

**HEART LAKE FIRST NATION**  
**Consolidated Financial Statements**  
**For The Year Ended March 31, 2020**

**HEART LAKE FIRST NATION**  
**Financial Statements**  
**For The Year Ended March 31, 2020**

**CONTENTS**

|  | <u>Page</u>  |
|--|--------------|
| <b>MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING</b> | <b>1</b>     |
| <b>INDEPENDENT AUDITOR'S REPORT</b>                        | <b>2 - 3</b> |
| Consolidated Statement of Financial Position               | 4            |
| Statement of Changes in Accumulated Surplus                | 5            |
| Statement of Equity in Trust Funds                         | 6            |
| Statement of Operations                                    | 7            |
| Statement of Changes in Net Financial Assets               | 8            |
| Statements of Cash Flows                                   | 9            |
| Schedule 1 - Individual Programs                           | 10           |
| Schedule 2 - Expenditures by Object                        | 11           |
| Schedule 3 - Tangible Capital Assets                       | 12           |
| Notes to the Financial Statements                          | 13 - 22      |

**HEART LAKE FIRST NATION  
MARCH 31, 2020**

**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.

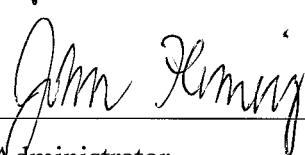
The financial statements have been audited by Doyle & Company in accordance with Canadian generally accepted auditing standards on behalf of the members.

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Chief

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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 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, 2020 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, 2020, 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.

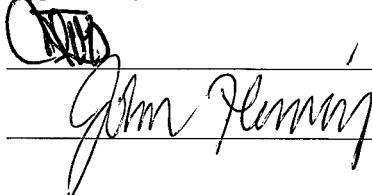
Edmonton, Alberta  
October 6, 2021

*Doyle & Company*  
Chartered Professional Accountants

**HEART LAKE FIRST NATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2020**

|  | <b>2020</b><br>\$  | <b>2019</b><br>\$ |
|--|--------------------|-------------------|
| <b>FINANCIAL ASSETS</b>  |                    |                   |
| Cash   | 127,952            | 226,146           |
| Guaranteed investment certificate (Note 5)                     | 250,000            | 250,000           |
| Accounts receivable (Note 7)                                   | 604,429            | 822,176           |
| Capital funds held in trust                                    | 1,065,825          | 1,065,735         |
| Revenue funds held in trust                                    | 27,141             | 192,139           |
| Investment in affiliated companies (Note 8)                    | 425,673            | 617,274           |
| Investments (Note 9)   | 1,508,203          | 1,508,203         |
|  | <b>4,009,223</b>   | 4,681,673         |
| <b>LIABILITIES</b>   |                    |                   |
| Bank indebtedness (Note 6)                                     | 438,729            | 687,679           |
| Accounts payable (Note 10)                                     | 2,269,332          | 1,784,177         |
| Accounts payable - Heart Lake Construction Limited Partnership | 189,216            | 189,216           |
| Deferred revenue (Note 12)                                     | 298,850            | 212,466           |
| Long term debt (Note 13)                                       | 2,213,702          | 2,478,804         |
|  | <b>5,409,829</b>   | 5,352,342         |
| <b>NET FINANCIAL ASSETS</b>                                    | <b>(1,400,606)</b> | (670,669)         |
| <b>NON-FINANCIAL ASSETS</b>                                    |                    |                   |
| Tangible capital assets (Note 11 and Schedule 3)               | 13,723,197         | 14,391,376        |
| Prepaid social assistance                                      | 16,907             | 11,949            |
|  | <b>13,740,104</b>  | 14,403,325        |
| <b>ACCUMULATED SURPLUS</b>                                     |                    |                   |
| <b>ACCUMULATED SURPLUS</b>                                     | <b>11,246,532</b>  | 12,474,782        |
| <b>EQUITY IN TRUST FUNDS</b>                                   | <b>1,092,966</b>   | 1,257,874         |
|  | <b>12,339,498</b>  | 13,732,656        |

Approved by the First Nation:

 / Chief  
 / Administrator

# HEART LAKE FIRST NATION

## STATEMENT OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED MARCH 31, 2020

|   | Operating<br>Equity<br>\$ | Equity in Business<br>Enterprises<br>\$ | Equity in Business<br>Capital Assets<br>\$ | 2020<br>Total<br>\$ | 2019<br>Total<br>\$ |
|---|---------------------------|---|--|---------------------|---------------------|
| <b>BALANCE - BEGINNING OF YEAR</b>        | <b>(55,063)</b>           | <b>617,274</b>                          | <b>11,912,571</b>                          | <b>12,474,782</b>   | <b>10,602,908</b>   |
| Excess of expenditures over revenue       | (1,228,250)               | -                                       | -  | (1,228,250)         | 1,871,874           |
| Net advances (to) from Bus. Enterprises   | 201,900                   | (201,900)                               | -  | -                   | -                   |
| Net losses in Business Enterprises        | (10,299)                  | 10,299                                  | -  | -                   | -                   |
| Loan principal repayments during the year | (265,102)                 | -                                       | 265,102                                    | -                   | -                   |
| Purchase of tangible capital assets       | (326,560)                 | -                                       | 326,560                                    | -                   | -                   |
| Annual amortization expense               | 994,739                   | -                                       | (994,739)                                  | -                   | -                   |
| Change in accumulated surplus             | (633,572)                 | (191,601)                               | (403,077)                                  | (1,228,250)         | 1,871,874           |
| <b>BALANCE - END OF YEAR</b>              | <b>(688,635)</b>          | <b>425,673</b>                          | <b>11,509,494</b>                          | <b>11,246,532</b>   | <b>12,474,782</b>   |

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, 2020**

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**EQUITY IN TRUST FUNDS**

|                             | Capital<br>\$    | Revenue<br>\$  | Total<br>\$      |
|-----------------------------|------------------|----------------|------------------|
| Balance - Beginning of year | 1,065,735        | 192,139        | 1,257,874        |
| Trust income                | 90               | 35,002         | 35,092           |
|                             | <b>1,065,825</b> | <b>227,141</b> | <b>1,292,966</b> |

| BCR<br>NUMBER         | DATES<br>RELEASED | FUND<br>PURPOSE OF<br>EXPENDITURE | -                | -             | -                |
|-----------------------|-------------------|-----------------------------------|------------------|---------------|------------------|
| 2019-09-05-01         | Oct 16, 2019      | T. Days & Cultural Camp           | -                | 50,000        | 50,000           |
| 2019-12-05-01         | Jan 29, 2020      | Christmas Bonus Program           | -                | 150,000       | 150,000          |
| Trust Funds Released  |                   |                                   | -                | 200,000       | 200,000          |
| Balance - end of year |                   |                                   | <b>1,065,825</b> | <b>27,141</b> | <b>1,092,966</b> |

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The accompanying notes form part of these financial statements.

# HEART LAKE FIRST NATION

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2020

|   | 2020<br>Budget<br>\$ | 2020<br>Actual<br>\$ | 2019<br>Actual<br>\$ |
|---|----------------------|----------------------|----------------------|
| <b>REVENUE</b>  |                      |                      |                      |
| Indigenous Services Canada (ISC)                                    | 2,737,882            | 3,036,732            | 2,670,061            |
| ISC - First Nations and Inuit Health Canada                         | 985,890              | 985,890              | 800,920              |
| Aboriginal Skills and Employment Training Strategy                  | 252,786              | 252,786              | 353,657              |
| Province of Alberta   | 120,000              | 120,000              | 335,000              |
| C.M.H.C. Subsidies  | 96,405               | 96,405               | 94,418               |
| Band Trust Funds - Capital and Revenue                              | -                    | 200,000              | -                    |
| Other   | 1,600,000            | 3,305,884            | 4,072,585            |
| Revenue deferred from prior year (Note 12)                          | 200,000              | 212,466              | 111,777              |
| Revenue deferred to following year (Note 12)                        | -                    | (298,850)            | (212,466)            |
|   | 5,992,963            | 7,911,313            | 8,225,952            |
| <b>OPERATING EXPENDITURES</b>                                       |                      |                      |                      |
| Administration  | 439,190              | 1,898,352            | 1,588,292            |
| Education   | 666,561              | 912,627              | 666,642              |
| Economic Development  | 51,707               | 118,433              | 101,373              |
| Public Works  | 635,046              | 1,075,687            | 822,224              |
| Social Services   | 611,004              | 499,279              | 558,283              |
| Social Services - Administration                                    | 102,055              | 49,565               | 64,561               |
| Housing   | 202,000              | 63,942               | 826,105              |
| C.M.H.C. Housing  | 96,405               | 68,155               | 35,407               |
| Fire Protection   | 30,319               | 65,639               | 67,987               |
| ISETS - CRF/EI/FNHF   | 150,889              | 156,240              | 171,361              |
| ISETS - Childcare   | 101,897              | 128,492              | 126,622              |
| Recreation  | -                    | 320,146              | 234,051              |
| Child & Family Service  | -                    | 73,233               | -                    |
| First Nation Development Fund                                       | -                    | 428,189              | 361,471              |
| Consultation Office   | 1,920,000            | 1,311,182            | 1,712,735            |
| First Nations and Inuit Health Canada                               | 985,890              | 985,962              | 827,490              |
|   | 5,992,963            | 8,155,123            | 8,164,604            |
| <b>EXCESS (SHORTFALL) OF REVENUE<br/>OVER EXPENSES BEFORE OTHER</b> |                      |                      |                      |
|   | -                    | (243,810)            | 61,348               |
| Undistributed net earnings (loss)                                   |                      |                      |                      |
| in First Nation owned companies                                     | -                    | 10,299               | (2,028,642)          |
| Contributed Assets from Tribal Chief Ventures                       | -                    | -                    | 4,819,580            |
| Amortization  | -                    | (994,739)            | (980,412)            |
|   | -                    | (984,440)            | 1,810,526            |
| <b>SURPLUS (DEFICIT) FOR THE YEAR</b>                               | <b>-</b>             | <b>(1,228,250)</b>   | <b>1,871,874</b>     |

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, 2020**

|  | <b>2020</b><br><b>Actual</b><br><b>\$</b> | <b>2019</b><br><b>Actual</b><br><b>\$</b> |
|--|---|---|
| <b>EXCESS OF REVENUE OVER EXPENSES</b>         | <b>(1,228,250)</b>                        | <b>1,871,874</b>                          |
| Acquisition of tangible capital assets         | (326,560)                                 | (4,307,851)                               |
| Amortization of tangible capital assets        | 994,739                                   | 980,412                                   |
| Increase (decrease) in trust funds             | (164,908)                                 | 24,524                                    |
|  | <b>503,271</b>                            | <b>(3,302,915)</b>                        |
| Use (Acquisition) of prepaid assets            | (4,958)                                   | (3,687)                                   |
| Use (Acquisition) of deferred costs            | -   | 45,216                                    |
|  | <b>(4,958)</b>                            | <b>41,529</b>                             |
| <b>(DECREASE) INCREASE IN NET ASSETS</b>       | <b>(729,937)</b>                          | <b>(1,389,512)</b>                        |
| <b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b> | <b>(670,669)</b>                          | <b>718,843</b>                            |
| <b>NET FINANCIAL ASSETS, END OF YEAR</b>       | <b>(1,400,606)</b>                        | <b>(670,669)</b>                          |

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The accompanying notes form part of these financial statements.

# HEART LAKE FIRST NATION

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2020

|  | 2020             | 2019             |
|--|------------------|------------------|
|  | \$               | \$               |
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>             |                  |                  |
| Cash received from funding agencies, trust funds and customers | 8,215,444        | 13,044,481       |
| Cash paid to suppliers   | (7,190,150)      | (7,875,270)      |
| Interest paid  | (80,976)         | (103,904)        |
|  | <b>944,318</b>   | <b>5,065,307</b> |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>             |                  |                  |
| Net advances (to) from affiliated companies                    | (201,900)        | (474,885)        |
| Repayment of long term debt                                    | (265,102)        | (253,176)        |
|  | <b>(467,002)</b> | <b>(728,061)</b> |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>             |                  |                  |
| Purchase of capital assets                                     | (326,560)        | (4,307,852)      |
| Net (decrease) in cash   | 150,756          | 29,394           |
| <b>CASH (OVERDRAFT) - Beginning of year</b>                    | <b>(211,533)</b> | <b>(240,927)</b> |
| <b>CASH (OVERDRAFT) - End of year</b>                          | <b>(60,777)</b>  | <b>(211,533)</b> |
| <br><b>Cash is comprised of:</b>                               |                  |                  |
| Cash   | 127,952          | 226,146          |
| Guaranteed investment certificate                              | 250,000          | 250,000          |
| Bank indebtedness  | (438,729)        | (687,679)        |
|  | <b>(60,777)</b>  | <b>(211,533)</b> |

The accompanying notes form part of these financial statements.

# HEART LAKE FIRST NATION

## SCHEDULE 1- INDIVIDUAL PROGRAMS FOR THE YEAR ENDED MARCH 31, 2020

|  | ISC Grants & Funding | ISC Health Funding | 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                                   | 439,190              | -                  | 150,000       | -                                | -                             | 589,190       | 1,898,352              | -                    | -                         | 1,898,352          | 813,394     | (495,768)                           |
| Education  | 666,561              | -                  | -             | -                                | -                             | 666,561       | 912,627                | -                    | -                         | 912,627            | 246,066     | -                                   |
| Economic Development                             | 51,707               | -                  | -             | -                                | -                             | 51,707        | 118,433                | -                    | -                         | 118,433            | 66,726      | -                                   |
| Public Works                                     | 795,046              | -                  | -             | -                                | -                             | 795,046       | 1,075,687              | 326,560              | -                         | 1,075,687          | 1,402,247   | -                                   |
| Emergency Response and Management                | 298,850              | -                  | -             | -                                | (298,850)                     | -             | -                      | -                    | -                         | -                  | 607,201     | -                                   |
| Social Services                                  | 611,004              | -                  | -             | -                                | -                             | 611,004       | 499,279                | -                    | -                         | 499,279            | -           | -                                   |
| Social Services - Administration                 | 102,055              | -                  | -             | -                                | -                             | 102,055       | 49,565                 | -                    | -                         | 49,565             | -           | 111,725                             |
| Housing  | 42,000               | -                  | -             | -                                | -                             | 42,000        | 63,942                 | -                    | -                         | 63,942             | -           | 52,490                              |
| CMHC Housing                                     | -                    | -                  | 96,405        | -                                | -                             | 96,405        | 68,155                 | -                    | -                         | 68,155             | -           | (58,285)                            |
| Fire Protection                                  | 30,319               | -                  | -             | -                                | -                             | 30,319        | 65,639                 | -                    | -                         | 65,639             | -           | (35,320)                            |
| ISETS - CRF/EI                                   | -                    | -                  | 150,889       | -                                | -                             | 150,889       | 156,240                | -                    | -                         | 156,240            | -           | (5,331)                             |
| ISETS - Childcare                                | -                    | -                  | 101,897       | -                                | -                             | 101,897       | 128,492                | -                    | -                         | 128,492            | -           | (26,595)                            |
| Recreation                                       | -                    | -                  | 50,000        | -                                | -                             | 50,000        | 320,146                | -                    | -                         | 320,146            | 270,146     | -                                   |
| Child & Family Service                           | -                    | -                  | 255,670       | 12,466                           | -                             | 268,136       | 73,233                 | -                    | -                         | 73,233             | -           | (73,233)                            |
| First Nation Development Fund                    | -                    | -                  | 1,717,508     | 200,000                          | -                             | 1,917,508     | 428,189                | -                    | -                         | 428,189            | 573,199     | -                                   |
| Consultation                                     | -                    | -                  | -             | -                                | -                             | -             | 1,311,182              | -                    | -                         | 1,311,182          | (606,326)   | -                                   |
| First Nation Management and Economic Development | -                    | -                  | 1,452,706     | -                                | -                             | 1,452,706     | -                      | -                    | -                         | -                  | (1,452,706) | -                                   |
| Health Canada Programs                           | -                    | 985,890            | 3,975,075     | 212,466                          | (298,850)                     | 7,911,313     | 8,155,123              | 326,560              | 265,102                   | 8,746,785          | -           | (835,472)                           |
|  | 3,036,732            | 985,890            | -             | -                                | -                             | -             | -                      | -                    | -                         | -                  | -           | -                                   |

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, 2020**

|                                      | <b>2020</b><br>\$ | <b>2019</b><br>\$ |
|--------------------------------------|-------------------|-------------------|
| Salaries, wages and benefits         | 3,437,802         | 3,156,788         |
| Contracted and general services      | 2,094,460         | 2,722,027         |
| Materials, goods and utilities       | 2,290,433         | 1,937,147         |
| Bank charges and short term interest | 251,461           | 244,738           |
| Interest - long term debt            | 80,967            | 103,904           |
|                                      | <b>8,155,123</b>  | 8,164,604         |

# HEART LAKE FIRST NATION

## SCHEDULE 3 - TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED MARCH 31, 2020

|  | Community<br>Buildings &<br>Facilities<br>\$ | Automotive<br>Equipment<br>\$ | General<br>Equipment<br>\$ | Office &<br>Band<br>Housing<br>\$ | 2020<br>Total<br>\$ | 2019<br>Total<br>\$ |
|--|--|-------------------------------|----------------------------|-----------------------------------|---------------------|---------------------|
| <b>COST:</b>                           |  |                               |                            |                                   |                     |                     |
| Balance, Beginning of Year             | 11,013,616                                   | 2,043,533                     | 948,104                    | 13,728,067                        | 27,733,320          | 23,425,469          |
| Acquisition of tangible capital assets | 326,560                                      | -                             | -                          | -                                 | 326,560             | 4,307,851           |
| <b>Balance, End of Year</b>            | <b>11,340,176</b>                            | <b>2,043,533</b>              | <b>948,104</b>             | <b>13,728,067</b>                 | <b>28,059,880</b>   | <b>27,733,320</b>   |
| <b>ACCUMULATED AMORTIZATION</b>        |  |                               |                            |                                   |                     |                     |
| Balance, Beginning of year             | 5,658,906                                    | 1,767,934                     | 948,104                    | 4,967,000                         | 13,341,944          | 12,361,532          |
| Current year amortization              | 557,279                                      | 103,505                       | -                          | 333,955                           | 994,739             | 980,412             |
| Balance, End of Year                   | 6,216,185                                    | 1,871,439                     | 948,104                    | 5,300,955                         | 14,336,683          | 13,341,944          |
| <b>NET BOOK VALUE</b>                  | <b>5,123,991</b>                             | <b>172,094</b>                | <b>-</b>                   | <b>8,427,112</b>                  | <b>13,723,197</b>   | <b>14,391,376</b>   |

The accompanying notes form part of these financial statements.

**HEART LAKE FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2020**

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**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, 2020

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### 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, 2020

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#### 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, 2020**

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**5. GUARANTEED INVESTMENT CERTIFICATE**

In 2020 a \$250,000 (2019 - \$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**

|  | <b>2020</b>    | <b>2019</b>    |
|--|----------------|----------------|
|  | \$             | \$             |
| Bank indebtedness consists of the following: |                |                |
| Cheques issued in excess of bank balance     | 414,283        | 289,713        |
| Prime + 3.00% PHT line of credit             | 24,446         | 397,966        |
|  | <b>438,729</b> | <b>687,679</b> |

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, 2020, the prime interest rate was 3.95% and there was a \$375,554 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**

|  | <b>2020</b>    | <b>2019</b>    |
|--|----------------|----------------|
|  | \$             | \$             |
| Accounts Receivable consists of:                   |                |                |
| Indigenous Services Canada (ISC)                   | 251,523        | 527,321        |
| Other  | -              | 85             |
| First Nation Development Fund                      | 69,451         | 95,670         |
| CMHC - Subsidies                                   | 283,455        | 187,050        |
|  | <b>604,429</b> | <b>810,126</b> |
| Loans to members                                   | 143,099        | 117,561        |
| Allowance for doubtful accounts - Loans to members | (143,099)      | (105,511)      |
|  | -              | 12,050         |
|  | <b>604,429</b> | <b>822,176</b> |

**HEART LAKE FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2020**

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**8. INVESTMENT IN AFFILIATED COMPANIES**

|   | 2020           | 2019           |
|---|----------------|----------------|
|   | \$             | \$             |
| (a) Investment in Heart Lake Construction Limited Partnership       |                |                |
| Advances to (from) Heart Lake Construction LP                       | (263,751)      | (660,216)      |
| Accumulated net income at December 31, 2019                         | (41,969)       | 556,125        |
|   | <hr/>          | <hr/>          |
|   | (305,720)      | (104,091)      |
| (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.                       | (148,177)      | (134,397)      |
| Accumulated net income (loss) at March 31                           | 247,676        | 259,208        |
|   | <hr/>          | <hr/>          |
|   | 99,599         | 124,911        |
| (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                                | -              | -              |
|   | <hr/>          | <hr/>          |
|   | 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, 2019              | 1,499,820      | 1,499,820      |
|   | <hr/>          | <hr/>          |
|   | 36,720         | 36,720         |
| (e) Investment in Savanna Energy Services Limited Partnership #9 -  |                |                |
| 50% interest  |                |                |
| Advances to Savanna Energy Services Limited Partnership             | 260,000        | 260,000        |
| Share of accumulated net earnings to December 31, 2019              | 676,938        | 415,938        |
|   | <hr/>          | <hr/>          |
|   | 936,938        | 675,938        |
| (f) Investment in Wapahki Energy Ltd.                               |                |                |
| Investment in Wapahki Energy Ltd. - 100% ownership, at cost         | 1              | 1              |
| Advances to Wapahki Energy Ltd.                                     | 973,436        | 973,436        |
| Share of accumulated net earnings to March 31                       | (1,315,401)    | (1,089,741)    |
|   | <hr/>          | <hr/>          |
|   | (341,964)      | (116,304)      |
| <b>Total</b>  | <hr/>          | <hr/>          |
|   | <b>425,673</b> | <b>617,274</b> |

**HEART LAKE FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2020**

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**8. INVESTMENT IN AFFILIATED COMPANIES CONTINUED**

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

|                         | <b>December 31<br/>2019</b> | <b>December 31<br/>2018</b> |
|-------------------------|-----------------------------|-----------------------------|
|                         | \$                          | \$                          |
| Assets                  | 4,916,497                   | 5,488,198                   |
| Liabilities             | 5,264,193                   | 5,592,289                   |
| Revenue                 | 2,296,610                   | 6,069,495                   |
| Net income for the year | (598,094)                   | (1,541,016)                 |

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

|                                | <b>March 31<br/>2020</b> | <b>March 31<br/>2019</b> |
|--------------------------------|--------------------------|--------------------------|
|                                | \$                       | \$                       |
| Assets                         | 432,070                  | 460,198                  |
| Liabilities                    | 4,172,936                | 433,889                  |
| Revenue                        | 30,068                   | 105,078                  |
| Net income (loss) for the year | (11,532)                 | (495)                    |

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

|                                | <b>March 31<br/>2020</b> | <b>March 31<br/>2019</b> |
|--------------------------------|--------------------------|--------------------------|
|                                | \$                       | \$                       |
| Assets                         | 100                      | 100                      |
| Liabilities                    | 100                      | 100                      |
| Revenue                        | -                        | -                        |
| Net income (loss) for the year | -                        | -                        |

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

|                         | <b>December 31,<br/>2019</b> | <b>December 31<br/>2018</b> |
|-------------------------|------------------------------|-----------------------------|
|                         | \$                           | \$                          |
| Assets                  | 776,000                      | 1,354,000                   |
| Liabilities             | 2,000                        | 2,000                       |
| Revenue                 | 602,000                      | 677,000                     |
| Net income for the year | 522,000                      | 592,000                     |

**HEART LAKE FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2020**

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**8. INVESTMENT IN AFFILIATED COMPANIES CONTINUED**

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

|                         | <b>March 31</b><br><b>2020</b> | <b>March 31</b><br><b>2019</b> |
|-------------------------|--------------------------------|--------------------------------|
|                         | \$                             | \$                             |
| Assets                  | 92,864                         | 83,940                         |
| Liabilities             | 1,595,175                      | 1,360,591                      |
| Revenue                 | 144,246                        | 203,986                        |
| Net income for the year | (225,660)                      | (154,408)                      |

**9. INVESTMENTS - at cost**

|  | <b>2020</b>      | <b>2019</b>      |
|--|------------------|------------------|
|  | \$               | \$               |
| 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          |
|  | <b>1,508,203</b> | <b>1,508,203</b> |

**10. ACCOUNTS PAYABLE**

|   | <b>2020</b>      | <b>2019</b>      |
|---|------------------|------------------|
|   | \$               | \$               |
| Accounts Payable consist of:                |                  |                  |
| Receiver General payable                    | 1,458,549        | 1,193,876        |
| Trade accounts payable and accruals - other | 810,783          | 590,301          |
|   | <b>2,269,332</b> | <b>1,784,177</b> |

**HEART LAKE FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2020**

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**11. TANGIBLE CAPITAL ASSETS**

|                                  | <b>2020</b>       |                   | <b>2019</b>       |                       |
|----------------------------------|-------------------|-------------------|-------------------|-----------------------|
|                                  | <b>\$</b>         | <b>Cost</b>       | <b>\$</b>         | <b>Net Book Value</b> |
| Community Buildings & Facilities | 11,340,176        | 6,203,989         | 5,136,187         | 5,366,905             |
| Automotive Equipment             | 2,043,532         | 1,871,438         | 172,094           | 275,599               |
| Office and General Equipment     | 948,104           | 948,104           | -                 | -                     |
| Band Housing                     | 13,728,068        | 5,313,152         | 8,414,916         | 8,748,872             |
|                                  | <b>28,059,880</b> | <b>14,336,683</b> | <b>13,723,197</b> | <b>14,391,376</b>     |

**12. DEFERRED REVENUE**

|  | <b>2020</b>    | <b>2019</b>    |
|--|----------------|----------------|
|  | <b>\$</b>      | <b>\$</b>      |
| <b>Province of Alberta:</b>                  |                |                |
| - Solar Panels                               | -              | 200,000        |
| <b>First Nation Development Funds (FNDF)</b> |                |                |
| - Recreation Centre                          | -              | 12,466         |
| <b>Indigenous Services Canada (ISC)</b>      |                |                |
| - Emergency Response and Management          | 298,850        | -              |
|  | <b>298,850</b> | <b>212,466</b> |

**HEART LAKE FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2020**

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**13. LONG-TERM DEBT**

|  | <b>2020</b><br>\$ | <b>2019</b><br>\$ |
|--|-------------------|-------------------|
| Long-term debt consists of the following:  |                   |                   |
| 4.69% Peace Hills Trust, mortgage repayable at \$1,618 per month including interest due October 2021       | 109,981           | 123,998           |
| 2.35% CMHC mortgage repayable at \$1,339 per month including interest, renews October 2023                 | 122,128           | 140,550           |
| 4.15% Peace Hills Trust mortgage repayable at \$2,335 per month including interest, matures October 2023   | 290,354           | 305,850           |
| 4.15% Peace Hills Trust mortgage repayable at \$2,384 per month including interest, matures October 2023   | 206,436           | 225,976           |
| 5.5% Royal Bank mortgage repayment at \$6,000 biweekly including interest, matures August 2021             | 122,749           | 267,759           |
| 1.65% CMHC mortgage repayable at \$2,104 per month including interest, matures August 2022                 | 372,502           | 391,261           |
| 4.45% Peace Hills Trust mortgage repayable at \$6,347 per month, including interest, matures December 2023 | 989,552           | 1,023,410         |
|  | 2,213,702         | 2,478,804         |
| Less current portion of long-term debt   | 183,572           | 244,794           |
|  | <b>2,030,130</b>  | <b>2,234,010</b>  |

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 \$80,967

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

|                     | \$               |
|---------------------|------------------|
| 2019                | 183,572          |
| 2020                | 176,860          |
| 2021                | 125,587          |
| 2022                | 130,330          |
| 2023                | 135,270          |
| 2024 and thereafter | 1,462,083        |
|                     | <b>2,213,702</b> |

**HEART LAKE FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2020**

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**14. COMPARATIVE FIGURE**

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

**15. 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.

**16. SUBSEQUENT EVENT**

Subsequent to the year end of the financial statements, there is a global outbreak of COVID-19 (Corona Virus) which has had a significant impact on the First Nation through the restrictions put in place by the Canadian and Provincial governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the First Nation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions and quarantine/isolation measures that are currently, or may be put in place by Canada and other countries to fight the virus.