

Consolidated Financial Statements

**Cold Lake First Nations**

March 31, 2019





## COLD LAKE FIRST NATIONS

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**MARCH 31, 2019**

### **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 Roger Marten  
Cold Lake First Nations

## INDEPENDENT AUDITOR'S REPORT

To the Members of  
Cold Lake First Nations

### Opinion

We have audited the consolidated financial statements of Cold Lake First Nations (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Nation as at March 31, 2019, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

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

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

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

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

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

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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



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As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Edmonton, Canada  
July 29, 2019

*Ernst & Young LLP*  
Chartered Accountants



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**Cold Lake First Nations****CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at March 31

	2019 \$	2018 \$
<b>FINANCIAL ASSETS</b>		
Cash [note 2]	3,267,614	2,677,302
Temporary investments [note 3]	488,655	485,665
Accounts receivable [note 4]	6,231,404	6,780,196
Trust funds [note 5]	1,788,565	2,231,124
Investment in Government Business Enterprises [note 6]	<u>54,191,246</u>	<u>55,316,281</u>
	<u>65,967,484</u>	<u>67,490,568</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities [note 7]	8,910,825	8,992,809
Contributions carried forward	3,356,792	3,686,165
Long-term debt [note 8]	<u>11,972,850</u>	<u>12,789,124</u>
	<u>24,240,467</u>	<u>25,468,098</u>
<b>NET FINANCIAL ASSETS</b>	<u>41,727,017</u>	<u>42,022,470</u>
<b>NON-FINANCIAL ASSETS</b>		
Deposits and prepaid expenses	320,488	271,554
Tangible capital assets [schedule 1]	<u>28,539,771</u>	<u>25,756,337</u>
	<u>28,860,259</u>	<u>26,027,891</u>
<b>ACCUMULATED SURPLUS [schedule 3]</b>	<u>70,587,276</u>	<u>68,050,361</u>

Contingencies [note 10]

See accompanying notes

  
Chief  
Councilor  
Councilor

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Councilor

**Cold Lake First Nations**

**CONSOLIDATED STATEMENT OF OPERATIONS AND  
ACCUMULATED SURPLUS**

Year ended March 31

	2019 \$	2019 Budget \$	2018 \$
<b>REVENUES</b>			
Indigenous Services Canada (ISC)	10,639,859	4,360,347	6,803,680
Donations	5,005,508	85,250	3,416,552
First Nations Development Fund (FNDF)	4,646,985	1,330,000	4,516,476
Other government grants	3,383,241	1,124,923	2,753,197
First Nations and Inuit Health Branch (FNIHB)	2,301,679	1,738,333	2,244,415
Dene Ts'edi Society grants	1,528,174	909,473	1,439,380
Other	1,214,110	6,302,156	1,009,260
Trust fund transfers	1,150,000	1,150,000	240,000
Contributions carried forward from prior year	3,607,133	-	1,525,788
Contributions carried forward to next year	(3,146,267)	-	(3,599,634)
	<u>30,330,422</u>	<u>17,000,482</u>	<u>20,349,114</u>
<b>EXPENSES</b>			
Administration and governance	5,862,459	5,426,325	5,493,678
Health	2,665,612	1,938,333	2,619,348
Social	2,692,323	2,126,132	2,414,858
Infrastructure	7,176,325	4,531,625	5,919,880
Education	1,889,560	944,791	899,888
Other	5,019,485	2,033,276	4,281,964
	<u>25,305,764</u>	<u>17,000,482</u>	<u>21,629,616</u>
<b>Surplus (deficit) from operations before the following</b>	<b>5,024,658</b>	-	(1,280,502)
<b>OTHER INCOME (EXPENSE)</b>			
Income allocation from Primrose Lake Trust [note 4]	1,097,037	-	1,691,533
Share of loss from Government Business			
Enterprises [note 6]	(3,977,621)	-	(3,457,803)
Gain on disposal of Government			
Business Enterprise [note 6]	835,400	-	-
Loan guarantee payout [note 6]	-	-	(900,000)
Loss on disposal of tangible capital assets	-	-	(74,357)
Net change in trust funds	(442,559)	-	701,821
	<u>(2,487,743)</u>	<u>-</u>	<u>(2,038,806)</u>
<b>Excess (deficiency) of revenues over expenses</b>	<b>2,536,915</b>	-	(3,319,308)
Accumulated surplus, beginning of year	<b>68,050,361</b>	-	71,369,669
<b>Accumulated surplus, end of year</b>	<b>70,587,276</b>	-	<b>68,050,361</b>

*See accompanying notes*

**Cold Lake First Nations**

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

Year ended March 31

	<b>2019</b> \$	<b>2018</b> \$
<b>Excess (deficiency) of revenues over expenses</b>	<b>2,536,915</b>	<b>(3,319,308)</b>
Acquisition of tangible capital assets	(4,340,488)	(2,229,439)
Amortization of tangible capital assets	1,557,054	1,410,988
Proceeds on disposal of tangible capital assets	-	538,800
Loss on disposal of tangible capital assets	-	74,357
Change in deposits and prepaid expenses	(48,934)	(157,438)
	<b>(2,832,368)</b>	<b>(362,732)</b>
<b>Change in net financial assets</b>	<b>(295,453)</b>	<b>(3,682,040)</b>
Net financial assets, beginning of year	42,022,470	45,704,510
<b>Net financial assets, end of year</b>	<b>41,727,017</b>	<b>42,022,470</b>

*See accompanying notes*

**Cold Lake First Nations**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year ended March 31

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses for the year	2,536,915	(3,319,308)
Add items not affecting cash:		
Amortization of tangible capital assets	1,557,054	1,410,988
Share of loss from Government Business Enterprises	3,977,621	3,457,803
Loss on disposal of tangible capital assets	-	74,357
	<b>8,071,590</b>	<b>1,623,840</b>
Changes in non-cash working capital items:		
Accounts receivable	548,792	(1,004,279)
Deposits and prepaid expenses	(48,934)	(157,438)
Trust funds	442,559	(701,821)
Accounts payable and accrued liabilities	(81,984)	2,655,998
Contributions carried forward	(329,373)	2,054,101
	<b>531,060</b>	<b>2,846,561</b>
<b>Cash provided by operating activities</b>	<b>8,602,650</b>	<b>4,470,401</b>
<b>FINANCING ACTIVITIES</b>		
Long-term debt obtained	2,044,623	1,295,210
Repayment of long-term debt	(2,860,897)	(9,834,061)
<b>Cash used in financing activities</b>	<b>(816,274)</b>	<b>(8,538,851)</b>
<b>CAPITAL ACTIVITIES</b>		
Additions to tangible capital assets	(4,340,488)	(2,229,439)
Proceeds on disposal of tangible capital assets	-	538,800
<b>Cash used in capital activities</b>	<b>(4,340,488)</b>	<b>(1,690,639)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of temporary investments	(2,990)	(1,979)
Advances to Government Business Enterprises	(5,331,139)	(3,464,441)
Advances from Government Business Enterprises	2,478,553	10,524,998
<b>Cash provided by (used in) investing activities</b>	<b>(2,855,576)</b>	<b>7,058,578</b>
Increase in cash	590,312	1,299,489
Cash, beginning of period	2,677,302	1,377,813
<b>Cash, end of period</b>	<b>3,267,614</b>	<b>2,677,302</b>

*See accompanying notes*

**Cold Lake First Nations**

Year ended March 31

**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**

**Schedule 1**

Cost	2019				
	Build buildings	Housing / mobile homes	Equipment / heavy equipment	Infrastructure	Automotive
<b>Balance, beginning of the year</b>	<b>\$ 2,701,397</b>	<b>\$ 22,085,155</b>	<b>\$ 2,068,491</b>	<b>\$ 6,221,361</b>	<b>\$ 2,362,616</b>
Acquisition of tangible capital assets	-	737,323	65,410	3,365,323	112,794
<b>Balance, end of the year</b>	<b>\$ 2,701,397</b>	<b>\$ 22,822,478</b>	<b>\$ 2,133,901</b>	<b>\$ 9,586,684</b>	<b>\$ 2,475,410</b>
<b>Accumulated amortization</b>					
Balance, beginning of the year	1,015,449	4,312,129	1,355,694	1,119,065	2,008,774
Annual amortization	67,438	845,118	170,919	316,161	123,072
<b>Balance, end of the year</b>	<b>\$ 1,082,887</b>	<b>\$ 5,157,247</b>	<b>\$ 1,526,613</b>	<b>\$ 1,433,226</b>	<b>\$ 2,131,846</b>
<b>Net book value</b>	<b>\$ 1,618,510</b>	<b>\$ 17,665,231</b>	<b>\$ 607,288</b>	<b>\$ 151,458</b>	<b>\$ 343,564</b>
Cost	2018				
	Build buildings	Housing / mobile homes	Equipment / heavy equipment	Infrastructure	Automotive
<b>Balance, beginning of the year</b>	<b>\$ 2,701,397</b>	<b>\$ 21,030,204</b>	<b>\$ 2,924,631</b>	<b>\$ 5,507,245</b>	<b>\$ 2,167,000</b>
Acquisition of tangible capital assets	-	1,054,951	232,756	714,116	222,616
Disposal of tangible capital assets	-	-	(1,088,896)	-	(27,000)
<b>Balance, end of the year</b>	<b>\$ 2,701,397</b>	<b>\$ 22,085,155</b>	<b>\$ 2,068,491</b>	<b>\$ 6,221,361</b>	<b>\$ 2,362,616</b>
<b>Accumulated amortization</b>					
Balance, beginning of the year	945,202	3,521,273	1,671,448	884,493	1,915,765
Annual amortization	70,247	790,856	176,050	234,572	103,944
Accumulated amortization on disposals	-	-	(49,804)	-	(10,935)
<b>Balance, end of the year</b>	<b>\$ 1,015,449</b>	<b>\$ 4,312,129</b>	<b>\$ 1,355,694</b>	<b>\$ 1,119,065</b>	<b>\$ 2,008,774</b>
<b>Net book value</b>	<b>\$ 1,685,948</b>	<b>\$ 17,773,026</b>	<b>\$ 712,797</b>	<b>\$ 5,102,296</b>	<b>\$ 353,842</b>

During the year the Nation capitalized \$3,266,508 (2018 - \$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

	2019 \$	Budget \$	2018 \$
Salaries and benefits	6,778,386	5,505,673	5,385,040
Subcontractors	3,540,741	1,518,281	3,249,726
Professional fees and consultants	2,718,645	1,936,957	2,405,446
Amortization of tangible capital assets	1,557,054	-	1,410,988
Materials and supplies	1,420,006	1,218,572	1,192,511
Allowances	1,329,461	1,067,388	1,319,097
Repairs and maintenance	1,260,244	1,171,740	540,344
Telephone and utilities	986,926	927,408	922,383
Interest	909,960	99,040	1,700,480
Honoraria	780,123	686,450	847,223
Insurance	369,472	357,754	378,105
Travel	308,372	641,139	542,039
Other program delivery	3,346,374	1,870,080	1,736,234
	<b>25,305,764</b>	<b>17,000,482</b>	<b>21,629,616</b>

*See accompanying notes*

## CONSOLIDATED SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

Year ended March 31

	2019			2018		
	Unrestricted surplus (deficit) \$	Equity in business entities \$	Equity in tangible capital assets \$	Education Trust \$	CMHC reserve \$	Equity in trust funds \$
<b>Accumulated surplus, beginning of year</b>	<b>(3,491,148)</b>	<b>48,253,570</b>	<b>20,591,978</b>	<b>350,817</b>	<b>114,020</b>	<b>2,231,124</b>
Surplus (deficit) of revenues over expenses	2,536,915	-	-	-	-	2,536,915
Deficit - Government Business Enterprises	3,977,621	(3,977,621)	-	-	-	(3,977,621)
Advances from Government Business Enterprises	2,478,553	(2,478,553)	-	-	-	(2,478,553)
Advances to Government Business Enterprises	(5,331,139)	5,331,139	-	-	-	(5,331,139)
Net debt change - Government Business Enterprises	(204,512)	204,512	-	-	-	(204,512)
Additions to tangible capital assets	(4,340,489)	-	4,340,489	-	-	-
Amortization of tangible capital assets	1,557,054	-	(1,557,054)	-	-	(1,557,054)
Long-term debt obtained for tangible capital assets	726,676	-	(726,676)	-	-	(726,676)
Long-term debt repayment - tangible capital assets	(1,656,386)	-	1,656,386	-	-	(1,656,386)
Transfer - Education Trust	(682)	-	682	-	-	(682)
Net change in trust funds	442,559	-	-	-	-	(442,559)
<b>Accumulated surplus, end of year</b>	<b>(3,304,978)</b>	<b>47,333,047</b>	<b>24,305,123</b>	<b>351,499</b>	<b>114,020</b>	<b>1,788,565</b>
						<b>70,587,276</b>
						<b>68,050,361</b>

See accompanying notes

## **Cold Lake First Nations**

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

March 31, 2019

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.

##### **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.

## **Cold Lake First Nations**

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

March 31, 2019

#### **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	10 - 30% diminishing balance
Infrastructure	25 years straight line
Automotive	30% diminishing balance
Furniture and fixtures	20% 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, 2019

#### **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 earned. As the funds are restricted to approved uses, withdrawals which are not yet expended for the intended purpose are included in the statement of financial position as contributions carried forward.

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 \$257,243 (2018 - \$213,842) 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, 2019

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

##### **Financial instruments**

###### **Risk management**

Credit risk arises from the possibility that certain receivables may not be collectible. Cold Lake First Nations addresses this risk through monitoring of receivables 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.

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 \$675,730 (2018 - \$658,387) 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 2019 and February 2020. As disclosed in note 9 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, 2019

#### 4. ACCOUNTS RECEIVABLE

	2019 \$	2018 \$
Grants and other receivables	2,349,527	2,395,633
Due from Primrose Lake Trust	<u>3,881,877</u>	<u>4,384,563</u>
	<u>6,231,404</u>	<u>6,780,196</u>

Included in grants and other receivables is \$213,561 (2018 - \$246,177) 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 administered by the Department of Indigenous Services 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 Services 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:

	2019 \$	2018 \$
<b>Capital fund</b>		
Beginning of year	624,451	129,693
Income from oil and gas royalties	<u>287,817</u>	<u>494,758</u>
End of year	<u>912,268</u>	<u>624,451</u>
<b>Revenue fund</b>		
Beginning of year	1,606,673	1,399,611
Income from lease and rentals	419,624	447,062
Transfers to programs	<u>(1,150,000)</u>	<u>(240,000)</u>
End of year	<u>876,297</u>	<u>1,606,673</u>
<b>Total</b>	<b><u>1,788,565</u></b>	<b><u>2,231,124</u></b>

**Cold Lake First Nations**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2019

**6. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES**

	<b>2019</b> \$	<b>2018</b> \$
Beginning of year	<b>55,316,281</b>	65,834,641
Share of loss	(3,977,621)	(3,457,803)
Advances from Government Business Enterprises	(2,478,553)	(10,524,998)
Advances to and investment in Government Business Enterprises	<b>5,331,139</b>	3,464,441
End of year	<b>54,191,246</b>	<b>55,316,281</b>

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

	<b>% ownership</b>	<b>Year end</b>
Beaver River Gas Corporation	100%	September 30
Casino Dene LP	100%	March 31
CLFN Economic Development Corp.	100%	March 31
CLFN Hotel LP	100%	March 31
CLFN Land Corporation	100%	March 31
CLFN Sawmill & Training Centre Ltd.	100%	March 31
Cold Lake - Lyncorp LP	50%	December 31
Cold Lake First Nations Casino Corporation	100%	March 31
Cormec Industrial Services LP	51%	January 31
Harailya LP	60%	March 31
Kinosoo Global Surveys LP	51%	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
Primco Security Services Ltd.	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

## **Cold Lake First Nations**

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

March 31, 2019

#### **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 prior year, one of the Nation's Government Business Enterprises filed a Notice of Intention to make a proposal under the Bankruptcy and Insolvency Act. The Nation was required to act upon its guarantee for loans made to this corporation and accrued \$900,000 in the prior year as settlement for this guarantee.

During the prior 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.

During the year the Nation received proceeds of \$835,400 in excess of the carrying value of its investment in CLFN Lyncorp LP from the other limited partner in the Partnership. The amount has been presented as a gain on sale on its investment.

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:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Supplies and materials</b>	<b>326,554</b>	<b>405,644</b>
<b>Subcontractors</b>	<b>382,623</b>	<b>296,436</b>

## **Cold Lake First Nations**

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

March 31, 2019

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

	<b>2019</b> \$	<b>2018</b> \$
Trade payables and accrued liabilities	3,070,368	3,462,615
Interest payable to Primrose Lake Trust	5,840,457	5,530,194
	<b>8,910,825</b>	<b>8,992,809</b>

Included in trade payables and accrued liabilities is \$488,706 (2018 - \$547,750) owing to Government Business Enterprises.

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

	<b>2019</b> \$	<b>2018</b> \$
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.	3,655,981	4,217,160
BMO demand loan bearing interest at prime plus 1% per annum (effective rate at year end of 4.95%), 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.	3,532,524	4,071,413
BMO demand loan bearing interest at prime plus 1% per annum (effective rate of 4.95% 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.	3,202,222	3,495,555
TD Canada Trust loan bearing interest at prime plus 1.75% per annum (effective rate of 5.7% at year end), repayable at \$24,444 per month plus interest, due March 2022, collateralized by a redirection of ISC funds and an assignment of specific marketable securities.	880,000	-

## Cold Lake First Nations

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

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

	2019 \$	2018 \$
Canada Mortgage and Housing Corporation mortgage, authorized to a maximum of \$750,000. The loan was fully disbursed subsequent to year end and blended payments of \$4,776 commenced. The loan is collateralized by a ministerial guarantee.	702,123	-
TD Canada Trust loan, repaid during the year.	-	1,004,996
	<b>11,972,850</b>	<b>12,789,124</b>

Interest incurred on long-term debt amounted to \$864,887 (2018 - \$1,656,740) during the year. During the year, the Nation incurred interest of \$495,663 (2018 - \$1,284,844) on the loans with Primrose Lake Trust.

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

2020	\$ 7,127,030
2021	\$ 1,479,522
2022	\$ 1,421,607
2023	\$ 1,078,719
2024	\$ 1,037,524
2025 and subsequent	\$ 3,457,119

#### 9. CREDIT FACILITIES

As at March 31, 2019, Cold Lake First Nations has the following lines of credit available:

- i) 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 4.95% at year end). At year end the balance on this line of credit was \$nil (2018 - \$nil). This line of credit is collateralized by a direction of ISC 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.
- ii) 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 5.95% at year end), collateralized by a direction of ISC funding and assignment of certain temporary investments in the aggregate amount of \$122,000. At year end the balance on this line of credit was \$nil (2018 - \$nil).

## **Cold Lake First Nations**

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

March 31, 2019

#### **10. 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 limited guarantees in the aggregate amount of \$39,050,000 on credit facilities provided to certain of its Government Business Enterprises. At March 31, 2019, the aggregate outstanding balance on these facilities was \$46,414,392. 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.

#### **11. 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.

#### **12. COMPARATIVE FIGURES**

Certain 2018 comparative figures have been reclassified to conform with the financial statement presentation adopted by the Nation for the period ended March 31, 2019.

## CONSOLIDATED SEGMENT DISCLOSURES

Year ended March 31

															2019 Total
<b>Revenue</b>															
<b>ISC</b>															
<b>FNDF</b>	\$ 886,797	\$ -	\$ 2,170,048	\$ 4,253,491	\$ 2,189,870	\$ 1,139,653	\$ -	\$ 10,639,859							
<b>Donations</b>	1,380,000	35,015	-	500,000	2,656,847	140,465	2,766,985	-	4,646,985						
<b>Other government grants</b>	2,042,556	-	-	1,615,313	-	-	130,625	-	5,005,508						
<b>FNTHB</b>	270,748	-	2,301,679	393,478	-	-	1,103,702	-	3,383,241						
<b>Dene Tsédi Society grants</b>	125,749	206,177	877,656	101,472	-	-	-	-	2,301,679						
<b>Other</b>	426,940	288,719	86,319	88,785	46,254	-	217,170	277,093	1,528,174						
<b>Trust funds</b>	-	-	-	1,150,000	-	-	-	-	1,214,110						
<b>Contributions carried forward from prior year</b>	82,285	-	-	720,524	29,587	-	-	-	1,150,000						
<b>Contributions carried forward to next year</b>	-	(102,733)	(154,218)	(1,649,196)	(255,280)	2,774,737	-	-	3,607,133						
<b>Program transfers</b>	(32,052)	1,500	-	26,552	(984,840)	-	-	-	(3,146,267)						
<b>5,183,023</b>	<b>2,730,307</b>	<b>3,373,283</b>	<b>9,463,788</b>	<b>2,150,896</b>	<b>7,429,125</b>	<b>-</b>	<b>30,330,422</b>	<b>-</b>	<b>-</b>						
<b>Expenses</b>															
<b>Administration fees / recoveries</b>	(291,407)	66,530	95,850	8,500	108,204	-	12,323	-	-						
<b>Allowances</b>	5,075	3,535	1,19,871	31,958	7,503	89,519	-	1,329,461							
<b>Amortization of tangible capital assets</b>	22,811	101,458	22,034	1,303,899	2,034	104,818	-	-	1,557,054						
<b>Honoraria</b>	735,837	4,030	-	12,000	18,898	9,338	-	-	780,123						
<b>Insurance</b>	19,578	13,130	7,599	329,165	-	-	-	-	369,472						
<b>Interest</b>	61,888	95	184,587	22,296	-	-	-	-	-						
<b>Materials and supplies</b>	122,883	241,538	45,346	797,000	74,943	138,296	-	909,960							
<b>Professional fees and consultants</b>	2,259,967	510	-	6,810	-	451,358	-	-	1,420,406						
<b>Repairs and maintenance</b>	37,692	336,202	31,028	724,963	2,135	128,224	-	-	2,718,645						
<b>Salaries and benefits</b>	2,019,272	1,317,490	777,030	1,336,077	960,401	368,116	-	-	1,260,244						
<b>Subcontractors</b>	395,065	253,175	123,399	2,076,118	138,691	554,293	-	-	6,778,386						
<b>Telephones and utilities</b>	84,275	23,431	13,273	474,640	5,499	385,808	-	-	3,540,741						
<b>Travel</b>	164,972	44,087	36,916	10,369	27,337	24,691	-	-	986,926						
<b>Other program delivery</b>	224,551	260,401	163,390	42,530	543,915	2,111,587	-	-	308,372						
<b>5,862,459</b>	<b>2,665,612</b>	<b>2,692,323</b>	<b>7,176,325</b>	<b>1,889,560</b>	<b>5,019,485</b>	<b>-</b>	<b>25,305,764</b>	<b>-</b>	<b>-</b>						
<b>Other income (expense)</b>															
Income allocation from Primrose Lake Trust	-	-	-	-	-	-	-	-	1,097,037						
Share of income (loss) from GBE	-	-	-	-	-	-	-	-	(3,977,621)						
Gain on disposal of GBE	-	-	-	-	-	-	-	-	835,400						
Net change in trust funds	-	-	-	-	-	-	-	-	(442,559)						
<b>\$ (679,436)</b>	<b>\$ 64,695</b>	<b>\$ 680,960</b>	<b>\$ 2,287,463</b>	<b>\$ 261,336</b>	<b>\$ 2,409,640</b>	<b>\$ (2,487,743)</b>	<b>\$ 2,536,915</b>	<b>-</b>	<b>-</b>						

## CONSOLIDATED SEGMENT DISCLOSURES

Year ended March 31

		Administration / Governance	Health	Social Programs	Infrastructure	Education	Other programs	Other	2019 Total
<b>Revenue</b>									
ISC	\$ 869,473	\$ 346,259	\$ 1,751,271	\$ 2,896,985	\$ 689,662	\$ 250,030	\$ 3,484,938	\$ -	\$ 6,803,680
FNDF	1,027,000	2,300	22,250	1,714,695	35,000	-	237,950	-	4,516,476
Donations	1,404,357	-	337,269	167,132	82,495	-	1,830,948	-	3,416,552
Other government grants	335,353	-	-	-	-	-	-	-	2,753,197
FNHIB	86,169	2,158,246	102,497	794,575	3,296	-	233,593	-	2,244,415
Dene T'edi Society grants	117,612	187,807	121,850	136,622	18,034	-	230,841	-	1,439,380
Other	489,040	12,873	-	-	240,000	-	-	-	1,009,260
Trust funds	-	-	-	-	-	-	-	-	240,000
Contributions carried forward from prior year	28,800	-	-	-	116,328	49,072	1,331,588	-	1,525,788
Contributions carried forward to next year	(74,795)	-	-	-	(720,524)	(29,587)	(2,774,738)	-	(3,599,634)
<b>Expenses</b>									
Administration fees / recoveries	4,283,019	2,707,485	2,335,137	5,350,351	847,972	4,825,150	-	-	20,349,114
Allowances	(143,924)	50,000	57,258	-	6,666	30,000	-	-	-
Amortization of tangible capital assets	55	175	1,156,854	32,882	3,923	125,208	-	-	1,319,097
Honoraria	22,603	69,215	23,991	1,183,782	2,685	108,712	-	-	1,410,988
Insurance	831,769	1,100	200	6,923	1,231	6,000	-	-	847,223
Interest	23,806	26,685	7,599	317,219	-	-	2,796	-	378,105
Materials and supplies	48,235	116	3,772	212,632	-	-	1,435,725	-	1,700,480
Professional fees and consultants	53,027	395,337	50,099	607,134	51,342	33,572	-	-	1,192,511
Repairs and maintenance	2,140,866	347	-	40,000	-	224,233	-	-	2,405,446
Salaries and benefits	16,491	197,812	11,999	256,987	908	56,147	-	-	540,344
Subcontractors	1,602,142	1,017,937	785,045	928,428	631,452	419,436	-	-	5,385,040
Telephone and utilities	277,881	488,313	112,365	1,867,217	96,341	407,609	-	-	3,249,726
Travel	76,821	22,666	15,905	442,300	3,552	361,139	-	-	922,383
Other program delivery	343,009	102,635	38,991	9,782	17,528	30,094	-	-	542,039
198,297	247,010	150,780	14,594	84,260	1,041,293	-	-	-	1,736,234
<b>Other income (expense)</b>	5,493,678	2,619,348	2,414,858	5,919,880	899,888	4,281,964	-	-	21,629,616
Income allocation from Primrose Lake Trust	-	-	-	-	-	-	-	-	-
Share of income (loss) from GBE	-	-	-	-	-	-	-	-	1,691,533
Loan guarantee payout	-	-	-	-	-	-	-	-	(3,457,803)
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-	(900,000)
Net change in trust funds	-	-	-	-	-	-	-	-	(74,357)
	-	-	-	-	-	-	-	-	701,821
<b>\$ (1,210,659)</b>	<b>\$ 88,137</b>	<b>\$ (79,721)</b>	<b>\$ (569,529)</b>	<b>\$ (51,916)</b>	<b>\$ 468,829</b>	<b>\$ (1,964,449)</b>	<b>\$ (3,319,308)</b>	<b>\$ (2,038,906)</b>	

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

Year ended March 31

Unaudited

	2019 \$	2018 \$
<b>Aggregated balance sheet information:</b>		
<b>ASSETS</b>		
Cash	2,247,033	7,166,969
Temporary investments	-	512,119
Accounts receivable	15,863,888	9,382,991
Inventory	693,837	490,751
Prepaid expenses	937,037	730,171
Property, plant, and equipment	83,821,915	80,998,216
Due from related parties	55,070,506	49,061,686
Investments	14,086,478	14,105,965
Other assets	2,728,264	1,872,162
	<b>175,448,958</b>	<b>164,321,030</b>
<b>LIABILITIES</b>		
Bank indebtedness	500,706	680,478
Accounts payable	10,436,769	6,760,127
Due to related parties	53,942,051	47,825,507
Callable debt	13,872,751	10,805,240
Long-term debt	42,781,295	45,290,341
Capital leases	3,216,295	1,678,949
Other liabilities	1,336,929	166,520
<b>EQUITY</b>	<b>49,362,162</b>	<b>51,113,868</b>
	<b>175,448,958</b>	<b>164,321,030</b>
<b>Aggregated income statement information:</b>		
Revenue	99,798,462	81,076,146
Expenses	103,776,083	84,533,948
Net income	<b>(3,977,621)</b>	<b>(3,457,802)</b>