

**Frog Lake First Nation**

**Consolidated Financial Statements**

**March 31, 2014**

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# Frog Lake First Nation

## Management's Responsibility for Financial Reporting

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**March 31, 2014**

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The accompanying consolidated financial statements of Frog Lake First Nation are the responsibility of management and have been approved by Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

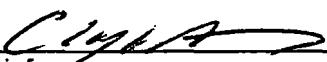
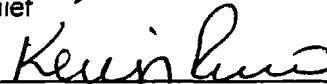
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council meets periodically 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 consolidated financial statements and the external auditor's report.

The external auditors, Crowe MacKay LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Frog Lake First Nation and meet when required.

On behalf of Frog Lake First Nation:

  
\_\_\_\_\_  
Chief  
  
\_\_\_\_\_  
Chief Financial Officer

JULY 29, 2014  
Date  
JULY 29, 2014  
Date

## Independent Auditors' Report

### To the Members of Frog Lake First Nation

We have audited the accompanying consolidated financial statements of Frog Lake First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the First Nation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Frog Lake First Nation as at March 31, 2014, and the results of its operations, the changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Canada  
July 29, 2014

*Crowe MacKay LLP*  
Chartered Accountants

# Frog Lake First Nation

## Consolidated Statement of Financial Position

March 31	2014	2013 Restated (Note 13)
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### Financial Assets

Cash	\$ 2,256,867	\$ 2,281,445
Accounts receivable (Note 2)	1,449,648	832,371
Loans receivable (Note 3)	6,000,000	-
Long-term investments (Note 4) (Note 14)	42,860,823	50,067,773
Trust Funds (Note 5)	100,828,310	102,586,581
	<b>153,395,648</b>	<b>155,768,170</b>

### Liabilities

Accounts payable (Note 6)	2,339,262	3,972,472
Deferred revenue (Note 7)	3,877,585	1,652,217
Long-term debt (Note 8)	7,369,281	7,530,889
	<b>13,586,128</b>	<b>13,155,578</b>

**Net financial assets** **139,809,520** **142,612,592**

### Non-financial Assets

Capital assets (Note 11)	66,015,985	49,254,900
Prepaid expenses	428,389	59,556
	<b>66,444,374</b>	<b>49,314,456</b>

**Accumulated Surplus (Note 9)** **\$206,253,894** **\$191,927,048**

Contingent liabilities (Note 16)

Approved on behalf of the Council

, Chief  
, Chief Financial Officer

## Frog Lake First Nation

### Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31	2014 Budget	2014 Actual	2013 Actual Restated (Note 13)
<b>Revenue</b>			
Federal Government:			
Aboriginal Affairs and Northern Development Canada	\$ 9,392,028	\$ 10,082,406	\$ 9,780,467
Resource revenue, interest and land leases	25,647,451	38,649,453	42,213,707
Interest and land leases	2,026,766	2,119,652	2,191,601
HRDC	719,485	603,185	603,185
CMHC	187,702	187,702	306,086
Investment income	-	283,860	114,401
Frog Lake Energy Resources Corp. Net Income	7,500,000	6,976,722	6,316,863
Other revenue	905,819	1,782,603	2,370,170
First Nation Development Fund	-	854,459	656,388
	<b>46,379,251</b>	<b>61,540,042</b>	<b>64,552,868</b>
<b>Expenses (Note 18)</b>			
Band Government	2,742,394	2,859,364	3,059,495
Community Services	18,359,391	12,805,779	11,264,813
Economic Development	2,220,299	2,589,949	2,968,072
Education	5,941,737	6,847,571	6,040,457
Health	2,267,743	2,418,393	2,532,153
Housing	3,533,417	4,558,706	6,076,165
Investments	-	1,160,482	1,045,913
Public Works	8,076,775	6,440,142	4,907,011
Social Services	3,237,495	3,107,183	3,550,158
Other	-	312,155	241,134
Amortization	189,703	4,113,472	4,037,145
	<b>46,568,954</b>	<b>47,213,196</b>	<b>45,722,516</b>
<b>Excess of revenue over expenses</b>	<b>(189,703)</b>	<b>14,326,846</b>	<b>18,830,358</b>
<b>Accumulated surplus, beginning of year</b>	<b>-</b>	<b>191,927,048</b>	<b>173,096,690</b>
<b>Accumulated surplus, end of year</b>	<b>\$ (189,703)</b>	<b>\$ 206,253,894</b>	<b>\$ 191,927,048</b>

## Frog Lake First Nation

### Consolidated Statement of Change in Net Financial Assets

For the year ended March 31	2014 Budget	2014 Actual	2013 Actual Restated (Note 13)
<b>Excess of revenue over expenses</b>	<b>\$ (189,703)</b>	<b>\$ 14,326,846</b>	<b>\$ 18,830,358</b>
Acquisition of capital assets	(21,000,000)	(20,874,558)	(9,544,144)
Amortization of capital assets	3,923,769	4,113,473	3,876,090
	(17,265,934)	(16,761,085)	(5,668,054)
Acquisition of prepaid asset	(368,833)	(368,833)	144,579
<b>(Decrease) increase in net financial assets</b>	<b>(17,634,767)</b>	<b>(2,803,072)</b>	<b>13,306,883</b>
<b>Net financial assets, beginning of year</b>	<b>142,612,592</b>	<b>142,612,592</b>	<b>129,305,709</b>
<b>Net financial assets, end of year</b>	<b>\$124,977,825</b>	<b>\$139,809,520</b>	<b>\$142,612,592</b>

## Frog Lake First Nation

### Consolidated Statement of Cash Flow

For the year ended March 31, 2014	2014	2013 Restated (Note 13)
<b>Cash flows from Operating activities</b>		
Excess of revenue over expenses	\$ 14,326,846	\$ 18,830,358
Items not affecting cash		
Amortization	4,113,473	4,037,145
	<b>18,440,319</b>	<b>22,867,503</b>
Change in non-cash operating working capital		
Accounts receivable	(617,277)	632,106
Loans receivable	(6,000,000)	-
Prepaid expenses	(368,833)	144,579
Accounts payable	(1,633,210)	3,184,997
Deferred revenue	2,225,368	(2,011,524)
	<b>12,046,367</b>	<b>24,817,661</b>
<b>Capital activities</b>		
Purchase of capital assets	(20,874,558)	(9,705,197)
<b>Financing activities</b>		
Long term debt repayments	(623,854)	(586,523)
Loan proceeds	350,000	237,988
Issue of long term debt	112,245	-
	<b>(161,609)</b>	<b>(348,535)</b>
<b>Investing activities</b>		
(Increase) decrease in trust funds	1,758,272	(12,059,985)
(Increase) decrease in long term investments	7,206,950	(1,523,712)
	<b>8,965,222</b>	<b>(13,583,697)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(24,578)</b>	<b>1,180,232</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,281,445</b>	<b>1,101,213</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,256,867</b>	<b>\$ 2,281,445</b>

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## Frog Lake First Nation

### Notes to Consolidated Financial Statements

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March 31, 2014

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#### 1. Basis of Presentation and Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

##### (a) Reporting entity principles of financial reporting

The Frog Lake First Nation reporting entity includes the Frog Lake First Nation government and all related entities that are accountable to the First Nation and are either owned or controlled by the Frog Lake First Nation.

First Nation business enterprises, that are owned or controlled by the Frog Lake First Nation and that are not dependent on the First Nation for their continuing operations, are included in the financial statements using the modified equity method, in accordance with the Public Sector Accounting Recommendations.

The modified equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform with those of the First Nation. Thus, the First Nation's investment in these enterprises is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses. Enterprises accounted for by the modified equity basis include:

1. Frog Lake Energy Resources Corp.
2. Frog Lake Energy Resources Limited Partnership
3. Frog Lake Oilfield Services Limited Partnership
4. Frog Lake Off Reserve Housing Corporation
5. Frog Lake Off Reserve Housing Limited Partnership
6. Moosachee Ranches GP Ltd.
7. Moosachee Ranches Limited Partnership

Trust funds owned by the Frog Lake First Nation are recorded at cost.

##### (b) Revenue recognition

- (i) Government funding is recognized as revenue when it becomes available under the terms of the applicable funding agreements. Funding received under the funding agreements relating to a subsequent period is reflected as deferred revenue in the year of receipt.
- (ii) Income from investments is recorded on the accrual basis.

##### (c) Cash

Cash and cash equivalents include cash on hand and short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

# Frog Lake First Nation

## Notes to Consolidated Financial Statements

March 31, 2014

### 1. Basis of Presentation and Significant Accounting Policies (continued)

#### (d) Capital assets

Tangible capital assets are recorded at cost except for reserve lands, natural resources and cultural resources which are not recorded.

Amortization is provided on the straight-line basis over the estimated useful life of the asset as follows:

Buildings	20 years straight line
Automotive and other equipment	5 years straight line
Infrastructure	20 years straight line
Housing	20 years straight line

#### (e) Investments

Investments are carried at cost.

#### (f) Financial instruments

All significant financial assets, financial liabilities and equity instruments of the entity are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

#### (g) Use of estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### (h) Budget

The budget reported in the financial statements was provided by management and is unaudited.

### 2. Accounts receivable

	2014	2013
		Restated (Note 13)
Accounts receivable - trade	\$ 178,556	\$ 342,189
AANDC	913,733	181,145
Payroll advances	71,131	37,607
GST rebates	78,349	68,402
Alberta Government	207,879	203,028
	<hr/>	<hr/>
	\$ 1,449,648	\$ 832,371

# Frog Lake First Nation

## Notes to Consolidated Financial Statements

March 31, 2014

### 3. Loan receivable

During the year Frog Lake Energy Resources Corp. (FLERC) paid a dividend of \$6,000,000 to Frog Lake First Nation. The loan receivable of \$6,000,000 due from FLERC was assigned to Frog Lake Energy Resources Limited Partnership. The loan receivable is non-interest bearing, due on demand, and is secured by a Promissory Note from Frog Lake Energy Resources Limited Partnership.

### 4. Long-term investments

	2014	2013
		Restated (Note 13)
Frog Lake First Nation controlled entities - modified equity basis (Note 14)	<u>\$ 41,133,283</u>	<u>\$ 48,411,233</u>
Long-term investments - cost basis		
IMI Brokerage Corporation	-	29,000
IMI Brokerage Limited Partnership	100,000	-
Seven Lakes Oilfield Services Limited Partnership	100	100
Pimee Well Servicing Limited Partnership	100	100
Wellness Nations Limited Partnership	1,627,340	1,627,340
	<u>1,727,540</u>	<u>1,656,540</u>
	<u><u>\$ 42,860,823</u></u>	<u><u>\$ 50,067,773</u></u>

### 5. Trust Funds

Funds held by the Government of Canada (Aboriginal Affairs and Northern Development Canada) in trust for the use and benefit of the Frog Lake First Nation are as follows

	2014	2013
		Restated (Note 13)
Capital funds held in trust	<u>\$ 99,676,895</u>	<u>\$ 100,835,248</u>
Revenue funds held in trust	<u>1,151,415</u>	<u>1,751,333</u>
	<u><u>\$ 100,828,310</u></u>	<u><u>\$ 102,586,581</u></u>

The trust funds accounts held in Ottawa arise from monies derived from capital and revenue sources which the Crown considers are described in Section 62 of the Indian Act. These funds are held in trust by the Government of Canada and the Crown treats these funds as primarily governed by sections 64 and 69 of the Indian Act.

These funds are treated by Canada as held in trust in the Consolidated Revenue fund of the Government of Canada. The funds attract interest pursuant to Section 61(2) of the Indian Act.

# Frog Lake First Nation

## Notes to Consolidated Financial Statements

March 31, 2014

### 6. Accounts payable

	2014	2013 Restated (Note 13)
Accounts payable - trade	\$ 1,906,226	\$ 3,746,093
Payroll accrual	227,758	74,000
Accrued liabilities	205,278	152,379
	<hr/> <b>\$ 2,339,262</b>	<hr/> <b>\$ 3,972,472</b>

### 7. Deferred revenue

	2014	2013 Restated (Note 13)
Capital Band Fund - New Housing	\$ 1,604,298	\$ 607,494
First Nations Development Fund	550,432	583,484
Capital Band Fund - Per Capita Distribution	117,524	-
Capital Band Fund - Community program Race Track	127,852	-
Capital Band Fund - Economic Development	254,231	-
Capital Band Fund - Public Works	992,591	-
Revenue Band Fund - Community Youth - Hockey	175,000	-
Capital Band Fund - Frog Lake Arena	-	461,239
Health Canada Funding- Morning Sky	55,657	-
	<hr/> <b>\$ 3,877,585</b>	<hr/> <b>\$ 1,652,217</b>

## Frog Lake First Nation

### Notes to Consolidated Financial Statements

March 31, 2014

#### 8. Long-term debt

	2014	2013 Restated (Note 13)
Royal Bank of Canada fixed rate term loan repayable at \$54,699 per month, interest at 5.66% per annum due July 2015, secured by the Capital Trust.	\$ 3,507,906	\$ 3,950,789
Vehicle loans with total monthly payments of \$4,050 including interest at rates from 0% to 7.99% secured by specific motor vehicles maturing in 2015 thru 2017.	115,803	33,624
Peace Hills Trust mortgage and loans repayable in monthly installments of \$1,969 including interest at 6.25%. Due July 2015.	64,679	69,081
CMHC mortgage repayable in monthly installments of \$2,124 including interest at 2.63% per annum due June 2016, secured by Ministerial guarantee.	265,353	283,639
CMHC mortgage repayable in monthly installments of \$2,472 including interest at 3.17% per annum due December 2013, secured by Ministerial guarantee.	432,907	443,192
CMHC mortgage repayable in monthly installments of \$2,529 including interest at 3.17% per annum due December 2013, secured by Ministerial guarantee.	354,562	367,878
CMHC mortgage repayable in monthly installments of \$1,347 including interest at 3.90% per annum due March 2013, secured by Ministerial guarantee.	171,717	182,355
CMHC mortgage repayable in monthly installments of \$2,658 including interest at 2.40% per annum due October 2015, secured by Ministerial guarantee.	509,610	529,081
CMHC mortgage repayable in monthly installments of \$8,994 including interest at 2.40% per annum due October 2015, secured by Ministerial guarantee.	1,358,756	1,433,262
Royal Bank of Canada fixed rate term loan, interest at prime plus 2.00% per annum due April 1, 2013.	237,988	237,988
Royal Bank of Canada fixed rate term loan, interest at 2.25% per annum due November 30 2014, secured by the Capital Trust.	350,000	-
	<b>\$ 7,369,281</b>	<b>\$ 7,530,889</b>

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## Frog Lake First Nation

### Notes to Consolidated Financial Statements

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**March 31, 2014**

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**8. Long-term debt, continued**

Principal portion of long-term debt due within the next five years:

2015	\$ 1,013,079
2016	696,716
2017	732,178
2018	769,570
<b>2019 and thereafter</b>	<b>4,157,738</b>
	<b>\$ 7,369,281</b>

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**9. Accumulated surplus**

	<b>2014</b>	<b>2013</b>
Operating Program	\$ 3,568,057	\$ (2,689,305)
Trust Funds	100,828,310	102,586,581
Investments	42,860,823	50,067,773
<b>Capital Assets</b>	<b>58,996,704</b>	<b>41,961,999</b>
	<b>\$206,253,894</b>	<b>\$191,927,048</b>

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**10. CMHC Replacement Reserve**

Under the terms of an agreement with Canada Mortgage and Housing Corporation, the Nation is required to provide a replacement reserve. This reserve is to ensure replacement of buildings financed by Canada Mortgage and Housing Corporation. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by Canada Deposit Insurance Corporation, or as may otherwise be approved by Canada Mortgage and Housing Corporation. Cash has not been set aside to fund the reserve of \$230,040, which results in an unfunded amount of \$230,040.

Frog Lake First Nation

## Notes to Consolidated Financial Statements

March 31, 2014

## 11. Capital Assets

	Cost						Accumulated amortization					
	Balance, beginning of year	Additions	Disposals	Balance, end of year	beginning of year	Amortization on disposals	Balance, beginning of year	Amortization on disposals	Balance, end of year	2014 net book value		
<b>Buildings</b>	\$ 25,082,640	\$ 114,538	\$ -	\$ 25,197,178	\$ 9,129,822	\$ 1,259,858	\$ -	\$ 10,389,680	\$ 14,807,498			
Automotive and other equipment	5,260,816	518,868	-	5,779,684	3,949,523	459,018	-	4,408,541	1,371,143			
Infrastructure	4,151,316	4,840,136	-	8,991,452	2,005,852	210,217	-	2,216,069	6,775,383			
Housing	43,123,355	15,334,844	(230,750)	58,227,449	13,286,031	2,156,167	(230,750)	15,211,448	43,016,001			
Computer Equipment	98,364	37,072	-	135,436	98,364	20,390	-	118,754	16,682			
Furniture	194,045	29,100	-	223,145	186,045	7,820	-	193,865	29,280			
	<b>\$ 77,910,536</b>	<b>\$ 20,874,558</b>	<b>\$ (230,750)</b>	<b>\$ 98,554,344</b>	<b>\$ 28,655,637</b>	<b>\$ 4,113,470</b>	<b>\$ (230,750)</b>	<b>\$ 32,538,357</b>	<b>\$ 66,015,985</b>			
Cost												
Cost						Accumulated amortization						
	Balance, beginning of year	Additions	Disposals	Balance, end of year	beginning of year	Amortization on disposals	Balance, beginning of year	Amortization on disposals	Balance, end of year	2013 Net book value		
<b>Buildings</b>	\$ 23,738,612	\$ 1,344,028	\$ -	\$ 25,082,640	\$ 7,875,690	\$ 1,254,132	\$ -	\$ 9,129,822	\$ 15,952,818			
Automotive and other equipment	5,090,358	170,458	-	5,260,816	3,532,497	417,026	-	3,949,523	1,311,293			
Infrastructure	3,454,327	696,989	-	4,151,316	1,798,035	207,817	-	2,005,852	2,145,464			
Housing	35,639,633	7,483,722	-	43,123,355	11,129,863	2,156,168	-	13,286,031	29,837,324			
Computer Equipment	98,364	-	-	98,364	98,364	-	-	98,364	-			
Furniture	184,045	10,000	-	194,045	184,045	2,000	-	186,045	8,000			
	<b>\$ 68,205,339</b>	<b>\$ 9,705,197</b>	<b>\$ -</b>	<b>\$ 77,910,536</b>	<b>\$ 24,618,494</b>	<b>\$ 4,037,143</b>	<b>\$ -</b>	<b>\$ 28,655,637</b>	<b>\$ 49,254,900</b>			

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## Frog Lake First Nation

### Notes to Consolidated Financial Statements

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**March 31, 2014**

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#### **12. Economic Dependence**

Frog Lake First Nation receives a significant portion of its revenue pursuant to a funding agreement with Aboriginal Affairs and Northern Development Canada.

#### **13. Prior Period Adjustment**

In the prior year, the Investments in Business Enterprises that are not controlled by Frog Lake First Nation were accounted for through the modified equity method. This accounting treatment is consistent with the reporting requirement with respect to Investments in Government Business Enterprises. However, non controlled business enterprises should be accounted for through the cost method, which is the reporting requirement for investments that are not Government Business Enterprises.

In the prior year, Morning Sky Health and Wellness Society was accounted for through the modified equity method, however the Society is considered as part of the Frog Lake government reporting entity, and therefore the consolidation method should be used to report its financial information.

Accordingly, the correction of these errors have been accounted for on a retroactive basis and the comparative figures have been restated. The effects of the correction are as follows

	<b>2013</b>
Decrease in long term investments	\$ 1,024,543
Increase in accumulated surplus	223,280
Increase in cash	82,558
Increase in accounts receivable	71,614
Increase in accounts payable	239,323
Increase in long-term debt	33,624
Increase in capital assets	1,562,951
Increase in prepaid expenses	\$ 11,752

## Frog Lake First Nation

### Notes to Consolidated Financial Statements

March 31, 2014

#### 14. Investments in and advances to Frog Lake First Nation entities

	Other Entities	Frog Lake Energy Resources (Note A)	Frog Lake Oilfields Services LP	2014	2013
Cash	\$ 70,302	\$ 24,635,640	\$ 148,165	\$ 24,854,107	\$ 15,083,126
Inventory	12,123	-	-	12,123	-
Accounts receivable	99	2,909,280	890,900	3,800,279	4,610,235
Prepaid Expenses	-	138,010	47,321	185,331	158,162
Investments	1	-	1,307,915	1,307,916	1,822,110
Property, plant and equipment	1,171,519	32,139,840	1,473,954	34,785,313	43,380,970
Loans and notes receivable	-	76,925	-	76,925	76,925
Long-term investments	-	410,881	-	410,881	-
Due from related parties and shareholders	1,001	2,904,080	-	2,905,081	1,745,098
<b>Total assets</b>	<b>\$ 1,256,045</b>	<b>\$ 63,214,656</b>	<b>\$ 3,868,255</b>	<b>\$ 68,337,956</b>	<b>\$ 66,876,626</b>
Accounts payable	\$ -	\$ 8,692,977	\$ 223,177	\$ 8,916,154	\$ 7,663,016
Current portion of long-term debt	-	-	212,893	212,893	206,552
Due to related parties and shareholder	750,000	-	1,363,857	2,113,857	2,127,857
Bank indebtedness	-	181	-	181	353,320
Demand promissory note payable	-	6,000,000	-	6,000,000	-
Equity in limited partnership	-	378	-	378	-
Long-term debt	-	-	200,223	200,223	292,462
Asset retirement obligation	-	8,772,277	-	8,772,277	8,050,346
<b>Total liabilities</b>	<b>750,000</b>	<b>23,465,813</b>	<b>2,000,150</b>	<b>26,215,963</b>	<b>18,693,553</b>
<b>Equity</b>	<b>505,045</b>	<b>39,748,843</b>	<b>1,868,105</b>	<b>42,121,993</b>	<b>48,183,073</b>
<b>Total liabilities and equity</b>	<b>\$ 1,256,045</b>	<b>\$ 63,214,656</b>	<b>\$ 3,868,255</b>	<b>\$ 68,337,956</b>	<b>\$ 66,876,626</b>

## Frog Lake First Nation

### Notes to Consolidated Financial Statements

March 31, 2014

#### 14. Investments in and advances to Frog Lake First Nation entities, continued

	Other Entities	Frog Lake Energy Resources (Note A)	Frog Lake Oilfields Services LP	2014	2013
Revenue	\$ 23,285	\$ 60,879,893	\$ 3,765,875	\$ 64,669,053	\$ 71,686,562
Expenses	71,354	53,978,789	3,541,967	57,592,110	65,909,897
Net income	\$ (48,069)	\$ 6,901,104	\$ 223,908	\$ 7,076,943	\$ 5,776,665

**Note A:** The balances shown are the consolidated balances of Frog Lake Energy Resources Corp. and Frog Lake Energy Resources Limited Partnership.

## Frog Lake First Nation

### Notes to Consolidated Financial Statements

March 31, 2014

#### 14. Investments in and advances to Frog Lake First Nation entities, continued

	2014	2013
Advances to (from) other entities	\$ 574,250	\$ 574,250
Accumulated earnings	<u>518,708</u>	<u>210,428</u>
 Investment in and advances to other entities	 <u>\$ 1,092,958</u>	 <u>\$ 784,678</u>
	2014	2013
Advances to (from) Frog Lake Energy Resources	\$ (2,460,482)	\$ (1,250,000)
Accumulated earnings	<u>39,748,843</u>	<u>46,347,738</u>
 Investment in and advances to Frog Lake Energy Resources (Note A)	 <u>\$ 37,288,361</u>	 <u>\$ 45,097,738</u>
	2014	2013
Advances to (from) Frog Lake Oilfields Services LP	\$ 883,858	\$ 883,859
Accumulated earnings	<u>1,868,105</u>	<u>1,644,958</u>
 Investment in and advances to Frog Lake Oilfields Services LP	 <u>\$ 2,751,963</u>	 <u>\$ 2,528,817</u>
 Total Investment	 <u>\$ 41,133,283</u>	 <u>\$ 48,411,233</u>

## Frog Lake First Nation

### Notes to Consolidated Financial Statements

March 31, 2014

#### 15. Segmented information

	Band Government		Community Services		Economic Development			
	2014 Budget	2014 Actual	2013 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual
<b>Revenues</b>								
Aboriginal Affairs and Northern Development Canada	-	601,076	601,076	21,831	21,831	21,366	389,691	389,691
Capital Band Trust Funds	2,732,394	2,789,171	2,609,172	7,691,286	7,694,322	3,952,433	703,900	703,900
Revenue Band Trust Funds	10,000	10,000	-	4,100,776	4,100,776	2,920,533	-	-
Other revenue	-	28,698	323,000	6,545,498	6,882,243	3,086,428	1,126,708	871,199
<b>Total revenue</b>	<b>2,742,394</b>	<b>3,428,945</b>	<b>3,633,248</b>	<b>18,359,391</b>	<b>18,699,172</b>	<b>9,980,400</b>	<b>2,220,299</b>	<b>1,964,790</b>
<b>Expenses</b>								
Materials and supplies	701,000	747,855	986,579	4,515,676	98,589	226,311	549	607
Meeting and travel expenses	101,000	336,322	225,126	665,655	372,063	333,624	125,000	124,601
Professional development	10,000	-	3,091	106,000	9,055	394,048	142,800	77,282
Repairs and maintenance	-	-	-	940,000	564,393	94,084	-	57,870
Program costs	-	-	-	1,000	1,800	2,500	45,000	-
Community services	-	-	-	1,300,000	1,374,617	654,770	-	215,224
Utilities and telephone	74,000	52,168	73,563	630,000	929,155	568,936	23,000	15,468
Wages and benefits	1,340,394	1,283,267	1,345,862	1,430,000	1,224,212	1,098,132	530,184	551,863
Other expenses	516,000	439,752	425,275	8,771,060	8,231,895	7,892,408	1,354,315	1,829,744
<b>Total expenses</b>	<b>2,742,394</b>	<b>2,859,364</b>	<b>3,059,495</b>	<b>18,359,391</b>	<b>12,805,779</b>	<b>11,264,813</b>	<b>2,220,299</b>	<b>2,589,949</b>
<b>Annual surplus (deficit)</b>	<b>-</b>	<b>569,581</b>	<b>473,753</b>	<b>-</b>	<b>5,893,393</b>	<b>(1,284,413)</b>	<b>-</b>	<b>(625,159)</b>
								<b>(195,633)</b>

## Frog Lake First Nation

### Notes to Consolidated Financial Statements

March 31, 2014

#### 15. Segmented Information, continued

	2014 Budget	Education 2014 Actual	2013 Actual	2014 Budget	Health 2014 Actual	2013 Actual	2014 Budget	Housing 2014 Actual	2013 Actual
<b>Revenues</b>									
Aboriginal Affairs and Northern Development Canada	4,487,508	4,487,508	4,279,691	-	-	-	217,437	441,237	441,237
Capital Band Trust Funds	576,632	576,632	434,152	-	-	-	2,320,784	18,722,312	10,302,615
Revenue Band Trust Funds	20,000	20,000	1,259,153	27,000	27,346	-	200,000	200,000	750,000
Other revenue	857,597	871,896	(164,898)	2,240,743	2,548,202	2,679,493	795,196	(578,644)	2,816,291
<b>Total revenue</b>	<b>5,941,737</b>	<b>5,956,036</b>	<b>5,808,098</b>	<b>2,267,743</b>	<b>2,575,548</b>	<b>2,679,493</b>	<b>3,533,417</b>	<b>18,784,905</b>	<b>14,310,143</b>
<b>Expenses</b>									
Materials and supplies	344,400	124,239	361,335	-	9,302	59,362	820,000	902,700	2,707,807
Meeting and travel expenses	-	28,714	33,254	-	2,360	3,491	18,000	69,891	45,519
Professional development	90,000	165,426	96,477	-	4,338	3,099	20,000	8,302	3,887
Repairs and maintenance	75,000	283,748	254,003	-	1,083	1,424	1,245,196	2,960,927	2,683,444
Program costs	140,000	39,547	3,233	-	28,602	19,758	-	-	-
Community services	-	20,535	40,431	-	-	-	-	-	-
Utilities and telephone	201,977	196,756	202,351	-	-	-	132,000	22,750	22,750
Wages and benefits	3,479,556	4,111,394	3,403,302	238,977	317,040	274,411	309,120	446,628	452,861
Other expenses	1,610,804	1,877,212	1,646,071	2,028,786	2,055,668	2,170,808	989,101	147,508	160,097
<b>Total expenses</b>	<b>5,941,737</b>	<b>6,847,571</b>	<b>6,040,457</b>	<b>2,267,743</b>	<b>2,418,393</b>	<b>2,532,153</b>	<b>3,533,417</b>	<b>4,568,706</b>	<b>6,076,165</b>
<b>Annual surplus (deficit)</b>	<b>-</b>	<b>(891,535)</b>	<b>(232,359)</b>	<b>-</b>	<b>157,155</b>	<b>147,340</b>	<b>-</b>	<b>14,226,199</b>	<b>8,233,978</b>

## Frog Lake First Nation

### Notes to Consolidated Financial Statements

March 31, 2014

#### 15. Segmented information, continued

	Investments		Public Works		Social Services		2013 Actual
	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2013 Actual	2014 Budget	
<b>Revenues</b>							
Aboriginal Affairs and Northern Development Canada	-	-	-	1,178,797	1,143,378	3,096,764	2,997,685
Capital Band Trust Funds	-	-	-	6,516,454	7,625,299	4,879,053	41,397
Revenue Band Trust Funds	-	(239,418)	3,219,264	381,524	(747,043)	147,300	99,334
Other revenue	-	(239,418)	3,219,264	8,076,775	8,021,634	6,079,731	3,237,495
<b>Total revenue</b>	-	(239,418)	3,219,264	8,076,775	8,021,634	6,079,731	3,237,495
<b>Expenses</b>							
Materials and supplies	-	-	-	420,000	440,071	374,037	5,000
Meeting and travel expenses	-	-	-	48,000	45,611	29,369	30,000
Professional development	-	-	-	158,000	15,959	20,663	32,000
Repairs and maintenance	-	-	-	2,008,781	1,031,010	907,602	25,000
Program costs	-	1,160,482	701,723	-	-	-	-
Community services	-	-	-	367,000	223,372	187,485	-
Utilities and telephone	-	-	-	2,998,290	2,866,931	2,028,453	581,864
Wages and benefits	-	-	-	1,817,188	1,359,402	2,563,631	584,662
Other expenses	-	-	344,190	2,076,704	-	-	2,398,970
<b>Total expenses</b>	-	1,160,482	1,045,913	8,076,775	6,440,142	4,907,011	3,237,495
<b>Annual surplus (deficit)</b>	-	(1,399,900)	2,173,351	-	1,581,492	1,172,720	-
							31,233
							(96,479)

## Frog Lake First Nation

### Notes to Consolidated Financial Statements

March 31, 2014

#### 15. Segmented information, continued

	2014 Budget	Other 2014 Actual	2013 Actual	2014 Budget	Amortization 2014 Actual	2013 Actual	2014 Budget	2014 Actual	Consolidated totals 2014 Actual	2013 Actual
<b>Revenues</b>										
Aboriginal Affairs and Northern Development Canada	-	-	-	-	-	-	-	9,392,028	10,082,406	9,780,467
Capital Band Trust Funds	-	(38,153,031)	(22,881,325)	-	-	-	-	-	-	-
Revenue Band Trust Funds	-	(4,457,456)	(5,150,586)	-	-	-	-	-	-	-
Resource revenue, interest and land leases	-	40,852,216	40,091,895	-	-	-	27,674,217	40,852,216	40,091,895	-
Other revenue	-	968,285	656,389	-	-	-	11,947,266	10,605,418	14,680,506	-
<b>Total revenue</b>	-	(789,986)	12,716,373	-	-	-	46,379,251	61,540,042	64,552,888	-
<b>Expenses</b>										
Materials and supplies	-	-	-	-	-	-	6,106,076	1,580,550	3,735,259	-
Meeting and travel expenses	-	16,272	-	-	-	-	1,587,655	1,428,215	1,602,608	-
Professional development	-	-	-	-	-	-	649,800	665,171	834,424	-
Repairs and maintenance	-	-	-	-	-	-	4,303,977	4,877,743	3,955,562	-
Program costs	-	-	-	-	-	-	186,000	69,949	305,789	-
Community services	-	-	-	-	-	-	1,300,000	2,556,720	1,398,211	-
Utilities and telephone	-	-	-	-	-	-	1,427,977	1,441,559	1,077,819	-
Wages and benefits	-	295,883	241,134	-	4,113,472	4,037,145	10,908,385	11,385,997	9,690,880	-
Other expenses	-	-	-	-	-	-	19,910,381	23,207,292	23,121,964	-
<b>Total expenses</b>	-	312,155	241,134	-	4,113,472	4,037,145	46,379,251	47,213,196	45,722,516	-
<b>Annual surplus (deficit)</b>	-	(1,102,141)	12,475,239	-	(4,113,472)	(4,037,145)	-	14,326,846	18,830,358	-

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## **Frog Lake First Nation**

### **Notes to Consolidated Financial Statements**

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**March 31, 2014**

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#### **16. Contingent Liabilities**

Frog Lake First Nation has been named as defendant in certain legal proceedings. The Band is actively defending all lawsuits. Since the amount of loss, if any, cannot be reasonably estimated, no provision has been recorded in these financial statements. Should a loss be incurred, it will be expensed in the year the liability is determined.

Government contributions related to the projects of the Nation are subject to conditions regarding the expenditure of funds. The Nation's accounting records are subject to audit by the various funding agencies. Should any instances be identified in which the amounts charged to projects are not in accordance with the agreed terms and conditions, amounts would be refundable to the respective funding agencies. Adjustments to the financial statements as a result of these audits will be recorded in the period in which they become known.

#### **17. Financial instruments**

The Nation's financial instruments consist of cash, accounts receivable, loans receivable, long-term investments, trust funds, accounts payable and long term debt. Unless otherwise noted, the carrying value of its financial instruments approximates fair value.

It is management's opinion that the Nation is not exposed to significant currency risks from its financial instruments. The Nation is subject to credit risk with respect to other income. Credit risk arises from the possibility that the entities may experience financial difficulty and be unable to fulfill their obligations. The large amount of annual funding is received from the Government of Canada which minimizes credit risk. The Nation minimizes interest rate risk by borrowing at fixed rates.

# Frog Lake First Nation

## Notes to Consolidated Financial Statements

March 31, 2014

### 18. Expenditures

For the year ended March 31	2014 Budget	2014 Actual	2013 Actual Restated (Note 13)
<b>Expenses</b>			
Advertising	\$ 62,000	\$ 16,063	\$ 9,883
Amortization	189,703	4,113,472	4,037,145
Community services	1,300,000	2,556,720	1,398,210
Human Resources Development	220,308	284,661	261,589
Insurance	380,000	367,495	357,514
Interest and bank charges	56,000	38,580	27,809
Materials and supplies	6,105,076	1,580,551	3,735,258
Meeting and travel expenses	1,818,655	1,497,495	1,614,552
Office expenses	470,713	294,832	226,367
Payments on loans	253,243	303,837	356,241
Per capita distribution	2,608,660	2,436,814	2,633,478
Professional development	649,800	666,670	834,425
Professional fees	620,300	630,134	820,111
Program costs	10,696,241	11,629,132	11,343,053
Repairs and maintenance	5,025,835	4,877,744	3,955,564
Social Assistance	2,522,458	2,368,900	2,744,503
Summer Student Career Placement	75,000	74,361	57,063
Utilities and telephone	1,674,377	1,473,401	1,089,859
Vehicle	545,000	392,904	367,592
Wages and benefits	11,295,585	11,609,430	9,852,300
	<b>\$ 46,568,954</b>	<b>\$ 47,213,196</b>	<b>\$ 45,722,516</b>

### 19. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current year.