



**Waterhen Lake First Nation**  
**Consolidated Financial Statements**  
*March 31, 2023*



# Waterhen Lake First Nation

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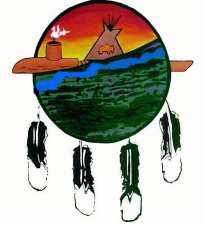
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## Management's Responsibility

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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.

December 22, 2023

Signed by: Calvin Opikokew

\_\_\_\_\_  
Management

To the Members of Waterhen Lake First Nation:

### 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, 2023, and the consolidated statements of operations and accumulated surplus, change in net debt and 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2023, and the results of its consolidated operations, change in its net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

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

### Emphasis of Matter

Without modifying our opinion, we draw attention to Notes 13 and 14 to the consolidated financial statements, which describes that Waterhen Lake First Nation has outstanding claims against the Government of Canada for damages sustained by the First Nation. The First Nation is financing the costs of these negotiations through bank loans and has taken insurance to repay the loans should the settlement proceeds not be sufficient to repay the loans. Our opinion is not modified in respect of this matter.

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

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

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

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

## Independent Auditor's Report *(continued from previous page)*

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### 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

December 22, 2023

*MNP LLP*

Chartered Professional Accountants

**MNP**



# Waterhen Lake First Nation

## Consolidated Consolidated Statement of Financial Position

As at March 31, 2023

	2023	2022
<b>Financial assets</b>		
<b>Current</b>		
Cash	4,988,014	4,490,296
Accounts receivable (Note 4)	2,154,734	759,121
Inventory for resale	69,748	47,048
Restricted cash (Note 9)	1,331,350	1,825,776
Funds held in lawyer's trust	168,748	90,585
<b>Subtotal of current assets</b>	<b>8,712,594</b>	<b>7,212,826</b>
<b>Portfolio investments (Note 5)</b>	<b>9,802</b>	<b>9,802</b>
<b>Due from Waterhen Forestry Products LP (Note 6)</b>	<b>365,888</b>	<b>290,000</b>
<b>Investment in Waterhen Forestry Products LP (Note 7)</b>	<b>1,501,154</b>	<b>1,961,890</b>
<b>Funds held in trust (Note 8)</b>	<b>296,595</b>	<b>286,865</b>
<b>Restricted cash (Note 9)</b>	<b>341,865</b>	<b>341,865</b>
<b>Total financial assets</b>	<b>11,227,898</b>	<b>10,103,248</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals (Note 10)	1,294,216	1,028,538
Deferred revenue (Note 12)	9,108,784	7,641,610
Current portion of long-term debt (Note 13)	2,294,000	714,000
<b>Subtotal of current liabilities</b>	<b>12,697,000</b>	<b>9,384,148</b>
<b>Long-term debt (Note 13)</b>	<b>8,087,481</b>	<b>7,834,270</b>
<b>Asset retirement obligation (Note 15)</b>	<b>1,821,017</b>	<b>-</b>
<b>Total financial liabilities</b>	<b>22,605,498</b>	<b>17,218,418</b>
<b>Net debt</b>	<b>(11,377,600)</b>	<b>(7,115,170)</b>
<b>Contingent Assets (Note 14)</b>		
<b>Subsequent events (Note 24)</b>		
<b>Commitments (Note 25)</b>		
<b>Non-financial assets</b>		
Tangible capital assets (Note 16)	32,825,388	26,569,891
Prepaid expenses	21,824	482,166
<b>Total non-financial assets</b>	<b>32,847,212</b>	<b>27,052,057</b>
<b>Accumulated surplus (Note 17)</b>	<b>21,469,612</b>	<b>19,936,887</b>

Approved on behalf of Chief and Council

Signed by: Chief Blaine Fiddler

Chief

Signed by: Carolyn Bernard

Councillor



# Waterhen Lake First Nation

## Consolidated Statement of Operations and Accumulated Surplus

*For the year ended March 31, 2023*

	<i>Schedules</i>	<b>2023 Budget (Note 20)</b>	<b>2023 Actual</b>	<i>2022 Actual</i>
<b>Revenues</b>				
Indigenous Services Canada (Note 18)		7,122,314	13,652,222	12,595,995
Meadow Lake Health & Social Development Authority Inc.		308,391	3,570,418	3,118,252
MLTC Program Services Inc.		1,100,245	3,408,863	2,615,061
Other revenue		2,070,263	778,471	544,744
MLTC Child & Family Services Inc.		-	384,522	410,371
Canada Mortgage and Housing Corporation		153,180	287,845	895,794
Contracts		-	169,981	198,000
Mistik Management Ltd.		12,258	213,717	98,514
Retail sales		-	2,820,013	2,115,981
Investment income - MLTC Resource Development LP		250,766	1,477,778	1,117,220
First Nations Trust		347,455	802,982	372,956
Rental income		-	550,363	292,737
Prince Albert Development Corporation		-	94,295	51,032
Department of Highways		35,000	54,216	272,947
GST and Sales Tax rebates		-	29,425	67,018
Northern Lights CDC		20,000	28,837	37,616
Management fees		-	163,278	100,000
Interest income		-	9,791	6,260
Loss from investment in Waterhen Forestry Products LP (Note 7)		-	(460,736)	(298,460)
		<b>11,419,872</b>	<b>28,036,281</b>	<b>24,612,038</b>
<b>Program expenses</b>				
ADMINISTRATION	2	1,288,244	920,943	(100,594)
BAND PROGRAMS	3	1,348,016	3,554,957	5,617,141
CAPITAL	4	156,325	3,022,507	2,179,515
ECONOMIC DEVELOPMENT	5	-	159,301	110,887
EDUCATION	6	4,779,349	5,562,742	5,291,301
HEALTH	7	3,291,226	4,572,911	3,045,807
INFRASTRUCTURE	8	330,543	1,353,120	1,554,405
RESERVES AND TRUSTS	9	-	235,659	134,943
SOCIAL SERVICES	10	-	2,960,246	1,828,990
RESORTS AND RETAIL	11	-	4,158,203	2,752,542
		<b>11,193,703</b>	<b>26,500,589</b>	<b>22,414,937</b>
<b>Annual surplus before other item</b>		<b>226,169</b>	<b>1,535,692</b>	<b>2,197,101</b>
<b>Other item</b>				
Loss on disposal of tangible capital assets		-	(2,967)	-
<b>Annual surplus</b>		<b>226,169</b>	<b>1,532,725</b>	<b>2,197,101</b>
<b>Accumulated surplus, beginning of year</b>		<b>19,936,887</b>	<b>19,936,887</b>	<b>17,739,786</b>
<b>Accumulated surplus, end of year (Note 17)</b>		<b>20,163,056</b>	<b>21,469,612</b>	<b>19,936,887</b>

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, 2023*

	<b>2023 Budget (Note 20)</b>	<b>2023 Actual</b>	<b>2022 Actual</b>
<b>Annual surplus</b>	<b>226,169</b>	<b>1,532,725</b>	2,197,101
Purchases of tangible capital assets	-	<b>(5,343,964)</b>	(2,721,632)
Amortization of tangible capital assets	-	<b>1,563,779</b>	1,185,891
Loss on sale of tangible capital assets	-	<b>2,967</b>	-
Proceeds of disposal of tangible capital assets	-	<b>36,000</b>	-
Asset retirement obligation	-	<b>(2,514,279)</b>	-
Acquisition of prepaid expenses	-	<b>(21,824)</b>	(482,166)
Use of prepaid expenses	-	<b>482,166</b>	-
<b>Decrease (increase) in net debt</b>	<b>226,169</b>	<b>(4,262,430)</b>	179,194
<b>Net debt, beginning of year</b>	<b>(7,115,170)</b>	<b>(7,115,170)</b>	(7,294,364)
<b>Net debt, end of year</b>	<b>(6,889,001)</b>	<b>(11,377,600)</b>	(7,115,170)



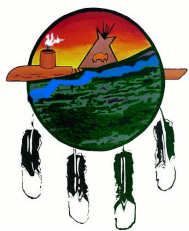


# Waterhen Lake First Nation

## Consolidated Consolidated Statement of Cash Flows

*For the year ended March 31, 2023*

	2023	2022
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Annual surplus (deficit)	1,532,725	2,197,101
Non-cash items		
Amortization	1,563,779	1,185,891
Loss on disposal of tangible capital assets	2,967	-
Loss from investment in Waterhen Forestry Products LP	460,736	298,460
Accretion expense (recovery)	(693,262)	-
	2,866,945	3,681,452
Changes in working capital accounts		
Accounts receivable	(1,395,613)	2,668
Prepaid expenses	460,342	(482,166)
Funds held in lawyer's trust	(78,163)	19,031
Accounts payable and accruals	265,678	(655,466)
Deferred revenue	1,467,174	1,051,096
Inventory for resale	(22,700)	(9,443)
	3,563,663	3,607,172
<b>Financing activities</b>		
Advances of long-term debt	2,614,030	2,552,493
Repayment of long-term debt	(780,819)	(736,042)
	1,833,211	1,816,451
<b>Capital activities</b>		
Purchases of tangible capital assets	(5,343,964)	(2,721,632)
Proceeds of disposal of tangible capital assets	36,000	-
	(5,307,964)	(2,721,632)
<b>Investing activities</b>		
Advances to Waterhen Forestry Products LP	(75,888)	(290,000)
Increase in funds held in trust	(9,730)	(6,260)
Decrease in restricted cash	494,426	894,636
	408,808	598,376
<b>Increase in cash resources</b>	497,718	3,300,367
<b>Cash resources, beginning of year</b>	4,490,296	1,189,929
<b>Cash resources, end of year</b>	4,988,014	4,490,296



# Waterhen Lake First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2023*

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### 1. Operations

The Waterhen Lake First Nation (the "First Nation") is located in Treaty 6 territory on 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 controlled by the Nation.

### 2. Change in accounting policy

Effective April 1, 2022, the Cree Nation adopted the recommendations relating to the following Sections, as set out in the Canadian public sector accounting standards:

#### **Asset retirement obligations**

Effective April 1, 2022, the First Nation adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement and disclosure of a liability for asset retirement obligations under PS 3280 Asset Retirement Obligations. The new standard establishes when to recognize and how to measure a liability for an asset retirement obligation, and provides the related financial statement presentation and disclosure requirements. Pursuant to these recommendations, the change was applied prospectively, and prior periods have not been restated.

Previously, the First Nation recorded the provision for site rehabilitation in accordance with PS 3270 Solid Waste Landfill Closure and Post-Closure Liability, which requires recognition of a liability for closure and post-closure care as the site capacity is used and is equal to the proportion of the estimated total expenditure required for closure and post-closure care. Under the new standard, a liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset when certain criteria are met, as described in Note 3

The impact of adopting PS 3280 on the Cree Nation's consolidated financial statements for the year ended March 31, 2023 has resulted in an increase in tangible capital assets of \$2,514,279 at the date of adoption, and recognition of an asset retirement obligation of \$2,514,279 on the date of adoption. The effect of the new standard in the 2023 consolidated financial statements has resulted in recognizing amortization of \$251,428 relating to an increase in tangible capital assets and an accretion recovery of \$693,262. The net effect on the 2023 financial statements due to the adoption of PS 3280 was a net increase in surplus of \$441,833. Previously, no provision was required to be made to recognize an asset retirement obligation in the consolidated financial statements. The new recommendations of PS 3280 are described in Note 3, Significant Accounting Policies.

#### **Financial instruments**

Effective April 1, 2022, the First Nation adopted the Public Sector Accounting Board's (PSAB) new recommendations for the recognition, measurement, presentation and disclosure of financial assets, financial liabilities and derivatives under Section PS 3450 *Financial Instruments*. The new Section is applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statements from the prospective application of the new accounting recommendations.



# Waterhen Lake First Nation

## Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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### 3. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards 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 First Nation Development LP 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 LP 99.99% 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 First Nation.

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

#### ***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.



# Waterhen Lake First Nation

## Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

#### **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 consolidated statement of financial position with an offsetting amount in accumulated surplus. Trust money consist of:

- Capital trust money derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust money 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. Contributed tangible assets are recorded at their fair value at the date of contribution. Tangible capital assets recorded at a nominal amount include the original reserve land. Land purchased is recorded at the purchase price.

The First Nation's original reserve land is recognized in the consolidated financial statements.

#### **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 the present value of the minimum lease payments. Assets under capital leases are amortized on a straight-line basis, over the lease term. 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:

	Method	Rate
Buildings	straight-line	30 years
Housing	straight-line	30 years
Equipment	declining balance	10-100 %
Infrastructure	straight-line	20-50 years
CMHC Housing	straight-line	30 years
Automotive	straight-line	10 years
Capital lease	straight-line	27 years
Asset retirement cost	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 and prepaid expenses.

#### **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.



# Waterhen Lake First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2023*

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

#### **Revenue recognition**

##### **Non-government funding**

Funding revenue 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 is reflected as deferred revenue on the consolidated 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.

##### **Funds held in Ottawa Trust Fund**

Due to measurement uncertainty, revenue related to the receipt of funds held in the Ottawa Trust Fund is recognized when it is received.

##### **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.

#### **Use of estimates**

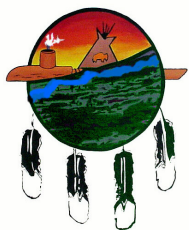
The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after an assessment as to their collectability has been made.

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

##### **Asset retirement obligation**

A liability for an asset retirement obligation reflects management's best estimate of the amount required to retire the related tangible capital asset (or component thereof). The best estimate of the liability is based upon assumptions and estimates related to the amount and timing of costs for future asset retirement. Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.



# Waterhen Lake First Nation

## Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

#### **Segments**

The First Nation conducts its business through 10 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.
- Resorts and Retail - includes all activities relating to the operations of Resort (North) store, Resort (South) cabins, Waterhen Lake First Nation Development Co., and campground.

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.

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

#### **Asset retirement obligation**

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the First Nation to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at March 31, 2023. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. The First Nation recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.



# Waterhen Lake First Nation

## Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

#### **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, 2023.

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

#### **Financial instruments**

The First Nation recognizes its financial instruments when the First Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value. At initial recognition, the First Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The First Nation has not made such an election during the year.

The First Nation subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published market prices. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

All financial assets except derivatives are tested annually for impairment. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

#### **Fair value measurements**

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

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

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





# Waterhen Lake First Nation

## Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

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

#### **Business acquisition**

Business combinations are accounted for using the acquisition method.

At the acquisition date, the First Nation recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the subsidiary. Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values. Any non-controlling interest in a subsidiary is measured either at fair value or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets.

The consideration transferred for each acquisition is measured as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred, and equity instruments issued by the First Nation to obtain control of the subsidiary.

Acquisition related costs are recognized in net loss as incurred with the exception of the costs to issue debt subsequently measured at amortized cost and equity securities. Financing fees and transaction costs to issue debt subsequently measured at amortized cost are included as an adjustment to fair value on initial recognition and expenses incurred to issue equity securities are netted against accumulated surplus.

Where appropriate, the cost of an acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in fair value are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are remeasured at fair value when the contingency is resolved, with any corresponding gain or loss recognized in net loss.

### 4. Accounts receivable

	2023	2022
Canada Mortgage and Housing Corporation	122,716	99,528
Indigenous Services Canada (ISC)	630,444	76,506
Federation of Sovereign Indigenous Nations	35,000	-
Goods and services tax recoverable	28,089	11,685
Member and employee advances	105,131	85,633
MLTC Program Services Inc.	224,406	123,802
MLTC Child & Family Services Inc.	191,464	-
Meadow Lake Health & Social Development Authority Inc.	632,040	345,258
Northern Lights Community Development Corporation	42,366	42,366
Trade receivables	229,444	24,621
Other	18,265	23,655
	<b>2,259,865</b>	<b>833,054</b>
Less: Allowance for doubtful accounts	<b>105,131</b>	<b>73,933</b>
	<b>2,154,734</b>	<b>759,121</b>

### 5. Portfolio investments

	2023	2022
Measured at cost:		
IMI Brokerage LP	9,800	9,800
MLTC Resource Development Inc.	1	1
MLTC Resource Development LP	1	1
	<b>9,802</b>	<b>9,802</b>





# Waterhen Lake First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2023*

### 6. Due from Waterhen Forestry Products LP

Amounts receivable from Waterhen Forestry Products LP are without fixed terms of repayments and bears no interest. Waterhen Forestry Products LP is a wholly owned business entity of Waterhen Lake First Nation.

### 7. Investment in Waterhen Forestry Products LP

The First Nation has an investment in the following entity:

	2022	Current loss	Distributions	2023
<b>Government business enterprises</b>				
Forestry Company	1,961,890	(460,736)	-	1,501,154

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>As at March 31, 2023</i>
<b>Assets</b>	
Current assets	1,163,160
Equipment	6,951,010
<b>Total assets</b>	<b>8,114,170</b>
<b>Liabilities</b>	
Current liabilities	3,193,797
Long-term liabilities	3,419,219
<b>Total liabilities</b>	<b>6,613,016</b>
<b>Retained earnings</b>	<b>1,501,154</b>
<b>Total revenue</b>	<b>9,741,426</b>
<b>Total expenses</b>	<b>10,055,495</b>
<b>Operating loss</b>	<b>(314,069)</b>
<b>Other loss</b>	<b>(146,667)</b>
<b>Comprehensive loss</b>	<b>(460,736)</b>



# Waterhen Lake First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2023*

### 7. Investment in Waterhen Forestry Products LP (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:

	2024	2025	2026	2027	2028	Total
<b>Long-term liabilities owed to parties external to the First Nation</b>						
Long-Term Debt - Forestry Company	523,980	145,362	12,701	-	-	682,043
Capital Leases - Forestry Company	1,608,046	1,328,010	1,273,255	869,072	212,017	5,290,400
	<b>2,132,026</b>	<b>1,473,372</b>	<b>1,285,956</b>	<b>869,072</b>	<b>212,017</b>	<b>5,972,443</b>

The Nation's business entity has long-term debt which the First Nation has issued guarantees for repayment. The guarantees relate to loans outstanding of \$351,099 (2022 - \$397,386) used to acquire machinery. Interest rates range from 4.76% to 5.91%. The current portion of these loans is \$226,764 (2022 - \$177,037).

Waterhen Forestry Limited Partnership, a wholly owned business entity of the First Nation paid \$143,300 (2022 - \$100,000) in management fees to Waterhen Lake First Nation Development LP, a wholly owned subsidiary of the First Nation.

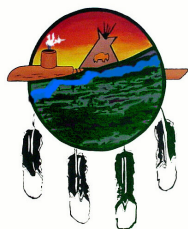
### 8. Funds held in trust

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.

	2023	2022
<b>Ottawa Trust Fund - Capital Trust</b>		
Balance, beginning and end of year	229,787	229,787
<b>Ottawa Trust Fund - Revenue Trust</b>		
Balance, beginning of year	57,078	50,818
Interest	9,730	6,260
Balance, end of year	66,808	57,078
	<b>296,595</b>	<b>286,865</b>

### 9. Restricted cash

	2023	2022
<b>Current:</b>		
ISC capital projects	1,331,350	1,825,776
<b>Long-term:</b>		
CMHC replacement reserve	310,436	310,436
CMHC operating reserve	31,429	31,429
	<b>341,865</b>	<b>341,865</b>
	<b>1,673,215</b>	<b>2,167,641</b>



# Waterhen Lake First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2023*

### 10. Accounts payable and accruals

	2023	2022
Trade accounts payable - Nation	664,236	677,182
Wages, pension and payroll deductions payable - Nation	268,811	154,602
Trade account payable - business entities	280,830	110,325
PST and GST payable - business entities	71,958	75,440
Wages, pension and payroll deductions payable - business entities	8,381	10,989
	<b>1,294,216</b>	<b>1,028,538</b>

### 11. Credit Arrangements

Included in cash are draws against lines of credit and bank balances less outstanding cheques. At March 31, 2023, the First Nation had a line of credit available with an approved limit of \$250,000; of which \$162 (2022 - \$6,824) 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.

Bank indebtedness includes an operating loan with a credit limit of \$50,000, of which \$49,990 has been drawn. The line of credit charges interest at bank prime plus 1.25%. Secured by a loan guarantee from Waterhen Lake First Nation that redirects the dividend revenue the Nation is entitled to from First Nations Trust to First Nations Bank of Canada in the event of default as a secondary repayment source.

At March 31, 2023, the First Nation had a line of credit available in the amount of \$25,000 bearing interest at bank prime plus 1.75%, of which no amount was drawn, secured by a general security agreement and a guarantee from Waterhen Lake First Nation.

### 12. 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>Funding received</i>	<i>Amount recognized as revenue</i>	<i>Balance, end of year</i>
Indigenous Services Canada	6,176,106	13,934,086	13,652,222	6,457,970
MLTC Program Services Inc.	380,843	3,298,627	3,408,863	270,607
Meadow Lake Health & Social Development Inc.	748,460	4,393,133	3,475,388	1,666,205
MLTC Child & Family Services Inc.	297,243	572,314	384,522	485,035
Saskatchewan Indian Equity Foundation Inc.	38,958	172,657	38,958	172,657
First Nations Financial Management Board	-	7,500	2,237	5,263
Customer deposits	-	51,047	-	51,047
	<b>7,641,610</b>	<b>22,429,364</b>	<b>20,962,190</b>	<b>9,108,784</b>



# Waterhen Lake First Nation

## Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

### 13. Long-term debt

	2023	2022
Royal Bank of Canada demand loan, proceeds of which are used to pursue the reserve creation claim against the Government of Canada. The loan may be drawn to a maximum of \$2,614,640. The loan requires quarterly transfers of interest only to the principal balance and is repayable the earlier of the date of a settlement payment from Canada or November 2025. Interest is calculated at bank prime plus 0.75%. Secured by an assignment of \$2,614,640 claim settlement proceeds and assignment of loan insurance policy and surety bond with AM Trust International (Note 14).	2,477,330	1,874,717
Royal Bank of Canada demand loan, proceeds of which are used to pursue the air weapons range claim against the Government of Canada. The loan may be drawn to a maximum of \$3,735,200. The loan requires quarterly transfers of interest only to the principal balance and is repayable the earlier of the date of a settlement payment from Canada or November 2025. Interest is calculated at bank prime plus 0.75%. Secured by an assignment of \$3,735,200 claim settlement proceeds and assignment of loan insurance policy and surety bond with AM Trust International (Note 14).	1,700,233	1,429,498
First Nations Bank loan utilized by Waterhen Eco Lodge LP, repayable in monthly blended payments of \$7,008 principal plus interest at prime plus 1.75% due December 2043. Secured by a general security agreement of the First Nation. Covenant was breached during the year, loan has been classified as current portion to reflect this.	1,618,925	-
Royal Bank of Canada demand loan, proceeds of which are used to pursue the treaty benefits claim against the Government of Canada. The loan may be drawn to a maximum of \$2,988,160. The loan requires quarterly transfers of interest only to the principal balance and is repayable the earlier of the date of a settlement payment from Canada or November 2024. Interest is calculated at bank prime plus 0.75%. Secured by an assignment of \$2,988,160 claim settlement proceeds and assignment of loan insurance policy and surety bond with AM Trust International (Note 14).	1,133,042	1,074,359
First Nations Bank loan in regard to construction of 10 housing units and 2 RTM units, monthly interest payable at 4.3%. Repayable in quarterly principal payments of \$34,113, due June 2025. Secured by First Nations Trust distributions.	716,375	852,828
CMHC Mortgage, phase 7, repayable in monthly instalments of \$4,909 blended principal and interest at 0.80%. Secured by a Ministerial Guarantee and matures May 2034.	629,090	682,738
CMHC Mortgage, phase 6, repayable in monthly instalments of \$5,066 blended principal and interest at 2.14%. Secured by a Ministerial Guarantee and matures March 2034.	595,918	643,465
CMHC Mortgage, phase 8, repayable in monthly instalments of \$2,830 blended principal and interest at 1.22%. Secured by a Ministerial Guarantee and matures May 2036.	412,998	441,743
CMHC Mortgage, phase 5, repayable in monthly instalments of \$3,354 blended principal and interest at 2.50%. Secured by a Ministerial Guarantee and matures June 2033.	363,778	394,556
First Nations Bank loan to Waterhen Lake Resort (South) Ltd., repayable in monthly instalments of \$1,631 blended principal and interest at prime plus 1.25%. Secured by a General Security Agreement issued by Waterhen Lake Resort (South) Ltd. and redirection of Waterhen Lake First Nation's First Nations Trust Distributions.	222,098	266,517
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.	208,351	216,638
CMHC Mortgage, phase 3, repayable in monthly instalments of \$1,376 blended principal and interest at 2.52%. Secured by a Ministerial Guarantee and matures July 2028.	82,340	96,592



# Waterhen Lake First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2023*

### 13. Long-term debt (Continued from previous page)

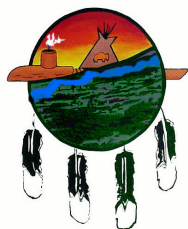
	2023	2022
First Nations Bank loan in regard to construction of 5 housing units, monthly interest payable at prime plus 1.85%. Repayable in annual instalments of \$74,960, due May 2024. Secured by ISC funding Builder's All Risk Insurance, and Fire Insurance.	74,961	149,920
CMHC Mortgage, phase 2, repayable in monthly instalments of \$1,865 blended principal and interest at 1.01%. Secured by a Ministerial Guarantee and matures June 2026.	71,515	93,052
CMHC Mortgage, phase 4, repayable in monthly instalments of \$2,105 blended principal and interest at 0.83%. Secured by a Ministerial Guarantee and matures July 2025.	58,354	83,017
CMHC Mortgage, phase 1, repayable in monthly instalments of \$740 blended principal and interest at 0.65%. Secured by a Ministerial Guarantee and matures January 2025.	16,173	24,915
Mistik Management loan repaid during the year.	-	198,207
Brandt Finance loan for purchase of John Deere tractor repaid during the year.	-	13,735
Ford Credit Canada finance loan for purchase of CFS van repaid during the year.	-	9,339
Brandt Finance loan for purchase of an equipment trailer repaid during the year.	-	2,434
	<b>10,381,481</b>	<b>8,548,270</b>
Less: current portion	<b>2,294,000</b>	<b>714,000</b>
	<b>8,087,481</b>	<b>7,834,270</b>

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:

2024	2,294,000
2025	1,514,000
2026	4,538,000
2027	339,000
2028	201,000

#### *Waterhen Eco Lodge LP long-term debt covenant violation:*

As at March 31, 2023, the Partnership was not in compliance with the debt service ratio financial covenant on the term loan. Due to the covenant violation the loan may be called by the lender, as such the loan has been reclassified as a current liability.



# Waterhen Lake First Nation

## Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

### 14. Contingent assets

In 2021, the First Nation initiated an air weapons range claim against the Government of Canada. The First Nation has obtained a loan to finance the costs of negotiating settlement on the claim. Insurance has been obtained to mitigate the risk that the settlement proceeds may be less than the total loan outstanding at such time a claim is resolved.

In 2020, the First Nation initiated a reserve creation claim against the Government of Canada. The First Nation has obtained a loan to finance the costs of negotiating settlement on the claim. Insurance has been obtained to mitigate the risk that the settlement proceeds may be less than the total loan outstanding at such time a claim is resolved.

In 2019 the First Nation initiated a treaty benefits claim against the Government of Canada. The First Nation has obtained a loan to finance the costs of negotiating settlement on the claim. Insurance has been obtained to mitigate the risk that the settlement proceeds may be less than the total loan outstanding at such time a claim is resolved.

For the year ended March 31, 2023, expenses totaling \$632,945 (2022 - \$1,175,114) for the three claims has been recorded and available financing drawn (Note 13) of \$5,310,605 (2022 - \$4,378,574) and accounts payable outstanding of \$234,797 (2022 - \$269,732) which will be paid for through financing by RBC (Note 13). The First Nation anticipates these costs will be paid from settlement proceeds. When a claim is finalized or the insurance proceeds are paid, the amounts will be recognized in revenue.

### 15. Asset retirement obligation

The First Nation maintains various tangible capital assets that are used in the provision of services to its membership. Among these assets are various buildings and housing units which the Nation is responsible for maintaining and ultimately for decommissioning from service. Certain of these assets were constructed using materials which have since been established to be hazardous materials. The First Nation is required to perform remediation activities on these assets which contain hazardous materials upon retirement of these assets from service. The Nation anticipates that on average these remediation activities will occur in ten years and has recognized a liability for the asset retirement obligation with a corresponding amount capitalized as an asset retirement cost and added to the carrying value of community buildings and housing units. The asset retirement cost is amortized on a straight-line basis over the expected useful life of the building and housing units.

The First Nation estimated the amount of its asset retirement obligation liability based on cost information available as at the financial statement date to complete the remediation activities. The estimate is then adjusted for inflation to determine the future expected costs to remediation activities. The amount of the future undiscounted asset retirement obligation liability in ten years is estimated at \$4,274,441. A discount rate of 5.45% has been applied to the estimated future cost to determine the present value of the estimated liability as at April 1, 2022. An initial amount of \$2,514,279 has been recognized as the asset retirement obligation liability related to the building and housing units, as at April 1, 2022.

	2023	2022
Liabilities incurred	2,514,279	-
Accretion expense (recovery)	(693,262)	-
<b>Balance, end of year</b>	<b>1,821,017</b>	<b>-</b>

As of March 31, 2023, the First Nation recognized recoveries of \$693,262 associated with the asset retirement obligations for decreases to the expected inflation rate and increases to the nations cost of borrowing.



# Waterhen Lake First Nation

## Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

### 16. Tangible capital assets

	Cost	Additions	Transfers out to Buildings	Accumulated amortization	2023 Net book value
Buildings	9,319,638	1,741,084	-	9,282,577	1,778,143
Housing	15,485,677	-	-	8,307,958	7,177,719
Equipment	1,440,957	1,005,310	38,967	1,136,093	1,271,207
Infrastructure	7,646,922	14,729	-	3,449,872	4,211,779
CMHC Housing	4,889,247	-	-	1,371,657	3,517,590
Automotive	1,571,920	288,303	-	1,177,974	682,249
Capital lease	-	368,938	-	13,534	355,404
Assets under construction	9,642,844	1,925,602	-	-	11,568,446
Asset retirement cost	-	2,514,279	-	251,428	2,262,851
	<b>49,997,205</b>	<b>7,858,245</b>	<b>38,967</b>	<b>24,991,095</b>	<b>32,825,388</b>

	Cost	Additions	Tranfers out to Buildings	Accumulated amortization	2022 Net book value
Buildings	9,319,638	-	-	8,582,448	737,190
Housing	13,129,309	2,356,368	-	8,307,958	7,177,719
Equipment	1,286,458	154,499	-	981,312	459,645
Infrastructure	7,646,922	-	-	3,279,357	4,367,565
CMHC Housing	4,257,946	631,301	-	1,208,845	3,680,402
Automotive	1,345,449	226,471	-	1,067,394	504,526
Assets under construction	10,289,851	2,340,662	2,987,669	-	9,642,844
	<b>47,275,573</b>	<b>5,709,301</b>	<b>2,987,669</b>	<b>23,427,314</b>	<b>26,569,891</b>

Amortization expense of \$1,563,779 (2022 - \$1,185,891) was recorded in the consolidated financial statements. \$1,316,290 (2022 - \$1,152,611) to the Capital segment \$143,797 (2022 - \$NIL) to the Infrastructure segment and \$103,692 (2022 - \$33,280) was recorded in the Resorts and Retail segment. Total amortization expense comprises \$162,812 (2022 - \$162,812) amortization for CMHC housing, \$518,706 (2022 - \$654,390) for housing, \$138,718 (2022 - \$54,153) for buildings, \$109,995 (2022 - \$61,351) for equipment, \$107,914 (2022 - \$104,782) for automotive, \$251,428 for the asset retirement obligation, and \$170,514 (2022 - \$148,685) for infrastructure.

Assets under construction disposals are transfers out of accumulated costs from the prior fiscal year for completed capital projects to the asset classes to which they related. These disposals have no cash impact.

Details of amounts included in assets under construction are as follows:

Project	Budget	Cumulative costs to March 31, 2023
ISC Fire Protection (AT306)	1,070,000	26,054
ISC WTP Expansion (AT308)	6,989,500	6,005,846
ISC School Roof Repair (AT312)	2,306,000	1,745,159
ISC Lagoon Expansion (AT511)	3,089,000	2,188,517
ISC Teacherage (CTA33)	1,645,000	69,498
ISC School Vental (CTA40)	335,000	-
ISC New School (CTA42)	500,000	12,644
ISC Solid Waste Transfer (CT912)	36,792	36,792
CMHC Housing - phase 9	554,440	1,003,788
Waterhen Lake Eco Lodge	588,000	201,135
Waterhen Lake Resort	317,296	279,013





## Waterhen Lake First Nation

### Notes to the Consolidated Financial Statements

For the year ended March 31, 2023

#### 17. Accumulated surplus

Accumulated surplus consists of the following:

	2023	2022
Equity in Funds held in trust	296,595	286,865
Equity in investments	1,510,956	1,971,692
CMHC reserves	494,818	286,851
Equity in tangible capital assets	25,491,661	22,864,921
Treaty Benefits, air weapons and Reserve Creation claims	(5,150,097)	(4,517,152)
Operating	(1,174,321)	(956,290)
	<b>21,469,612</b>	<b>19,936,887</b>

The equity in funds held in trust represents money 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.

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

The deficit in Treaty Benefits, air weapons and Reserve Creation claims consists of expenditures incurred in relation to these claims (Note 14).

#### 18. Reconciliation of funding from Indigenous Services Canada

	2023	2022
Funding per ISC confirmation	13,934,086	13,942,258
Add: Deferred revenue from prior year	6,176,106	4,829,843
Less: Deferred revenue from current year	(6,457,970)	(6,176,106)
	<b>13,652,222</b>	<b>12,595,995</b>

#### 19. 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.





# Waterhen Lake First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2023*

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### 20. Budget information

The disclosed budget information has been approved by the Chief and Council of the Waterhen Lake First Nation at the Chief and Council budget meetings held on September 8th and 9th, 2022.

The consolidated budget also does not include budgets for capital projects. The capital projects are managed by individuals who are contracted on behalf of the First Nation to administer funds for projects funded by Indigenous Services Canada. The First Nation does not include these projects in its consolidated budget as there is a separate funding application for each project which includes a project budget.

The consolidated budget does not include budgets for amortization expenses.

The consolidated budget does not include budgets for grants and donations as funding applications are submitted for each proposal separately from the approved budget.

The consolidated audit does not include budgets for the social assistance program as the First Nation is funded based on reimbursable expenditures.

### 21. Acquisition of assets constituting a business

During the year, the First Nation acquired the business operation and the net assets of a recreational property consisting of cabins and a lodge for \$2,100,000. In addition to the initial purchase cost, renovations and equipment purchases are planned which have an estimated cost of \$733,000.

The planned financing structure for the purchase and subsequent renovations is as follows:

- Indigenous Services Canada Community Opportunity Readiness Program (CORP) Funding - \$820,000
- Equity contribution from Waterhen Lake First Nation - \$283,000
- Debt financing \$1,730,000

The loan is repayable in interest only instalments at prime plus 1.75% until fully drawn. Under the same loan agreement, the First Nation has also obtained an operating loan through a revolving line of credit that provides up to \$190,000 at prime plus 1.75%. The loans are secured by a general security agreement representing a first charge on all assets acquired and a guarantee from Waterhen Lake First Nation.



# Waterhen Lake First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2023*

### 22. Restructuring transactions

On April 1, 2022, the First Nation completed a restructuring transaction within its Resorts and Retail segment. Under the restructuring, three corporate business entities wholly owned by the Nation had their operations and net assets transferred into three new limited partnerships owned and operated by Waterhen Lake First Nation Development LP. The three corporate business entities received back a promissory note as consideration for transferred their net assets. As all assets and liabilities were transferred at their carrying value there was no gains or losses recognized for the transfers. All of the entities impacted by the transfer are fully consolidated into the Nation's resorts and retail segment and therefore there is no impact to operations from the change. The restructuring transaction was completed for tax purposes.

The following table summarizes the carrying amounts of the assets and liabilities transferred and received by the First Nation, in aggregate, as a result of the restructuring transaction.

	<b>Waterhen Lake First Nation Development Corp. / Waterhen Lake First Nation Development LP.</b>	<b>Waterhen Lake Resort (North) Ltd. / Waterhen Lake First Nation Development LP.</b>	<b>Waterhen Lake Resort (South) Ltd. / Waterhen Lake First Nation Development LP.</b>
<b>Assets received (transferred)</b>			
Cash	24,967	5,264	175,716
Accounts receivable	2,887	34,438	234,031
Inventory	-	46,044	1,004
Property and equipment	8,779	10,112	387,521
<b>Total assets</b>	<b>36,633</b>	<b>95,858</b>	<b>798,272</b>
<b>Liabilities received (transferred)</b>			
Accounts payable	27,919	76,714	87,367
Related party balance payable	8,714	19,144	405,430
Deferred revenue	-	-	38,958
Long-term debt	-	-	266,517
<b>Total liabilities</b>	<b>36,633</b>	<b>95,858</b>	<b>798,272</b>



## Waterhen Lake First Nation

### Notes to the Consolidated Financial Statements

*For the year ended March 31, 2023*

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#### 23. Financial Instruments

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

##### **Credit Risk**

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The carrying amount of the First Nation's financial instruments best represents the maximum exposure to credit risk.

##### **Risk management**

The First Nation manages its credit risk by not extending significant credit outside of government receivables which are low risk and provide allowances for potentially uncollectible accounts receivable.

A credit concentration exists relating to accounts receivable because substantially all of its accounts receivables are from government agencies. However, the First Nation's sales believes that there is minimal risk associated with the collection of these amounts.

##### **Liquidity Risk**

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

Contractual maturities of long-term debt are disclosed in Note 13.

The First Nation manages the liquidity risk resulting from its accounts payable; long-term debt; and deferred revenue by investing in liquid assets such as bank deposits and and GIC's and through authorized lines of credit totaling \$325,000.

##### **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The First Nation is exposed to interest rate risk primarily through its long-term debt, and marketable securities. In seeking to minimize the risks from interest rate fluctuations, the First Nation manages exposure through obtaining debt with a combination of fixed and variable rates, entering into agreements with Canada Mortgage and Housing Corporation (CMHC) to provide subsidy for the payment of principal and interest on the related loans from CMHC, and obtaining marketable securities with varying maturity dates.

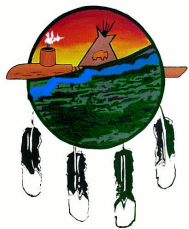
#### 24. Subsequent events

##### **Waterhen Lake Resort LP - new debt facility**

On June 9, 2023 a drawdown facility was funded in the amount of \$550,000 from First Nations Bank of Canada at a fixed rate of 6.39% for a term expiring June 1, 2028. The loan has a 120 month amortization period and required blended principal and interest payments of \$6,216 per month beginning July 1, 2023. The existing First Nations Bank of Canada loan was fully repaid from the proceeds of this new drawdown facility on June 9, 2023.

##### **Waterhen Eco Lodge LP - debt refinancing**

Subsequent to the date of the financial statements the terms of the long-term debt with the First Nations Bank was updated effective April 1, 2023. Monthly blended payments became \$14,209 commencing April 1, 2023.



# **Waterhen Lake First Nation**

## **Notes to the Consolidated Financial Statements**

*For the year ended March 31, 2023*

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### **25. Commitments**

#### **Waterhen Lake Resort LP - new water treatment plant**

The Partnership has incurred \$279,013 of costs in relation to the construction of the water treatment plant. Waterhen Lake Resort LP has committed to complete this project that has a budgeted cost of \$317,296.

#### **Waterhen Eco Lodge LP - Tipi and shower house under construction**

The Partnership has a commitment to complete the Tipi construction project which is expected to cost approximately \$218,000; \$176,135 of costs have been incurred as at March 31, 2023.

The Partnership has a commitment to construct a shower house. The total expected cost of the project is approximately \$370,000; \$25,000 of costs have been incurred as at March 31, 2023.



# Waterhen Lake First Nation

## Schedule 1 - Consolidated Schedule of Expenses by Object

*For the year ended March 31, 2023*

	<b>2023</b> <i>Actual</i>	<b>2022</b> <i>Actual</i>
<b>Consolidated expenses by object</b>		
Accretion expense (recovery)	(693,262)	-
Advertising	6,869	5,299
Amortization	1,563,779	1,185,891
Assistance	2,260,157	1,469,448
Bad debts	25,496	152,978
Bank charges and interest	66,503	81,488
Business grants	12,000	85,919
Community donations	45,160	85,918
Contracted services	2,340,492	1,617,070
Cost of sales	2,221,241	1,648,880
Expense recoveries	(108,342)	(187,525)
Fuel	89,429	117,817
Honouraria	242,449	335,467
Insurance	562,907	604,490
Inter program administration fees	-	2,976
Interest on long-term debt	471,915	224,089
Language and culture	457,388	26,949
Materials	28,082	-
Meeting	37,541	-
Office supplies and expenses	13,849	-
Prevention	190,484	84,436
Professional development	114,246	13,063
Professional fees	827,536	1,067,546
Program expense	441,982	306,472
Rent	2,217	-
Repairs and maintenance	397,968	447,290
Salaries and benefits	7,783,100	7,631,250
Special projects	31,019	-
Sports, recreation and extra curricular activities	807,318	431,045
Student expenses	375,555	441,255
Supplies	2,649,738	2,621,703
Telephone	93,077	86,736
Training	562,673	180,534
Travel	1,816,471	926,703
Tuition	376,533	391,628
Utilities	387,019	328,122
	<b>26,500,589</b>	<b>22,414,937</b>



# Waterhen Lake First Nation ADMINISTRATION

## Schedule 2 - Consolidated Schedule of Revenue and Expenses

For the year ended March 31, 2023

	2023 Actual	2022 Actual
<b>Revenue</b>		
Indigenous Services Canada	541,486	532,845
Other revenue	226,297	72,132
MLTC Program Services Inc.	221,521	207,337
GST and Sales Tax rebates	29,425	67,018
	<b>1,018,729</b>	<b>879,332</b>
<b>Expenses</b>		
Bad debts	11,400	51,399
Bank charges and interest	10,601	11,961
Contracted services	118,224	140,985
Expense recoveries	(45,784)	(150,041)
Honouraria	141,999	238,374
Insurance	11,747	34,509
Inter program administration fees	(952,497)	(1,678,990)
Professional development	4,985	720
Professional fees	332,628	106,150
Repairs and maintenance	1,348	-
Salaries and benefits	762,153	713,233
Supplies	122,054	136,033
Telephone	32,750	35,227
Travel	350,645	251,698
Utilities	18,690	8,148
	<b>920,943</b>	<b>(100,594)</b>
<b>Surplus</b>	<b>97,786</b>	<b>979,926</b>



# Waterhen Lake First Nation BAND PROGRAMS

## Schedule 3 - Consolidated Schedule of Revenue and Expenses

For the year ended March 31, 2023

	2023 Actual	2022 Actual
<b>Revenue</b>		
Indigenous Services Canada	1,017,302	3,716,884
MLTC Program Services Inc.	278,995	341,288
Other revenue	114,525	239,420
Meadow Lake Health & Social Development Authority Inc.	42,380	21,502
Mistik Management Ltd.	-	2,000
Investment income - MLTC Resource Development LP	1,477,778	1,117,220
First Nations Trust	802,982	372,956
Prince Albert Development Corporation	94,295	51,032
Rental income	32,770	73,388
Northern Lights CDC	28,837	35,116
Interest income	9,730	6,260
	<b>3,899,594</b>	<b>5,977,066</b>
<b>Expenses</b>		
Assistance	285,259	227,561
Bank charges and interest	14,192	37,769
Business grants	12,000	-
Community donations	39,011	82,005
Contracted services	288,945	184,193
Expense recoveries	(41,192)	(16,621)
Fuel	-	76
Honouraria	4,630	4,050
Insurance	212,114	283,323
Inter program administration fees	54,091	650,074
Interest on long-term debt	308,160	159,547
Language and culture	338,154	7,589
Meeting	2,070	-
Professional fees	143,401	745,700
Program expense	122,210	154,509
Repairs and maintenance	13,398	37,171
Salaries and benefits	895,188	1,737,831
Sports, recreation and extra curricular activities	187,257	121,553
Supplies	283,449	1,098,186
Telephone	1,100	857
Travel	384,053	99,470
Utilities	7,467	2,298
	<b>3,554,957</b>	<b>5,617,141</b>
<b>Surplus before transfers</b>	<b>344,637</b>	<b>359,925</b>
<b>Transfers between programs</b>	<b>(433,309)</b>	<b>-</b>
<b>Surplus (deficit)</b>	<b>(88,672)</b>	<b>359,925</b>



# Waterhen Lake First Nation CAPITAL

## Schedule 4 - Consolidated Schedule of Revenue and Expenses

For the year ended March 31, 2023

	2023 Actual	2022 Actual
<b>Revenue</b>		
Indigenous Services Canada	2,183,587	2,121,804
Canada Mortgage and Housing Corporation	287,845	895,794
MLTC Child & Family Services Inc.	83,211	-
Meadow Lake Health & Social Development Authority Inc.	-	60,000
Rental income	117,531	122,874
	<b>2,672,174</b>	<b>3,200,472</b>
<b>Expenses</b>		
Accretion expense (recovery)	(296,772)	-
Amortization	1,316,290	1,152,611
Bank charges and interest	485	400
Contracted services	546,886	91,151
Expense recoveries	(6,061)	(1,572)
Honouraria	1,550	27,050
Insurance	176,320	159,829
Inter program administration fees	4,700	66,880
Interest on long-term debt	42,609	52,254
Meeting	35,471	-
Professional development	-	3,700
Professional fees	22,057	15,865
Program expense	7,040	-
Repairs and maintenance	85,990	173,391
Salaries and benefits	200,970	106,790
Supplies	619,738	267,808
Telephone	1,905	994
Travel	261,673	62,364
Utilities	1,656	-
	<b>3,022,507</b>	<b>2,179,515</b>
<b>Surplus (deficit) before transfers</b>	<b>(350,333)</b>	<b>1,020,957</b>
<b>Transfers between programs</b>	<b>50,000</b>	<b>-</b>
<b>Surplus (deficit)</b>	<b>(300,333)</b>	<b>1,020,957</b>





**Waterhen Lake First Nation**  
**ECONOMIC DEVELOPMENT**  
**Schedule 5 - Consolidated Schedule of Revenue and Expenses**  
*For the year ended March 31, 2023*

	<b>2023</b> <i>Actual</i>	<b>2022</b> <i>Actual</i>
<b>Revenue</b>		
MLTC Program Services Inc.	<b>107,818</b>	86,525
Indigenous Services Canada	<b>67,152</b>	-
Other revenue	-	30,784
Earnings (loss) from investment in Nation business entities	<b>(460,736)</b>	(298,460)
	<b>(285,766)</b>	(181,151)
<b>Expenses</b>		
Business grants	-	85,919
Contracted services	<b>120,452</b>	16,216
Repairs and maintenance	-	1,303
Supplies	<b>35,727</b>	336
Travel	<b>1,300</b>	106
Utilities	<b>1,822</b>	7,007
	<b>159,301</b>	110,887
<b>Deficit before transfers</b>	<b>(445,067)</b>	(292,038)
<b>Transfers to resorts and retail</b>	<b>(50,100)</b>	-
<b>Deficit</b>	<b>(495,167)</b>	(292,038)



# Waterhen Lake First Nation EDUCATION

## Schedule 6 - Consolidated Schedule of Revenue and Expenses

For the year ended March 31, 2023

	2023 Actual	2022 Actual
<b>Revenue</b>		
Indigenous Services Canada	6,377,388	4,843,494
MLTC Program Services Inc.	437,993	441,534
Meadow Lake Health & Social Development Authority Inc.	231,843	230,732
Other revenue	1,270	1,064
	<b>7,048,494</b>	<b>5,516,824</b>
<b>Expenses</b>		
Assistance	22,630	12,560
Bank charges and interest	1,349	2,638
Contracted services	86,427	275,932
Expense recoveries	(706)	(9,131)
Honouraria	50,189	24,253
Insurance	7,448	5,634
Inter program administration fees	359,595	472,473
Language and culture	5,222	3,500
Professional development	79,886	-
Program expense	311,801	151,388
Repairs and maintenance	-	482
Salaries and benefits	3,083,896	2,974,467
Student expenses	375,555	441,255
Supplies	598,633	357,040
Telephone	1,755	2,055
Travel	192,529	174,933
Tuition	376,533	391,628
Utilities	10,000	10,194
	<b>5,562,742</b>	<b>5,291,301</b>
<b>Surplus before transfers</b>	<b>1,485,752</b>	<b>225,523</b>
<b>Transfers between programs</b>	<b>(358,123)</b>	<b>(182,080)</b>
<b>Surplus</b>	<b>1,127,629</b>	<b>43,443</b>



# Waterhen Lake First Nation HEALTH

## Schedule 7 - Consolidated Schedule of Revenue and Expenses

For the year ended March 31, 2023

	2023 Actual	2022 Actual
<b>Revenue</b>		
Meadow Lake Health & Social Development Authority Inc.	3,076,545	2,574,038
Indigenous Services Canada	1,193,169	42,500
MLTC Child & Family Services Inc.	301,311	410,371
Other revenue	1,455	600
	<b>4,572,480</b>	<b>3,027,509</b>
<b>Expenses</b>		
Contracted services	600,044	401,525
Expense recoveries	63	(2,396)
Honouraria	44,081	39,940
Insurance	24,156	21,165
Inter program administration fees	369,285	320,706
Interest on long-term debt	734	-
Language and culture	114,012	15,860
Prevention	190,484	84,436
Professional development	26,581	4,868
Program expense	-	575
Repairs and maintenance	19,481	4,981
Salaries and benefits	1,567,734	1,210,351
Special projects	31,019	-
Sports, recreation and extra curricular activities	595,250	309,492
Supplies	506,512	387,907
Telephone	23,785	23,679
Training	9,554	-
Travel	422,437	194,615
Utilities	27,699	28,103
	<b>4,572,911</b>	<b>3,045,807</b>
<b>Deficit</b>	<b>(431)</b>	<b>(18,298)</b>



# Waterhen Lake First Nation INFRASTRUCTURE

## Schedule 8 - Consolidated Schedule of Revenue and Expenses

For the year ended March 31, 2023

	2023 Actual	2022 Actual
<b>Revenue</b>		
Indigenous Services Canada	1,140,583	1,068,739
Rental income	135,182	96,475
Department of Highways	54,216	272,947
Contracts	-	198,000
Northern Lights CDC	-	2,500
	<b>1,329,981</b>	<b>1,638,661</b>
<b>Expenses</b>		
Accretion expense (recovery)	(396,490)	-
Amortization	143,797	-
Contracted services	254,831	334,806
Expense recoveries	(14,096)	(7,764)
Fuel	89,429	117,741
Insurance	87,868	81,998
Inter program administration fees	102,303	123,406
Professional development	2,517	2,375
Repairs and maintenance	190,114	171,642
Salaries and benefits	329,599	267,583
Supplies	257,782	181,248
Telephone	15,160	18,588
Travel	42,441	40,723
Utilities	247,865	222,059
	<b>1,353,120</b>	<b>1,554,405</b>
<b>Surplus (deficit) before transfers</b>	<b>(23,139)</b>	<b>84,256</b>
<b>Transfers between programs</b>	<b>358,123</b>	<b>312,214</b>
<b>Surplus</b>	<b>334,984</b>	<b>396,470</b>



**Waterhen Lake First Nation**  
**RESERVES AND TRUSTS**  
**Schedule 9 - Consolidated Schedule of Revenue and Expenses**  
*For the year ended March 31, 2023*

	<b>2023</b> <i>Actual</i>	<b>2022</b> <i>Actual</i>
<b>Revenue</b>		
Mistik Management Ltd.	213,717	96,514
Indigenous Services Canada	196,656	139,402
Rental income	4,000	-
	<b>414,373</b>	<b>235,916</b>
<b>Expenses</b>		
Assistance	5,000	-
Contracted services	16,480	20,389
Honouraria	-	1,800
Professional fees	174,909	11,000
Salaries and benefits	11,174	-
Supplies	12,992	84,235
Travel	15,104	17,519
	<b>235,659</b>	<b>134,943</b>
<b>Surplus before transfers</b>	<b>178,714</b>	<b>100,973</b>
<b>Transfers between programs</b>	<b>-</b>	<b>(130,134)</b>
<b>Surplus (deficit)</b>	<b>178,714</b>	<b>(29,161)</b>



# Waterhen Lake First Nation SOCIAL SERVICES

## Schedule 10 - Consolidated Schedule of Revenue and Expenses

For the year ended March 31, 2023

	2023 Actual	2022 Actual
<b>Revenue</b>		
MLTC Program Services Inc.	2,362,536	1,538,377
Meadow Lake Health & Social Development Authority Inc.	219,651	231,980
Indigenous Services Canada	164,975	130,327
	<b>2,747,162</b>	<b>1,900,684</b>
<b>Expenses</b>		
Assistance	1,947,268	1,229,327
Contracted services	106,849	30,200
Expense recoveries	(566)	-
Inter program administration fees	62,523	48,427
Program expense	931	-
Repairs and maintenance	-	1,800
Salaries and benefits	250,208	251,275
Sports, recreation and extra curricular activities	24,811	-
Supplies	154,069	61,351
Telephone	3,228	1,860
Training	369,002	180,534
Travel	40,750	23,241
Utilities	1,173	975
	<b>2,960,246</b>	<b>1,828,990</b>
<b>Surplus (deficit)</b>	<b>(213,084)</b>	<b>71,694</b>



# Waterhen Lake First Nation RESORTS AND RETAIL

## Schedule 11 - Consolidated Schedule of Revenue and Expenses

For the year ended March 31, 2023

	2023 Actual	2022 Actual
<b>Revenue</b>		
Other revenue	434,924	200,744
Indigenous Services Canada		
Fixed	769,924	-
Retail sales	2,820,013	2,115,981
Rental income	260,880	-
Contracts	169,981	-
Management fees	163,278	100,000
Interest income	61	-
	<b>4,619,061</b>	<b>2,416,725</b>
<b>Expenses</b>		
Advertising	6,869	5,299
Amortization	103,692	33,280
Bad debts	14,096	101,579
Bank charges and interest	39,876	28,720
Community donations	6,150	3,913
Contracted services	201,355	121,673
Cost of sales	2,221,241	1,648,880
Insurance	43,254	18,032
Interest on long-term debt	120,412	12,288
Materials	28,082	-
Office supplies and expenses	13,849	-
Professional development	278	1,400
Professional fees	154,540	188,831
Rent	2,220	-
Repairs and maintenance	87,637	56,521
Salaries and benefits	682,178	369,720
Supplies	58,777	47,557
Telephone	13,393	3,476
Training	184,117	-
Travel	105,539	62,034
Utilities	70,648	49,339
	<b>4,158,203</b>	<b>2,752,542</b>
<b>Surplus (deficit) before other items</b>	<b>460,858</b>	<b>(335,817)</b>
<b>Other income</b>		
Gain (loss) on disposal of capital assets	(2,967)	-
<b>Surplus (deficit) before transfers</b>	<b>457,891</b>	<b>(335,817)</b>
<b>Transfers between programs</b>	<b>433,409</b>	<b>-</b>
<b>Surplus (deficit)</b>	<b>891,300</b>	<b>(335,817)</b>