

Horse Lake First Nation

Consolidated Financial Statements

March 31, 2019

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Horse Lake First Nation

Management's Responsibility for Financial Reporting

March 31, 2019

The accompanying consolidated financial statements of **Horse Lake 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 auditors' 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 **Horse Lake First Nation** and meet when required.

On behalf of Horse Lake First Nation:

Original signed by _____
Chief

Date

Original signed by _____
Administrative Officer

Date

Independent Auditors' Report

To the Members of Horse Lake First Nation

Qualified Opinion

We have audited the consolidated financial statements of Horse Lake First Nation, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated 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, except for the effects and possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements present fairly, in all material respects, the financial position of Horse Lake First Nation as at March 31, 2019 and the results of its operations, the changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

As discussed in note 6 to the consolidated financial statements, investments in related First Nation entities are accounted for on the consolidated statement of financial position as at March 31, 2019 using the modified equity method. Horse Lake First Nation's share of these enterprises' net income is included in Horse Lake First Nation's consolidated surplus of revenue over expenses for the year then ended. This constitutes a departure from Canadian Public Sector Accounting as a number of these First Nation entities are not self sufficient and thus should be using the full consolidation method to account for the investments in these entities.

Horse Lake First Nation investment in related First Nation entities, represents a significant amount of the assets of the consolidated financial statements as at March 31, 2019. We were unable to obtain sufficient appropriate evidence about the carrying amount of the of Horse Lake First Nation investments, equity and net income for the year. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

The predecessor auditors' opinion on the consolidated financial statements for the year ended March 31, 2018 was modified because of the effects of this departure from Canadian Public Sector Accounting Standards and the possible limitations in scope.

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 qualified opinion.

Other Matter

The consolidated financial statements of Horse Lake First Nation for the year ended March 31, 2018 were audited by another auditor, who expressed a qualified opinion on those consolidated financial statements on August 23, 2018 for the reasons described in the Basis for Qualified Opinion section.

Independent Auditors' Report (continued)

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented for the year ended March 31, 2018 has been restated. Our opinion is not modified in respect of this matter.

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.

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.

Independent Auditors' Report (continued)

- ♦ 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
August 29, 2019

Crowe MACKAY LLP
Chartered Professional Accountants

Horse Lake First Nation**Consolidated Statement of Financial Position**

March 31	2019	2018 Restated (Note 2)
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Financial Assets

Cash (Note 3)	\$ 2,420,260	\$ 1,768,094
Accounts receivable (Note 4)	1,002,126	1,351,585
Members receivables (Note 5)	227,601	293,266
Investment in related First Nation entities (Note 6)	34,551,981	45,865,050
Other investments	1,000	112,350
Federal trust funds (Note 7)	970,385	1,158,215
	39,173,353	50,548,560

Liabilities

Accounts payable and accrued liabilities (Note 8)	543,804	970,429
Deferred revenue (Note 9)	1,328,746	468,906
Long-term debt (Note 10)	3,296,702	3,303,865
Capital lease obligations (Note 11)	28,773	125,425
	5,198,025	4,868,625

Net financial assets	33,975,328	45,679,935
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Non-financial Assets

Capital assets (Note 12)	33,324,284	33,933,941
Prepaid expenses	63,580	89,213
	33,387,864	34,023,154

Accumulated Surplus (Note 13)	\$ 67,363,192	\$ 79,703,089
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Contingent liabilities (Note 13)

Approved on behalf of the Horse Lake First Nation**Original signed by _____, Chief****Original signed by _____, Councilor**

Horse Lake First Nation**Consolidated Statement of Change in Net Financial Assets**

For the year ended March 31	2019 Budget	2019 Actual	2018 Actual Restated (Note 2)
Excess (deficiency) of revenue over expenses	\$ (1,569,888)	\$ (12,339,897)	\$ 5,321,732
Acquisition of tangible capital assets	-	(1,615,281)	(5,754,189)
Amortization of tangible capital assets	-	2,006,920	1,173,971
Disposition of capital assets	-	302,169	-
Gain on disposition of asset	-	(84,151)	-
	-	609,657	(4,580,218)
Acquisition of prepaid asset	-	-	(12,098)
Use of prepaid asset	25,633	25,633	-
	25,633	25,633	(12,098)
(Decrease) increase in net financial assets	(1,544,255)	(11,704,607)	729,416
Net financial assets, beginning of year	45,679,935	45,679,935	44,950,519
Net financial assets, end of year	\$ 44,135,680	\$ 33,975,328	\$ 45,679,935

Horse Lake First Nation**Consolidated Statement of Cash Flow**

For the year ended March 31	2019	2018 Restated (Note 2)
<hr/>		
Cash flows from		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (12,339,897)	\$ 5,321,732
Items not affecting cash		
Amortization	2,006,920	1,173,971
Gain on disposition of asset	(84,151)	-
	(10,417,128)	6,495,703
Change in non-cash operating working capital		
Accounts receivable	349,459	95,963
Prepaid expenses	25,629	(12,094)
Accounts payable and accrued liabilities	(426,619)	285,837
Members receivables	65,665	(239,732)
Deferred revenue	859,840	(605,295)
	(9,543,154)	6,020,382
Capital activities		
Purchase of tangible capital assets	(1,615,281)	(5,754,189)
Proceeds on disposal	302,169	-
	(1,313,112)	(5,754,189)
Financing activities		
Advances of long term debt	243,000	440,456
Repayment of long term debt	(250,165)	(231,354)
Repayment of current portion of capital lease obligations	(96,652)	(107,486)
Investment in related First Nation entities	11,313,069	(1,028,008)
Other investments	111,350	(111,350)
	11,320,602	(1,037,742)
Investing activities		
Funds held in Ottawa Trust	187,830	3,880
Increase (decrease) in cash and cash equivalents	652,166	(767,669)
Cash and cash equivalents, beginning of year	1,768,094	2,535,763
Cash and cash equivalents, end of year	\$ 2,420,260	\$ 1,768,094

Horse Lake 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 Horse Lake First Nation reporting entity includes the Horse Lake First Nation government and all related entities that are accountable to the First Nation and are either owned or controlled by the Horse Lake First Nation.

First Nation business enterprises, that are owned or controlled by the Horse Lake First Nation and that are not dependent on the First Nation for their continuing operations are included in the financial statements using the modified equity method, in accordance with the Public Sector Accounting Recommendations.

The modified equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform with those of the First Nation. Thus, the First Nation's investment in these enterprises is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses. Enterprises accounted for by the modified equity method include:

1. 424337 Alberta Ltd. at March 31, 2019
2. Clear Hills Development Corporation at June 30, 2018
3. Horse Lake Oil and Gas Corporation at March 31, 2019
4. 959447 Alberta Ltd. at March 31, 2019
5. Horse Lake Industry Relations Corporation at December 31, 2018
6. Horse Lake First Nation Investment Management Board (HLIMB) at December 31, 2018
7. 1113046 Alberta Ltd. at March 31, 2019
8. HLFN Oilfield Construction Corp. at December 31, 2018

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

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 estimations 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. Transfers are 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 short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Horse Lake 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, except for reserve lands, natural resources, and cultural resources, which are not recorded.

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 Horse Lake First Nation's incremental cost of borrowing.

Amortization is provided for on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years Straight line
Automotive equipment	7 - 10 years Straight line
Equipment	5 - 20 years Straight line
Solar panels	25 years Straight line
Equipment under capital lease	10% Declining balance
Projects in progress	0 years Straight line
Construction equipment	10 years Straight line
Roads	25 years Straight line
Housing	10 - 50 years Straight line
Water Infrastructure	30 - 75 years Straight line

Tangible capital assets are written down when conditions indicate that they no longer contribute to Horse Lake 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.

Horse Lake 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 consolidated 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.

2. Prior period restatement

During the current year, it was determined that a funding advance received from Horse Lake First Nation Investment Management Board, for the year ended March 31, 2019, was recorded as revenue in the March 31, 2018 financial statements of the Nation.

A prior period adjustment has been recorded as follows:

For the year ended March 31	As previously stated in 2018	Adjustments Increase (Decrease)	Restated 2018
Consolidated Statement of Financial Position			
Financial assets			
Investment in related First Nation entities	\$ 49,965,050	\$ (4,100,000)	\$ 45,865,050
Net financial assets	49,779,935	(4,100,000)	45,679,935
Accumulated surplus	83,803,089	(4,100,000)	79,703,089
Consolidated Statement of Operations			
Revenue	21,905,680	(4,100,000)	17,805,680
Excess of revenue over expenses	\$ 9,421,732	\$ (4,100,000)	\$ 5,321,732

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

3. Cash

The Nation has an operating line of credit to a maximum of \$500,000, bearing interest at prime plus 1.25%, secured by a general security agreement. As at March 31, 2019, the Nation has drawn \$nil (2018: \$500,000) of this facility.

	2019	2018 Restated (Note 2)
Unrestricted	\$ 1,413,326	\$ 882,332
Canada Mortgage and Housing Corporation	421,110	355,108
First Nation Development Fund	585,824	530,654
	\$ 2,420,260	\$ 1,768,094

4. Accounts receivable

	2019	2018 Restated (Note 2)
Accounts receivable	\$ 93,920	\$ 212,173
GST receivable	1,300	63,251
Health Canada receivable	65,920	45,476
Western Cree Tribal Council receivable	478,820	909,048
First Nation Development Fund	362,166	121,637
	\$ 1,002,126	\$ 1,351,585

5. Members receivables

Payroll advances receivable from Horse Lake First Nation members are collected from employee's future wages. In the year management determines that these advances are not collectable, there is an allowance for doubtful accounts recorded in the program in which the employee worked.

	2019	2018 Restated (Note 2)
Chief and Council advances	\$ 183,677	\$ 263,365
Members and staff advances receivable	287,046	273,023
Less: allowance for doubtful accounts	(243,122)	(243,122)
	\$ 227,601	\$ 293,266

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

6. Investments in First Nation Controlled Entities

Horse Lake First Nation owns 100% of the shares of Horse Lake First Nation Investment Management Board. With the consent of Council, Horse Lake First Nation is allowed to withdraw a maximum of \$5,000,000 from Horse Lake First Nation Investment Management Board to be used for the operations of Band programs.

Horse Lake First Nation owns 100% of 424337 Alberta Ltd., Horse Lake Oil & Gas Corporation, Horse Lake Industry Relations Corporation, and HLFN Oilfield Construction Corp.

Horse Lake First Nation Investment Management Board owns 100% of 959447 Alberta Ltd., Clear Hills Development Corporation, and 1113046 Alberta Ltd. in trust for Horse Lake First Nation.

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

These investments in First Nation controlled entities have been recorded in these consolidated financial statements using the modified equity basis. The financial statements of the First Nation controlled entities have been disclosed in Note 20 and have not been consolidated in these consolidated financial statements.

The advances and equity amounts below were provided by management. We were unable to obtain sufficient appropriate evidence about the carrying amount of the of Horse Lake First Nation investments, equity and net income for the year. Consequently, we were unable to determine whether any adjustments to these amounts were necessary, as detailed in our Basis for Qualified Opinion in the Auditors' Report.

	2019	2018 Restated (Note 2)
Advances from 424337 Alberta Ltd.	\$ 4,016	\$ -
Advances to Horse Lake Oil and Gas Corporation	(45,062)	-
Advances from 959447 Alberta Ltd.	1,880,453	2,009,441
Advances from Clear Hills Development Corporation	605,479	603,724
Advances (to) from Horse Lake Industry Relations Corporation	(331,317)	340,801
Advances from 1113046 Alberta Ltd- Shares at cost	100	100
Advances from HLFN Oilfield Construction Corp.	4,539,695	5,106,420
Advances to Horse Lake First Nation Investment Management Board	(6,450,593)	(2,295,743)
	202,771	5,764,743
Equity in 424337 Alberta Ltd.	102,990	105,606
Equity in Horse Lake Oil and Gas Corporation	45,062	45,162
Equity in 959447 Alberta Ltd.	(283,488)	(275,485)
Equity in Clear Hills Development Corporation	(859,001)	(498,720)
Equity in Horse Lake Industry Relations Corporation	928,348	616,415
Equity in HLFN Oilfield Construction Corp.	(3,818,945)	(588,001)
Equity in Horse Lake First Nation Investment Management Board	38,234,244	44,795,330
	34,349,210	44,200,307
	34,551,981	49,965,050

Horse Lake First Nation**Notes to Consolidated Financial Statements**

March 31, 2019

Change in investment in First Nation Entities

	2019	2018 Restated (Note 2)
Investment and advances beginning of year	49,965,050	44,837,042
Advances net of repayment	(5,333,049)	4,604,539
Equity pick-up	(10,080,020)	523,469
Investment and advances end of year	\$ 34,551,981	\$ 49,965,050

7. Trust funds held by federal government

	2019	2018 Restated (Note 2)
Capital funds held in trust	\$ 802,828	\$ 1,010,677
Revenue funds held in trust	167,557	147,538
	\$ 970,385	\$ 1,158,215

The Ottawa Trust Funds 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.

Ottawa Trust 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.

8. Accounts payable and accrued liabilities

	2019	2018 Restated (Note 2)
Accounts payable - trade	\$ 342,351	\$ 661,853
Health Canada	-	135,407
Wages payable	109,302	81,018
Western Cree Tribal Council Payable	92,151	92,151
	\$ 543,804	\$ 970,429

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

9. Deferred revenue

Deferred revenue represents funds received that will be recognized as revenue in the next fiscal year when the related expenses are incurred, or when the terms of the funding have been satisfied. 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				
First Nations and Inuit Youth				
Employment Strategy - Skills Link	\$ 26,962	\$ -	\$ (26,962)	\$ -
New Paths for Education Parental & Community Engagement	5,167	-	(5,167)	-
New Paths for Education Language and Culture	24,207	-	(24,207)	-
Operations & Maintenance First Nation Water Action Plan	22,080	-	(22,080)	-
Operations & Maintenance First Nation Waste Water Action Plan	3,139	-	(3,139)	-
Renovation	232,683	-	(232,683)	-
Special needs identification initiative	500	-	(500)	-
Community Well-being	-	169,644	(17,559)	152,085
	314,738	169,644	(332,297)	152,085
First Nation Development Funds				
Fire Training	78,440	-	(78,440)	-
Recreation Study	15,515	-	(15,515)	-
Solar Panels	60,213	-	(60,213)	-
Water Treatment Plant Solar Panels	-	12,400	-	12,400
Purchase of 2 Modular Homes	-	210,154	(94,739)	115,415
Update Band Policy Documents	-	22,285	(10,726)	11,559
Basement Upgrades	-	100,000	-	100,000
Cultural Coordinator	-	60,000	-	60,000
Safety Signage	-	50,000	-	50,000
Fire Radio, Phones, and Equipment	-	50,000	(12,035)	37,965
Fire Hall Extension	-	271,009	-	271,009
Transportation National Safety Code Compliance Training	-	6,500	(3,947)	2,553
	154,168	782,348	(275,615)	660,901
Other				
Health Canada	-	813,483	(565,104)	248,379
Government of Alberta	-	267,381	-	267,381
	-	1,080,864	(565,104)	515,760
	\$ 468,906	\$ 2,032,856	\$ (1,173,016)	\$ 1,328,746

Horse Lake First Nation**Notes to Consolidated Financial Statements**

March 31, 2019

10. Long-term debt

	2019	2018 Restated (Note 2)
CMHC Mortgage bearing interest at 2.48%, repayable in blended monthly instalments of \$2,651 due August 2033, secured by a Ministerial Guarantee.	\$ 386,398	\$ 407,943
CMHC Mortgage bearing interest at 1.67% repayable in monthly instalments of \$1,926, due January 2035, secured by a Ministerial Guarantee.	321,965	339,114
CMHC Mortgage bearing interest at 1.48% repayable in blended monthly instalments of \$2,038, due January 2037, secured by a Ministerial Guarantee.	383,686	401,855
CMHC Mortgage bearing interest at 1.97% repayable in blended monthly instalments of \$3,246, due December 2037, secured by a Ministerial Guarantee.	611,696	637,366
CIBC Mortgage repaid during the year	-	3,425
CIBC loan repaid during the year.	-	11,934
CIBC Mortgage bearing interest at 2.95% repayable in monthly instalments of \$1,597, maturing August 2020.	79,071	95,871
CIBC Mortgage bearing interest at 2.54% repayable in monthly instalments of \$1,592, maturing January 2022.	100,587	117,155
CIBC Mortgage bearing interest at 5.75% repayable in monthly instalments of \$1,294, maturing February 2024.	114,611	124,153
CIBC Mortgage bearing interest at 3.49% repayable in monthly instalments of \$1,074, maturing December 2021.	105,733	114,588
CIBC Mortgage bearing interest at 2.95% repayable in monthly instalments of \$2,346, maturing August 2020.	207,291	228,364
CIBC Mortgage bearing interest at 2.49% repayable in monthly instalments of \$902, maturing November 2021.	65,552	74,778
CIBC Mortgage bearing interest at 2.54% repayable in monthly instalments of \$1,164, maturing January 2022.	76,975	89,013
CIBC Mortgage bearing interest at 2.54% repayable in monthly instalments of \$1,657, maturing January 2022.	135,177	151,728

Horse Lake First Nation**Notes to Consolidated Financial Statements**

March 31, 2019

10. Long-term debt, continued

	2019	2018
	\$	\$
CIBC Mortgage bearing interest at 2.95% repayable in monthly instalments of \$1,834, maturing August 2020.	234,550	250,012
CIBC Mortgage bearing interest at 2.95% repayable in monthly instalments of \$2,728, maturing November 2020.	230,410	256,566
CMHC mortgage advance on construction in progress. Terms to be determined upon completion of the project.	243,000	-
	\$ 3,296,702	\$ 3,303,865

Mortgages from CIBC are secured by the properties being financed.

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

2020	\$ 241,948
2021	245,436
2022	251,814
2023	258,367
2024 and thereafter	2,299,137
	\$ 3,296,702

11. Capital lease obligations

	2019	2018
		Restated (Note 2)
Capital lease obligation repaid during the year.	\$ -	\$ 86,652
Capital lease obligation payable in monthly instalments of \$1,004 bearing interest at 5.99%, due October 2021 secured by related equipment.	28,773	38,773
	\$ 28,773	\$ 125,425

Horse Lake First Nation**Notes to Consolidated Financial Statements**

March 31, 2019

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

2020	\$	12,049	\$	-
2021		12,049		-
2022		7,029		-
2024 and thereafter		-		125,425
<hr/>				
Total minimum lease payments		31,127		125,425
Less amounts representing interest at 5.99%		(2,354)		-
<hr/>				
Present value of net minimum capital lease payments	\$	28,773	\$	125,425

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

12. Tangible Capital Assets

	Cost			Accumulated amortization			
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization of year	2019 Net Book Value
Land	\$ 250,001	\$ -	\$ -	\$ 250,001	\$ -	\$ -	\$ 250,001
Buildings	13,367,318	-	(68,686)	13,298,632	3,976,836	265,973	9,055,823
Automotive equipment	1,748,701	-	-	1,748,701	1,087,269	110,140	551,292
Equipment	503,256	-	-	503,256	439,566	24,956	38,734
Solar panels	239,374	235,000	-	474,374	4,787	14,275	455,312
Equipment under capital lease	355,000	-	-	355,000	81,828	27,317	245,855
Projects in progress	7,122,638	1,615,281	(8,235,533)	502,386	-	-	502,386
Construction Equipment	2,341,807	-	-	2,341,807	1,960,459	77,331	304,017
Roads	2,317,343	-	-	2,317,343	1,935,992	92,694	288,657
Housing	17,611,190	68,686	(290,690)	17,389,186	7,226,553	1,055,987	9,179,318
Water	9,664,328	8,000,533	-	17,664,861	4,873,725	338,247	12,452,889
	\$ 55,520,956	\$ 9,919,500	\$ (8,594,909)	\$ 56,845,547	\$ 21,587,015	\$ 2,006,920	\$ 33,324,284

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

	Cost			Accumulated amortization			
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization of year	2018 Net Book Value
Land	\$ 250,001	\$ -	\$ -	\$ 250,001	\$ -	\$ -	\$ 250,001
Buildings	13,367,318	-	-	13,367,318	3,710,863	265,973	9,390,482
Automotive equipment	1,544,780	203,921	-	1,748,701	964,278	122,991	661,432
Equipment	503,256	-	-	503,256	405,369	34,197	63,690
Solar panels	-	239,374	-	239,374	-	4,787	234,587
Equipment under capital lease	355,000	-	-	355,000	51,475	30,353	273,172
Projects in progress	2,398,473	4,724,165	-	7,122,638	-	-	7,122,638
Construction Equipment	2,341,807	-	-	2,341,807	1,883,128	77,331	381,348
Roads	2,317,343	-	-	2,317,343	1,922,492	13,500	381,351
Housing	17,024,461	586,729	-	17,611,190	6,788,079	438,474	10,384,637
Water	9,664,328	-	-	9,664,328	4,687,360	186,365	4,790,603
	\$ 49,766,767	\$ 5,754,189	\$ -	\$ 55,520,956	\$ 20,413,044	\$ 1,173,971	\$ 33,933,941

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

13. Accumulated surplus

	2019	2018 Restated (Note 2)
CMHC replacement reserve	\$ 546,253	\$ 548,924
Operating surplus (deficit)	1,294,765	1,513,900
Equity in tangible capital assets	29,998,808	30,504,650
Equity in Ottawa Trust Fund	970,385	1,158,215
Equity in investments in First Nation entities	34,552,981	45,977,400
	\$ 67,363,192	\$ 79,703,089

14. Contingent Liabilities

Government contributions related to the projects of Horse Lake First Nation are subject to conditions regarding the expenditure of funds. The Nation's accounting records are subject to audit by the various funding agencies. Should any instances be identified in which the amounts charged to 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 audits will be recorded in the period in which they become known.

15. Replacement reserve

Under the terms of an agreement with Canada Mortgage and Housing Corporation, the Nation is required to provide a replacement reserve, established by an annual allocation of \$53,992 (2018 - \$24,000). This reserve is to ensure replacement of buildings financed by Canada Mortgage and Housing Corporation. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by Canada Deposit Insurance Corporation, or as may otherwise be approved by Canada Mortgage and Housing Corporation. Cash of \$421,110 (2018 - \$355,108) has been set aside to fund the reserve of \$546,253 (2018 - \$548,924) which results in a unfunded amount of \$125,143 (2018 - \$193,816).

	2019	2018 Restated (Note 2)
Replacement reserve, beginning of the year	\$ 548,924	\$ 524,924
Required contribution per CMHC	53,992	24,000
Use of replacement reserve	(113,806)	-
Adjustment to replacement reserve	57,143	-
	\$ 546,253	\$ 548,924

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

16. Related Party Transactions

Transactions with related parties, if any, are in the normal course of business, and recorded at the exchange amount, which is the amount established and agreed to by the related parties.

17. Financial Instruments

The Nation's financial instruments consist of cash, accounts receivable, long-term investments, trust funds, accounts 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 Nation is not exposed to significant currency risks from its financial instruments. The 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 Nation minimizes interest rate risk by borrowing at fixed rates.

18. Economic dependence

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

19. Budget Information

The budget information for the year ended March 31, 2019 is unaudited, has been prepared by management and approved by the Chief and Council.

20. Comparative Amounts

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

21. Investment in related First Nation entities

- ♦ 424337 Alberta Ltd.
- ♦ Clear Hills Development Corporation
- ♦ Horse Lake Oil and Gas Corporation
- ♦ 959447 Alberta Ltd.
- ♦ Horse Lake Industry Relations Corporation
- ♦ Horse Lake First Nation Investment Management Board
- ♦ 1113046 Alberta Ltd.
- ♦ HLFN Oilfield Construction Corp.

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

21. Investment in related First Nation entities, continued

	424337 Alberta Ltd.	Clear Hills Development Corporation	Horse Lake Oil and Gas Corporation	959447 Alberta Ltd.	Horse Lake Industry Relations Corporation	Horse Lake First Nation Investment Management Board	1113046 Alberta Ltd.	HLFN Oilfield Construction Corp.	2019 Total
Cash	\$ -	\$ 2,498	\$ -	\$ -	\$ 175,817	\$ 419,543	\$ -	\$ -	\$ 597,858
Accounts receivable	-	-	-	-	1,001,985	87,110	-	1,427,258	2,516,353
Due from related parties	-	-	45,062	-	557,926	10,137,225	-	-	10,740,213
Tangible capital assets	96,970	-	-	1,599,965	4,690	1,143	2,443,416	5,502,292	9,648,476
Loans receivable	-	-	-	-	99,664	162,672	-	-	262,336
Portfolio investments	-	-	-	-	-	16,710,766	-	-	16,710,766
Investments in Nation partnerships	-	-	-	-	-	16,165,108	-	-	16,165,108
Other assets	12,537	-	-	-	-	-	-	-	12,537
Total assets	\$ 109,507	\$ 2,498	\$ 45,062	\$ 1,599,965	\$ 1,840,082	\$ 43,683,567	\$ 2,443,416	\$ 6,929,550	\$ 56,653,647
Bank indebtedness	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,120,576	\$ -	\$ 45,868	\$ 5,166,444
Accounts payable	2,500	256,019	-	3,000	81,582	328,748	-	1,388,934	2,060,783
Long-term debt	-	-	-	-	200,000	-	-	-	200,000
Capital lease obligations	-	-	-	-	-	-	-	3,205,008	3,205,008
Due to related parties	4,017	605,480	-	1,880,453	-	-	2,443,316	6,108,685	11,041,951
Deferred revenue	-	-	-	-	630,152	-	-	-	630,152
Total liabilities	6,517	861,499	-	1,883,453	911,734	5,449,324	2,443,316	10,748,495	22,304,338
Equity	102,990	(859,001)	45,062	(283,488)	928,348	38,234,243	100	(3,818,945)	34,349,309
Total liabilities and equity	\$ 109,507	\$ 2,498	\$ 45,062	\$ 1,599,965	\$ 1,840,082	\$ 43,683,567	\$ 2,443,416	\$ 6,929,550	\$ 56,653,647

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

21. Investment in related First Nation entities, continued

	424337 Alberta Ltd.	Clear Hills Development Corporation	Horse Lake Oil and Gas Corporation	959447 Alberta Ltd.	Horse Lake Industry Relations Corporation	Horse Lake First Nation Investment Management Board	1113046 Alberta Ltd.	HLFN Oilfield Construction Corp.	2019 Total
Revenue	\$ -	\$ -	\$ -	4,560 \$	3,797,819 \$	(473,213) \$	-	5,616,106 \$	8,945,272
Expenses									
Operating expenses	2,617	627,488	101	12,663	3,443,225	1,734,270	-	7,359,412	13,179,776
Other expenses	-	-	-	-	42,661	4,315,217	-	1,487,638	5,845,516
	2,617	627,488	101	12,663	3,485,886	6,049,487	-	8,847,050	19,025,292
	\$ (2,617) \$	(627,488) \$	(101) \$	(8,103) \$	311,933 \$	(6,522,700) \$	-	(3,230,944) \$	(10,080,020)

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

22. Expenditures by type

For the year ended March 31	2019 Budget	2019 Actual	2018 Actual Restated (Note 2)
Expenses			
Administration	\$ 132,700	\$ 168,684	\$ 236,490
Advertising	1,000	595	200
Amortization	-	2,006,920	1,173,971
Assisted Living	45,583	53,932	44,718
Automotive	346,500	179,674	409,214
Bad debts (recovery)	-	-	(7,620)
Baseball support	15,000	73,456	13,875
Books and supplies	32,100	23,576	29,471
Building construction	46,970	11,904	9,946
Bussing repairs and fuel	55,000	88,187	74,115
CMHC replacement reserve	-	21,450	-
COPH	5,701	2,135	-
Classroom supplies	12,500	10,981	71,253
Client support	67,000	149,247	70,488
Community wellness	270,000	26,554	337,639
Computer support	70,000	96,395	104,705
Construction	475,000	23,717	101,562
Consulting fees	100,000	22,364	296,589
Core benefits	334,526	317,422	346,245
Cultural and language program	-	4,800	-
Cultural events	2,000	70,000	-
DNA testing	3,000	678	2,217
Economic development	57,475	102,190	73,502
Elder support	184,000	188,308	233,478
Enhanced policing	12,000	11,712	12,057
Enhanced teacher salaries	-	4,703	4,703
First Nation and Inuit skills link program	-	36,568	11,731
Funerals	50,000	90,047	75,459
Hockey support	11,500	26,059	42,319
Insurance	200,000	260,628	233,233
Interest and bank charges	20,000	19,926	17,177
Interest on capital lease	12,000	4,702	11,626
Interest on long term debt	50,000	74,716	69,488
Job maintenance	7,500	28,870	29,194
Medical travel	4,573	67,231	87,035
Minor hockey	25,000	243,346	114,487
National child benefit	25,361	70,412	70,394
New path	2,500	75,422	7,200
Office supplies	54,623	125,094	128,034
On reserve housing expense	-	-	12,699
Other expenses	8,266	-	-
Per capita distribution	1,100,000	1,123,500	1,072,500
Pow wow	15,000	-	19,865
Professional fees	170,000	150,054	135,306
Program expenses	959,865	1,054,566	1,049,451

Horse Lake First Nation**Notes to Consolidated Financial Statements**

March 31, 2019

RRAP project	-	-	1,987
Renovations	-	300	32,261
Rent	9,000	12,000	12,000
Repairs and maintenance	232,786	547,898	934,922
Salaries, wages and benefits	3,184,211	3,740,396	3,381,419
Security services	4,000	4,352	2,882
Sewer	48,500	45,527	30,401
Special Needs	10,208	3,417	36,782
Student allowances	60,000	104,003	68,516
Student awards	7,000	13,780	9,300
Student field trips	12,000	11,410	12,390
Success coach	-	14,932	25,062
Summer student employment	15,276	13,848	15,300
Supplies	12,500	29,345	21,532
Teacher recruitment	-	11,000	13,000
Telephone and utilities	279,700	386,024	356,230
Training	5,500	179,958	95,935
Travel	301,000	291,115	344,005
Treaty 8 AGM	-	-	188,845
Treaty Days	5,000	1,900	5,000
Tuition	60,872	47,997	34,163
Youth Trip	-	2,595	36,000
	\$ 9,231,796	\$ 12,572,522	\$ 12,483,948

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

23. Segmented information

	Administration		Community Services		Economic Development	
	2019 Budget	2019 Actual	2019 Budget	2019 Actual	2019 Budget	2018 Actual
Revenues						
Western Cree Tribal Council	\$ 453,621	\$ 504,371	\$ -	\$ -	\$ 57,475	\$ 88,369
Government of Alberta	-	9,600	-	-	-	-
HLFN Investment Management Board	810,972	1,547,810	256,000	331,000	-	28,323
Other revenue	160,180	905,033	-	284,790	-	(10,080,020)
Total revenue	1,424,773	2,966,814	256,000	615,790	57,475	(9,963,328)
						1,261,224
Expenses						
Salaries, wages and benefits	1,235,700	1,294,544	179,500	223,494	-	887
Repairs and maintenance	-	-	-	15,763	-	483
Telephone and utilities	162,000	233,477	4,500	6,452	-	-
Professional fees	155,000	144,604	-	-	-	-
Other expenses	1,508,000	1,294,189	72,000	380,459	57,475	102,190
Total expenses	3,060,700	2,966,814	256,000	626,168	57,475	103,077
						81,303
Annual surplus (deficit)	\$ (1,635,927)	\$ -	\$ -	\$ (10,378)	\$ -	\$ (10,066,405)
						1,179,921

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

23. Segmented information, continued

		2019 Budget	Education 2019 Actual	2018 Actual	2019 Budget	Employment Programs 2019 Actual	2018 Actual	2019 Budget	Health 2019 Actual	2018 Actual
Revenues										
Western Cree Tribal Council	\$	534,640	\$ 747,441	\$ 439,316	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Government of Alberta	-	-	-	315,565	-	133,615	289,618	-	-	-
Health Canada	-	-	-	-	-	-	-	1,140,187	1,047,510	940,058
HLFN Investment Management Board	89,274	-	-	103,904	137,043	93,000	98,453	-	-	-
Other revenue	-	-	95,600	101,200	152,757	489,272	116,164	-	9,784	2,500
Total revenue		623,914	843,041	959,985	289,800	715,887	504,235	1,140,187	1,057,294	942,558
Expenses										
Salaries, wages and benefits		329,276	313,425	256,339	182,700	478,280	332,901	315,343	390,911	382,421
Repairs and maintenance	-	-	-	-	2,500	787	-	15,599	19,799	66,892
Telephone and utilities	5,000	-	5,361	7,312	10,000	15,260	14,483	11,700	12,849	13,272
Other expenses	313,414	-	535,151	508,485	94,600	267,185	213,484	707,761	562,129	526,757
Total expenses		647,690	853,937	772,136	289,800	761,512	560,868	1,050,403	985,688	989,342
Annual surplus (deficit)	\$	(23,776)	(10,896)	187,849	-	(45,625)	(56,633)	89,784	71,606	(46,784)

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

23. Segmented information, continued

		2019 Budget	Other 2019 Actual	2018 Actual	2019 Budget	Public Works 2019 Actual	2018 Actual	2019 Budget	Social Services 2019 Actual	2018 Actual
Revenues										
Western Cree Tribal Council	\$	187,092	599,959	984,814	251,889	439,504	4,742,084	499,479	570,622	554,402
First Nation Development Funds		391,187	2,943	838,911	-	-	-	-	-	-
CMHC subsidy		233,400	261,613	255,378	-	-	-	-	-	-
HLFN Investment Management Board		709,508	583,449	652,470	397,203	392,918	716,624	-	-	-
Other revenue		29,000	(44,226)	333,145	75,000	66,845	82,972	-	-	-
Total revenue		1,546,187	1,403,738	3,064,718	724,092	899,267	5,541,680	499,479	570,622	554,402
Expenses										
Salaries, wages and benefits		449,000	554,843	551,008	451,592	598,034	452,358	46,600	65,937	50,954
Repairs and maintenance		64,687	372,879	658,644	150,000	138,671	208,903	-	-	-
Telephone and utilities		78,000	91,198	94,918	7,000	20,228	13,394	1,500	1,200	1,262
Professional fees		15,000	5,450	18,500	-	-	-	-	-	-
Other expenses		939,470	660,112	848,508	115,500	154,033	231,889	451,379	482,303	504,471
Total expenses		1,546,157	1,684,482	2,171,578	724,092	910,966	906,544	499,479	549,440	556,687
Annual surplus (deficit)	\$	30	(280,744)	893,140	-	(11,699)	4,635,136	-	21,182	(2,285)

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

23. Segmented information, continued

	2019 Budget	Amortization		2018 Actual	Per Capita Distribution		2019 Budget	2018 Actual	Consolidated totals	
		2019 Actual	2019 Actual		2019 Budget	2019 Actual			2019 Budget	2018 Actual
Revenues										
Western Cree Tribal Council	\$ -	\$ -	\$ -	-	\$ -	-	\$ -	-	1,984,196 \$	7,292,772
First Nation Development Funds	-	-	-	-	-	-	-	-	391,187	838,911
CMHC subsidy	-	-	-	-	-	-	-	-	2,943	255,378
Government of Alberta	-	-	-	-	-	-	-	-	261,613	605,183
Health Canada	-	-	-	-	-	-	-	-	143,215	940,058
HLFN Investment Management Board	-	-	-	-	-	-	-	-	1,140,187	4,695,475
Other revenue	-	-	-	-	1,100,000	1,123,500	1,072,500	1,072,500	3,500,000	3,177,903
	-	-	-	-	-	-	-	-	412,937	(8,272,922)
Total revenue	-	-	-	-	1,100,000	1,123,500	1,072,500	1,072,500	7,661,907	17,805,680
Expenses										
Salaries, wages and benefits	-	-	-	-	-	-	-	-	3,189,711	3,477,351
Amortization	-	2,006,920	-	1,173,971	-	-	-	-	-	1,173,971
Repairs and maintenance	-	-	-	-	-	-	-	-	232,786	934,922
Telephone and utilities	-	-	-	-	-	-	-	-	279,700	356,231
Professional fees	-	-	-	-	-	-	-	-	170,000	135,306
Per capita distribution	-	-	-	-	1,100,000	1,123,500	1,072,500	1,072,500	1,100,000	1,072,500
Other expenses	-	(2,006,920)	(1,173,971)	-	-	18	-	-	4,259,599	4,159,696
	-	-	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	1,100,000	1,123,518	1,072,500	1,072,500	9,231,796	11,309,977
Annual surplus (deficit)	\$ -	\$ -	\$ -	\$ -	\$ -	(18)\$	\$ -	\$ -	(1,569,889)\$	6,495,703

