

Consolidated Financial Statements

Cold Lake First Nations

March 31, 2015



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DEVELOPMENT CANADA
ALBERTA REGION



COLD LAKE FIRST NATIONS

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MARCH 31, 2015

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, 2015 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.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Cold Lake First Nations** as at March 31, 2015 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 27, 2015



A member firm of Ernst & Young Global Limited

Cold Lake First Nations

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

	[restated - note 2]	2015	2014
		\$	\$
FINANCIAL ASSETS			
Cash [note 4]		4,902,449	1,872,780
Portfolio investments [note 5]		917,681	908,024
Accounts receivable [note 6]		3,116,247	4,090,161
Trust funds [note 7]		3,540,312	1,980,744
Inventory held for sale		-	70,575
Investment in Government Business Enterprises [note 8]		<u>58,463,385</u>	<u>43,500,570</u>
		<u>70,940,074</u>	<u>52,422,854</u>
FINANCIAL LIABILITIES			
Accounts payable and accrued liabilities		3,206,661	3,391,560
Contributions carried forward		<u>3,860,010</u>	<u>435,707</u>
Long-term debt [note 9]		<u>12,851,110</u>	<u>6,393,474</u>
		<u>19,917,781</u>	<u>10,220,741</u>
NET FINANCIAL ASSETS		<u>51,022,293</u>	<u>42,202,113</u>
NON-FINANCIAL ASSETS			
Deposits and prepaid expenses		82,632	250,794
Tangible capital assets [schedule 1]		<u>18,258,659</u>	<u>17,519,860</u>
		<u>18,341,291</u>	<u>17,770,654</u>
ACCUMULATED SURPLUS [schedule 3]		<u>69,363,584</u>	<u>59,972,767</u>
Contingencies [note 12]			

See accompanying notes

B. M. S.
Chief

Red Dyne
Councillor

Sally Sand
Councillor

Councillor

Walter Dyne
Councillor

Barb
Councillor

Councillor

Cold Lake First Nations

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

	<i>[restated - note 2]</i>	
	2015	2014
	\$	\$
FINANCIAL ASSETS		
Cash <i>[note 4]</i>	4,902,449	1,872,780
Portfolio investments <i>[note 5]</i>	917,681	908,024
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	18,341,291	17,770,654
ACCUMULATED SURPLUS <i>[schedule 3]</i>	69,363,584	59,972,767

Contingencies *[note 12]*

See accompanying notes

Cold Lake First Nations

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31

	2015 \$	[Unaudited] Budget \$	[restated - note 2] 2014 \$
REVENUES			
First Nations Development Fund (FNDF)	5,922,565	1,800,000	5,569,484
Donations	5,681,167	980,000	2,035,803
Aboriginal Affairs and Northern Development Canada (AANDC)	4,182,384	3,657,304	4,336,716
Dene Ts'Edi Society grants	2,400,372	1,667,000	2,109,574
First Nations and Inuit Health Branch (FNIHB)	1,661,952	1,578,923	1,692,172
Other	1,183,423	3,090,887	293,023
Other government grants	747,098	561,120	805,337
Interest and other investment income	154,687	-	97,110
Trust fund transfers	-	-	1,207,823
Contributions carried forward from prior (to next) year	(3,459,956)	-	1,575,329
	18,473,692	13,335,234	19,722,371
EXPENSES			
Administration and governance	6,235,590	2,633,273	6,147,629
Infrastructure	5,470,220	4,428,814	5,050,080
Social	2,120,734	2,119,253	2,162,569
Health	2,011,281	1,842,471	1,755,854
Education	1,410,846	1,055,530	1,401,040
Other	3,320,905	1,255,893	3,257,975
	20,569,576	13,335,234	19,775,147
Deficit from operations before other income	(2,095,884)	-	(52,776)
OTHER INCOME			
Income allocation from Primrose Lake Trust [note 10]	1,592,549	-	855,822
Share of income from Government			
Business Enterprises [note 8]	8,334,583	-	14,854,114
	9,927,132	-	15,709,936
Surplus of revenues over expenses	7,831,248	-	15,657,160
Accumulated surplus, beginning of year	63,222,451	-	45,033,591
Accounting changes [note 2]	(3,249,684)	-	(624,235)
As restated	59,972,767	-	44,409,356
Net change in trust funds	1,559,569	-	(93,749)
Accumulated surplus, end of year	69,363,584	-	59,972,767

See accompanying notes

Cold Lake First Nations

**CONSOLIDATED STATEMENT OF CHANGES IN
NET FINANCIAL ASSETS**

Year ended March 31

	<i>[restated - note 2]</i>	
	2015	2014
	\$	\$
Surplus of revenues over expenses	7,831,248	15,657,160
Acquisition of tangible capital assets	(1,806,878)	(2,281,455)
Amortization of tangible capital assets	1,068,081	1,010,979
Disposal (acquisition) of deposits and prepaid expenses	168,163	8,086
Net change in trust funds	1,559,569	(93,749)
	988,935	(1,356,139)
 Increase in net financial assets	 8,820,183	 14,301,021
Net financial assets, beginning of year	42,202,113	27,901,092
Net financial assets, end of year	51,022,293	42,202,113

See accompanying notes

Cold Lake First Nations

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31

	<i>[restated - note 2]</i>	
	2015	2014
	\$	\$
OPERATING ACTIVITIES		
Surplus of revenues over expenses for the year	7,831,248	15,657,160
Add (deduct) items not affecting cash:		
Amortization of tangible capital assets	1,068,081	1,010,979
Share of income from Government		
Business Enterprises	<u>(8,334,583)</u>	<u>(14,854,114)</u>
	<u>564,746</u>	<u>1,814,025</u>
Changes in non-cash working capital:		
Decrease in accounts receivable	973,914	1,144,646
Decrease in inventory held for sale	70,575	-
Decrease in deposits and prepaid expenses	168,162	8,087
Decrease in accounts payable and accrued liabilities	(184,900)	(84,043)
Increase (decrease) in contributions carried forward	<u>3,424,303</u>	<u>(1,614,549)</u>
	<u>4,452,054</u>	<u>(545,859)</u>
Cash provided by operating activities	<u>5,016,800</u>	<u>1,268,166</u>
FINANCING ACTIVITIES		
Long-term debt obtained	10,750,000	500,000
Repayment of long-term debt	<u>(4,292,364)</u>	<u>(413,228)</u>
Cash provided by financing activities	<u>6,457,636</u>	<u>86,772</u>
CAPITAL ACTIVITIES		
Additions to tangible capital assets	<u>(1,806,878)</u>	<u>(2,281,455)</u>
INVESTING ACTIVITIES		
Purchase of portfolio investments	(9,657)	(108,715)
Advances to Government Business Enterprises	<u>(16,834,838)</u>	<u>-</u>
Advances from Government Business Enterprises	<u>10,206,606</u>	<u>3,488,489</u>
Cash provided by investing activities	<u>(6,637,889)</u>	<u>3,379,774</u>
Increase in cash	3,029,669	2,453,257
Cash (bank indebtedness), beginning of year	<u>1,872,780</u>	<u>(580,477)</u>
Cash, end of year	<u>4,902,449</u>	<u>1,872,780</u>

See accompanying notes

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

Year ended March 31

	2014				2015			
	Buildings	Housing / Equipment / mobile homes	Equipment / heavy equipment	Furniture	Buildings	Housing / Equipment / mobile homes	Equipment / heavy equipment	Furniture
COST								
Balance, beginning of the year	2,701,397	13,532,618	2,086,259	2,925,225	2,083,503	341,395	34,000	23,704,397
Acquisition of tangible capital assets	-	1,344,062	313,796	149,020	-	-	-	1,806,878
Balance, end of the year	2,701,397	14,876,680	2,400,055	3,074,245	2,083,503	341,395	34,000	25,511,275
ACCUMULATED AMORTIZATION								
Balance, beginning of the year	716,403	1,871,456	1,435,510	388,108	1,531,936	218,497	22,625	6,184,535
Annual amortization	79,400	460,683	232,344	104,466	165,470	24,580	1,138	1,068,081
Balance, end of the year	795,803	2,332,139	1,667,854	492,574	1,697,406	243,077	23,763	7,252,616
Net book value of tangible capital assets	1,905,594	12,544,541	732,201	2,581,671	386,097	98,318	10,237	18,258,659
2014 Net book value of tangible capital assets	1,984,994	11,661,162	650,749	2,537,117	551,567	122,893	11,375	17,519,860

CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT

Year ended March 31

	<i>[Unaudited]</i>		
	2015 \$	Budget \$	2014 \$
Salaries and benefits	5,600,810	5,651,853	5,367,649
Professional fees	1,933,746	1,200,000	1,458,702
Subcontractors	1,942,003	1,356,084	1,888,652
Materials and supplies	1,676,223	1,548,843	1,355,292
Interest	1,588,287	75,000	756,261
Amortization of tangible capital assets	1,068,081	-	1,010,978
Allowances	978,679	982,331	964,433
Travel	916,207	222,960	691,177
Honoraria	825,544	6,500	854,139
Telephone and utilities	744,348	831,965	851,024
Repairs and maintenance	329,770	324,496	554,163
Insurance	308,480	-	336,395
Other program delivery	2,657,398	1,135,202	3,686,282
	20,569,576	13,335,234	19,775,147

See accompanying notes

CONSOLIDATED SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

Year ended March 31

	2015			2014		
	Unrestricted surplus \$	Equity in business entities \$	Equity in tangible capital assets \$	Education Trust \$	CMHC reserve \$	Equity in trust funds \$
Accumulated surplus, beginning of year	(2,639,609)	46,750,253	16,439,849	577,194	114,020	1,980,744
Accounting changes [note 2]	-	(3,249,684)	-	-	-	(3,249,684)
As restated	(2,639,609)	43,500,569	16,439,849	577,194	114,020	1,980,744
Surplus of revenues over expenses	7,831,248	-	-	-	-	7,831,248
Surplus relating to business entities	(8,334,583)	8,334,583	-	-	-	15,657,160
Advances from business entities	10,206,606	(10,206,606)	-	-	-	-
Advances to business entities	(16,834,838)	16,834,838	-	-	-	-
Net debt relating to business entities	10,701,110	(10,701,110)	-	-	-	-
Additions to tangible capital assets	(1,806,878)	-	1,806,878	-	-	-
Amortization of tangible capital assets	1,068,069	-	(1,068,069)	-	-	-
Payment of long-term capital debt	(325,000)	-	325,000	-	-	-
Transfer - Education Trust	55,988	-	-	(55,988)	-	-
Net change in trust funds	-	-	-	-	1,559,569	1,559,569
Accumulated surplus, end of year	(77,887)	47,762,274	17,503,658	521,206	114,020	3,540,313
						69,363,584
						59,972,767

See accompanying notes

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

1. SUMMARY OF 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 consolidated 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 consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount and useful lives and residual values of property and equipment and to test the impairment of property and equipment, estimates of accrued liabilities, and the valuation allowances for loan and accounts receivable and inventories. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks net of bank overdrafts and short-term, liquid investments with maturities of 90 days or less.

Portfolio 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.

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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	25 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.

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.

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 \$196,518 (2014 - \$183,092) to the pension plan. The employer's portion of the payment is recorded as employee benefits in the period when the benefit is earned.

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.

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial instruments

Risk management

Credit risk arises from the possibility that certain receivables and loans receivable may not be collectible. Cold Lake First Nations addresses this risk through monitoring of receivables and loan accounts to ensure that amounts are being collected in a timely manner. The majority of receivables are due from funding agencies which minimizes the exposure of non-collection. Loans receivable comprise a large number of individually insignificant loans which minimizes the exposure to credit risk.

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, portfolio investments, accounts receivable, trust funds, accounts payable and accrued liabilities and long-term debt.

The fair value of cash, portfolio 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 portfolio investments is calculated based on market value when readily available. The fair value of long-term debt approximates carrying value as fixed and variable rate instruments approximate market rates.

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	17,479,563	(2,625,449)	14,854,114
Investment / equity in Government Business Enterprises			
Opening balance, April 1, 2013	32,759,180	(624,235)	32,759,180
Closing balance, March 31, 2014	46,750,254	(3,249,684)	43,500,570

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

3. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

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, 2016.

Financial instruments

PS3450, Financial instruments, 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. This standard is applicable for fiscal years beginning on or after April 1, 2016.

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 PS3450, Financial Instruments. Upon adoption of PS3450 and PS3041, Temporary Investments PS3030 will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2016.

Foreign currency translation

PS2601, Foreign currency translation, requires that monetary assets and liabilities denominated in a foreign currency and non-monetary items included in the fair value category, denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is applicable for fiscal years beginning on or after April 1, 2016.

Related party disclosures

PS2200, related party disclosures, requires sufficient information to be disclosed about the terms and conditions on which transactions between related parties are conducted and the relationship underlying them. The disclosure provides information necessary to assess the effect that the related party transactions have had, or, if not recognized, may have had on the entity's financial position and financial performance. This standard is applicable for fiscal years beginning on or after April 1, 2017.

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

3. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED - CONTINUED

Inter-entity transactions

PS3420, Inter-entity transactions specifically addresses the reporting of transactions between entities controlled by a government and that comprise the government's reporting entity from both a provider and recipient perspective. This standard is applicable for fiscal years beginning on or after April 1, 2017.

Assets

PS3210, Assets, provides guidance for applying the definition of assets set out in PS1000, Financial Statement, Concepts, and establishes general disclosure standards for assets, including disclosure requirements about major categories of assets that are not recognized. This standard is applicable for fiscal years beginning on or after April 1, 2017.

Contingent assets

PS3320, Contingent assets, defines and establishes disclosure standards on contingent assets including disclosure requirements about contingent assets when the occurrence of the confirming future event is likely. This standard is applicable for fiscal years beginning on or after April 1, 2017.

Contractual rights

PS3380, Contractual rights, defines and establishes disclosure standards on contractual rights, including requirements for the description about their nature and extent and the timing. This standard is applicable for fiscal years beginning on or after April 1, 2017.

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

4. CASH

Included in cash is \$1,214,985 (2014 - \$829,061) held in lawyer's trust accounts for the benefit of the Nation.

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

5. PORTFOLIO INVESTMENTS

Included in portfolio 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 2015 and February 2016.

As disclosed in note 11 certain of these investments are held as collateral for various loans and credit facilities and are restricted in use.

6. ACCOUNTS RECEIVABLE

	2015	2014
	\$	\$
Grants and other receivables	2,165,856	2,375,056
Due from Primrose Lake Trust	950,391	1,715,105
	<hr/> 3,116,247	<hr/> 4,090,161

The balance due from Primrose Lake Trust is non-interest bearing, unsecured and due on demand.

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

7. 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:

	2015	2014
	\$	\$
Capital fund		
Beginning of year	1,452,000	2,047,393
Income from oil and gas royalties	1,000,013	572,067
Transfers to programs	-	(1,167,460)
Net change in balance	<u>1,000,013</u>	<u>(595,393)</u>
End of year	<u>2,452,013</u>	<u>1,452,000</u>
Revenue fund		
Beginning of year	528,744	27,100
Income from lease and rentals	559,555	542,007
Transfers to programs	-	(40,363)
Net change in balance	<u>559,555</u>	<u>501,644</u>
End of year	<u>1,088,299</u>	<u>528,744</u>
Total trust funds	<u>3,540,312</u>	<u>1,980,744</u>

Cold Lake First Nations**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2015

8. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

	<i>[restated - note 2]</i>	
	2015	2014
	\$	\$
Beginning of year as previously reported	46,750,254	32,759,180
Restatement [note 2]	<u>(3,249,684)</u>	<u>(624,235)</u>
Beginning of year, restated	<u>43,500,570</u>	<u>32,134,945</u>
Share of income	8,334,583	14,854,114
Advances from government business enterprises	<u>(10,206,606)</u>	<u>(3,488,489)</u>
Advances to and investment in government business enterprises	<u>16,834,838</u>	-
End of year	<u>58,463,385</u>	<u>43,500,570</u>

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

8. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES - CONTINUED

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>
CLFN - AXYS LP	51%	December 31, 2014
CLFN Economic Development Corp.	100%	March 31, 2015
CLFN Freehold Lands LP	50%	March 31, 2015
CLFN Hotel LP	100%	March 31, 2015
CLFN Lyncorp LP	50%	December 31, 2014
CLFN Sawmill & Training Centre Ltd.	100%	March 31, 2015
Casino Dene LP	100%	March 31, 2015
Cold Lake First Nations Casino Corp.	100%	March 31, 2015
Comec LP	51%	January 31, 2015
Dechen LP	100%	March 31, 2015
Dene-Cor Construction LP	51%	December 31, 2014
Denetech LP	100%	March 31, 2015
Primco Commercial Corp.	100%	September 30, 2014
Primco Commercial LP	100%	September 30, 2014
Primco Dene (EMS) LP	100%	September 30, 2014
Primco Dene (EMS) Ltd.	100%	September 30, 2014
Primco Dene Catering Corp.	100%	September 30, 2014
Primco Dene Catering LP	100%	September 30, 2014
Primco Dene LP	100%	September 30, 2014
Primco Dene Ltd.	100%	September 30, 2014
Primco Security Services LP	100%	September 30, 2014
Primco Security Services Ltd.	100%	September 30, 2014
Savanna Energy Services LP #10	50%	December 31, 2014
Seven Lakes Oilfield Services LP	50%	December 31, 2014
Treaty First Nations LP	100%	March 31, 2015
Tri Rez Legoff Energy Ltd.	100%	March 31, 2015
Tri-Rez Energy Services LP	100%	March 31, 2015
Tri-Rez Energy Services Ltd.	100%	March 31, 2015

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 CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

8. 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.

9. LONG-TERM DEBT

	2015 \$	2014 \$
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	7,750,000	5,268,474
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 \$25,000 per month plus interest, due September 2017, collateralized as disclosed below	750,000	1,050,000
First Nations Bank of Canada loan repaid during the year	-	25,000
First Nations Bank of Canada loan repaid during the year	-	50,000
BMO demand loan bearing interest at prime plus 1% per annum (effective rate of 3.25% at year end), repayable at \$24,444 per month plus interest, due January 2030, collateralized by a promissory note provided by Cold Lake First Nations	<u>4,351,110</u>	-
	<u>12,851,110</u>	<u>6,393,474</u>

Interest paid on long-term debt amounted to \$1,479,698 (2014 - \$666,768) during the year.

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

9. LONG-TERM DEBT - CONTINUED

Future estimated principal and interest payments on long-term debt over the next five years are as follows:

2016	\$ 10,293,111
2017	\$ 772,305
2018	\$ 600,276
2019	\$ 434,622
2020	\$ 422,155

Collateral for the First Nations Bank of Canada loans consists of a redirection of income allocations from Primrose Lake Trust to First Nations Bank of Canada and an assignment of Risk Insurance with first loss payable to First Nations Bank of Canada.

10. 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.

11. CREDIT FACILITIES

As at March 31, 2015, 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.

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

12. 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, 2015, Cold Lake First Nations has unfunded CMHC replacement reserves in the amount of \$114,020 (2014 - \$114,020).

As at March 31, 2015, 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 \$5,000,000 for loans provided to Casino Dene LP. At March 31, 2015, the outstanding balance on these loans is \$4,460,220.

Cold Lake First Nations has provided a guarantee in the aggregate amount of \$12,337,000 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 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, 2015, the outstanding balance on these facilities is \$5,143,361.

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.

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

13. 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.

14. COMPARATIVE FIGURES

Certain 2014 comparative figures have been reclassified to conform with the financial statement presentation adopted by the company for the year ended March 31, 2015.

CONSOLIDATED SEGMENT DISCLOSURES

Year ended March 31

	Administration / Governance	Health	Social Programs	Infrastructure	Education	Other Programs	Other	Total
<u>2015</u>								
Revenue								
FNDF	\$ 1,485,336	\$ 36,200	\$ 6,000	\$ 2,154,936	\$ 112,500	\$ 2,282,293	\$ 140,700	\$ 5,922,565
Donations	4,257,017	-	1,485,159	1,467,788	460,259	211,090	-	5,681,167
AANDC	558,088	-	230,128	1,518,109	75,476	176,536	-	4,182,384
Dene Ts'Edi Society grants	309,312	90,811	-	-	-	-	-	2,401,372
FNJHB	-	1,661,952	-	-	-	-	-	1,661,952
Other	885,278	26,039	448,127	102,276	171,350	452,137	-	2,085,207
Net contributions carried forward	-	-	(189,330)	(1,532,824)	-	(1,677,802)	-	(3,459,956)
Income allocation from Primrose Lake Trust	-	-	-	-	-	-	-	-
Share of income from Government Business Enterprises	-	-	-	-	-	-	-	-
7,495,031	1,815,002	1,980,084	4,779,035	819,585	1,584,954	9,922,7132	8,334,583	8,334,583
<u>2014</u>								
Expenses								
Salaries and benefits	1,290,153	1,172,758	712,377	1,302,987	649,839	472,696	-	5,600,810
Subcontractors	234,178	110,022	92,925	1,238,677	2,015	267,186	-	1,942,003
Professional fees	1,896,686	6,919	63	3,189	-	26,888	-	1,933,745
Materials and supplies	35,048	301,069	86,052	823,333	85,617	345,104	-	1,676,223
Interest	108,331	7	490	40,139	-	1,439,320	-	1,588,287
Amortization	25,129	59,697	26,462	792,921	3,187	160,685	-	1,068,081
Allowances	-	-	978,679	-	-	-	-	978,679
Travel	608,267	94,026	41,709	58,697	18,134	95,374	-	916,207
Honoraria	73,848	2,880	400	-	-	85,416	-	825,544
Telephone and utilities	53,440	17,237	9,613	374,005	4,396	285,657	-	744,348
Other	1,250,510	246,666	171,964	836,272	647,658	142,579	-	3,295,649
6,235,590	2,011,281	2,120,734	5,470,220	1,410,846	3,320,905	-	-	20,569,576
\$ 1,252,441	\$ (196,279)	\$ (140,650)	\$ (691,185)	\$ (591,261)	\$ (1,735,951)	\$ (1,731,247)	\$ 9,927,132	\$ 7,831,247

CONSOLIDATED SEGMENT DISCLOSURES

Year ended March 31

	Administration / Governance	Health	Social Programs	Infrastructure	Education	Other Programs	Other	Total
2014								
Revenue								
FNDF	\$ 950,000	\$ -	\$ 1,592,955	\$ 279,064	\$ 4,340,420	\$ -	\$ 5,569,484	
ANDC	565,661	-	241,324	1,529,552	479,583	168,995	4,336,716	
Dene Ts'Edi Society grants	499,906	-	1,229,949	62,125	-	76,270	2,109,574	
FNHB	1,692,172	-	-	-	257,217	-	1,692,172	
Donations	1,202,761	20,200	-	250,000	-	305,625	-	2,035,803
Trust fund transfers	839,589	-	-	327,871	40,363	-	-	1,207,823
Other	242,771	15,046	269,892	186,669	51	481,042	-	1,195,471
Net contributions carried forward	-	-	-	1,259,555	-	315,734	-	1,575,329
Income allocation from Primrose Lake Trust	-	-	-	-	-	-	855,822	855,822
Share of income from Government Business Enterprises	<u>4,300,688</u>	<u>1,727,418</u>	<u>2,104,171</u>	<u>5,062,670</u>	<u>839,339</u>	<u>5,688,086</u>	<u>14,854,114</u>	<u>14,854,114</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	1,458,529	-	173	-	-	-	-	1,458,702
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	680,080	3,959	195,328	-	1,010,978
Allowances	-	-	964,433	-	-	-	-	964,433
Honoraria	656,128	1,906	400	2,400	2,500	190,805	-	854,139
Telephone and utilities	52,360	16,297	11,548	458,035	5,346	307,438	-	851,024
Interest	165,973	-	1,760	58,303	-	530,225	-	756,261
Travel	357,002	77,982	48,973	39,635	26,209	141,376	-	691,177
Other	1,776,139	253,133	123,267	952,988	734,059	737,254	-	4,576,840
<u>6,147,629</u>	<u>1,755,854</u>	<u>2,162,569</u>	<u>5,050,080</u>	<u>1,401,040</u>	<u>3,257,975</u>	<u>-</u>	<u>-</u>	<u>19,775,147</u>
<u>\$ (1,846,941)</u>	<u>\$ (28,436)</u>	<u>\$ (58,398)</u>	<u>\$ 12,590</u>	<u>\$ (561,701)</u>	<u>\$ 2,430,111</u>	<u>\$ 15,709,936</u>	<u>\$ 15,657,161</u>	

**SUPPLEMENTARY INFORMATION FOR THE MODIFIED EQUITY
METHOD - GOVERNMENT BUSINESS ENTERPRISES**

Year ended March 31

Unaudited

	2015 \$	2014 \$
Aggregated balance sheet information:		
ASSETS		
Cash	17,167,960	10,657,219
Accounts receivable	22,851,708	43,439,140
Inventory	634,153	583,812
Prepaid expenses	832,230	330,906
Property, plant, and equipment	53,227,992	41,234,896
Due from related parties	25,888,895	12,874,894
Investments	250,866	-
Other assets	1,374,590	1,610,361
	122,228,394	110,731,228
LIABILITIES AND EQUITY		
Bank indebtedness	1,048,388	1,585,038
Accounts payable	15,824,749	24,113,364
Due to related parties	28,723,965	15,865,968
Callable debt	5,491,921	6,323,372
Long term debt	9,879,311	9,169,166
Capital leases	5,211,964	3,890,359
Other liabilities	638,759	669,034
Equity	55,409,331	49,114,927
	122,228,388	110,731,228
Aggregated income statement information:		
Revenue	153,595,353	201,639,597
Expenses	145,260,770	186,785,483
Net income	8,334,583	14,854,114

