

HEART LAKE FIRST NATION
Consolidated Financial Statements
For The Year Ended March 31, 2017

HEART LAKE FIRST NATION
Financial Statements
For The Year Ended March 31, 2017

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**HEART LAKE FIRST NATION
MARCH 31, 2017**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

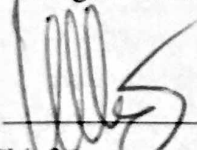
The accompanying financial statements of the Heart Lake First Nation are the responsibility of management and have been approved by the Chief and Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgment. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

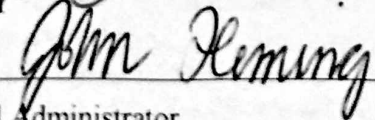
The First Nation maintains systems of internal accounting and administrative controls of high quality. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The First Nation Chief and Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The financial statements have been audited by Doyle & Company in accordance with Canadian auditing standards on behalf of the members.



Chief



Band Administrator

Allan J. Grykuliak, CPA, CA*
Scott T. Mockford, CPA, CA*
Allen Lee, CPA, CMA*
Jason Bondarevich, CPA, CA*
* Operates as a Professional Corporation

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INDEPENDENT AUDITOR'S REPORT

To Chief and Council Heart Lake First Nation

We have audited the accompanying financial statements of Heart Lake First Nation, which comprise the statement of financial position as at March 31, 2017 and the statements of changes in accumulated surplus, equity in trust funds, operations, changes in net financial assets and cash flows for the year then ended and notes to the financial statements and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

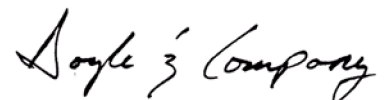
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparations and fair presentation of the 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 entity'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 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, these financial statements present fairly, in all material respects, the financial position of the The Nation as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Edmonton, Alberta
April 27, 2018



Chartered Professional Accountants

HEART LAKE FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017

	2017	2016
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents	160,495	529,968
Guaranteed investment certificate (Note 5)	250,000	250,000
Accounts receivable (Note 7)	238,507	266,529
Capital funds held in trust	1,036,925	1,004,286
Revenue funds held in trust	139,918	138,375
Investment in affiliated companies (Note 8)	3,861,726	4,801,536
Investments (Note 9)	1,508,203	1,508,203
	7,195,774	8,498,897
LIABILITIES		
Bank indebtedness (Note 6)	193,296	399,419
Accounts payable	1,041,920	1,098,554
Accounts payable - Heart Lake Construction Limited Partnership	150,000	189,216
Deferred revenue (Note 11)	-	456,802
Long term debt (Note 12)	3,027,342	3,432,260
	4,412,558	5,576,251
NET FINANCIAL ASSETS	2,783,216	2,922,646
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10 and Schedule 3)	11,060,596	11,816,439
Prepaid social assistance	15,006	10,752
	11,075,602	11,827,191
ACCUMULATED SURPLUS		
ACCUMULATED SURPLUS	12,681,975	13,607,176
EQUITY IN TRUST FUNDS	1,176,843	1,142,661
	13,858,818	14,749,837

Approved by the First Nation:

_____ Chief

_____ Administrator

The accompanying notes form part of these financial statements.

HEART LAKE FIRST NATION
STATEMENT OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2017

	Operating Equity \$	Equity in Business Enterprises \$	Equity in Tangible Capital Assets \$	2017 Total \$	2016 Total \$
BALANCE - BEGINNING OF YEAR	421,461	4,801,536	8,384,179	13,607,176	14,464,397
Surplus adjustment (Note 14)	373,762	-	-	373,762	-
	795,223	4,801,536	8,384,179	13,980,938	-
Excess of expenditures over revenue	(1,298,963)	-	-	(1,298,963)	(857,221)
Net advances from Business Enterprises	67,501	(67,501)	-	-	-
Net losses in Business Enterprises	935,489	(935,489)	-	-	-
Loan principal repayments during the year	(404,918)	-	404,918	-	- \
Purchase of tangible capital assets	(46,680)	-	46,680	-	-
Annual amortization expense	802,522	-	(802,522)	-	-
Change in accumulated surplus	54,951	(1,002,990)	(350,924)	(1,298,963)	(857,221)
BALANCE - END OF YEAR	850,174	3,798,546	8,033,255	12,681,975	13,607,176

The accompanying notes form part of these financial statements.

HEART LAKE FIRST NATION
STATEMENT OF CHANGES IN TRUST FUNDS
FOR THE YEAR ENDED MARCH 31, 2017

EQUITY IN TRUST FUNDS

	Capital \$	Revenue \$	Total \$
Balance - Beginning of year	1,004,286	138,375	1,142,661
Trust income	32,639	41,543	74,182
	1,036,925	179,918	1,216,843
BCR NUMBER	DATES FUNDS RELEASED	PURPOSE OF EXPENDITURE	
04-16-05	May 20, 2016	Treaty Days	-
			40,000
			40,000
Balance - end of year	1,036,925	139,918	1,176,843

The accompanying notes form part of these financial statements.

HEART LAKE FIRST NATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2017

	2017 Budget \$	2017 Actual \$	2016 Actual \$
REVENUE			
Indigenous and Northern Affairs Canada (INAC)	2,033,329	2,033,329	2,285,876
First Nations and Inuit Health Canada	630,946	630,946	706,632
Aboriginal Skills and Employment Training Strategy	237,376	237,376	251,331
C.M.H.C. Subsidies	133,380	93,036	92,427
Band Trust Funds	40,000	40,000	75,000
Other	1,224,750	3,619,356	4,469,085
Revenue deferred from prior year (Note 11, 14)	73,439	83,039	285,767
Revenue deferred to next year (Note 11, 14)	-	-	(456,802)
	4,373,220	6,737,082	7,709,316
OPERATING EXPENDITURES			
Administration	430,110	1,120,634	1,190,140
Education	718,027	869,717	582,749
Economic Development	51,707	359,757	737,039
Public Works	438,738	751,232	738,086
Social Services	283,171	412,437	381,377
Social Services - Administration	81,257	81,257	91,257
Housing	-	209,492	565,808
C.M.H.C. Housing	133,380	76,961	74,394
Fire Protection	30,319	30,319	30,319
ASETS - CRF/EI/FNJF	127,484	143,912	135,915
ASETS - Childcare	109,892	109,892	109,633
Recreation	40,000	256,800	251,102
Community Building	-	-	87,969
First Nation Development Fund	-	74,595	29,000
Consultation Office	1,224,750	1,082,282	1,057,832
First Nations and Inuit Health Canada	704,385	718,747	645,541
	4,373,220	6,298,034	6,708,161
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER			
	-	439,048	1,001,155
Undistributed net earnings (loss) in First Nation owned companies			
	-	(935,489)	(1,052,921)
Amortization			
	-	(802,522)	(805,455)
	-	(1,738,011)	(1,858,376)
SURPLUS (DEFICIT) FOR THE YEAR	-	(1,298,963)	(857,221)

The accompanying notes form part of these financial statements.

HEART LAKE FIRST NATION
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2017

	2017 Actual \$	2016 Actual \$
EXCESS OF REVENUE OVER EXPENSES	(1,298,963)	(857,221)
Acquisition of tangible capital assets	(46,680)	(205,000)
Amortization of tangible capital assets	802,522	805,455
Surplus adjustment (Note 14)	373,762	-
Increase (decrease) in trust funds	34,182	(6,523)
	1,163,786	593,932
Use (Acquisition) of prepaid assets	(4,252)	(3,438)
(DECREASE) INCREASE IN NET ASSETS	(139,429)	(266,727)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,922,647	3,189,374
NET FINANCIAL ASSETS, END OF YEAR	2,783,218	2,922,647

The accompanying notes form part of these financial statements.

HEART LAKE FIRST NATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
	\$	\$
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from funding agencies, trust funds and customers	6,308,302	7,916,901
Cash paid to suppliers	(5,759,834)	(6,505,731)
Interest paid	(132,606)	(152,712)
	415,862	1,258,458
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net advances (to) from affiliated companies	(127,679)	77,168
Repayment of long term debt	(404,853)	(396,888)
	(532,532)	(319,720)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of capital assets	(46,680)	(205,000)
Net (decrease) in cash	(163,350)	733,738
CASH (OVERDRAFT) - Beginning of year	380,549	(353,189)
CASH (OVERDRAFT) - End of year	217,199	380,549
Cash is comprised of:		
Cash	160,495	529,968
Guaranteed investment certificate	250,000	250,000
Bank indebtedness	(193,296)	(399,419)
	217,199	380,549

The accompanying notes form part of these financial statements.

HEART LAKE FIRST NATION
SCHEDULE 1- INDIVIDUAL PROGRAMS
FOR THE YEAR ENDED MARCH 31, 2017

	INAC Grants & Contributions	Trust Funds	Other Revenue	Deferred Revenue from prior year	Deferred Revenue to next year	Total Revenue	Operating Expenditures	Capital Expenditures	Loan Principal Repayments	Total Expenditures	Transfers	Current Year's Surplus (Deficit)
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Administration	430,110	-	-	-	-	430,110	1,120,634	-	-	1,120,634	690,524	-
Education	718,027	-	-	-	-	718,027	869,717	-	26,841	896,558	178,531	-
Economic Development	51,707	-	-	-	-	51,707	359,757	-	-	359,757	308,050	-
Public Works	438,738	-	-	-	-	438,738	751,232	-	-	751,232	312,494	-
Social Services	283,171	-	-	-	-	283,171	412,437	-	-	412,437	-	(129,266)
Social Services - Administration	81,257	-	-	-	-	81,257	81,257	-	-	81,257	-	-
Housing	-	-	-	-	-	-	209,492	-	41,360	250,852	250,852	-
CMHC Housing	-	-	93,036	-	-	93,036	76,961	-	61,312	138,273	45,237	-
Fire Protection	30,319	-	-	-	-	30,319	30,319	-	-	30,319	-	-
ASETS - CRF/EI	-	-	127,484	9,600	-	137,084	143,912	-	-	143,912	-	(6,828)
ASETS - Childcare	-	-	109,892	-	-	109,892	109,892	-	-	109,892	-	-
Recreation	-	40,000	-	-	-	40,000	256,800	-	-	256,800	216,800	-
First Nation Development Fund	-	-	409,022	-	-	409,022	74,595	-	275,405	350,000	-	59,022
Consultation	-	-	2,005,159	-	-	2,005,159	1,082,282	-	-	1,082,282	(922,877)	-
First Nation Management & Economic Development	-	-	1,205,175	-	-	1,205,175	-	-	-	-	(1,079,611)	125,564
Health Services and Medical Transportation	-	-	630,946	73,439	-	704,385	718,747	46,680	-	765,427	-	(61,042)
	2,033,329	40,000	4,580,714	83,039	-	6,737,082	6,298,034	46,680	404,918	6,749,632	-	(12,550)

The accompanying notes form part of these financial statements.

HEART LAKE FIRST NATION
SCHEDULE 2 - CONSOLIDATED EXPENDITURES BY OBJECT
FOR THE YEAR ENDED MARCH 31, 2017

	2017 \$	2016 \$
Salaries, wages and benefits	2,464,632	2,445,955
Contracted and general services	1,640,737	2,455,570
Materials, goods and utilities	1,727,926	1,480,964
Bank charges and short term interest	285,453	25,368
Interest - long term debt	132,606	95,305
Capital asset purchases	46,680	205,000
	6,298,034	6,708,162

The accompanying notes form part of these financial statements.

HEART LAKE FIRST NATION
SCHEDULE 3 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2017

	Community Buildings & Facilities \$	Automotive Equipment \$	Office & General Equipment \$	Band Housing \$	2017 Total \$	2016 Total \$
COST:						
Balance, Beginning of Year	7,445,456	1,731,005	948,104	12,455,376	22,579,941	22,374,941
Acquisition of tangible capital assets	-	46,680	-	-	46,680	205,000
Disposal of tangible capital assets	-	-	-	-	-	-
Balance, End of Year	7,445,456	1,777,685	948,104	12,455,376	22,626,621	22,579,941
ACCUMULATED AMORTIZATION						
Balance, Beginning of year	4,478,733	1,468,645	806,978	4,009,147	10,763,503	9,958,046
Current year amortization	312,514	106,498	72,126	311,384	802,522	805,456
Accumulated amortization on disposals	-	-	-	-	-	-
Balance, End of Year	4,791,247	1,575,143	879,104	4,320,531	11,566,025	10,763,502
NET BOOK VALUE	2,654,209	202,542	69,000	8,134,845	11,060,596	11,816,439

The accompanying notes form part of these financial statements.

HEART LAKE FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

1. SCOPE OF FINANCIAL STATEMENTS

These financial statements consolidate the assets, liabilities and results of operations for Heart Lake First Nation.

Heart Lake Construction Limited Partnership, Heart Lake Truck Stop Ltd., Wapahki Energy Ltd. and Heart Lake Natural Resource Development Incorporated which are owned and controlled by Heart Lake First Nation and which are not dependent on the First Nation for their continuing operations, are included in these financial statements using the equity method as detailed in Note 8.

Heart Lake First Nation has a 25% interest in Four Lakes Precision Drilling Limited Partnership and Four Lakes Drilling Corporation and a 50% interest in Savanna Energy Limited Partnership #9. These are investments the First Nation has significant influence over and are also included in these financial statements using the equity method as detailed in Note 8.

The interest in enterprises that are not under significant influence of Heart Lake First Nation are accounted for at cost as detailed in Note 9.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Heart Lake First Nation are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Canadian Public Sector Accounting Board of the Chartered Professional Accountants of Alberta. Significant aspects of the accounting policies adopted by Heart Lake First Nation are as follows:

(a) Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of goods or services and the creation of a legal obligation to pay.

(b) Cash and cash equivalents

Cash and cash equivalents include bank balances held with Peace Hills Trust, Scotiabank, and the Royal Bank of Canada.

(c) Investments

Investments are valued at the lower of cost and market value.

(d) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development and betterment of the asset.

HEART LAKE FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

**2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
CONTINUED**

(e) Amortization

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Community Buildings and Facilities	15 Years
Automotive Equipment	5 Years
Office and General Equipment	5 Years
Band Housing	40 Years

(f) Trust Funds

First Nation trust funds are included as revenue in these statements only to the extent they have been received from the First Nation's trust funds. The amounts on deposit with the Government of Canada are audited by the Auditor General of Canada.

A fund basis of accounting is followed. Related revenue and expenditures are grouped into funds, based upon their use.

(g) Revenue Recognition

Revenue is recorded in the period specified in the funding agreement entered into with government agencies and other organizations. Assistance received in advance of making the related expenditure is deferred.

3. MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Amounts due from First Nation members are stated after evaluation as to their collectibility and recoverability and an appropriate allowance for doubtful accounts is provided where considered necessary. Investment in First Nation business entities is stated after evaluation as to valuation and collectibility of advances. Deferred revenue is based upon estimates of unexpended amounts and amounts required to complete specific projects. Amortization is based on the estimated useful lives of tangible capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in income in the periods in which they become known. Actual results could differ from those estimates.

HEART LAKE FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

4. FINANCIAL INSTRUMENTS

The First Nation's financial instruments consist of cash, accounts receivable, investment in affiliated companies, trust funds, investments, accounts payable, deferred revenue and long term debt. It is management's opinion that the First Nation is not exposed to significant interest, currency or credit risk arising from these financial instruments. The carrying value of the financial instruments reflected in the balance sheet approximate their respective fair market value.

Credit Risk

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. The First Nation is exposed to credit risk with respect to its accounts receivable. Credit is provided to clients in the normal course of operations and the accounts receivable are assessed by the First Nation for collectibility. Uncollectible amounts are written off or provided for in the allowance for doubtful accounts.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate. The First Nation is exposed to interest rate risk on bank account balances and any of its fixed and/or floating interest rate financial instruments.

Liquidity Risk

Liquidity risk is the risk that the First Nation will encounter difficulty in meeting its obligations associated with financial liabilities. The First Nation manages its liquidity risk by monitoring its operating requirements and cash forecasts to ensure it has sufficient funds to fulfil its financial obligations.

HEART LAKE FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

5. GUARANTEED INVESTMENT CERTIFICATE

In 2017 a \$250,000 (2016 - \$250,000) guaranteed investment certificate was held with Peace Hills Trust. This amount is used as security by the financial institution for the line of credit issued.

6. BANK INDEBTEDNESS

	2017 \$	2016 \$
Bank indebtedness consists of the following:		
Cheques issued in excess of bank balance	96,341	99,508
Prime + 3.00% PHT line of credit	96,955	299,911
	193,296	399,419

The line of credit is secured by a \$250,000 Guaranteed Investment Certificate (GIC) held by the First Nation. The line of credit has an authorized credit limit of \$400,000 and charges interest at Prime + 3.00%. As at March 31, 2017, the prime interest rate was 3.75% and there was a \$303,045 credit limit available. The line of credit is used for daily operating expenditures and may be prepaid in whole or in part anytime without penalty.

7. ACCOUNTS RECEIVABLE

	2017 \$	2016 \$
Accounts Receivable consists of:		
INAC	43,320	28,419
Health Canada	-	45,684
Other	32	31
First Nation Development Fund	95,228	108,675
Consultation Office	7,500	7,500
CMHC - Subsidies	92,427	76,220
	238,507	266,529
Loans to members	105,511	103,111
Allowance for doubtful accounts - Loans to members	(105,511)	(103,111)
	238,507	266,529

HEART LAKE FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

8. INVESTMENT IN AFFILIATED COMPANIES

	2017 \$	2016 \$
(a) Investment in Heart Lake Construction Limited Partnership		
Advances to (from) Heart Lake Construction LP	753,149	930,070
Accumulated net income at December 31, 2016	2,449,167	2,520,153
	3,202,316	3,450,223
(b) Investment in Heart Lake Truck Stop Ltd.		
100 Class A shares - 100% ownership, at cost	100	100
Advances to (from) Heart Lake Truck Stop Ltd.	(40,397)	37,103
Accumulated net income (loss) at March 31	136,949	136,490
	96,652	173,693
(c) Investment in Heart Lake Natural Resource Development Inc		
100 Class A shares - 100% ownership, at cost	100	100
Accumulated net earnings at March 31	-	-
	100	100
(d) Investment in Four Lakes Precision Drilling Limited Partnership		
100 Limited Units - 25% ownership, at cost	100	100
Advances (from) to Four Lakes Drilling Limited Partnership	(1,463,200)	(1,463,300)
Share of accumulated net earnings to December 31, 2016	1,499,820	1,499,820
	36,720	36,620
(e) Investment in Savanna Energy Services Limited Partnership #9 - 50% interest		
Advances to Savanna Energy Services Limited Partnership	410,000	410,000
Share of accumulated net earnings to December 31, 2016	115,938	365,938
	525,938	775,938
(f) Investment in Wapahki Energy Ltd.		
Investment in Wapahki Energy Ltd. - 100% ownership, at cost	1	1
Advances to Wapahki Energy Ltd.	935,332	685,332
Share of accumulated net earnings to March 31, 2017	(935,333)	(320,371)
	-	364,962
Total	3,861,726	4,801,536

HEART LAKE FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

8. INVESTMENT IN AFFILIATED COMPANIES CONTINUED

December 31 unaudited financial information for Heart Lake Construction LP is as follows:

	December 31 2016 \$	December 31 2015 \$
Assets	8,377,108	9,578,146
Liabilities	5,751,020	6,128,023
Revenue	7,331,005	7,440,979
Net income for the year	(70,986)	30,797

March 31 unaudited financial information for Heart Lake Truck Stop Ltd. is as follows:

	March 31 2017 \$	March 31 2016 \$
Assets	522,545	623,519
Liabilities	495,495	596,928
Revenue	97,621	165,744
Net income (loss) for the year	459	(2,347)

March 31 unaudited financial information for Heart Lake Natural Resource Development Incorporated is as follows:

	March 31 2017 \$	March 31 2016 \$
Assets	84,579	127,206
Liabilities	84,479	127,106
Revenue	-	-
Net income (loss) for the year	-	-

December 31 unaudited financial information for Savanna Energy Services Limited Partnership #9 is as follows:

	December 31, 2016 \$	December 31 2015 \$
Assets	1,054,000	1,860,000
Liabilities	2,000	308,000
Revenue	1,058,000	2,188,000
Net income for the year	(500,000)	(1,742,000)

HEART LAKE FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

8. INVESTMENT IN AFFILIATED COMPANIES CONTINUED

March 31 unaudited financial information for Wapahki Energy Ltd is as follows:

	March 31 2017 \$	March 31 2016 \$
Assets	59	25,058
Liabilities	898,763	470,013
Revenue	20,000	498,524
Net income for the year	(453,750)	(320,371)

9. INVESTMENTS - at cost

	2017 \$	2016 \$
Investments consist of:		
(a) Pimee Well Servicing LP	874,366	874,366
(b) Investment in Heart Lake Bison Company Ltd.	10,000	10,000
(c) Investment in Seven Lakes Oilfield Services LP	623,837	623,837
	1,508,203	1,508,203

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10. TANGIBLE CAPITAL ASSETS

		2017		2016
		\$		\$
	Cost	Accumulated	Net Book	Net Book
		Amortization	Value	Value
	\$	\$	\$	\$
Community Buildings & Facilities	7,445,456	4,791,247	2,654,209	2,966,723
Automotive Equipment	1,777,683	1,575,143	202,540	262,358
Office and General Equipment	948,104	879,105	68,999	141,126
Band Housing	12,455,376	4,320,528	8,134,848	8,446,232
	22,626,619	11,566,023	11,060,596	11,816,439

11. DEFERRED REVENUE

	2017	2016
	\$	\$
The following funds have been deferred until 2017/2018 when the funding will be utilized		
Health Canada Funding:		
- Aboriginal Head Start	-	58,000
- Public Health Nurse and CHR	-	15,439
	-	73,439
Aboriginal Skills and Employment Training Strategy (ASETS):		
- Driver training program	-	9,600
First Nation Development Funds (FNDF)		
- Community building	-	315,763
- Youth worker	-	58,000
	-	373,763
	-	456,802

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12. LONG-TERM DEBT

	2017 \$	2016 \$
Long-term debt consists of the following:		
3.5% Peace Hills Trust mortgage repayable at \$978 per month, including interest due April 2016	-	64
4.69% Peace Hills Trust, mortgage repayable at \$1,618 per month including interest due October 2021	150,181	162,392
2.35% CMHC mortgage repayable at \$1,318 per month including interest, renews September 2018	159,405	171,357
4.15% Peace Hills Trust mortgage repayable at \$2,319 per month including interest, matures October 2018	335,251	349,075
4.15% Peace Hills Trust mortgage repayable at \$2,373 per month including interest, matures October 2018	262,918	280,285
5.0% Royal Bank mortgage repayment at \$12,000 biweekly including interest, matures August 2017	589,576	864,981
1.65% CMHC mortgage repayable at \$2,074 per month including interest, matures June 2017	399,955	418,124
4.45% Peace Hills Trust mortgage repayable at \$6,453 per month, including interest, matures December 2018	1,085,766	1,114,916
8.8% GE Canada school bus loan repayable at \$2,663 per month including interest, due September 2018	44,290	71,066
	3,027,342	3,432,260
Less current portion of long-term debt	251,478	231,184
	2,775,864	3,201,076

Long-term debt is secured by:

- (a) A ministerial guarantee,
- (b) Band council resolution redirecting band funds.

The First Nation has entered into agreements with Canada Mortgage and Housing Corporation to subsidize the average interest rates to the extent required to reduce the effective net interest rate to 2%

Interest paid on long term debt during the year amounted to \$132,606

Future principal repayments on long-term debt are estimated as follows:

	\$
2017	251,478
2018	247,236
2019	242,533
2020	253,394
2021	205,331
2022 and thereafter	1,827,370
	3,027,342

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13. RELATED PARTY TRANSACTIONS

During the year Heart Lake Construction Limited Partnership paid amounts to Morris Monias Trucking Ltd. for equipment rent, subcontract and related expenses totaling \$39,093. (2016 - \$131,411) Morris Monias Trucking Ltd. is a related party as Chief Monias is the shareholder of the company.

These transactions are in the normal course of business and are measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

14. SURPLUS ADJUSTMENT

The surplus adjustment is comprised of additions to eligible expenditures to the First Nation Development Funds (FNDF), as permitted by the program proposals, with a corresponding decrease to deferred revenue for these programs as follows:

	2017
	\$
FNDF - Community building	315,762
FNDF - Youth worker	58,000
	<u>373,762</u>

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.