

Horse Lake First Nation

Consolidated Financial Statements

March 31, 2023

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Consolidated Financial Statements

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Horse Lake First Nation

Management's Responsibility for Financial Reporting

March 31, 2023

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.

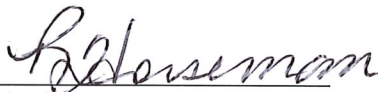
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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.

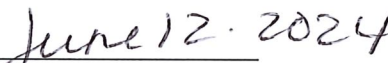
On behalf of Horse Lake First Nation:




Chief



CEO



Date



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, 2023, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, 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, 2023 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, 2023 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 statement of operations 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 should be accounted for using the full consolidation method in the consolidated financial statements.

Horse Lake First Nation's investment in related First Nation entities represents a significant amount of the assets of the consolidated financial statements as at March 31, 2023. We were unable to obtain any financial records for investments that are material to the financial statements and unable to obtain sufficient appropriate evidence about the carrying amount of the remaining investments. Therefore, we were unable to obtain sufficient appropriate evidence about the carrying amount 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 opinion on the consolidated financial statements for the year ended March 31, 2022 was modified because of the effects of this departure from Canadian Public Sector Accounting Standards and the possible limitations in scope.

As discussed in Note 13 to the consolidated financial statements, asset retirement obligations have not been estimated and recorded on the consolidated statement of financial position both as at April 1, 2022, the transition date when these standards first applied and as at the year-end March 31, 2023. Management believes that the cost of any future material obligation will be offset by a funding agency. The Nation's tangible capital assets represent a significant amount of the assets of the consolidated financial statements as at March 31, 2023 and we were unable to obtain sufficient information regarding the effect of the asset retirement obligations on the consolidated financial statements. Therefore we were unable to determine whether any adjustments might be necessary to expenses, excess of revenue over expenses and cash flows from operating activities for the year ended March 31, 2023, and net financial assets, non-financial assets and accumulated surplus as at April 1, 2022 and March 31, 2023.

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.

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.

Independent Auditors' Report (continued)

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.
- ◆ 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
June 12, 2024


Chartered Professional Accountants

Horse Lake First Nation

Consolidated Statement of Financial Position

| March 31, | 2023 | 2022 Restated (note 23) |
|-----------|------|-------------------------------|
|-----------|------|-------------------------------|

Financial Assets

| | | |
|--|-------------------|-------------------|
| Cash (Note 3) | \$ 363,469 | \$ 1,381,791 |
| Accounts receivable (Note 4) | 6,562,578 | 5,055,441 |
| Members receivables (Note 5) | 238,120 | 264,455 |
| Investment in related First Nation entities (Note 6) | 30,615,567 | 29,401,516 |
| Other investments | 1,000 | 1,000 |
| Federal Trust Funds (Note 7) | 1,836,234 | 475,154 |
| Horse Lake First Nation Agricultural Benefits Trust (Note 8) | 27,990,756 | 35,908,093 |
| | 67,607,724 | 72,487,450 |

Liabilities

| | | |
|---|-------------------|-------------------|
| Operating loan (Note 3) | 200,000 | - |
| Accounts payable and accrued liabilities (Note 9) | 14,768,707 | 13,328,466 |
| Deferred revenue (Note 10) | 11,044,369 | 7,381,000 |
| Long-term debt (Note 11) | 11,765,015 | 12,218,219 |
| | 37,778,091 | 32,927,685 |

| | | |
|-----------------------------|-------------------|-------------------|
| Net financial assets | 29,829,633 | 39,559,765 |
|-----------------------------|-------------------|-------------------|

Non-financial Assets

| | | |
|-----------------------------------|-------------------|-------------------|
| Tangible capital assets (Note 12) | 39,567,557 | 36,452,597 |
| Prepaid expenses | 71,062 | 71,478 |
| | 39,638,619 | 36,524,075 |

| | | |
|--------------------------------------|----------------------|----------------------|
| Accumulated Surplus (Note 14) | \$ 69,468,252 | \$ 76,083,840 |
|--------------------------------------|----------------------|----------------------|

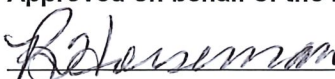
Accumulated Surplus consists of

| | | |
|---|-------------|------------|
| Accumulated operating surplus | 73,114,825 | 75,484,116 |
| Accumulated remeasurement gains and (losses), end of year | (3,646,573) | 599,724 |

| | | |
|----------------------------|-------------------|-------------------|
| Accumulated Surplus | 69,468,252 | 76,083,840 |
|----------------------------|-------------------|-------------------|

Contingent liabilities (Note 15)

Approved on behalf of the Horse Lake First Nation

 , Chief

 , CEO

Horse Lake First Nation

Consolidated Statement of Remeasurement Gains and Losses

| For the year ended March 31 | 2023 | 2022 Restated (Note 23) |
|--|-----------------------|-------------------------------|
| Accumulated remeasurement gains, beginning of year | \$ 599,724 | \$ - |
| Unrealized gains and (losses) attributable to: | | |
| Portfolio investments | (4,242,752) | 1,362,828 |
| Amounts reclassified to the statement of operations | | |
| Realized (gains) losses on portfolio investments | (3,545) | (763,104) |
| Other | | |
| Net remeasurement gains and (losses) | (4,246,297) | 599,724 |
| Accumulated remeasurement gains and (losses), end of year | \$ (3,646,573) | \$ 599,724 |

Horse Lake First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31,

| | 2023 Budget | 2023 Actual | 2022 Actual Restated (Note 23) |
|---|----------------|----------------|---|
| Revenue | | | |
| Western Cree Tribal Council - ISC | \$ - | \$ 6,700,450 | \$ 5,734,898 |
| Western Cree Tribal Council - ISET | - | 176,527 | 301,439 |
| ISC - Health | - | 2,122,310 | 2,362,491 |
| CMHC subsidy | - | 314,126 | 312,449 |
| CMHC special contribution | - | - | 665,000 |
| CMHC contributions - RHI | - | 2,323,114 | 1,422,000 |
| First Nation Development Funds | - | 249 | 221,293 |
| Treaty 8 First Nations of Alberta | - | 73,602 | - |
| Government of Alberta | - | 195,037 | 184,042 |
| Horse Lake First Nation Investment Management Board | - | - | 525,000 |
| Interest income | - | 896,854 | 569,816 |
| Rental income | - | 12,550 | 146,906 |
| Donations | - | 91,932 | 148,550 |
| Other revenue | - | 2,036,977 | 2,393,862 |
| Income (Loss) from related First Nation entities | - | 41,606 | (285,373) |
| Ammunition and Twine Settlement funds | - | - | 2,192,724 |
| | - | 14,985,334 | 16,895,097 |
| Expenses (Note 24) | | | |
| Administration | - | 4,694,397 | 4,332,710 |
| Community Services | - | 419,648 | 766,133 |
| Economic Development | - | 120,997 | 124,016 |
| Education | - | 1,153,916 | 1,052,999 |
| Employment Programs | - | 707,709 | 789,586 |
| Health | - | 2,479,932 | 2,742,277 |
| Other | - | 1,912,590 | 2,703,802 |
| Public Works | - | 1,237,719 | 1,173,244 |
| Social Services | - | 694,640 | 882,810 |
| Amortization | - | 1,979,658 | 2,080,336 |
| Per Capita Distribution | - | 420,500 | 841,543 |
| Agricultural Benefits Settlement | - | 1,532,918 | 141,010 |
| | - | 17,354,624 | 17,630,466 |
| Deficiency of revenue over expenses | - | (2,369,291) | (735,370) |
| Accumulated surplus, beginning of year | 75,484,116 | 75,484,116 | 76,219,487 |
| Accumulated surplus, end of year | \$ 75,484,116 | \$ 73,114,825 | \$ 75,484,116 |

Horse Lake First Nation

Consolidated Statement of Change in Net Financial Assets

| For the year ended March 31, | 2023 Budget | 2023 Actual | 2022 Actual Restated (Note 23) |
|--|----------------------|----------------------|---|
| Deficiency of revenue over expenses | \$ - | \$ (2,369,291) | \$ (735,370) |
| Acquisition of tangible capital assets | - | (5,094,619) | (4,698,490) |
| Amortization of tangible capital assets | - | 1,979,658 | 2,080,336 |
| | - | (3,114,961) | (2,618,154) |
| Acquisition of prepaid asset | - | 416 | (16,337) |
| Effects of remeasurement gains (losses) for the year | - | (4,246,297) | 599,724 |
| Decrease in net financial assets | - | (9,730,133) | (2,770,137) |
| Net financial assets, beginning of year | 39,559,765 | 39,559,765 | 42,329,902 |
| Net financial assets, end of year | \$ 39,559,765 | \$ 29,829,632 | \$ 39,559,765 |

Horse Lake First Nation

Consolidated Statement of Cash Flow

| For the year ended March 31, | 2023 | 2022 |
|--|--------------------|---------------------|
| Cash flows from | | |
| Operating activities | | |
| Deficiency of revenue over expenses | \$ (2,369,291) | \$ (735,370) |
| Items not affecting cash | | |
| Amortization | 1,979,658 | 2,080,336 |
| Gain on sale of portfolio investments | (3,545) | (763,104) |
| | (393,178) | 581,862 |
| Change in non-cash operating working capital | | |
| Accounts receivable | (1,507,137) | (3,645,109) |
| Prepaid expenses | 416 | (16,337) |
| Accounts payable and accrued liabilities | 1,440,243 | 12,109,031 |
| Members receivables | 26,335 | (31,567) |
| Deferred revenue | 3,663,369 | 5,888,914 |
| | 3,230,048 | 14,886,794 |
| Capital activities | | |
| Purchase of tangible capital assets | (5,094,619) | (4,698,490) |
| Financing activities | | |
| Advances of long term debt | 187,298 | 8,142,000 |
| Repayment of long term debt | (640,502) | (2,711,351) |
| Repayment of current portion of capital lease obligations | - | (6,891) |
| | (453,204) | 5,423,758 |
| Investing activities | | |
| Funds held in Federal Trust Funds | (1,361,080) | 116,725 |
| Investment in related First Nation entities | (1,214,051) | (3,566,652) |
| Horse Lake First Nation Agricultural Benefits Settlement Trust | 3,674,584 | (11,668,799) |
| | 1,099,453 | (15,118,726) |
| Increase (decrease) in cash and cash equivalents | (1,218,322) | 493,336 |
| Cash and cash equivalents, beginning of year | 1,381,791 | 888,455 |
| Cash and cash equivalents, end of year | \$ 163,469 | \$ 1,381,791 |
| Represented by | | |
| Cash | \$ 363,469 | \$ 1,381,791 |
| Operating loan | (200,000) | - |
| | \$ 163,469 | \$ 1,381,791 |

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

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, 2023
2. Horse Lake Oil and Gas Corporation at March 31, 2023
3. Horse Lake Industry Relations Corporation at December 31, 2022
4. Horse Lake First Nation Investment Management Board (HLIMB) at December 31, 2022
5. HLFN Oilfield Construction Corp. at December 31, 2022

Entities accounted for by full consolidation include:

1. Horse Lake First Nation Agricultural Benefits Settlement Trust at December 31, 2022

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.

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

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 are 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 cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

(d) Investments

Investments, other than Investments in related First Nation entities, are carried at cost.

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

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

(e) 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 |
| 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.

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

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

(f) Financial instruments

Measurement

Financial assets originated or acquired or financial liabilities issued or assumed in an arm's length transaction are initially measured at their fair value. In the case of a financial asset or financial liability not subsequently measured at its fair value, the initial fair value is adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Such fees and costs in respect of financial assets and liabilities subsequently measured at fair value are expensed.

Financial assets measured at amortized cost include cash, accounts receivable, members receivable, advances to related First Nation entities, and Federal Trust Funds. Financial liabilities measured at amortized cost include operating loan, accounts payable and accrued liabilities, and long-term debt.

Financial assets measured at fair value include marketable securities in equity instruments held under Horse Lake First Nation Agricultural Benefits Trust. The Nation has also elected to measure at fair value instruments for which it defines and implements a risk management or investment strategy to manage and evaluate the performance on a fair value basis alongside its equity instruments. Those instruments are: fixed income securities managed and evaluated alongside equity instruments under one portfolio.

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy used has the following levels:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly, such as prices, or indirectly, such as those derived from prices; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the Consolidated Statement of Remeasurement Gains and Losses. Upon settlement, the cumulative gain or loss is reclassified from the Consolidated Statement of Remeasurement Gains and Losses and recognized in the Consolidated Statement of Operations. Interest and dividends attributable to financial instruments are reported in the Consolidated Statement of Operations.

Transaction costs

Transaction costs attributable to financial instruments measured at fair value are recognized in the Consolidated Statement of Operations in the period incurred. Transaction costs for financial instruments measured at cost or amortized cost are recognized in the original cost of the instrument.

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

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

Impairment

At the end of each reporting period, management assesses financial assets or groups of financial assets for evidence of objective impairment. An impairment loss is recognized in the Consolidated Statement of Operations when there is a loss in value that is other than temporary. Future recoveries of impaired financial assets are recognized in the Consolidated Statement of Operations when received, except for recoveries of impaired portfolio investments. Future recoveries of impaired portfolio investments are not recognized. In the case of an item in the fair value category, a reversal of any net remeasurement gains recognized in previous reporting periods up to the amount of the write-down is reported in the Consolidated Statement of Remeasurement Gains and Losses.

(g) Use of estimates

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

(h) Asset retirement obligation

A liability is recognized when, as at the financial reporting date:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and accretion expense is included in the Consolidated Statement of Operations.

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

2. Changes in Accounting Policies

The Nation adopted the following new accounting policies due to changes in the Public Sector Accounting Standards of the CPA Canada Handbook. The new standards are effective for years beginning on or after April 1, 2022 (the transition date):

Asset Retirement Obligations

On April 1, 2022, the Nation adopted Section PS 3280 "Asset Retirement Obligations", which replaced the existing PS 3270 "Solid Waste Landfill Closure and Post-Closure Liability" standard. The new standard applies to asset retirement obligations associated with tangible capital assets controlled by the entity that are in productive use or no longer in productive use. It establishes requirements for recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets.

Asset retirement obligations have not been estimated and recorded in the consolidated financial statements. Therefore, the impact of the adoption of these new requirements to the Nation's consolidated financial statements is unknown.

3. Cash

The Nation has a revolving demand facility to a maximum of \$500,000, bearing interest at RBC prime plus 0.75%, secured by a general security agreement. As at March 31, 2023, the Nation has drawn \$200,000 (2022: \$nil) of this facility.

The Nation also has access to a credit card to a maximum amount of \$50,000.

| | 2023 | 2022 |
|--|-------------------|---------------------|
| Externally restricted | | |
| Canada Mortgage and Housing Corporation | \$ 2,688 | \$ 67,261 |
| First Nation Development Fund | 159 | 132,143 |
| Agricultural Benefits Trust Money Market Funds | 273,658 | 534,858 |
| | 276,505 | 734,262 |
| Unrestricted | | |
| General accounts | (21,501) | 642,027 |
| Cash held in trust | 108,465 | 5,502 |
| | 86,964 | 647,529 |
| | \$ 363,469 | \$ 1,381,791 |

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

4. Accounts receivable

| | 2023 | 2022 |
|---|---------------------|---------------------|
| Accounts receivable | \$ 10,410 | \$ 35,321 |
| CMHC subsidy assistance receivable | 26,452 | 691,040 |
| GST receivable | 393,048 | 231,438 |
| Indigenous Services Canada - Health receivable | 106,730 | - |
| Horse Lake First Nation Investment Management Board | 81,089 | 39,244 |
| Western Cree Tribal Council receivable | 5,598,715 | 3,828,213 |
| First Nation Development Fund receivable | 346,134 | 230,185 |
| | \$ 6,562,578 | \$ 5,055,441 |

5. Members receivables

Payroll advances receivable from Horse Lake First Nation members are collected from employee's future wages. During the year, management reviews the amounts due from members to determine whether they are collectible. If the amounts are considered not collectible, there is an allowance for doubtful accounts recorded in the program in which the employee worked.

| | 2023 | 2022 |
|---------------------------------------|-------------------|-------------------|
| Chief and Council advances | \$ 152,914 | \$ 125,256 |
| Members and staff advances receivable | 328,328 | 382,321 |
| Less: allowance for doubtful accounts | (243,122) | (243,122) |
| | \$ 238,120 | \$ 264,455 |

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

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 Investment Management Board owns 100% of 959447 Alberta Ltd., Clear Hills Development Corporation and 2035555 Alberta Ltd. 2035555 Alberta Ltd. owns 100% of Dash Energy Services Ltd.

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.

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 First 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 following First Nation controlled entities' financial information was not available at the date of the completed consolidated financial statements and therefore nil balances have been presented in Note 20:

- 424337 Alberta Ltd.
- Horse Lake Oil and Gas Corporation
- Horse Lake First Nation Investment Management Board
- HLFN Oilfield Construction Corp.

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

6. Investments in First Nation Controlled Entities, continued

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Advances to 424337 Alberta Ltd. | \$ 14,338 | \$ 14,338 |
| Advances from Horse Lake Oil and Gas Corporation | (39,212) | (39,212) |
| Advances to 959447 Alberta Ltd. | 2,727,575 | 2,727,575 |
| Advances to Clear Hills Development Corporation | 603,724 | 603,724 |
| Advances from Horse Lake Industry Relations Corporation | (490,874) | (385,806) |
| Advances to HLFN Oilfield Construction Corp. | 8,178,712 | 7,637,890 |
| Advances from Horse Lake First Nation Investment Management Board | (7,599,495) | (7,599,495) |
| Advances to Dash Energy Services Ltd. | 32,111 | 14,139 |
| Advances from Clear Hills Youth Treatment Centre | (341,319) | (942,138) |
| Advances to 2035555 Alberta Ltd. | 2,530,500 | 2,412,600 |
| | 5,616,060 | 4,443,615 |
| Equity in 424337 Alberta Ltd. | 92,667 | 92,667 |
| Equity in Horse Lake Oil and Gas Corporation | 36,114 | 36,114 |
| Equity in Horse Lake Industry Relations Corporation | 1,456,201 | 1,414,595 |
| Equity in HLFN Oilfield Construction Corp. | (7,792,484) | (7,792,484) |
| Equity in Horse Lake First Nation Investment Management Board | 31,207,009 | 31,207,009 |
| | 24,999,507 | 24,957,901 |
| | 30,615,567 | 29,401,516 |

Change in investment in First Nation Entities

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Investment and advances beginning of year | 29,401,516 | 26,777,002 |
| Advances less repayments | 1,172,445 | 2,909,887 |
| Equity pick-up | 41,606 | (285,373) |
| Investment and advances end of year | \$ 30,615,567 | \$ 29,401,516 |

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

7. Federal Trust Funds

| | March 31, 2022 | Revenue, 2023 | March 31, 2023 |
|-----------------------------|-------------------|------------------|-------------------|
| Revenue funds held in trust | \$ 115,805 | \$ 106,976 | \$ 222,781 |
| Capital funds held in trust | 359,349 | 1,254,104 | 1,613,453 |
| | \$ 475,154 | \$ 1,361,080 | \$ 1,836,234 |

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.

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

8. The Horse Lake First Nation Agricultural Benefits Settlement Trust

The Trustees of the Horse Lake First Nation Agricultural Benefits Settlement Trust are required to hold the Trust Property in trust and use the Trust Property for the specific purposes as outlined in the Horse Lake First Nation Agricultural Benefits Settlement Trust Agreement.

Per capita distributions due to beneficiaries under the age of 18 are held in Trust and invested in agreed upon investment funds as outlined in the Trust Agreement. Trustees are required to monitor and evaluate the performance of the investments to ensure they are in compliance with the Trust Agreement.

Upon a beneficiary reaching the age of 18 years old, the beneficiary is entitled to their proportionate per capita distribution, adjusted for inflation.

Annual income of the Trust, is deemed to be due and payable to Horse Lake First Nation to be used for specific purposes as outlined in the Trust Agreement.

The financial statements of the Trust for the year ended December 31, 2022 were audited by another auditor, who expressed an unqualified audit opinion on those financial statements on October 20, 2023.

| | 2023 | 2022 |
|---------------------|----------------------|----------------------|
| Cash | \$ 273,658 | \$ 534,858 |
| Investments | 30,097,609 | 36,026,181 |
| Total assets | \$ 30,371,267 | \$ 36,561,039 |

| | | |
|-------------------------------------|----------------------|----------------------|
| Accounts payable | \$ 47,919 | \$ 52,364 |
| Annual distribution accrual | 590,643 | 1,279,636 |
| Total liabilities | 638,562 | 1,332,000 |
| Legacy Account | 19,666,032 | 22,933,542 |
| Minor Trust Account | 10,066,673 | 12,295,497 |
| Total equity | 29,732,705 | 35,229,039 |
| Total liabilities and equity | \$ 30,371,267 | \$ 36,561,039 |

| | 2023 | 2022 |
|-------------------------|-----------------------|---------------------|
| Revenue | \$ 898,927 | \$ 1,330,995 |
| Unrealized gains/losses | (4,246,297) | 599,723 |
| | (3,347,370) | 1,930,718 |
| Expenses | 250,729 | 163,747 |
| Net income | \$ (3,598,099) | \$ 1,766,971 |

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

8. The Horse Lake First Nation Agricultural Benefits Settlement Trust, continued

The Trust Funds were transferred into portfolio investments. The portfolio investments in equity funds are carried at fair market value using Level 1 measurements. The portfolio investments in bond funds the Nation has elected to record at fair value using Level 2 measurements.

| | 2023 Market | 2023 Cost | 2022 Market | 2022 Cost |
|--|----------------------|----------------------|----------------------|----------------------|
| Securities Designated to Fair Value: | | | | |
| PH&N Core Plus Bond Fund | \$ 12,593,548 | \$ 14,511,612 | \$ 14,597,342 | \$ 14,610,613 |
| Securities Held at Fair Value: | | | | |
| PH&N Canadian Equity Fund | 3,120,183 | 3,555,767 | 3,826,775 | 3,920,062 |
| RBC QUBE Low Volatility Canadian Equity Fund | 3,172,385 | 3,464,564 | 3,906,849 | 3,887,633 |
| RBC Global Equity Focus Fund | 5,458,911 | 6,381,650 | 6,741,319 | 6,342,595 |
| RBC QUBE Low Volatility Global Equity Fund | 5,752,612 | 5,830,622 | 6,953,896 | 6,665,555 |
| | \$ 30,097,639 | \$ 33,744,215 | \$ 36,026,181 | \$ 35,426,458 |

9. Accounts payable and accrued liabilities

| | 2023 | 2022 |
|---------------------------------------|----------------------|----------------------|
| Accounts payable - trade | \$ 2,412,198 | \$ 1,266,569 |
| Accounts payable - related party | - | 108,918 |
| Agricultural Benefits Minor's Payable | 12,044,519 | 11,655,000 |
| ISC - Health payable | 220,417 | 220,417 |
| Payroll remittances payable | 60,518 | 76,940 |
| Wages payable | 31,055 | 622 |
| | \$ 14,768,707 | \$ 13,328,466 |

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

10. 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, 2022 | Funding received, 2023 | Revenue recognized, 2023 | March 31, 2023 |
|--|-------------------|------------------------------|--------------------------------|-------------------|
| Western Cree Tribal Council - ISC | | | | |
| Post Secondary Education - Block | \$ - | \$ 605,914 | \$ (306,686) | \$ 299,228 |
| ECS Kindergarten - Block | - | 379,125 | (180,075) | 199,050 |
| Technical Services O&M - Block | - | 1,249,976 | (1,211,004) | 38,972 |
| Social Services Basic Needs - Block | - | 824,049 | - | 824,049 |
| Community Wellbeing - Fixed | 78,292 | - | (78,292) | - |
| Protective Services - Fixed | - | 292,344 | (245,749) | 46,595 |
| A&C Wastewater Repairs - Fixed | 26,715 | - | (26,715) | - |
| Lift Station Repairs/Upgrade - Fixed | 498,250 | 574,217 | (825,318) | 247,149 |
| O&M Wastewater System - Fixed | 161,656 | - | (161,656) | - |
| O&M Water Systems - Fixed | 190,905 | - | (190,905) | - |
| Capacity Building - Fixed | 215,316 | - | (25,575) | 189,741 |
| ISC Housing - 5 Unit Reno's Project - Fixed | 102,686 | - | (102,686) | - |
| FNIYES - Fixed | - | 174,892 | (156,487) | 18,405 |
| Housing New Units - Fixed | - | 838,712 | (712,916) | 125,796 |
| Child, Youth and Family Enhancement - Prevention - Fixed | - | 1,019,395 | (49,200) | 970,195 |
| Special Needs ID Initiative - Set | 500 | - | (500) | - |
| Basic Needs - Flexible | 267,070 | 163,176 | (143,610) | 286,636 |
| Social Services - Prior Year Funding | - | 1,437,069 | - | 1,437,069 |
| Education - Prior Year Funding | - | 1,707,639 | - | 1,707,639 |
| Post Secondary Education - Prior Year Funding | - | 170,154 | - | 170,154 |
| | 1,541,390 | 9,436,662 | (4,417,374) | 6,560,678 |
| First Nation Development Funds | | | | |
| Cultural Coordinator | 60,000 | - | - | 60,000 |
| Safety Signage | 49,925 | - | - | 49,925 |
| Band Admin Parking Lot Expansion | 250 | - | (250) | - |
| Band Admin and Fire Hall Furniture | 21,296 | - | - | 21,296 |
| Pederson House | 145,908 | - | - | 145,908 |
| Bioenergy Junction | 268,150 | 261,850 | - | 530,000 |
| Landscape Band Parking Lot | 3,000 | - | - | 3,000 |
| Health and Safety Clean-Up 2022-2023 | - | 100,000 | - | 100,000 |
| Warrior Project 2022-2023 | - | 200,000 | - | 200,000 |
| Cultural Programming 2022-2023 | - | 46,134 | - | 46,134 |
| | 548,529 | 607,984 | (250) | 1,156,263 |

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

| | | | | |
|---|---------------------|----------------------|-----------------------|----------------------|
| Other | | | | |
| ISC - Health | 2,244,411 | 2,090,326 | (1,728,109) | 2,606,628 |
| Government of Alberta | 289,081 | 20,500 | (133,533) | 176,048 |
| Other | 128,026 | 79,082 | (167,257) | 39,851 |
| Indigenous Skills and Employment Training Program | 91,638 | 249,711 | (51,259) | 290,090 |
| CMHC - Rapid Housing Initiative | 2,537,925 | - | (2,323,114) | 214,811 |
| | 5,291,081 | 2,439,619 | (4,403,272) | 3,327,428 |
| | \$ 7,381,000 | \$ 12,484,265 | \$ (8,820,896) | \$ 11,044,369 |

11. Long-term debt

| | 2023 | 2022 |
|--|-------------------|------------|
| CMHC Mortgage bearing interest at 2.48%, repayable in blended monthly instalments of \$2,651, maturing August 2033, secured by a Ministerial Guarantee. | \$ 292,563 | \$ 316,897 |
| CMHC Mortgage bearing interest at 0.68% repayable in blended monthly instalments of \$1,798, maturing January 2035, secured by a Ministerial Guarantee. | 245,461 | 265,315 |
| CMHC Mortgage bearing interest at 1.50% repayable in blended monthly instalments of \$2,040, maturing January 2037, secured by a Ministerial Guarantee. | 306,217 | 325,997 |
| CMHC Mortgage bearing interest at 3.70% repayable in blended monthly instalments of \$3,659, maturing December 2037, secured by a Ministerial Guarantee. | 500,985 | 528,283 |
| CMHC Mortgage bearing interest at 1.72% repayable in blended monthly instalments of \$3,986, maturing March 2045, secured by a Ministerial Guarantee. | 877,355 | 909,912 |
| CIBC Mortgage bearing interest at 3.69% repayable in blended monthly instalments of \$1,615, maturing August 2023. | 7,958 | 26,693 |
| CIBC Mortgage bearing interest at 4.09% repayable in blended monthly instalments of \$1,641, maturing November 2024. | 30,713 | 49,044 |
| CIBC Mortgage bearing interest at 8.25% repayable in blended monthly instalments of \$1,294, maturing February 2024. | 73,848 | 85,026 |
| CIBC Mortgage bearing interest at 1.99% repayable in blended monthly instalments of \$1,025, maturing December 2024. | 65,694 | 76,580 |
| CIBC Mortgage bearing interest at 4.94% repayable in blended monthly instalments of \$2,407, maturing August 2025. | 123,507 | 145,746 |

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

11. Long-term debt, continued

| | 2023 \$ | 2022 \$ |
|---|----------------------|----------------------|
| CIBC Mortgage bearing interest at 1.88% repayable in blended monthly instalments of \$910, maturing November 2024. | 26,507 | 36,833 |
| CIBC Mortgage bearing interest at 4.09% repayable in blended monthly instalments of \$1,215, maturing July 2024. | 26,073 | 39,526 |
| CIBC Mortgage bearing interest at 4.45% repayable in blended monthly instalments of \$1,736, maturing July 2026. | 66,097 | 84,002 |
| CIBC Mortgage bearing interest at 4.94% repayable in blended monthly instalments of \$2,035, maturing August 2025. | 176,518 | 191,852 |
| CIBC Mortgage bearing interest at 4.79% repayable in blended monthly instalments of \$2,882, maturing November 2025. | 125,595 | 153,498 |
| RBC Loan bearing interest at 4.29% repayable in blended monthly instalments of \$21,550, maturing September 2025, secured by a general security agreement. | 610,119 | 836,903 |
| RBC Loan bearing interest at RBC prime rate repayable in blended quarterly instalments of \$74,406, maturing November 2023, secured by a general security agreement. | 5,610,474 | 5,668,738 |
| RBC Loan bearing interest at 3.95% repayable in blended quarterly instalments of \$23,682, maturing November 2026, secured by a general security agreement. | 1,455,551 | 1,488,817 |
| RBC Loan bearing interest at 3.86% repayable in blended quarterly instalments of \$18,000, maturing November 2026, secured by a general security agreement. | 956,482 | 988,557 |
| Treaty Land Entitlement non-interest bearing repayable in one or multiple payments in total of \$187,298 on the earlier of March, 31, 2027 or the date on which the Claim is settled. | 187,298 | - |
| | \$ 11,765,015 | \$ 12,218,219 |

CIBC mortgages are secured by the properties being financed.

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

11. Long-term debt, continued

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

| | |
|---------------------|---------------|
| 2024 | \$ 6,269,098 |
| 2025 | 636,178 |
| 2026 | 639,220 |
| 2027 | 2,323,024 |
| 2028 and thereafter | 1,897,495 |
| | <hr/> |
| | \$ 11,765,015 |
| | <hr/> |

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

12. Tangible Capital Assets

| | Cost | | | Accumulated amortization | | | |
|-------------------------------|----------------------------------|--------------|-------------------------|----------------------------------|--------------|-------------------------|------------------------|
| | Balance, beginning of year | Additions | Balance, end of year | Balance, beginning of year | Amortization | Balance, end of year | 2023 Net Book Value |
| Land | \$ 250,001 | \$ - | \$ 250,001 | \$ - | \$ - | \$ - | \$ 250,001 |
| Buildings | 14,982,530 | 3,657,344 | 18,639,874 | 5,086,618 | 336,224 | 5,422,842 | 13,217,032 |
| Automotive equipment | 2,030,524 | 15,290 | 2,045,814 | 1,562,572 | 120,677 | 1,683,249 | 362,565 |
| Equipment | 535,120 | - | 535,120 | 505,740 | 13,337 | 519,077 | 16,043 |
| Solar panels | 483,974 | - | 483,974 | 76,563 | 19,359 | 95,922 | 388,052 |
| Equipment under capital lease | 57,000 | - | 57,000 | 31,350 | 5,700 | 37,050 | 19,950 |
| Projects in progress | 3,978,783 | 1,205,973 | 5,184,756 | - | - | - | 5,184,756 |
| Construction Equipment | 2,639,807 | - | 2,639,807 | 2,329,065 | 73,075 | 2,402,140 | 237,667 |
| Roads | 2,317,343 | - | 2,317,343 | 2,287,529 | 15,885 | 2,303,414 | 13,929 |
| Housing | 21,216,779 | 216,012 | 21,432,791 | 11,454,210 | 948,413 | 12,402,623 | 9,030,168 |
| Water | 17,831,536 | - | 17,831,536 | 6,537,153 | 446,989 | 6,984,142 | 10,847,394 |
| | \$ 66,323,397 | \$ 5,094,619 | \$ 71,418,016 | \$ 29,870,800 | \$ 1,979,659 | \$ 31,850,459 | \$ 39,567,557 |

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

| | Cost | | | Accumulated amortization | | | |
|-------------------------------|----------------------------------|--------------|-------------------------|----------------------------------|--------------|-------------------------|------------------------|
| | Balance, beginning of year | Additions | Balance, end of year | Balance, beginning of year | Amortization | Balance, end of year | 2022 Net Book Value |
| Land | \$ 250,001 | \$ - | \$ 250,001 | \$ - | \$ - | \$ - | \$ 250,001 |
| Buildings | 14,751,237 | 231,293 | 14,982,530 | 4,789,280 | 297,338 | 5,086,618 | 9,895,912 |
| Automotive equipment | 2,015,524 | 15,000 | 2,030,524 | 1,435,945 | 126,627 | 1,562,572 | 467,952 |
| Equipment | 535,120 | - | 535,120 | 489,400 | 16,340 | 505,740 | 29,380 |
| Solar panels | 483,974 | - | 483,974 | 57,204 | 19,359 | 76,563 | 407,411 |
| Equipment under capital lease | 57,000 | - | 57,000 | 25,650 | 5,700 | 31,350 | 25,650 |
| Projects in progress | - | 3,978,783 | 3,978,783 | - | - | - | 3,978,783 |
| Construction Equipment | 2,639,807 | - | 2,639,807 | 2,271,575 | 57,490 | 2,329,065 | 310,742 |
| Roads | 2,317,343 | - | 2,317,343 | 2,214,073 | 73,456 | 2,287,529 | 29,814 |
| Housing | 20,743,365 | 473,414 | 21,216,779 | 10,412,605 | 1,041,605 | 11,454,210 | 9,762,569 |
| Water | 17,831,536 | - | 17,831,536 | 6,094,732 | 442,421 | 6,537,153 | 11,294,383 |
| | \$ 61,624,907 | \$ 4,698,490 | \$ 66,323,397 | \$ 27,790,464 | \$ 2,080,336 | \$ 29,870,800 | \$ 36,452,597 |

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

13. Asset Retirement Obligations

Asset retirement obligations have not been estimated and recorded in the consolidated financial statements due to the difficulty in determining the amount of the obligation. In addition, management believes that the Nation will receive sufficient government funding to cover any asset retirement obligations as they arise, resulting in the net effect to the consolidated statement of financial position to be nil.

14. Accumulated surplus

| | 2023 | 2022 |
|---|----------------------|----------------------|
| CMHC replacement reserve | \$ 1,359,723 | \$ 1,302,632 |
| Operating surplus (deficit) | (11,809,852) | (11,676,855) |
| Equity in Tangible Capital Assets | 35,166,916 | 31,728,576 |
| Equity in Federal Trust Funds | 1,836,234 | 475,154 |
| Equity in Agricultural Benefit Settlement Trust | 15,946,237 | 24,253,093 |
| Equity in investments in First Nation entities | 30,615,567 | 29,401,516 |
| Remeasurement gains (losses) | (3,646,573) | 599,724 |
| | \$ 69,468,252 | \$ 76,083,840 |

15. 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.

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

16. 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 \$57,091 (2022 - \$57,091). 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 \$2,688 (2022 - \$67,261) has been set aside to fund the reserve of \$1,359,723 (2022 - \$1,302,632) which results in a unfunded amount of \$1,357,035 (2022 - \$1,235,371).

| | 2023 | 2022 |
|--|---------------------|---------------------|
| Replacement reserve, beginning of the year | \$ 1,302,632 | \$ 580,541 |
| Required contribution per CMHC | 57,091 | 57,091 |
| Special contribution from CMHC | - | 665,000 |
| | \$ 1,359,723 | \$ 1,302,632 |

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

17. Risk management

Transacting in and holding of financial instruments exposes the Nation to certain financial risks and uncertainties. Qualitative and quantitative analysis of the significant risks are as follows:

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The entity is exposed to market risk as follows:

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The entity's interest-bearing financial instruments include a variable rate operating loan and fixed rate and variable rate long-term debt. The fair values of fixed rate financial instruments fluctuate as market rates of interest change. The cash flows resulting from variable rate financial instruments fluctuate as interest rates applicable to the instruments change. The entity does not employ derivative financial instruments to hedge its exposure to interest rate risk.

The sensitivity of the Nation's fair market value of portfolio investments due to a 0.5% change in the interest rate is the increase or decrease to remeasurement gains for the year of \$62,968.

Increased economic uncertainty and changing inflation rates due to a range of economic factors has resulted in a change in interest rate risk from the prior year.

ii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk, whether those changes are caused by factors specific to the individual financial instrument or issuer, or factors affecting all similar financial instruments or issuers. The Nation's portfolio investments expose the Nation to price risks as these instruments are subject to price changes in an open market for a variety of reasons including, investor sentiment and expectations, changes in market rates of interest, general economic indicators and restrictions of credit markets. The Nation does not employ derivative financial instruments to hedge its exposure to other price risk. Management mitigates this risk by performing investment activities through a reputable Canadian brokerage.

The sensitivity of the Nation's fair market value of portfolio investments due to a 4.5% change in the rate of return in the market is the increase or decrease to remeasurement gains for the year of \$787,684.

There have been no significant changes to other price risk from the previous year and no significant changes to the methods and assumptions used in the sensitivity analysis.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Nation is subject to credit risk with respect to accounts receivable and members receivables. Credit risk arises from the possibility that an entity or individual may experience financial difficulty and be unable to fulfil their obligations. A significant portion of the Nation's accounts receivable is from federal and provincial governments, which minimizes credit risk. Management further mitigates credit risk through continuously monitoring its financial assets; consistent collection efforts; and maintaining regular contact with funders and other credit applicants. The maximum exposure to credit risk is the carrying value of accounts receivable and members receivables.

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The Nation performs continuous evaluation of its financial assets and records impairment in accordance with the stated policy. As at year-end management has determined that a portion of members receivables are impaired. Impaired members receivables are disclosed in Note 5. Management's assessment is based on specific identification and the age of the receivables.

Aged financial assets that are past due but not impaired include: \$415,237 > 90 days.

There have been no significant changes to the credit risk from the previous year.

c) Liquidity risk

Liquidity risk is the risk that the Nation will encounter difficulty in meeting its obligations associated with financial liabilities. The Nation's exposure to liquidity risk relates to operating loan, accounts payable and accrued liabilities and long-term debt and arises from the possibility that the timing and amount of its cash inflows will not be sufficient to enable it to meet its financial obligations as they become due. Management believes this risk is minimized through active working capital management including monitoring current and future cash flow requirements in consideration of current credit facilities and management of expenses.

The operating loan is due on demand. Accounts payable and accrued liabilities are due within 30 days of receipt of an invoice. The contractual maturities of long-term debt are disclosed in Note 11.

There have been no significant changes to the liquidity risk from the previous year.

18. 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.

19. Economic dependence

The Nation receives substantially all of its revenue from Indigenous Services Canada (ISC), flowed through Western Cree Tribal Council.

20. Investment in related First Nation entities

The investment in related First Nation entities is summarized as follows:

- ◆ 424337 Alberta Ltd.
- ◆ Horse Lake Oil and Gas Corporation
- ◆ Horse Lake Industry Relations Corporation
- ◆ Horse Lake First Nation Investment Management Board
- ◆ HLFN Oilfield Construction Corp.

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20. Investment in related First Nation entities, continued

| | 424337 Alberta Ltd. | Horse Lake Oil and Gas Corporation | Horse Lake Industry Relations Corporation | Horse Lake First Nation Investment Management Board | HLFN Oilfield Construction Corp. | 2023 Total |
|-------------------------------------|------------------------|--|--|--|--|---------------------|
| Cash | \$ - | \$ - | \$ 133,861 | \$ - | \$ - | \$ 133,861 |
| Accounts receivable | - | - | 752,531 | - | - | 752,531 |
| Due from related parties | - | - | 708,784 | - | - | 708,784 |
| Tangible capital assets | - | - | 3,480 | - | - | 3,480 |
| Loans receivable | - | - | 113,747 | - | - | 113,747 |
| Total assets | \$ - | \$ - | \$ 1,712,403 | \$ - | \$ - | \$ 1,712,403 |
| Accounts payable | \$ - | \$ - | \$ 56,202 | \$ - | \$ - | \$ 56,202 |
| Due to related parties | - | - | 200,000 | - | - | 200,000 |
| Total liabilities | - | - | 256,202 | - | - | 256,202 |
| Equity | - | - | 1,456,201 | - | - | 1,456,201 |
| Total liabilities and equity | \$ - | \$ - | \$ 1,712,403 | \$ - | \$ - | \$ 1,712,403 |

| | 424337 Alberta Ltd. | Horse Lake Oil and Gas Corporation | Horse Lake Industry Relations Corporation | Horse Lake First Nation Investment Management Board | HLFN Oilfield Construction Corp. | 2023 Total |
|---------------------------|------------------------|--|--|--|--|------------------|
| Revenue | | | | | | |
| Revenue | \$ - | \$ - | \$ 2,309,932 | \$ - | \$ - | \$ 2,309,932 |
| Government wage subsidies | - | - | 4,997 | - | - | 4,997 |
| Other | - | - | (5,184) | - | - | (5,184) |
| | - | - | 2,309,745 | - | - | 2,309,745 |
| Expenses | - | - | 2,268,139 | - | - | 2,268,139 |
| | \$ - | \$ - | \$ 41,606 | \$ - | \$ - | \$ 41,606 |

21. Budget Information

The budget information for the year ended March 31, 2023 was not prepared.

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

22. Comparative Amounts

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

23. Prior period restatement

During the year, it was determined that material adjustments were required to the investment in First Nation entities and deferred revenue balances as at March 31, 2022, and revenues and expenses for the year ending March 31, 2022, as a result of coding both revenues and expenditures to the Nation instead of the related entity.

A prior period adjustment has been recorded as follows:

| For the year ended March 31, | As previously stated in 2022 | Adjustments Increase (Decrease) | Restated 2022 |
|---|---------------------------------|---------------------------------------|------------------|
| Consolidated Statement of Financial Position | | | |
| Financial assets | | | |
| Investment in related First Nation entities | \$ 30,343,654 | \$ (942,138) | \$ 29,401,516 |
| Liabilities | | | |
| Deferred revenue | 8,323,138 | (942,138) | 7,381,000 |
| Net financial assets | 39,559,765 | - | 39,559,765 |
| Accumulated surplus | 76,083,840 | - | 76,083,840 |
| Consolidated Statement of Operations | | | |
| Revenue | | | |
| ISC - Health | 3,129,572 | (767,081) | 2,362,491 |
| Donations | 248,550 | (100,000) | 148,550 |
| Expenses | | | |
| Health | 3,609,358 | (867,081) | 2,742,277 |
| Excess (deficiency) of revenue over expenses | \$ (735,370) | \$ - | \$ (735,370) |

24. Expenditures by type

| For the year ended March 31 | 2023 Budget | 2023 Actual | 2022 Actual |
|--|----------------|----------------|----------------|
| Expenses | | | |
| Administration | \$ - | \$ 220,737 | \$ (51,560) |
| Advertising | - | 5,782 | 6,701 |
| Agricultural Benefits Settlement disbursements | - | 36,920 | (22,738) |
| Amortization | - | 1,979,658 | 2,080,336 |
| Assisted Living | - | 47,842 | 51,272 |
| Automotive | - | 276,037 | 191,877 |
| Bad debts (recovery) | - | - | (13,210) |

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Notes to Consolidated Financial Statements

March 31, 2023

| | | | |
|--|------|---------------|---------------|
| Books and supplies | - | 60,140 | 51,174 |
| Bussing repairs and fuel | - | 85,685 | 43,183 |
| Capital | - | 1,350 | 8,350 |
| Children Out of Parental Home expenses | - | 28,273 | 17,021 |
| Classroom supplies | - | 17,675 | 14,201 |
| Client support | - | 244,700 | 350,009 |
| Community wellness | - | 57,657 | 141,453 |
| Computer support | - | 251,214 | 191,299 |
| Construction | - | 139,661 | 213,290 |
| Consulting fees | - | - | 31,108 |
| Contracted services | - | - | 977 |
| Core benefits | - | 427,374 | 595,446 |
| Cultural and language program | - | - | 1,500 |
| Cultural events | - | 65,352 | 13,275 |
| Economic development | - | 110,608 | 117,525 |
| Elder support | - | 268,523 | 332,233 |
| Employment Training - National Child Benefit | - | 76,923 | 65,117 |
| Enhanced policing | - | - | 173,000 |
| First Nation and Inuit youth employment strategy | - | 83,382 | 135,074 |
| Funerals | - | 123,707 | 117,312 |
| Gas support | - | - | 680 |
| Insurance | - | 593,851 | 518,976 |
| Interest and bank charges | - | 1,340,282 | 62,056 |
| Interest on capital lease | - | - | 138 |
| Interest on long term debt | - | 485,720 | 205,406 |
| Job maintenance | - | 13,206 | 13,732 |
| Medical travel | - | 166,985 | 142,810 |
| Meetings | - | 73,241 | 50,256 |
| Minor hockey | - | 28,323 | 126,577 |
| New path | - | 4,591 | 22,385 |
| Office supplies | - | 103,721 | 245,260 |
| Per capita distribution | - | 420,500 | 841,500 |
| Professional fees | - | 449,204 | 939,540 |
| Program expenses | - | 2,185,176 | 2,192,850 |
| Purchases | - | 16,680 | 4,170 |
| Rent | - | 13,450 | 16,212 |
| Repairs and maintenance | - | 447,691 | 892,093 |
| Salaries, wages and benefits | - | 4,724,916 | 4,870,024 |
| Security services | - | 52,776 | 6,450 |
| Sewer | - | 21,074 | 27,770 |
| Special Needs | - | 11,439 | 3,994 |
| Student allowances | - | 182,748 | 98,981 |
| Student awards | - | 39,682 | 23,930 |
| Student field trips | - | 1,206 | 4,350 |
| Supplies | - | 2,334 | 5,992 |
| Telephone and utilities | - | 419,667 | 509,058 |
| Training | - | 267,009 | 174,155 |
| Travel | - | 597,670 | 701,034 |
| Tuition | - | 77,199 | 74,362 |
| Workshops & conferences | - | 5,083 | 500 |
| | \$ - | \$ 17,354,624 | \$ 17,630,466 |

Horse Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2023

25. Segmented information

| | 2023 Budget | Administration 2023 Actual | 2022 Actual | 2023 Budget | Community Services 2023 Actual | 2022 Actual | 2023 Budget | Economic Development 2023 Actual | 2022 Actual |
|----------------------------------|----------------|----------------------------------|----------------|----------------|--------------------------------------|----------------|----------------|--|----------------|
| Revenues | | | | | | | | | |
| Western Cree Tribal Council | \$ - | \$ 1,023,865 | \$ 2,128,756 | \$ - | \$ 294,949 | \$ 50,000 | \$ - | \$ 120,997 | \$ 96,135 |
| Government of Alberta | - | 125 | 12,143 | - | - | - | - | - | - |
| HLFN Investment Management Board | - | - | 525,000 | - | - | - | - | - | - |
| Other revenue | - | 393,093 | 1,494,332 | - | - | 37,500 | - | 41,606 | (257,492) |
| Total revenue | - | 1,417,083 | 4,160,231 | - | 294,949 | 87,500 | - | 162,603 | (161,357) |
| Expenses | | | | | | | | | |
| Salaries, wages and benefits | - | 1,410,902 | 1,510,812 | - | 202,028 | 288,974 | - | 1,202 | 5,991 |
| Repairs and maintenance | - | 11,805 | 20,083 | - | 1,949 | 7,241 | - | - | - |
| Telephone and utilities | - | 373,172 | 394,106 | - | 4,102 | 2,074 | - | - | - |
| Professional fees | - | 354,369 | 312,909 | - | - | - | - | - | - |
| Program expenses | - | 177,777 | 274,008 | - | 178,602 | 133,223 | - | 9,186 | 500 |
| Other expenses | - | 2,366,372 | 1,820,792 | - | 32,967 | 334,621 | - | 110,609 | 117,525 |
| Total expenses | - | 4,694,397 | 4,332,710 | - | 419,648 | 766,133 | - | 120,997 | 124,016 |
| Annual surplus (deficit) | \$ - | \$ (3,277,314) | \$ (172,479) | \$ - | \$ (124,699) | \$ (678,633) | \$ - | \$ 41,606 | \$ (285,373) |