

**Horse Lake First Nation  
Financial Statements  
*March 31, 2014***

**Horse Lake First Nation  
Contents**

*For the year ended March 31, 2014*

**Horse Lake First Nation  
Contents**

*For the year ended March 31, 2014*

	Page
<b>Management's Responsibility</b>	
<b>Independent Auditors' Report</b>	
<b>Financial Statements</b>	
Statement of Financial Position.....	1
Statement of Operations and Accumulated Surplus (Deficit).....	2
Statement of Change in Net Financial Assets (Net Debt) .....	4
Statement of Cash Flows .....	5
<b>Notes to the Financial Statements .....</b>	<b>6</b>
Schedule 1 - Schedule of Consolidated Expenses by Object .....	18

## **Management's Responsibility**

---

### **To the Members of Horse Lake First Nation**

**The accompanying financial statements of Horse Lake First Nation are the responsibility of management and have been approved by the Chief and Council.**

**Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.**

**In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.**

**The Horse Lake First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the Nation's external auditors.**

**Holm Clements Kwong Raiche Oberg, an independent firm of chartered accountants is appointed by the Members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.**

July 29, 2014



Administrator



Chief

---

# ***Holm Clements Kwong Raiche Oberg***

***Chartered Accountants***

1321 – 101<sup>st</sup> Street  
North Battleford, Saskatchewan S9A 0Z9  
Telephone: (306) 445-6291 Facsimile: (306) 445-3882  
Email: info@jhsca.ca

---

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of Horse Lake First Nation

### *Report on the consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of Horse Lake First Nation, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, change in net financial assets (net debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditor's Responsibility*

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

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

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

### *Basis for Qualified Opinion*

We are unable to satisfy ourselves that the First Nation's investment and advances to related Nation entities, as further described in the note 1 to the consolidated financial statements, are recorded using the modified equity method. Accordingly, we are unable to determine whether adjustments to the recorded value of the investments and advances to related Nation entities might be necessary.

### *Qualified Opinion*

In our opinion, except for the effects of the adjustments, if any, which might have determined to be necessary, had we been able to satisfy ourselves concerning the valuation of the investments and advances to related Nation entities as referred to in the

---

G.K. Holm, CA\* W.J. Clements, CA\* G.D. Kwong, CMA, CA\* L.A. Raiche, CA, CFP\* D.D. Oberg, CA\*

B.W. Svenkeson, CA\*, Associate

\*Denotes a Professional Corporation



*Holm Clements Kwong Raiche Oberg*

preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of Horse Lake First Nation as at March 31, 2014, and the results of its operations, change in net financial assets (net debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

North Battleford, Saskatchewan  
July 29, 2014

*Holm Clements Kwong Raiche Oberg*

Chartered Accountants

**Horse Lake First Nation**  
**Statement of Financial Position**  
*As at March 31, 2014*

	<b>2014</b>	<b>2013</b>
<b>Financial assets</b>		Restated
<b>Current</b>		
Term deposits (Note 2)	188,560	180,972
Accounts receivable (Note 3)	652,198	667,269
Payroll advances receivable (Note 4)	88,456	185,640
<b>Subtotal of current assets</b>	<b>929,214</b>	<b>1,033,881</b>
<b>Investment and advances to related Nation entities (Note 5)</b>	<b>1,990,046</b>	<b>1,844,142</b>
<b>Funds held in trust (Note 6)</b>	<b>3,824,620</b>	<b>2,689,307</b>
<b>Total financial assets</b>	<b>6,743,880</b>	<b>5,567,330</b>
<b>Liabilities</b>		
<b>Current</b>		
Bank indebtedness (Note 7)	255,054	314,292
Accounts payable and accruals (Note 8)	744,312	559,848
Deferred revenue (Note 9)	104,590	714,316
Accrued interest payable	13,075	15,189
Current portion of long-term debt (Note 10)	665,036	662,923
<b>Subtotal of current liabilities</b>	<b>1,782,067</b>	<b>2,266,568</b>
<b>Long-term debt (Note 10)</b>	<b>3,456,217</b>	<b>3,654,726</b>
<b>Total financial liabilities</b>	<b>5,238,284</b>	<b>5,921,294</b>
<b>Net financial assets (net debt)</b>	<b>1,505,596</b>	<b>(353,964)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 11)	27,512,699	27,533,690
Horse Lake First Nation Investment Management Board (Note 13)	48,769,397	48,341,015
<b>Total non-financial assets</b>	<b>76,282,096</b>	<b>75,874,705</b>
<b>Accumulated surplus (Note 14)</b>	<b>77,787,692</b>	<b>75,520,741</b>

Approved on behalf of the Council



Chief



Councilor

**Horse Lake First Nation**  
**Statement of Operations and Accumulated Surplus (Deficit)**  
*For the year ended March 31, 2014*

	<i>Schedules</i>	<i>2014 Budget</i>	<i>2014</i>	<i>2013</i>
<b>Revenue</b>				
Aboriginal Affairs and Northern Development Canada				
Block funding	2,013,020	1,952,885	2,009,475	
Set Funding	119,788	119,788	121,100	
Fixed funding	-	75,000	24,000	
Treaty 8	16,219	16,219	14,498	
Aboriginal Skills & Employment Training Strategy	196,714	192,939	227,494	
Other	-	-	26,750	
AANDC Trust Accounts				
Capital Trust	200,000	120,000	63,962	
Revenue Trust	1,475,000	1,900,330	1,836,052	
Health Canada				
Canada Mortgage and Housing Corporation	709,996	729,957	709,996	
Horse Lake First Nation Investment Management Board	170,062	185,199	170,062	
First Nation Development Fund	3,311,500	2,838,760	4,919,555	
CEAP - Housing Renovations	-	533,153	533,771	
Rental income	-	55,464	9,900	
Interest income	20,000	14,850	26,590	
Other revenue	-	7,588	5,068	
Deferred revenue - prior year	300,000	288,639	141,648	
Deferred revenue - current year	-	714,316	326,800	
Recovery of funds	-	(104,590)	(714,316)	
University of Ottawa	-	-	(20,270)	
	15,892	-	-	
	<b>8,532,299</b>	<b>9,656,389</b>	<b>10,432,135</b>	
<b>Expenses</b>				
Program expenses				
Administration	2	2,426,548	2,741,195	3,084,189
Capital Projects and Housing	3	1,233,385	1,085,189	1,298,027
Economic Development	4	173,338	133,685	247,435
Education	5	682,245	635,163	682,268
Operations and Maintenance	6	1,065,500	1,321,972	1,435,778
Medical Services	7	709,996	713,575	752,994
First Nations Food Program	8	-	13,545	-
Multiplex	9	1,076,000	603,873	677,094
Per Capita Distribution	10	-	636,500	1,535,142
Protective Services	11	234,600	237,658	195,956
Recreation	12	230,000	291,722	363,822
Social Services	13	503,973	496,439	521,436
First Nation Casino Fund	14	-	331,343	146,255
	<b>8,335,585</b>	<b>9,241,859</b>	<b>10,940,396</b>	
Human Resources expenses				
Human Resources - Labour Market - EI	15	39,082	38,925	48,334
Human Resources - Labour Market - CRF	16	51,459	58,974	51,362
Human Resources - Child Care Initiative	17	106,173	135,854	118,667
	<b>196,714</b>	<b>233,753</b>	<b>218,363</b>	
<b>Total expenses</b>		<b>8,532,299</b>	<b>9,475,612</b>	<b>11,158,759</b>
<b>Surplus (deficit) before other items</b>		-	180,777	(726,624)
			<i>Continued on next page</i>	

*The accompanying notes are an integral part of these financial statements*

**Horse Lake First Nation**  
**Statement of Operations and Accumulated Surplus (Deficit)**  
*For the year ended March 31, 2014*

	<i>Schedules</i>	<b>2014</b>	<b>2014</b>	<b>2013</b>
<b>Surplus (deficit) before other items</b> <i>(Continued from previous page)</i>	-	<b>180,777</b>	<b>(726,624)</b>	
<b>Other income (expense)</b>				
Loss on disposal of capital assets	-	121,097	-	
Recovery of surplus	-	-	(4,571)	
Equity pickup in nation owned entities	-	(99,133)	(186,230)	
	-	<b>21,964</b>	<b>(190,801)</b>	
<b>Surplus (deficit)</b>	-	<b>202,741</b>	<b>(917,425)</b>	
<b>Accumulated surplus, beginning of year, as previously stated</b>	-	<b>75,047,751</b>	<b>80,780,053</b>	
<b>Prior period adjustment</b> <i>(Note 20)</i>	-	<b>472,990</b>	-	
<b>Accumulated surplus, beginning of year, as restated</b>	-	<b>75,520,741</b>	<b>80,780,053</b>	
<b>Change in equity Horse Lake First Nation Investment Management Board</b>	-	928,897	(4,341,887)	
<b>Change in equity Aboriginal Affairs and Northern Development Trusts</b>	-	1,135,313	-	
<b>Accumulated surplus, end of year</b>	-	<b>77,787,692</b>	<b>75,520,741</b>	

*The accompanying notes are an integral part of these financial statements*

**Horse Lake First Nation**  
**Statement of Change in Net Financial Assets (Net Debt)**  
*For the year ended March 31, 2014*

	<b>2014 Budgets</b>	<b>2014</b>	<b>2013</b>
<b>Annual surplus (deficit)</b>	-	<b>202,741</b>	<b>(917,426)</b>
Purchases of tangible capital assets	-	(1,200,979)	(477,767)
Amortization of tangible capital assets	-	1,027,481	1,041,187
Loss on sale of tangible capital assets	-	(121,097)	-
Proceeds of disposal of tangible capital assets	-	315,590	-
	-	20,991	563,420
Use of prepaid expenses	-	-	15,593
Advances to Horse Lake First Nation Investment Management Board	-	500,515	(136,107)
Change in equity Aboriginal Affairs and Northern Development Trusts	-	1,135,313	-
	-	1,635,828	(120,514)
<b>Increase (decrease) in net financial assets</b>	-	<b>1,859,561</b>	<b>(474,522)</b>
<b>Net (debt) financial assets, beginning of year</b>	-	<b>(353,964)</b>	<b>120,555</b>
<b>Net financial assets (net debt), end of year</b>	-	<b>1,505,596</b>	<b>(353,964)</b>

**Horse Lake First Nation**  
**Statement of Cash Flows**  
*For the year ended March 31, 2014*

	<b>2014</b>	<b>2013</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Surplus (deficit)	202,741	(917,426)
Non-cash items		
Amortization	1,027,481	1,041,187
Gain on disposal of tangible capital assets	(121,097)	-
	1,109,125	123,761
Changes in working capital accounts		
Accounts receivable	15,071	(138,527)
Prepaid expenses	-	15,590
Payroll advances receivable	97,184	(17,624)
Accounts payable and accruals	184,455	137,957
Deferred revenue	(609,726)	(387,516)
Accrued interest payable	(2,114)	(2,732)
	793,995	(269,091)
<b>Financing activities</b>		
Advances of long-term debt	1,800,823	-
Repayment of long-term debt	(1,997,220)	(744,827)
Advances (to) from Related Nation Entities	1,390,800	1,061,876
	1,194,403	317,049
<b>Capital activities</b>		
Purchases of tangible capital assets	(1,200,979)	(477,767)
Proceeds of disposal of tangible capital assets	315,587	-
	(885,392)	(477,767)
<b>Investing activities</b>		
Allocation of current years equity	99,133	186,230
Funds held in AANDC Trust	(1,135,313)	49,353
	(1,036,180)	235,583
<b>Increase (decrease) in cash resources</b>	<b>66,826</b>	<b>(194,226)</b>
<b>Cash resources, beginning of year</b>	<b>(133,320)</b>	<b>60,906</b>
<b>Cash resources, end of year</b>	<b>(66,494)</b>	<b>(133,320)</b>
Term deposits	188,560	180,972
Bank indebtedness	(255,054)	(314,292)
	(66,494)	(133,320)
<b>Supplementary cash flow information</b>		
Interest paid	215,673	262,778

*The accompanying notes are an integral part of these financial statements*

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

---

**1. Significant accounting policies**

These financial statements are the representations of management, prepared under Canadian public sector accounting standards for local government entities, (except as explained below) and including the following significant accounting policies:

***Basis of presentation***

Sources of financing and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenditures 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.

***Reporting entity***

The financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity, except for Nation business entities. Trusts administered on behalf of third parties by Horse Lake First Nation are excluded from the Nation reporting entity.

All inter-entity balances have been eliminated on consolidation; however, transactions between segments have not been eliminated in order to present the results of operations for each specific segment.

Horse Lake First Nation business entities, owned or controlled by the Nation's Council but not dependent on the 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 Nation. Thus, the 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. Entities accounted for by the modified equity basis include:

***Entities***

- 424337 Alberta Ltd at March 31, 2014
- Clear Hills Development Corporation at March 31, 2014
- Horse Lake Oil and Gas Corporation at March 31, 2014
- 959447 Alberta Ltd at March 31, 2014
- Horse Lake Industry Relations Corporation at December 31, 2012
- Horse Lake First Nation Investment Management Board (HLIMB) at December 31, 2013
- 1113046 Alberta Ltd. at March 31, 2014
- HLFN Oilfield Corporation at December 31, 2013

The December 31, 2013 financial statements were not presented Horse Lake Industry Relations Corporation. Therefore, no adjustment has been made to record the increase (decrease) for the Nation's proportionate share of earnings (losses) for the fiscal period January to December 31, 2013.

***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.

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

---

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

***Segments***

The Nation conducts its business through 13 reportable segments:

Administration - reports on the everyday operations of the Nation

Capital Projects and Housing - reports on the capital projects and residential housing provided to the members of the Nation

Economic Development - reports on the business developments of the Nation

Education - reports on the educational activities of the Nation

First Nation Casino Fund - reports on the activities of funding received from Alberta Lotteries

Human Resources - reports on the activities of the Nation's Resource Centre

Medical Services - reports on the Wellness Centre and its related services to the Nation

Multiplex - reports on the operations of the Nations multiplex centre

Operations and Maintenance - reports on the operations and maintenance of the reserve site of the Nation

Per Capita Distribution - reports on the distribution made under per capital payments to members

Protective Services - provides protective services and related activities to the Nation

Recreation - reports on the recreational activities of the Nation

Social Services - reports on the social welfare activities of the Nation

These operating segments are established by management to facilitate the achievement of the Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

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

***Measurement uncertainty***

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. Actual results may vary from current estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period which they become known.

Accounts receivable are stated after evaluation as to their collectability. Investments in Nation business entities is stated after evaluation as to valuation and collectability of advances. Amortization is based on the estimated useful lives of tangible capital assets.

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

---

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

**Funds held in Ottawa Trust Fund**

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

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

**Net financial assets (net debt)**

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

**Revenue recognition**

**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 are reflected as deferred revenue on the statement of financial position in the year of receipt.

**Cash and cash equivalents**

Cash and cash equivalent 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.

**Tangible capital assets**

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

**Amortization**

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the asset over their estimated useful lives. Tangible capital assets aquired during the year are amortized at 1/2 the amortization annual rate.

	Method	Rate
Buildings	straight-line	7-20 years
Housing	straight-line	45-50 years
Construction equipment	straight-line	10 years
Housing	straight-line	20-25 years
Roads	straight-line	25 years
Other equipment	straight-line	25 years
Water	straight-line	25-75 years

**Financial instruments**

The Horse Lake First Nation's financial instruments consist of cash, cash held in trust, accounts receivable, bank indebtedness, accounts payable, deferred revenue, and long term debt. It is management's opinion that the Horse Lake First Nation is not exposed to significant interest, currency or credit risk arising from these financial instruments. Unless otherwise noted, the fair value of the financial instruments approximates their carrying value.

The Nation is exposed to some risk with the mutual funds held in the Horse Lake First Nation Investment Management Board (HLIMB). These investments are included in the equity pickup of the of the HLIMB and a portion of these investments are held in foreign currency.

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

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

***Long-lived assets and discontinued operations***

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

The Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in deficit for the year.

Prices for similar items are used to measure fair value of long-lived assets.

***Provision for site rehabilitation***

The Alberta Environmental Protection Act sets out the regulatory requirements to properly close and maintain active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. Liabilities are recorded when environmental claims or remedial efforts are probable, and the costs can be reasonably estimated. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to future revenue generation, are expensed.

**2. Term deposits**

The term deposits are comprised of funds held for housing replacement in accordance with the terms of the agreement with CMHC.

	<b>2014</b>	<b>2013</b>
CIBC, GIC - matures Sep 8, 2014	49,986	49,986
CIBC Portfolio investment	138,574	130,986
	<b>188,560</b>	<b>180,972</b>

**3. Accounts receivable**

	<b>2014</b>	<b>2013</b>
Alberta Lottery fund receivable	335,886	328,208
Horse Lake First Nation Investment Management Board	12,285	-
CMHC subsidy assistance receivable	61,869	74,908
GST receivable	52,000	71,174
Health Canada receivable	-	5,847
Other receivables	11,278	10,761
WCTC receivable	178,880	176,371
	<b>652,198</b>	<b>667,269</b>

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

**4. Payroll advances receivable**

Payroll advances receivable are collected against employees future wages. In the year it becomes obvious these advances are not collectable they are set up as doubtful against the program for which the employee worked.

	<b>2014</b>	<b>2013</b>
Members and staff advances receivable	279,903	365,342
Less: allowance for doubtful accounts	(191,447)	(179,702)
	<b>88,456</b>	<b>185,640</b>

**5. Investment and advances to related Nation entities**

Advances to related Nation entities are unsecured, non-interest bearing and due on demand. The figures below combine the Nation's equity in the related Nation entity and advances made by the Nation to the entity.

	<b>2014</b>	<b>2013</b>
424337 Alberta Ltd.	104,687	105,606
Horse Lake Oil and Gas Corporation	32,208	31,369
959447 Alberta Ltd.	1,691,252	1,681,529
Clear Hills Development Corporation	84,752	74,275
Horse Lake Industry Relations Corporation	123,029	(49,737)
Canadian Native Oil Corporation - Shares at cost	1,000	1,000
1113046 Alberta Ltd. - Shares at cost	100	100
HLFN Oilfield Construction Corporation	(46,982)	-
	<b>1,990,046</b>	<b>1,844,142</b>

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

**6. Funds held in trust**

Capital and revenue trust moneys are transferred to the Nation on the authorization of the Minister of Aboriginal Affairs and Northern Development Canada, with the consent of the Nation's Council.

	<b>2014</b>	<b>2013</b>
<b>Capital Trust</b>		
Balance, beginning of year	2,542,278	2,545,592
Royalties	3,026,305	1,760,086
	<b>5,568,583</b>	4,305,678
Less: Transfers to Nation	1,900,330	1,763,400
	<b>3,668,253</b>	2,542,278
<b>Revenue Trust</b>		
Balance, beginning of year	147,029	193,068
Interest	129,338	107,298
Land leases	-	59,447
Adjustment to prior years capital	-	(2,784)
	<b>276,367</b>	357,029
Less: Transfers to Nation	120,000	210,000
	<b>156,367</b>	147,029
	<b>3,824,620</b>	2,689,307

**7. Bank indebtedness**

At March 31, 2014, the Nation has an operating line of credit bearing interest at prime plus 1% with totaling credit available of \$500,000, of which \$255,054 (2013 - \$314,292) were drawn. This is secured by a General Security Agreement as well as a Band Council Resolution.

**8. Accounts payable and accruals**

	<b>2014</b>	<b>2013</b>
Trade Payables	720,136	541,485
Government remittances	14,300	-
Pension Plan Remittance	9,876	18,365
	<b>744,312</b>	559,850

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

**9. Deferred revenue**

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

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Expensed</i>	<i>Balance, end of year</i>
First Nation Development Fund	714,316	37,779	647,505	104,590

**10. Long-term debt**

	<i>2014</i>	<i>2013</i>
CMHC mortgage bearing interest at 2.02%, repayable in blended monthly instalments of \$2,567, due Aug 2018, secured by related buildings	494,723	-
CIBC loan #3894053 repayable in monthly principal payments of \$34,404, plus interest at 3.87%, due May 2016, secured by related building	1,218,669	1,631,517
CIBC loan #3894150 bearing interest at 2.52% repayable in blended monthly instalments of \$9,163, due May 2016, secured by related building	228,996	330,787
CIBC Mortgage #5489487 bearing interest at 5.14% repayable in monthly instalments of \$1,151, due June 2018, secured by related building	52,707	63,437
CIBC Mortgage #5472005 bearing interest at 5.24% repayable in monthly instalments of \$824, due February 2018, secured by related building	36,671	47,548
CIBC Mortgage #5472015 bearing interest at 5.24% repayable in monthly instalments of \$848, due February 2018, secured by related building	45,365	52,695
CIBC Mortgage #5315227 bearing interest at 5.49% repayable in monthly instalments of \$1,610, due June 2015, secured by related building	152,623	163,350
CIBC Mortgage #5927980 bearing interest at 4.39% repayable in monthly instalments of \$1,432, due September 2016, secured by related building	195,732	204,205
CIBC Mortgage #5927995 bearing interest at 4.25% repayable in monthly instalments of \$1,835, due June 2014, secured by related building	299,616	308,801
CIBC Mortgage #5927996 bearing interest at 4.39% repayable in monthly instalments of \$2,425, due April 2018, secured by related building	338,200	352,265
CIBC Mortgage #5832522 bearing interest at 4.94% repayable in monthly instalments of \$1,826, due April 2016, secured by related building	41,666	61,023
CIBC Mortgage #5832520 bearing interest at 5.14% repayable in monthly instalments of \$1,592, due February 2017, secured by related building	167,822	178,103
CIBC Mortgage #5832530 bearing interest at 3.00% repayable in monthly instalments of \$1,143, due February 2019, secured by related building	162,488	169,577
CIBC Mortgage #5832531 bearing interest at 3.00% repayable in monthly instalments of \$1,069, due December 2018, secured by related building	150,607	157,366
CIBC Mortgage #5832535 bearing interest at 4.25% repayable in monthly instalments of \$2,252, due April 2015, secured by related building	298,903	313,010

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

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

	<b>2014</b>	<b>2013</b>
CIBC Mortgage #5809399 bearing interest at 4.39% repayable in monthly instalments of \$983, due September 2016, secured by related building	106,590	113,583
CIBC Mortgage #5809404 bearing interest at 5.24% repayable in monthly instalments of \$1,164, due February 2018, secured by related building	125,239	132,510
Finance contract repaid in full.	-	14,922
Finance contract bearing interest at 1.99% repayable in monthly instalments of \$1,550, due June 2014, secured by related automotive asset	<u>4,636</u>	<u>22,950</u>
	4,121,253	4,317,649
<u>Less: current portion</u>	<u>665,036</u>	<u>662,923</u>
	<u>3,456,217</u>	<u>3,654,726</u>

Principal repayments on long-term debt in each of the next five years are estimated as follows:

	Principal	Interest	Total
2015	665,036	187,892	852,928
2016	670,700	159,441	830,141
2017	549,129	131,685	680,814
2017	138,871	105,140	244,011
2019	145,700	91,070	236,770
	2,169,436	675,228	2,844,664

Interest on long-term debt amounted to \$187,453 (2013 - \$211,468)

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

**11. Tangible capital assets**

	Cost	Additions	Disposals	Accumulated amortization	2014 Net book value
Automotive	1,719,259	176,615	43,595	1,288,450	563,829
Buildings	12,067,840	-	191,344	2,927,278	8,949,218
Building under construction	-	1,024,364	-	-	1,024,364
Construction Equipment	2,259,054	-	-	2,071,749	187,305
Housing	15,973,064	-	-	5,560,142	10,412,922
Land	250,001	-	-	-	250,001
Other Equipment	440,539	-	-	310,548	129,991
Roads	2,317,343	-	-	1,874,461	442,882
Water	9,664,328	-	-	4,112,141	5,552,187
	<b>44,691,428</b>	<b>1,200,979</b>	<b>234,939</b>	<b>18,144,769</b>	<b>27,512,699</b>
	Cost	Additions	Disposals	Accumulated amortization	2013 Net book value
Automotive	1,719,259	-	-	1,173,747	545,512
Buildings	12,067,840	-	-	2,705,068	9,362,772
Construction equipment	2,259,054	-	-	2,034,194	224,860
Housing	15,495,296	477,767	-	5,199,495	10,773,568
Land	250,001	-	-	-	250,001
Other Equipment	440,539	-	-	277,451	163,088
Roads	2,317,343	-	-	1,857,949	459,394
Water	9,664,328	-	-	3,909,833	5,754,495
	<b>44,213,660</b>	<b>477,767</b>	<b>-</b>	<b>17,157,737</b>	<b>27,533,690</b>

Amortization expense of \$1,027,481 ( 2013 - \$1,041,187) was recorded in the applicable segment schedules of revenue and expenses.

**12. Amortization of tangible capital assets**

	2014	2013
Automotive	130,277	135,433
Buildings	237,530	241,357
Construction equipment	37,555	41,605
Housing	370,202	365,424
Other equipment	33,097	36,260
Roads	16,512	18,800
Water	202,308	202,308
	<b>1,027,481</b>	<b>1,041,187</b>

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

**13. Horse Lake First Nation Investment Management Board**

With the consent of Council, Horse Lake First Nation is allowed to withdraw to a maximum of \$5,000,000 total between transfers and operations of Horse Lake First Nation Investment Management Board.

	<b>2014</b>	<b>2013</b>
<b>Equity in Horse Lake First Nation Investment Management Board</b>		
Balance, beginning of year	50,903,550	55,245,437
Current year operating (deficit) surplus	928,897	(4,341,887)
<b>Balance, end of year</b>	<b>51,832,447</b>	<b>50,903,550</b>
<b>Advances from Horse Lake First Nation Investment Management Board</b>		
Balance, beginning of year	(2,562,535)	(2,698,643)
Additional transfers	(500,515)	136,108
<b>Balance, end of year</b>	<b>(3,063,050)</b>	<b>(2,562,535)</b>
	<b>48,769,397</b>	<b>48,341,015</b>

**14. Accumulated Surplus**

Accumulated surplus/deficit is comprised of the following:

	<b>2014</b>	<b>2013</b>
CMHC replacement reserve	411,635	374,441
Operating surplus (deficit)	(599,422)	(873,901)
Equity in tangible capital assets	23,391,416	23,216,401
Equity of AANDC Trust Fund	3,824,620	2,618,643
Equity in Horse Lake First Nation Investment Management Board	48,769,397	48,341,015
Equity in related Nation entities	1,990,046	1,844,142
	<b>77,787,692</b>	<b>75,520,741</b>

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

**15. Replacement reserve**

Under agreements with Canada Mortgage and Housing Corporation (CMHC), the Nation established the following:

A replacement reserve, established by an annual allocation of \$37,194 (2013 - \$37,298)

Reserve funds may be used to meet future subsidy requirements of income test occupants, over and above the maximum federal assistance.

In accordance with terms of the agreements, CMHC reserve monies must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited to interest and then to principal.

	<b>2014</b>	<b>2013</b>
Replacement reserve, beginning of the year	374,441	412,741
Required contribution per CMHC	37,194	37,298
Less: matured phases contributions	-	(75,598)
	<b>411,635</b>	<b>374,441</b>

At March 31, 2014 the replacement reserve is underfunded by \$223,075 (2013 - \$193,469).

**16. Economic dependence**

The Nation receives substantially all of its revenue from Aboriginal Affairs and Northern Development Canada (AANDC) as a result of Treaties entered into with the Government of Canada. These treaties are administered by AANDC under the terms and conditions of the *Indian Act*. The ability of the Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

**17. Related party transactions**

Repairs and maintenance expense includes \$13,500 (2013 - \$40,300) and \$214,726 (2013 - \$236,829) paid to companies owned by members of Chief and Council during the March 31, 2014 fiscal year.

On March 31, 2014, included in payroll advances receivable are \$26,448 (2012 - \$64,401) owing by members of Chief and Council. Also included in payroll advances are \$60,395 (2013 - \$72,894) owing by companies owned by members of Chief and Council.

Related party transactions are recorded at the exchange amount, which is the amount considered established and agreed to by the related parties.

**18. Comparative figures**

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

**19. Budget information**

The disclosed budget information has been approved by the Chief and Council of the Horse Lake First Nation, these budget figures are not audited.

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2014*

---

**20. Correction of an error**

The 2013 comparative figures have been restated to account for capital cost, accumulative amortization, amortization expense, and related expense relating to new CMHC housing that was constructed. The Nation's housing repairs and maintenance expense was overstated by \$477,767, amortization expense understated by \$4,777, tangibles capital asset was understated by \$472,990 and the surplus (deficit) to be overstated by \$472,990. The effect of this restatement effected schedule 3 – schedule of Revenue and expenses as surplus (deficit) of (\$198,891) changed to a surplus of \$274,099.

**Horse Lake First Nation**  
**Schedule 1 - Schedule of Consolidated Expenses by Object**  
*For the year ended March 31, 2014*

	<b>2014</b>	<b>2014</b>	<b>2013</b>
<b>Consolidated expenses by object</b>			
Administration	41,946	55,464	9,900
Advertising	10,000	5,861	12,514
Amortization	-	1,027,481	1,041,187
Automotive	73,600	86,921	108,268
Bad debts	-	14,295	48,509
Ball team	-	7,385	23,908
Band housing repairs and maintenance	200,000	106,627	38,690
Band support	500	12,146	4,410
Bank charges and interest	25,000	28,220	23,221
Basic needs	350,000	290,795	345,113
Books and supplies	31,900	39,228	31,413
Bus repairs	118,400	112,503	75,005
Community events	28,000	38,166	44,580
Computer support	50,500	63,578	58,692
Contracted services	-	500	-
DNA testing (recovery)	4,000	(800)	3,200
Economic development	112,338	66,736	108,259
Elder support	250,000	300,157	256,195
Enhanced policing	110,000	129,688	83,460
Funeral	65,000	104,548	102,260
GST rebate lost	-	-	6,197
Geneology study expense	-	-	40,786
Hockey support	-	3,750	29,107
Insurance	208,500	186,682	231,179
Interest on long-term debt	871,681	187,453	211,468
Investment management board	-	-	(12,825)
Job maintenance	4,582	13,833	12,992
Medical travel	74,764	82,218	65,089
Minor hockey	150,000	120,920	170,334
Office supplies	34,400	63,196	52,247
Per capita distribution (recovery)	-	636,500	1,531,000
Professional fees	157,000	199,217	174,615
Program	375,910	559,877	417,502
Renovations	352,500	170,922	306,043
Rent	12,000	13,060	12,000
Repairs and maintenance	647,941	671,376	606,797
Security services	1,100	7,028	2,428
Social assistance	87,500	161,960	56,987
Special needs	20,000	1,127	12,426
Sponsorship	2,500	1,801	14,105
Student allowances	185,000	122,070	130,857
Student attendance	21,000	8,070	7,960
Student travel	5,000	995	670
Summer student	-	25,715	15,116
Supplies	43,326	52,123	120,477
Telephone and utilities	361,343	365,746	359,445
Training	7,500	150	5,984
Transportation	15,000	5,643	27,186
Travel	417,470	379,985	575,634
Treaty days	3,000	840	2,650
Tuition	54,864	41,854	40,054
Vehicle subsidy	9,500	134,363	11,799
Wages, honorarium and benefits	2,937,734	2,758,698	3,442,166
Water system upgrade	-	8,941	-
	<b>8,532,299</b>	<b>9,475,612</b>	<b>11,099,259</b>