

Consolidated Financial Statements

**Cold Lake First Nations**

March 31, 2017



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## **COLD LAKE FIRST NATIONS**

PO Box 1769  
Cold Lake, Alberta  
T9M 1P4

Phone: (780) 594-7183  
Fax: (780) 594-3577

**MARCH 31, 2017**

### **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, 2017 and the consolidated statements of operations and accumulated surplus, 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 includes 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 is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of **Cold Lake First Nations** as at March 31, 2017 and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta  
July 31, 2017

*Ernst & Young LLP*

Chartered Professional Accountants



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**Cold Lake First Nations**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at March 31


	2017	2016
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash [note 2]	1,377,813	3,009,594
Temporary investments [note 3]	483,686	927,115
Accounts receivable [note 4]	5,775,917	4,264,510
Trust funds [note 5]	1,529,303	2,091,965
Investment in Government Business Enterprises [note 6]	65,834,643	64,896,555
	<u>75,001,362</u>	<u>75,189,739</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities [note 7]	6,279,362	6,033,507
Contributions carried forward	1,689,514	2,369,948
Long-term debt [note 8]	21,327,975	16,671,041
	<u>29,296,851</u>	<u>25,074,496</u>
<b>NET FINANCIAL ASSETS</b>	<u>45,704,511</u>	<u>50,115,243</u>
<b>NON-FINANCIAL ASSETS</b>		
Deposits and prepaid expenses	114,116	42,723
Tangible capital assets [schedule 1]	25,551,042	23,410,810
	<u>25,665,158</u>	<u>23,453,533</u>
<b>ACCUMULATED SURPLUS [schedule 3]</b>	<u>71,369,669</u>	<u>73,568,776</u>

Contingencies [note 11]

See accompanying notes

Approved by the First Nation:

  
\_\_\_\_\_  
Councilor

\_\_\_\_\_  
Councilor  
  
\_\_\_\_\_  
Councilor

\_\_\_\_\_  
Chief

  
\_\_\_\_\_  
Councilor  
  
\_\_\_\_\_  
Councilor  
  
\_\_\_\_\_  
Councilor

# Cold Lake First Nations

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

Year ended March 31

	2017 \$	Budget \$	2016 \$
<b>REVENUES</b>			
Indigenous and Northern Affairs Canada (INAC)	5,470,915	4,216,004	6,912,602
First Nations Development Fund (FNDF)	4,802,729	2,900,000	5,337,130
Donations	3,575,940	688,262	3,968,711
Dene Ts'Edı Society grants	2,198,724	1,427,027	1,566,099
First Nations and Inuit Health Branch (FNIHB)	2,045,522	1,601,570	1,862,171
Trust fund transfers	1,443,817	-	2,275,961
Other government grants	1,129,826	791,099	1,023,888
Other	842,879	6,940,127	302,742
Gain on disposal of tangible capital assets	73,312	-	-
Interest and other investment income	9,442	-	94,979
Net contributions carried forward from prior year	661,058	-	1,479,728
	<b>22,254,164</b>	<b>18,564,089</b>	<b>24,824,011</b>
<b>EXPENSES</b>			
Administration and governance	6,099,373	6,058,967	6,211,115
Infrastructure	5,974,185	4,539,481	6,315,396
Social	2,372,196	2,187,371	2,272,233
Health	2,323,195	2,006,933	2,318,003
Education	1,503,075	955,406	998,348
Other	5,548,150	2,815,931	7,425,070
	<b>23,820,174</b>	<b>18,564,089</b>	<b>25,540,165</b>
<b>Deficit from operations before other income (expense)</b>	<b>(1,566,010)</b>	<b>-</b>	<b>(716,154)</b>
<b>OTHER INCOME (EXPENSE)</b>			
Income allocation from Primrose Lake Trust <i>[note 9]</i>	1,536,324	-	1,561,245
Share of income from Government			
Business Enterprises <i>[note 6]</i>	186,109	-	4,808,448
Write-off of investment in Government			
Business Enterprise <i>[note 6]</i>	(1,792,868)	-	-
	<b>(70,435)</b>	<b>-</b>	<b>6,369,693</b>
<b>Surplus (deficit) of revenues over expenses</b>	<b>(1,636,445)</b>	<b>-</b>	<b>5,653,539</b>
Accumulated surplus, beginning of year	73,568,776	-	69,363,584
Net change in trust funds	(562,662)	-	(1,448,347)
<b>Accumulated surplus, end of year</b>	<b>71,369,669</b>	<b>-</b>	<b>73,568,776</b>

See accompanying notes

**Cold Lake First Nations**

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

Year ended March 31

	2017 \$	2016 \$
<b>Surplus (deficit) of revenues over expenses</b>	<b>(1,636,445)</b>	<b>5,653,539</b>
Acquisition of tangible capital assets	(3,627,371)	(6,375,327)
Amortization of tangible capital assets	1,391,408	1,223,179
Proceeds on disposal of tangible capital assets	169,042	-
Gain on disposal of tangible capital assets	(73,312)	-
Change in deposits and prepaid expenses	(71,392)	39,909
Change in trust funds	(562,662)	(1,448,347)
	<b>(2,774,287)</b>	<b>(6,560,586)</b>
<b>Change in net financial assets</b>	<b>(4,410,732)</b>	<b>(907,047)</b>
Net financial assets, beginning of year	<b>50,115,243</b>	<b>51,022,290</b>
<b>Net financial assets, end of year</b>	<b>45,704,511</b>	<b>50,115,243</b>

*See accompanying notes*

# Cold Lake First Nations

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31

	2017 \$	2016 \$
<b>OPERATING ACTIVITIES</b>		
Surplus (deficit) of revenues over expenses for the year	(1,636,445)	5,653,539
Add (deduct) items not affecting cash.		
Amortization of tangible capital assets	1,391,408	1,223,179
Write-off of investment in Government Business Enterprise	1,792,868	-
Share of income from Government Business Enterprises	(186,109)	(4,808,448)
Gain on disposal of tangible capital assets	(73,312)	-
	<u>1,288,410</u>	<u>2,068,270</u>
Changes in non-cash working capital.		
Increase in accounts receivable	(1,511,407)	(1,148,263)
(Increase) decrease in deposits and prepaid expenses	(71,393)	39,909
Increase in accounts payable and accrued liabilities	245,856	2,826,843
Decrease in contributions carried forward	(680,434)	(1,490,062)
	<u>(2,017,378)</u>	<u>228,427</u>
<b>Cash provided by (used in) operating activities</b>	<u>(728,968)</u>	<u>2,296,697</u>
<b>FINANCING ACTIVITIES</b>		
Long-term debt obtained	5,447,078	10,750,000
Repayment of long-term debt	(790,144)	(6,930,069)
<b>Cash provided by financing activities</b>	<u>4,656,934</u>	<u>3,819,931</u>
<b>CAPITAL ACTIVITIES</b>		
Additions to tangible capital assets	(3,627,371)	(6,375,327)
Proceeds on disposal of tangible capital assets	169,042	-
<b>Cash used in capital activities</b>	<u>(3,458,329)</u>	<u>(6,375,327)</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds on sale of temporary investments	452,906	-
Purchase of temporary investments	(9,477)	(9,434)
Advances to Government Business Enterprises	(4,763,868)	(5,909,624)
Advances from Government Business Enterprises	2,219,021	4,284,902
<b>Cash used in investing activities</b>	<u>(2,101,418)</u>	<u>(1,634,156)</u>
Decrease in cash	(1,631,781)	(1,892,855)
Cash, beginning of year	3,009,594	4,902,449
<b>Cash, end of year</b>	<u>1,377,813</u>	<u>3,009,594</u>

See accompanying notes



# CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

Year ended March 31

	2017							2016	
	Band buildings \$	Housing / mobile homes \$	Equipment / heavy equipment \$	Infrastructure \$	Automotive \$	Furniture and fixtures \$	Fences \$	Total \$	Total \$
<b>COST</b>									
Balance, beginning of the year	2,701,397	17,836,764	3,347,298	5,507,245	2,118,503	341,395	34,000	31,886,602	25,511,275
Acquisition of tangible capital assets	-	3,193,440	385,434	-	48,497	-	-	3,627,371	6,375,327
Disposal of tangible capital assets	-	-	(390,878)	-	-	-	-	(390,878)	-
Balance, end of the year	2,701,397	21,030,204	3,341,854	5,507,245	2,167,000	341,395	34,000	35,123,095	31,886,602
<b>ACCUMULATED AMORTIZATION</b>									
Balance, beginning of the year	872,027	2,882,425	1,951,127	664,203	1,818,484	262,740	24,786	8,475,792	7,252,616
Annual amortization	73,175	638,848	345,163	220,290	97,280	15,732	921	1,391,409	1,223,176
Accumulated amortization on disposals	-	-	(295,148)	-	-	-	-	(295,148)	-
Balance, end of the year	945,202	3,521,273	2,001,142	884,493	1,915,764	278,472	25,707	9,572,053	8,475,792
<b>Net book value</b>	<b>1,756,195</b>	<b>17,508,931</b>	<b>1,340,712</b>	<b>4,622,752</b>	<b>251,236</b>	<b>62,923</b>	<b>8,293</b>	<b>25,551,042</b>	<b>23,410,810</b>
2016 Net book value	1,829,370	14,954,339	1,396,171	4,843,042	300,019	78,655	9,214	23,410,810	

Included in housing is \$417,600 (2016 - \$2,607,359) of units under construction on which amortization has not been claimed

During the prior year the Nation capitalized \$2,433,000 of infrastructure work which was performed by one of Cold Lake First Nations' Government Business Enterprises. The transactions were in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

See accompanying notes

**CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT**

Year ended March 31

	2017	Budget	2016
	\$	\$	\$
Salaries and benefits	5,978,274	6,131,065	6,081,350
Professional fees and consultants	2,584,330	2,265,000	1,787,686
Subcontractors	2,525,445	2,135,508	3,050,679
Interest	1,759,607	146,072	1,505,682
Materials and supplies	1,511,481	1,532,216	1,714,421
Amortization of tangible capital assets	1,391,408	-	1,223,179
Allowances	1,063,288	987,388	888,887
Honoraria	988,330	792,920	1,033,432
Telephone and utilities	871,138	876,950	912,053
Grants	640,000	-	2,553,888
Travel	628,450	558,614	950,638
Repairs and maintenance	466,028	302,227	642,900
Insurance	317,569	-	330,993
Other program delivery	3,094,826	2,836,129	2,864,377
	<b>23,820,174</b>	<b>18,564,089</b>	<b>25,540,165</b>

*See accompanying notes*

# CONSOLIDATED SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

Year ended March 31

	2017					2016	
	Unrestricted surplus (deficit)	Equity in business entities	Equity in tangible capital assets	Education Trust	CMHC reserve	Equity in trust funds	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Accumulated surplus, beginning of year</b>	(2,352,260)	52,469,376	20,625,902	619,773	114,020	2,091,965	73,568,776
Surplus (deficit) of revenues over expenses	(1,636,445)	-	-	-	-	-	(1,636,445)
Surplus relating to Government Business Enterprises	(186,109)	186,109	-	-	-	-	-
Advances from Government Business Enterprises	2,219,021	(2,219,021)	-	-	-	-	-
Advances to Government Business Enterprises	(4,763,868)	4,763,868	-	-	-	-	-
Net debt relating to Government Business Enterprises	1,878,382	(1,878,382)	-	-	-	-	-
Write-off of investment in Government Business Enterprise	-	1,792,868	(1,792,868)	-	-	-	-
Additions to tangible capital assets	(3,633,838)	-	3,633,838	-	-	-	-
Amortization of tangible capital assets	1,391,408	-	(1,391,408)	-	-	-	-
Long-term debt for tangible capital assets obtained	3,010,123	-	(3,010,123)	-	-	-	-
Disposal of tangible capital assets	95,730	-	(95,730)	-	-	-	-
Repayments of long-term debt for tangible capital assets	(516,145)	-	516,145	-	-	-	-
Transfer - Education Trust	216,140	-	-	(216,140)	-	-	-
Net change in trust funds	-	-	-	-	-	(562,662)	(562,662)
<b>Accumulated surplus, end of year</b>	<b>(2,484,993)</b>	<b>51,529,082</b>	<b>20,278,624</b>	<b>403,633</b>	<b>114,020</b>	<b>1,529,303</b>	<b>71,369,669</b>

See accompanying notes

## **Cold Lake First Nations**

# **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2017

Cold Lake First Nations (the "Nation") is a First Nation located in northeast Alberta

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of presentation**

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

The financial statements reflect the revenues, expenses, assets, liabilities and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the Nation and which are owned or controlled by the Nation. Included in the reporting entity are Cold Lake First Nations and Cold Lake First Nations FNDF Corporation.

The investment in Government Business Enterprises 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.

### **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.

### **Temporary investments**

Fixed income investments are recorded at amortized cost. Purchase premiums and discounts are amortized on the effective interest basis over the terms of the issues. 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.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2017

### **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.

Leases are classified as capital or operating leases. Leases which transfer substantially all benefits and risks to the Nation are accounted for as capital leases. Assets under capital lease are included within the respective tangible capital asset classifications. All other leases are accounted for as operating leases and the related lease payments are charged to expense on a straight-line basis over the lease term.

## **Cold Lake First Nations**

# **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2017

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

### **Revenue recognition**

Government transfers are the transfer of monetary assets or tangible capital assets from other governments that are not the result of an exchange transaction and for which there is no future expectation of repayment or direct financial return to the transferor. The Nation receives government transfers from the Federal and Provincial governments to fund operating and capital expenditures. These transfers to the Nation are recognized as revenues when the transfers are authorized and all eligibility criteria have been met, except when the transfer gives rise to an obligation that meets the definition of a liability. Prior to that time, any amounts received are included in the statement of financial position as contributions carried forward.

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 by INAC. Approved withdrawals which are not yet expended for the intended purpose are included in the statement of financial position as contributions carried forward. The 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.

### **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 \$190,668 (2016 - \$183,394) 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. Non-financial assets are comprised of tangible capital assets and deposits and prepaid expenses. 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, 2017

## **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, 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 temporary 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. CASH**

Included in cash is \$1,128,033 (2016 - \$1,281,453) held in lawyer's trust accounts for the benefit of the Nation.

## **3. TEMPORARY INVESTMENTS**

Included in temporary investments are money market mutual funds and cashable guaranteed investment certificates. The guaranteed investment certificates bear interest at rates between 0.175% to 0.6% and mature at dates between August 2017 and February 2018. As disclosed in note 10 certain of these investments are held as collateral for various loans and credit facilities and are restricted in use.

## Cold Lake First Nations

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017

#### 4. ACCOUNTS RECEIVABLE

	2017 \$	2016 \$
Grants and other receivables	2,201,600	1,995,538
Due from Primrose Lake Trust	3,574,317	2,268,972
	<u>5,775,917</u>	<u>4,264,510</u>

Included in grants and other receivables is \$286,293 (2016 - \$298,981) due from Government Business Enterprises. The balance due from Primrose Lake Trust is non-interest bearing, unsecured and due on demand.

#### 5. TRUST FUNDS

Trust funds are considered internally restricted assets, and are controlled directly by the Department of Indigenous and Northern Affairs Canada. 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 Indigenous and Northern Affairs Canada. The 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:

	2017 \$	2016 \$
<b>Capital fund</b>		
Beginning of year	1,062,862	1,950,370
Income from oil and gas royalties	135,274	333,212
Transfers to programs	(1,068,444)	(1,220,720)
Net change in balance	<u>(933,170)</u>	<u>(887,508)</u>
End of year	<u>129,692</u>	<u>1,062,862</u>
<b>Revenue fund</b>		
Beginning of year	1,029,103	1,589,942
Income from lease and rentals	745,881	494,402
Transfers to programs	(375,373)	(1,055,241)
Net change in balance	<u>370,508</u>	<u>(560,839)</u>
End of year	<u>1,399,611</u>	<u>1,029,103</u>
<b>Total</b>	<u>1,529,303</u>	<u>2,091,965</u>



## Cold Lake First Nations

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017

#### 6. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

	2017 \$	2016 \$
Beginning of year	64,896,555	58,463,385
Share of income	186,109	4,808,448
Advances from Government Business Enterprises	(2,219,021)	(4,284,902)
Advances to and investment in Government Business Enterprises	4,763,868	5,909,624
Write-off of investment in Government Business Enterprise	(1,792,868)	-
End of year	65,834,643	64,896,555

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
CLFN Economic Development Corp	100%	March 31
CLFN Hotel LP	100%	March 31
CLFN Sawmill & Training Centre Ltd	100%	March 31
Cold Lake Freehold Lands LP	100%	March 31
Cold Lake - Lyncorp LP	50%	December 31
Casino Dene LP	100%	March 31
Cold Lake First Nations Casino Corporation	100%	March 31
Comec Industrial Services LP	51%	January 31
Dechen LP	100%	March 31
Denetech LP	100%	March 31
Harailya LP	60%	March 31
Ne Nenne Environmental LP	100%	December 31
Primco Commercial Corp	100%	September 30
Primco Commercial LP	100%	September 30
Primco Dene (EMS) LP	100%	September 30
Primco Dene (EMS) Ltd	100%	September 30
Primco Dene Catering Corp	100%	September 30
Primco Dene Catering LP	100%	September 30
Primco Dene LP	100%	September 30
Primco Dene Ltd.	100%	September 30
Primco Security Services LP	100%	September 30
Savanna Energy Services LP #10	50%	December 31
Seven Lakes Oilfield Services LP	50%	December 31
Treaty First Nations LP	100%	December 31
Tri Rez Legoff Energy Ltd	100%	March 31
Tri-Rez Energy Services LP	100%	March 31
Tri-Rez Energy Services Ltd.	100%	March 31

## **Cold Lake First Nations**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2017

#### **6. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES - CONTINUED**

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

Subsequent to year end, one of the Nation's Government Business Enterprises filed a Notice of Intention to make a proposal under the Bankruptcy and Insolvency Act. As a result, the Nation has recorded a write-down of \$1,792,868 on this investment

#### **7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2017 \$	2016 \$
Trade payables and accrued liabilities	2,034,012	3,246,472
Interest payable to Primrose Lake Trust	4,245,350	2,787,035
	<u>6,279,362</u>	<u>6,033,507</u>

Included in trade payables and accrued liabilities is \$491,282 (2016 - \$1,209,367) owing to Government Business Enterprises

## Cold Lake First Nations

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017

#### 8. LONG-TERM DEBT

	2017 \$	2016 \$
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	12,266,673	10,119,402
First Nations Bank of Canada loan bearing interest at prime plus 1.25% per annum (effective rate of 3.95% at year end), repayable at \$25,000 per month plus interest, due September 2017, collateralized by a redirection of income allocations from Primrose Lake Trust and an assignment of insurance	150,000	450,000
Agland Financial loan agreements bearing interest at rates between 3.25% to 3.5% per annum, repayable in semi-annual payments of \$32,596 in aggregate, due between May and June 2018, collateralized by specific equipment with a net book value of \$213,173	94,512	49,310
BMO demand loan bearing interest at prime plus 1% per annum (effective rate at year end of 3.7%), repayable in monthly principal payments of \$44,907 plus interest, due September 2025, collateralized by a promissory note provided by Cold Lake First Nations. The loan is being repaid by a grant received from the Dene Ts'Edı Society.	4,610,302	1,994,552
BMO demand loan bearing interest at prime plus 1% per annum (effective rate of 3.7% 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	3,788,888	4,057,777
TD Canada Trust interim construction loan, authorized to a maximum of \$1,250,000, bearing interest at prime plus 1.5% (effective rate at year end of 4.2%). Once fully drawn, the loan will be repaid in equal month principal payments (determined based on a maximum amortization of 60 months) plus interest at prime plus 1%. The loan is collateralized as described in note 10	417,600	-
	<u>21,327,975</u>	<u>16,671,041</u>

## **Cold Lake First Nations**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2017

#### **8. LONG-TERM DEBT - CONTINUED**

Interest incurred on long-term debt amounted to \$1,670,168 (2016 - \$1,277,429) during the year. During the year, the Nation incurred interest of \$1,458,315 (2016 - \$1,240,774) on the loans with Primrose Lake Trust.

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

2018	\$ 19,242,192
2019	\$ 1,159,225
2020	\$ 1,092,606
2021	\$ 1,058,584
2022	\$ 1,024,562
2023 and subsequent	\$ 4,768,107

#### **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, 2017, 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 3.7% at year end). At year end the balance on this line of credit was \$nil (2016 - \$nil). This line of credit and the revolving construction loan as outlined in note 8 are collateralized by a direction of INAC funding, an assignment of certain temporary investments in the aggregate amount of \$340,000 and a guarantee in the amount of \$2,000,000 provided by Cold Lake First Nations.

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 rate plus 2% (effective rate of 5.75% at year end), collateralized by a direction of INAC funding and an assignment of monies due from a particular contract of accounts. At year end the balance on this line of credit was \$nil (2016 - \$nil).

## **Cold Lake First Nations**

# **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2017

## **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.

Cold Lake First Nations has provided guarantees in the aggregate amount of \$49,000,000 on credit facilities provided to certain of its Government Business Enterprises. At March 31, 2017, the aggregate outstanding balance on these facilities was \$36,619,822. These facilities are also collateralized by specific assets of the relevant Government Business Enterprises and the Nation would only be required to act upon its guarantees if the Enterprises were unable to satisfy the debts with its own assets. As part of its guarantee, the Nation has identified FNDF revenues as being available to support certain of the Nation's guarantee if required.

Cold Lake First Nations has previously provided a guarantee for one of its Government Business Enterprises. Subsequent to year end, this entity filed a Notice of Intention to make a proposal under the Bankruptcy and Insolvency Act. According to the court filings, the amount of the guaranteed debt to which the Nation could potentially be liable for is \$2,300,164. The entity is currently undergoing a bankruptcy process whereby its remaining assets will be liquidated and the funds from the liquidation will be used to pay down this debt. The Nation would be required to act upon its guarantee if there are insufficient funds realized from the liquidation of the entity's assets to satisfy this debt. The entity's asset liquidation process has not yet occurred and therefore an accrual has not been made for any potential liability.

## **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 2016 comparative figures have been reclassified to conform with the financial statement presentation adopted by the Nation for the year ended March 31, 2017.

## CONSOLIDATED SEGMENT DISCLOSURES

Year ended March 31

	Administration / Governance	Health	Social Programs	Infrastructure	Education	Other Programs	Other	Total
								2017
<b>Revenue</b>								
INAC	\$ 631,621	\$ -	\$ 1,503,498	\$ 1,610,140	\$ 762,143	\$ 963,513	\$ -	\$ 5,470,915
FNDF	1,200,000	-	-	-	-	3,602,729	-	4,802,729
Donations	1,595,267	-	8,750	1,431,923	93,009	447,000	-	3,575,940
Trust fund transfers	827,640	97,071	88,302	430,804	-	-	-	1,443,817
FNHIB	181,854	1,863,668	-	-	-	-	-	2,045,522
Dene Ts'Edi Society grants	232,903	362,241	200,819	905,227	249,502	248,032	-	2,198,724
Other	560,152	6,840	438,816	197,713	192,550	659,388	-	2,055,459
Net contributions carried forward	(1,872)	-	95,191	800,934	(49,072)	(184,123)	-	661,058
	<u>5,227,565</u>	<u>2,329,820</u>	<u>2,335,376</u>	<u>5,376,741</u>	<u>1,248,123</u>	<u>5,736,539</u>	<u>-</u>	<u>22,254,164</u>
<b>Expenses</b>								
Salaries and benefits	1,828,936	1,251,341	846,235	1,093,661	607,498	350,604	-	5,978,275
Subcontractors	132,039	177,585	127,618	1,487,178	145,743	455,282	-	2,525,445
Grants	-	-	-	-	-	640,000	-	640,000
Professional fees	2,344,538	110	80	138,939	-	100,664	-	2,584,331
Materials and supplies	47,517	216,141	59,429	699,130	263,772	225,716	-	1,511,705
Interest	84,080	-	-	213,769	-	1,461,740	-	1,759,589
Amortization	20,504	38,678	24,625	1,036,969	2,860	267,773	-	1,391,409
Honoraria	914,695	12,700	425	-	14,858	45,653	-	988,331
Travel	358,537	58,794	82,542	35,891	41,349	51,338	-	628,451
Telephone and utilities	80,740	23,339	15,434	426,018	5,335	320,272	-	871,138
Allowances	-	-	968,108	-	-	95,181	-	1,063,289
Other	287,787	544,507	247,700	842,630	421,660	1,533,927	-	3,878,211
	<u>6,099,373</u>	<u>2,323,195</u>	<u>2,372,196</u>	<u>5,974,185</u>	<u>1,503,075</u>	<u>5,548,150</u>	<u>-</u>	<u>23,820,174</u>
<b>Other income (expense)</b>								
Income allocation from Primrose Lake Trust	-	-	-	-	-	-	1,536,324	1,536,324
Share of income (loss) from Government Business Enterprises	-	-	-	-	-	-	186,109	186,109
Write-down of investment in Government Business Enterprise	-	-	-	-	-	-	(1,792,868)	(1,792,868)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(70,435)</u>	<u>(70,435)</u>
	<u>\$ (871,808)</u>	<u>\$ 6,625</u>	<u>\$ (36,820)</u>	<u>\$ (597,444)</u>	<u>\$ (254,952)</u>	<u>\$ 188,389</u>	<u>\$ (70,435)</u>	<u>\$ (1,636,445)</u>

## CONSOLIDATED SEGMENT DISCLOSURES

Year ended March 31

	Administration / Governance	Health	Social Programs	Infrastructure	Education	Other Programs	Other	Total
								2016
<b>Revenue</b>								
FNDF	\$ 1,263,367	\$ -	\$ -	\$ 1,037,942	\$ -	\$ 3,035,821	\$ -	\$ 5,337,130
Donations	3,264,503	13,333	-	301,000	103,350	286,525	-	3,968,711
INAC	623,474	-	1,528,657	1,533,924	503,657	2,722,890	-	6,912,602
Dene Ts'Edi Society grants	264,448	67,564	245,734	764,049	43,058	181,246	-	1,566,099
FNHBB	-	1,862,171	-	-	-	-	-	1,862,171
Trust fund transfers	537,130	157,201	103,948	729,000	61,090	687,592	-	2,275,961
Other	494,323	(9,306)	283,488	441,072	60,556	151,476	-	1,421,609
Net contributions carried forward	<u>(511,465)</u>	<u>-</u>	<u>19,139</u>	<u>775,911</u>	<u>-</u>	<u>1,196,143</u>	<u>-</u>	<u>1,479,728</u>
	<u>5,935,780</u>	<u>2,090,963</u>	<u>2,180,966</u>	<u>5,582,898</u>	<u>771,711</u>	<u>8,261,693</u>	<u>-</u>	<u>24,824,011</u>
<b>Expenses</b>								
Salaries and benefits	1,805,334	1,319,968	761,679	1,204,190	630,203	359,976	-	6,081,350
Subcontractors	160,727	154,588	139,037	1,835,583	61,782	698,963	-	3,050,680
Professional fees	1,785,366	2,270	50	-	-	1	-	1,787,687
Materials and supplies	69,300	282,250	122,434	841,467	37,807	361,161	-	1,714,419
Interest	227,653	34	-	37,220	-	1,240,774	-	1,505,681
Amortization	22,051	43,445	25,213	920,254	3,167	209,052	-	1,223,182
Allowances	-	-	888,887	-	-	-	-	888,887
Travel	541,075	118,748	77,034	65,700	55,011	93,069	-	950,637
Honoraria	953,001	1,000	225	-	150	79,054	-	1,033,430
Telephone and utilities	61,361	24,381	15,664	496,188	6,315	308,142	-	912,051
Grants	-	-	-	-	-	2,553,888	-	2,553,888
Other	<u>585,247</u>	<u>371,319</u>	<u>242,010</u>	<u>914,794</u>	<u>203,913</u>	<u>1,520,990</u>	<u>-</u>	<u>3,838,273</u>
	<u>6,211,115</u>	<u>2,318,003</u>	<u>2,272,233</u>	<u>6,315,396</u>	<u>998,348</u>	<u>7,425,070</u>	<u>-</u>	<u>25,540,165</u>
<b>Other income (expense)</b>								
Income allocation from Primrose Lake Trust	-	-	-	-	-	-	1,561,245	1,561,245
Share of income from Government Business Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,808,448</u>	<u>4,808,448</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,369,693</u>	<u>6,369,693</u>
	<u>\$ (275,335)</u>	<u>\$ (227,040)</u>	<u>\$ (91,267)</u>	<u>\$ (732,498)</u>	<u>\$ (226,637)</u>	<u>\$ 836,623</u>	<u>\$ 6,369,693</u>	<u>\$ 5,653,539</u>

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

Year ended March 31

Unaudited

	2017 \$	2016 \$
<b>Aggregated balance sheet information:</b>		
<b>ASSETS</b>		
Cash	8,751,885	8,921,905
Temporary investments	507,532	-
Accounts receivable	8,915,309	14,888,812
Inventory	610,357	1,448,566
Prepaid expenses	463,367	701,969
Property, plant, and equipment	81,189,410	65,089,015
Due from related parties	40,666,117	36,914,208
Investments	8,922,184	11,008,198
Other assets	1,369,403	813,435
	<b>151,395,564</b>	<b>139,786,108</b>
<b>LIABILITIES AND EQUITY</b>		
Bank indebtedness	1,850,652	2,700,162
Accounts payable	6,173,748	12,254,443
Due to related parties	41,493,996	38,551,901
Callable debt	8,808,690	7,411,909
Long-term debt	27,969,163	12,132,019
Capital leases	1,717,747	4,385,203
Other liabilities	16,088	31,889
<b>Equity</b>	<b>63,364,480</b>	<b>62,318,582</b>
	<b>151,394,564</b>	<b>139,786,108</b>
<b>Aggregated income statement information:</b>		
Revenue	73,745,309	85,355,500
Expenses	73,559,200	80,547,052
Net income	186,109	4,808,448