

O'Chiese First Nation
Consolidated Financial Statements
March 31, 2019

O'Chiese First Nation

Consolidated Financial Statements

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O'Chiese First Nation

Management's Responsibility for Financial Reporting

March 31, 2019

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

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

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

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

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

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

On behalf of O'Chiese First Nation:

Original signed by _____ July 16, 2019
Chief _____ Date

Original signed by _____ July 16, 2019
Chief Financial Officer _____ Date

Independent Auditors' Report

To the Members of O'Chiese First Nation

Opinion

We have audited the consolidated financial statements of O'Chiese 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 financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations, its changes in its consolidated 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 Auditors' 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.

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

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

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

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

Independent Auditors' Report (continued)

Auditors' 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 auditors' 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 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 auditors' 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 auditors' 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Edmonton, Canada
July 16, 2019

Chow Mackay LLP
Chartered Professional Accountants

O'Chiese First Nation

Consolidated Statement of Financial Position

March 31	2019	2018
Financial Assets		
Cash (Note 2)	\$ 16,383,496	\$ 13,208,946
Accounts receivable (Note 3)	1,960,622	2,308,781
Band member receivables (Note 4)	21,064	32,814
Long-term investments (Note 5)	72,346,779	66,917,364
Federal trust funds (Note 6)	30,619,641	36,610,272
	121,331,602	119,078,177
Liabilities		
Short-term financing (Note 7)	2,500,000	-
Accounts payable and accrued liabilities	2,106,038	3,013,344
Deferred revenue (Note 8)	4,195,832	3,278,586
Landfill closure and post-closure liability (Note 9)	175,000	175,000
Long-term debt (Note 10)	18,658,333	19,385,039
Promissory note payable (Note 11)	20,579,866	21,209,011
	48,215,069	47,060,980
Net financial assets	73,116,533	72,017,197
Non-financial Assets		
Capital assets (Note 12)	111,514,140	107,386,886
Prepaid expenses	32,313	128,176
	111,546,453	107,515,062
Accumulated Surplus (Note 13)	\$184,662,986	\$179,532,259

Contingent liabilities (Note 14)

Approved on behalf of the Council

Original signed by _____, Chief

Original signed by _____, Chief Financial Officer

O'Chiese First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31	2019 Budget	2019 Actual	2018 Actual
Revenue			
Federal Government:			
Indigenous Services Canada	\$ 5,987,064	\$ 7,890,114	\$ 6,272,012
CMHC subsidy	1,020,000	193,957	471,961
HRD funds	375,131	429,265	666,395
Health Canada	1,714,415	2,228,226	1,494,826
First Nations Development Fund	305,789	535,311	538,248
Interest income - Ottawa Trust	-	1,046,877	842,006
Royalty income - Ottawa Trust	-	16,428,034	18,868,013
Change in equity in investments	-	2,114,356	719,790
Other income	30,289,593	8,373,151	10,313,561
	39,691,992	39,239,291	40,186,812
Expenses (Note 17)			
Band	39,292,613	27,268,663	27,127,750
Consultation	1,480,000	1,341,511	1,459,997
School	3,251,422	3,437,941	2,686,650
Health	1,792,135	2,060,449	1,677,872
	45,816,170	34,108,564	32,952,269
Excess of revenue over expenses	(6,124,178)	5,130,727	7,234,543
Accumulated surplus, beginning of year	172,532,259	179,532,259	172,297,716
Accumulated surplus, end of year	\$166,408,081	\$184,662,986	\$179,532,259

O'Chiese First Nation**Consolidated Statement of Change in Net Financial Assets**

For the year ended March 31	2019 Budget	2019 Actual	2018 Actual
Excess of revenue over expenses	\$ (6,124,178)	\$ 5,130,727	\$ 7,234,543
Acquisition of tangible capital assets	-	(11,178,059)	(9,606,334)
<u>Amortization of tangible capital assets</u>	<u>-</u>	<u>7,050,804</u>	<u>6,517,220</u>
		- (4,127,255)	(3,089,114)
<u>Acquisition of prepaid asset</u>	<u>95,863</u>	<u>95,864</u>	<u>(100,661)</u>
Increase in net financial assets	(6,028,315)	1,099,336	4,044,768
Net financial assets, beginning of year	72,017,197	72,017,197	67,972,429
Net financial assets, end of year	\$ 65,988,882	\$ 73,116,533	\$ 72,017,197

O'Chiese First Nation

Consolidated Statement of Cash Flow

For the year ended March 31, 2019	2019	2018
Cash flows from Operating activities		
Excess of revenue over expenses	\$ 5,130,727	\$ 7,234,543
Items not affecting cash		
Amortization	7,050,804	6,517,220
Change in investments	(5,429,418)	(25,859,496)
	6,752,113	(12,107,733)
Change in non-cash operating working capital		
Accounts receivable	348,159	(1,263,194)
Prepaid expenses	95,863	(100,661)
Accounts payable and accrued liabilities	(907,304)	1,318,401
Deferred revenue	917,246	144,403
Band member receivables	11,750	44,906
	7,217,827	(11,963,878)
Capital activities		
Capital asset purchases	(11,178,059)	(9,606,334)
Financing activities		
Proceeds of long-term debt	-	251,123
Principal repayments of long-term debt	(1,355,849)	(111,974)
Net funds drawn from Trust Funds held in Ottawa	23,465,542	18,987,820
Ottawa Trust Capital additions	(17,474,911)	(19,710,019)
Short-term financing advanced	2,500,000	-
Proceeds of promissory note	-	21,209,011
	7,134,782	20,625,961
Increase (decrease) in cash and cash equivalents	3,174,550	(944,251)
Cash and cash equivalents, beginning of year	13,208,946	14,153,197
Cash and cash equivalents, end of year	\$ 16,383,496	\$ 13,208,946

O'Chiese First Nation

Notes to Consolidated Financial Statements

March 31, 2019

1. Basis of Presentation and Significant Accounting Policies

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

(a) Reporting entity principles of financial reporting

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

Entities that form part of the First Nation reporting entity and do not meet the criteria of a government business enterprise have been consolidated in these financial statements. The consolidated financial statements include the following entities:

1. O'Chiese First Nation Administration
2. O'Chiese Consultation
3. O'Chiese First Nation Education Authority
4. O'Chiese Health Centre

Commercial enterprises which meet the definition of government business enterprises are recorded on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only the First Nation's investment in the government business enterprise and the enterprises net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of the O'Chiese First Nation.

Organizations accounted for on a modified equity basis include:

1. O'Chiese Gas Bar Ltd.
2. O'Chiese Energy Limited Partnership
3. O'Chiese Safety Services Limited Partnership
4. O'Chiese Contracting Limited Partnership
5. O'Chiese Well Services Limited Partnership
6. O'Chiese Forest Management Limited Partnership
7. O'Chiese Environmental Services Limited Partnership
8. Enterprise 203 Construction Limited Partnership
9. Enterprise 203 Holdings Limited Partnership
10. O'Chiese Market Place Inc.
11. O'Chiese Utilities Limited Partnership (March 31, 2019)
12. O'Chiese Land Development Corporation (March 31, 2019)
13. O'Chiese Business Centre Limited Partnership
14. O'Chiese Gaming Limited Partnership
15. Redwind Communications Limited Partnership
16. Jackpot Casino Ltd.

The entities all have December 31, 2018 year ends, unless otherwise noted.

O'Chiese First Nation

Notes to Consolidated Financial Statements

March 31, 2019

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

(b) Revenue recognition

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

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

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

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

Income from investments is recorded on the accrual basis.

(c) Cash

Cash and cash equivalents include cash on hand and balances in bank accounts.

O'Chiese First Nation

Notes to Consolidated Financial Statements

March 31, 2019

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

(d) Tangible capital assets

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

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

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

Community buildings	20 years Straight line
Automotive equipment	5 years Straight line
Housing	35 years Straight line
Roads and bridges	20 years Straight line
Equipment	5 years Straight line
Infrastructure	20 years Straight line

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

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

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

(e) Financial instruments

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

O'Chiese First Nation

Notes to Consolidated Financial Statements

March 31, 2019

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

(f) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

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

2. Cash

	2019	2018
Externally restricted		
CMHC replacement reserve	\$ 289,023	\$ 288,734
Secured Revenues Trust Account (Note 11)	683,975	1,641,801
Province of Alberta - First Nations Development Fund	109,622	1,080
	<hr/> 1,082,620	1,931,615
Internally restricted		
Education fund	1,796,602	1,928,236
Unrestricted		
General accounts	13,504,274	9,349,095
	<hr/> \$ 16,383,496	\$ 13,208,946

Under the terms of agreements with Canada Mortgage and Housing Corporation, the First Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Replacement Fund.

Funds received under the First Nation Development Fund program administered by the Province of Alberta are restricted to eligible uses outlined in the First Nation Charitable Casino Handbook and administered by the Alberta Gaming and Liquor Commission. These funds are held in a separate bank account.

The First Nation has overdraft facilities totaling \$180,000 bearing interest at Peace Hills Trust prime rate + 3%. The facilities are secured by a redirection of funds, as authorized by First Nation Council Resolutions acknowledged by the Department of Indigenous Services Canada. At March 31, 2019, the accounts were overdrawn by \$Nil (2018 - \$Nil).

O'Chiese First Nation

Notes to Consolidated Financial Statements

March 31, 2019

3. Accounts receivable

	2019	2018
Trade receivables	\$ 611,588	\$ 1,461,647
Indigenous Services Canada	235,086	123,645
Government of Alberta	698,397	343,355
Health Canada	275,304	-
Yellowhead Tribal Development Foundation	140,247	380,134
	<hr/> \$ 1,960,622	<hr/> \$ 2,308,781

4. Band member receivables

	2019	2018
Band member receivables	\$ 1,108,199	\$ 1,104,120
Allowance for doubtful accounts	(1,087,135)	(1,071,306)
	<hr/> \$ 21,064	<hr/> \$ 32,814

O'Chiese First Nation

Notes to Consolidated Financial Statements

March 31, 2019

5. Investment in Business Enterprises

	O'Chiese Limited Partnerships (Note A)	O'Chiese Corporations (Note B)	2019 Total	2018 Total
Assets	\$ 70,475,107	\$ 15,167,418	\$ 85,642,525	\$ 81,258,131

Liabilities	\$ 21,542,269	\$ 9,092,709	\$ 30,634,978	\$ 28,787,431
Equity	48,932,838	6,074,709	55,007,547	52,470,700
Total liabilities and equity	\$ 70,475,107	\$ 15,167,418	\$ 85,642,525	\$ 81,258,131

	O'Chiese Limited Partnerships (Note A)	O'Chiese Corporations (Note B)	2019 Total	2018 Total
Revenue	\$ 30,530,600	\$ 6,668,128	\$ 37,198,728	\$ 33,296,233
Expenses	27,200,783	7,883,544	35,084,327	32,576,344
Net income	\$ 3,329,817	\$ (1,215,416)	\$ 2,114,401	\$ 719,889

	2019	2018
Equity in Business Enterprises	\$ 55,007,547	\$ 52,470,700
Related party receivables	17,339,232	14,446,664
Total investment in Business Enterprises	\$ 72,346,779	\$ 66,917,364

Note A: The balances shown are the consolidated balances of O'Chiese Well Services Limited Partnership, O'Chiese Energy Limited Partnership, O'Chiese Business & Investment Centre Limited Partnership, O'Chiese Environmental Services Limited Partnership, Enterprise 203 Construction Limited Partnership, O'Chiese Safety Services Limited Partnership, O'Chiese Contracting Limited Partnership, O'Chiese Gaming Limited Partnership, O'Chiese Land Holdings Limited Partnership, O'Chiese Forest Management Limited Partnership, Redwind Communications Limited Partnership, Enterprise 203 Holdings Limited Partnership and O'Chiese Utilities Limited Partnership.

Note B: The balances shown are the consolidated balances of O'Chiese Gas Bar Ltd., O'Chiese Marketplace Inc., O'Chiese Land Development Corporation and Jackpot Casino Ltd.

O'Chiese First Nation

Notes to Consolidated Financial Statements

March 31, 2019

6. Trust funds held by federal government

	March 31, 2018	Income	Withdrawals, 2019	March 31, 2019
Ottawa funds held in trust - Capital	\$ 34,682,765	\$ 15,343,905	\$ (21,096,448)	\$ 28,930,222
Ottawa funds held in trust - Revenue	1,927,507	2,131,006	(2,369,094)	1,689,419
	\$ 36,610,272	\$ 17,474,911	\$ (23,465,542)	\$ 30,619,641

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

These Ottawa Funds are held in trust in the Consolidated Revenue fund of the Government of Canada. The funds earn interest as specified in Section 61(2) of the Indian Act.

7. Short-term financing

The First Nation has a demand loan for \$2,500,000 with TD Canada Trust bearing interest at Prime + 1%. At March 31, 2019, the balance is fully drawn (2018 - \$Nil).

8. Deferred revenue

Deferred revenue represents funds received, but not expended, as at the year-end. The deferred revenue relates to the following programs and funders:

	March 31, 2018	Funding received, 2019	Revenue recognized, 2019	March 31, 2019
Indigenous Services Canada	\$ 3,089,092	\$ 6,594,976	\$ (7,890,114)	\$ 1,793,954
Health Canada	135,894	2,296,372	(2,228,226)	204,040
First Nation Development Fund	-	687,486	(535,311)	152,175
Other	53,600	10,365,214	(8,373,151)	2,045,663
	\$ 3,278,586	\$ 19,944,048	\$ (19,026,802)	\$ 4,195,832

O'Chiese First Nation

Notes to Consolidated Financial Statements

March 31, 2019

9. Landfill Closure and Post-closure liability

Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. Canadian Public Sector Accounting Standards require that the liability to close these sites be recorded based on an estimate of expected costs.

The liability recorded by the First Nation as at March 31, 2019 is \$175,000 (2018 - \$175,000) and represents the estimated present value of closure and post-closure costs. The closure of the landfill site is expected to be complete in the next year. Closure will involve covering the site with topsoil and vegetation, and installing groundwater monitoring wells. Post-closure care activities are expected to occur for approximately 25 years and will involve surface and groundwater monitoring, and landfill cover maintenance.

O'Chiese First Nation

Notes to Consolidated Financial Statements

March 31, 2019

10. Long-term debt

	2019	2018
Canada Mortgage and Housing Corporation mortgage with payments of \$1,531 per month including interest at 1.11% maturing February 2026, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on housing units.	\$ 122,369	\$ 139,299
Canada Mortgage and Housing Corporation mortgage with payments of \$1,522 per month including interest at 1.31% maturing January 2027, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on housing units.	136,082	152,474
Canada Mortgage and Housing Corporation mortgage with payments of \$3,072 per month including interest at 1.03% maturing November 2041, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on housing units.	745,795	774,867
Canada Mortgage and Housing Corporation mortgage with payments of \$3,492 per month including interest at 1.04% maturing October 2040, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on housing units.	810,775	844,119
Canada Mortgage and Housing Corporation mortgage with payments of \$1,829 per month including interest at 1.04% maturing October 2040, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on housing units.	424,504	441,961
Toyota loan with payments of \$735 per month, secured with equipment with a net book value of \$34,856 (2018 - \$43,706).	34,882	43,706
TD Canada Trust loan with blended payments of \$26,009 per month including interest rate at 3.10% on a contractual term maturing October 2036, secured by the school on the reserve land.	4,241,956	4,402,376
TD Canada Trust loan with blended payments of \$75,771 per month including interest rate at 3.73% on a contractual term maturing July 2037, secured by the housing units on the reserve land.	<u>12,141,970</u>	<u>12,586,237</u>
	<u>\$ 18,658,333</u>	<u>\$ 19,385,039</u>

O'Chiese First Nation

Notes to Consolidated Financial Statements

March 31, 2019

10. Long-term debt, continued

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

2020	\$ 770,383
2021	795,060
2022	820,602
2023	915,637
<u>2024 and thereafter</u>	<u>15,356,651</u>
	\$ 18,658,333

11. Promissory note payable

	2019	2018
Financing with the First Nations Finance Authority	\$ 21,720,833	\$ 22,329,743
<u>Debt reserve fund</u>	<u>(1,140,967)</u>	<u>(1,120,732)</u>
	\$ 20,579,866	\$ 21,209,011

Financing with the First Nations Finance Authority (FNFA):

The First Nation has entered into an agreement with the FNFA to borrow funds at an interest rate based on the Authority's prime lending rate, currently at 3.48%. The funds received have been advanced by the FNFA in anticipation of a bond issue by the FNFA. This interim financing will be replaced by this long term financing upon the issuance of such securities and the earlier of five years from the date of issuance of the interim financing or the completion by the First Nation of the defined purpose included in the Borrowing Agreement.

The interim financing loans require monthly interest payments only and are paid from Secured Revenue sources other than Indigenous Services Canada or FNIHB funding. These funds are specified in the Borrowing Law adopted by the First Nation and are paid directly into a Secured Revenues Trust Account (SRTA) (note 2) which is governed by a Secured Revenues Trust Management Agreement between O'Chiese First Nation, FNFA and Computershare.

The following amounts are withdrawn from the SRTA:

- 1) Monthly interest payments directly to the FNFA under the terms of the Borrowing Agreement and
- 2) The excess in the SRTA is paid to O'Chiese First Nation

Debt reserve fund

Investment: 5% of any funds borrowed from the FNFA are held by the Authority in a fund as security for payments for bond payments and interim financing providers. If at any time the First Nation does not have sufficient funds to meet its obligations under the terms and conditions of the Borrowing Agreement the payments will be made from the Debt Reserve Fund

12. Tangible Capital Assets

12. Tangible Capital Assets

	Cost	Accumulated amortization	Balance, beginning of year	Additions	Disposals	Balance, end of year	Cost	Accumulated amortization	Balance, beginning of year	Additions	Disposals	Balance, end of year	Cost	Accumulated amortization	Balance, beginning of year	Additions	Disposals	Balance, end of year
Buildings																		
Automotive equipment	\$ 54,624,798	\$ 2,491,270	\$ 54,624,798	\$ 4,461	-	\$ 54,624,798	\$ 54,624,798	\$ 2,491,270	\$ 17,251,721	\$ 37,373,077								
Housing	6,794,348	588,446	7,382,794	-	-	7,382,794	5,983,412	410,295	6,393,707	989,087								
Equipment	77,100,134	1,028,666	78,128,800	-	-	78,128,800	32,245,523	2,265,736	34,511,259	43,617,541								
Roads and bridges	726,178	348,688	-	-	1,074,866	-	336,805	135,478	472,083	602,783								
Buildings under construction	27,377,372	7,338,829	-	-	34,716,201	5,909,953	1,735,809	7,645,762	27,070,439									
Infrastructure	-	1,384,779	-	-	1,384,779	-	-	-	-	1,384,779								
		488,650	-	-	488,650	-	-	-	-	476,434								
	\$ 166,622,830	\$ 11,178,058	\$ -	\$ 177,800,888	\$ -	\$ 59,235,944	\$ 7,050,804	\$ 66,286,748	\$ 11,514,140									

O'Chiese First Nation

Notes to Consolidated Financial Statements

March 31, 2019

13. Accumulated surplus

	2019	2018
Operating Fund	\$ 9,420,626	\$ 6,156,220
Trust Fund	30,619,641	36,610,272
Capital Asset Fund	92,855,806	88,001,847
Equity in business entities	51,766,913	48,763,920
	\$184,662,986	\$179,532,259

14. Contingent Liabilities

a) Loan guarantees

The First Nation has provided a guarantee on loans for O'Chiese Market Place Inc. up to \$2,550,000.

The First Nation has provided a full guarantee on bank loans for Enterprise 203 Holdings Limited Partnership totaling \$458,207 (2018 - \$486,684).

b) Government contributions

Government contributions related to programs of the First Nation are subject to conditions regarding the expenditure of funds. The First Nation's accounting records are subject to audit by the funding agencies. Should any instances be identified in which the amounts charged to the projects are not in accordance with the agreed terms and conditions, amounts would be refundable to the respective funding agencies. Adjustments to the financial statements as a result of these ministerial audits will be recorded in the period in which they become known.

c) Legal proceedings

The First Nation is currently involved in certain legal proceedings. The First Nation is actively defending all lawsuits. The First Nation only records a provision if it can be reasonably estimated. Should a loss be incurred, it will be expensed in the year the liability is determined.

15. Budget Information

The budgeted information for the year ended March 31, 2019 is unaudited and has been provided by management.

16. Comparative Amounts

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

O'Chiese First Nation

Notes to Consolidated Financial Statements

March 31, 2019

17. Expenses

For the year ended March 31	2019 Budget	2019 Actual	2018 Actual
Administration fees	\$ 25,920	\$ 116,783	\$ 50,863
Amortization	7,050,804	7,050,804	6,517,220
Bad debt expense	-	11,604	-
Basic Needs	-	846,816	742,389
COPH	-	11,195	-
Cultural events	380,000	588,403	534,225
Donations	-	15,594	50,000
Equipment costs	7,963,195	19,848	10,092
Insurance	335,285	498,849	335,681
Interest and bank charges	180,103	112,597	82,583
Interest on long-term debt	-	1,275,041	1,037,838
Materials and supplies	743,109	1,136,465	828,693
Office expenses	611,138	364,432	475,294
Per capita distribution	1,197,000	1,204,297	1,184,050
Professional fees	894,300	2,015,538	1,488,039
Program costs	3,585,958	2,654,045	2,748,924
Provision for Band Member receivables	-	-	202,772
Repairs and maintenance	5,345,408	3,132,479	2,464,374
Salaries, wages and benefits	14,337,155	10,161,044	11,041,120
Social assistance	-	8,116	5,720
Student allowance	86,000	168,129	115,079
Training and professional development	292,765	250,293	218,323
Travel and meetings	2,036,430	1,532,767	1,998,007
Utilities	745,600	843,041	740,550
Vehicle	6,000	90,384	80,433
	\$ 45,816,170	\$ 34,108,564	\$ 32,952,269

18. Settlement Trust

Pursuant to a settlement agreement with the Government of Canada dated March 27, 2007, the First Nation established the O'Chiese Settlement Trust to hold and administer the settlement funds.

The O'Chiese Settlement Trust has not been included in these financial statements as it does not form part of the First Nation reporting entity. The Trustee provides financial reporting to beneficiaries on an annual basis.

O'Chiese First Nation

Notes to Consolidated Financial Statements

March 31, 2019

19. Financial Instruments

The First Nation's financial instruments consist of cash, accounts receivable, long-term investments, band member receivables, trust funds, accounts payable, short term financing, promissory note payable and long-term debt. Unless otherwise noted, the carrying value of its financial statements approximates fair value.

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

20. Segmented Information

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

		Band 2019 Budget	2018 Actual	2019 Budget	2018 Actual	Consultation 2019 Actual	2018 Actual
Revenues							
Indigenous Services Canada		\$ 3,120,975	\$ 4,569,145	\$ 3,755,078	\$ -	\$ -	\$ -
Interest income - Ottawa Trust		1,046,877	842,096	-	-	-	-
Change in equity in investments		2,114,356	719,780	-	-	-	-
First Nations Development Fund		535,311	538,248	-	-	-	-
Royalty income - Ottawa Trust		16,428,034	18,868,013	-	-	-	-
Other revenue		4,582,585	7,113,967	1,480,000	3,972,093	3,890,546	-
Total revenue		33,338,488	29,296,308	31,837,102	1,480,000	3,972,093	3,890,546
Expenses							
Office expenses		218,414	358,604	20,000	6,833	23,421	-
Professional fees		1,544,833	1,335,485	400,000	460,223	139,780	-
Program costs		1,634,785	1,360,555	252,260	468,005	863,773	-
Repairs and maintenance		2,974,413	2,414,190	-	8,645	11,348	-
Salaries, wages and benefits		10,374,123	8,228,415	228,740	148,462	140,618	-
Travel		969,705	618,180	1,101,395	563,000	220,102	218,749
Vehicle		6,000	-	-	1,909	2,089	-
Other expenses		13,448,165	13,521,681	12,329,106	26,000	27,332	60,219
Total expenses		33,338,488	27,268,663	27,127,750	1,480,000	1,341,511	1,459,997
Annual surplus (deficit)		\$ -	\$ 2,027,645	\$ 4,709,352	\$ -	\$ 2,630,582	\$ 2,430,549

O'Chiese First Nation

Notes to Consolidated Financial Statements

March 31, 2019

20. Segmented Information, continued

	2019 Budget	Health 2019 Actual	2018 Actual	2018 Budget	School 2019 Actual	School 2018 Actual
Revenues						
Indigenous Services Canada	\$ 1,714,415	\$ 2,228,226	\$ 1,494,828	\$ 2,866,089	\$ 3,300,969	\$ 2,516,934
Health Canada	-	-	61,819	99,355	293,000	379,876
Other revenue	-	-	-	-	-	348,049
Total revenue	1,714,415	2,290,045	1,594,181	3,159,089	3,680,845	2,864,983
Expenses						
Office expenses	15,000	98,899	49,796	256,438	40,287	43,470
Professional fees	-	-	12,775	-	10,481	-
Program costs	-	3,100	3,101	-	-	-
Repairs and maintenance	-	13,001	15,419	15,440	136,420	23,417
Salaries, wages and benefits	1,287,758	1,022,072	898,654	2,446,534	2,234,153	1,773,434
Travel	86,225	239,528	243,848	-	25,878	700
Vehicle	-	61,488	62,885	-	26,987	15,459
Other expenses	325,432	622,361	391,394	438,677	963,735	830,170
Total expenses	1,714,415	2,060,449	1,677,872	3,159,089	3,437,941	2,686,650
Annual surplus (deficit)	\$ -	\$ 229,596	\$ (83,891)	\$ -	\$ 242,904	\$ 178,333

O'Chiese First Nation

Notes to Consolidated Financial Statements

March 31, 2019

20. Segmented Information, continued

		2019 Budget	2019 Actual	2018 Budget	2018 Actual	Consolidated totals
Revenues						
Indigenous Services Canada		\$ 5,987,064	\$ 7,890,114	\$ 6,272,012	\$ 6,272,012	
Interest income - Ottawa Trust			1,046,877	842,006	842,006	
Health Canada			2,228,226	1,494,826	1,494,826	
Equity income on business interest			2,114,356	719,790	719,790	
First Nations Development Fund			305,789	535,311	538,248	
Royalty income - Ottawa Trust			16,428,034	18,868,013	18,868,013	
Other revenue			31,684,724	8,996,373	11,451,917	
Total revenue			39,691,992	39,239,291	40,186,812	
Expenses						
Office expenses			601,538	364,433	475,291	
Professional fees			894,300	2,015,537	1,488,040	
Program costs			2,660,387	2,105,890	2,227,429	
Repairs and maintenance			5,345,408	3,132,479	2,464,374	
Salaries, wages and benefits			14,337,155	10,161,044	11,041,121	
Travel			1,608,930	1,103,688	1,564,692	
Vehicle			6,000	90,384	80,433	
Other expenses			14,238,274	15,135,109	13,610,889	
Total expenses			39,691,992	34,108,564	32,952,269	
Annual surplus (deficit)		\$ -	\$ -	\$ 5,130,727	\$ 7,234,543	