

HEART LAKE FIRST NATION
Consolidated Financial Statements
For The Year Ended March 31, 2018

HEART LAKE FIRST NATION
Financial Statements
For The Year Ended March 31, 2018

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**HEART LAKE FIRST NATION
MARCH 31, 2018**

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*
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INDEPENDENT AUDITOR'S REPORT

To the Chief and Council
Heart Lake First Nation

Opinion

We have audited the financial statements of the Heart Lake First Nation, which comprise the statement of financial position as at March 31, 2018 and the Change in Accumulated Surplus, Statements of Operations, Change in Net Financial Assets and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Heart Lake First Nation as at March 31, 2018, and the results of its operations and its 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 Auditor's Responsibilities for the Audit of the 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 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 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.

In preparing these financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to a 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 to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

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:

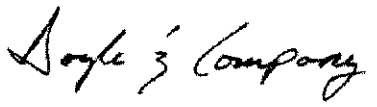
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Allan Grykuliak, CPA, CA

Edmonton, Alberta
October 24, 2019


Chartered Professional Accountants

HEART LAKE FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Cash	159,265	160,495
Guaranteed investment certificate (Note 5)	250,000	250,000
Accounts receivable (Note 7)	720,436	238,507
Capital funds held in trust	1,054,960	1,036,925
Revenue funds held in trust	178,391	139,918
Investment in affiliated companies (Note 8)	1,902,345	3,861,726
Investments (Note 9)	1,508,203	1,508,203
	5,773,600	7,195,774
LIABILITIES		
Bank indebtedness (Note 6)	650,192	193,296
Accounts payable	1,371,592	1,041,920
Accounts payable - Heart Lake Construction Limited Partnership	189,216	150,000
Deferred revenue (Note 11)	111,777	-
Long term debt (Note 12)	2,731,980	3,027,342
	5,054,757	4,412,558
NET FINANCIAL ASSETS	718,843	2,783,216
NON-FINANCIAL ASSETS		
Deferred costs	45,216	-
Tangible capital assets (Note 10 and Schedule 3)	11,063,937	11,060,596
Prepaid social assistance	8,262	15,006
	11,117,415	11,075,602
ACCUMULATED SURPLUS		
ACCUMULATED SURPLUS	10,602,908	12,681,975
EQUITY IN TRUST FUNDS	1,233,350	1,176,843
	11,836,258	13,858,818

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, 2018

	Operating Equity \$	Equity in Business Enterprises \$	Equity in Tangible Capital Assets \$	2018 Total \$	2017 Total \$
BALANCE - BEGINNING OF YEAR	850,174	3,798,546	8,033,255	12,681,975	13,607,176
Surplus adjustment (Note 14)	-	-	-	-	373,762
	850,174	3,798,546	8,033,255	12,681,975	13,980,938
Excess of expenditures over revenue	(2,079,067)	-	-	(2,079,067)	(1,298,963)
Net advances from Business Enterprises	1,099,282	(1,099,282)	-	-	-
Net losses in Business Enterprises	796,919	(796,919)	-	-	-
Loan principal repayments during the year	(295,361)	-	295,361	-	-
Purchase of tangible capital assets	(798,848)	-	798,848	-	-
Annual amortization expense	795,507	-	(795,507)	-	-
Change in accumulated surplus	(481,568)	(1,896,201)	298,702	(2,079,067)	(1,298,963)
BALANCE - END OF YEAR	368,606	1,902,345	8,331,957	10,602,908	12,681,975

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, 2018

EQUITY IN TRUST FUNDS

	Capital \$	Revenue \$	Total \$
Balance - Beginning of year	1,036,925	139,917	1,176,842
Trust income	18,035	38,473	56,508
	1,054,960	178,390	1,233,350
Trust Funds Released	-	-	-
Balance - end of year	1,054,960	178,390	1,233,350

The accompanying notes form part of these financial statements.

HEART LAKE FIRST NATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2018

	2018 Budget \$	2018 Actual \$	2017 Actual \$
REVENUE			
Indigenous Services Canada (ISC)	2,138,093	2,117,311	2,033,329
First Nations and Inuit Health Canada	728,062	728,062	630,946
Aboriginal Skills and Employment Training Strategy	273,836	273,836	237,376
C.M.H.C. Subsidies	-	92,632	93,036
Band Trust Funds	25,000	-	40,000
Other	-	4,083,857	3,619,356
Revenue deferred from prior year (Note 11)	-	-	83,039
Revenue deferred to next year (Note 11)	-	(111,777)	-
	3,164,991	7,183,921	6,737,082
OPERATING EXPENDITURES			
Administration	980,231	1,252,563	1,120,634
Education	984,483	911,596	869,717
Economic Development	51,707	90,312	359,757
Public Works	703,738	670,621	751,232
Social Services	310,018	346,614	412,437
Social Services - Administration	91,768	92,379	81,257
Housing	200,000	194,173	209,492
C.M.H.C. Housing	-	62,889	76,961
Fire Protection	84,118	84,118	30,319
ASETS - CRF/EI/FNJF	127,754	155,621	143,912
ASETS - Childcare	109,892	124,252	109,892
Recreation	26,487	371,790	256,800
First Nation Development Fund	-	105,031	74,595
Consultation Office	-	1,193,520	1,082,282
First Nations and Inuit Health Canada	728,062	660,356	718,747
	4,398,258	6,315,835	6,298,034
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER	(1,233,267)	868,086	439,048
Undistributed net earnings (loss) in First Nation owned companies	-	(2,151,646)	(935,489)
Amortization	-	(795,507)	(802,522)
	-	(2,947,153)	(1,738,011)
SURPLUS (DEFICIT) FOR THE YEAR	(1,233,267)	(2,079,067)	(1,298,963)

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, 2018

	2018	2017
	Actual	Actual
	\$	\$
EXCESS OF REVENUE OVER EXPENSES	(2,079,067)	(1,298,963)
Acquisition of tangible capital assets	(798,848)	(46,680)
Amortization of tangible capital assets	795,507	802,522
Surplus adjustment	-	373,762
Increase (decrease) in trust funds	56,507	34,182
	53,166	1,163,786
Use (Acquisition) of prepaid assets	6,742	(4,252)
Use (Acquisition) of deferred costs	(45,214)	-
	(38,472)	(4,252)
(DECREASE) INCREASE IN NET ASSETS	(2,064,373)	(139,429)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,783,216	2,922,645
NET FINANCIAL ASSETS, END OF YEAR	718,843	2,783,216

The accompanying notes form part of these financial statements.

HEART LAKE FIRST NATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
	\$	\$
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from funding agencies, trust funds and customers	6,813,769	6,308,302
Cash paid to suppliers	(7,168,437)	(5,759,834)
Interest paid	(108,467)	(132,606)
	(463,135)	415,862
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net advances (to) from affiliated companies	1,099,282	(127,679)
Repayment of long term debt	(295,425)	(404,853)
	803,857	(532,532)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of capital assets	(798,848)	(46,680)
Net (decrease) in cash	(458,126)	(163,350)
CASH (OVERDRAFT) - Beginning of year	217,199	380,549
CASH (OVERDRAFT) - End of year	(240,927)	217,199
 Cash is comprised of:		
Cash	159,265	160,495
Guaranteed investment certificate	250,000	250,000
Bank indebtedness	(650,192)	(193,296)
	(240,927)	217,199

The accompanying notes form part of these financial statements.

HEART LAKE FIRST NATION
SCHEDULE 1- INDIVIDUAL PROGRAMS
FOR THE YEAR ENDED MARCH 31, 2018

	ISC Grants & Contributions	Contributed Assets	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	479,980	-	-	-	-	479,980	1,252,563	-	-	1,252,563	607,412	(165,171)
Education	680,628	-	-	-	-	680,628	911,596	-	32,031	943,627	262,999	-
Economic Development	51,707	-	-	-	-	51,707	90,312	-	-	90,312	38,605	-
Public Works	424,680	221,884	-	-	-	646,564	670,621	221,884	-	892,505	207,541	(38,400)
Social Services	262,430	-	-	-	-	262,430	346,614	-	-	346,614	-	(84,184)
Social Services - Administration	91,768	-	-	-	-	91,768	92,379	-	-	92,379	-	(611)
Housing	42,000	-	-	-	-	42,000	194,173	533,000	43,253	770,426	738,426	-
CMHC Housing	-	-	92,632	-	-	92,632	62,889	-	35,274	98,163	4,853	(678)
Fire Protection	84,118	-	-	-	-	84,118	84,118	-	-	84,118	-	-
ASETS - CRF/EI	-	-	138,444	-	-	138,444	135,621	-	-	155,621	-	(17,177)
ASETS - Childcare	-	-	135,392	-	-	135,392	134,252	-	-	124,252	-	1,140
Recreation	-	-	-	-	-	-	371,790	-	-	371,790	371,790	-
First Nation Development Fund	-	-	401,611	-	-	289,834	105,031	-	184,803	289,834	-	-
Consultation	-	-	2,154,393	-	-	2,154,393	1,193,520	-	-	1,193,520	(960,873)	-
First Nation Management & Economic Development	-	-	1,305,969	-	-	1,305,969	-	-	-	-	(1,260,753)	45,216
Health Services and Medical Transportation	-	-	728,062	-	-	728,062	660,356	43,964	-	794,320	-	23,742
	2,117,311	221,884	4,956,503	-	(111,777)	7,183,921	6,315,835	798,848	295,361	7,410,044	-	(226,123)

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, 2018

	2018 \$	2017 \$
Salaries, wages and benefits	2,488,012	2,464,632
Contracted and general services	1,602,242	1,640,737
Materials, goods and utilities	1,102,296	1,727,926
Bank charges and short term interest	233,039	285,453
Interest - long term debt	91,398	132,606
Capital asset purchases	798,848	46,680
	6,315,835	6,298,034

The accompanying notes form part of these financial statements.

HEART LAKE FIRST NATION
SCHEDULE 3 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2018

	Community Buildings & Facilities \$	Automotive Equipment \$	Office & General Equipment \$	Band Housing \$	2018 Total \$	2017 Total \$
COST:						
Balance, Beginning of Year	7,445,456	1,777,685	948,104	12,455,376	22,626,621	22,579,941
Acquisition of tangible capital assets	-	265,848	-	533,000	798,848	46,680
Balance, End of Year	7,445,456	2,043,533	948,104	12,988,376	23,425,469	22,626,621
ACCUMULATED AMORTIZATION						
Balance, Beginning of year	4,791,247	1,575,143	879,104	4,320,531	11,566,025	10,763,503
Current year amortization	324,709	89,284	69,000	312,514	795,507	802,522
Balance, End of Year	5,115,956	1,664,427	948,104	4,633,045	12,361,532	11,566,025
NET BOOK VALUE	2,329,500	379,106	-	8,355,331	11,063,937	11,060,596

The accompanying notes form part of these financial statements.

HEART LAKE FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

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, 2018

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, 2018

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, 2018

5. GUARANTEED INVESTMENT CERTIFICATE

In 2018 a \$250,000 (2017 - \$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

	2018	2017
	\$	\$
Bank indebtedness consists of the following:		
Cheques issued in excess of bank balance	337,919	96,341
Prime + 3.00% PHT line of credit	312,273	96,955
	650,192	193,296

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, 2018, the prime interest rate was 3.45% and there was a \$87,726 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

	2018	2017
	\$	\$
Accounts Receivable consists of:		
ISC	7,730	43,320
Tribal Chief Ventures	180,105	-
Health Canada	76,673	-
Other	85	32
First Nation Development Fund	363,211	95,228
Consultation Office	-	7,500
CMHC - Subsidies	92,632	92,427
	720,436	238,507
Loans to members	105,511	105,511
Allowance for doubtful accounts - Loans to members	(105,511)	(105,511)
	-	
	720,436	238,507

HEART LAKE FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

8. INVESTMENT IN AFFILIATED COMPANIES

	2018 \$	2017 \$
(a) Investment in Heart Lake Construction Limited Partnership		
Advances to (from) Heart Lake Construction LP	(772,461)	176,821
Accumulated net income at December 31, 2017	2,097,141	3,025,495
	1,324,680	3,202,316
(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.	(37,897)	(40,397)
Accumulated net income (loss) at March 31	198,704	136,949
	160,907	96,652
(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)	(1,463,200)
Share of accumulated net earnings to December 31, 2017	1,499,820	1,499,820
	36,720	36,720
(e) Investment in Savanna Energy Services Limited Partnership #9 - 50% interest		
Advances to Savanna Energy Services Limited Partnership	260,000	410,000
Share of accumulated net earnings to December 31, 2017	119,938	115,938
	379,938	525,938
(f) Investment in Wapahki Energy Ltd.		
Investment in Wapahki Energy Ltd. - 100% ownership, at cost	1	1
Advances to Wapahki Energy Ltd.	935,332	935,332
Share of accumulated net earnings to March 31, 2018	(935,333)	(935,333)
	-	-
Total	1,902,345	3,861,726

HEART LAKE FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

8. INVESTMENT IN AFFILIATED COMPANIES CONTINUED

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

	December 31 2017 \$	December 31 2016 \$
Assets	6,222,155	8,377,108
Liabilities	4,897,375	5,751,020
Revenue	11,317,814	7,331,005
Net income for the year	(352,026)	(70,986)

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

	March 31 2018 \$	March 31 2017 \$
Assets	516,225	522,545
Liabilities	489,421	495,495
Revenue	90,091	97,621
Net income (loss) for the year	(247)	459

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

	March 31 2018 \$	March 31 2017 \$
Assets	39,559	84,579
Liabilities	39,459	84,479
Revenue	-	-
Net income (loss) for the year	-	-

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

	December 31, 2017 \$	December 31 2016 \$
Assets	762,000	1,054,000
Liabilities	2,000	2,000
Revenue	470,000	1,058,000
Net income for the year	8,000	(500,000)

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8. INVESTMENT IN AFFILIATED COMPANIES CONTINUED

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

	March 31 2018 \$	March 31 2017 \$
Assets	6,999	59
Liabilities	1,129,242	898,763
Revenue	20,000	20,000
Net income for the year	(223,539)	(453,750)

9. INVESTMENTS - at cost

	2018 \$	2017 \$
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

	2018			2017
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Community Buildings & Facilities	7,445,456	5,103,761	2,341,695	2,654,209
Automotive Equipment	2,043,532	1,664,426	379,106	202,540
Office and General Equipment	948,104	948,104	-	68,999
Band Housing	12,988,377	4,645,241	8,343,136	8,134,848
	23,425,469	12,361,532	11,063,937	11,060,596

11. DEFERRED REVENUE

	2018	2017
	\$	\$
The following funds have been deferred until 2018/2019 when the funding will be utilized		
First Nation Development Funds (FNDF)		
- Recreation Centre	111,777	-

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12. LONG-TERM DEBT

	2018 \$	2017 \$
Long-term debt consists of the following:		
4.69% Peace Hills Trust, mortgage repayable at \$1,618 per month including interest due October 2021	137,393	150,181
2.35% CMHC mortgage repayable at \$1,318 per month including interest, renews September 2018	147,472	159,405
4.15% Peace Hills Trust mortgage repayable at \$2,319 per month including interest, matures October 2018	320,846	335,251
4.15% Peace Hills Trust mortgage repayable at \$2,373 per month including interest, matures October 2018	244,821	262,918
5.5% Royal Bank mortgage repayment at \$6,000 biweekly including interest, matures August 2018	404,709	589,576
1.65% CMHC mortgage repayable at \$2,074 per month including interest, matures June 2018	409,115	399,955
4.45% Peace Hills Trust mortgage repayable at \$6,453 per month, including interest, matures December 2018	1,055,301	1,085,766
8.8% GE Canada school bus loan repayable at \$2,663 per month including interest, due September 2018	12,323	44,290
	2,731,980	3,027,342
Less current portion of long-term debt	245,758	251,478
	2,486,222	2,775,864

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 \$88,250

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

	\$
2018	245,758
2019	244,544
2020	256,214
2021	129,888
2022	125,862
2023 and thereafter	1,729,715
	2,731,981

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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 \$0. (2017 - \$39,093) 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 FIGURE

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

16. CONTINGENT LIABILITY

A claim has been made against the First Nation in the amount of \$187,980. Managements estimate of the loss, as a result of this claim, is one-half of the claim amount and a provision for this amount has been recorded in the accounts.