
MLTC Program Services Inc.		2,502,526	2,448,035
Canada Mortgage and Housing Corporation		287,214	337,200
Other revenue		188,138	110,426
Mistik Management Ltd.		184,485	202,661
Health Canada		35,000	35,000
National Indian Brotherhood Trust Fund		-	199,980
Retail sales		1,823,715	555,157
Earnings (loss) from investment in Nation business entities (Note 7)		747,704	(214,399)
First Nations Trust		631,116	652,841
MLTC Child & Family Services Inc.		445,594	259,839
Investment income - MLTC Resource Development LP		366,000	-
Rental income		224,330	248,293
Department of Highways		67,731	12,275
Northern Lights CDC		42,500	179,276
GST and Sales Tax rebates		43,132	43,994
Interest income		11,725	3,465
User fees		10,000	-
Province of Saskatchewan		1,000	9,000
Recovery of prior year ISC funding		(3,817)	-
Deferred revenue - current year		(30,642)	-
		17,775,863	12,140,977
Program expenses			
Administration	2	747,927	670,487
Band Programs	3	845,691	878,602
Capital	4	2,306,079	1,864,019
Economic Development	5	1,973,595	817,552
Education	6	3,971,827	3,755,129
Health	7	2,630,295	1,487,259
Infrastructure	8	1,179,883	1,076,325
Reserves and Trusts	9	54,844	32,958
Social Services	10	1,797,919	1,798,303
		15,508,060	12,380,634
Annual surplus (deficit) before other items			
Other items			
Loss on sale of portfolio investment		-	(1,500)
Gain on disposal of tangible capital assets		16,996	-
Annual surplus (deficit)		2,284,799	(241,157)
Accumulated surplus, beginning of year		12,679,387	12,920,544
Accumulated surplus, end of year (Note 13)		14,964,186	12,679,387

The accompanying notes are an integral part of these financial statements



Waterhen Lake First Nation
Consolidated Statement of Change in Net Debt
For the year ended March 31, 2019

	2019	2018
Annual surplus (deficit)		
Purchases of tangible capital assets	2,284,799	(241,157)
Amortization of tangible capital assets	(4,230,591)	(1,462,485)
Gain on disposal of tangible capital assets	1,095,098	985,191
Proceeds on disposal of tangible capital assets	(16,996)	-
Acquisition of prepaid expenses	60,424	-
Use of prepaid expenses	-	(10,447)
	60,447	-
Increase in net debt	(746,819)	(728,898)
Net debt, beginning of year	(1,569,349)	(840,451)
Net debt, end of year	(2,316,168)	(1,569,349)

The accompanying notes are an integral part of these financial statements



Waterhen Lake First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2019

2019 2018

Cash provided by (used for) the following activities

Operating activities

Annual surplus (deficit)	2,284,799	(241,157)
Non-cash items		
Amortization	1,095,098	985,191
Loss on sale of portfolio investment	-	1,500
Gain on disposal of tangible capital assets	(16,996)	-
Loss (earnings) from investment in Nation business entities	(747,704)	214,399
	2,615,197	959,933
Changes in working capital accounts		
Accounts payable and accruals	217,241	(51,998)
Deferred revenue	503,711	(293,722)
Accounts receivable	(29,844)	(193,241)
Prepaid expenses	60,447	(10,447)
Inventory for resale	-	(52,692)
	3,366,752	357,833

Financing activities

Advances of long-term debt	1,985,545	480,276
Increase (decrease) in bank indebtedness	(106,549)	333,063
Repayment of long-term debt	(663,454)	(431,880)
	1,215,542	381,459

Capital activities

Purchases of tangible capital assets	(4,230,591)	(1,462,485)
Proceeds on disposal of tangible capital assets	60,424	-
	(4,170,167)	(1,462,485)

Investing activities

Increase of funds held in trust	(83,772)	(14,355)
Decrease (increase) in restricted cash	(338,355)	201,837
Distributions received from investments	10,000	75,000
	(412,127)	262,482

Decrease in cash resources

Cash resources, beginning of year	-	460,711
Cash resources, end of year	-	-



Waterhen Lake First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

1. Operations

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

2. Change in accounting policy

Effective April 1, 2018, the First Nation adopted the recommendations relating to the following section, as set out in the CPA Canada Public Sector Accounting Handbook:

- PS 3420 Restructuring Transactions

Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statements from adopting the new sections.

3. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards as set out in the CPA Canada Handbook - Public Sector Accounting as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Waterhen First Nation CMHC Housing Program 100% interest
- Waterhen Lake Resort (North) Ltd. 100% interest
- Waterhen Lake Resort (South) Ltd. 100% interest

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.

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

- Waterhen Forestry Products Inc. 100% interest

Other economic interests

The First Nation does not either share in the control or the profit or loss of the following entities. As a result, the financial statements of the following entities have not been consolidated or proportionately consolidated with the financial statements of Waterhen Lake Cree Nation.

- The First Nation is a member of Meadow Lake Tribal Council. The Tribal Council is an organization of nine Nations.



Waterhen Lake First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

3. 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; 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.

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.

Inventory for resale

Inventory is computed using the retail method.

Portfolio investments

Long-term investments in entities that are not controlled by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

Funds held in Ottawa Trust Fund

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

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

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible assets are recorded at their fair value at the date of contribution.

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:

	Method	Rate
Buildings	straight-line	30 years
Housing	straight-line	30 years
Equipment	straight-line	10 years
Infrastructure	straight-line	50 years
CMHC Housing	straight-line	30 years
Automotive	straight-line	10 years

Assets under construction are not amortized until put into service.

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.



Waterhen Lake First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

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

Net debt

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

Revenue recognition

Non-government funding

Funding is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the statement of financial position in the year of receipt.

Government transfers

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

Rental income

Income associated with the rental of homes to members is recorded monthly when rental amounts are measurable and collection is reasonably assured.

Retail sales

Income from retail sales is recognized when the sale is made and the customer takes possession of the merchandise.

Investment income

Investment income is recognized when earned.

Segments

The First Nation conducts its business through 9 reportable segments:

- Administration - includes the administration and governance activities.
- Band programs - includes all other band activities of the First Nation.
- Capital - includes the operations and maintenance of all on reserve housing.
- Economic development - includes the activities of the First Nation's economic development initiatives and its business entities.
- Education - includes the operations of education programs.
- Health - includes the operations of health and community wellness programming.
- Infrastructure - includes the operations and maintenance of the First Nation's buildings and infrastructure.
- Reserves and trusts - includes activities for the development of the First Nation's land.
- Social services - includes all activities relating to income assistance for membership.

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. Inter program administration fees have been recorded based on a percentage of budgeted revenue, where permitted by the funder.



Waterhen Lake First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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

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

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 an assessment as to their collectability has been made.

Amortization is based on useful life of the tangible capital assets.

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 First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2019.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation will not recognize any liability as it is not expected that economic benefits will be given up.

4. Accounts receivable

	2019	2018
Canada Mortgage and Housing Corporation	14,549	16,997
Indigenous Services Canada	91,924	135,710
Member and employee advances	88,329	74,433
Mistik Management Ltd.	-	131,283
MLTC Program Services Inc.	228,811	95,327
Northern Lights Community Development Corporation	-	15,092
Trade receivables - Waterhen Lake Resort (North) Ltd.	222,905	-
Other	3,029	96,761
Less: Allowance for doubtful accounts	649,547	565,603
	128,033	73,933
	521,514	491,670



Waterhen Lake First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

5. Restricted cash

	2019	2018
Current:		
ISC capital projects	280,546	37,190
Long-term:		
CMHC replacement reserve	192,011	113,908
CMHC operating reserve	112,811	95,915
	304,822	209,823
	585,368	247,013

6. Portfolio investments

	2019	2018
Measured at cost:		
IMI Brokerage LP	9,800	9,800
MLTC Resource Development Inc.	1	1
MLTC Resource Development LP	1	1
	9,802	9,802

7. Investment in Waterhen Forestry Products Inc.

The First Nation has an investment in the following entity:

	2018	Current income	Distributions	2019
Wholly-owned Business:				
Waterhen Forestry Products Inc.	1,372,653	747,704	(10,000)	2,110,357

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

	<i>Waterhen Forestry Products Inc. As at March 31, 2019</i>
Assets	
Cash	222,346
Current assets	574,865
Equipment	2,769,295
Total assets	3,566,506
Liabilities	
Current liabilities	753,708
Long-term liabilities	702,441
Total liabilities	1,456,149
Retained earnings	2,110,357
Total revenue	5,220,320
Total expenses	4,472,616
Comprehensive income	747,704



Waterhen Lake First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

7. Investment in Waterhen Forestry Products Inc. (Continued from previous page)

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

	2020	2021	2022	2023	2024	Thereafter	Total
Waterhen Forestry Products Inc.	347,000	243,824	197,684	124,045	-	-	912,553

Waterhen Forestry Products Inc. has long-term debt which the First Nation has issued guarantees for repayment. The guarantees relate to loans outstanding of \$291,085 (2018 - \$504,392) used to acquire machinery. Interest rates range from prime +1.75% to 6.95%. The current portion of these loans is \$128,210 (2018 - \$241,432).

8. Funds held in trust

Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the First Nation's Council.

	2019	2018
Capital Trust		
Balance, beginning and end of year	106,539	93,902
Timber	73,421	12,637
Balance, end of year	179,960	106,539
Revenue Trust		
Balance, beginning of year	30,834	29,116
Interest	10,351	1,718
Balance, end of year	41,185	30,834
	221,145	137,373

9. Bank indebtedness

Bank indebtedness includes draws against lines of credit and bank balance less outstanding cheques. At March 31, 2019 the First Nation had a line of credit available with an approved limit of \$250,000; of which \$34,666 (2018 - \$17,288) has been drawn.

The line of credit charges interest at bank prime plus 1.25% and is secured by a General Security Agreement allowing for a first charge on all assets and direction of ISC funding to First Nations Bank.



Waterhen Lake First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

10. Deferred revenue

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

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Amount recognized as revenue</i>	<i>Balance, end of year</i>
Meadow Lake Health & Social Development Authority Inc.	145,861	193,853	138,004	201,710
MLTC Program Services Inc.	83,840	40,000	83,840	40,000
Indigenous and Services Canada - capital projects	193,470	2,408,400	1,916,698	685,172
	423,171	2,642,253	2,138,542	926,882

11. Long-term debt

	2019	2018
First Nations Bank loan in regard to the construction of 10 band homes, repayable in quarterly principal instalments of \$35,000 and monthly interest at prime plus 1.85%, due April 2020. Secured by First Nations Trust distributions and fire insurance.	871,659	1,011,659
First Nations Bank loan in regard to the renovations and upgrades of M&N Resort, repayable in quarterly principal instalments of \$22,500 and monthly interest at prime plus 1.85%, due May 2023. Secured by First Nations Trust distributions.	382,500	-
First Nations Bank loan in regard to the construction of 5 band homes, repayable in annual principal instalments of \$74,960 and monthly interest at prime plus 1.95%, due May 2023. Secured by ISC band based capital funding.	374,800	-
First Nations Bank loan in regard to the RCMP building project, repayable in monthly instalments of \$1,612 blended principal and interest at 5.30%, due September 2023. Secured by a general security agreement of the First Nation and GSA.	238,992	246,008
First Nations Bank operating debt repayable in monthly instalments of \$2,417 plus interest at prime plus 2.50%, due November 2022. Secured by a general security agreement from the First Nation.	106,328	135,332
Ford Credit Canada finance loan for purchase of CFS Van, repayable in monthly installments of \$1,363 blended principal and interest at 6.29%, due November 2022.	52,351	-
First Nations Bank loan in regard to the construction of CMHC Phase 6 (bridge loan), repayable in instalments of 25% of mortgage advances received with the final distribution used to settle the loan; monthly interest at prime plus 1.85%. Secured by CMHC, ISC and FNT funding.	43,181	-
First Nations Bank loan in regard to a school bus purchase, repayable in monthly instalments of \$1,246 blended principal and interest at prime plus 1.85%, due December 2019. Secured by a school bus with net book value of \$38,656.	10,935	24,866
First Nations Bank loan in regard to a grader purchase, repayable in monthly instalments of \$3,770 blended principal and interest at 4.25%, due April 2019. Secured by a general security agreement of the First Nation and equipment having net book value of \$71,765.	3,784	47,835



Waterhen Lake First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

11. Long-term debt *(Continued from previous page)*

First Nations Bank loan, repaid during the year	-	158,333
CMHC Mortgage, phase 1, repayable in monthly instalments of \$746 blended principal and interest at 1.05%. Secured by a Ministerial Guarantee. Due January 2025.	50,664	59,043
CMHC Mortgage, phase 2, repayable in monthly instalments of \$1,866 blended principal and interest at 1.05%. Secured by a Ministerial Guarantee. Due June 2026.	156,304	176,946
CMHC Mortgage, phase 3, repayable in monthly instalments of \$1,376 blended principal and interest at 2.52%. Secured by a Ministerial Guarantee. Due July 2028.	137,269	150,222
CMHC Mortgage, phase 4, repayable in monthly instalments of \$2,112 blended principal and interest at 0.94%. Secured by a Ministerial Guarantee. Due July 2025.	155,787	179,551
CMHC Mortgage, phase 5, repayable in monthly instalments of \$3,354 blended principal and interest at 2.50%. Secured by a Ministerial Guarantee. Due June 2033.	482,430	335,276
CMHC Mortgage, phase 6, repayable in monthly instalments of \$5,066 blended principal and interest at 2.14%. Secured by a Ministerial Guarantee. Due March 2034.	780,178	-
	3,847,162	2,525,071
Less: current portion	552,358	458,432
	3,294,804	2,066,639

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:

2020	552,358
2021	498,000
2022	502,000
2023	490,000
2024	397,000

Long-term debt is subject to certain financial covenants with respect to timely submission of the annual audited financial statements to their lender as well as restrictions that may be in place. As at March 31, 2019, the First Nation is not in compliance with respect to the timely submission of the annual financial statements to First Nations Bank. First Nations Bank indicated that they will not demand full repayment as a result of this breach therefore the full balances of the related amounts have not been classified as current liabilities. It is management's opinion that the First Nation is likely to be in compliance with all long-term debt covenants throughout the next twelve months subsequent to March 31, 2019.



Waterhen Lake First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

12. Tangible capital assets

	Cost	Additions	Disposals	Accumulated amortization	2019 Net book value
Buildings	9,022,163	236,672	-	6,930,546	2,328,289
Housing	12,020,863	693,723	-	7,870,750	4,843,836
Equipment	892,268	72,032	-	790,819	173,481
Infrastructure	7,646,922	-	-	2,767,812	4,879,110
CMHC Housing	1,663,713	1,605,780	81,400	798,496	2,389,597
Automotive	1,030,340	234,729	-	766,964	498,105
Assets under construction	780,281	1,387,655	-	-	2,167,936
	33,056,550	4,230,591	81,400	19,925,387	17,280,354

	Cost	Additions	Disposals	Accumulated amortization	2018 Net book value
Buildings	8,494,250	527,913	-	6,238,832	2,783,331
Housing	10,944,072	1,076,791	-	7,870,750	4,150,113
Equipment	892,268	-	-	758,503	133,765
Infrastructure	7,427,216	219,706	-	2,597,297	5,049,625
CMHC Housing	1,663,713	-	-	730,305	933,408
Automotive	962,340	68,000	-	672,574	357,766
Assets under construction	1,210,206	(429,925)	-	-	780,281
	31,594,065	1,462,485	-	18,868,261	14,188,289

Amortization expense of \$1,095,098 (2018 - \$985,191) was recorded in the Capital segment. Total amortization expense comprises \$106,163 (2018 - \$55,402) amortization for CMHC housing, \$423,397 (2018 - \$400,295) for housing, \$268,316 (2018 - \$261,029) for buildings, \$32,315 (2018 - \$27,033) for equipment, \$94,390 (2018 - \$70,917) for automotive, and \$170,517 (2018 - \$170,515) for infrastructure.

Accumulated amortization of \$37,972 was disposed of during the year in regard to the tangible capital asset disposal.

Additions to assets under construction are recorded net of transfers of completed tangible capital assets to housing and buildings of \$563,502 (2018 - \$1,173,669).

13. Accumulated surplus

Accumulated surplus consists of the following:

	2019	2018
Equity in Ottawa Trust Funds	221,145	137,373
Equity in investments	2,120,159	1,382,455
CMHC reserves	409,397	420,393
Equity in tangible capital assets	13,922,020	11,956,883
Operating	(1,708,535)	(1,217,717)
	14,964,186	12,679,387



Waterhen Lake First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

13. Accumulated surplus (Continued from previous page)

The equity in Ottawa Trust Funds represents moneys owned by the First Nation and held by the Government of Canada.

The equity in tangible capital assets represents accumulated surplus amounts not available for operations, but rather past transactions creating tangible capital assets that will be used to provide future services.

The CMHC reserves are replacement and operating reserves required to be funded for future housing replacements, as per agreements with CMHC. At March 31, 2019 the CMHC reserves are underfunded by \$123,051 (2018 - \$218,425). The possible effect of this violation of the CMHC funding agreements has not yet been determined.

The equity in investments represents amounts not readily available for operations as the investments are not likely to be liquidated within the next year.

14. Reconciliation of funding from Indigenous Services Canada

	2019	2018
Funding per ISC confirmation	7,921,441	5,743,653
Add: Deferred revenue from prior year	193,470	567,714
Add: Band employee benefits funding adjustment	-	(14,687)
Less: Adjustment for School Roof flex funding	280,000	(280,000)
Less: Tuition Agreement revenue that won't be received	(18,359)	(29,875)
Less: Deferred revenue - ISC Fire Protection	(50,000)	(50,000)
Less: Deferred revenue - ISC Water Treatment Plant	(612,578)	(133,220)
Less: Deferred revenue - ISC School Roof	-	(10,250)
Less: Deferred revenue - ISC Lagoon	(22,594)	-
	7,691,380	5,793,335

15. Economic dependence

Waterhen Lake First Nation receives substantially all of its revenue from Indigenous Services Canada (ISC) as a result of Treaties entered into with the Government of Canada. These Treaties are administered by ISC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these Treaties.

16. Compliance with authorities

The First Nations Financial Transparency Act requires First Nations to make their financial statements publicly available and submit their consolidated financial statements to Indigenous Services Canada by July 29, 2019. As the audit is dated after July 29, 2019, the First Nation is in breach of this requirement.



Waterhen Lake First Nation
Schedule 1 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2019

	2019	2018
Consolidated expenses by object		
Amortization	1,095,098	985,191
Assistance	1,433,295	1,468,231
Bank charges and interest	61,954	31,167
Community donations	45,160	51,682
Contracted services	1,016,130	633,735
Cultural activities	67,329	61,673
Cost of sales	1,427,092	353,349
Election	20,790	-
Expense recoveries	(56,230)	(100,705)
Honouraria	425,073	403,130
Insurance	130,748	141,878
Interest on long-term debt	167,100	92,298
Management fees	-	20,000
Office equipment lease	52,825	49,571
Prevention	169,118	130,803
Professional development	54,463	37,991
Professional fees	144,135	121,503
Program expense	158,220	162,659
Rent	10,000	-
Repairs and maintenance	367,543	437,304
Salaries and benefits	4,526,640	4,356,047
Sports, recreation and extra curricular activities	466,934	77,185
Student expenses	413,161	440,557
Supplies	1,549,326	1,008,166
Telephone	61,684	67,958
Training	228,995	194,152
Travel	731,820	480,164
Tuition	383,768	301,235
Utilities	355,889	373,710
	15,508,060	12,380,634



Waterhen Lake First Nation

Administration

Schedule 2 - Segment Revenues and Expenses and Surplus (Deficit)

For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous Services Canada	554,091	570,670
MLTC Program Services Inc.	150,950	153,650
Other revenue	21,902	3,160
GST and Sales Tax rebates	43,132	43,994
Recovery of prior year ISC funding	(3,817)	-
	766,258	771,474
 Expenses		
Assistance	10,440	-
Bank charges and interest	39,126	13,016
Contracted services	40,681	71,232
Election	20,790	-
Expense recoveries	(28,760)	(58,559)
Honouraria	383,078	368,233
Insurance	3,724	2,504
Inter program administration fees	(755,675)	(514,279)
Interest on long-term debt	17,040	-
Office equipment lease	24,181	18,330
Professional development	1,369	1,412
Professional fees	118,958	81,463
Repairs and maintenance	810	-
Salaries and benefits	514,478	442,866
Supplies	78,665	55,577
Telephone	22,542	24,817
Travel	244,374	155,039
Utilities	12,106	8,836
	747,927	670,487
 Annual surplus	18,331	100,987



**Waterhen Lake First Nation
Band Programs**

Schedule 3 - Segment Revenues and Expenses and Surplus (Deficit)

For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous Services Canada	365,000	-
MLTC Program Services Inc.	298,400	254,849
Other revenue	158,625	70,363
National Indian Brotherhood Trust Fund	-	199,980
First Nations Trust	631,116	652,841
Investment income - MLTC Resource Development LP	366,000	-
Northern Lights CDC	42,500	37,892
Rental income	33,115	70,708
Interest income	10,351	1,718
Province of Saskatchewan	1,000	9,000
	1,906,107	1,297,351
Expenses		
Assistance	71,432	49,357
Bank charges and interest	122	152
Community donations	44,660	47,582
Contracted services	8,609	55,224
Cultural activities	19,780	13,116
Expense recoveries	(2,486)	(2,492)
Honouraria	5,808	1,561
Insurance	5,872	6,629
Inter program administration fees	95,638	74,528
Interest on long-term debt	68,348	79,027
Program expense	71,328	99,003
Salaries and benefits	250,275	234,037
Sports, recreation and extra curricular activities	84,012	25,037
Supplies	25,564	86,539
Telephone	794	813
Travel	25,273	40,494
Utilities	70,662	67,995
	845,691	878,602
Annual surplus before other item	1,060,416	418,749
Other item		
Loss on sale of portfolio investments	-	(1,500)
Annual surplus before transfers	1,060,416	417,249
Transfers between programs	187,856	-
Annual surplus	1,248,272	417,249



Waterhen Lake First Nation

Capital

Schedule 4 - Segment Revenues and Expenses and Surplus (Deficit)

For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous Services Canada	2,404,301	911,847
Canada Mortgage and Housing Corporation	287,214	337,200
MLTC Program Services Inc.	-	40,875
Rental income	90,256	62,156
User fees	10,000	-
Interest income	1,374	1,747
	2,793,145	1,353,825
Expenses		
Amortization	1,066,874	985,191
Bank charges and interest	-	297
Contracted services	374,626	198,040
Expense recoveries	(17,520)	(14,761)
Honouraria	9,882	2,925
Insurance	52,578	60,888
Inter program administration fees	14,282	54,993
Interest on long-term debt	44,743	8,118
Professional fees	-	8,220
Repairs and maintenance	261,911	197,526
Salaries and benefits	44,359	94,142
Supplies	426,892	240,774
Travel	26,952	19,639
Utilities	500	8,027
	2,306,079	1,864,019
Annual surplus (deficit) before other item	487,066	(510,194)
Other item		
Gain on disposal of capital assets	16,996	-
Annual surplus (deficit) before transfers	504,062	(510,194)
Transfers between programs	11,000	-
Annual surplus (deficit)	515,062	(510,194)



Waterhen Lake First Nation
Economic Development
Schedule 5 - Segment Revenues and Expenses and Surplus (Deficit)
For the year ended March 31, 2019

	2019	2018
Revenue		
MLTC Program Services Inc.	84,412	176,503
Indigenous Services Canada	17,176	126,362
Other revenue	-	10,186
Retail sales	1,823,715	555,157
Earnings (loss) from investment in Nation business entities	747,704	(214,399)
Rental income	-	18,920
Northern Lights CDC	-	14,625
	2,673,007	687,354
Expenses		
Amortization	28,224	-
Bank charges and interest	20,516	15,554
Community donations	500	4,100
Contracted services	107,731	71,848
Cost of sales	1,427,092	353,349
Honouraria	900	-
Insurance	-	3,762
Inter program administration fees	7,922	7,641
Interest on long-term debt	33,153	3,600
Management fees	-	20,000
Professional fees	18,395	26,444
Program expense	8,000	9,433
Repairs and maintenance	9,107	96,444
Salaries and benefits	227,391	165,683
Supplies	28,387	(25,080)
Travel	21,705	32,239
Utilities	34,572	32,535
	1,973,595	817,552
Annual surplus (deficit)	699,412	(130,198)



Waterhen Lake First Nation

Education

Schedule 6 - Segment Revenues and Expenses and Surplus (Deficit)

For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous Services Canada	3,454,779	3,274,099
MLTC Program Services Inc.	389,483	356,073
Meadow Lake Health & Social Development Authority Inc.	79,060	83,060
	3,923,322	3,713,232
 Expenses		
Assistance	87	7,620
Bank charges and interest	2,190	2,148
Contracted services	135,378	59,688
Cultural activities	30,552	-
Expense recoveries	(4,555)	(9,559)
Honouraria	14,212	21,212
Insurance	461	8,735
Inter program administration fees	175,062	155,161
Interest on long-term debt	1,023	1,553
Professional development	46,827	32,995
Program expense	72,528	54,223
Salaries and benefits	2,253,622	2,271,569
Sports, recreation and extra curricular activities	-	(950)
Student expenses	413,161	440,557
Supplies	342,781	326,756
Telephone	2,427	1,904
Travel	102,228	74,108
Tuition	383,768	301,235
Utilities	75	6,174
	3,971,827	3,755,129
 Annual deficit	(48,505)	(41,897)



Waterhen Lake First Nation

Health

Schedule 7 - Segment Revenues and Expenses and Surplus (Deficit)

For the year ended March 31, 2019

	2019	2018
Revenue		
Meadow Lake Health & Social Development Authority Inc.	2,289,968	1,107,168
Health Canada	35,000	35,000
Other revenue	3,651	6,717
MLTC Child & Family Services Inc.	445,594	259,839
Deferred revenue - current year	(30,642)	-
	2,743,571	1,408,724
Expenses		
Contracted services	193,251	65,016
Cultural activities	16,997	-
Expense recoveries	(2,342)	(7,326)
Honouraria	11,043	9,199
Insurance	9,308	3,893
Inter program administration fees	376,014	137,843
Interest on long-term debt	1,453	-
Office equipment lease	28,644	27,442
Prevention	169,118	130,803
Professional development	4,821	2,536
Program expense	6,364	-
Rent	10,000	-
Repairs and maintenance	10,234	8,325
Salaries and benefits	858,749	788,582
Sports, recreation and extra curricular activities	382,606	50,800
Supplies	281,270	102,145
Telephone	24,146	25,278
Training	32,595	12,876
Travel	193,281	105,936
Utilities	22,743	23,911
	2,630,295	1,487,259
Annual surplus (deficit) before transfers	113,276	(78,535)
Transfers between programs	(265,856)	30,000
Annual deficit	(152,580)	(48,535)



Waterhen Lake First Nation

Infrastructure

Schedule 8 - Segment Revenues and Expenses and Surplus (Deficit)

For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous Services Canada	623,186	617,151
Other revenue	3,960	-
Rental income	100,959	96,509
Department of Highways	67,731	12,275
Northern Lights CDC	-	126,759
	795,836	852,694
Expenses		
Contracted services	78,172	82,033
Expense recoveries	(567)	(8,008)
Insurance	58,805	55,467
Inter program administration fees	66,475	67,715
Interest on long-term debt	1,340	-
Office equipment lease	-	3,799
Professional development	1,339	1,048
Repairs and maintenance	83,483	133,003
Salaries and benefits	282,726	260,844
Supplies	305,619	203,985
Telephone	11,775	15,146
Travel	75,821	35,061
Utilities	214,895	226,232
	1,179,883	1,076,325
Annual deficit before transfers	(384,047)	(223,631)
Transfers between programs	67,000	-
Annual deficit	(317,047)	(223,631)



Waterhen Lake First Nation
Reserves and Trusts
Schedule 9 - Segment Revenues and Expenses and Surplus (Deficit)
For the year ended March 31, 2019

	2019	2018
Revenue		
Mistik Management Ltd.	184,485	202,661
Indigenous Services Canada	24,808	14,617
Other revenue	-	20,000
	209,293	237,278
 Expenses		
Contracted services	31,360	14,831
Honouraria	150	-
Inter program administration fees	3,961	1,462
Professional fees	6,782	5,376
Supplies	2,291	2,040
Travel	9,964	9,249
Utilities	336	-
	54,844	32,958
 Annual surplus	154,449	204,320



Waterhen Lake First Nation
Social Services
Schedule 10 - Segment Revenues and Expenses and Surplus (Deficit)
For the year ended March 31, 2019

	2019	2018
Revenue		
MLTC Program Services Inc.	1,579,281	1,466,085
Indigenous Services Canada	248,039	278,589
Meadow Lake Health & Social Development Authority Inc.	138,004	74,371
	1,965,324	1,819,045
Expenses		
Assistance	1,351,336	1,411,254
Contracted services	46,322	15,823
Cultural activities	-	48,557
Inter program administration fees	16,321	14,936
Professional development	107	-
Repairs and maintenance	1,998	2,006
Salaries and benefits	95,040	98,324
Sports, recreation and extra curricular activities	316	2,298
Supplies	57,857	15,430
Training	196,400	181,276
Travel	32,222	8,399
	1,797,919	1,798,303
Annual surplus before transfers	167,405	20,742
Transfers between programs	-	(30,000)
Annual surplus (deficit)	167,405	(9,258)