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July 29, 2019

FILE NO: 4092

Indigenous Services Canada
630 Canada Place
9700 Jasper Ave
Edmonton AB T5J 4G2

Dear Sir:

Re: Frog Lake First Nation
March 31, 2019 Financial Statements

We enclose the following in connection with the March 31, 2019 financial statements for the Frog Lake First Nation for publication on the Indigenous Services Canada website:

1. Consolidated Summary Financial Statements

Should you have any questions in connection with the above, please contact Dan Smit or myself.

Yours very truly,

Crowe MacKay LLP
Chartered Professional Accountants

A handwritten signature in blue ink, appearing to read "Bob McAneeley".

Per: Bob McAneeley Professional Corporation
Partner

/cp

Encl.

cc: Frog Lake First Nation
Attention: Kevin Price, CFO

RECEIVED

JUL 29 2019

Indigenous Services
Canada
AB Region - IMM EDM OFFICE

Frog Lake First Nation

Consolidated Financial Statements

March 31, 2019

Frog Lake First Nation

Consolidated Financial Statements

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Frog Lake First Nation

Management's Responsibility for Financial Reporting

March 31, 2019

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

Original signed by _____
Chief

JULY 26, 2019
Date

Original signed by _____
Chief Financial Officer

JULY 26, 2019
Date

Independent Auditors' Report

To the Members of Frog Lake First Nation

Opinion

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

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

Basis for Opinion

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the First 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 First Nation or to cease operations, or has no realistic alternative but to do so.

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

Independent Auditors' Report, continued

Auditors' 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 auditors' 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 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 First 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 First 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 auditors' 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 auditors' report. However, future events or conditions may cause the First 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 26, 2019**

Crowe MACKAY LLP

Chartered Professional Accountants

Frog Lake First Nation

Consolidated Statement of Financial Position

March 31	2019	2018 (Restated)
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Financial Assets

Cash (Note 2)	\$ 3,600,455	\$ 3,781,811
Accounts receivable (Note 3)	1,163,815	901,005
Notes receivable (Note 4)	6,000,000	6,027,826
Investments (Note 5)	25,752,814	32,239,236
Federal Trust Funds (Note 6)	3,060,737	4,551,253
	39,577,821	47,501,131

Liabilities

Line of credit (Note 7)	410,000	-
Accounts payable (Note 8)	5,268,810	1,555,669
Deferred revenue (Note 9)	6,427,142	3,229,181
Long-term debt (Note 10)	7,800,369	9,216,933
	19,906,321	14,001,783

Net financial assets	19,671,500	33,499,348
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Non-financial Assets

Capital assets (Note 11)	94,996,935	93,522,668
Prepaid expenses	333,098	686,011
	95,330,033	94,208,679

Accumulated Surplus (Note 13)	\$115,001,533	\$127,708,027
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Contingent liabilities (Note 14)

Approved on behalf of the Council

Original signed by _____, Chief

Original signed by _____, Chief Financial Officer

Frog Lake First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31	2019 Budget	2019 Actual	2018 Actual (Restated)
Revenue			
Federal Government:			
Indigenous Services Canada (ISC)	\$ 10,753,724	\$ 21,605,583	\$ 17,792,205
ISC One Time Funding (Note 16)	-	-	1,508,723
Human Resources Development Canada	213,977	690,667	631,058
Canada Mortgage and Housing Corporation	-	233,668	549,274
Resource revenue, interest and land leases	1,525,000	4,137,348	4,425,086
Interest and land leases	-	3,068,779	2,563,769
Investment income (loss)	-	(3,028,174)	(458,803)
Frog Lake Energy Resources Corp. - Net loss	-	(4,249,078)	(3,428,722)
Frog Lake Midstream LP - Net income	-	1,498,941	1,178,146
First Nation Development Funds	-	786,483	1,224,561
Other revenue	536,496	2,690,851	2,012,282
	13,029,197	27,435,068	27,997,579
Expenses (Note 18)			
Band Government	1,967,561	3,180,357	2,804,310
Community Services	1,200,594	5,427,157	5,676,305
Economic Development	301,429	1,432,042	1,703,954
Education	4,792,491	8,655,667	8,514,469
Health	359,013	3,620,031	2,919,103
Housing	1,270,892	1,399,714	2,060,688
Investments	-	-	360,140
Public Works	3,276,656	4,652,363	5,176,236
Social Services	3,811,747	4,733,234	4,322,982
Other	-	228,556	601,897
Amortization	-	6,812,441	8,419,527
	16,980,383	40,141,562	42,559,611
Deficiency of revenue over expenses	(3,951,186)	(12,706,494)	(14,562,032)
Accumulated surplus, beginning of year			
As previously stated	-	127,708,027	137,556,925
Corrections of errors in prior year (Note 21)	-	-	4,713,134
As restated	-	127,708,027	142,270,059
Accumulated surplus, end of year	\$ (3,951,186)	\$ 115,001,533	\$ 127,708,027

Frog Lake First Nation**Consolidated Statement of Change in Net Financial Assets**

For the year ended March 31	2019	2018 (Restated)
Deficiency of revenue over expenses	\$ (12,706,494)	\$ (14,562,032)
Acquisition of tangible capital assets	(8,286,709)	(5,827,261)
Amortization of tangible capital assets	6,812,442	8,419,527
	(1,474,267)	2,592,266
Acquisition of prepaid asset	352,913	(357,912)
Decrease in net financial assets	(13,827,848)	(12,327,678)
Net financial assets, beginning of year	33,499,348	45,827,026
Net financial assets, end of year	\$ 19,671,500	\$ 33,499,348

Frog Lake First Nation

Consolidated Statement of Cash Flow

For the year ended March 31, 2019	2019	2018 (Restated)
Cash flows from		
Operating activities		
Deficiency of revenue over expenses	\$ (12,706,494)	\$ (14,562,032)
Items not affecting cash		
Amortization	6,812,442	8,419,527
	(5,894,052)	(6,142,505)
Change in non-cash operating working capital		
Accounts receivable	(262,810)	(117,601)
Loans receivable	27,826	27,818
Prepaid expenses	352,913	(357,907)
Accounts payable	3,713,140	(293,005)
Deferred revenue	3,197,961	516,668
	1,134,978	(6,366,532)
Capital activities		
Purchase of capital assets	(8,286,709)	(5,827,260)
Financing activities		
Long term debt repayments	(1,416,563)	(37,679,500)
Loan proceeds		5,186,803
	(1,416,563)	(32,492,697)
Investing activities		
(Increase) decrease in trust funds	1,490,516	40,299,638
(Increase) decrease in long term investments	6,486,422	3,571,453
	7,976,938	43,871,091
Decrease in cash and cash equivalents	(591,356)	(815,398)
Cash and cash equivalents, beginning of year	3,781,811	4,597,209
Cash and cash equivalents, end of year	\$ 3,190,455	\$ 3,781,811
Represented by		
Cash	\$ 3,600,455	\$ 3,781,811
Line of credit	(410,000)	
	\$ 3,190,455	\$ 3,781,811

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

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.

March 31, 2019

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 in Government Business Partnerships are recorded using the modified equity method.

(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, 2019

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

	2019	2018 (Restated)
Externally restricted		
Province of Alberta	\$ 279,192	\$ 632,279
Internally restricted		
Legal and Housing	18,670	18,670
Unrestricted		
General accounts	3,302,593	3,130,862
	<u>\$ 3,600,455</u>	<u>\$ 3,781,811</u>

3. Accounts receivable

	2019	2018 (Restated)
Accounts receivable - trade	\$ 712,050	\$ 326,044
Indigenous Services Canada	218,862	275,010
Payroll advances	29,094	64,675
GST rebates	15,282	48,345
Alberta Government	188,527	186,931
	<u>\$ 1,163,815</u>	<u>\$ 901,005</u>

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

4. Notes receivable

	2019	2018 (Restated)
Frog Lake Energy Resources Limited Partnership	\$ 6,000,000	\$ 6,000,000
TIPi Insurance Partners	-	27,826
	<u>\$ 6,000,000</u>	<u>\$ 6,027,826</u>

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.

5. Investments

	2019	2018 (Restated)
Frog Lake First Nation controlled entities - modified equity basis (Note 12)	\$ 20,829,993	\$ 27,495,692
Investments in Government Business Partnerships		
Seven Lakes Oilfield Services Limited Partnership	1,881,933	1,846,433
Pimee Well Services Limited Partnership	1,859,433	1,743,226
Pimee Well Services Ltd.	1,151,245	1,123,675
IMI Brokerage Limited Partnership	30,210	30,210
	<u>4,922,821</u>	<u>4,743,544</u>
	<u>\$ 25,752,814</u>	<u>\$ 32,239,236</u>

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

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, 2018	Income	Withdrawals, 2019	March 31, 2019
Ottawa funds held in trust - Capital	\$ 3,410,613	\$ 2,547,417	\$ (3,770,049)	\$ 2,187,981
Ottawa funds held in trust - Revenue	1,140,640	1,451,003	(1,718,887)	872,756
	<u>\$ 4,551,253</u>	<u>\$ 3,998,420</u>	<u>\$ (5,488,936)</u>	<u>\$ 3,060,737</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.

7. Line of credit

The Nation has an authorized line of credit of \$500,000 that was drawn \$410,000 (2018 - \$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

	2019	2018 (Restated)
Accounts payable - trade	\$ 4,786,433	\$ 1,339,272
Accrued liabilities	482,377	216,397
	<u>\$ 5,268,810</u>	<u>\$ 1,555,669</u>

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

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, 2018	Funding received, 2019	Revenue recognized, 2019	March 31, 2019
Indigenous Services Canada	\$ 3,062,249	\$ 23,661,443	\$ (21,605,583)	\$ 5,118,109
Human Resources Development Canada	18,173	644,747	(662,920)	-
Other	148,759	3,991,735	(2,829,779)	1,310,715
	<u>\$ 3,229,181</u>	<u>\$ 28,297,925</u>	<u>\$ (25,098,282)</u>	<u>\$ 6,427,142</u>

10. Long-term debt

	2019	2018 (Restated)
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.	\$ 822,911	\$ 1,412,252
Vehicle loans repayable in monthly installments of \$1,143 including interest at 4%, maturing in June 2018.	-	3,407
CMHC mortgage repayable in monthly installments of \$1,978 including interest at 1.14% per annum due May 2026, secured by Ministerial guarantee.	163,240	184,979
CMHC mortgage repayable in monthly installments of \$2,241 including interest at 2.11% per annum due November 2033, secured by Ministerial guarantee.	339,170	358,713
CMHC mortgage repayable in monthly installments of \$2,343 including interest at 2.11% per annum due November 2028, secured by Ministerial guarantee.	245,729	268,419
CMHC mortgage repayable in monthly installments of \$1,189 including interest at 2.49% per annum due March 2028, secured by Ministerial guarantee.	114,955	126,313
CMHC mortgage repayable in monthly installments of \$2,262 including interest at 1.30% per annum due October 2035, secured by Ministerial guarantee.	404,780	426,519

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

10. Long-term debt, continued

	2019	2018
CMHC mortgage repayable in monthly installments of \$7,563 including interest at 1.30% per annum due October 2030, secured by Ministerial guarantee.	975,622	1,053,182
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.	183,275	196,345
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 repayable at \$36,500 per month, interest at 5.02% per annum due February 2023.	1,488,839	1,842,308
Royal Bank of Canada fixed rate term loan repayable at \$36,500 per month, interest at 5.02% per annum due February 2023.	3,061,848	1,450,035
	\$ 7,800,369	\$ 9,216,933

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

2020	\$ 1,471,730
2021	1,109,563
2022	940,730
2023	220,557
2024 and thereafter	4,057,789
	\$ 7,800,369

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

11. Capital Assets

	Cost				Accumulated amortization				
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year	2019 net book value
Buildings	\$ 29,403,031	\$ 2,024,629	\$ -	\$ 31,427,660	\$ 15,560,592	\$ 1,235,863	\$ -	\$ 16,796,455	\$ 14,631,205
Automotive and other equipment	7,488,160	44,443	(37,790)	7,494,813	6,743,783	(505,779)	(37,790)	6,200,214	1,294,599
Infrastructure	25,331,773	28,952	-	25,360,725	4,820,269	1,266,634	-	6,086,903	19,273,822
Housing	89,581,432	-	-	89,581,432	31,265,684	4,479,072	-	35,744,756	53,836,676
Computer Equipment	181,546	-	-	181,546	176,765	2,049	-	178,814	2,732
Furniture	387,512	18,800	-	406,312	283,693	37,349	-	321,042	85,270
Roads	-	6,169,885	-	6,169,885	-	297,254	-	297,254	5,872,631
	\$ 152,373,454	\$ 8,286,709	\$ (37,790)	\$ 160,622,373	\$ 58,850,786	\$ 6,812,442	\$ (37,790)	\$ 65,625,438	\$ 94,996,935

	Cost				Accumulated amortization				
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year	2018 Net book value
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

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

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	2019 Total	2018 Total
Cash	\$ 78,371	\$ 9,530,797	\$ -	\$ 9,609,168	\$ 9,498,912
Accounts receivable	43,411	1,280,621	-	1,324,032	746,661
Inventory	90,941	-	-	90,941	90,941
Prepaid Expenses	-	98,087	-	98,087	58,499
Investments	-	410,880	-	410,880	1,895,729
Property and equipment	11,979,389	7,963,251	182,408	20,125,048	26,048,900
Net investment in lease	-	1,790,776	-	1,790,776	1,790,776
Equity in limited partnership	-	15,417	-	15,417	12,751
Non current investment in lease	-	28,652,415	-	28,652,415	30,443,191
Derivative	-	239,308	-	239,308	-
Due from related parties and shareholder	1,101	10,922,048	-	10,923,149	9,941,919
Total assets	\$ 12,193,213	\$ 60,903,600	\$ 182,408	\$ 73,279,221	\$ 80,528,279
Accounts payable	\$ 203,773	\$ 1,281,956	\$ 14,266	\$ 1,499,995	\$ 2,033,429
Current portion of long-term debt	100,000	-	-	100,000	100,000
Due to related parties and shareholder	750,000	1,463,334	488,696	2,702,030	3,447,657
Bank debt	-	21,312,167	-	21,312,167	22,541,167
Demand promissory note payable	-	6,000,000	-	6,000,000	6,190,900
Long term debt	140,634	-	-	140,634	140,634
Asset retirement obligation	-	12,254,784	-	12,254,784	11,868,017
Total liabilities	1,194,407	42,312,241	502,962	44,009,610	46,321,804
Total equity	10,998,806	18,591,359	(320,554)	29,269,611	34,206,475
Total liabilities and equity	\$ 12,193,213	\$ 60,903,600	\$ 182,408	\$ 73,279,221	\$ 80,528,279

Frog Lake First Nation

Notes to Consolidated Financial Statements:

March 31, 2019:

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	2019 Total	2018 Total
Revenue	\$ 1,683,461	\$ 10,944,009	\$ -	\$ 12,627,470	\$ 13,549,500
Expenses	1,894,560	15,316,301	-	17,210,861	16,259,204
Net loss	\$ (211,099)	\$ (4,372,292)	\$ -	\$ (4,583,391)	\$ (2,709,704)

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, 2019

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

	2019	2018 (Restated)
Advances to (from) other entities	\$ 574,250	\$ 574,250
Accumulated earnings	11,028,173	10,864,903
Investment in and advances to other entities	<u>\$ 11,602,423</u>	<u>\$ 11,439,153</u>

	2019	2018 (Restated)
Advances to (from) Frog Lake Energy Resources	\$ (9,054,327)	\$ (8,135,080)
Accumulated earnings	18,602,451	23,017,542
Investment in and advances to Frog Lake Energy Resources (Note A)	<u>\$ 9,548,124</u>	<u>\$ 14,882,462</u>

	2019	2018 (Restated)
Advances to (from) Frog Lake Oilfield Services	\$ -	\$ 1,003,961
Accumulated earnings	(320,554)	170,116
Investment in and advances to Frog Lake Oilfield Services LP	<u>\$ (320,554)</u>	<u>\$ 1,174,077</u>
Total Investments	<u>\$ 20,829,993</u>	<u>\$ 27,495,692</u>

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

13. Accumulated surplus

	2019	2018 (Restated)
Unrestricted operating surplus (deficit)	\$ (1,008,584)	\$ 6,611,803
Trust Funds	3,060,737	4,551,253
Investments	25,752,814	32,239,236
Capital Assets	87,196,566	84,305,735
	\$115,001,533	\$127,708,027

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 \$187,716 (2018 - \$140,787), which results in a unfunded amount of \$187,716.

16. Indigenous Services Canada One Time Funding

In the prior fiscal year Indigenous Services Canada authorized 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 prior year.

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

17. Budget

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

18. Expenditures by Object

For the year ended March 31	2019 Budget	2019 Actual	2018 Actual (Restated)
Amortization	\$ -	\$ 6,812,441	\$ 8,419,527
Community services	600	777,728	964,324
Human Resources Development	-	303,169	258,987
Insurance	244,000	372,404	258,103
Interest and bank charges	60,000	35,640	21,172
Interest on long term debt	733,655	274,184	993,578
Materials and supplies	1,015,931	1,540,526	1,946,078
Meeting and travel expenses	672,073	1,244,482	1,179,151
Office expenses	152,858	338,224	373,475
Per capita distribution	-	967,800	1,695,200
Professional development	149,540	239,892	346,429
Professional fees	125,000	168,670	152,150
Program costs	3,859,105	10,190,111	9,869,666
Rent	-	-	3,900
Repairs and maintenance	177,400	1,316,358	1,336,976
Social Assistance	2,677,387	3,174,776	2,984,695
Subcontractors	-	162,804	15,000
Summer Student Career Placement	1,000	-	-
Utilities and telephone	651,977	1,306,910	1,148,364
Vehicle	124,702	197,584	130,969
Wages and benefits	6,335,155	10,717,859	10,461,867
	\$ 16,980,383	\$ 40,141,562	\$ 42,559,611

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.

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

20. Economic Dependence

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

21. Correction of errors in prior year

In the prior year, Frog Lake First Nation did not have sufficient financial information from Pimee Well Services Limited Partnership, Pimee Well Services Ltd. and Seven Lakes Oilfield Services Limited Partnership to enable it to record its equity in those entities. The information on those entities was made available in the current year and adjusted accordingly. The effect on the financial statements in the prior year is an increase to the long-term investments of \$4,713,134 and an increase in opening accumulated surplus of \$4,713,134.

22. Comparative Amounts

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

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

23. Segmented information

	Band Government			Community Services			Economic Development		
	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual	2019 Budget	2019 Actual	2018 Actual
Revenues									
Indigenous Services Canada	\$ 763,279	\$ 1,060,668	\$ 849,947	\$ 25,781	\$ 27,727	\$ 259,508	\$ 170,533	\$ 435,971	\$ 615,697
Capital Band Trust Funds - withdrawal	1,025,000	1,025,000	1,474,000	-	658,890	14,411,693	-	-	10,117,026
Revenue Band Trust Funds - withdrawal	-	446,935	-	500,000	616,133	2,230,079	-	230,750	200,000
Other revenue	-	53,356	42,593	300,000	213,832	727,177	130,896	753,478	1,031,060
Total revenue	1,788,279	2,585,959	2,366,540	825,781	1,516,582	17,628,455	301,429	1,420,199	11,963,783
Expenses									
Materials and supplies	-	-	-	-	49,425	36,179	-	32,334	3,593
Meeting and travel expenses	592,600	966,302	852,323	-	62,972	150,714	2,622	76,998	55,650
Professional development	28,000	101,547	105,892	-	-	-	-	7,610	22,010
Repairs and maintenance	-	22,313	14,038	-	317,076	30,048	-	-	-
Program costs	-	-	-	315,072	1,883,115	1,438,039	28,274	494,429	875,596
Community services	-	-	-	-	775,297	519,056	-	200	-
Utilities and telephone	10,000	60,551	76,538	500,000	703,915	611,255	-	10,033	10,177
Wages and benefits	1,081,961	1,569,518	1,344,331	385,522	659,777	663,489	232,324	468,152	406,157
Other expenses	255,000	460,126	411,188	-	975,580	2,227,525	38,209	342,286	330,771
Total expenses	1,967,561	3,180,357	2,804,310	1,200,594	5,427,157	5,676,305	301,429	1,432,042	1,703,954
Annual surplus (deficit)	\$ (179,282)\$	(594,398)\$	(437,770)\$	(374,813)\$	(3,910,575)\$	11,952,150 \$	- \$	(11,843)\$	10,259,829

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

23: Segmented information, continued

	2019 Budget	Education 2019 Actual	2018 Actual	2019 Budget	Health 2019 Actual	2018 Actual	2019 Budget	Housing 2019 Actual	2018 Actual
Revenues									
Indigenous Services Canada	\$ 4,302,959	\$ 7,937,101	\$ 7,220,798	-	\$ -	\$ -	\$ 441,237	\$ 724,140	\$ 467,437
Capital Band Trust Funds - withdrawal	-	-	80,000	-	-	-	-	1,100,227	12,875,720
Revenue Band Trust Funds - withdrawal	-	4,644	480,000	-	50,000	113,346	-	16,457	253,243
Other revenue	-	1,249,647	680,239	223,577	3,610,356	2,938,412	96,000	(151,425)	(169,047)
Total revenue	4,302,959	9,191,392	8,461,037	223,577	3,660,356	3,051,758	537,237	1,689,399	13,427,353
Expenses									
Materials and supplies	240,400	382,291	453,878	-	34,000	30,250	383,682	928,612	1,293,134
Meeting and travel expenses	12,851	2,597	37,522	-	-	-	20,000	36,514	9,304
Professional development	90,000	90,397	154,315	-	-	-	16,540	19,671	10,972
Repairs and maintenance	139,000	114,949	274,546	1,200	-	-	-	7,204	3,240
Program costs	1,467,813	2,025,109	2,148,717	18,946	3,205,887	2,521,551	-	126,106	420,147
Community services	-	-	10,509	600	-	600	-	-	-
Utilities and telephone	121,977	149,481	113,899	-	12,726	15,615	-	3,500	2,696
Wages and benefits	2,685,801	5,694,744	5,202,643	338,267	367,417	351,087	117,015	132,432	133,467
Other expenses	34,649	196,099	118,440	-	1	-	733,655	145,675	187,728
Total expenses	4,792,491	8,655,667	8,514,469	359,013	3,620,031	2,919,103	1,270,882	1,399,714	2,060,688
Annual surplus (deficit)	\$ (489,532)	\$ 535,725	\$ (53,432)	\$ (135,436)	\$ 40,325	\$ 132,655	\$ (733,655)	\$ 289,685	\$ 11,366,665

Frog/Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

23. Segmented Information, continued

	2019 Budget	Investments 2019 Actual	2018 Actual	2019 Budget	Public Works 2019 Actual	2018 Actual	2019 Budget	Social Services 2019 Actual	2018 Actual
Revenues									
Indigenous Services Canada	\$ -	\$ -	\$ -	\$ 1,274,674	\$ 7,221,359	\$ 4,493,545	\$ 3,775,261	\$ 4,198,616	\$ 3,885,275
Capital Band Trust Funds - withdrawal	-	-	-	-	985,932	2,489,615	-	-	-
Revenue Band Trust Funds - withdrawal	-	-	-	-	351,176	-	-	2,791	-
Other revenue	-	(5,778,311)	(2,709,379)	-	708,183	243,379	-	613,270	405,675
Total revenue	-	(5,778,311)	(2,709,379)	1,274,674	9,266,650	7,226,539	3,775,261	4,814,677	4,290,950
Expenses									
Materials and supplies	-	-	-	391,849	85,588	121,843	-	28,276	7,200
Meeting and travel expenses	-	-	-	12,000	32,137	23,464	32,000	63,108	32,035
Professional development	-	-	-	-	2,971	-	15,000	9,205	41,681
Repairs and maintenance	-	-	-	-	777,618	994,527	37,200	77,197	20,578
Program costs	-	-	-	1,634,000	1,838,882	1,859,045	395,000	616,583	484,929
Community services	-	-	360,140	-	-	-	-	2,231	4,019
Utilities and telephone	-	-	-	-	344,081	300,462	20,000	22,622	17,723
Wages and benefits	-	-	-	938,807	1,038,128	1,525,360	555,458	699,989	693,717
Other expenses	-	-	-	300,000	532,860	351,535	2,757,089	3,214,023	3,021,100
Total expenses	-	-	360,140	3,276,656	4,652,363	5,176,236	3,811,747	4,733,234	4,322,982
Annual surplus (deficit)	\$ -	\$ (5,778,311)	\$ (3,069,519)	\$ (2,001,982)	\$ 4,614,287	\$ 2,050,303	\$ (36,486)	\$ 81,443	\$ (32,032)

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

23. Segmented Information, continued

	2019 Budget	Other 2019 Actual	2018 Actual	2019 Budget	Amortization 2019 Actual	2018 Actual	2019 Budget	Consolidated totals 2019 Actual	2018 Actual
Revenues									
Indigenous Services Canada	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,753,724	\$ 21,605,582	\$ 17,792,205
Capital Band Trust Funds - withdrawal	-	(3,770,049)	(41,448,054)	-	-	-	1,025,000	-	-
Revenue Band Trust Funds - withdrawal	-	(1,718,887)	(3,276,668)	-	-	-	500,000	(1)	-
Resource revenue, interest and land leases	-	3,682,733	4,138,493	-	-	-	-	3,682,733	4,138,493
Other revenue	-	874,368	2,876,772	-	-	-	750,473	2,146,754	6,066,881
Total revenue	-	(931,835)	(37,709,457)	-	-	-	13,029,197	27,435,068	27,997,579
Expenses									
Materials and supplies	-	-	-	-	-	-	1,015,931	1,540,526	1,946,077
Meeting and travel expenses	-	3,853	18,140	-	-	-	672,073	1,244,481	1,179,152
Professional development	-	8,490	11,560	-	-	-	149,540	239,891	346,430
Repairs and maintenance	-	-	-	-	-	-	177,400	1,316,357	1,336,977
Program costs	-	-	121,642	-	-	-	3,859,105	10,190,111	9,869,666
Community services	-	-	70,000	-	-	-	600	777,728	964,324
Utilities and telephone	-	-	-	-	-	-	651,977	1,306,909	1,148,365
Wages and benefits	-	87,703	141,614	-	-	-	6,335,155	10,717,858	10,461,865
Other expenses	-	128,510	238,941	-	6,812,441	8,419,527	4,118,602	12,807,701	15,306,755
Total expenses	-	228,556	601,897	-	6,812,441	8,419,527	16,980,383	40,141,562	42,559,611
Annual surplus (deficit)	\$ -	\$ (1,160,391)	\$ (38,311,354)	\$ -	\$ (6,812,441)	\$ (8,419,527)	\$ (3,951,186)	\$ (12,706,494)	\$ (14,562,032)