

Consolidated Financial Statements

**Cold Lake First Nations**

March 31, 2020





## COLD LAKE FIRST NATIONS

PO Box 1769  
Cold Lake , Alberta  
T9M 1P4

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

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Cold Lake First Nations as at and for the year ended March 31, 2020 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**

### Qualified 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, 2020, 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, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Nation as at March 31, 2020, 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 qualified opinion

Investments in government business enterprises are accounted for on the consolidated statement of financial position as at March 31, 2020 using the modified equity method. The Nation's share of these enterprises' net income (loss) is included in the Nation's consolidated statement of operations and accumulated surplus for the year ended March 31, 2020. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Nation's investments and equity in these enterprises as at March 31, 2020 and the Nation's share of these enterprises' net income (loss) for the year then ended. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 qualified 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.

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  
November 2, 2020

*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

	<b>2020</b> \$	<b>2019</b> \$
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents [note 2]	7,247,633	3,267,614
Temporary investments [note 3]	495,636	488,655
Accounts receivable [note 4]	5,056,774	6,231,404
Trust funds [note 5]	2,549,121	1,788,565
Investment in Government Business Enterprises [note 6]	<b>52,221,970</b>	54,191,248
	<b>67,571,134</b>	65,967,486
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities [note 7]	8,480,563	8,910,827
Contributions carried forward	7,691,387	3,356,792
Long-term debt [note 8]	<b>10,716,161</b>	11,972,850
	<b>26,888,111</b>	24,240,469
<b>NET FINANCIAL ASSETS</b>	<b>40,683,023</b>	41,727,017
<b>NON-FINANCIAL ASSETS</b>		
Deposits and prepaid expenses	179,832	320,488
Tangible capital assets [schedule 1]	<b>32,322,952</b>	28,539,771
	<b>32,502,784</b>	28,860,259
<b>ACCUMULATED SURPLUS [schedule 3]</b>	<b>73,185,807</b>	70,587,276

Contingencies [note 10]

*See accompanying notes*

Chief



Councilor



Councilor

Councilor



Councilor

Councilor



Councilor

**Cold Lake First Nations**

**CONSOLIDATED STATEMENT OF OPERATIONS AND  
ACCUMULATED SURPLUS**

Year ended March 31

	2020 \$	2020 Budget \$	2019 \$
<b>REVENUES</b>			
Indigenous Services Canada (ISC)	<b>14,441,578</b>	5,127,805	10,639,859
Donations	<b>4,994,365</b>	-	5,005,508
First Nations Development Fund (FNDF)	<b>4,381,694</b>	3,580,000	4,646,985
First Nations and Inuit Health Branch (FNIHB)	<b>3,065,165</b>	1,715,278	2,301,679
Other	<b>1,673,874</b>	7,864,579	1,253,842
Other government grants	<b>1,603,920</b>	1,048,743	3,383,241
Dene Ts'edi Society grants	<b>1,461,943</b>	1,329,091	1,528,174
Trust fund transfers	<b>180,000</b>	-	1,150,000
Contributions carried forward from prior year	<b>3,185,999</b>	-	3,607,133
Contributions carried forward to next year	<b>(7,646,740)</b>	-	(3,185,999)
	<b>27,341,798</b>	20,665,496	30,330,422
<b>EXPENSES</b>			
Administration and governance	<b>5,133,532</b>	6,436,354	5,862,459
Health	<b>3,169,175</b>	1,915,278	2,665,612
Social	<b>3,130,799</b>	2,741,132	2,692,323
Infrastructure	<b>6,310,545</b>	3,551,819	7,176,325
Education	<b>1,877,874</b>	1,735,863	1,889,560
Other	<b>3,315,561</b>	4,285,050	5,019,485
	<b>22,937,486</b>	20,665,496	25,305,764
<b>Surplus from operations before the following</b>	<b>4,404,312</b>	-	5,024,658
<b>OTHER INCOME (EXPENSE)</b>			
Income allocation from Primrose Lake Trust [note 4]	<b>603,595</b>	-	1,097,037
Share of income (loss) from Government Business Enterprises [note 6]	<b>(3,169,932)</b>	-	(3,977,621)
Gain on disposal of Government Business Enterprise [note 6]	<b>-</b>	-	835,400
Net change in trust funds	<b>760,556</b>	-	(442,559)
	<b>(1,805,781)</b>	-	(2,487,743)
<b>Excess of revenues over expenses</b>	<b>2,598,531</b>	-	2,536,915
Accumulated surplus, beginning of year	<b>70,587,276</b>	-	68,050,361
<b>Accumulated surplus, end of year</b>	<b>73,185,807</b>	-	70,587,276

*See accompanying notes*

**Cold Lake First Nations**

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

Year ended March 31

	<b>2020</b> \$	<b>2019</b> \$
<b>Excess of revenues over expenses</b>	<b>2,598,531</b>	2,536,915
Acquisition of tangible capital assets	(5,491,345)	(4,340,488)
Amortization of tangible capital assets	1,708,165	1,557,054
Change in deposits and prepaid expenses	140,656	(48,934)
	<b>(3,642,524)</b>	(2,832,368)
<b>Change in net financial assets</b>	<b>(1,043,993)</b>	(295,453)
Net financial assets, beginning of year	<b>41,727,017</b>	42,022,470
<b>Net financial assets, end of year</b>	<b>40,683,024</b>	41,727,017

*See accompanying notes*

**Cold Lake First Nations**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year ended March 31

	<b>2020</b> \$	<b>2019</b> \$
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses for the year	<b>2,598,531</b>	2,536,915
Items not affecting cash and cash equivalents:		
Amortization of tangible capital assets	<b>1,708,165</b>	1,557,054
Share of loss from Government Business Enterprises	<b>3,169,932</b>	3,977,621
	<b>7,476,628</b>	8,071,590
Changes in non-cash working capital items:		
Accounts receivable	<b>1,174,630</b>	548,792
Deposits and prepaid expenses	<b>140,656</b>	(48,934)
Trust funds	<b>(760,556)</b>	442,559
Accounts payable and accrued liabilities	<b>(430,265)</b>	(81,984)
Contributions carried forward	<b>4,334,595</b>	(329,373)
	<b>4,459,060</b>	531,060
<b>Cash provided by operating activities</b>	<b>11,935,688</b>	8,602,650
<b>FINANCING ACTIVITIES</b>		
Long-term debt obtained	<b>172,877</b>	2,044,623
Repayment of long-term debt	<b>(1,429,566)</b>	(2,860,896)
<b>Cash used in financing activities</b>	<b>(1,256,689)</b>	(816,273)
<b>CAPITAL ACTIVITIES</b>		
Additions to tangible capital assets	<b>(5,491,345)</b>	(4,340,488)
<b>Cash used in capital activities</b>	<b>(5,491,345)</b>	(4,340,488)
<b>INVESTING ACTIVITIES</b>		
Purchase of temporary investments	<b>(6,981)</b>	(2,991)
Advances to Government Business Enterprises	<b>(3,051,313)</b>	(5,331,139)
Advances from Government Business Enterprises	<b>1,850,659</b>	2,478,553
<b>Cash provided by (used in) investing activities</b>	<b>(1,207,635)</b>	(2,855,577)
Increase in cash and cash equivalents	<b>3,980,019</b>	590,312
Cash and cash equivalents, beginning of period	<b>3,267,614</b>	2,677,302
<b>Cash and cash equivalents, end of period</b>	<b>7,247,633</b>	3,267,614

*See accompanying notes*

## CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

Year ended March 31

2020						
	Band buildings	Housing / mobile homes	Equipment / heavy equipment	Infrastructure	Automotive	Furniture and fixtures
Cost	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of the year</b>	2,701,397	22,822,478	2,133,901	9,586,684	2,475,410	857,257
Acquisition of tangible capital assets	308,367	3,907,467	270,083	657,853	39,696	307,879
<b>Balance, end of the year</b>	<b>3,009,764</b>	<b>26,729,945</b>	<b>2,403,984</b>	<b>10,244,537</b>	<b>2,515,106</b>	<b>1,165,136</b>
<b>Accumulated amortization</b>						
<b>Balance, beginning of the year</b>	1,082,887	5,157,247	1,526,613	1,435,226	2,131,846	703,537
Annual amortization	70,908	897,564	168,260	396,625	109,023	65,784
<b>Balance, end of the year</b>	<b>1,153,795</b>	<b>6,054,811</b>	<b>1,694,873</b>	<b>1,831,851</b>	<b>2,240,869</b>	<b>769,321</b>
<b>Net book value</b>	<b>1,855,969</b>	<b>20,675,134</b>	<b>709,111</b>	<b>8,412,686</b>	<b>274,237</b>	<b>395,815</b>
2019						
	Band buildings	Housing / mobile homes	Equipment / heavy equipment	Infrastructure	Automotive	Furniture and fixtures
Cost	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of the year</b>	2,701,397	22,085,155	2,068,491	6,221,361	2,362,616	797,619
Acquisition of tangible capital assets	-	737,323	65,410	3,365,323	112,794	59,638
<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>857,257</b>
<b>Accumulated amortization</b>						
<b>Balance, beginning of the year</b>	1,015,449	4,312,129	1,355,694	1,119,065	2,008,774	669,191
Annual amortization	67,438	845,118	170,919	316,161	123,072	34,346
<b>Balance, end of the year</b>	<b>1,082,887</b>	<b>5,157,247</b>	<b>1,526,613</b>	<b>1,435,226</b>	<b>2,131,846</b>	<b>703,537</b>
<b>Net book value</b>	<b>1,618,510</b>	<b>17,665,231</b>	<b>607,288</b>	<b>8,151,458</b>	<b>343,564</b>	<b>153,720</b>
						<b>28,539,771</b>

During the year the Nation capitalized \$579,505 (2019 - \$3,266,508) of infrastructure work which was performed by certain 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

	2020 \$	Budget \$	2019 \$
Salaries and benefits	<b>7,654,055</b>	5,784,403	6,778,389
Subcontractors	<b>2,307,082</b>	1,466,814	3,540,741
Professional fees and consultants	<b>1,806,523</b>	2,453,001	2,718,645
Amortization of tangible capital assets	<b>1,708,165</b>	-	1,557,054
Allowances	<b>1,509,603</b>	3,267,388	1,329,461
Materials and supplies	<b>1,254,638</b>	844,737	1,420,006
Telephone and utilities	<b>954,115</b>	1,028,551	986,926
Interest	<b>879,581</b>	1,132,699	909,960
Honoraria	<b>801,242</b>	886,940	780,123
Repairs and maintenance	<b>567,745</b>	255,475	1,260,241
Insurance	<b>391,327</b>	432,487	369,472
Travel	<b>360,654</b>	371,341	308,372
Other program delivery	<b>2,742,756</b>	2,741,660	3,346,374
	<b>22,937,486</b>	20,665,496	25,305,764

*See accompanying notes*

## CONSOLIDATED SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

Year ended March 31

	2020					2019	
	Unrestricted surplus (deficit)	Equity in business entities	Equity in tangible capital assets	Education Trust	Equity in trust funds	Total	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Accumulated surplus, beginning of year</b>	(3,190,958)	47,333,048	24,305,123	351,498	1,788,565	<b>70,587,276</b>	68,050,361
Excess of revenues over expenses	2,598,531	-	-	-	-	<b>2,598,531</b>	2,536,915
Change in Government Business Enterprises:							
Net loss	3,169,932	(3,169,932)	-	-	-	-	-
Advances from	1,850,659	(1,850,659)	-	-	-	-	-
Advances to	(3,051,313)	3,051,313	-	-	-	-	-
Long-term debt repayment	(352,805)	352,805	-	-	-	-	-
Change in tangible capital assets:							
Additions	(5,491,345)	-	5,491,345	-	-	-	-
Amortization	1,708,164	-	(1,708,164)	-	-	-	-
Long-term debt obtained	47,877	-	(47,877)	-	-	-	-
Long-term debt repayment	(578,981)	-	578,981	-	-	-	-
Transfer - Education Trust	(103,117)	-	-	103,117	-	-	-
Net change in trust funds	(760,556)	-	-	-	760,556	-	-
<b>Accumulated surplus, end of year</b>	<b>(4,153,912)</b>	<b>45,716,575</b>	<b>28,619,408</b>	<b>454,615</b>	<b>2,549,121</b>	<b>73,185,807</b>	<b>70,587,276</b>

See accompanying notes

## **Cold Lake First Nations**

# **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2020

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 ("GBE") 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 GBE's have not been adjusted to conform with those of the Nation 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 PSAS 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 useful lives and residual value of tangible capital assets and estimates of accrued liabilities. 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**

Temporary 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.

## **Cold Lake First Nations**

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

March 31, 2020

#### **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. Costs that represent repairs to existing roads, water and sewage systems are not capitalized but rather treated as expenses of the period. 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.

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.

##### **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.

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.

## **Cold Lake First Nations**

# **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2020

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

### **Pension expenditures**

The Nation sponsors a defined contribution pension plan for certain employees. Under the plan, the Nation matches the employee's contribution at a range of 2% to 9% of earnings. During the year, the Nation contributed \$249,910 (2019 - \$257,243) 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.

### **Financial instruments**

#### **Risk management**

Credit risk arises from the possibility that certain receivables may not be collectible. The Nation 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. The Nation's exposure to fluctuations in interest rates is minimized as the total variable rate debt is kept to a manageable level.

#### **Fair value**

The Nation's 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.

## **2. CASH**

Included in cash is \$719,954 (2019 - \$675,730) held in lawyer's trust accounts for the benefit of the Nation.

## Cold Lake First Nations

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

#### 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 1.6% and mature at dates between April 2020 and February 2021. As disclosed in note 9 certain of these investments are held as collateral for various loans and credit facilities and are restricted in use.

#### 4. ACCOUNTS RECEIVABLE

	2020 \$	2019 \$
Grants and other receivables	<b>1,028,428</b>	2,349,527
Due from Primrose Lake Trust	<b>4,028,346</b>	3,881,877
	<b>5,056,774</b>	6,231,404

Included in grants and other receivables is \$195,697 (2019 - \$213,561) due from GBE's. The balance due from Primrose Lake Trust is non-interest bearing, unsecured and due on demand.

#### 5. TRUST FUNDS

Trust funds are administered by the Department of Indigenous Services Canada. The expenditure of trust funds is limited to purposes identified in the Indian Act. 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:

	2020 \$	2019 \$
<b>Capital fund</b>		
Beginning of year	<b>912,268</b>	624,451
Income from oil and gas royalties	<b>387,866</b>	287,817
End of year	<b>1,300,134</b>	912,268
<b>Revenue fund</b>		
Beginning of year	<b>876,297</b>	1,606,673
Income from lease and rentals	<b>552,690</b>	419,624
Transfers to programs	<b>(180,000)</b>	(1,150,000)
End of year	<b>1,248,987</b>	876,297
	<b>2,549,121</b>	1,788,565

## Cold Lake First Nations

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

#### 6. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

	<b>2020</b> \$	<b>2019</b> \$
Beginning of year	<b>54,191,248</b>	55,316,283
Share of loss	(3,169,932)	(3,977,621)
Advances from GBE's	(1,850,659)	(2,478,553)
Advances to GBE's	3,051,313	5,331,139
End of year	<b>52,221,970</b>	54,191,248

Following is a summary of the percentage of the entities owned and the related year ends of the GBE's:

	<u>% ownership</u>	<u>Year end</u>
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 First Nations Casino Corporation	100%	March 31
Comec Industrial Services LP	51%	January 31
Comec Energy Services LP	51%	December 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
Seven Lakes Oilfield Services LP	50%	December 31
Treaty First Nations LP	100%	December 31
Tri Rez EBay Energy Ltd.	100%	March 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 Grader LP	100%	March 31

## Cold Lake First Nations

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

#### 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 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 GBE's. All transactions are recorded at the exchange amount. During the year the Nation incurred supplies and materials and subcontractor expenses of \$637,708 (2019 - \$709,177) from its GBE's.

#### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<b>2020</b> \$	<b>2019</b> \$
Trade payables and accrued liabilities	<b>2,245,971</b>	3,070,370
Interest payable to Primrose Lake Trust	<b>6,234,592</b>	5,840,457
	<b>8,480,563</b>	8,910,827

Included in trade payables and accrued liabilities is \$504,758 (2019 - \$488,706) owing to GBE's.

#### 8. LONG-TERM DEBT

	<b>2020</b> \$	<b>2019</b> \$
Primrose Lake Trust loans bearing interest at rates between 5% to 12% per annum, repayable on demand, collateralized by a redirection of income allocations from the Primrose Lake Trust.	<b>3,708,957</b>	3,655,981
BMO demand loan bearing interest at prime plus 1%, 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.	<b>2,993,635</b>	3,532,524
BMO demand loan bearing interest at prime plus 1%, repayable at \$24,444 per month plus interest, due January 2030, collateralized by a promissory note provided by Cold Lake First Nations.	<b>2,921,439</b>	3,202,222

## Cold Lake First Nations

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

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

	2020 \$	2019 \$
TD Canada Trust loan bearing interest at prime plus 1.75%, 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.	<b>382,222</b>	880,000
Canada Mortgage and Housing Corporation mortgage bearing interest at 1.86%, repayable with blended payments of \$4,776 per month, collateralized by a ministerial guarantee.	<b>709,908</b>	<b>702,123</b>
	<b>10,716,161</b>	11,972,850

Interest incurred on long-term debt amounted to \$824,953 (2019 - \$864,887) during the year. During the year, the Nation incurred interest of \$569,461 (2019 - \$640,298) on the loans with Primrose Lake Trust.

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

2021	\$ 7,295,213
2022	\$ 1,308,289
2023	\$ 1,079,340
2024	\$ 1,038,145
2025	\$ 996,950
2026 and subsequent	\$ 1,923,945

#### 9. CREDIT FACILITIES

As at March 31, 2020, 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%. At year end the balance on this line of credit was \$nil (2019 - \$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%, 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 (2019 - \$nil).

## **Cold Lake First Nations**

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

March 31, 2020

#### **10. CONTINGENCIES**

The Nation 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 operations as the matters are resolved, or when sufficient information on amounts and likelihoods are known.

The Nation has provided limited guarantees in the aggregate amount of \$39,050,000 on credit facilities provided to certain of its GBE's. At March 31, 2020, the aggregate outstanding balance on these facilities on which the Nation has provided guarantees was approximately \$34,800,000. These facilities are also collateralized by specific assets of the relevant GBE's and the Nation would only be required to act upon its guarantees if the GBE's were unable to satisfy the debts with their own assets. As part of its guarantee, the Nation has identified FNDF revenues as being available to support certain of the Nation's guarantees if required.

#### **11. SEGMENT INFORMATION**

The Nation provides a wide range of services to its members. Services are delivered through a number of different programs and departments. Identified segments, for which separate financial information is available, 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 2019 comparative figures have been reclassified to conform with the financial statement presentation adopted by the Nation for the year ended March 31, 2020.

## CONSOLIDATED SEGMENT DISCLOSURES

Year ended March 31

	Administration / Governance	Health	Social Programs	Infrastructure	Education	Other programs	Other	2020 Total
<b>Revenue</b>								
ISC	\$ 879,140	\$ 125,000	\$ 2,498,649	\$ 8,785,696	\$ 1,932,796	\$ 220,297	\$ -	\$ 14,441,578
FNDF	1,080,000	-	-	550,000	-	2,751,694	-	4,381,694
Donations	2,061,405	-	1,200	2,623,490	115,000	193,270	-	4,994,365
Other government grants	557,396	-	490,137	69,352	-	487,035	-	1,603,920
FNIHB	-	3,065,165	-	-	-	-	-	3,065,165
Dene Ts'edi Society grants	103,917	245,979	699,443	183,601	-	229,003	-	1,461,943
Other	659,100	370,170	287,766	179,322	98,742	78,774	-	1,673,874
Trust funds	-	-	-	-	-	180,000	-	180,000
Contributions carried forward from prior year	-	102,734	193,950	1,649,196	255,280	984,839	-	3,185,999
Contributions carried forward to next year	-	(802,692)	(472,135)	(5,217,367)	(505,181)	(649,365)	-	(7,646,740)
Program transfers	60,467	-	-	-	(60,467)	-	-	-
	5,401,425	3,106,356	3,699,010	8,823,290	1,836,170	4,475,547	-	27,341,798
<b>Expenses</b>								
Administration fees / recoveries	(400,696)	170,074	134,202	(4,395)	54,875	45,940	-	-
Allowances	-	6,514	1,392,548	14,200	6,303	90,038	-	1,509,603
Amortization of tangible capital assets	25,150	104,444	21,334	1,433,101	1,547	122,589	-	1,708,165
Honoraria	749,708	26,213	-	3,231	18,300	3,790	-	801,242
Insurance	52,028	17,515	7,682	314,102	-	-	-	391,327
Interest	60,567	198	191,359	57,608	-	569,849	-	879,581
Materials and supplies	247,385	356,939	34,331	516,795	58,229	40,959	-	1,254,638
Professional fees and consultants	1,465,739	510	-	3,760	-	336,514	-	1,806,523
Repairs and maintenance	18,331	97,888	10,579	421,403	470	19,074	-	567,745
Salaries and benefits	2,208,558	1,653,796	890,541	1,380,382	1,092,330	428,448	-	7,654,055
Subcontractors	191,535	291,748	26,288	1,659,026	41,671	96,814	-	2,307,082
Telephone and utilities	63,484	28,899	14,952	430,332	3,954	412,494	-	954,115
Travel	184,296	59,806	55,563	32,812	8,615	19,562	-	360,654
Other program delivery	267,447	354,631	351,420	48,188	591,580	1,129,490	-	2,742,756
	5,133,532	3,169,175	3,130,799	6,310,545	1,877,874	3,315,561	-	22,937,486
<b>Other income (expense)</b>								
Income allocation from Primrose Lake Trust	-	-	-	-	-	-	603,595	603,595
Share of income (loss) from GBE	-	-	-	-	-	-	(3,169,932)	(3,169,932)
Net change in trust funds	-	-	-	-	-	-	760,556	760,556
	-	-	-	-	-	-	(1,805,781)	(1,805,781)
	\$ 267,893	\$ (62,819)	\$ 568,211	\$ 2,512,745	\$ (41,704)	\$ 1,159,986	\$ (1,805,781)	\$ 2,598,531

## CONSOLIDATED SEGMENT DISCLOSURES

Year ended March 31

	Administration / Governance	Health	Social Programs	Infrastructure	Education	Other programs	Other	2019 Total
<b>Revenue</b>								
ISC	\$ 886,797	\$ -	\$ 2,170,048	\$ 4,253,491	\$ 2,189,870	\$ 1,139,653	\$ -	\$ 10,639,859
FNDF	1,380,000	-	-	500,000	-	2,766,985	-	4,646,985
Donations	2,042,556	35,015	-	2,656,847	140,465	130,625	-	5,005,508
Other government grants	270,748	-	393,478	1,615,313	-	1,103,702	-	3,383,241
FNIHB	-	2,301,679	-	-	-	-	-	2,301,679
Dene Ts'edi Society grants	125,749	206,127	877,656	101,472	-	217,170	-	1,528,174
Other	446,940	288,719	126,051	88,785	46,254	257,093	-	1,253,842
Trust funds	-	-	-	1,150,000	-	-	-	1,150,000
Contributions carried forward from prior year	82,285	-	-	720,524	29,587	2,774,737	-	3,607,133
Contributions carried forward to next year	-	(102,733)	(193,950)	(1,649,196)	(255,280)	(984,840)	-	(3,185,999)
Program transfers	(32,052)	1,500	-	26,552	-	4,000	-	-
	5,203,023	2,730,307	3,373,283	9,463,788	2,150,896	7,409,125	-	30,330,422
<b>Expenses</b>								
Administration fees / recoveries	(291,407)	66,530	95,850	8,500	108,204	12,323	-	-
Allowances	5,075	3,535	1,191,871	31,958	7,503	89,519	-	1,329,461
Amortization of tangible capital assets	22,811	101,458	22,034	1,303,899	2,034	104,818	-	1,557,054
Honoraria	735,837	4,030	-	12,000	18,898	9,358	-	780,123
Insurance	19,578	13,130	7,599	329,165	-	-	-	369,472
Interest	61,888	95	184,587	22,296	-	641,094	-	909,960
Materials and supplies	122,883	241,538	45,346	797,000	74,943	138,296	-	1,420,006
Professional fees and consultants	2,259,967	510	-	6,810	-	451,358	-	2,718,645
Repairs and maintenance	37,689	336,202	31,028	724,963	2,135	128,224	-	1,260,241
Salaries and benefits	2,019,275	1,317,490	777,030	1,336,077	960,401	368,116	-	6,778,389
Subcontractors	395,065	253,175	123,399	2,076,118	138,691	554,293	-	3,540,741
Telephone and utilities	84,275	23,431	13,273	474,640	5,499	385,808	-	986,926
Travel	164,972	44,087	36,916	10,369	27,337	24,691	-	308,372
Other program delivery	224,551	260,401	163,390	42,530	543,915	2,111,587	-	3,346,374
	5,862,459	2,665,612	2,692,323	7,176,325	1,889,560	5,019,485	-	25,305,764
<b>Other income (expense)</b>								
Income allocation from Primrose Lake Trust	-	-	-	-	-	-	1,097,037	1,097,037
Share of income (loss) from GBE	-	-	-	-	-	-	(3,977,621)	(3,977,621)
Loan guarantee payout	-	-	-	-	-	-	835,400	835,400
Net change in trust funds	-	-	-	-	-	-	(442,559)	(442,559)
	-	-	-	-	-	-	(2,487,743)	(2,487,743)
	\$ (659,436)	\$ 64,695	\$ 680,960	\$ 2,287,463	\$ 261,336	\$ 2,389,640	\$ (2,487,743)	\$ 2,536,915

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

Year ended March 31

	<b>2020</b>	<b>2019</b>
	\$	\$
<b>Aggregated balance sheet information:</b>		
<b>ASSETS</b>		
Cash	<b>4,367,918</b>	2,247,033
Accounts receivable	<b>10,134,101</b>	15,863,888
Inventory	<b>1,075,458</b>	693,837
Prepaid expenses	<b>1,121,599</b>	937,037
Property, plant, and equipment	<b>84,991,955</b>	83,821,915
Due from related parties	<b>60,823,262</b>	55,070,506
Investments	<b>13,737,609</b>	14,086,478
Other assets	<b>4,316,208</b>	2,728,264
	<b><u>180,568,110</u></b>	<b>175,448,958</b>
<b>LIABILITIES</b>		
Bank indebtedness	<b>4,591,301</b>	500,706
Accounts payable	<b>6,999,463</b>	10,436,769
Due to related parties	<b>59,094,215</b>	53,942,051
Callable debt	<b>13,749,205</b>	13,872,751
Long-term debt	<b>42,353,245</b>	42,781,295
Capital leases	<b>4,669,506</b>	3,216,295
Other liabilities	<b>65,027</b>	1,336,929
	<b><u>49,046,148</u></b>	<b>49,362,162</b>
	<b><u>180,568,110</u></b>	<b>175,448,958</b>
<b>EQUITY</b>		
Revenue	<b>96,131,476</b>	99,798,462
Expenses	<b>99,301,408</b>	103,776,083
Net loss	<b>(3,169,932)</b>	(3,977,621)

**Aggregated income statement information:**

Revenue	<b>96,131,476</b>	99,798,462
Expenses	<b>99,301,408</b>	103,776,083
Net loss	<b>(3,169,932)</b>	(3,977,621)