

Consolidated Financial Statements

Cold Lake First Nations

March 31, 2018

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COLD LAKE FIRST NATIONS

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MARCH 31, 2018

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, 2018 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, 2018 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 27, 2018

Ernst & Young LLP

Chartered Professional Accountants



A member firm of Ernst & Young Global Limited

Cold Lake First Nations

CONSOLIDATED STATEMENT OF FINANCIAL POSITION





As at March 31

	2018 \$	2017 \$
FINANCIAL ASSETS		
Cash [note 2]	2,677,302	1,377,813
Temporary investments [note 3]	485,665	483,686
Accounts receivable [note 4]	6,780,196	5,775,917
Trust funds [note 5]	2,231,123	1,529,303
Investment in Government Business Enterprises [note 6]	55,316,284	65,834,643
	<u>67,490,570</u>	<u>75,001,362</u>
LIABILITIES		
Accounts payable and accrued liabilities [note 7]	8,992,810	6,336,812
Contributions carried forward	3,686,165	1,632,064
Long-term debt [note 8]	12,789,124	21,327,975
	<u>25,468,099</u>	<u>29,296,851</u>
NET FINANCIAL ASSETS	<u>42,022,471</u>	<u>45,704,511</u>
NON-FINANCIAL ASSETS		
Deposits and prepaid expenses	271,554	114,116
Tangible capital assets [schedule 1]	25,756,336	25,551,042
	<u>26,027,890</u>	<u>25,665,158</u>
ACCUMULATED SURPLUS [schedule 3]	<u>68,050,361</u>	<u>71,369,669</u>

Contingencies [note 11]

See accompanying notes

Approved by the First Nation:

 _____ Chief	_____ Councilor
 _____ Councilor	_____ Councilor
 _____ Councilor	_____ Councilor
 _____ Councilor	_____ Councilor

Cold Lake First Nations

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

Year ended March 31

	2018 \$	2018 Budget \$	2017 \$
REVENUES			
Indigenous and Northern Affairs Canada (INAC)	6,803,681	4,298,818	5,470,915
First Nations Development Fund (FNDF)	4,516,476	1,481,900	4,802,729
Donations	3,416,552	3,964,150	3,575,940
Other government grants	2,753,198	1,066,886	1,129,826
First Nations and Inuit Health Branch (FNIHB)	2,244,415	1,623,230	2,045,522
Dene Ts'Edi Society grants	1,439,380	905,131	2,198,724
Other	1,005,909	2,540,841	785,429
Trust fund transfers	240,000	-	1,443,817
Gain (loss) on disposal of tangible capital assets	(74,357)	-	73,312
Interest and other investment income	3,351	-	9,442
Contributions carried forward from prior year	1,525,788	-	2,244,296
Contributions carried forward to next year	(3,599,633)	-	(1,525,788)
	<u>20,274,760</u>	<u>15,880,956</u>	<u>22,254,164</u>
EXPENSES			
Administration and governance	5,597,049	5,311,182	6,099,373
Infrastructure	5,919,880	2,949,561	5,974,185
Social	2,395,928	2,260,161	2,372,196
Health	2,619,947	1,859,379	2,323,195
Education	918,217	1,147,084	1,503,075
Other	4,178,599	2,353,589	5,548,150
	<u>21,629,620</u>	<u>15,880,956</u>	<u>23,820,174</u>
Deficit from operations before other income (expense)	<u>(1,354,860)</u>	<u>-</u>	<u>(1,566,010)</u>
OTHER INCOME (EXPENSE)			
Income allocation from Primrose Lake Trust [note 9]	1,691,533	-	1,536,324
Share of income (loss) from Government			
Business Enterprises [note 6]	(3,457,802)	-	186,109
Write-off of investment in Government			
Business Enterprise [note 6]	-	-	(1,792,868)
Loan guarantee payout [note 6]	(900,000)	-	-
Net change in trust funds	701,821	-	(562,662)
	<u>(1,964,448)</u>	<u>-</u>	<u>(633,097)</u>
Deficiency of revenues over expenses	<u>(3,319,308)</u>	<u>-</u>	<u>(2,199,107)</u>
Accumulated surplus, beginning of year	71,369,669	-	73,568,776
Accumulated surplus, end of year	<u>68,050,361</u>	<u>-</u>	<u>71,369,669</u>

See accompanying notes

Cold Lake First Nations

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

Year ended March 31

	2018	2017
	\$	\$
Deficiency of revenues over expenses	(3,319,308)	(2,199,107)
Acquisition of tangible capital assets	(2,229,439)	(3,627,371)
Amortization of tangible capital assets	1,410,988	1,391,408
Proceeds on disposal of tangible capital assets	538,800	169,042
Gain (loss) on disposal of tangible capital assets	74,357	(73,312)
Change in deposits and prepaid expenses	(157,437)	(71,392)
	(362,731)	(2,211,625)
Change in net financial assets	(3,682,039)	(4,410,732)
Net financial assets, beginning of year	45,704,511	50,115,243
Net financial assets, end of year	42,022,472	45,704,511

See accompanying notes

Cold Lake First Nations

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31

	2018 \$	2017 \$
OPERATING ACTIVITIES		
Deficiency of revenues over expenses for the year	(3,319,308)	(2,199,107)
Add (deduct) items not affecting cash:		
Change in trust funds	(701,821)	562,662
Amortization of tangible capital assets	1,410,988	1,391,408
Write-off of investment in Government Business Enterprises	-	1,792,868
Share of income (loss) from Government Business Enterprises	3,457,802	(186,109)
Gain (loss) on disposal of tangible capital assets	74,357	(73,312)
	<u>922,018</u>	<u>1,288,410</u>
Changes in non-cash working capital:		
Increase in accounts receivable	(1,004,279)	(1,511,407)
Increase in deposits and prepaid expenses	(157,438)	(71,393)
Increase in accounts payable and accrued liabilities	2,655,999	303,306
Increase (decrease) in contributions carried forward	2,054,101	(737,884)
	<u>3,548,383</u>	<u>(2,017,378)</u>
Cash provided by (used in) operating activities	<u>4,470,401</u>	<u>(728,968)</u>
FINANCING ACTIVITIES		
Long-term debt obtained	1,295,210	5,447,078
Repayment of long-term debt	(9,834,061)	(790,144)
Cash provided by (used in) financing activities	<u>(8,538,851)</u>	<u>4,656,934</u>
CAPITAL ACTIVITIES		
Additions to tangible capital assets	(2,229,439)	(3,627,371)
Proceeds on disposal of tangible capital assets	538,800	169,042
Cash used in capital activities	<u>(1,690,639)</u>	<u>(3,458,329)</u>
INVESTING ACTIVITIES		
Proceeds on sale of temporary investments	-	452,906
Purchase of temporary investments	(1,979)	(9,477)
Advances to Government Business Enterprises	(3,464,441)	(4,763,868)
Advances from Government Business Enterprises	10,524,998	2,219,021
Cash provided by (used in) investing activities	<u>7,058,578</u>	<u>(2,101,418)</u>
Increase (decrease) in cash	1,299,489	(1,631,781)
Cash, beginning of year	1,377,813	3,009,594
Cash, end of year	<u>2,677,302</u>	<u>1,377,813</u>

See accompanying notes

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

Year ended March 31

	2018							2017	
	Band buildings \$	Housing / mobile homes \$	Equipment / heavy equipment \$	Infrastructure \$	Automotive \$	Furniture and fixtures \$	Fences \$	Total \$	Total \$
COST									
Balance, beginning 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
Acquisition of tangible capital assets	-	1,054,951	232,756	714,116	222,616	5,000	-	2,229,439	3,627,371
Disposal of tangible capital assets	-	-	(1,088,896)	-	(27,000)	-	-	(1,115,896)	(390,878)
Balance, end of the year	2,701,397	22,085,155	2,485,714	6,221,361	2,362,616	346,395	34,000	36,236,638	35,123,095
ACCUMULATED AMORTIZATION									
Balance, beginning 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
Annual amortization	70,247	790,856	197,205	234,572	103,944	13,335	829	1,410,988	1,391,409
Accumulated amortization on disposals	-	-	(491,804)	-	(10,935)	-	-	(502,739)	(295,148)
Balance, end of the year	1,015,449	4,312,129	1,706,543	1,119,065	2,008,773	291,807	26,536	10,480,302	9,572,053
Net book value	1,685,948	17,773,026	779,171	5,102,296	353,843	54,588	7,464	25,756,336	25,551,042
2017 Net book value	1,756,195	17,508,931	1,340,712	4,622,752	251,236	62,923	8,293	25,551,042	

Included in housing is nil (2017 - \$417,600) of units under construction on which amortization has not been claimed.

During the year the Nation capitalized \$183,330 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

	2018	Budget	2017
	\$	\$	\$
Salaries and benefits	5,385,042	5,681,990	5,978,274
Subcontractors	2,942,294	1,362,760	2,525,445
Professional fees and consultants	2,245,530	1,060,000	2,584,330
Interest	1,700,479	98,390	1,759,607
Amortization of tangible capital assets	1,410,988	-	1,391,408
Materials and supplies	1,214,856	1,356,538	1,511,481
Allowances	1,154,775	987,388	966,509
Telephone and utilities	922,382	735,235	871,138
Honoraria	847,224	686,450	988,330
Repairs and maintenance	482,727	178,725	466,028
Travel	542,039	643,227	628,450
Insurance	378,106	-	317,569
Grants	-	-	640,000
Other program delivery	2,403,178	3,090,253	3,191,605
	21,629,620	15,880,956	23,820,174

See accompanying notes

CONSOLIDATED SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

Year ended March 31

	2018					2017		
	Unrestricted surplus (deficit)	Equity in business entities	Equity in tangible capital assets	Education Trust	CMHC reserve	Equity in trust funds	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Accumulated surplus, beginning of year	(2,484,993)	51,529,082	20,278,624	403,633	114,020	1,529,303	71,369,669	73,568,776
Surplus (deficit) of revenues over expenses	(3,319,308)	-	-	-	-	-	(3,319,308)	(2,199,107)
Deficit - Government Business Enterprises	3,457,802	(3,457,802)	-	-	-	-	-	-
Advances from Government Business Enterprises	10,524,998	(10,524,998)	-	-	-	-	-	-
Advances to Government Business Enterprises	(3,464,441)	3,464,441	-	-	-	-	-	-
Net debt change - Government Business Enterprises	(7,242,847)	7,242,847	-	-	-	-	-	-
Additions to tangible capital assets	(2,135,674)	-	2,135,674	-	-	-	-	-
Amortization of tangible capital assets	1,406,299	-	(1,406,299)	-	-	-	-	-
Long-term debt obtained for tangible capital assets	587,396	-	(587,396)	-	-	-	-	-
Disposal of tangible capital assets	613,157	-	(613,157)	-	-	-	-	-
Long-term debt repayment - tangible capital assets	(783,401)	-	783,401	-	-	-	-	-
Transfer - Education Trust	52,816	-	-	(52,816)	-	-	-	-
Net change in trust funds	(701,821)	-	-	-	-	701,821	-	-
Accumulated surplus, end of year	(3,490,017)	48,253,570	20,590,847	350,817	114,020	2,231,124	68,050,361	71,369,669

See accompanying notes

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

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, Cold Lake First Nations FNDF Corporation and the Nu Ch'Anie Society.

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.

Adoption of new standards

The Nation has prospectively adopted the following standards from April 1, 2017: PS 2200 Related Party Disclosure, PS 3420 Inter-Entity Transactions, PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights. The adoption of these new standards did not have a material impact on the consolidated financial statements.

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 tangible capital assets and to test the impairment of tangible capital assets, estimates of accrued liabilities, and the valuation allowances for loan and accounts receivable. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

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 remaining in the Trust Fund 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 \$213,842 (2017 - \$190,668) 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, 2018

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 \$658,387 (2017 - \$1,128,033) 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 1.0% and mature at dates between August 2018 and February 2019. 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, 2018

4. ACCOUNTS RECEIVABLE

	2018 \$	2017 \$
Grants and other receivables	2,395,633	2,201,600
Due from Primrose Lake Trust	4,384,563	3,574,317
	<u>6,780,196</u>	<u>5,775,917</u>

Included in grants and other receivables is \$246,177 (2017 - \$286,293) 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:

	2018 \$	2017 \$
Capital fund		
Beginning of year	129,692	1,062,862
Income from oil and gas royalties	494,758	135,274
Transfers to programs	-	(1,068,444)
Net change in balance	<u>494,758</u>	<u>(933,170)</u>
End of year	<u>624,450</u>	<u>129,692</u>
Revenue fund		
Beginning of year	1,399,611	1,029,103
Income from lease and rentals	447,062	745,881
Transfers to programs	(240,000)	(375,373)
Net change in balance	<u>207,062</u>	<u>370,508</u>
End of year	<u>1,606,673</u>	<u>1,399,611</u>
Total	<u>2,231,123</u>	<u>1,529,303</u>

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

6. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

	2018 \$	2017 \$
Beginning of year	65,834,643	64,896,555
Share of income (loss)	(3,457,802)	186,109
Advances from Government Business Enterprises	(10,524,998)	(2,219,021)
Advances to and investment in Government Business Enterprises	3,464,441	4,763,868
Write-off of investment in Government Business Enterprise	-	(1,792,868)
End of year	55,316,284	65,834,643

Following is a summary of the percentage of the entities owned and the related year ends of the Government Business Enterprises:

	% ownership	Year end
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
Denetech LP	100%	March 31
Harailya LP	60%	March 31
Nu 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
Tri-Rez Oil & Gas Grader Division LP	100%	March 31
Kinosoo Global Surveys LP	51%	March 31

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

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.

During the year, one of the Nation's Government Business Enterprises filed a Notice of Intention to make a proposal under the Bankruptcy and Insolvency Act. During the prior year the Nation recorded a write-down of \$1,792,868 on this investment. In addition, during the year the Nation was required to act upon its guarantee for loans made to this corporation. The guarantee amount is not yet settled but the Nation has accrued \$900,000, the estimated maximum amount of its guarantee that it will be liable for.

During the year the Nation sold its investment in Cold Lake Free Hold Lands Limited Partnership to Primco Commercial Limited Partnership for its fair value of \$8,800,000. As consideration the Nation received a promissory note from Primco Commercial Limited Partnership which is non-interest bearing, unsecured and has no set terms of repayment. This transaction has been recorded at the carrying amount. As a result, the promissory note receivable and the gain on the disposition have not been reflected in the consolidated financial statements.

In the normal course of operations, the Nation transacts with certain of its Government Business Entities. All transactions are recorded at the exchange amount. The following table summarizes the related party transactions during the year:

	2018 \$	2017 \$
Supplies and materials	405,644	354,854
Subcontractors	296,436	289,744

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018 \$	2017 \$
Trade payables and accrued liabilities	3,462,616	2,091,462
Interest payable to Primrose Lake Trust	5,530,194	4,245,350
	<u>8,992,810</u>	<u>6,336,812</u>

Included in trade payables and accrued liabilities is \$547,750 (2017 - \$491,282) owing to Government Business Enterprises.

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

8. LONG-TERM DEBT

	2018 \$	2017 \$
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.	4,217,160	12,266,673
First Nations Bank of Canada loan repaid during the year.	-	150,000
Agland Financial loan agreements repaid during the year.	-	94,512
BMO demand loan bearing interest at prime plus 1% per annum (effective rate at year end of 4.45%), 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'Edi Society.	4,071,413	4,610,302
BMO demand loan bearing interest at prime plus 1% per annum (effective rate of 4.45% 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.	3,495,555	3,788,888
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 4.95%). 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 was fully disbursed subsequent to year end. The loan is collateralized as described in note 10.	1,004,996	417,600
	12,789,124	21,327,975

Interest incurred on long-term debt amounted to \$1,641,808 (2017 - \$1,670,168) during the year. During the year, the Nation incurred interest of \$1,284,844 (2017 - \$1,458,315) on the loans with Primrose Lake Trust.

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

2019	\$ 8,959,143
2020	\$ 1,116,561
2021	\$ 1,079,111
2022	\$ 1,041,661
2023	\$ 1,004,211
2024 and subsequent	\$ 3,804,266

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

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, 2018, 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 4.45% at year end). At year end the balance on this line of credit was \$nil (2017 - \$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 (2017 - \$nil).

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 \$39,500,000 on credit facilities provided to certain of its Government Business Enterprises. At March 31, 2018, the aggregate outstanding balance on these facilities was \$38,253,989. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

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 2017 comparative figures have been reclassified to conform with the financial statement presentation adopted by the Nation for the year ended March 31, 2018.

CONSOLIDATED SEGMENT DISCLOSURES

Year ended March 31

	Administration / Governance	Health	Social Programs	Infrastructure	Education	Other Programs	Other	Total
								2018
Revenue								
INAC	\$ 756,974	\$ 346,259	\$ 1,751,271	\$ 2,896,985	\$ 689,662	\$ 362,530	\$ -	\$ 6,803,681
FNDF	1,126,749	-	-	4,538	-	3,385,189	-	4,516,476
Donations	1,404,357	2,300	22,250	1,714,695	35,000	237,950	-	3,416,552
FNIHB	86,169	2,158,246	-	-	-	-	-	2,244,415
Dene Ts'Edi Society grants	117,612	187,807	102,497	794,575	3,296	233,593	-	1,439,380
Trust fund transfers	-	-	-	240,000	-	-	-	240,000
Other	826,714	12,873	459,119	303,754	100,529	1,985,112	-	3,688,101
Net contributions carried forward	(45,985)	-	-	(604,196)	19,485	(1,443,149)	-	(2,073,845)
	<u>4,272,590</u>	<u>2,707,485</u>	<u>2,335,137</u>	<u>5,350,351</u>	<u>847,972</u>	<u>4,761,225</u>	<u>-</u>	<u>20,274,760</u>
Expenses								
Salaries and benefits	1,654,092	1,018,537	785,045	928,428	630,852	368,088	-	5,385,042
Subcontractors	277,734	488,013	86,797	1,718,761	96,341	274,648	-	2,942,294
Professional fees	2,161,452	347	-	40,000	-	43,731	-	2,245,530
Interest	48,489	116	3,772	212,632	-	1,435,470	-	1,700,479
Amortization	23,896	69,215	23,991	1,183,782	2,685	107,419	-	1,410,988
Materials and supplies	62,295	396,087	48,139	665,050	7,060	36,225	-	1,214,856
Allowances	-	-	1,154,775	-	-	-	-	1,154,775
Telephone and utilities	80,199	22,666	15,905	442,300	3,552	357,760	-	922,382
Honoraria	831,769	1,100	200	6,923	1,231	6,001	-	847,224
Travel	351,362	102,635	38,991	9,782	17,528	21,741	-	542,039
Other	105,761	521,231	238,313	712,222	158,968	1,527,516	-	3,264,011
	<u>5,597,049</u>	<u>2,619,947</u>	<u>2,395,928</u>	<u>5,919,880</u>	<u>918,217</u>	<u>4,178,599</u>	<u>-</u>	<u>21,629,620</u>
Other income (expense)								
Income allocation from Primrose Lake Trust	-	-	-	-	-	-	1,691,533	1,691,533
Share of income (loss) from Government Business Enterprises	-	-	-	-	-	-	(3,457,802)	(3,457,802)
Loan guarantee payout	-	-	-	-	-	-	(900,000)	(900,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,666,269)</u>	<u>(2,666,269)</u>
	<u>\$ (1,324,459)</u>	<u>\$ 87,538</u>	<u>\$ (60,791)</u>	<u>\$ (569,529)</u>	<u>\$ (70,245)</u>	<u>\$ 582,626</u>	<u>\$ (2,666,269)</u>	<u>\$ (4,021,129)</u>

CONSOLIDATED SEGMENT DISCLOSURES

Year ended March 31

	Administration / Governance	Health	Social Programs	Infrastructure	Education	Other Programs	Other	Total
								<u>2017</u>
Revenue								
INAC	\$ 631,620	\$ -	\$ 1,503,498	\$ 1,610,140	\$ 762,143	\$ 963,514	\$ -	\$ 5,470,915
FNDF	1,200,000	-	-	-	-	3,602,729	-	4,802,729
Donations	1,595,267	-	8,750	1,431,923	93,000	447,000	-	3,575,940
Dene Ts'Edi Society grants	232,902	362,241	200,819	905,227	249,502	248,033	-	2,198,724
Other	560,154	6,840	438,816	197,713	192,550	601,936	-	1,998,009
FNIHB	181,854	1,863,668	-	-	-	-	-	2,045,522
Trust fund transfers	827,640	97,071	88,302	430,804	-	-	-	1,443,817
Net contributions carried forward	<u>(1,872)</u>	<u>-</u>	<u>95,191</u>	<u>800,934</u>	<u>(49,072)</u>	<u>(126,673)</u>	<u>-</u>	<u>718,508</u>
	<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>
Expenses								
Salaries and benefits	1,828,936	1,251,341	846,235	1,093,661	607,498	350,603	-	5,978,274
Subcontractors	132,039	177,585	127,618	1,487,178	145,743	455,282	-	2,525,445
Professional fees	2,344,538	110	80	138,939	-	100,663	-	2,584,330
Materials and supplies	47,517	216,141	59,429	699,130	263,772	225,714	-	1,511,703
Interest	84,080	-	-	213,769	-	1,461,739	-	1,759,588
Amortization	20,504	38,678	24,625	1,036,969	2,860	267,772	-	1,391,408
Allowances	-	-	966,509	-	-	-	-	966,509
Travel	358,537	58,794	82,542	35,891	41,349	51,337	-	628,450
Honoraria	914,695	12,700	425	-	14,858	45,652	-	988,330
Telephone and utilities	80,740	23,339	15,434	426,018	5,335	320,272	-	871,138
Grants	-	-	-	-	-	640,000	-	640,000
Other	<u>287,787</u>	<u>544,507</u>	<u>249,299</u>	<u>842,630</u>	<u>421,660</u>	<u>1,629,116</u>	<u>-</u>	<u>3,974,999</u>
	<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>
Other income (expense)								
Income allocation from Primrose Lake Trust	-	-	-	-	-	-	1,536,324	1,536,324
Share of income from Government Business Enterprises	-	-	-	-	-	-	186,109	186,109
Write-off of investment in Government Business Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,792,868)</u>	<u>(1,792,868)</u>
	<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>

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

Year ended March 31

Unaudited

	2018	2017
	\$	\$
Aggregated balance sheet information:		
ASSETS		
Cash	7,166,969	8,751,885
Temporary investments	512,119	507,532
Accounts receivable	9,382,991	8,915,309
Inventory	490,751	610,357
Prepaid expenses	730,171	463,367
Property, plant, and equipment	80,998,216	81,189,410
Due from related parties	49,061,686	40,666,117
Investments	14,105,965	8,922,184
Other assets	1,872,162	1,369,403
	164,321,030	151,395,564
LIABILITIES AND EQUITY		
Bank indebtedness	680,478	1,850,652
Accounts payable	6,760,127	6,173,748
Due to related parties	47,825,507	41,493,996
Callable debt	10,805,240	8,808,690
Long-term debt	45,290,341	27,969,163
Capital leases	1,678,949	1,717,747
Other liabilities	166,520	16,088
Equity	51,113,868	63,364,480
	164,321,030	151,394,564
Aggregated income statement information:		
Revenue	80,722,873	73,745,309
Expenses	84,180,675	73,559,200
Net income	(3,457,802)	186,109

