

Horse Lake First Nation
Financial Statements
March 31, 2018

Horse Lake First Nation

Contents

For the year ended March 31, 2018

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Management's Responsibility

To the Members of Horse Lake First Nation:

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 and ensuring that all information in the annual report is consistent with the statements. 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 council is composed of directors who are not employees of the Nation. The Council is responsible for overseeing management in the performance of its financial reporting responsibilities. The Council fulfils these responsibilities by reviewing the financial information prepared by the administration and discussing relevant matters with external auditors. The Council is also responsible for recommending the appointment of the Nation's external auditors.

Holm Raiche Oberg Chartered Professional Accountants P.C. Ltd., an independent firm of chartered professional accountants, is appointed by the Council 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 administration to discuss their audit findings.

23 Aug 2018
Date

B. Blaser
Chief

for | B. Blaser
Administrative Officer

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 consolidated statement of financial position as at March 31, 2018, and the statements of operations and accumulated surplus (deficit), change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 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 preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of Horse Lake First Nation as at March 31, 2018, 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.

Report on Other Legal and Regulatory Requirements

The supplementary information contained in the accompanying schedules is presented for purposes of additional information to the First Nation's and Aboriginal Affairs & Northern Development Canada and does not form part of the consolidated financial statements. The schedules have not been audited other than in the course of our audit of the consolidated financial statements to the extent necessary to allow us to render an opinion thereon.

North Battleford, Saskatchewan
August 23, 2018

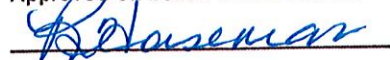

Chartered Professional Accountants

Horse Lake First Nation Statement of Financial Position

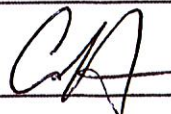
As at March 31, 2018

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Financial assets | | |
| Current | | |
| Cash resources | 1,768,094 | 2,385,700 |
| Term deposits (Note 2) | - | 150,063 |
| Accounts receivable (Note 3) | 1,351,584 | 1,447,548 |
| Short-term loans (Note 4) | 5,100,000 | - |
| Payroll advances receivable (Note 5) | 293,266 | 53,534 |
| Subtotal of current assets | 8,512,944 | 4,036,845 |
| Investment and advances to related Nation entities (Note 6) | 2,477,812 | 1,784,356 |
| Funds held in trust (Note 7) | 1,158,214 | 1,162,095 |
| Total financial assets | 12,148,970 | 6,983,296 |
| Liabilities | | |
| Current | | |
| Accounts payable and accruals (Note 9) | 965,086 | 677,099 |
| Deferred revenue (Note 10) | 468,906 | 1,074,201 |
| Accrued interest payable | 5,346 | 7,489 |
| Current portion of long-term debt (Note 11) | 241,800 | 149,500 |
| Current portion of capital lease obligations (Note 12) | 96,000 | 107,500 |
| Subtotal of current liabilities | 1,777,138 | 2,015,789 |
| Long-term debt (Note 11) | 3,062,065 | 2,945,266 |
| Capital lease obligations (Note 12) | 29,425 | 125,411 |
| Total financial liabilities | 4,868,628 | 5,086,466 |
| Net financial assets | 7,280,342 | 1,896,830 |
| Non-financial assets | | |
| Tangible capital assets (Note 13) | 33,933,941 | 29,353,723 |
| Horse Lake First Nation Investment Management Board (Note 15) | 42,499,587 | 43,053,686 |
| Prepaid expenses | 89,212 | 77,118 |
| Total non-financial assets | 76,522,740 | 72,484,527 |
| Accumulated surplus (Note 16) | 83,803,082 | 74,381,357 |

Approved on behalf of the Council



Chief



Councilor



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, 2018

| | <i>Schedules</i> | <i>2018 Budget</i> | <i>2018</i> | <i>2017</i> |
|--|------------------|------------------------|-------------------|-------------------|
| Revenue | | | | |
| Indigenous and Northern Affairs Canada (INAC) | | | | |
| Contributions | | 265,752 | - | - |
| Block funding | | 1,698,633 | 1,964,886 | 2,039,535 |
| Set funding | | 52,302 | 21,634 | 152,028 |
| Fixed funding | | 28,800 | 5,706,396 | 8,160,042 |
| Treaty 8 | | 14,333 | 127,710 | 13,575 |
| Aboriginal Skills & Employment Training Strategy | | 192,939 | 268,928 | 424,592 |
| Other | | - | - | 29,732 |
| Health Canada - FNIHB | | | | |
| Health Canada | | 727,678 | 1,075,465 | 863,585 |
| Canada Mortgage and Housing Corporation | | | | |
| Subsidy | | 125,000 | 239,954 | 214,942 |
| RRAP conversions | | - | 23,711 | 39,586 |
| Housing internship initiative for First Nation and Inuit youth | | - | 15,424 | - |
| Indigenous and Northern Affairs Canada (INAC) - Trust Accounts | | | | |
| Revenue Trust | | 100,000 | 250,000 | 262,000 |
| Capital Trust | | 750,000 | 250,000 | 2,711,000 |
| Rental income | | 20,000 | 16,500 | 24,000 |
| Interest income | | - | 20,004 | 9,754 |
| Province of Alberta | | - | 119,680 | 591,494 |
| Horse Lake First Nation Investment Management Board | | 3,930,911 | 7,722,975 | 3,609,807 |
| Deferred revenue - prior year | | - | 1,074,201 | 165,164 |
| Deferred revenue - current year | | - | (468,906) | (1,074,201) |
| Administration fees | | 83,536 | 278,117 | 363,120 |
| Other revenue | | 41,036 | 1,432,986 | 214,987 |
| Donations | | - | - | 5,250 |
| First Nation Development Fund | | - | 401,483 | 631,073 |
| | | 8,030,920 | 20,541,148 | 19,451,065 |

Continued on next page

Horse Lake First Nation
Statement of Operations and Accumulated Surplus (Deficit)
For the year ended March 31, 2018

| | <i>Schedules</i> | <i>Budget 2018</i> | <i>2018</i> | <i>2017</i> |
|--|------------------|------------------------|-------------------|-------------|
| <i>(Continued from previous page)</i> | | 8,030,920 | 20,541,148 | 19,451,065 |
| Expenses | | | | |
| Program expenses | | | | |
| Administration | 2 | 2,455,000 | 3,702,331 | 3,217,683 |
| Economic Development | 3 | 72,255 | 115,705 | 71,217 |
| Sawmill | 4 | 40,000 | 41,760 | - |
| Capital Projects and Housing | 5 | 800,752 | 1,656,919 | 1,557,604 |
| Renovations | 6 | - | 420,317 | - |
| Water Treatment Plant | 7 | - | 4,697,757 | 2,408,672 |
| Solar Panels | 8 | - | 421,036 | - |
| Education | 9 | 673,991 | 745,069 | 712,910 |
| E-Learning Centre | 10 | 66,050 | 97,215 | 98,950 |
| Community Empowerment | 11 | - | 55,955 | 14,441 |
| Operations and Maintenance | 12 | 993,200 | 1,093,047 | 1,181,562 |
| Multiplex | 13 | 319,700 | 454,148 | 451,546 |
| Protective Services | 14 | 120,550 | 179,296 | 180,865 |
| Recreation | 15 | 183,350 | 367,519 | 317,619 |
| Social Services | 16 | 572,508 | 556,688 | 549,245 |
| Per Capita Distribution | 17 | 700,000 | - | 1,023,000 |
| Pre employment program | 18 | - | 52,343 | 223,058 |
| | | 6,997,356 | 14,657,105 | 12,008,372 |
| Assets | | | | |
| ASETS - Labour Market - EI | 19 | 40,136 | 81,260 | 42,957 |
| ASETS - Labour Market - CRF | 20 | 128,000 | 158,958 | 254,474 |
| ASETS - Child Care Initiative | 21 | 137,750 | 240,166 | 196,111 |
| ASETS - Youth Community | 22 | - | 29,743 | 70,271 |
| | | 305,886 | 510,127 | 563,813 |
| Health Canada | | | | |
| Aboriginal Head Start on-reserve | 23 | 65,916 | 99,072 | 74,893 |
| Canada Prenatal Nutrition Program | 24 | 8,544 | 10,564 | 9,640 |
| Maternal Child Health | 25 | 85,000 | 69,794 | 91,433 |
| Building Healthy Communities - Mental Health | 26 | 34,868 | 44,891 | 68,668 |
| Building Healthy Communities - Youth Solvent Abuse Program | 27 | 7,028 | 7,943 | 5,178 |
| Brighter Futures | 28 | 45,202 | 180,655 | 50,580 |
| NNADAP | 29 | 56,926 | 60,999 | 68,468 |
| Aboriginal Diabetes Initiative | 30 | 33,825 | 21,785 | 35,538 |
| HIV/Aids Strategy | 31 | 5,000 | 935 | 5,000 |
| Environmental Health - Drinking Water Safety Program | 32 | 8,000 | 8,980 | 5,583 |
| FNIHCC | 33 | 94,533 | 135,007 | 13,505 |
| Support Clerk | 34 | 16,785 | 1,853 | 40,909 |
| Community Health Rep | 35 | 49,645 | 54,287 | 61,141 |
| Capital Facilities - Operations and Maintenance | 36 | 47,917 | 160,459 | 95,418 |
| MSB Health | 37 | 72,922 | 73,323 | 73,320 |
| Medical Transportation - Client Insured Services | 38 | 95,567 | 144,589 | 164,120 |
| Public Health Protection - CDC-CDE | 39 | - | 3,132 | 2,738 |
| Children's Oral Health | 40 | - | 2,000 | - |
| Community Crisis | 41 | - | - | 71,773 |
| | | 727,678 | 1,080,268 | 937,905 |

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, 2018

| | <i>Schedules</i> | <i>Budget 2018</i> | <i>2018</i> | <i>2017</i> |
|---|------------------|------------------------|-------------------|--------------------|
| First Nation Development Fund | | | | |
| Fire Training | 42 | - | 5,299 | 77,151 |
| Paving Township Road # 73 | 43 | - | 100,179 | 4,161,745 |
| Recreation Study | 44 | - | - | 9,485 |
| Arena Upgrade & Maintenance | 45 | - | 66,267 | 41,175 |
| House Purchase | 46 | - | 284,585 | 68,686 |
| Update Band Policy Documents 2018 | 47 | - | 23,441 | - |
| School Bus | 48 | - | 113,982 | - |
| Reserve Landscaping | 51 | - | - | 25,168 |
| Sewer Camera/Line Locator | 54 | - | - | 6,302 |
| | | - | 593,753 | 4,389,712 |
| Total expenses | | 8,030,920 | 16,841,253 | 17,899,802 |
| Surplus before other items | | - | 3,699,895 | 1,551,263 |
| Other income (expense) | | | | |
| Recovery of surplus | | - | (227,558) | - |
| Transfer cost to tangible capital assets | | - | 5,429,799 | 2,444,604 |
| Equity pickup in Nation owned entities | | - | 381,519 | (8,240) |
| | | - | 5,583,760 | 2,436,364 |
| Surplus | | - | 9,283,655 | 3,987,627 |
| Accumulated surplus, beginning of year | | - | 74,381,357 | 75,091,959 |
| Change in equity Horse Lake First Nation Investment Management Board | | - | 141,950 | (2,355,245) |
| Change in equity Indigenous and Northern Affairs Canada Trusts | | - | (3,880) | (2,342,984) |
| Accumulated surplus, end of year | | - | 83,803,082 | 74,381,357 |

The accompanying notes are an integral part of these financial statements

Horse Lake First Nation
Statement of Change in Net Financial Assets
For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 |
|---|------------------------|--------------------|-------------|
| Annual surplus | - | 9,283,655 | 3,987,627 |
| Purchases of tangible capital assets | - | (5,754,189) | (3,075,704) |
| Amortization of tangible capital assets | - | 1,145,082 | 1,115,391 |
| Amortization of tangible capital assets | - | 28,889 | 27,200 |
| | - | (4,580,218) | (1,933,113) |
| Acquisition of prepaid expenses | - | (89,212) | (119,274) |
| Use of prepaid expenses | - | 77,118 | 89,919 |
| Advances to Horse Lake First Nation Investment Management Board | - | 688,290 | (1,742,435) |
| Change in equity Aboriginal Affairs and Northern Development Trusts | - | 3,880 | (1,134,695) |
| | - | 680,076 | (2,906,485) |
| Increase (decrease) in net financial assets | - | 5,383,513 | (851,971) |
| Net (debt) financial assets, beginning of year | - | 1,896,830 | 2,748,801 |
| Net financial assets (net debt), end of year | - | 7,280,342 | 1,896,830 |

The accompanying notes are an integral part of these financial statements

Horse Lake First Nation
Statement of Cash Flows
For the year ended March 31, 2018

| | 2018 | 2017 |
|---|-------------|-------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | | |
| Surplus | 9,283,655 | 3,987,627 |
| Non-cash items | | |
| Amortization | 1,173,971 | 1,142,591 |
| Deferred revenue - current year | 468,906 | 1,074,201 |
| | 10,926,532 | 6,204,419 |
| Changes in working capital accounts | | |
| Accounts receivable | 95,964 | 1,306,633 |
| Prepaid expenses | (12,094) | (29,355) |
| Payroll advances receivable | (239,732) | 107,428 |
| Accounts payable and accruals | 287,983 | (1,029,290) |
| Accrued interest payable | (2,143) | (648) |
| Loan receivable related party | (5,100,000) | - |
| | 5,956,510 | 6,559,187 |
| Financing activities | | |
| Advances of long-term debt | 440,456 | 394,886 |
| Repayment of long-term debt | (231,354) | (625,594) |
| Repayment of current portion of capital lease obligations | (107,486) | (111,238) |
| Advances of capital lease obligation | - | 51,950 |
| Advances (to) from related nation entities | (1,075,486) | 50,131 |
| | (973,870) | (239,865) |
| Capital activities | | |
| Purchases of tangible capital assets | (5,754,189) | (3,075,704) |
| | (5,754,189) | (3,075,704) |
| Investing activities | | |
| Funds held in INAC Trust | 3,880 | (630,016) |
| | 3,880 | (630,016) |
| Increase (decrease) in cash resources | (767,669) | 2,613,602 |
| Cash resources, beginning of year | 2,535,763 | (77,839) |
| Cash resources, end of year | 1,768,094 | 2,535,763 |
| | | |
| Cash resources | 1,768,094 | 2,385,700 |
| Term deposits | - | 150,063 |
| | 1,768,094 | 2,535,763 |
| Supplementary cash flow information | | |
| Interest paid | 98,291 | 110,397 |

The accompanying notes are an integral part of these financial statements

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, 2018
- Clear Hills Development Corporation at June 30, 2017
- Horse Lake Oil and Gas Corporation at March 31, 2018
- 959447 Alberta Ltd. at March 31, 2018
- Horse Lake Industry Relations Corporation at December 31, 2017
- Horse Lake First Nation Investment Management Board (HLIMB) at December 31, 2017
- 1113046 Alberta Ltd. at March 31, 2018
- HLFN Oilfield Construction Corp. at December 31, 2017

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.

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 capita 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. The allowance for doubtful accounts related to payroll advances as of March 31, 2018 is \$243,123 (2017 - \$250,742).

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 financial 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 equivalents 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 capital 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 acquired during the year are amortized at 1/2 the amortization annual rate.

| | Method | Rate |
|-------------------------------|-------------------|-------------|
| Construction equipment | straight-line | 10 years |
| Equipment under Capital Lease | declining balance | 10 years |
| Housing Modular | straight-line | 7-20 years |
| Housing | straight-line | 20-25 years |
| Other equipment | straight-line | 25 years |
| Roads | straight-line | 25 years |
| Solar Panels | 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 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, 2018

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.

| | 2018 | 2017 |
|---------------------------|-------------|-------------|
| CIBC Portfolio investment | - | 150,063 |

3. Accounts receivable

| | 2018 | 2017 |
|---|------------------|-------------|
| Alberta Lottery fund receivable | 121,637 | 232,912 |
| CMHC subsidy assistance receivable | - | 39,320 |
| GST receivable | 63,251 | 53,496 |
| Health Canada receivable | 45,476 | 85,480 |
| Horse Lake First Nation Investment Management Board | 5,598 | 200,000 |
| Other receivables | 206,574 | 20,087 |
| WCTC receivable | 909,048 | 816,253 |
| | 1,351,584 | 1,447,548 |

4. Short Term Loans Receivable

During the year, a loan was advanced to related First Nation entity owned and operated by the First Nation. The advance is bearing and repayable over the next 24 months.

| | 2018 | 2017 |
|----------------------------------|------------------|-------------|
| HLFN Oilfield Construction Corp. | 5,100,000 | - |

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2018

5. Payroll advances receivable

Payroll advances receivable are collected against employee's 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.

| | 2018 | 2017 |
|---------------------------------------|----------------|---------------|
| Chief and Council advances | 263,365 | - |
| Members and staff advances receivable | 273,023 | 304,276 |
| Less: allowance for doubtful accounts | (243,122) | (250,742) |
| | 293,266 | 53,534 |

6. 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.

| | 2018 | 2017 |
|--|------------------|------------------|
| 424337 Alberta Ltd. | 105,606 | 105,606 |
| Horse Lake Oil and Gas Corporation | 45,161 | 45,269 |
| 959447 Alberta Ltd. | 1,733,956 | 1,720,814 |
| Clear Hills Development Corporation | 105,004 | 105,061 |
| Horse Lake Industry Relations Corporation | 957,216 | 343,939 |
| Canadian Native Oil Corporation - Shares at cost | 1,000 | 1,000 |
| MMS Society | 111,350 | - |
| 1113046 Alberta Ltd. - Shares at cost | 100 | 100 |
| HLFN Oilfield Construction Corp. | (581,581) | (537,433) |
| | 2,477,812 | 1,784,356 |

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2018

7. Funds held in trust

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

| | 2018 | 2017 |
|----------------------------|-----------|-----------|
| Capital Trust | | |
| Balance, beginning of year | 889,383 | 3,189,250 |
| Royalties | 371,294 | 411,133 |
| | 1,260,677 | 3,600,383 |
| Less: Transfers to Nation | 250,000 | 2,711,000 |
| Balance, end of year | 1,010,677 | 889,383 |
| Revenue Trust | | |
| Balance, beginning of year | 272,712 | 315,829 |
| Interest | - | 66,717 |
| Land leases | 124,825 | 152,166 |
| | 397,537 | 534,712 |
| Less: Transfers to Nation | 250,000 | 262,000 |
| Balance, end of year | 147,537 | 272,712 |
| | 1,158,214 | 1,162,095 |

8. Bank indebtedness

At March 31, 2018, the Nation has an operating line of credit bearing interest at prime plus 1.25% with total credit available of \$500,000, of which \$500,000 (2017 - \$410,008) has drawn. This is secured by a general security agreement as well as a Band Council Resolution.

9. Accounts payable and accruals

| | 2018 | 2017 |
|----------------|---------|---------|
| Trade payables | 656,510 | 677,099 |
| Health Canada | 135,407 | - |
| Wages payable | 81,018 | - |
| WCTC payable | 92,151 | - |
| | 965,086 | 677,099 |

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2018

10. Deferred revenue

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

| | <i>Balance, beginning of year</i> | <i>Contributions received</i> | <i>Expensed</i> | <i>Balance, end of year</i> |
|---|---|-----------------------------------|-----------------|---------------------------------|
| INAC - FNIYES - Skills link | - | 38,693 | 11,731 | 26,962 |
| INAC - New Paths for Education (NPE) Parental & Comm. Engagement | - | 5,167 | - | 5,167 |
| INAC - New Paths for Education (NPE) Language and Culture | - | 65,450 | 41,243 | 24,207 |
| INAC - O&M FNWAP Water | - | 22,080 | - | 22,080 |
| INAC - O&M FNWAP Waste Water | - | 33,540 | - | 3,139 |
| INAC - Fisheries, Natural Resources & Transportation | 18,746 | - | 18,746 | - |
| INAC - Renovation | - | 653,000 | 420,317 | 232,683 |
| INAC - Special needs ID initiative | - | 500 | - | 500 |
| Total INAC funding deferral | 18,746 | 653,500 | 439,063 | 233,183 |
| FNDF - Fire Training | 83,739 | - | 5,299 | 78,440 |
| FNDF - Paving Township Road #73 | 490,703 | - | 490,703 | - |
| FNDF - Recreation Study | 15,515 | - | - | 15,515 |
| FNDF - Solar Panels | - | 60,213 | - | 60,213 |
| Total First Nation Development fund deferral | 589,957 | 60,213 | 496,002 | 154,168 |
| Government of Alberta - Elders Training | 195,885 | - | - | - |
| Government of Alberta - Pre Employment Training | 269,613 | - | - | - |
| Total Government of Alberta funding deferral | 465,498 | - | - | - |
| | 1,074,201 | 878,643 | 988,039 | 468,906 |

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2018

11. Long-term debt

| | 2018 | 2017 |
|---|------------------|-------------|
| CMHC Mortgage bearing interest at 2.02%, repayable in blended monthly instalments of \$2,567, due August 2018, secured by related buildings | 407,943 | 430,296 |
| CMHC Mortgage bearing interest at 1.48% repayable in blended monthly instalments of \$2,038, due January 2022, secured by related building | 401,855 | 420,232 |
| CMHC Mortgage bearing interest at 1.67% repayable in monthly instalments of \$1,926, due January 2020, secured by related building | 339,114 | 336,778 |
| CMHC Mortgage bearing interest at 1.97%, repayable in blended monthly instalments of \$3,246, due 2022, secured by related building | 637,366 | 221,038 |
| CIBC Mortgage # 5489487 bearing interest at 5.14% repayable in blended monthly instalments of \$1,151, due June 2018, secured by related building | 3,425 | 16,699 |
| CIBC loan #3472015 repayable in monthly principal payments of \$824, plus interest at 5.24%, due June 2018, secured by related building | 11,934 | 20,958 |
| CIBC Mortgage #5315227 bearing interest at 2.95% repayable in monthly instalments of \$1,597, due August 2020, secured by related building | 95,871 | 111,966 |
| CIBC Mortgage #5832520 bearing interest at 2.54% repayable in monthly instalments of \$1,592, due January 2022, secured by related building | 117,155 | 133,078 |
| CIBC Mortgage #5832530 bearing interest at 2.70% repayable in monthly instalments of \$1,143, due February 2019, secured by related building | 124,153 | 133,979 |
| CIBC Mortgage #5832531 bearing interest at 2.70% repayable in monthly instalments of \$1,069, due December 2018, secured by related building | 114,588 | 123,823 |
| CIBC Mortgage #5832535 bearing interest at 2.95% repayable in monthly instalments of \$2,346, due August 2020, secured by related building | 228,364 | 248,308 |
| CIBC Mortgage #5809399 bearing interest at 2.49% repayable in monthly instalments of \$902, due November 2021, secured by related building | 74,778 | 83,633 |
| CIBC Mortgage #58094041 bearing interest at 2.54% repayable in monthly instalments of \$1,164, due January 2022, secured by related building | 89,013 | 100,574 |
| CIBC Mortgage #5927980 bearing interest at 2.54% repayable in monthly instalments of \$1,657, due January 2022, secured by related building | 151,728 | 167,564 |
| CIBC Mortgage #5927995 bearing interest at 2.95% repayable in monthly instalments of \$1,834, due August 2020, secured by related building | 250,012 | 264,458 |
| CIBC Mortgage #5927996 bearing interest at 2.95% repayable in monthly instalments of \$2,728, due November 2020, secured by related building | 256,566 | 281,382 |
| | 3,303,865 | 3,094,766 |
| Less: current portion | 241,800 | 149,500 |
| | 3,062,065 | 2,945,266 |

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2018

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

| | |
|------|-----------|
| 2019 | 241,800 |
| 2020 | 241,400 |
| 2021 | 249,500 |
| 2022 | 248,800 |
| 2023 | 258,500 |
| | <hr/> |
| | 1,240,000 |

Interest on long-term debt amounted to \$69,488 (2017 - \$86,482).

12. Capital lease obligations

| | 2018 | 2017 |
|---|----------------|-------------|
| Capital lease obligations payable in instalments of 2 payments of \$14,839 and remaining monthly payment of \$8,922 including interest at 6.41%, due date 2019, with related equipment pledged as collateral. | 86,652 | 184,718 |
| Capital lease obligation payable in equal monthly installments of \$1,004 including interest at 5.99%, due October 2021, with related equipment pledged as collateral. | 38,773 | 48,193 |
| | <hr/> | <hr/> |
| | 125,425 | 232,911 |
| Less: current portion | 96,000 | 107,500 |
| | <hr/> | <hr/> |
| | 29,425 | 125,411 |

Minimum lease payments related to the obligation under capital lease are as follows:

| | |
|-----------------------|---------|
| 2019 | 96,000 |
| 2020 | 10,000 |
| 2021 | 10,700 |
| 2022 | 8,725 |
| | <hr/> |
| | 125,425 |
| | <hr/> |
| Less: current portion | 96,000 |
| | <hr/> |
| | 29,425 |

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2018

13. Tangible capital assets

| | <i>Cost</i> | <i>Additions</i> | <i>Disposals</i> | <i>Accumulated amortization</i> | <i>2018 Net book value</i> |
|-------------------------------|-------------------|------------------|------------------|-------------------------------------|------------------------------------|
| Automotive | 1,544,780 | 203,920 | - | 1,087,269 | 661,431 |
| Buildings | 13,367,318 | - | - | 3,976,836 | 9,390,482 |
| Building under construction | 2,398,473 | 4,763,055 | - | - | 7,161,528 |
| Construction equipment | 2,341,807 | - | - | 1,960,459 | 381,348 |
| Housing | 17,024,461 | 547,839 | - | 7,226,553 | 10,345,747 |
| Land | 250,001 | - | - | - | 250,001 |
| Other equipment | 503,256 | - | - | 439,566 | 63,690 |
| Roads | 2,317,343 | - | - | 1,935,992 | 381,351 |
| Solar panels | - | 239,375 | - | 4,787 | 234,588 |
| Water | 9,664,328 | - | - | 4,873,725 | 4,790,603 |
| Equipment under capital lease | 355,000 | - | - | 81,828 | 273,172 |
| | 49,766,767 | 5,754,189 | - | 21,587,015 | 33,933,941 |

| | <i>Cost</i> | <i>Additions</i> | <i>Disposals</i> | <i>Accumulated amortization</i> | <i>2017 Net book value</i> |
|-------------------------------|-------------------|------------------|------------------|-------------------------------------|------------------------------------|
| Automotive | 1,333,539 | 211,241 | - | 964,278 | 580,502 |
| Buildings | 13,298,632 | - | - | 3,710,863 | 9,587,769 |
| Building under construction | - | 2,398,473 | - | - | 2,398,473 |
| Construction equipment | 2,284,807 | 57,000 | - | 1,883,128 | 458,679 |
| Housing | 16,700,492 | 392,655 | - | 6,788,079 | 10,305,068 |
| Land | 250,001 | - | - | - | 250,001 |
| Other Equipment | 486,921 | 16,335 | - | 405,369 | 97,887 |
| Roads | 2,317,343 | - | - | 1,922,492 | 394,851 |
| Water | 9,664,328 | - | - | 4,687,360 | 4,976,968 |
| Equipment under capital lease | 355,000 | - | - | 51,475 | 303,525 |
| | 46,691,063 | 3,075,704 | - | 20,413,044 | 29,353,723 |

Tangible capital assets include assets under capital lease with a cost of \$355,000 (2017 - \$355,000), and accumulated amortization of \$81,828 (2017 - \$51,475).

Amortization expense of \$1,173,971 (2017 - \$1,142,592) was recorded in the applicable segment schedules of revenue and expenses.

14. Amortization of tangible capital assets

| | <i>2018</i> | <i>2017</i> |
|------------------------|------------------|------------------|
| Automotive | 153,344 | 153,398 |
| Buildings | 265,973 | 265,973 |
| Construction equipment | 77,331 | 74,481 |
| Housing | 438,475 | 415,005 |
| Other equipment | 34,197 | 32,564 |
| Roads | 13,500 | 15,006 |
| Solar panels | 4,787 | - |
| Water | 186,364 | 186,365 |
| | 1,173,971 | 1,142,792 |

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2018

15. 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.

| | 2018 | 2017 |
|--|-------------|-------------|
| Equity in Horse Lake First Nation Investment Management Board | | |
| Balance, beginning of year | 44,653,380 | 47,008,626 |
| Current year operating (deficit) surplus | 141,950 | (2,355,246) |
| Balance, end of year | 44,795,330 | 44,653,380 |
| Advances from Horse Lake First Nation Investment Management Board | | |
| Balance, beginning of year | (1,599,694) | (2,133,841) |
| Additional transfers | (696,049) | 534,147 |
| Balance, end of year | (2,295,743) | (1,599,694) |
| | 42,499,587 | 43,053,686 |

16. Accumulated Surplus

Accumulated surplus/deficit is comprised of the following:

| | 2018 | 2017 |
|---|------------|------------|
| CMHC replacement reserve | 548,924 | 524,924 |
| Operating surplus (deficit) | 4,984,358 | 238,927 |
| Equity in tangible capital assets | 30,504,651 | 26,026,046 |
| Equity of INAC Trust Fund | 1,158,312 | 1,162,095 |
| Equity in Horse Lake First Nation Investment Management Board | 42,499,587 | 43,053,686 |
| Equity in related Nation entities | 2,477,812 | 1,784,356 |
| | 82,173,644 | 72,790,034 |
| Restricted surplus | | |
| Water Treatment Plant | 1,396,755 | 1,591,323 |
| Renovations | 232,683 | - |
| | 1,629,438 | 1,591,323 |
| | 83,803,082 | 74,381,357 |

Horse Lake First Nation

Notes to the Financial Statements

For the year ended March 31, 2018

17. 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 \$24,000 (2017 - \$76,095)

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.

| | 2018 | 2017 |
|--|----------------|----------------|
| Replacement reserve, beginning of the year | 524,924 | 448,829 |
| Required contribution per CMHC | 24,000 | 76,095 |
| | 548,924 | 524,924 |

At March 31, 2018 the replacement reserve is underfunded by \$193,816 (2017- \$374,861).

18. Economic dependence

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

19. Related party transactions

Repairs and maintenance expense includes \$48,762 (2017 - \$93,568) paid to companies owned by members of Chief and Council during the March 31, 2018 fiscal year.

On March 31, 2018, included in payroll advances receivable are \$263,365 (2017 - \$20,961) owing by members of Chief and Council. Also included in payroll advances are \$Nil (2017 - \$1,700) 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.

20. Comparative figures

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

21. 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.