

COLD LAKE FIRST NATIONS

FINANCIAL STATEMENTS

MARCH 31, 2014



COLD LAKE FIRST NATIONS

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MARCH 31, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Cold Lake First Nations are the responsibility of management and have been approved by the Chief and Council.

The financial statements have been prepared by management in accordance with the accounting principles described in Note 1 to the financial statements. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The First Nation's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Council carries out this responsibility principally through its approval of the financial statements.

The Council reviews the First Nation's financial statements and recommends their approval. The First Nation meets 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 financial statements and the external auditor's report. The Council also considers the engagement of the external auditors.

The financial statements have been audited by Ernst & Young LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. Ernst & Young LLP have full and free access to the Council.

Chief Bernice Martial
Cold Lake First Nations

INDEPENDENT AUDITORS' REPORT

To the Members of
Cold Lake First Nations

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis of Qualified Opinion

Investment in Government Business Enterprises, which are accounted for by the modified equity method, is carried on the statement of financial position as at March 31, 2014. Cold Lake First Nations' share of these enterprises' net income is included in Cold Lake First Nations' surplus of revenues over expenses for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of Cold Lake First Nations' investment in these enterprises as at March 31, 2014 and Cold Lake First Nations' share of these enterprises' net income for the year. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Cold Lake First Nations as at March 31, 2014 and the consolidated results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Chartered Accountants

Edmonton, Alberta
July 29, 2014



A member firm of Ernst & Young Global Limited

**COLD LAKE FIRST NATIONS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014**

	<u>2014</u>	<u>2013</u> [Restated - Note 2]
Financial assets		
Cash	\$ 1,872,780	\$ -
Temporary investments [note 4]	908,024	799,310
Accounts receivable [note 5]	4,090,161	5,234,807
Trust funds [note 6]	1,980,744	2,074,493
Inventory held for sale	70,575	70,575
Investment in Government Business Enterprises [note 7]	<u>46,750,254</u>	<u>32,759,180</u>
Total financial assets	<u>55,672,538</u>	<u>40,938,365</u>
Liabilities		
Bank indebtedness	-	580,477
Accounts payable and accrued liabilities	3,391,562	3,475,604
Contributions carried forward	435,707	2,050,256
Long-term debt [note 8]	<u>6,393,474</u>	<u>6,306,702</u>
Total liabilities	<u>10,220,743</u>	<u>12,413,039</u>
Net financial assets	<u>45,451,795</u>	<u>28,525,326</u>
Non-financial assets:		
Deposits and prepaid expenses	250,794	258,881
Tangible capital assets [schedule 1]	<u>17,519,862</u>	<u>16,249,383</u>
Total non-financial assets	<u>17,770,656</u>	<u>16,508,264</u>
Accumulated surplus [schedule 3]	<u>\$ 63,222,451</u>	<u>\$ 45,033,590</u>

Contingencies [note 11]

See accompanying notes

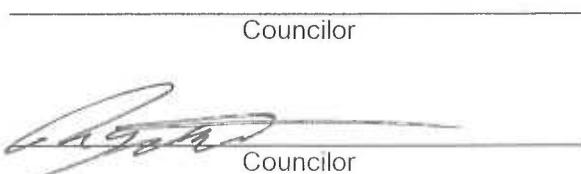
Approved by the First Nation:



Carl Berger
Councilor



Ahily Berger
Councilor



Lyle Scott
Councilor



Sally Scott
Councilor

**COLD LAKE FIRST NATIONS
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2014**

	<u>2014</u>	Budget <u>2014</u> [Unaudited]	Budget <u>2013</u> [Restated - Note 2]
Revenues			
First Nation Development Fund (FNDF)	\$ 5,569,484	\$ 1,440,000	\$ 6,224,347
Aboriginal Affairs and Northern Development Canada (AANDC)	4,336,716	3,765,089	4,078,208
Cold Lake First Nations Casino Society grants	2,109,574	1,505,775	1,701,955
First Nations and Inuit Health Branch (FNIHB)	1,692,172	1,430,009	1,612,971
Donations	1,355,803	-	2,006,632
Trust fund transfers	1,207,823	2,315,645	2,319,933
Other	973,023	2,177,544	738,773
Tribal Chiefs grants	561,120	494,709	561,120
Government of Alberta grants	157,010	148,416	167,010
Interest and other investment income	97,110	-	109,101
Canada Mortgage and Housing Corporation (CMHC)	87,207	-	25,010
Contributions carried forward from prior (to next) year	<u>1,575,329</u>	<u>—</u>	<u>(1,053,782)</u>
	<u>19,722,371</u>	<u>13,277,187</u>	<u>18,491,278</u>
Expenses			
Administration and governance	6,151,653	3,575,819	5,767,055
Health	1,755,854	1,430,009	1,791,245
Social	2,162,569	2,228,880	2,147,785
Infrastructure	5,050,080	3,714,396	6,072,824
Education	1,401,040	926,673	1,479,999
Other	<u>3,253,950</u>	<u>1,401,410</u>	<u>3,044,252</u>
	<u>19,775,146</u>	<u>13,277,187</u>	<u>20,303,160</u>
Deficit from operations before other income	<u>(52,775)</u>	<u>—</u>	<u>(1,811,882)</u>
Other income			
Income allocation from Primrose Lake Trust [note 9]	855,822	-	782,383
Share of income from Government Business Enterprises [note 7]	<u>17,479,563</u>	<u>—</u>	<u>10,285,032</u>
	<u>18,335,385</u>	<u>—</u>	<u>11,067,415</u>
Surplus of revenues over expenses	<u>18,282,610</u>	<u>—</u>	<u>9,255,533</u>
Accumulated surplus, beginning of year	<u>43,842,678</u>	<u>—</u>	<u>36,735,825</u>
Accounting changes [note 2]	<u>1,190,912</u>	<u>—</u>	<u>—</u>
As restated	<u>45,033,590</u>	<u>—</u>	<u>36,735,825</u>
Net change in trust funds	<u>(93,749)</u>	<u>—</u>	<u>(957,768)</u>
Accumulated surplus, end of year	<u>\$ 63,222,451</u>	<u>\$ —</u>	<u>\$ 45,033,590</u>

See accompanying notes

COLD LAKE FIRST NATIONS
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u> [Restated - Note 2]
Surplus of revenues over expenses	\$ 18,282,610	\$ 9,255,533
Acquisition of tangible capital assets	(2,281,455)	(3,280,602)
Amortization of tangible capital assets	1,010,979	1,107,520
Disposal (acquisition) of deposits and prepaid expenses	8,086	(212,016)
Net change in trust funds	<u>(93,749)</u>	<u>(957,768)</u>
Increase in net financial assets	<u>16,926,471</u>	<u>5,912,667</u>
Net financial assets, beginning of year	<u>28,525,326</u>	<u>22,612,659</u>
Net financial assets, end of year	<u>\$ 45,451,795</u>	<u>\$ 28,525,326</u>

See accompanying notes

COLD LAKE FIRST NATIONS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u> [Restated - Note 2]
Operating activities		
Surplus of revenues over expenses for the year	\$ 18,282,610	\$ 9,255,533
Add (deduct) items not affecting cash:		
Amortization of tangible capital assets	1,010,979	1,107,520
Share of income from Government		
Business Enterprises	<u>(17,479,563)</u>	<u>(10,285,032)</u>
	<u>1,814,026</u>	<u>78,021</u>
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	1,144,646	(482,519)
Increase in inventory	-	(3,600)
Decrease (increase) in deposits and prepaid expenses	8,087	(212,016)
(Decrease) increase in accounts payable and accrued liabilities	<u>(84,045)</u>	847,601
(Decrease) increase in contributions carried forward	<u>(1,614,549)</u>	<u>999,530</u>
	<u>(545,861)</u>	<u>1,148,996</u>
Cash provided by operating activities	<u>1,268,165</u>	<u>1,227,017</u>
Financing activities		
Long-term debt obtained	500,000	2,317,488
Repayment of long-term debt	<u>(413,228)</u>	<u>(1,169,962)</u>
Cash provided by financing activities	<u>86,772</u>	<u>1,147,526</u>
Capital activities		
Additions to tangible capital assets	<u>(2,281,455)</u>	<u>(3,280,602)</u>
Cash used in capital activities	<u>(2,281,455)</u>	<u>(3,280,602)</u>
Investing activities		
Purchase of temporary investments	(108,714)	(7,657)
Net advances from Government Business Enterprises	<u>3,488,489</u>	<u>124,274</u>
Increase (decrease) in cash	2,453,257	(789,442)
Cash (bank indebtedness), beginning of year	<u>(580,477)</u>	<u>208,965</u>
Cash (bank indebtedness), end of year	\$ <u>1,872,780</u>	\$ <u>(580,477)</u>

See accompanying notes

COLD LAKE FIRST NATIONS
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2014

	2014					2013		
	Band buildings	Housing / mobile homes	Equipment / heavy equipment	Infrastructure	Automotive	Furniture and fixtures	Fences	Total
	\$	\$	\$	\$	\$	\$	\$	\$
COST								
Balance, beginning of the year	2,701,397	11,450,881	2,021,825	2,925,225	2,005,503	284,112	34,000	21,422,943
Acquisition of tangible capital assets		2,081,737	64,435		78,000	57,283		2,281,455
Balance, end of the year	<u>2,701,397</u>	<u>13,532,618</u>	<u>2,086,260</u>	<u>2,925,225</u>	<u>2,083,503</u>	<u>341,395</u>	<u>34,000</u>	<u>23,704,398</u>
ACCUMULATED AMORTIZATION								
Balance, beginning of the year	633,695	1,513,450	1,187,972	309,881	1,312,265	194,932	21,362	5,173,557
Annual amortization	82,708	358,006	247,538	78,227	219,671	23,565	1,264	1,010,979
Balance, end of the year	<u>716,403</u>	<u>1,871,456</u>	<u>1,435,510</u>	<u>388,108</u>	<u>1,531,936</u>	<u>218,497</u>	<u>22,626</u>	<u>6,184,536</u>
Net book value	<u>1,984,994</u>	<u>11,661,162</u>	<u>650,750</u>	<u>2,537,117</u>	<u>551,567</u>	<u>122,898</u>	<u>11,374</u>	<u>17,519,862</u>
2013 Net book value	<u>2,067,702</u>	<u>9,937,431</u>	<u>833,853</u>	<u>2,615,344</u>	<u>693,238</u>	<u>89,180</u>	<u>12,638</u>	<u>16,249,383</u>

See accompanying notes

COLD LAKE FIRST NATIONS
CONSOLIDATED SCHEDULE OF TOTAL EXPENSES BY OBJECT
FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u>	Budget	
		<u>2014</u> [unaudited]	<u>2013</u>
Salaries and benefits	\$ 5,367,649	\$ 5,559,000	\$ 5,394,591
Subcontractors	1,888,652	1,004,187	2,078,739
Professional fees	1,458,702	894,000	1,998,629
Materials and supplies	1,355,292	974,004	1,374,315
Amortization of tangible capital assets	1,010,978	-	1,107,519
Allowances	964,433	952,155	934,897
Honoraria	854,139	737,640	984,472
Telephone and utilities	851,024	635,908	787,258
Interest	756,261	115,000	653,515
Travel	691,177	695,625	1,123,542
Repairs and maintenance	554,163	357,751	504,157
Insurance	336,395	-	269,687
Other program delivery	<u>3,686,281</u>	<u>1,351,917</u>	<u>3,091,839</u>
	<u>\$ 19,775,146</u>	<u>\$ 13,277,187</u>	<u>\$ 20,303,160</u>

See accompanying notes

COLD LAKE FIRST NATIONS
CONSOLIDATED SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2014

		2014			2013		
	Unrestricted surplus \$	Equity in business entities \$	Equity in tangible capital assets \$	Education fund \$	CMHC reserve \$	Equity in trust funds \$	Total \$
Accumulated surplus, beginning of year	(5,222,626)	31,568,268	14,844,372	464,152	114,020	2,074,493	43,842,679
Accounting changes [note 2]	-	<u>1,190,912</u>	-	-	-	-	<u>1,190,912</u>
As restated	(5,222,626)	32,759,180	14,844,372	464,152	114,020	2,074,493	45,033,591
Surplus of revenues over expenses	18,282,610	-	-	-	-	-	18,282,610
Surplus relating to business entities	(17,479,563)	17,479,563	-	-	-	-	-
Net advances from business entities	3,488,489	(3,488,489)	-	-	-	-	-
Transfer - education fund	(113,042)	-	113,042	-	-	-	-
Net change in trust funds	-	-	-	-	(93,749)	(93,749)	(957,768)
Accumulated surplus, end of year	<u>(1,044,132)</u>	<u>46,750,254</u>	<u>14,844,372</u>	<u>577,194</u>	<u>114,020</u>	<u>1,980,744</u>	<u>63,222,452</u>
							45,033,590

See accompanying notes

COLD LAKE FIRST NATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. Significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards established for local governments recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards 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.

Tangible capital assets

Tangible capital assets acquired after March 31, 2003 are recorded at cost which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset. Infrastructure costs that represent repairs to existing roads, water and sewage systems are not capitalized but rather treated as expenses of the period. Infrastructure costs considered to have lasting benefit are capitalized.

Tangible capital assets purchased prior to March 31, 2003 have been excluded from these financial statements as historical cost information is not available. The assets that have been excluded include all band buildings, infrastructure, equipment, heavy equipment, houses, mobile homes and other tangible assets purchased prior to April 1, 2003.

The cost, less the residual value of the tangible capital assets, is amortized over the expected useful life of the asset as follows:

Band buildings	4% diminishing balance
Houses / mobile homes	4 - 10% diminishing balance
Equipment / heavy equipment	20 - 30% diminishing balance
Infrastructure	40 years straight line
Automotive	30% diminishing balance
Furniture and fixtures	20% diminishing balance
Fences	10% diminishing balance

Amortization on tangible capital assets under construction commences once the assets are available for use. In the year of acquisition, half of the normal rate of available amortization is charged.

**COLD LAKE FIRST NATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014**

1. Significant accounting policies - continued

Temporary investments

Fixed income investments are recorded at amortized cost. Purchase premiums and discounts are amortized on the present value basis over the terms of the issues. Investments in common and preferred shares are recorded at cost. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Revenue recognition

Funding received under the terms of agreements is recognized as revenue in the relevant funding period when the funding agreements are approved. Restricted contributions are recognized as revenue when the revenue is approved and the related expenditures are incurred. Restricted contributions which are not yet expended for the intended purpose are included in the statement of financial position as contributions carried forward.

Income earned from oil and gas royalties and lease revenue in the Trust Funds is recognized when a Band Council Resolution requesting to withdraw the amounts from the respective trust fund accounts is approved. Approved withdrawals which are not yet expended for the intended purpose are included in the statement of financial position as contributions carried forward. The uncommitted balance in the Trust Funds accounts is included in the statement of financial position as accumulated surplus.

Donation revenues are recognized when the amounts are granted from the donor and collection is reasonably assured.

Other revenues are recognized when persuasive evidence of an arrangement exists, delivery of goods has occurred or services have been rendered, the selling price to the buyer is fixed or determinable, and collection of the selling price is reasonably assured. Revenue is measured at the fair value of the consideration received, excluding discounts and returns.

Investment in Government Business Enterprises

The investment in Government Business Entities is accounted for using the modified equity method whereby the investment is initially recorded at cost and adjusted thereafter to include the post acquisition earnings of the enterprise. The accounting policies of the Government Business Enterprises have not been adjusted to conform with those of Cold Lake First Nations and inter-entity balances are not eliminated. Inter-entity gains and losses are eliminated on assets remaining within the government reporting entities at the reporting date.

Pension expenditures

Cold Lake First Nations sponsors a defined contribution pension plan for certain employees. Under the plan, Cold Lake First Nations matches the employee's contribution at a range of 2% to 9% of earnings. During the year, Cold Lake First Nations contributed \$183,092 (2013 - \$147,997) to the pension plan. The employer's portion of the payment is recorded as employee benefits in the period when the benefit is earned.

COLD LAKE FIRST NATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. Significant accounting policies - continued

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They may have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, excess of revenues over expenses and the net change in the trust fund balances provides the change in net financial assets for the year.

Inventory

Inventory held for sale is valued at the lower of cost and net realizable value.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They may have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, surplus (deficit) for the year and the net change in trust funds provides the change in net financial assets for the year.

Financial instruments

Risk management

Credit risk arises from the possibility that certain receivables may not be collectible. The majority of receivables are due from funding agencies which minimizes the exposure of non-collection. Cold Lake First Nations addresses this risk through constant monitoring of receivables to ensure that amounts are being collected in a timely manner.

Interest rate risk is managed by entering into fixed rate debt agreements in most instances. Cold Lake First Nations' exposure to fluctuations in interest rates is minimized as the total variable rate debt is kept to a manageable level.

Fair value

Cold Lake First Nations' financial instruments consist of cash, temporary investments, accounts receivable, trust funds, accounts payable and accrued liabilities and long-term debt.

The fair value of cash, temporary investments, accounts receivable, trust funds, and accounts payable and accrued liabilities approximates their carrying value due to their short-term nature. The fair value of long-term debt approximates carrying value as fixed and variable rate instruments approximate market rates.

COLD LAKE FIRST NATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

2. Accounting changes

The prior period financial statements have been adjusted to reflect corrections made to the financial statements of certain Cold Lake First Nations' government business enterprises. Correction of these errors has affected the prior financial statements as follows:

	<u>As Reported</u>	<u>Change</u>	<u>Restated</u>
Share of income from Government Business Enterprises	\$ 9,094,120	\$ 1,190,912	\$ 10,285,032
Investment / equity in Government Business Enterprises	\$ 31,568,268	\$ 1,190,912	\$ 32,759,180

3. Recent accounting pronouncements issued but not yet adopted

i) Financial Statement Presentation

PS1201, Financial Statement Presentation, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2015.

ii) Financial Instruments

PS3450, Financial Instruments, applicable for fiscal years beginning on or after April 1, 2015, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities.

iii) Portfolio Investments

Section PS3041, Portfolio Investments has removed the distinction between temporary and portfolio investments. This section now includes pooled investments in its scope and was amended to conform to Financial Instruments, PS3450. Upon adoption of PS3450 and PS3041, Temporary Investments PS3030 will no longer apply.

Cold Lake First Nations continues to evaluate the impact of the adoption of the above new standards on its financial statements.

COLD LAKE FIRST NATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

4. Temporary investments

Included in temporary investments are TD Money Market Mutual Funds and cashable Guaranteed Investment Certificates. The Guaranteed Investment Certificates bear interest at rates between 0.45% to 1.70% and mature at dates between August 2014 and February 2015.

As disclosed in note 10 certain of these investments are held as collateral for various loans and credit facilities and are restricted in use.

5. Accounts receivable

The balance consists of the following:

	<u>2014</u>	<u>2013</u>
Grants and other receivables	\$ 2,375,056	\$ 3,877,361
Due from Primrose Lake Trust	<u>1,715,105</u>	<u>1,357,446</u>
	<u>\$ 4,090,161</u>	<u>\$ 5,234,807</u>

6. Trust funds

Trust funds are considered internally restricted assets, and are controlled directly by the Department of Indian and Northern Affairs. The expenditure of trust funds is limited to purposes identified in the Indian Act. Information relating to the income earned in the trust fund accounts from oil and gas royalties, leases and rentals was obtained directly from the Department of Indian and Northern Affairs. The uncommitted balance at the end of the year is shown on the schedule of changes in accumulated surplus as equity in trust funds.

The balances consist of the following:

	<u>2014</u>	<u>2013</u>
Capital fund		
Beginning of year	\$ 1,545,750	\$ 1,666,328
Income from oil and gas royalties	572,067	779,422
Transfers to programs	<u>(1,167,460)</u>	<u>(900,000)</u>
Net change in balance	<u>(595,393)</u>	<u>(120,578)</u>
End of year	<u>950,357</u>	<u>1,545,750</u>
Revenue fund		
Beginning of year	528,743	1,365,933
Income from lease and rentals	542,007	582,743
Transfers to programs	<u>(40,363)</u>	<u>(1,419,933)</u>
Net change in balance	<u>501,644</u>	<u>(837,190)</u>
End of year	<u>1,030,387</u>	<u>528,743</u>
Total trust funds	<u>\$ 1,980,744</u>	<u>\$ 2,074,493</u>

COLD LAKE FIRST NATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

7. Investment in government business enterprises

The balance consists of the following:

	<u>2014</u>	<u>2013</u>
		[Restated - Note 2]
Beginning of year	\$ 32,759,180	\$ 22,598,422
Share of income	17,479,563	10,285,032
Net advances from government business enterprises	<u>(3,488,489)</u>	<u>(124,274)</u>
End of year	<u>\$ 46,750,254</u>	<u>\$ 32,759,180</u>

Following is a summary of the percentage of the entities owned and the related year ends of the government business enterprises:

	<u>% ownership</u>	<u>Year end</u>
Seven Lakes Oilfield Services LP	50%	December 31, 2013
CLFN Economic Development Corp.	100%	March 31, 2014
Primco Dene (EMS) Ltd.	100%	September 30, 2013
Primco Commercial Corp.	100%	September 30, 2013
Primco Dene Catering Corp.	100%	September 30, 2013
Primco Dene Ltd.	100%	September 30, 2013
Tri-Rez Energy Services Ltd.	100%	March 31, 2014
Nu Nenne Stantec LP	51%	December 31, 2013
Cold Lake First Nations Casino Corp.	100%	March 31, 2014
Dechen Lumber Mill Corporation	100%	March 31, 2014
CLFN-Samson LP	50%	March 31, 2014
Savanna Energy Services LP #10	50%	December 31, 2013
Primco Dene LP	100%	September 30, 2013
Primco Dene (EMS) LP	100%	September 30, 2013
Primco Commercial LP	100%	September 30, 2013
Primco Dene Catering LP	100%	September 30, 2013
Casino Dene LP	100%	March 31, 2014
Dechen LP	100%	March 31, 2014
Kinusoo Communications Ltd.	100%	March 31, 2014
Dene-Cor Construction LP	51%	December 31, 2013
Tri-Rez Energy Services LP	100%	March 31, 2014
Comec LP	51%	January 31, 2014
CLFN Lyncorp LP	50%	December 31, 2013
CLFN Hotel LP	100%	March 31, 2014
Tri Rez Legoff Energy Ltd.	100%	March 31, 2014

Supplementary information regarding the results of operations and financial positions of the above entities, accounted for using the modified equity method of accounting, is included in supplementary schedule 2 to these consolidated financial statements.

COLD LAKE FIRST NATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

7. Investment in government business enterprises - continued

During the year, transactions with Cold Lake First Nations' owned entities were incurred. These transactions are in the normal course of operations and have been recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties.

The financial information of the Cold Lake First Nations' business entities is reported using the modified equity method and therefore inter-entity balances have not been eliminated.

8. Long-term debt

	<u>2014</u>	<u>2013</u>
Primrose Lake Trust loans bearing interest at 12% per annum, repayable on demand, collateralized by a redirection of income allocations from the Primrose Lake Trust	\$ 5,268,474	\$ 4,768,474
First Nations Bank of Canada loan bearing interest at prime plus 1.25% per annum (effective rate of 4.25% at year end), repayable at \$2,500 per month plus interest, due January 2015, collateralized as disclosed below	25,000	55,000
First Nations Bank of Canada loan bearing interest at prime plus 1.25% per annum (effective rate of 4.25% at year end), repayable at \$4,167 per month plus interest, due March 2015, collateralized as disclosed below	50,000	100,000
First Nations Bank of Canada loan bearing interest at prime plus 1.25% per annum (effective rate of 4.25% at year end), repayable at \$25,000 per month plus interest, due September 2017, collateralized as disclosed below	1,050,000	1,350,000
C.I.B.C. mortgage repaid during the year	-----	33,228
	<u>\$ 6,393,474</u>	<u>\$ 6,306,702</u>

Interest paid on long-term debt amounted to \$666,768 (2013 - \$469,153) during the year.

Future estimated principal and interest payments on long-term debt are as follows:

2015	\$ 6,912,510
2016	\$ 325,500
2017	\$ 312,750
2018	\$ 153,188

Collateral for the First Nations Bank of Canada loans consists of the following:

- a) redirection of income allocations from Primrose Lake Trust to First Nations Bank of Canada; and
- b) an assignment of Risk Insurance with first loss payable to First Nations Bank of Canada.

**COLD LAKE FIRST NATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014**

9. Income allocation from Primrose Lake Trust

The Primrose Lake Trust was established to administer the settlement funds received from the Government of Canada pursuant to a land claim agreement dated October 15, 2001. Cold Lake First Nations is a beneficiary of Primrose Lake Trust and receives, at the discretion of the Trustees of Primrose Lake Trust, an allocation of income each year.

10. Credit facilities

As at March 31, 2014, Cold Lake First Nations has the following lines of credit available:

- a) TD Canada Trust revolving line of credit, due upon demand, authorized to a maximum of \$750,000 bearing interest at prime plus 1% (effective rate of 4% at year end), collateralized by a direction of AANDC funding and a hypothecation of certain investments in the aggregate amount of \$340,000.
- b) Peace Hills Trust revolving line of credit, due upon demand, authorized to a maximum of \$180,000 bearing interest at Peace Hills Trust Prime plus 2% (effective rate of 5.75% at year end), collateralized by a direction of AANDC funding and an assignment of monies due from a particular contract of accounts.

11. Contingencies

Cold Lake First Nations has been named defendants in lawsuits arising in the normal course of operations and involving various amounts. Management is of the opinion that the results of these actions should not have any material effect on the financial position of the Nation. No amounts have been accrued in these financial statements relating to any of these actions. Any awards or settlements will be reflected in the statement of revenue and expenditures as the matters are resolved, or when sufficient information on amounts and likelihoods are known.

At March 31, 2014, Cold Lake First Nations has unfunded CMHC replacement reserves in the amount of \$114,020 (2013 - \$114,020).

As at March 31, 2014, Cold Lake First Nations has outstanding RRAP loans for housing renovations. These loans are forgivable at a straight line rate over five years if the units for which the funds were advanced continue to be occupied by a Band member. Failure to meet the loan terms may result in the outstanding total balance of the loan, including the unearned forgivable portion plus interest becoming payable. These loans have interest rates between 5.25% to 7%.

Cold Lake First Nations has provided a guarantee in the aggregate amount of \$4,500,000 for loans provided to Casino Dene LP for the construction of Casino Dene. At March 31, 2014, the outstanding balance on this loan is \$873,854. Subsequent to year end this loan was paid out and a new loan in the amount of \$5,000,000 was obtained by Casino Dene LP for which Cold Lake First Nations also provided a guarantee.

Cold Lake First Nations has provided a guarantee in the aggregate amount of \$9,797,000 for credit facilities provided to Primco Commercial Limited Partnership. As part of the guarantee, Cold Lake First Nations has identified FNDF revenues as being available to the Bank to support the band's guarantee if required.

Cold Lake First Nations has provided a guarantee in the amount of \$1,500,000 for a revolving credit facility provided to Primco Dene Limited Partnership.

COLD LAKE FIRST NATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

11. Contingencies - continued

Cold Lake First Nations has provided a guarantee and postponement of claim in the form of a general security agreement providing a first ranking interest over all personal property of the Nation in the aggregate amount of \$12,700,000 for credit facilities provided to Dechen Limited Partnership. At March 31, 2014, the outstanding balance on these facilities is \$6,303,000.

Subsequent to year end Cold Lake First Nations intends to provide a guarantee in the aggregate amount of \$25,000,000 for loans yet to be advanced to CLFN Hotel Limited Partnership. As part of the guarantee, Cold Lake First Nations has identified FNDF revenues as being available to cover the required debt payments.

12. Segment information

Cold Lake First Nations provides a wide range of services to its members. Services are delivered through a number of different programs and departments. Identified segments are defined by Cold Lake First Nations for which separate financial information is available and is evaluated regularly by Chief and Council and management in allocating resources and assessing results.

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment. The accounting policies used in the segments are consistent with the accounting policies followed in the preparation of these consolidated financial statements as disclosed in Note 1.

13. Comparative figures

Certain 2013 comparative figures have been reclassified to conform with the financial statement presentation adopted by the company for the year ended March 31, 2014.

**COLD LAKE FIRST NATIONS
CONSOLIDATED SEGMENT DISCLOSURES
FOR THE YEAR ENDED MARCH 31, 2014**

	Administration / Governance	Health	Social Programs	Infrastructure	Education	Other Programs	Other	Total
2014								
Revenue								
FNDF	\$ 950,000	\$ -	\$ 1,592,955	\$ 279,064	\$ 479,583	\$ 4,340,420	\$ -	\$ 5,569,484
AANDC	565,661	-	1,529,522	1,229,949	62,125	168,995	-	4,336,716
CLFN Casino Society grants	499,906	-	241,324	-	-	76,270	-	2,109,574
FNIHB	-	1,692,172	-	-	-	-	-	1,692,172
Donations	850,761	20,200	-	-	257,217	227,625	-	1,355,803
Trust fund transfers	839,589	-	-	327,871	40,363	-	-	1,207,823
Other	684,156	15,046	269,892	436,669	51	469,656	-	1,875,470
Net contributions carried forward	-	-	-	1,259,595	-	315,734	-	1,575,329
Income allocation from Primrose Lake Trust	-	-	-	-	-	-	-	-
Share of income from Government Business Enterprises	-	-	-	-	-	-	-	-
	<u>4,390,073</u>	<u>1,727,418</u>	<u>2,104,171</u>	<u>5,062,670</u>	<u>839,339</u>	<u>5,598,700</u>	<u>18,335,385</u>	<u>38,057,756</u>
Expenses								
Salaries and benefits	1,278,420	983,001	880,381	1,112,223	561,731	551,893	-	5,367,649
Subcontractors	332,204	71,219	78,992	1,039,599	16,672	349,966	-	1,888,652
Professional fees	1,458,530	-	172	-	-	-	-	1,458,502
Materials and supplies	37,154	282,792	24,275	706,817	50,564	253,690	-	1,355,292
Amortization	33,720	69,524	28,367	689,080	3,959	195,328	-	1,010,978
Allowances	-	-	964,433	-	-	-	-	964,433
Telephone and utilities	52,360	16,297	11,548	458,035	5,346	307,438	-	851,024
Travel	357,002	77,982	48,973	39,635	26,209	141,376	-	691,177
Other	2,602,263	255,039	125,428	1,013,691	736,559	1,454,259	-	6,187,239
	<u>6,151,653</u>	<u>1,755,854</u>	<u>2,162,569</u>	<u>5,050,080</u>	<u>1,401,040</u>	<u>3,253,950</u>	<u>-</u>	<u>19,775,146</u>
	<u><u>\$ (1,761,580)</u></u>	<u><u>\$ (28,436)</u></u>	<u><u>\$ (58,398)</u></u>	<u><u>\$ 12,590</u></u>	<u><u>\$ (561,701)</u></u>	<u><u>\$ 2,344,750</u></u>	<u><u>\$ 18,335,385</u></u>	<u><u>\$ 18,282,610</u></u>

**COLD LAKE FIRST NATIONS
CONSOLIDATED SEGMENT DISCLOSURES
FOR THE YEAR ENDED MARCH 31, 2014**

	Administration / Governance	Health	Social Programs	Infrastructure	Education	Other Programs	Other	Total
2013								
Revenue								
FNDF	\$ 750,000	\$ -	\$ 1,484,192	\$ 4,375,347	\$ 472,563	\$ 1,099,000	\$ -	\$ 6,224,347
AANDC	535,797	-	265,647	1,418,522	735,063	167,134	91,009	4,078,208
CLFN Casino Society grants	403,358	130,000	-	735,063	76,878	-	-	1,701,955
FNIB	-	1,612,971	-	-	-	-	-	1,612,971
Donations	1,114,930	11,386	8,175	716,667	80,074	75,400	-	2,006,632
Trust fund transfers	1,547,268	-	-	655,742	116,923	-	-	2,319,933
Other	739,189	26,406	261,447	57,746	261	515,965	-	1,601,014
Net contributions carried forward	(1,463)	13,300	60,048	(1,236,448)	-	110,781	-	(1,053,732)
Income allocation from Primrose Lake Trust	-	-	-	-	-	-	-	-
Share of income from Government Business Enterprises	-	-	-	-	-	-	-	-
5,089,079	1,794,063	2,079,509	6,722,639	746,699	2,059,289	11,067,415	29,558,693	
Expenses								
Salaries and benefits	1,024,280	1,047,238	941,452	1,193,175	588,853	599,593	-	5,394,591
Subcontractors	246,283	34,789	34,579	1,487,380	43,572	232,136	-	2,078,739
Professional fees	1,977,070	-	58	4,000	-	17,501	-	1,998,629
Materials and supplies	50,128	235,997	37,805	800,212	58,455	191,718	-	1,374,315
Amortization	45,045	57,459	37,984	763,530	4,441	199,060	-	1,107,519
Allowances	-	-	934,897	-	-	-	-	934,897
Telephone and utilities	64,259	17,286	10,791	426,263	6,389	262,270	-	787,258
Travel	598,893	97,625	50,169	101,632	33,117	242,106	-	1,123,542
Other	1,761,097	300,851	100,050	1,296,632	745,172	1,299,868	-	5,503,670
5,767,055	1,791,245	2,147,785	6,072,824	1,479,999	3,044,252	-	-	20,303,160
\$ (677,976)	\$ 2,818	\$ (68,276)	\$ 649,815	\$ (733,300)	\$ (984,963)	\$ 11,067,415	\$ 9,265,533	

COLD LAKE FIRST NATIONS
SUPPLEMENTARY INFORMATION FOR THE MODIFIED EQUITY METHOD
GOVERNMENT BUSINESS ENTERPRISES
MARCH 31, 2014
(Unaudited)

	<u>2014</u>	<u>2013</u>
Aggregated balance sheet information:		
Assets		
Cash	\$ 10,726,256	\$ 16,477,392
Accounts receivable	43,249,065	23,310,353
Inventory	1,575,812	1,123,578
Prepaid expenses	336,944	284,578
Property, plant, and equipment	40,127,275	27,672,606
Due from related parties	14,403,357	9,536,631
Long term investment	902,363	406,323
Other assets	<u>1,888,927</u>	<u>2,082,106</u>
	<u>\$113,209,999</u>	<u>\$ 80,893,567</u>
Liabilities		
Bank indebtedness	\$ 1,530,315	\$ 83,431
Accounts payable	21,767,015	20,070,249
Due to related parties	25,312,146	16,615,225
Callable debt	10,388,372	4,944,246
Long term debt	6,193,725	4,296,909
Capital leases	2,882,350	2,130,520
Other liabilities	7,560	12,227
Equity	<u>45,128,516</u>	<u>32,740,760</u>
	<u>\$113,209,999</u>	<u>\$ 80,893,567</u>
Aggregated income statement information:		
Revenue	\$ 198,632,082	\$ 102,189,973
Expenses	<u>181,184,653</u>	<u>91,933,652</u>
Net income (loss)	<u>\$ 17,479,563</u>	<u>\$ 10,285,032</u>