

Consolidated Financial Statements

Cold Lake First Nations

March 31, 2021





Cold Lake First Nations

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MARCH 31, 2021

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

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, 2021, 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, 2021, 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, 2021 and 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, 2021 and 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, 2021 and March 31, 2020 and the Nation's share of these enterprises' net income (loss) for the years then ended. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. Our audit opinion on the consolidated financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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
July 29, 2021

Ernst & Young LLP

Chartered Professional Accountants



A member firm of Ernst & Young Global Limited

Cold Lake First Nations




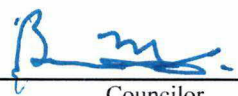
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

	2021 \$	2020 \$
FINANCIAL ASSETS		
Cash and cash equivalents <i>[note 2]</i>	15,840,890	7,247,633
Temporary investments <i>[note 3]</i>	5,496,419	495,636
Accounts receivable <i>[note 4]</i>	7,634,194	5,056,774
Trust funds <i>[note 5]</i>	2,825,967	2,549,121
Investment in Government Business Enterprises <i>[note 6]</i>	53,817,218	52,221,970
	<u>85,614,688</u>	<u>67,571,134</u>
LIABILITIES		
Accounts payable and accrued liabilities <i>[note 7]</i>	10,712,730	8,480,563
Contributions carried forward	15,672,325	7,691,387
Long-term debt <i>[note 8]</i>	11,491,918	10,716,161
	<u>37,876,973</u>	<u>26,888,111</u>
NET FINANCIAL ASSETS	<u>47,737,715</u>	<u>40,683,023</u>
NON-FINANCIAL ASSETS		
Deposits and prepaid expenses	120,950	179,832
Tangible capital assets <i>[schedule 1]</i>	39,118,295	32,322,952
	<u>39,239,245</u>	<u>32,502,784</u>
ACCUMULATED SURPLUS <i>[schedule 3]</i>	<u>86,976,960</u>	<u>73,185,807</u>

Contingencies *[note 10]*

See accompanying notes

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

Cold Lake First Nations

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

Year ended March 31

	2021 \$	2021 Budget \$	2020 \$
REVENUES			
Indigenous Services Canada (ISC)	21,009,368	6,997,574	14,441,578
Donations	8,563,686	3,291,921	4,994,365
First Nations and Inuit Health Branch (FNIHB)	6,032,578	1,780,213	3,065,165
First Nations Development Fund (FNDF)	2,382,857	1,000,000	4,381,694
Other government grants	2,082,233	1,582,033	1,603,921
Other	1,493,000	6,193,590	1,673,874
Dene Ts'edi Society grants	909,435	655,831	1,461,943
Trust fund transfers	-	-	180,000
Contributions carried forward from prior year	7,646,739	-	3,185,999
Contributions carried forward to next year	(15,641,879)	-	(7,646,740)
	34,478,017	21,501,162	27,341,799
EXPENSES			
Administration and governance	4,510,779	6,961,252	5,134,500
Health	5,027,467	1,980,213	3,166,015
Social	2,348,699	2,469,989	3,284,977
Infrastructure	5,352,890	6,255,012	6,309,579
Education	2,053,132	1,519,647	1,877,874
Other	3,032,385	2,315,049	3,164,542
	22,325,352	21,501,162	22,937,487
Surplus from operations before the following	12,152,665	-	4,404,312
OTHER INCOME (EXPENSE)			
Income allocation from Primrose Lake Trust <i>[note 4]</i>	1,082,208	-	603,595
Share of income (loss) from Government Business Enterprises <i>[note 6]</i>	245,583	-	(3,169,932)
Gain on disposal of Government Business Enterprise <i>[note 6]</i>	33,851	-	-
Net change in trust funds	276,846	-	760,556
	1,638,488	-	(1,805,781)
Excess of revenues over expenses	13,791,153	-	2,598,531
Accumulated surplus, beginning of year	73,185,807	-	70,587,276
Accumulated surplus, end of year	86,976,960	-	73,185,807

See accompanying notes

Cold Lake First Nations

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

Year ended March 31

	2021	2020
	\$	\$
Excess of revenues over expenses	13,791,153	2,598,531
Acquisition of tangible capital assets	(8,759,043)	(5,491,345)
Amortization of tangible capital assets	1,963,702	1,708,165
Change in deposits and prepaid expenses	58,882	140,656
	(6,736,459)	(3,642,524)
Change in net financial assets	7,054,694	(1,043,993)
Net financial assets, beginning of year	40,683,023	41,727,016
Net financial assets, end of year	47,737,717	40,683,023

See accompanying notes

Cold Lake First Nations

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31

	2021 \$	2020 \$
OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	13,791,153	2,598,531
Items not affecting cash and cash equivalents:		
Amortization of tangible capital assets	1,963,702	1,708,165
Share of income (loss) from Government Business Enterprises	(245,583)	3,169,932
	<u>15,509,272</u>	<u>7,476,628</u>
Changes in non-cash working capital items:		
Accounts receivable	(2,577,420)	1,174,630
Deposits and prepaid expenses	58,882	140,656
Trust funds	(276,846)	(760,556)
Accounts payable and accrued liabilities	2,232,165	(430,267)
Contributions carried forward	<u>7,980,938</u>	<u>4,334,595</u>
	<u>7,417,719</u>	<u>4,459,058</u>
Cash provided by operating activities	<u>22,926,991</u>	<u>11,935,686</u>
FINANCING ACTIVITIES		
Long-term debt obtained	2,314,228	172,877
Repayment of long-term debt	(1,538,471)	(1,429,564)
Cash provided by (used in) financing activities	<u>775,757</u>	<u>(1,256,687)</u>
CAPITAL ACTIVITIES		
Additions to tangible capital assets	(8,759,043)	(5,491,345)
Cash used in capital activities	<u>(8,759,043)</u>	<u>(5,491,345)</u>
INVESTING ACTIVITIES		
Purchase of temporary investments	(5,000,783)	(6,981)
Advances to Government Business Enterprises	(3,574,928)	(3,051,313)
Advances from Government Business Enterprises	2,225,263	1,850,659
Cash used in investing activities	<u>(6,350,448)</u>	<u>(1,207,635)</u>
Increase in cash and cash equivalents	8,593,257	3,980,019
Cash and cash equivalents, beginning of period	7,247,633	3,267,614
Cash and cash equivalents, end of period	<u>15,840,890</u>	<u>7,247,633</u>

See accompanying notes

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

Year ended March 31

		2021						
		Band buildings	Housing / mobile homes	Equipment / heavy equipment	Infrastructure	Automotive	Furniture and fixtures	Total
Cost		\$	\$	\$	\$	\$	\$	\$
	Balance, beginning of the year	3,009,764	26,729,945	2,403,984	10,244,537	2,515,106	1,165,136	46,068,472
	Acquisition of tangible capital assets	1,066,073	2,670,292	126,231	4,577,634	285,531	33,282	8,759,043
	Balance, end of the year	4,075,837	29,400,237	2,530,215	14,822,171	2,800,637	1,198,418	54,827,515
Accumulated amortization								
	Balance, beginning of the year	1,153,795	6,054,811	1,694,873	1,831,851	2,240,869	769,321	13,745,520
	Annual amortization	95,560	981,936	169,898	501,333	125,101	89,872	1,963,700
	Balance, end of the year	1,249,355	7,036,747	1,864,771	2,333,184	2,365,970	859,193	15,709,220
Net book value		2,826,482	22,363,490	665,444	12,488,987	434,667	339,225	39,118,295
		2020						
		Band buildings	Housing / mobile homes	Equipment / heavy equipment	Infrastructure	Automotive	Furniture and fixtures	Total
Cost		\$	\$	\$	\$	\$	\$	\$
	Balance, beginning of the year	2,701,397	22,822,478	2,133,901	9,586,684	2,475,410	857,257	40,577,127
	Acquisition of tangible capital assets	308,367	3,907,467	270,083	657,853	39,696	307,879	5,491,345
	Balance, end of the year	3,009,764	26,729,945	2,403,984	10,244,537	2,515,106	1,165,136	46,068,472
Accumulated amortization								
	Balance, beginning of the year	1,082,887	5,157,247	1,526,613	1,435,226	2,131,846	703,537	12,037,356
	Annual amortization	70,908	897,564	168,260	396,625	109,023	65,784	1,708,164
	Balance, end of the year	1,153,795	6,054,811	1,694,873	1,831,851	2,240,869	769,321	13,745,520
Net book value		1,855,969	20,675,134	709,111	8,412,686	274,237	395,815	32,322,952

During the year the Nation capitalized \$271,573 (2020 - \$579,505) 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

	2021	Budget	2020
	\$	\$	\$
Salaries and benefits	7,617,720	6,673,809	7,654,060
Subcontractors	2,500,762	1,895,748	2,307,082
Amortization of tangible capital assets	1,963,702	-	1,708,165
Professional fees and consultants	1,690,902	2,444,139	1,806,523
Materials and supplies	1,740,938	1,091,685	1,254,638
Allowances	945,524	1,067,388	1,509,603
Telephone and utilities	945,489	792,434	954,115
Interest	749,001	427,610	879,580
Honoraria	737,849	1,400,658	801,242
Repairs and maintenance	468,321	2,186,572	567,742
Insurance	468,084	489,701	391,327
Travel	104,854	482,296	360,654
Other program delivery	2,392,206	2,549,122	2,742,756
	22,325,352	21,501,162	22,937,487

See accompanying notes

CONSOLIDATED SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

Year ended March 31

	2021					2020	
	Unrestricted surplus (deficit)	Equity in business entities	Equity in tangible capital assets	Education Trust	Equity in trust funds	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Accumulated surplus, beginning of year	(4,153,912)	45,716,576	28,619,408	454,615	2,549,121	73,185,808	70,587,276
Excess of revenues over expenses	13,791,153	-	-	-	-	13,791,153	2,598,531
Change in Government Business Enterprises:							
Net income	(245,583)	245,583	-	-	-	-	-
Repayments from	2,225,263	(2,225,263)	-	-	-	-	-
Advances to	(3,574,928)	3,574,928	-	-	-	-	-
Long-term debt repayment	(988,204)	988,204	-	-	-	-	-
Change in tangible capital assets:							
Additions	(8,759,043)	-	8,759,043	-	-	-	-
Amortization	1,963,701	-	(1,963,701)	-	-	-	-
Long-term debt repayment	(316,565)	-	316,565	-	-	-	-
Transfer - Education Trust	(152,985)	-	-	152,985	-	-	-
Net change in trust funds	(276,846)	-	-	-	276,846	-	-
Accumulated surplus, end of year	(487,949)	48,300,028	35,731,315	607,600	2,825,967	86,976,961	73,185,807

See accompanying notes

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

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 \$292,702 (2020 - \$249,910) 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 \$952,939 (2020 - \$719,954) held in lawyer's trust accounts for the benefit of the Nation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

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 0.3% to 0.45% and mature at dates between April 2021 and November 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

	2021 \$	2020 \$
Grants and other receivables	1,180,256	1,028,428
Loans receivable from related parties	2,314,228	-
Due from Primrose Lake Trust	4,139,710	4,028,346
	<u>7,634,194</u>	<u>5,056,774</u>

Included in grants and other receivables is \$237,762 (2020 - \$195,697) due from GBE's. The balance due from Primrose Lake Trust is non-interest bearing, unsecured and due on demand. The loans receivable from related parties bear interest at 6%, are unsecured and are due on demand.

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

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:

	2021 \$	2020 \$
Capital fund		
Beginning of year	1,300,134	912,268
Income from oil and gas royalties	102,312	387,866
End of year	1,402,446	1,300,134
Revenue fund		
Beginning of year	1,248,987	876,297
Income from lease and rentals	174,534	552,690
Transfers to programs	-	(180,000)
End of year	1,423,521	1,248,987
	2,825,967	2,549,121

6. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

	2021 \$	2020 \$
Beginning of year	52,221,970	54,191,248
Share of income (loss)	245,583	(3,169,932)
Advances from GBE's	(2,225,263)	(1,850,659)
Advances to GBE's	3,574,928	3,051,313
End of year	53,817,218	52,221,970

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

6. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES - CONTINUED

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

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.

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 \$1,183,859 (2020 - \$637,708) from its GBE's.

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021 \$	2020 \$
Trade payables and accrued liabilities	4,013,317	2,245,971
Interest payable to Primrose Lake Trust	6,699,413	6,234,592
	10,712,730	8,480,563

Included in trade payables and accrued liabilities is \$660,817 (2020 - \$504,758) owing to GBE's.

8. LONG-TERM DEBT

	2021 \$	2020 \$
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.	5,068,723	3,708,957
BMO demand loan bearing interest at 2.45%, repayable in blended monthly payments of \$50,627, due January 2026, 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.	2,720,404	2,993,635
BMO demand loan bearing interest at 2.45%, repayable in blended monthly payments of \$29,289, due December 2025, collateralized by a promissory note provided by Cold Lake First Nations.	2,787,698	2,921,439
TD Canada Trust loan bearing interest at prime plus 1.75%, repayable at \$24,444 per month plus interest, due February 2022, collateralized by a redirection of ISC funds and an assignment of specific marketable securities.	248,519	382,222
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.	666,574	709,908
	11,491,918	10,716,161

Cold Lake First Nations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

8. LONG-TERM DEBT - CONTINUED

Interest incurred on long-term debt amounted to \$702,305 (2020 - \$824,953) during the year. During the year, the Nation incurred interest of \$474,463 (2020 - \$418,443) on the loans with Primrose Lake Trust.

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

2022	\$ 8,428,465
2023	\$ 1,016,308
2024	\$ 1,016,308
2025	\$ 1,016,308
2026	\$ 2,138,046
2027 and subsequent	\$ 458,473

9. CREDIT FACILITIES

As at March 31, 2021, 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 (2020 - \$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 approximately \$124,000. At year end the balance on this line of credit was \$nil (2020 - \$nil).

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, 2021, the aggregate outstanding balance on these facilities on which the Nation has provided guarantees was approximately \$34,500,000. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

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 2020 comparative figures have been reclassified to conform with the financial statement presentation adopted by the Nation for the year ended March 31, 2021.

CONSOLIDATED SEGMENT DISCLOSURES

Year ended March 31, 2021

	Administration / Governance	Health	Social Programs	Infrastructure	Education	Other programs	Other	Total
Revenue								
ISC	\$ 932,872	\$ 1,795,221	\$ 2,737,688	\$ 11,980,142	\$ 2,035,740	\$ 1,527,705	\$ -	\$ 21,009,368
FNDF	639,724	-	-	100,000	-	1,643,133	-	2,382,857
Donations	4,284,580	-	20,000	4,161,780	97,326	-	-	8,563,686
Other government grants	673,628	-	413,294	59,352	110,696	825,263	-	2,082,233
FNIHB	-	6,032,578	-	-	-	-	-	6,032,578
Dene Ts'edi Society grants	67,032	262,418	368,265	-	-	211,720	-	909,435
Other	561,622	218,176	74,616	15,450	488,794	134,342	-	1,493,000
Contributions carried forward from prior year	-	802,692	472,135	5,217,367	505,181	649,364	-	7,646,739
Contributions carried forward to next year	(158,536)	(2,909,616)	(1,420,478)	(9,269,125)	(1,224,102)	(660,022)	-	(15,641,879)
Program transfers	21,000	(11,000)	(10,000)	-	-	-	-	-
	7,021,922	6,190,469	2,655,520	12,264,966	2,013,635	4,331,505	-	34,478,017
Expenses								
Administration fees / recoveries	(427,470)	273,198	96,367	7,242	-	50,663	-	-
Allowances	13	1,567	817,654	-	163	126,127	-	945,524
Amortization of tangible capital assets	35,063	151,564	20,628	1,630,027	1,182	125,238	-	1,963,702
Honoraria	732,584	2,365	400	-	2,500	-	-	737,849
Insurance	2,764	26,385	10,381	428,554	-	-	-	468,084
Interest	50,404	30	104,371	29,828	-	564,368	-	749,001
Materials and supplies	129,763	811,971	57,485	399,182	139,997	202,540	-	1,740,938
Professional fees and consultants	1,444,089	-	-	-	-	246,813	-	1,690,902
Repairs and maintenance	23,963	229,480	8,069	197,292	2,627	6,890	-	468,321
Salaries and benefits	2,183,666	1,679,074	890,440	1,335,091	1,096,315	433,134	-	7,617,720
Subcontractors	106,488	1,298,679	140,822	889,850	53,673	11,250	-	2,500,762
Telephone and utilities	66,272	25,219	15,866	428,491	3,166	406,475	-	945,489
Travel	45,939	42,417	14,523	396	270	1,309	-	104,854
Other program delivery	117,241	485,518	171,693	6,937	753,239	857,578	-	2,392,206
	4,510,779	5,027,467	2,348,699	5,352,890	2,053,132	3,032,385	-	22,325,352
Other income (expense)								
Income allocation from Primrose Lake Trust	-	-	-	-	-	-	1,082,208	1,082,208
Share of income from GBE's	-	-	-	-	-	-	245,583	245,583
Gain on disposal of GBE	-	-	-	-	-	-	33,851	33,851
Net change in trust funds	-	-	-	-	-	-	276,846	276,846
	-	-	-	-	-	-	1,638,488	1,638,488
Total	\$ 2,511,143	\$ 1,163,002	\$ 306,821	\$ 6,912,076	\$ (39,497)	\$ 1,299,120	\$ 1,638,488	\$ 13,791,153

CONSOLIDATED SEGMENT DISCLOSURES

Year ended March 31, 2020

	Administration / Governance	Health	Social Programs	Infrastructure	Education	Other programs	Other	Total
Revenue								
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	2,561,405	-	1,200	2,123,490	115,000	193,270	-	4,994,365
Other government grants	575,773	-	490,137	69,352	-	468,659	-	1,603,921
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)	-	-	-
	5,919,802	3,106,356	3,699,010	8,323,290	1,836,170	4,457,171	-	27,341,799
Expenses								
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	342,377	57,608	-	418,830	-	879,580
Materials and supplies	247,385	353,779	37,491	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	19,294	97,888	10,579	420,437	470	19,074	-	567,742
Salaries and benefits	2,208,563	1,653,796	890,541	1,380,382	1,092,330	428,448	-	7,654,060
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
	5,134,500	3,166,015	3,284,977	6,309,579	1,877,874	3,164,542	-	22,937,487
Other income (expense)								
Income allocation from Primrose Lake Trust	-	-	-	-	-	-	603,595	603,595
Share of loss from GBE's	-	-	-	-	-	-	(3,169,932)	(3,169,932)
Net change in trust funds	-	-	-	-	-	-	760,556	760,556
	-	-	-	-	-	-	(1,805,781)	(1,805,781)
	\$ 785,302	\$ (59,659)	\$ 414,033	\$ 2,013,711	\$ (41,704)	\$ 1,292,629	\$ (1,805,781)	\$ 2,598,531

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

Year ended March 31

	2021 \$	2020 \$
Aggregated balance sheet information:		
ASSETS		
Cash	4,804,311	4,367,918
Accounts receivable	14,371,325	10,134,101
Inventory	945,790	1,075,458
Prepaid expenses	661,227	1,121,599
Property, plant, and equipment	84,308,165	84,991,955
Due from related parties	68,259,630	60,823,262
Investments	13,117,088	13,737,609
Other assets	3,941,907	4,316,208
	190,409,443	180,568,110
LIABILITIES		
Bank indebtedness	104,652	4,591,301
Accounts payable	7,162,109	6,999,463
Due to related parties	65,472,002	59,094,215
Callable debt	18,630,062	13,749,205
Long-term debt	44,891,055	42,353,245
Capital leases	5,048,390	4,669,506
Other liabilities	49,183	65,027
EQUITY	48,951,990	49,046,148
	190,309,443	180,568,110
Aggregated income statement information:		
Revenue	93,768,207	96,131,476
Expenses	93,522,624	99,301,408
Net loss	245,583	(3,169,932)