

Frog Lake First Nation

Consolidated Financial Statements

March 31, 2021

Frog Lake First Nation

Consolidated Financial Statements

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Frog Lake First Nation

Management's Responsibility for Financial Reporting

March 31, 2021

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:

Original signed by
Chief

August 10, 2021
Date

Original signed by
Chief Financial Officer

August 10, 2021
Date

Independent Auditors' Report

To the Members of Frog Lake First Nation

Qualified 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, 2021, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2021, and the results of its consolidated operations, its changes in its consolidated net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Investments in government business enterprises, which are accounted for by the modified equity method, are carried on the consolidated statement of financial position as at March 31, 2021. Frog Lake First Nation's share of these enterprises' net income is included in Frog Lake First Nation's consolidated surplus of revenue and expenses for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of certain Frog Lake First Nation's investments and the equity in these enterprises at March 31, 2021. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. Our audit opinion on the consolidated financial statement for the year ended March 31, 2021 was modified accordingly because of the possible effects of this limitation of scope.

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 qualified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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
August 10, 2021

Crowe Mackay LLP
Chartered Professional Accountants

Frog Lake First Nation

Consolidated Statement of Financial Position

March 31	2021	2020
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Financial Assets

Cash (Note 3)	\$ 10,918,620	\$ 5,304,688
Accounts receivable (Note 4)	1,575,092	383,748
Investments (Note 5)	25,754,762	29,779,001
Federal Trust Funds (Note 7)	3,262,200	4,251,936
	41,510,674	39,719,373

Liabilities

Accounts payable	2,206,783	2,849,907
Deferred revenue (Note 9)	16,193,492	8,607,968
Long-term debt (Note 10)	7,349,781	6,374,068
	25,750,056	17,831,943

Net financial assets	15,760,618	21,887,430
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Non-financial Assets

Capital assets (Note 14)	105,416,811	97,721,951
Prepaid expenses	294,863	123,191
	105,711,674	97,845,142

Accumulated Surplus (Note 12)	\$121,472,292	\$119,732,572
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Contingent liabilities (Note 13)

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	2021 Budget	2021 Actual	2020 Actual
Revenue			
Federal Government:			
Indigenous Services Canada (ISC)	\$ 16,247,286	\$ 36,040,714	\$ 29,643,642
Indigenous Skills and Employment Training Strategy	664,676	771,379	752,682
Canada Mortgage and Housing Corporation	-	212,394	193,524
Resource revenue, interest and land leases	-	2,347,725	4,071,038
Morning Sky Health and Wellness Society	-	4,614,579	3,742,300
Investment income (loss)	-	(4,186,144)	(1,565,286)
First Nation Development Funds	-	424,407	699,835
Other revenue	1,659,099	4,707,157	6,097,309
	18,571,061	44,932,211	43,635,044
Expenses (Note 15)			
Band Government	1,538,493	2,021,404	2,778,634
Community Services	514,005	1,807,174	1,731,003
Economic Development	591,231	1,333,240	1,058,844
Education	8,178,463	8,984,653	8,368,083
Health	326,416	4,983,372	3,992,920
Housing	1,258,892	2,620,374	1,685,789
Public Works	2,823,740	6,628,145	3,698,609
Social Services	4,978,411	6,046,238	5,913,508
Other	-	560,131	1,695,098
Amortization	-	8,207,760	7,981,515
	20,209,651	43,192,491	38,904,003
Excess of revenue over expenses	(1,660,680)	1,739,720	4,731,041
Accumulated surplus, beginning of year	119,732,572	119,732,572	115,001,531
Accumulated surplus, end of year	\$118,071,892	\$121,472,292	\$119,732,572

Frog Lake First Nation

Consolidated Statement of Change in Net Financial Assets

For the year ended March 31	2021 Budget	2021 Actual	2020 Actual
Excess of revenue over expenses	\$ (1,660,680)	\$ 1,739,720	\$ 4,731,041
Acquisition of tangible capital assets	-	(15,902,620)	(10,706,527)
Amortization of tangible capital assets	-	8,207,760	7,981,515
	-	(7,694,860)	(2,725,012)
Use (acquisition) of prepaid asset	-	(171,672)	209,901
(Decrease) increase in net financial assets	(1,660,680)	(6,126,812)	2,215,930
Net financial assets, beginning of year	21,887,430	21,887,430	19,671,500
Net financial assets, end of year	\$ 20,226,750	\$ 15,760,618	\$ 21,887,430

Frog Lake First Nation

Consolidated Statement of Cash Flow

For the year ended March 31, 2021	2021	2020
Cash flows from Operating activities		
Excess of revenue over expenses	\$ 1,739,720	\$ 4,731,041
Items not affecting cash		
Amortization	8,207,760	7,981,515
	9,947,480	12,712,556
Change in non-cash operating working capital		
Accounts receivable	(1,191,344)	780,067
Loans receivable	-	6,000,000
Prepaid expenses	(171,671)	209,906
Accounts payable	(643,125)	(2,418,908)
Deferred revenue	7,585,524	2,180,826
	15,526,864	19,464,447
Capital activities		
Purchase of capital assets	(15,902,620)	(10,706,527)
Financing activities		
Long term debt repayments	(1,062,080)	(1,468,044)
Loan proceeds	2,037,793	41,743
	975,713	(1,426,301)
Investing activities		
(Increase) decrease in trust funds	989,736	(1,191,199)
(Increase) decrease in long term investments	4,024,239	(4,026,187)
	5,013,975	(5,217,386)
Increase in cash and cash equivalents	5,613,932	2,114,233
Cash and cash equivalents, beginning of year	5,304,688	3,190,455
Cash and cash equivalents, end of year	\$ 10,918,620	\$ 5,304,688

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2021

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 Standards.

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. - 100%
2. Frog Lake Energy Resources Limited Partnership - 99.5%
3. Frog Lake Oilfield Services Limited Partnership - 99.9%
4. Frog Lake Oilfield Services GP Ltd. - 100%
5. Frog Lake Off Reserve Housing Corporation - 100%
6. Frog Lake Off Reserve Housing Limited Partnership - 99.99%
7. Moosachee Ranches GP Ltd. - 75%
8. Moosachee Ranches Limited Partnership - 75%
9. Frog Lake Midstream Limited Partnership - 99.5%
10. Frog Lake Travel Centre Limited Partnership - 99.9%
11. Frog Lake Economic Development Corporation - 100%
12. Frog Lake Economic Development Limited Partnership - 99.9%
13. Frog Lake Gravel and Concrete Limited Partnership - 99.9%
14. Waskonaman Askih (Moving Earth) Construction GP Ltd. - 100%
15. Waskonaman Askih (Moving Earth) Construction Limited Partnership - 99.9%

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

Investments in Business Partnerships are recorded using the modified equity method:

1. Seven Lakes Oilfield Services Limited Partnership - 8.33%
2. Pimee Well Services Limited Partnership - 16.67%
3. Pimee Well Services Ltd. - 16.67%
4. IMI Brokerage Limited Partnership - 4.45%

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2021

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

(b) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

Income from investments is recorded on the accrual basis.

(c) Cash

Cash and cash equivalents include cash on hand and short-term investments.

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2021

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 & 40 years Straight line
Infrastructure	20 years Straight line
Housing	20 years Straight line
Computer Equipment	2 & 3 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) 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.

(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.

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2021

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

(g) Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

The COVID-19 pandemic is considered an indication of impairment and has impacted the assumptions underlying the forecasted cash flows used in performing the First Nation's impairment analysis of its long-lived assets. Actual impairment and other results could differ from these and other estimates.

2. Impact of COVID-19 Pandemic

The COVID-19 pandemic has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, social distancing, restrictions on business operations and isolation/quarantine periods have caused material disruptions to communities and businesses, resulting in an economic slowdown.

As a result, funding from certain sources, including, First Nation Development Fund (FNDF) and revenues generated by First Nation owned businesses has declined. There was also disruption to certain operations of the First Nation as a result of complying with mandated health restrictions.

In response, the First Nation received from Indigenous Services Canada, \$7,885,304 in additional funding to assist with implementation of public health measures, income assistance initiatives, costs related to reopening.

The First Nation also implemented remote work arrangements for those able to do so, and implemented stringent health and safety procedures and other precautionary measures, guided by public health authorities, to mitigate the spread of COVID-19 and the impact of the pandemic on the First Nation's operations and programs.

Effective July 1, 2021, the province of Alberta entered into stage 3 of the Alberta's Open for Summer Plan whereby majority of public health measures have now been lifted. While recovery is underway, the effects of the COVID-19 pandemic remains uncertain and as such it is not possible to estimate the length and severity of the pandemic and the impact on the financial results and condition on the First Nation and its operations in future periods

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2021

3. Cash

	2021	2020
Externally restricted		
Province of Alberta	\$ 54,377	\$ 149,133
Internally restricted		
Legal and Housing	9,177	9,177
Capital projects	2,421,239	3,000,360
	<hr/> 2,430,416	<hr/> 3,009,537
Unrestricted		
General accounts	8,433,827	2,146,018
	<hr/> \$ 10,918,620	<hr/> \$ 5,304,688

4. Accounts receivable

	2021	2020
Accounts receivable - trade	\$ 167,069	\$ 141,045
Indigenous Services Canada	895,166	118,321
Government of Canada - Grant funding	-	100,000
Canada Mortgage and Housing Corporation	41,250	-
Tribal Chiefs Ventures Inc.	435,668	-
Payroll advances	4,463	10,807
GST rebates	31,476	13,575
	<hr/> \$ 1,575,092	<hr/> \$ 383,748

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2021

5. Investments

	2021	2020
Frog Lake First Nation controlled entities (Note 6)	<u>\$ 19,938,235</u>	<u>\$ 24,811,735</u>
Investments in Business Partnerships		
Seven Lakes Oilfield Services Limited Partnership	2,361,080	2,011,929
Pimee Well Services Limited Partnership	1,979,049	1,742,981
Pimee Well Services Ltd.	1,196,188	1,182,146
IMI Brokerage Limited Partnership	30,210	30,210
	<u>5,566,527</u>	<u>4,967,266</u>
Investments in Young Spirit Supplies (recorded at cost)	<u>250,000</u>	<u>-</u>
	<u>5,816,527</u>	<u>4,967,266</u>
	<u>\$ 25,754,762</u>	<u>\$ 29,779,001</u>

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2021

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

	Other Entities (Note A)	Frog Lake Energy Resources (Note B)	2021 Total	2020 Total
Cash	\$ 137,177	\$ 11,051,472	\$ 11,188,649	\$ 10,768,173
Accounts receivable	152,899	80,076	232,975	618,841
Inventory	202,081	-	202,081	114,010
Prepaid Expenses	7,000	43,889	50,889	84,765
Investments	-	410,880	410,880	410,880
Property and equipment	11,724,937	2,095,899	13,820,836	18,310,673
Net investment in lease	-	1,790,776	1,790,776	1,790,776
Equity in limited partnership	-	5,986	5,986	14,014
Non current investment in lease	-	25,070,863	25,070,863	26,861,639
Derivative	-	14,092	14,092	113,174
Due from related parties and shareholder	216,517	9,975,213	10,191,730	9,979,380
Total assets	\$ 12,440,611	\$ 50,539,146	\$ 62,979,757	\$ 69,066,325
Accounts payable	\$ 357,542	\$ 458,769	\$ 816,311	\$ 1,157,596
Current portion of long-term debt	112,680	-	112,680	139,562
Due to related parties and shareholder	678,933	1,475,377	2,154,310	2,344,698
Loan payable	30,000	60,000	90,000	-
Bank debt	-	18,854,167	18,854,167	20,050,500
Long term debt	-	-	-	50,351
Asset retirement obligation	-	13,336,550	13,336,550	12,783,543
Total liabilities	1,179,155	34,184,863	35,364,018	36,526,250
Total equity	11,261,456	16,354,283	27,615,739	32,540,075
Total liabilities and equity	\$ 12,440,611	\$ 50,539,146	\$ 62,979,757	\$ 69,066,325

	Other Entities (Note A)	Frog Lake Energy Resources (Note B)	2021 Total	2020 Total
Revenue	\$ 6,578,900	\$ 4,183,295	\$ 10,762,195	\$ 14,510,954
Expenses	6,353,460	9,019,630	15,373,090	16,178,963
Net loss	\$ 225,440	\$ (4,836,335)	\$ (4,610,895)	\$ (1,668,009)

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2021

6. Investments in and advances to Frog Lake First Nation Entities (continued)

	2021	2020
Equity in business enterprises	\$ 27,615,739	\$ 32,540,075
Related party advances	(7,677,504)	(7,728,340)
Total investment in business enterprises	\$ 19,938,235	\$ 24,811,735

Note A: The balances shown are the consolidated balances of Frog Lake Oilfield Services GP Ltd., Frog Lake Oilfield Services LP, Frog Lake Off Reserve Housing Corporation, Frog Lake Off Reserve Housing Limited Partnership, Frog Lake Travel Centre Limited Partnership, Frog Lake Economic Development Corporation, Frog Lake Gravel and Concrete Limited Partnership, Moosachee Ranches GP Ltd., Moosachee Ranches Limited Partnership, Waskonaman Askih (Moving Earth) Construction GP Ltd. and Waskonaman Askih (Moving Earth) Construction 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.

7. 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, 2020	Income	Withdrawals, 2021	March 31, 2021
Ottawa funds held in trust - Capital	\$ 2,732,526	\$ 1,138,245	\$ (1,914,607)	\$ 1,956,164
Ottawa funds held in trust - Revenue	1,519,410	1,209,480	(1,422,854)	1,306,036
	\$ 4,251,936	\$ 2,347,725	\$ (3,337,461)	\$ 3,262,200

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.

8. Line of credit

The Nation has an authorized line of credit of \$500,000 that was drawn \$nil (2020 - \$nil) at the end of the year. The line of credit bears interest at the Royal Bank of Canada Prime rate plus 1%.

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2021

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, 2020	Funding received, 2021	Revenue recognized, 2021	March 31, 2021
Indigenous Services Canada	\$ 7,069,335	\$ 42,650,169	\$ (36,040,714)	\$ 13,678,790
Indigenous Skills and Employment Training Strategy	-	902,831	(771,379)	131,452
Morning Sky Health and Wellness Society	622,862	5,660,801	(4,614,579)	1,669,084
Other	1,017,536	4,403,787	(4,707,157)	714,166
	\$ 8,607,968	\$ 53,617,588	\$ (46,133,829)	\$ 16,193,492

10. Long-term debt

	2021	2020
Royal Bank of Canada fixed rate term loan repaid during the year.	\$ -	\$ 210,670
Vehicle loans repayable in monthly installments of \$3,798, including interest at 5.89-5.99%, secured by vehicles with a net book value of \$113,388, maturing in July 2021, August 2021 and January 2024.	47,495	41,743
Royal Bank of Canada fixed rate term loan repayable at \$20,852 per month, interest at 4.63% per annum due October 2025.	1,937,444	-
CMHC mortgage repayable in monthly installments of \$1,978 including interest at 1.14% per annum due May 2026, secured by Ministerial guarantee.	119,014	141,256
CMHC mortgage repayable in monthly installments of \$2,178 including interest at 1.69% per annum due November 2033, secured by Ministerial guarantee.	297,985	318,928
CMHC mortgage repayable in monthly installments of \$2,299 including interest at 1.69% per annum due November 2028, secured by Ministerial guarantee.	198,311	222,351
CMHC mortgage repayable in monthly installments of \$1,189 including interest at 2.49% per annum due March 2028, secured by Ministerial guarantee.	91,577	103,417
CMHC mortgage repayable in monthly installments of \$2,126 including interest at 0.45% per annum due October 2035, secured by Ministerial guarantee.	360,094	382,768

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2021

10. Long-term debt (continued)

	2021	2020
CMHC mortgage repayable in monthly installments of \$7,368 including interest at 0.76% per annum due October 2030, secured by Ministerial guarantee.	816,939	897,076
Royal Bank of Canada fixed rate term loan repayable in monthly installments of \$1,493 including interest at prime plus 4.0% per annum due September, 2021, secured by the Capital Trust.	148,614	166,533
Royal Bank of Canada fixed rate term loan repayable at \$36,500 per month, interest at 5.02% per annum due February 2023.	866,640	1,117,529
<u>Royal Bank of Canada fixed rate term loan repayable at \$36,500 per month, interest at 5.02% per annum due February 2023.</u>	<u>2,465,668</u>	<u>2,771,797</u>
	<u>\$ 7,349,781</u>	<u>\$ 6,374,068</u>

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

2022	\$ 1,363,114
2023	3,021,280
2024	453,996
2025	459,580
2026 and thereafter	2,051,811
	<u>\$ 7,349,781</u>

11. 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 \$281,574 (2020 - \$234,645), which results in an unfunded amount of \$281,574.

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2021

12. Accumulated surplus

	2021	2020
Unrestricted operating surplus (deficit)	\$ (7,549,143)	\$ (5,646,249)
Trust Funds	3,262,200	4,251,936
Investments	25,754,762	29,779,001
Capital Assets	<u>100,004,473</u>	91,347,884
	<u>\$121,472,292</u>	<u>\$119,732,572</u>

13. Contingent Liabilities

Frog Lake First Nation has been named as defendant in certain legal proceedings. The Nation 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.

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2021

14. Tangible Capital Assets

	Cost				Accumulated amortization				2021 net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	on disposals	Balance, end of year	
Buildings	\$39,130,092	\$ 9,904,556	\$ -	\$ 49,034,648	\$ 18,238,885	\$ 1,133,578	\$ -	\$ 19,372,463	\$29,662,185
Automotive and other equipment	7,734,087	1,091,946	(160,000)	8,666,033	6,555,813	526,157	(160,000)	6,921,970	1,744,063
Infrastructure	25,877,581	1,806,289	\$ -	27,683,870	7,311,231	1,312,014	\$ -	8,623,245	19,060,625
Housing	90,700,190	502,448	\$ -	91,202,638	40,279,766	4,560,132	\$ -	44,839,898	46,362,740
Computer Equipment	181,546	246,778	\$ -	428,324	180,863	136,411	\$ -	317,274	111,050
Furniture	499,324	11,570	\$ -	510,894	382,837	62,213	\$ -	445,050	65,844
Roads	7,206,084	2,339,034	\$ -	9,545,118	657,558	477,256	\$ -	1,134,814	8,410,304
	\$171,328,904	\$ 15,902,621	\$ (160,000)	\$187,071,525	\$ 73,606,953	\$ 8,207,761	\$ (160,000)	\$ 81,654,714	\$105,416,811

	Cost				Accumulated amortization				2020 Net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	on disposals	Balance, end of year	
Buildings	\$31,427,660	\$ 7,702,432	\$ -	\$ 39,130,092	\$ 16,796,455	\$ 1,442,430	\$ -	\$ 18,238,885	\$20,891,207
Automotive and other equipment	7,494,813	239,274	\$ -	7,734,087	6,200,214	355,599	\$ -	6,555,813	1,178,274
Infrastructure	25,360,725	516,856	\$ -	25,877,581	6,086,903	1,224,328	\$ -	7,311,231	18,566,350
Housing	89,581,432	1,118,758	\$ -	90,700,190	35,744,756	4,535,010	\$ -	40,279,766	50,420,424
Computer Equipment	181,546	-	\$ -	181,546	178,814	2,049	\$ -	180,863	683
Furniture	406,312	93,012	\$ -	499,324	321,042	61,795	\$ -	382,837	116,487
Roads	6,169,885	1,036,199	\$ -	7,206,084	297,254	360,304	\$ -	657,558	6,548,526
	\$160,622,373	\$ 10,706,531	\$ -	\$171,328,904	\$ 65,625,438	\$ 7,981,515	\$ -	\$ 73,606,953	\$ 97,721,951

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2021

15. Expenditures by Object

For the year ended March 31	2021 Budget	2021 Actual	2020 Actual
Administration fees	\$ -	\$ -	\$ 25,682
Amortization	-	8,207,760	7,981,515
Bad debt (recovery)	-	(91,436)	-
Community services	-	883,738	573,587
Human Resources Development	305,826	258,032	330,086
Insurance	134,034	407,591	307,631
Interest and bank charges	25,000	6,801	24,903
Interest on long term debt	721,655	270,181	277,801
Materials and supplies	384,868	2,305,512	908,911
Meeting and travel expenses	637,121	987,681	1,028,871
Office expenses	93,967	313,843	401,461
Per capita distribution	-	-	625,743
Professional development	130,246	215,355	421,107
Professional fees	140,000	435,294	769,184
Program costs	4,671,632	9,438,796	8,745,380
Repairs and maintenance	573,027	2,317,991	926,040
Social Assistance	3,424,182	3,828,423	4,377,762
Subcontractors	-	364,093	666,224
Utilities and telephone	847,529	1,371,557	1,281,861
Vehicle	89,185	102,863	112,996
Wages and benefits	8,031,379	11,568,416	9,117,258
	\$ 20,209,651	\$ 43,192,491	\$ 38,904,003

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2021

16. Financial instruments

COVID-19 (see note 2) has resulted in an increase in risk of these financial instruments. The First Nation cannot predict changes in these risks or the impact on operating results. Such changes related to the COVID-19 pandemic, could have a material effect in the First Nations operations and financial condition.

The Nation's financial instruments consist of cash, accounts receivable, 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 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.

17. Budget

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

18. Economic Dependence

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

19. 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, 2021

20. Segmented information

	Band Government		2020 Actual	Community Services		2020 Actual	Economic Development		
	2021 Budget	2021 Actual		2021 Budget	2021 Actual		2021 Budget	2021 Actual	2020 Actual
Revenues									
Indigenous Services Canada	\$ 1,027,493	\$ 1,003,144	\$ 932,892	\$ 26,446	\$ 26,581	\$ 24,684	\$ 170,533	\$ 406,831	\$ 207,565
Capital Band Trust Funds - withdrawal	-	546,000	1,055,038	-	-	169,000	-	-	-
Revenue Band Trust Funds - withdrawal	-	168,000	219,133	-	536,186	449,150	-	35,638	-
Other revenue	511,000	80,859	577,010	100,000	190,584	165,055	420,698	1,035,503	829,799
Total revenue	1,538,493	1,798,003	2,784,073	126,446	753,351	807,889	591,231	1,477,972	1,037,364
Expenses									
Materials and supplies	-	-	-	40,194	1,704	1,966	-	467	653
Meeting and travel expenses	503,000	694,334	839,689	4,000	2,553	5,419	28,789	14,948	42,662
Professional development	85,000	83,793	139,046	1,000	187	-	11,154	5,998	22,147
Repairs and maintenance	79,271	6,083	29,606	-	44,849	62,837	-	-	-
Program costs	-	-	-	-	329,150	368,663	-	297,609	254,541
Community services	-	-	-	-	721,783	406,554	-	-	-
Utilities and telephone	24,000	45,564	53,024	430,000	658,292	682,631	6,000	7,750	8,351
Wages and benefits	639,739	1,093,453	1,137,144	38,811	48,174	202,933	239,462	389,671	358,304
Other expenses	207,483	98,177	580,125	-	482	-	305,826	616,797	372,186
Total expenses	1,538,493	2,021,404	2,778,634	514,005	1,807,174	1,731,003	591,231	1,333,240	1,058,844
Annual surplus (deficit)	\$ -	\$ (223,401)	\$ 5,439	\$ (387,559)	\$ (1,053,823)	\$ (923,114)	\$ -	\$ 144,732	\$ (21,480)

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2021

20. Segmented information (continued)

	2021 Budget	Education		2020 Actual	2021 Budget	Health		2020 Actual	2021 Budget	Housing	
		2021 Actual	2020 Budget			2021 Actual	2020 Budget			2021 Actual	2020 Actual
Revenues											
Indigenous Services Canada	\$ 8,178,463	\$ 18,016,530	\$ 14,788,714	-	\$ -	\$ -	\$ -	\$ 441,237	\$ 998,466	\$ 2,265,429	
Capital Band Trust Funds - withdrawal	-	-	-	-	-	-	-	-	906,287	987,517	
Other revenue	-	1,328,700	1,052,995	243,978	5,196,369	4,282,858	817,655	1,121,727	2,383,862		
Total revenue	8,178,463	19,345,230	15,841,709	243,978	5,196,369	4,282,858	1,258,892	3,026,480	5,636,808		
Expenses											
Materials and supplies	-	715,151	490,325	1,200	-	-	-	204,080	751,136	347,451	
Meeting and travel expenses	-	129,681	1,762	-	-	-	-	20,000	37,831	26,707	
Professional development	-	59,878	211,129	-	-	-	-	18,540	19,519	24,138	
Repairs and maintenance	-	142,564	41,665	-	-	-	-	124,732	849,557	182,143	
Program costs	2,865,791	1,489,668	1,780,695	12,628	4,647,658	3,679,560	36,413	520,667	520,667	182,383	
Utilities and telephone	-	143,471	125,146	-	-	-	-	-	66,363	6,250	
Wages and benefits	5,312,672	5,931,293	5,545,846	312,588	335,714	313,359	133,472	151,773	151,773	172,956	
Other expenses	-	372,947	171,515	-	-	-	721,655	223,528	223,528	743,761	
Total expenses	8,178,463	8,984,653	8,368,083	326,416	4,983,372	3,992,920	1,258,892	2,620,374	1,685,789		
Annual surplus (deficit)	\$ -	\$ 10,360,577	\$ 7,473,626	\$ (82,438)	\$ 212,997	\$ 289,938	\$ -	\$ 406,106	\$ 3,951,019		

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2021

20. Segmented information (continued)

	Investments			Public Works			Social Services		
	2021 Budget	2021 Actual	2020 Actual	2021 Budget	2021 Actual	2020 Actual	2021 Budget	2021 Actual	2020 Actual
Revenues									
Indigenous Services Canada	\$ -	\$ -	\$ -	\$ 1,434,303	\$ 8,705,198	\$ 5,570,323	\$ 4,968,811	\$ 5,376,189	\$ 5,854,035
Capital Band Trust Funds - withdrawal	-	-	-	-	395,000	-	-	-	-
Other revenue	-	(4,186,144)	(1,565,286)	73,674	697,727	316,322	9,600	740,918	349,608
Total revenue	-	(4,186,144)	(1,565,286)	1,507,977	9,797,925	5,886,645	4,978,411	6,117,107	6,203,643
Expenses									
Materials and supplies	-	-	-	116,415	819,570	24,893	22,979	2,473	7,032
Meeting and travel expenses	-	-	-	27,000	97,601	38,805	54,332	8,228	60,765
Professional development	-	-	-	5,000	3,374	500	9,552	36,202	24,148
Repairs and maintenance	-	-	-	340,424	1,227,652	488,046	28,600	29,388	55,478
Program costs	-	-	-	1,345,050	1,701,066	1,965,827	433,840	254,979	507,951
Community services	-	-	-	-	150,000	-	-	42	240
Utilities and telephone	-	-	-	331,000	359,092	317,462	56,529	91,024	88,996
Wages and benefits	-	-	-	454,817	1,941,015	482,984	899,818	1,594,735	693,107
Other expenses	-	-	-	204,034	328,775	380,092	3,472,761	4,029,167	4,475,791
Total expenses	-	-	-	2,823,740	6,628,145	3,698,609	4,978,411	6,046,238	5,913,508
Annual surplus (deficit)	\$ -	\$ (4,186,144)	\$ (1,565,286)	\$ (1,315,763)	\$ 3,169,780	\$ 2,188,036	-	\$ 70,869	\$ 290,135

Frog Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2021

20. Segmented information (continued)

	2021 Budget	Other 2021 Actual	2020 Actual	2021 Budget	Amortization 2021 Actual	2020 Actual	2021 Budget	Consolidated totals 2021 Actual	2020 Actual
Revenues									
Indigenous Services Canada	\$ -	\$ 1,507,776	\$ -	\$ -	\$ -	\$ -	\$ 16,247,286	\$ 36,040,715	\$ 29,643,642
Capital Band Trust Funds - withdrawal	-	(1,847,287)	(2,211,555)	-	-	-	-	-	-
Revenue Band Trust Funds - withdrawal	-	(739,824)	(668,283)	-	-	-	-	-	-
	-	2,347,725	4,071,038	-	-	-	-	2,347,725	4,071,038
Other revenue	-	337,528	1,528,141	-	-	-	2,176,605	6,543,771	9,920,364
Total revenue	-	1,605,918	2,719,341	-	-	-	18,423,891	44,932,211	43,635,044
Expenses									
Materials and supplies	-	15,012	36,590	-	-	-	384,868	2,305,513	908,910
Meeting and travel expenses	-	2,505	13,061	-	-	-	637,121	987,681	1,028,870
Professional development	-	6,405	-	-	-	-	130,246	215,356	421,108
Repairs and maintenance	-	17,897	66,266	-	-	-	573,027	2,317,990	926,041
Program costs	-	198,000	5,760	-	-	-	4,693,722	9,438,797	8,745,380
Community services	-	11,912	166,793	-	-	-	-	883,737	573,587
Utilities and telephone	-	-	-	-	-	-	847,529	1,371,556	1,281,860
Wages and benefits	-	82,587	210,624	-	-	-	8,031,379	11,568,415	9,117,257
Other expenses	-	225,813	1,196,004	-	8,207,760	7,981,515	4,911,759	14,103,446	15,900,989
Total expenses	-	560,131	1,695,098	-	8,207,760	7,981,515	20,209,651	43,192,491	38,904,003
Annual surplus (deficit)	\$ -	\$ 1,045,787	\$ 1,024,243	-	\$ (8,207,760)	\$ (7,981,515)	\$ (1,785,760)	\$ 1,739,720	\$ 4,731,041