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July 25, 2019

FILE NO: 2651

Indigenous Services Canada
630 Canada Place
9700 Jasper Ave.
Edmonton AB T5J 4G2

Dear Sirs:

Re: Sturgeon Lake Cree Nation
March 31, 2019 Financial Statements

Please find enclosed in connection with the March 31, 2019 financial statements for Sturgeon Lake Cree Nation for publication on the Indigenous Services Canada website:

- 1. Consolidated Financial Statements
- 2. Schedule of Remuneration and Expenses – Chief and Council

Should you have any questions in connection with the above, please contact Dan Smit or the undersigned.

Yours very truly,

Crowe MacKay LLP
Chartered Professional Accountants

A handwritten signature in blue ink, appearing to read "B. McAneeley".

Per: Bob McAneeley Professional Corporation
Partner

/cp

Encl.

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cc: Sturgeon Lake Cree Nation
Attention: Chief Richard Kappo

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Canada
AB Region - IM EDM OFFICE

Sturgeon Lake Cree Nation
Consolidated Financial Statements
March 31, 2019

Sturgeon Lake Cree Nation

Consolidated Financial Statements

March 31, 2019

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Sturgeon Lake Cree Nation

Management's Responsibility for Financial Reporting

March 31, 2019

The accompanying consolidated financial statements of Sturgeon Lake Cree Nation are the responsibility of management and have been approved by Council.

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

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

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

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

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

On behalf of Sturgeon Lake Cree Nation:

Original signed by _____
Chief

July 14, 2019
Date

Original signed by _____
Councilor

July 14, 2019
Date

Independent Auditors' Report

To the Members of Sturgeon Lake Cree Nation

Opinion

We have audited the consolidated financial statements of Sturgeon Lake Cree Nation, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated surplus, change in net debt and cash flows then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sturgeon Lake Cree Nation as at and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Edmonton, Canada
July 24, 2019

Chow MACKAY LLP
Chartered Professional Accountants

Sturgeon Lake Cree Nation

Consolidated Statement of Financial Position

March 31 2019 2018

Financial Assets

Cash (Note 2)	\$ 1,351,479	\$ 652,991
Accounts receivable (Note 3)	1,466,219	2,106,006
Investments and advances (Note 4)	2,049,939	2,520,475
Deposit	101,856	-
Trust funds (Note 5)	3,924,524	4,345,168
	<u>8,894,017</u>	<u>9,624,640</u>

Liabilities

Accounts payable (Note 6)	1,382,018	3,103,473
Deferred revenue (Note 7)	3,398,847	3,000,194
Long-term debt (Note 8)	15,949,384	14,270,821
	<u>20,730,249</u>	<u>20,374,488</u>

Net debt (11,836,232) (10,749,848)

Non-financial Assets

Capital assets (Note 9)	49,689,390	50,599,013
Prepaid expenses	63,189	41,363
	<u>49,752,579</u>	<u>50,640,376</u>

Accumulated Surplus (Note 10) \$ 37,916,347 \$ 39,890,528

Contingencies (Note 12)

Approved on behalf of the Sturgeon Lake Cree Nation

Original signed by _____, Chief

Original signed by _____, Councilor

Sturgeon Lake Cree Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31

	2019 Budget	2019 Actual	2018 Actual
Revenue			
Western Cree Tribal Council	\$ 5,473,435	\$ 9,255,837	\$ 11,059,302
Health Canada	1,664,114	1,842,628	1,694,924
Government of Alberta	135,000	295,000	135,000
Rental income	183,400	280,115	239,607
First Nation Development Funds	727,269	642,248	882,329
CMHC revenue	808,600	1,639,618	1,112,082
First Nation companies (Note 20)	-	(893,690)	(948,213)
Ottawa Trust Fund revenue	-	90,788	148,718
Sturgeon Lake Trust Fund revenue	-	(21,476)	(4,973)
Western Cree Tribal Council - Surplus Distribution	685,895	639,363	1,297,000
Other revenue	215,299	3,510,753	2,352,869
Transfers	(45,365)	-	-
	9,847,647	17,281,184	17,968,645
Expenses (Note 18)			
Band Government	1,499,600	3,259,707	2,104,537
Community Services	536,467	837,808	868,330
Economic Development	795,276	897,692	643,565
Education	2,425,079	2,817,513	2,820,912
Health	1,664,114	1,835,017	1,661,140
Housing	2,367,260	3,408,362	3,016,992
Operations and Maintenance	1,188,520	1,732,905	2,814,887
Social Services	1,664,135	1,470,447	1,405,247
Amortization	-	2,968,396	2,838,685
Other	727,269	27,518	141
	12,867,720	19,255,365	18,174,436
Deficiency of revenue over expenses	(3,020,073)	(1,974,181)	(205,791)
Accumulated surplus, beginning of year	-	39,890,528	40,096,319
Accumulated surplus, end of year	\$ (3,020,073)	\$ 37,916,347	\$ 39,890,528

Sturgeon Lake Cree Nation

Consolidated Statement of Change in Net Debt

For the year ended March 31	2019 Budget	2019 Actual	2018 Actual
Deficiency of revenue over expenses	\$ (3,020,073)	\$ (1,974,181)	\$ (205,791)
Acquisition of capital assets	-	909,623	(4,669,786)
Amortization of capital assets	-	-	2,838,685
	-	909,623	(1,831,101)
(Acquisition) use of prepaid asset	(21,826)	(21,826)	24,914
Decrease in net financial assets	(3,041,899)	(1,086,384)	(2,011,978)
Net debt, beginning of year	(10,749,848)	(10,749,848)	(8,737,870)
Net debt, end of year	\$ (13,791,747)	\$ (11,836,232)	\$ (10,749,848)

Sturgeon Lake Cree Nation

Consolidated Statement of Cash Flow

For the year ended March 31,	2019	2018
Cash flows from		
Operating activities		
Deficiency of revenue over expenses	\$ (1,974,181)	\$ (205,791)
Items not affecting cash		
Amortization	2,968,396	2,838,685
	994,215	2,632,894
Change in non-cash operating working capital		
Accounts receivable	639,787	387,416
Prepaid expenses	(21,826)	24,913
Investments and advances (Note 4)	470,536	1,063,401
Accounts payable	(1,721,454)	1,797,454
Deferred revenue	398,653	(227,867)
Loan receivable	-	27,244
Deposit	(101,856)	98,859
	658,055	5,804,314
Capital activities		
Purchase of capital assets	(2,058,773)	(4,669,786)
Financing activities		
Repayment on long term debt	(829,755)	(819,860)
Advances on long term debt	2,508,317	375,250
Ottawa Trust Funds	399,168	146,932
	2,077,730	(297,678)
Investing activities		
Trust funds	21,476	4,973
Increase in cash and cash equivalents	698,488	841,823
Cash and cash equivalents, beginning of year	652,991	(188,832)
Cash and cash equivalents, end of year	\$ 1,351,479	\$ 652,991

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

First Nation business enterprises, that are owned or controlled by the Sturgeon Lake Cree Nation Council 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 basis include:

1. Sturgeon Lake Developments Co. Ltd.
2. Sturgeon Lake Resources Ltd.

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

(b) Revenue recognition

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

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

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

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

Income from investments is recorded on the accrual basis.

Sturgeon Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2019

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

(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.

(d) Investments

Long-term investments in non-controlled entities are recorded at the lower of cost or net realizable value.

(e) Tangible capital assets

Capital assets are recorded at cost except for reserve lands, natural resources and cultural resources which are not recorded.

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

Buildings	5% Declining balance
Automotive equipment	30% Declining balance
Computer equipment	30% Declining balance
Equipment	20% Declining balance
Infrastructure	4% - 5% Declining balance

Capital assets are written down when conditions indicate that they no longer contribute to Sturgeon Lake Cree 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.

(f) 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.

Sturgeon Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2019

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

(g) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash

	2019	2018
Externally restricted		
First Nation Development Fund	\$ 288,922	\$ 301,982
CMHC Replacement Reserve	816,740	454,857
	<u>1,105,662</u>	<u>756,839</u>
Unrestricted		
General accounts	245,817	(103,848)
	<u>\$ 1,351,479</u>	<u>\$ 652,991</u>

3. Accounts receivable

	2019	2018
Accounts receivables - general	\$ 341,988	\$ 294,457
First Nation Development Fund	640,038	572,800
Western Cree Tribal Council	436,090	1,213,247
Member receivables	8,941,957	7,985,793
Related party - Sturgeon Lake Cree Nation Trust Program	48,103	25,302
	<u>10,408,176</u>	<u>10,091,599</u>
Allowance for doubtful accounts	(8,941,957)	(7,985,593)
	<u>\$ 1,466,219</u>	<u>\$ 2,106,006</u>

Sturgeon Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2019

4. Investments and Advances

	2019	2018
United Farmers of Alberta Co-operative Limited (at cost)	\$ 115,963	\$ 115,963
Sturgeon Lake Resources Ltd. (Note 17)	1,793,610	2,267,791
Sturgeon Lake Developments Co. Ltd. (Note 17)	140,365	136,721
	\$ 2,049,938	\$ 2,520,475

5. Trust Funds

(a) Ottawa Trust Funds

The Ottawa Trust Funds in the amount of \$651,414 (2018 - \$1,050,582) arise from monies derived from capital and revenue sources which the Crown considers are described in Section 62 of the Indian Act. These funds are held in trust by the Government of Canada and the Crown treats these funds as primarily governed by Sections 64 and 69 of the Indian Act.

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

(b) Sturgeon Lake Cree Nation Trust Fund

The Sturgeon Lake Cree Nation Trust Fund in the amount of \$3,294,586 (2018: \$3,294,586) is held for the use and benefit of the members of the Sturgeon Lake Cree Nation. These funds are accounted for as received and the release of such funds are subject to the approval of the Board of Directors of the Trust Program.

	2019	2018
Ottawa Trust Funds - Capital	\$ 451,456	\$ 448,942
Ottawa Trust Funds - Revenue	199,958	601,640
Total Ottawa Trust Funds	651,414	1,050,582
Sturgeon Lake Cree Nation Trust Program	3,273,110	3,294,586
	\$ 3,924,524	\$ 4,345,168

Sturgeon Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2019

6. Accounts payable

	2019	2018
Accounts payable - trade	\$ 1,170,305	\$ 2,914,050
Payable to members	185,000	185,000
Government remittances	25,202	2,912
Western Cree Tribal Council	1,511	1,511
	<u>\$ 1,382,018</u>	<u>\$ 3,103,473</u>

7. 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 completed. The deferred revenue relates to the following programs and funders:

	March 31, 2018	Funding Received	Revenue Recognized	March 31, 2019
ISC - School Renovations	\$ 951,799	\$ 200,000	\$ 816,809	\$ 334,990
ISC - Capital Planning School	98,720	-	27,280	71,440
ISC - Water Truck Repairs	-	119,865	69,254	50,611
ISC - Capacity Development	191,610	-	138,679	52,931
ISC - Special Education	1,921	-	1,921	-
ISC - Community Wellness	-	199,251	6,094	193,157
ISC - Social Services	48,355	134,691	76,439	106,607
ISC - Band Operated Schools	379,344	819,845	617,176	582,013
ISC - Operations & Maintenance Education	-	276,967	208,773	68,194
ISC - Post Secondary	-	500,661	435,084	65,577
ISC - Economic Development	154,234	182,632	154,000	182,866
First Nation Development Fund	778,929	794,506	642,248	931,187
ISSET Program	124,990	-	124,990	-
Health Canada	-	967,400	756,378	211,022
Building Collaboration and Capacity Grant	270,293	-	-	270,293
School Solar Panels	-	189,970	-	189,970
Economic Development	-	59,616	-	59,616
Other	-	51,202	22,829	28,373
	<u>\$ 3,000,195</u>	<u>\$ 4,496,606</u>	<u>\$ 4,097,954</u>	<u>\$ 3,398,847</u>

Sturgeon Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2019

8. Long-term debt

	2019	2018
CMHC mortgages bearing interest from 0.96% to 2.52%, repayable in monthly installments of \$71,893 including interest, maturing on various dates, secured by a Ministerial Guarantee.	\$ 12,364,228	\$ 12,319,948
Loans payable to Peace Hills Trust bearing interest at 3.75% to 3.95%, repayable monthly installments of \$12,517 including interest, maturing on various dates, secured by a Ministerial Guarantee.	1,543,903	1,633,092
Loan payable to Royal Bank of Canada bearing interest at prime plus 0.3%, repayable in monthly instalments of \$6,297 maturing in 25 years after principal payments begin, secured by a Ministerial Guarantee.	1,295,000	-
Loan payable to Royal Bank of Canada bearing interest at 6.11%, repayable in monthly instalments of \$9,800, maturing Feb 2024.	500,000	-
Loan payable to John Deere Canada bearing interest at 3.99%, repayable in monthly installments of \$6,909 including interest, maturing May 2022, secured by equipment with a net book value of \$237,486 (2018: \$339,266).	246,253	317,781
	15,949,384	14,270,821
Current portion	891,329	808,062
	\$ 15,058,055	\$ 13,462,759

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

2020	\$ 891,329
2021	960,041
2022	981,488
2023	933,417
2024 and thereafter	12,183,109
	\$ 15,949,384

Sturgeon Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2019

9. Capital Assets

	Cost				Accumulated amortization				
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year	2019 Net book value
Land	\$ 315,490	\$ -	\$ -	\$ 315,490	\$ -	\$ -	\$ -	\$ -	\$ 315,490
Buildings	64,155,811	1,994,737	-	66,150,548	26,323,098	1,941,504	-	28,264,602	37,885,946
Automotive equipment	4,293,665	40,000	-	4,333,665	3,367,211	283,936	-	3,651,147	682,518
Computer equipment	665,627	-	-	665,627	627,530	11,430	-	638,960	26,667
Equipment	3,774,848	24,036	-	3,798,884	2,552,650	246,843	-	2,799,493	999,391
Infrastructure	15,722,629	-	-	15,722,629	5,458,568	484,683	-	5,943,251	9,779,378
	\$ 88,928,070	\$ 2,058,773	\$ -	\$ 90,986,843	\$ 38,329,057	\$ 2,968,396	\$ -	\$ 41,297,453	\$ 49,689,390

	Cost				Accumulated amortization				
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year	2018 Net book value
Land	\$ 315,490	\$ -	\$ -	\$ 315,490	\$ -	\$ -	\$ -	\$ -	\$ 315,490
Buildings	60,639,038	3,516,773	-	64,155,811	24,424,450	1,898,648	-	26,323,098	37,832,713
Automotive equipment	3,680,357	613,308	-	4,293,665	3,101,582	265,629	-	3,367,211	926,454
Computer equipment	665,627	-	-	665,627	611,203	16,327	-	627,530	38,097
Equipment	3,562,615	468,236	(256,003)	3,774,848	2,657,633	151,020	(256,003)	2,552,650	1,222,198
Infrastructure	15,651,160	71,469	-	15,722,629	4,951,507	507,061	-	5,458,568	10,264,061
	\$ 84,514,287	\$ 4,669,786	\$ (256,003)	\$ 88,928,070	\$ 35,746,375	\$ 2,838,685	\$ (256,003)	\$ 38,329,057	\$ 50,599,013

Sturgeon Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2019

10. Accumulated Surplus

	2019	2018
Operating fund	\$ (3,114,862)	\$ (3,758,165)
Capital Asset fund	34,240,006	36,328,193
Trust fund	3,924,524	4,345,168
Investment fund	2,049,939	2,520,475
CMHC Replacement Reserve	816,740	454,857
	<u>\$ 37,916,347</u>	<u>\$ 39,890,528</u>

11. Line of Credit

The Nation has a line of credit to a maximum of \$250,000, with interest at the Peace Hills Trust prime rate plus 3.0%, secured by a general security agreement. At March 31, 2019, the Nation has used \$nil of this credit facility (2018 - \$nil).

12. Contingent Liabilities

Government contributions related to the projects of Sturgeon Lake Cree 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.

Sturgeon Lake Cree Nation has been named as defendant in certain legal proceedings. The Nation is actively defending all lawsuits. Since the amount of losses, if any, cannot be reasonably estimated, no provision has been recorded in these financial statements. Should a loss be incurred, it will be expensed in the year the liability is determined.

13. CMHC Replacement Reserve

Under the terms of an agreement with Canada Mortgage and Housing Corporation, the Nation is required to provide a replacement reserve. 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 \$816,740 (2018 - \$454,857) has been set aside to fund the reserve of \$1,827,615 (2018 - \$1,694,076) which results in an unfunded amount of \$1,010,875 (2018 - \$1,239,219).

Sturgeon Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2019

14. 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.

15. Budgeted Figures

Budgeted figures have been provided by management for comparison purposes only and are unaudited.

16. Comparative Amounts

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

Sturgeon Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2019

17. Investment in Government Business Enterprises

	Sturgeon Lake Resources Ltd.	Sturgeon Lake Developments Co Ltd.	2019 Total	2018 Total
Cash	\$ -	\$ 7,165	\$ 7,165	\$ 3,522
Accounts receivable	2,559,646	-	2,559,646	2,850,127
Prepaid expenses	-	-	-	1,626
Property and equipment	3,274,848	136,200	3,411,048	4,256,183
Due from related party	-	13,271	13,271	243,991
Total assets	\$ 5,834,494	\$ 156,636	\$ 5,991,130	\$ 7,355,449
Bank indebtedness	\$ 32,837	\$ -	\$ 32,837	\$ 81,248
Accounts payable	2,693,029	3,000	2,696,029	2,608,166
Current portion of long term debt	128,552	-	128,552	266,429
Current portion of capital lease obligations	416,973	-	416,973	431,095
Long term debt	440,000	-	440,000	445,000
Long term debt	93,919	-	93,919	222,463
Capital lease obligations	235,573	-	235,573	652,546
Due to related party	192,435	-	192,435	-
Total liabilities	4,233,318	3,000	4,236,318	4,706,947
Share capital	100	100	200	200
Equity	1,601,076	153,536	1,754,612	2,648,302
Total equity	1,601,176	153,636	1,754,812	2,648,502
Total liabilities and equity	\$ 5,834,494	\$ 156,636	\$ 5,991,130	\$ 7,355,449
	Sturgeon Lake Resources Ltd.	Sturgeon Lake Developments Co Ltd.	2019 Total	2018 Total
Revenue	\$ 8,843,893	\$ 46,858	\$ 8,890,751	\$ 9,090,103
Gain on sale of equipment	4,597	-	4,597	-
	8,848,490	46,858	8,895,348	9,090,103
Expenses	9,745,824	43,214	9,789,038	10,038,318
Net income	\$ (897,334)	\$ 3,644	\$ (893,690)	\$ (948,215)
			2019	2018
Advances to (from) Sturgeon Lake Resources Ltd.		\$	192,435	\$ (230,719)
Accumulated earnings - Sturgeon Lake Resources Ltd.			1,601,176	2,498,510
Investment in and advances to Sturgeon Lake Resources Ltd.		\$	1,793,611	\$ 2,267,791

Sturgeon Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2019

	2019	2018
Advances to (from) Sturgeon Lake Developments Co. Ltd.	\$ (13,271)	\$ (13,271)
Accumulated earnings - Sturgeon Lake Developments Co. Ltd.	153,636	149,992
Investment in and advances to Sturgeon Lake Developments Co. Ltd.	\$ 140,365	\$ 136,721

18. Expenditures by object

For the year ended March 31	2019 Budget	2019 Actual	2018 Actual
Expenses			
Advertising	\$ 3,300	\$ 14,875	\$ 11,005
Amortization - capital assets	-	2,968,396	2,838,685
Bad debts	-	35,149	43,617
Band member support	35,000	46,113	45,930
Contract fees	18,500	121,075	131,170
Cultural events	281,845	525,661	382,565
Education and tuition fees	686,768	785,221	709,505
Equipment rentals	18,200	95,374	83,977
Health Care expenses	135,256	156,149	128,223
Insurance	233,800	467,386	401,350
Interest and bank charges	68,000	166,377	52,163
Interest on long term debt	1,013,304	269,975	279,724
Materials and supplies	320,215	629,177	508,228
Office supplies	48,800	99,812	54,772
Professional fees	68,000	302,786	206,832
Program costs	1,080,824	517,155	400,202
Repairs and maintenance	1,423,824	1,854,870	3,151,973
Social Assistance	1,092,806	968,316	884,435
Special projects	188,632	196,463	108,149
Telephone and utilities	373,302	496,378	582,681
Training	1,000	80,222	101,096
Travel	75,400	912,975	270,391
Vehicle expenses	112,000	356,378	275,194
Wages and benefits	5,588,944	7,189,082	6,522,569
	\$ 12,867,720	\$ 19,255,365	\$ 18,174,436

Sturgeon Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2019

19. Segmented Information

	Band Government			Community Services			Economic Development		
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
Revenues									
Western Cree Tribal Council	\$ 116,965	\$ 1,167,917	\$ 1,161,649	\$ 15,000	\$ 6,094	\$ 15,000	\$ 700,668	\$ 910,234	\$ 626,129
Government of Alberta	135,000	285,000	135,000	-	-	-	-	-	-
Other revenue	771,895	2,547,085	807,888	65,334	924,340	990,019	34,000	41,504	54,910
Total revenue	1,023,860	4,010,002	2,104,537	80,334	930,434	1,005,019	734,668	951,738	681,039
Expenses									
Contract fees	15,000	105,590	19,704	-	-	-	-	-	-
Materials and supplies	48,700	119,537	77,839	11,500	90,914	94,123	15,400	34,199	46,137
Travel	45,000	666,947	91,762	3,900	833	2,297	4,000	6,676	15,812
Program costs	-	-	-	5,400	487	7,374	-	-	-
Social Assistance	-	-	-	20,000	65,077	51,629	-	-	-
Special projects	-	-	-	-	-	-	188,632	120,000	-
Vehicle expenses	36,000	42,425	18,649	8,000	11,392	7,166	-	-	-
Wages and benefits	1,125,700	1,234,068	1,131,192	112,667	143,478	135,968	306,849	358,488	294,182
Other expenses	229,200	1,091,142	765,391	375,000	525,627	569,775	280,395	378,329	287,434
Total expenses	1,499,600	3,259,707	2,104,537	536,467	837,808	868,330	795,276	897,692	643,565
Annual surplus (deficit)	\$ (475,740)	\$ 750,295	\$ -	\$ (456,133)	\$ 92,626	\$ 136,689	\$ (60,608)	\$ 54,046	\$ 37,474

Sturgeon Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2019

19. Segmented Information, continued

	2019 Budget	Education 2019 Actual	2018 Actual	2019 Budget	Health 2019 Actual	2018 Actual	2019 Budget	Housing 2019 Actual	2018 Actual
Revenues									
Western Cree Tribal Council	\$ 2,006,416	\$ 3,639,683	\$ 4,126,457	\$ -	\$ -	\$ -	\$ 504,755	\$ 1,130,666	\$ 888,788
CMHC revenue	-	-	-	-	-	-	808,600	1,639,618	1,112,082
Health Canada	-	-	-	1,664,114	1,842,628	1,694,924	-	-	-
Other revenue	-	21,919	149,548	-	56,094	9,685	168,000	432,622	2,180,987
Total revenue	2,006,416	3,661,602	4,276,005	1,664,114	1,898,722	1,704,609	1,481,355	3,202,906	3,981,857
Expenses									
Contract fees	3,500	15,485	6,885	-	-	-	-	-	104,581
Materials and supplies	69,200	62,247	42,911	20,700	80,812	104,450	1,200	121,817	3,027
Travel	18,500	26,375	28,051	-	128,402	82,979	4,000	6,084	19,285
Program costs	-	108,287	112,558	166,411	132,018	142,719	-	86,596	50,205
Social Assistance	-	-	-	7,200	3,500	2,595	-	-	-
Special projects	-	2,581	4,773	-	46,359	65,784	-	-	-
Vehicle expenses	60,000	72,569	61,188	-	72,000	47,551	-	47	955
Wages and benefits	1,494,949	1,741,098	1,753,211	1,044,280	839,173	812,881	272,386	1,486,947	1,094,658
Other expenses	778,930	788,871	811,335	425,523	532,753	402,181	2,089,874	1,706,891	1,744,281
Total expenses	2,425,079	2,817,513	2,820,912	1,664,114	1,835,017	1,661,140	2,367,260	3,408,362	3,016,992
Annual surplus (deficit)	\$ (418,663)	\$ 844,089	\$ 1,455,093	\$ -	\$ 63,705	\$ 43,469	\$ (885,905)	\$ (205,456)	\$ 964,865

Sturgeon Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2019

19. Segmented information, continued

	Operations and Maintenance			Social Services			Investments		
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
Revenues									
Western Cree Tribal Council	\$ 643,612	\$ 905,952	\$ 2,876,668	\$ 1,486,019	\$ 1,495,290	\$ 1,564,611	-	\$ -	\$ -
Other revenue	-	898,482	136,942	-	(1,858)	(144,853)	-	(1,314,334)	(1,100,118)
Total revenue	643,612	1,804,434	3,013,610	1,486,019	1,493,432	1,419,758	-	(1,314,334)	(1,100,118)
Expenses									
Materials and supplies	-	55,402	66,998	153,515	164,249	72,744	-	-	-
Travel	-	58,214	6,853	-	19,464	23,352	-	-	-
Program costs	48,000	107,918	56,875	133,744	54,331	30,331	-	-	-
Social Assistance	-	-	-	1,065,606	899,739	830,210	-	-	-
Special projects	-	-	-	-	27,523	37,592	-	-	-
Vehicle expenses	8,000	157,945	139,686	-	-	-	-	-	-
Wages and benefits	922,643	993,909	904,711	309,469	391,925	395,768	-	-	-
Other expenses	209,877	359,517	1,639,764	1,801	13,216	15,250	-	-	-
Total expenses	1,188,520	1,732,905	2,814,887	1,664,135	1,470,447	1,405,247	-	-	-
Annual surplus (deficit)	\$ (544,908)	\$ 71,529	\$ 198,723	(178,116)	\$ 22,985	\$ 14,511	-	\$ (1,314,334)	(1,100,118)

Sturgeon Lake Cree Nation

Notes to Consolidated Financial Statements

March 31, 2019

19. Segmented Information, continued

	2019 Budget	Amortization 2019 Actual	2018 Actual	2019 Budget	Other 2019 Actual	2018 Actual	2019 Budget	Consolidated totals 2019 Actual	2018 Actual
Revenues									
Western Cree Tribal Council	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,473,435	\$ 9,255,836	\$ 11,059,302
CMHC revenue	-	-	-	-	-	-	808,600	1,639,618	1,112,082
Health Canada	-	-	-	-	-	-	1,664,114	1,842,628	1,694,924
Government of Alberta	-	-	-	-	-	-	135,000	295,000	135,000
First Nation Development Funds	-	-	-	727,269	642,248	882,329	727,269	642,248	882,329
Other revenue	-	-	-	-	-	-	1,039,229	3,605,854	3,085,008
Total revenue	-	-	-	727,269	642,248	882,329	9,847,847	17,281,184	17,968,645
Expenses									
Contract fees	-	-	-	-	-	-	18,500	121,075	131,170
Materials and supplies	-	-	-	-	-	-	320,215	629,177	508,229
Travel	-	-	-	-	-	-	75,400	912,975	270,391
Program costs	-	-	-	727,269	27,518	141	1,080,824	517,155	400,203
Social Assistance	-	-	-	-	-	-	1,092,808	968,316	884,434
Special projects	-	-	-	-	-	-	188,632	196,463	108,149
Vehicle expenses	-	-	-	-	-	-	112,000	356,378	275,195
Wages and benefits	-	-	-	-	-	-	5,588,943	7,189,084	6,522,569
Other expenses	-	2,968,396	2,838,685	-	-	-	4,390,400	8,364,742	9,074,096
Total expenses	-	2,968,396	2,838,685	727,269	27,518	141	12,867,720	19,255,365	18,174,436
Annual surplus (deficit)	\$ -	\$ (2,968,396)	\$ (2,838,685)	\$ -	\$ 614,730	\$ 882,188	\$ (3,020,073)	\$ (1,974,181)	\$ (205,791)