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Frog Lake First Nation

Consolidated Financial Statements

March 31, 2018

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Frog Lake First Nation**Consolidated Financial Statements**

March 31, 2018

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Frog Lake First Nation

Management's Responsibility for Financial Reporting

March 31, 2018

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 Chartered Professional Accountants of Canada 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:


For
Colin Quiney
Chief

Kelvin Peters
Chief Financial Officer

JULY 27, 2018
Date
JULY 27, 2018
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, 2018, and the consolidated statements of operations and accumulated surplus, change in net financial assets, 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 auditor considers 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, 2018, 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 27, 2018

Crowe MACKAY LLP
Chartered Professional Accountants

Frog Lake First Nation

Consolidated Statement of Financial Position

March 31	2018	2017
Financial Assets		
Cash (Note 2)	\$ 3,781,811	\$ 4,597,209
Accounts receivable (Note 3)	901,005	783,404
Notes receivable (Note 4)	6,027,826	6,055,644
Long-term investments (Note 5)	27,526,102	31,097,555
Federal Trust Funds (Note 6)	4,551,253	44,850,890
	42,787,997	87,384,702
Liabilities		
Accounts payable (Note 8)	1,555,669	1,852,076
Deferred revenue (Note 9)	3,229,181	2,712,513
Long-term debt (Note 10)	9,216,933	41,706,221
	14,001,783	46,270,810
Net financial assets	28,786,214	41,113,892
Non-financial Assets		
Capital assets (Note 11)	93,522,668	96,114,933
Prepaid expenses	686,011	328,100
	94,208,679	96,443,033
Accumulated Surplus (Note 13)	\$122,994,893	\$137,556,925
Contingent liabilities (Note 14)		

Approved on behalf of the Council

Colyn Deneen Chief for
Kevin Pless, Chief Financial Officer

Frog Lake First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31	2018 Budget	2018 Actual	2017 Actual
Revenue			
Federal Government:			
Indigenous Services Canada (ISC)	\$ 10,446,096	\$ 17,792,205	\$ 12,543,766
ISC One Time Funding (Note 16)	-	1,508,723	2,252,353
Human Resources Development Canada	506,294	631,058	606,185
Canada Mortgage and Housing Corporation	-	549,274	643,913
Resource revenue, interest and land leases	3,460,589	4,425,086	7,514,321
Interest and land leases	-	2,563,769	2,213,522
Investment income (loss)	-	719,343	(297,410)
Frog Lake Energy Resources Corp. Net income (loss)	500,000	(3,428,722)	(4,277,490)
First Nation Development Funds	-	1,224,561	895,978
Other revenue	360,600	2,029,140	2,195,012
	15,273,579	28,014,437	24,290,150
Expenses (Note 18)			
Band Government	1,988,824	2,804,310	2,712,534
Community Services	1,035,781	5,693,163	9,508,215
Economic Development	462,850	1,703,954	2,516,223
Education	5,131,957	8,514,469	7,517,218
Health	250,923	2,919,103	2,484,649
Housing	805,480	2,060,688	3,263,704
Investments	-	360,140	488,792
Public Works	2,493,648	5,176,236	5,553,808
Social Services	3,338,845	4,322,982	3,927,133
Other	80,000	601,897	431,138
Amortization	-	8,419,527	6,717,495
	15,588,308	42,576,469	45,120,909
Deficiency of revenue over expenses	(314,729)	(14,562,032)	(20,830,759)
Accumulated surplus, beginning of year	-	137,556,925	158,387,684
Accumulated surplus, end of year	\$ (314,729)	\$ 122,994,893	\$ 137,556,925

Frog Lake First Nation

Consolidated Statement of Change in Net Financial Assets

For the year ended March 31	2018	2017
Deficiency of revenue over expenses	\$ (14,562,032)	\$ (20,830,759)
Acquisition of tangible capital assets	(5,827,260)	(9,917,976)
Amortization of tangible capital assets	8,419,527	6,717,495
	2,592,267	(3,200,481)
Acquisition of prepaid asset	(357,913)	(132,323)
Increase (decrease) in net financial assets	(12,327,678)	(24,163,563)
Net financial assets, beginning of year	41,113,892	65,277,455
Net financial assets, end of year	\$ 28,786,214	\$ 41,113,892

Frog Lake First Nation

Consolidated Statement of Cash Flow

For the year ended March 31, 2018	2018	2017
Cash flows from Operating activities		
Deficiency of revenue over expenses	\$ (14,562,032)	\$ (20,830,759)
Items not affecting cash		
Amortization	8,419,527	6,717,495
	(6,142,505)	(14,113,264)
Change in non-cash operating working capital		
Accounts receivable	(117,601)	85,998
Loans receivable	27,818	(55,644)
Prepaid expenses	(357,907)	(132,320)
Accounts payable	(293,005)	(3,670,058)
Deferred revenue	516,668	1,988,367
	(6,366,532)	(15,896,921)
Capital activities		
Purchase of capital assets	(5,827,260)	(9,917,976)
Financing activities		
Long term debt repayments	(37,679,500)	(6,607,016)
Loan proceeds	5,186,803	17,832,382
	(32,492,697)	11,225,366
Investing activities		
(A)crease decrease in trust funds	40,299,638	26,036,141
(A)crease decrease in long term investments	3,571,453	(5,366,265)
	43,871,091	20,669,876
Increase (decrease) in cash and cash equivalents	(815,398)	6,080,345
Cash and cash equivalents, beginning of year	4,597,209	(1,483,136)
Cash and cash equivalents, end of year	\$ 3,781,811	\$ 4,597,209

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2018

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 Chartered Professional Accountants of Canada.

(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 Oilfield Services GP Ltd.
5. Frog Lake Off Reserve Housing Corporation
6. Frog Lake Off Reserve Housing Limited Partnership
7. Moosachee Ranches GP Ltd.
8. Moosachee Ranches Limited Partnership
9. Frog Lake Midstream Limited Partnership
10. Frog Lake Travel Centre Limited Partnership
11. Frog Lake Economic Development Corporation

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

(b) Revenue recognition

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.

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, 2018

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

(d) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Amortization is provided for on a straight-line basis over their estimated useful lives 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
Computer Equipment	5 years Straight line
Furniture	5 years Straight line

Tangible capital assets are written down when conditions indicate that they no longer contribute to Frog Lake First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets, including recognized interest in reserve lands and natural resources, as well as assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

(e) Investments

Investments are carried at cost.

(f) Impairment

At the end of each reporting period, management assesses whether there are any indications that financial assets measured at cost or amortized cost may be impaired. If there is an indication of impairment, management determines whether a significant adverse change has occurred in the expected timing or the amount of future cash flows from the asset, in which case the asset's carrying amount is reduced to the highest expected value that is recoverable by either holding the asset, selling the asset or by exercising the right to any collateral. The carrying amount of the asset is reduced directly or through the use of an allowance account and the amount of the reduction is recognized as an impairment loss in net income.

(g) 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.

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2018

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

(h) Use of estimates

The preparation of financial statements 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.

2. Cash

	2018	2017
Externally restricted		
Province of Alberta	\$ 632,279	\$ 546,864
Internally restricted		
Legal and Housing	18,670	877,142
Unrestricted		
General accounts	3,130,862	3,173,203
	<hr/> \$ 3,781,811	<hr/> \$ 4,597,209

3. Accounts receivable

	2018	2017
Accounts receivable - trade	\$ 326,044	\$ 340,032
Indigenous Services Canada	275,010	161,758
Payroll advances	64,675	30,963
GST rebates	48,345	64,193
Alberta Government	186,931	186,458
	<hr/> \$ 901,005	<hr/> \$ 783,404

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2018

4. Notes receivable

	2018	2017
Frog Lake Energy Resources Limited Partnership	\$ 6,000,000	\$ 6,000,000
TIPI Insurance Partners	27,826	55,644
	\$ 6,027,826	\$ 6,055,644

The note receivable from Frog Lake Energy Resources Limited Partnership is non-interest bearing, due on demand, and is secured by a Promissory Note from Frog Lake Energy Resources Limited Partnership.

The note receivable from TIPI Insurance Partners is non-interest bearing, due on specified dates over the next 3 months, and is secured by a promissory note from TIPI Insurance Partners.

5. Long-term investments

	2018	2017
Frog Lake First Nation controlled entities - modified equity basis (Note 12)	\$ 27,495,692	\$ 31,067,145
Long-term investments - cost basis		
IMI Brokerage Limited Partnership	30,210	30,210
Seven Lakes Oilfield Services Limited Partnership	100	100
Pimee Well Servicing Limited Partnership	100	100
	30,410	30,410
	\$ 27,526,102	\$ 31,097,555

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2018

6. Trust funds held by Federal Government

Funds held by the Government of Canada (Indigenous Services Canada) in trust for the use and benefit of the Frog Lake First Nation are as follows

	March 31, 2017	Income	Withdrawals, 2018	March 31, 2018
Ottawa funds held in trust - Capital	\$ 42,927,176	\$ 1,931,492	\$ (41,448,055)	\$ 3,410,613
Ottawa funds held in trust - Revenue	1,923,714	2,493,594	(3,276,668)	1,140,640
	\$ 44,850,890	\$ 4,425,086	\$ (44,724,723)	\$ 4,551,253

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.

7. Line of credit

The Nation has an authorized line of credit of \$500,000 that was not drawn on (2017 - \$nil) at the end of the year. The line of credit bears interest at the Royal Bank of Canada Prime rate plus 1%.

8. Accounts payable

	2018	2017
Accounts payable - trade	\$ 1,339,272	\$ 1,657,052
Accrued liabilities	216,397	195,024
	\$ 1,555,669	\$ 1,852,076

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2018

9. Deferred revenue

Deferred revenue represents funds received, but not expended, as at the year end. The deferred revenue relates to the following programs and funders:

	March 31, 2017	Funding received, 2018	Revenue recognized, 2018	March 31, 2018
Indigenous Services Canada	\$ 2,088,000	\$ 18,766,454	\$ (17,792,205)	\$ 3,062,249
First Nations Development Fund	435,320	789,241	(1,224,561)	-
Human Resources Development				
Canada	-	649,231	(631,058)	18,173
Other	189,193	1,988,700	(2,029,134)	148,759
	\$ 2,712,513	\$ 22,193,626	\$ (21,676,958)	\$ 3,229,181

10. Long-term debt

	2018	2017
Royal Bank of Canada fixed rate term loan repayable at \$52,777 per month, interest at 3.85% per annum due July 2020, secured by the Capital Trust.	\$ 1,412,252	\$ 1,979,478
Vehicle loans repayable in monthly installments of \$1,143 including interest at 4%, maturing in June 2018.	3,407	16,700
CMHC mortgage repayable in monthly installments of \$2,124 including interest at 2.63% per annum due June 2016, secured by Ministerial guarantee.	184,979	206,472
CMHC mortgage repayable in monthly installments of \$2,241 including interest at 2.11% per annum due January 2019, secured by Ministerial guarantee.	358,713	377,849
CMHC mortgage repayable in monthly installments of \$2,343 including interest at 2.11% per annum due January 2019, secured by Ministerial guarantee.	268,419	290,637
CMHC mortgage repayable in monthly installments of \$1,135 including interest at 1.52% per annum due May 2018, secured by Ministerial guarantee.	126,313	137,923
CMHC mortgage repayable in monthly installments of \$2,262 including interest at 1.30% per annum due December 2020, secured by Ministerial guarantee.	426,519	447,979

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2018

10. Long-term debt, continued

	2018	2017
CMHC mortgage repayable in monthly installments of \$7,563 including interest at 1.30% per annum due December 2020, secured by Ministerial guarantee.	1,053,182	1,129,744
Royal Bank of Canada fixed rate term loan repayable in monthly installments of \$1,883 including interest at 5.00% per annum due June, 2019, secured by the Capital Trust.	196,345	208,780
Royal Bank of Canada fixed rate term loan repayable at \$36,500 per month, interest at 5.02% per annum due February 2023, secured by the Capital Trust.	1,894,461	-
Royal Bank of Canada fixed rate term loan repaid.	-	9,851,983
Royal Bank of Canada floating rate term loan repaid.	-	9,226,294
Royal Bank of Canada floating rate term loan repaid.	-	7,821,272
Royal Bank of Canada fixed rate term loan repaid.	-	10,011,110
Royal Bank of Canada fixed rate term loan repayable at \$36,500 per month, interest at 5.02% per annum due February 2023.	1,842,308	-
Royal Bank of Canada term loan repayable with interest at Royal Bank of Canada Prime rate plus 1% due May 2018.	1,450,035	-
	\$ 9,216,933	\$ 41,706,221

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

2019	\$ 4,478,505
2020	1,180,796
2021	802,607
2022	620,238
2023 and thereafter	2,134,787
	\$ 9,216,933

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2018

11. Capital Assets

	Cost			Accumulated amortization			2018 net book value
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	
Buildings	\$ 25,308,908	\$ 4,094,123	\$ 29,403,031	\$ 14,180,579	\$ 1,380,013	\$ 15,560,592	\$ 13,842,439
Automotive and other equipment	6,496,456	991,704	7,488,160	5,510,289	1,233,494	6,743,783	744,377
Infrastructure	25,186,262	145,511	25,331,773	3,553,739	1,266,530	4,820,269	20,511,504
Housing	89,018,328	563,104	89,581,432	26,786,613	4,479,071	31,265,684	58,315,748
Computer Equipment	174,716	6,830	181,546	157,040	19,725	176,765	4,781
Furniture	361,523	25,989	387,512	243,000	40,693	283,693	103,819
	\$ 146,546,193	\$ 5,827,261	\$ 152,373,454	\$ 50,431,260	\$ 8,419,526	\$ 58,850,786	\$ 93,522,668

	Cost			Accumulated amortization			2017 Net book value
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	
Buildings	\$ 25,254,533	\$ 54,375	\$ 25,308,908	\$ 12,915,134	\$ 1,265,445	\$ 14,180,579	\$ 11,128,329
Automotive and other equipment	6,243,935	252,521	6,496,456	5,136,036	374,253	5,510,289	986,167
Infrastructure	24,944,063	242,199	25,186,262	2,983,958	569,781	3,553,739	21,632,523
Housing	79,827,107	9,191,221	89,018,328	22,335,696	4,450,917	26,786,613	62,231,715
Computer equipment	135,436	39,280	174,716	135,436	21,604	157,040	17,676
Furniture	223,145	138,378	361,523	207,505	35,495	243,000	118,523
	\$ 136,628,219	\$ 9,917,974	\$ 146,546,193	\$ 43,713,765	\$ 6,717,495	\$ 50,431,260	\$ 96,114,933

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2018

12. Investments in and advances to Frog Lake First Nation Entities

	Other Entities (Note A)	Frog Lake Energy Resources (Note B)	Frog Lake Oilfields Services LP	2018 Total	2017 Total
Cash	\$ 88,920	\$ 9,399,457	\$ 10,535	\$ 9,498,912	\$ 9,399,510
Accounts receivable	43,411	703,250	-	746,661	651,542
Inventory	90,941	-	-	90,941	16,123
Prepaid Expenses	-	58,499	-	58,499	69,584
Investments	-	410,880	1,484,849	1,895,729	1,895,729
Property and equipment	11,999,207	13,858,227	191,466	26,048,900	27,555,250
Net investment in lease	-	1,790,776	-	1,790,776	1,790,776
Equity in limited partnership	-	12,751	-	12,751	16,934
Non current investment in lease	-	30,443,191	-	30,443,191	32,233,967
Due from related parties and shareholder	191,901	9,750,018	-	9,941,919	9,846,077
Total assets	\$ 12,414,380	\$ 66,427,049	\$ 1,686,850	\$ 80,528,279	\$ 83,475,492
Accounts payable	\$ 203,773	\$ 1,805,579	\$ 24,077	\$ 2,033,429	\$ 1,360,171
Current portion of long-term debt	100,000	-	-	100,000	-
Due to related parties and shareholder	750,000	1,205,000	1,492,657	3,447,657	3,453,187
Bank indebtedness	-	-	-	-	5,598
Bank debt	-	22,541,167	-	22,541,167	23,814,067
Demand promissory note payable	190,900	6,000,000	-	6,190,900	6,000,000
Long term debt	140,634	-	-	140,634	-
Asset retirement obligation	-	11,868,017	-	11,868,017	11,169,463
Total liabilities	1,385,307	43,419,763	1,516,734	46,321,804	45,802,486
Total equity	11,029,073	23,007,286	170,116	34,206,475	37,673,006
Total liabilities and equity	\$ 12,414,380	\$ 66,427,049	\$ 1,686,850	\$ 80,528,279	\$ 83,475,492

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2018

12. Investments in and advances to Frog Lake First Nation Entities, continued

	Other Entities (Note A)	Frog Lake Energy Resources (Note B)	Frog Lake Oilfields Services LP	2018 Total	2017 Total
Revenue	\$ 1,689,754	\$ 11,683,550	\$ 176,196	\$ 13,549,500	\$ 19,728,108
Expenses	1,881,002	14,270,657	107,545	16,259,204	24,422,830
Net loss	\$ (191,248)	\$ (2,587,107)	\$ 68,651	\$ (2,709,704)	\$ (4,694,722)

Note A: The balances shown are the consolidated balances of Frog Lake Oilfield Services GP Ltd., Frog Lake Off Reserve Housing Corporation, Frog Lake Off Reserve Housing Limited Partnership, Frog Lake Travel Centre Limited Partnership, Frog Lake Economic Development Corporation, Moosachee Ranches GP Ltd., Moosachee Ranches Limited Partnership.

Note B: The balances shown are the consolidated balances of Frog Lake Energy Resources Corporation, Frog Lake Energy Resources Limited Partnership and Frog Lake Midstream Limited Partnership.

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2018

12. Investments in and advances to Frog Lake First Nation Entities, continued

	2018	2017
Advances to (from) other entities	\$ 574,250	\$ 574,250
Accumulated earnings	<u>10,864,903</u>	<u>11,037,817</u>
Investment in and advances to other entities	\$ 11,439,153	\$ 11,612,067

	2018	2017
Advances to (from) Frog Lake Energy Resources	\$ (8,135,080)	\$ (8,245,714)
Accumulated earnings	<u>23,017,542</u>	<u>26,575,469</u>
Investment in and advances to Frog Lake Energy Resources (Note A)	\$ 14,882,462	\$ 18,329,755

	2018	2017
Advances to (from) Frog Lake Oilfields Services LP	\$ 1,003,961	\$ 1,023,859
Accumulated earnings	<u>170,116</u>	<u>101,465</u>
Investment in and advances to Frog Lake Oilfields Services LP	\$ 1,174,077	\$ 1,125,324

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2018

13. Accumulated surplus

	2018	2017
Operating Program	\$ 6,611,803	\$ 7,199,767
Trust Funds	4,551,253	44,850,890
Investments	27,526,102	31,097,555
Capital Assets	84,305,735	54,408,713
	\$ 122,994,893	\$ 137,556,925

14. 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.

Frog Lake First Nation has provided loan guarantees to Frog Lake Travel Centre Limited Partnership of \$240,634.

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.

15. 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 \$140,787 (2017 - 93,858), which results in an unfunded amount of \$140,787.

16. Indigenous Services Canada One Time Funding

During the fiscal year Indigenous Services Canada authorised a one time payment to reimburse Frog Lake First Nation for deficits incurred in the housing program in prior periods. The amount has been recorded as revenue in the current year.

17. Budget

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

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2018

18. Expenditures by Object

For the year ended March 31	2018 Budget	2018 Actual	2017 Actual
Advertising	\$ -	\$ -	\$ 2,344
Amortization	-	8,419,527	6,717,495
Community services	160,600	964,324	1,345,907
Human Resources Development	179,355	258,987	361,953
Insurance	242,513	258,103	258,983
Interest and bank charges	60,000	21,172	97,429
Interest on long term debt	253,243	993,578	1,462,332
Materials and supplies	748,571	1,946,078	2,584,944
Meeting and travel expenses	652,917	1,179,151	1,397,958
Office expenses	132,206	373,475	277,806
Per capita distribution	-	1,695,200	2,866,800
Professional development	129,233	346,429	463,531
Professional fees	115,000	152,150	169,643
Program costs	3,356,158	9,869,666	11,724,347
Rent	-	3,900	-
Repairs and maintenance	155,748	1,336,976	1,953,098
Social Assistance	2,507,419	2,984,695	2,770,305
Subcontractors	-	15,000	-
Utilities and telephone	1,085,050	1,165,222	1,326,025
Vehicle	21,000	130,969	171,287
Wages and benefits	5,789,295	10,461,867	9,168,722
	\$ 15,588,308	\$ 42,576,469	\$ 45,120,909

19. Financial instruments

The Nation's financial instruments consist of cash, accounts receivable, loans receivable, long-term investments, trust funds, accounts payable, line of credit 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 fulfil 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.

20. Economic Dependence

Frog Lake First Nation receives a significant portion of its revenue pursuant to a funding agreement with Indigenous Services Canada.

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2018

21. Segmented information

	Band Government			Community Services			Economic Development		
	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual
Revenues									
Indigenous Services Canada	\$ 674,824	\$ 849,947	\$ -	\$ 25,781	\$ 329,506	\$ 748,720	\$ 170,533	\$ 615,697	\$ 269,462
Capital Band Trust Funds - withdrawal	1,314,000	1,474,000	2,531,572	-	14,411,693	5,188,513	-	10,117,026	2,394,759
Revenue Band Trust Funds - withdrawal	-	-	-	850,000	2,230,079	3,244,700	-	200,000	-
Other revenue	-	42,593	29,033	160,000	744,035	(396,943)	292,317	1,031,060	1,281,114
Total revenue	1,988,824	2,366,540	2,560,605	1,035,781	17,715,313	8,784,990	462,850	11,963,783	3,945,335
Expenses									
Materials and supplies	-	-	-	-	36,179	93,420	-	3,593	38,277
Meeting and travel expenses	609,417	852,323	891,883	1,500	150,714	223,591	12,000	55,650	158,677
Professional development	-	105,892	83,353	-	-	-	19,233	22,010	111,313
Repairs and maintenance	10,000	14,038	6,175	-	30,048	183,460	-	-	-
Program costs	-	-	-	129,542	1,438,039	3,350,157	-	875,596	1,011,737
Community services	-	-	-	160,000	519,056	853,458	-	-	-
Utilities and telephone	50,000	76,538	65,221	500,000	628,112	735,087	-	10,177	9,219
Wages and benefits	1,074,407	1,344,331	1,277,292	243,239	663,489	713,088	228,165	406,157	473,216
Other expenses	245,000	411,188	388,610	1,500	2,227,526	3,355,954	203,452	330,771	713,784
Total expenses	1,988,824	2,804,310	2,712,534	1,035,781	5,693,163	9,508,215	462,850	1,703,954	2,516,223
Annual surplus (deficit)	\$ -	\$ (437,770)	\$ (151,929)	-	\$ 12,022,150	\$ (723,225)	-	\$ 10,259,829	\$ 1,429,112

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2018

21. Segmented information, continued

	2018 Budget	Education		2017 Actual	2018 Budget	Health		2018 Budget	Housing	
		2018 Actual	2017 Actual			2018 Actual	2017 Actual		2018 Actual	2017 Actual
Revenues										
Indigenous Services Canada	\$ 4,801,957	\$ 6,875,798	\$ 6,230,806			\$ -	\$ -	\$ 441,237	\$ 567,437	\$ 441,237
Capital Band Trust Funds - withdrawal	-	80,000	403,760						12,875,720	11,478,348
Revenue Band Trust Funds - withdrawal	330,000	480,000	1,067,415	27,346	113,346	27,346	253,243	253,243	-	-
Other revenue	-	680,239	89,543	223,577	2,938,412	2,536,069	111,000	(169,047)	(526,861)	
Total revenue	5,131,957	8,116,037	7,791,524	250,923	3,051,758	2,563,415	805,480	13,527,353	11,392,724	
Expenses										
Materials and supplies	288,400	453,878	531,756	-	30,250	14,755	435,171	1,293,134	1,711,617	
Meeting and travel expenses	-	37,522	18,552	-	-	-	-	9,304	13,617	
Professional development	90,000	154,315	218,260	-	-	-	-	10,972	2,960	
Repairs and maintenance	91,000	274,546	266,818	1,200	-	8,595	-	3,240	-	
Program costs	1,738,404	2,148,717	1,989,452	2,102	2,521,551	2,178,359	-	420,147	581,521	
Community services	-	10,509	-	600	600	-	-	-	-	
Utilities and telephone	201,977	113,899	111,062	-	15,615	21,386	-	2,696	6,000	
Wages and benefits	2,688,567	5,202,643	4,295,416	247,021	351,087	261,554	117,066	133,467	229,953	
Other expenses	33,609	118,440	85,902	-	-	-	253,243	187,728	718,036	
Total expenses	5,131,957	8,514,469	7,517,218	250,923	2,919,103	2,484,649	805,480	2,060,688	3,263,704	
Annual surplus (deficit)	\$ -	\$ (398,432)	\$ 274,306	\$ -	\$ 132,655	\$ 78,766	\$ -	\$ 11,466,665	\$ 8,129,020	

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2018

21. Segmented information, continued

	Investments		Public Works		Social Services			
	2018 Budget	2018 Actual	2018 Budget	2018 Actual	2017 Actual	2018 Budget	2018 Actual	
Revenues								
Indigenous Services Canada	\$ -	\$ -	\$ 1,024,674	\$ 4,668,545	\$ 1,630,886	\$ 3,307,090	\$ 3,885,275	\$ 3,222,654
Capital Band Trust Funds - withdrawal	-	-	686,000	2,489,615	3,620,642	-	-	41,397
Revenue Band Trust Funds - withdrawal	-	-	-	-	-	-	-	71,094
Other revenue	-	(2,709,379)	(4,574,900)	500,000	243,379	572,565	-	405,675
Total revenue	-	(2,709,379)	(4,574,900)	2,210,674	7,401,539	5,824,093	3,307,090	4,290,950
Expenses								
Materials and supplies	-	-	-	25,000	121,843	193,085	-	7,200
Meeting and travel expenses	-	-	-	-	23,464	53,050	10,000	32,035
Professional development	-	-	-	-	-	23,049	10,000	41,681
Repairs and maintenance	-	-	-	40,548	994,527	1,456,211	13,000	20,578
Program costs	-	-	-	1,199,893	1,859,045	1,787,004	286,217	484,929
Community services	-	360,140	488,792	-	-	-	-	4,019
Utilities and telephone	-	-	-	325,000	300,462	366,659	8,073	17,723
Wages and benefits	-	-	-	654,694	1,525,360	1,299,040	486,136	693,717
Other expenses	-	-	-	248,513	351,535	375,710	2,525,419	3,021,100
Total expenses	-	360,140	488,792	2,493,648	5,176,236	5,553,808	3,338,845	4,322,982
Annual surplus (deficit)	\$ -	\$ (3,069,519)	\$ (5,063,692)	\$ (282,974)	\$ 2,225,303	\$ 270,285	\$ (31,755)	\$ (32,032)
								\$ (95,486)

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2018

21. Segmented information, continued

	2018 Budget	Other 2018 Actual	2017 Actual	2018 Budget	Amortization 2018 Actual	2017 Actual	2018 Budget	2018 Actual	2017 Actual
Revenues									
Indigenous Services Canada	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,446,096	\$ 17,792,205	\$ 12,543,765
Capital Band Trust Funds - withdrawal	-	(41,448,054)	(25,658,991)	-	-	-	2,000,000	-	-
Revenue Band Trust Funds - withdrawal	-	(3,276,668)	(4,410,555)	-	-	-	1,460,589	-	-
Resource revenue, interest and land leases	-	4,138,493	8,941,778	-	-	-	-	4,138,493	8,941,778
Other revenue	80,000	2,876,772	3,298,485	-	-	-	1,366,894	6,083,739	2,804,607
Total revenue	80,000	(37,709,457)	(17,829,283)	-	-	-	15,273,579	28,014,437	24,290,150
Expenses									
Materials and supplies	-	-	-	-	-	-	748,571	1,946,077	2,584,944
Meeting and travel expenses	20,000	18,140	3,984	-	-	-	652,917	1,179,152	1,397,959
Professional development	10,000	11,560	4,323	-	-	-	129,233	346,430	463,532
Repairs and maintenance	-	-	-	-	-	-	155,748	1,336,977	1,953,098
Program costs	-	121,642	350,832	-	-	-	3,356,158	9,869,666	11,724,348
Community services	-	70,000	-	-	-	-	160,600	964,324	1,345,907
Utilities and telephone	-	-	-	-	-	-	1,085,050	1,165,222	1,326,026
Wages and benefits	50,000	141,615	71,999	-	-	-	5,789,295	10,461,866	9,168,721
Other expenses	-	238,940	-	-	8,419,527	6,717,495	3,510,736	15,306,755	15,156,374
Total expenses	80,000	601,897	431,138	-	8,419,527	6,717,495	15,588,308	42,576,469	45,120,909
Annual surplus (deficit)	\$ -	\$ (38,311,354)	\$ (18,260,421)	-	\$ (8,419,527)	\$ (6,717,495)	\$ (314,729)	\$ (14,562,032)	\$ (20,830,759)