

**LOON RIVER FIRST NATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

MANUFACTURED BY
DIA

**LOON RIVER FIRST NATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

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HAND DELIVERED TO: Tammy M-L
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ON Sept-6/17, TML
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LOON RIVER FIRST NATION

MARCH 31, 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Loon River First Nation are the responsibility of management and have been approved by the Chief and Administrator on behalf of First Nation.

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.

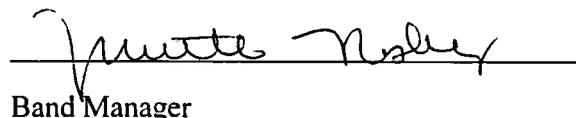
The First Nation maintains systems of internal accounting and administrative controls of high quality. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately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

The First Nation 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. Doyle & Company have full and free access to the Council.



Chief



Band Manager

DOYLE & COMPANY
CHARTERED PROFESSIONAL
ACCOUNTANTS

Allan J. Grykuliak, CPA, CA*
Scott T. Mockford, CPA, CA*
Allen Lee, CPA, CMA*
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INDEPENDENT AUDITORS' REPORT

To the Chief and Council
Loon River First Nation

We have audited the accompanying financial statements of Loon River First Nation, which comprise the Statement of Financial Position as at March 31, 2017 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.

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.

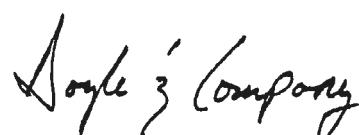
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 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
August 28, 2017

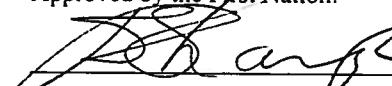
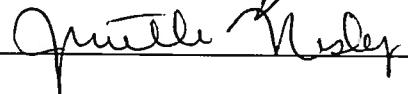


Chartered Professional Accountants

LOON RIVER FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017

	2017 \$	2016 \$
FINANCIAL ASSETS		
Cash (Note 5)	1,603,567	6,657,727
Accounts Receivable (Note 6)	996,052	2,470,484
RBC Investment Account (Note 7)	544,940	754,598
Economic Development Loans (Note 10)	182,157	218,023
Investment In First Nation Owned Companies (Note 8)	24,803,915	9,208,067
Trust Account - Capital	10,321,997	12,625,743
Trust Account - Revenue	3,520,207	3,699,625
	41,972,835	35,634,267
LIABILITIES		
Accounts Payable (Note 12)	760,435	2,018,922
Deferred Revenue (Note 13)	2,313,363	6,695,691
Long Term Debt (Note 14)	3,806,833	4,450,845
	6,880,631	13,165,458
NET FINANCIAL ASSETS (DEBT)	35,092,204	22,468,809
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 11)	28,925,617	42,832,214
Prepaid Expenses	95,055	75,630
Deferred Costs	-	26,657
Settlement Capital Account Funds (Note 9)	28,681,483	27,577,374
	57,702,155	70,511,875
ACCUMULATED SURPLUS		
ACCUMULATED SURPLUS	50,270,672	49,077,942
EQUITY IN SETTLEMENT TRUST ACCOUNTS	28,681,483	27,577,374
EQUITY IN TRUST FUNDS	13,842,204	16,325,368
	92,794,359	92,980,684

Approved by the First Nation:

 Chief
 Band Manager

The accompanying notes form part of these financial statements.

LOON RIVER FIRST NATION
STATEMENT OF CHANGES IN SETTLEMENT EQUITY ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2017

SETTLEMENT CAPITAL ACCOUNT NET ASSETS

	2017 Budget \$	2017 Actual \$	2016 Actual \$
REVENUE			
Investment Income	840,000	841,855	995,147
EXPENDITURES			
Trust and Management Fees	210,000	207,451	209,174
Transfer to Settlement Revenue Account	630,000	633,823	787,576
	840,000	841,274	996,750
REVENUE LESS EXPENDITURES	-	581	(1,603)
UNREALIZED GAIN (LOSS) IN MARKET VALUE	-	1,103,528	(1,547,954)
(DEFICIT) SURPLUS FOR THE YEAR	-	1,104,109	(1,549,557)
NET ASSETS - BEGINNING OF YEAR	27,577,374	29,126,931	
NET ASSETS - END OF YEAR	28,681,483	27,577,374	

SETTLEMENT REVENUE ACCOUNT NET ASSETS

	2017 Budget \$	2017 Actual \$	2016 Actual \$
REVENUE			
Transfer from Settlement Capital Account	630,000	633,823	787,576
EXPENDITURES			
Transfer to the Operating Accounts	630,000	633,823	787,905
SURPLUS (DEFICIT) FOR THE YEAR	-	-	(329)
NET ASSETS - BEGINNING OF YEAR	-	-	329
NET ASSETS - END OF YEAR	-	-	-

LOON RIVER FIRST NATION
STATEMENT OF CHANGES IN TRUST FUND ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2017

	Capital \$	Revenue \$	Total \$
BALANCES - BEGINNING OF YEAR	12,625,743	3,699,625	16,325,368
REVENUE			
Interest Income	-	393,080	393,080
Royalties and Rental	2,157,154	302,502	2,459,656
	14,782,897	4,395,207	19,178,104

BCR Number	Date Funds Released	Purpose of Expenditure	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)			
16-17-014	Jul 5/16	Administration	(A)	1,663,000							-	1,663,000	
16/17-022	Dec 7/16	Per Capita Distribution	(A)	601,000							-	601,000	
16/17-022	Mar 20/17	Per Capita Distribution	(A)	4,000							-	4,000	
16-17-013	Jun 3/16	Elders	(A)	-				173,000			173,000		
16-17-013	Jun 3/16	Education & Training	(A)	-				98,500			98,500		
16-17-013	Jun 3/16	Education & Training	(A)	-				72,500			72,500		
16-17-013	Jun 3/16	Medical Emergencies	(A)	-				39,000			39,000		
16-17-013	Jun 3/16	Bussing	(B)	-				98,500			98,500		
16-17-014	Jul 5/16	Public Works	(C)	1,959,179				-			1,959,179		
16-17-014	Jul 5/16	Consultation	(D)	45,000				-			45,000		
16-17-014	Jul 5/16	Housing	(E)	188,721				-			188,721		
16-17-013	Jun 3/16	Assisted Living	(F)	-				17,607			17,607		
16-17-013	Jun 3/16	Youth	(G)	-				150,000			150,000		
16-17-013	Jun 3/16	Summer student	(G)	-				36,000			36,000		
16-17-013	Jun 3/16	Daycare	(H)	-				189,893			189,893		
					4,460,900			875,000			5,335,900		
BALANCES - END OF YEAR					10,321,997			3,520,207			13,842,204		

Location of Band Funds in Programs:

(A) - Administration	2,268,000	383,000	2,651,000
(B) - Education	-	98,500	98,500
(C) - Public Works	1,959,179	-	1,959,179
(D) - Consultation	45,000	-	45,000
(E) - Capital Housing and Maintenance Operations	188,721	-	188,721
(F) - Social Development - Programs	-	17,607	17,607
(G) - Youth and Summer Employment Programs	-	186,000	186,000
(H) - Daycare	-	189,893	189,893
	4,460,900	875,000	5,335,900

The accompanying notes form part of these financial statements.

LOON RIVER FIRST NATION

STATEMENT OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED MARCH 31, 2017

	2017			2016		
	Operating Net Assets \$	Equity in Business Enterprises \$	Equity in Tangible Capital Assets \$	Equity in Business Loans \$	Total \$	Total \$
BALANCE - BEGINNING OF YEAR	(639,451)	9,207,967	40,291,403	218,023	49,077,942	46,413,057
Excess of Revenues Over Expenditure	1,192,730	-	-	-	1,192,730	2,664,885
Net Advances to Business Enterprise	(4,958,780)	4,958,780	-	-	-	-
Net Loss in Business Enterprises	6,899,230	(6,899,230)	-	-	-	-
Transfer of Capital Assets - Land	-	10,051,075	(10,051,075)	-	-	-
Transfer of Capital Assets - Building	-	7,069,235	(7,069,235)	-	-	-
Transfer of Capital Assets - Equipment	-	416,089	(416,089)	-	-	-
Loan Principal Repayments During the Year	(143,830)	-	143,830	-	-	-
Capital Asset Acquisitions	(5,358,049)	-	5,358,049	-	-	-
Decrease in Economic Development Loans	35,866	-	-	(35,866)	-	-
Annual Amortization Expense	1,728,247	-	(1,728,247)	-	-	-
Change in Accumulated Surplus	(604,586)	15,555,949	(13,762,767)	(35,866)	1,192,730	2,664,885
BALANCE - END OF YEAR	(1,244,037)	24,803,916	26,528,636	182,157	50,270,672	49,077,942

The accompanying notes form part of these financial statements.

LOON RIVER FIRST NATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2017

	2017 Budget \$	2017 Actual \$	2016 Actual \$
REVENUE			
Kee Tas Kee Now Tribal Council (KTC)	6,136,437	6,226,037	7,644,050
Health Canada	1,246,919	1,246,919	1,132,585
Band Trust Funds	5,335,900	5,335,900	9,793,409
Transfers-Settlement Revenue Account	538,011	538,011	612,079
First Nation Development Fund	89,600	472,168	355,010
First Nation Management and Economic Development	1,797,877	6,099,489	3,896,905
Other	234,269	320,541	639,706
Contributions Carried Forward From Prior Year	-	6,695,691	5,059,149
Contributions Carried Forward To Next Year	-	(2,313,363)	(6,695,691)
	15,379,013	24,621,393	22,437,202
OPERATING EXPENSES			
Administration	4,746,795	4,704,022	3,616,285
Education	2,677,790	2,750,248	2,733,832
Public Works	3,438,374	3,120,763	2,589,662
First Nations and Inuit Health Program	1,246,919	1,188,629	1,139,997
Capital Housing and Maintenance Operations	825,060	718,939	508,286
Social Services Programs	1,045,495	906,127	835,225
Social Services Administration	104,909	115,663	104,863
Aboriginal Skills and Employment Training Strategy	119,575	119,575	119,575
Early Childhood Intervention	-	46,150	46,631
Consultation Unit	539,269	541,572	417,189
Youth	279,925	219,451	224,522
Daycare	354,902	314,042	312,260
Capital Projects, Highway 88, and Canada North Camps	-	38,620	343,807
First Nation Development Fund	-	17,385	195,327
	15,379,013	14,801,186	13,187,461
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSE BEFORE OTHER			
	-	9,820,207	9,249,741
OTHER			
Net earnings (Loss) in First Nation Owned Companies	-	(6,899,230)	(4,870,012)
Amortization	-	(1,728,247)	(1,714,844)
	-	(8,627,477)	(6,584,856)
SURPLUS (DEFICIT) FOR THE YEAR	-	1,192,730	2,664,885

The accompanying notes form part of these financial statements.

LOON RIVER FIRST NATION
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED MARCH 31, 2017

	2017 \$	2016 \$
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	1,192,730	2,664,885
Acquisition of Tangible Capital Assets	(5,358,049)	(7,682,364)
Transfers of Tangible Capital Assets to LRFN Land Corp and Loon River Truck Stop Ltd.	17,536,399	-
Decrease (Increase) in Prepaid Expenses and Deferred Costs	7,232	(4,762)
Amortization of Tangible Capital Assets	1,728,247	1,714,844
Increase (Decrease) in Trust and Investment Accounts	(2,483,164)	(6,171,836)
	11,430,665	(12,144,118)
INCREASE IN NET ASSETS	12,623,395	(9,479,233)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	22,468,809	31,948,042
NET FINANCIAL ASSETS, END OF YEAR	35,092,204	22,468,809

LOON RIVER 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 and operations for the year	21,713,497	23,114,154
Cash paid to suppliers and employees	(15,643,221)	(11,597,130)
Interest paid	(163,595)	(168,137)
	5,906,681	11,348,887
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Long term debt obtained	-	89,284
Principal repayments of long term debt	(644,012)	(621,229)
	(644,012)	(531,945)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Advances from (to) First Nation Enterprises	(4,958,780)	(3,261,366)
Purchase of capital assets	(5,358,049)	(7,682,364)
	(10,316,829)	(10,943,730)
INCREASE (DECREASE) IN CASH DURING THE YEAR	(5,054,160)	(126,788)
CASH - Beginning of year	6,657,727	6,784,515
CASH - End of year	1,603,567	6,657,727

The accompanying notes form part of these financial statements.

LOON RIVER FIRST NATION
SCHEDULE 1- INDIVIDUAL PROGRAMS
FOR THE YEAR ENDED MARCH 31, 2017

	Tribal Council Funds	Band Trust Funds	Other Revenue	Deferred Revenue From Prior Year	Deferred Revenue To Next Year	Total Revenue	Operating Expenditures and Loan Principal Repayments	Capital Expenditures	Total Expenditures	Net Transfer In/Out	Current Year's Surplus (Deficit)
Administration											
Education	757,784	2,651,000	538,011	-	-	3,946,795	4,704,022	41,732	4,745,754	798,959	-
First Nation Management and Economic Development	2,361,413	98,500	-	-	-	2,459,913	2,750,248	-	2,750,248	290,335	-
Public Works	1,479,195	-	6,099,489	-	-	6,099,489	-	-	-	(1,744,185)	4,355,304
First Nations and Inuit Health Program	-	1,959,179	-	1,246,919	296,148	(613,759)	3,120,763	-	3,120,763	-	(36,975)
Capital Housing and Maintenance Operations	196,339	188,721	139,391	77,000	(125,000)	1,198,919	1,188,629	47,265	1,235,894	862,769	-
Social Development - Programs	947,888	17,607	-	-	-	524,451	718,939	143,830	906,127	(59,368)	-
Social Development - Administration	104,909	-	-	-	-	965,495	906,127	-	906,127	-	-
Aboriginal Skills and Employment Training Strategy (A.S.E.T.S.)	119,575	-	-	-	-	104,909	115,663	-	115,663	10,754	-
Early Childhood Intervention	-	-	46,150	-	-	119,575	119,575	-	119,575	-	-
Consultation Unit	-	45,000	135,000	-	-	46,150	46,150	-	46,150	-	-
Youth and Summer Employment	93,925	186,000	-	-	(60,474)	180,000	541,572	-	541,572	361,572	-
Daycare	165,009	189,893	-	34,892	(75,752)	219,451	-	219,451	-	219,451	-
Capital Projects	-	-	1,930,409	(556,327)	1,374,082	314,042	314,042	-	314,042	-	-
First Nation Development Fund	-	-	385,752	(840,535)	17,385	38,620	17,385	1,339,077	1,377,697	3,615	-
Highway 88	-	-	363,442	-	363,442	-	-	-	17,385	-	-
Loon River Truck Stop	-	-	3,608,048	(41,516)	3,566,532	-	3,566,532	3,566,532	-	3,566,532	-
	6,226,037	5,335,900	8,677,128	6,695,691	(2,313,363)	24,621,393	14,801,186	5,501,878	20,303,064	-	4,318,329

The accompanying notes form part of these financial statements.

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

	2017 Budget \$	2017 Actual \$	2016 Actual \$
Salaries, wages and benefits	5,597,748	5,344,128	5,391,320
Contracted and general services	4,908,785	4,688,747	3,769,594
Materials, goods and utilities	4,140,980	4,065,517	3,604,466
Bank charges and interest	130,000	97,794	130,381
Per Capita Distribution	601,500	605,000	291,700
	15,379,013	14,801,186	13,187,461

The accompanying notes form part of these financial statements.

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

	Buildings & Improvements	Vehicles & Equipment	Roads, Street & Bridges	Water & Sewer	Band & CMHC Housing	Highway 88 Project	2017 \$	2016 \$
COST:								
Balance, Beginning of Year	21,932,046	2,189,848	3,482,064	7,555,903	20,708,846	9,687,633	65,556,340	57,914,654
Acquisition of tangible capital assets	4,905,609	88,998	-	-	-	363,442	5,358,049	7,682,365
Disposal of tangible capital assets	-	-	-	-	-	-	-	(40,679)
Transfers to Land Corp & Truckstop	(7,485,324)	-	-	-	-	(10,051,075)	(17,536,399)	-
Balance, End of Year	19,352,331	2,278,846	3,482,064	7,555,903	20,708,846	-	53,377,990	65,556,340
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	9,266,153	1,431,199	1,602,492	2,993,577	7,430,705	-	22,724,126	21,049,961
Current year amortization	550,480	302,949	99,180	257,917	517,721	-	1,728,247	1,714,844
Accumulated amortization on disposals	-	-	-	-	-	-	-	(40,679)
Balance, End of Year	9,816,633	1,734,148	1,701,672	3,251,494	7,948,426	-	24,452,373	22,724,126
NET BOOK VALUE	9,535,698	544,698	1,780,392	4,304,409	12,760,420	-	28,925,617	42,832,214

LOON RIVER FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

1. SCOPE OF FINANCIAL STATEMENTS

These financial statements include the combined operations of Loon River First Nation and the Society of the Loon River Cree. Loon River Cree Contractors Ltd., Loon River Trucking Ltd., Mahgwa Resources Inc., Loon River Cree Oilfield Operators Ltd., Loon River Cree Pipeline & Facilities Ltd., LRFN Land Corp., Loon River Truck Stop Ltd., and Loon River Truckwash Ltd., which are owned and controlled by Loon River First Nation and are not dependent on the First Nation for their continuing operations, are included in these financial statements using the modified equity method.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Loon River 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 Loon River First Nation are as follows:

(a) Tangible capital Assets

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

(b) 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:

	Years
Buildings and leasehold improvement	25-40
Vehicle and equipment	5-10
Roads, streets, and bridges	20-40
Water and sewer	10-50
Band housing	40
CMHC housing	40
Rental units	40

The Highway 88 project and residential subdivision is an asset under construction and will not be amortized until construction is complete.

(c) Revenue Recognition

Revenue is recorded in the period specified in the funding agreements entered into with Government Agencies and other organizations. Assistance received in advance of making the related expenditure and restricted by the funding agency is deferred.

(d) Settlement Capital Account and RBC Investment Account Investments

Settlement Capital Account and RBC Investment Account investments are recorded at market value.

LOON RIVER FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) 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.

3. MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with the 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 revenue and expenditures during the year. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

4. FINANCIAL INSTRUMENTS

The First Nation's financial instruments consist of cash, accounts receivable, investments in affiliated companies, RBC investment account, economic development loans, capital and revenue account trust funds, accounts payable 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.

LOON RIVER FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

5. CASH

Cash is comprised of funds on deposit held at a Canadian financial institution and petty cash.

6. ACCOUNTS RECEIVABLE

	2017	2016
	\$	\$
Accounts receivable consists of:		
Accounts receivable - KTC	301,697	1,855,686
First Nation Development Fund	126,209	118,115
Staff member advances	137,356	47,103
Industry	301,592	249,290
G.S.T. recoverable	150,073	210,859
Accounts receivable - Other	204,125	214,431
	1,221,052	2,695,484
Less: Allowance for doubtful accounts	225,000	225,000
	996,052	2,470,484

7. RBC INVESTMENT ACCOUNT

The RBC Investment Account consists of funds that are managed by RBC Dominion Securities Inc. These funds are recorded at market value.

The contents of this account are as follows:

	2017		2016	
	Cost	Market Value March 31/17	Cost	Market Value March 31/16
	\$	\$	\$	\$
Cash	52,075	52,075	5,374	5,374
Common shares and mutual funds	372,502	492,865	628,861	749,224
	424,577	544,940	634,235	754,598

Shares and mutual funds are held in companies listed on stock exchanges.

The fair market value of the stock portfolio may fluctuate as a result of changes in market stock prices that may be caused by factors specific to an individual security or its issuer, or factors affecting some or all securities traded in the market.

LOON RIVER FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

8. INVESTMENT IN FIRST NATION OWNED COMPANIES

	March 31 2017	March 31 2016
	\$	\$
(a) Loon River Cree Contractors Ltd.		
Investment in shares at cost		
100 Class A shares - 100% ownership	10	10
Advances to (from)	10,269,424	8,468,852
Accumulated net (losses) earnings	(8,135,714)	(5,814,689)
	2,133,720	2,654,173
(b) Loon River Trucking Ltd.		
Investment in shares at cost		
100 Class A shares - 100% ownership	100	100
Advances to (from)	9,796,515	7,728,114
Management fees receivable	-	-
Accumulated net (losses) earnings	(6,039,115)	(3,127,483)
	3,757,500	4,600,731
(c) Mahgwa Resources Inc.		
Investment in shares at cost		
100 Class A shares - 100% ownership	1	1
Advances to (from)	(132,084)	(179,177)
Accumulated net (losses) earnings	639,754	796,798
	507,671	617,622
(d) Loon River Truckwash Ltd.		
Investment in shares at cost		
100 Class A shares - 100% ownership	100	100
Advances to (from)	517,173	486,860
Accumulated net (losses) earnings	(345,422)	(245,933)
	171,851	241,027

LOON RIVER FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

8. INVESTMENT IN FIRST NATION OWNED COMPANIES (continued)

	March 31 2017 \$	March 31 2016 \$
(e) Loon River Cree Oilfield Operators Ltd.		
Investment in shares at cost		
100 Class A shares - 100% ownership	100	100
Advances to (from)	85,163	38,614
Accumulated net (losses) earnings	(13,651)	58,055
	71,612	96,769
(f) Loon River Cree Pipeline & Facilities Ltd.		
Investment in shares at cost		
100 Class A shares - 100% ownership	100	100
Advances to (from)	157,100	90,000
Accumulated net (losses) earnings	(869,949)	(165,607)
	(712,749)	(75,507)
(g) LRFN Land Corp.		
Investment in shares at cost		
100 Class A shares - 100% ownership	100	100
Assets contributed by LRFN	17,120,310	-
Advances to (from)	389,234	382,905
Accumulated net (losses) earnings	80,930	(10,590)
	17,590,574	372,415
(h) Loon River Truck Stop Ltd.		
Investment in shares at cost		
100 Class A shares - 100% ownership	100	100
Assets contributed by LRFN	416,089	-
Advances to (from)	1,593,297	700,974
Accumulated net (losses) earnings	(725,750)	(237)
	1,283,736	700,837
TOTAL	24,803,915	9,208,067

LOON RIVER FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

8. INVESTMENT IN FIRST NATION OWNED COMPANIES (continued)

March 31, 2017 unaudited financial information for Loon River Cree Contractors Ltd. is as follows:

	March 31 2017	March 31 2016
	\$	\$
Assets	3,996,787	4,701,189
Liabilities	12,132,491	11,203,627
Revenue	6,776,129	6,936,689
Net earnings (loss) for the period	(2,321,026)	(944,701)

March 31, 2017 unaudited financial information for Loon River Trucking Ltd. is as follows:

	March 31 2017	March 31 2016
	\$	\$
Assets	5,225,013	6,591,673
Liabilities	11,264,028	9,427,684
Revenue	5,218,630	8,671,553
Net earnings for the year	(2,911,632)	(2,260,332)

March 31, 2017 unaudited financial information for Mahgwa Resources Inc. is as follows:

	March 31 2017	March 31 2016
	\$	\$
Assets	775,347	640,158
Liabilities	135,592	82,789
Revenue	688,638	829,177
Net earnings (loss) for the year	(157,043)	209,199

March 31, 2017 unaudited financial information for Loon River Truckwash Ltd. is as follows:

	March 31 2017	March 31 2016
	\$	\$
Assets	585,737	568,285
Liabilities	931,059	814,118
Revenue	208,261	12,129
Net earnings (loss) for the year	(99,489)	(76,248)

LOON RIVER FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

8. INVESTMENT IN FIRST NATION OWNED COMPANIES (continued)

March 31, 2017 unaudited financial information for Loon River Cree Oilfield Operators Ltd. is as follows:

	March 31 2017	March 31 2016
	\$	\$
Assets	94,544	133,514
Liabilities	108,095	121,908
Revenue	107	310,327
Net earnings (loss) for the year	(71,706)	(16,716)

March 31, 2017 unaudited financial information for Loon River Cree Pipeline & Facilities Ltd. is as follows:

	March 31 2017	March 31 2016
	\$	\$
Assets	669,653	2,107,430
Liabilities	1,539,502	2,272,937
Revenue	705,041	3,024,678
Net earnings (loss) for the year	(704,342)	77,660

March 31, 2017 unaudited financial information for LRFN Land Corp. is as follows:

	March 31 2017	March 31 2016
	\$	\$
Assets	17,230,803	373,209
Liabilities	17,149,772)	383,699
Revenue	100,001	-
Net earnings (loss) for the year	91,521	(10,590)

March 31, 2017 unaudited financial information for Loon River Truck Stop Ltd. is as follows:

	March 31 2017	March 31 2016
	(12 Months)	(9 Months)
	\$	\$
Assets	2,077,166	1,400,836
Liabilities	2,802,816	1,400,973
Revenue	3,567,777	-
Net earnings (loss) for the year	(725,513)	(237)

LOON RIVER FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

9. SETTLEMENT CAPITAL AND REVENUE ACCOUNT FUNDS

As a result of the Loon River Cree Treaty Settlement Agreement (TSA)(1998) with the Government of Canada, a Settlement Capital Account was established in the amount of approximately \$21,500,000. The purpose of these funds is to provide the First Nation with investments that will result in a source of income for its current and all future generations.

To manage and protect these funds on behalf of the First Nation a Banking Agreement was signed as part of the Treaty Settlement Agreement. This Banking Agreement restricts the use of the Settlement capital account to the following:

1. the purchase of authorized investments
2. a one time per capita distribution up to a maximum of \$1,200,000
3. a loan of up to \$10,000,000 to Loon River Energy Corp. for the acquisition of oil and gas interests on the Loon River Territory.

On April 1 each year 80% of the annual return on the Settlement Capital Account will be paid to a special Settlement Revenue Account. Expenditures from this Revenue Account can be made for items that are of benefit to the First Nation and approved by the membership through the budget process and approved by Band Council Resolution.

After April 1, 2004 additional expenditures can be made out of the Settlement Capital Account where a BCR is prepared, approval from 75% of the eligible voters is obtained by special referendum and the expenditure does not exceed 10% of the market value of the Settlement Capital Account.

The Settlement Capital Account funds are managed by RBC Dominion Securities Inc. The contents of this account are as follows:

	2017		2016	
	Cost	Market Value March 31/17	Cost	Market Value March 31/16
	\$	\$	\$	\$
Cash and short term notes	2,601,781	2,601,781	6,655,079	6,655,079
Fixed income bonds	12,734,251	13,345,897	8,780,327	9,506,788
Equity investments	7,640,764	12,733,805	7,540,809	11,415,507
	22,976,796	28,681,483	22,976,215	27,577,374

Fixed income bonds consist of corporate and provincial bonds that bear interest at rates from 1.25% to 7.77%. Shares are held in companies listed on stock exchanges.

The Trust is exposed to the risk that fair market values of fixed income bonds may fluctuate due to fluctuations in interest rates. The fair market value of the Trust's stock portfolio may fluctuate as a result of changes in market stock prices that may be caused by factors specific to an individual security or its issuer, or factors affecting some or all securities traded in the market.

LOON RIVER FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

10. ECONOMIC DEVELOPMENT LOANS

	2017 \$	2016 \$
Economic Development Loans	482,157	518,023
Less: Allowance for doubtful accounts	(300,000)	(300,000)
	182,157	218,023

11. TANGIBLE CAPITAL ASSETS

	2017	2016	
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Buildings and leasehold	19,352,331	9,816,633	9,535,698
Vehicle and equipment	2,278,846	1,734,148	544,698
Roads, streets and bridges	3,482,064	1,701,672	1,780,392
Water and sewer	7,555,903	3,251,494	4,304,409
Band housing	15,869,116	6,522,197	9,346,919
CMHC housing	3,964,730	848,904	3,115,826
Rental Units	875,000	577,325	297,675
Highway 88 Project	-	-	-
	53,377,990	24,452,373	28,925,617
			42,832,214

12. ACCOUNTS PAYABLE

	2017 \$	2016 \$
Accounts Payable consist of:		
Trade accounts payable to related parties	-	366,228
Payroll liabilities	68,544	41,161
Trade accounts payable and accruals - other	691,891	1,611,533
	760,435	2,018,922

LOON RIVER FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

13. DEFERRED REVENUE

	2017 \$	2016 \$
Deferred revenue consists of:		
Health Canada		
- Public health nursing service delivery and support service services clerk	125,000	77,000
KTC Targeted Funding		
- KTC Fixed Funding - FNWWAP <1.5M - Ground Water Feasibility	71,755	-
Capital and Revenue Trust Funds		
- Capital - Public Works funding not spent as at March 31	542,004	296,148
- Revenue - Daycare funding not spent as at March 31	75,752	34,892
- Revenue - Youth and Summer Employment Programs not spent as at March 31	60,474	-
- Capital Project funding not spent as at March 31	46,894	46,894
Capital - Bridge Repairs	-	363,442
Capital - Highway 88 Project	422,886	1,761,963
Capital - Residential Subdivision	41,516	3,608,048
Loon River Truck Stop	1,189,526	6,111,387
Capital Projects		
- Treaty 7 - Continuing Care Elders Project	86,547	86,547
- Government of Alberta - Governance Restructure Project	-	35,005
	86,547	121,552
First Nation Development Fund		
- Project 10470 (Bridge deck replacement)	26,725	26,725
- Project 11492 (House Renovations)	18,446	22,316
- Project 12145 (Clarence Jaycox School Improvements)	15,745	15,745
- Project 12146 (Wellness Building Renovations)	68,502	15,642
- Project 12147 (Outdoor Rink Upgrades)	102,460	115,975
- Project 12148 (New Ball Diamond)	100,000	100,000
- Project 12149 (Water treatment plant pilot project)	89,349	89,349
- Project 12491 (Truck Stop Building)	419,308	-
	840,535	385,752
TOTAL DEFERRED REVENUE	2,313,363	6,695,691

LOON RIVER FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

14. LONG-TERM DEBT

	2017 \$	2016 \$
Long-term debt consists of the following:		
Prime +1% CIBC demand instalment loan repayable at \$500,000 annually plus interest due September 2020	1,500,000	2,000,000
1.85% CMHC mortgage repayable at \$1,288 per month due August 2034	422,495	438,279
1.67% CMHC mortgage repayable at \$2,530 per month due June 2028	311,760	336,764
1.67% CMHC mortgage repayable at \$6,958 per month due June 2028	857,329	926,085
1.85% CMHC mortgage repayable at \$1,408 per month due August 2034	233,606	244,888
2.63% CMHC mortgage repayable at \$1,391 per month due August 2034	230,550	241,684
2.68% CMHC mortgage repayable at \$1,424 per month due February 2036	251,093	263,145
	3,806,833	4,450,845
<u>Less current portion of long-term debt</u>	<u>2,076,354</u>	<u>3,021,920</u>
	1,730,479	1,428,925

The CIBC demand instalment loans are secured by a BCR authorizing the borrowing and a letter of agreement assigning interest income from the Settlement Capital Accounts being managed by CIBC Retail Markets and all present and after acquired personal property.

The construction loans are secured by Ministerial Guarantees. The First Nation has entered into five year 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 amounted to \$121,668 (2016 - \$168,137) during the year.

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

	\$
2018	576,354
2019	596,591
2020	617,585
2021	271,727
2022	147,193
<u>2023 and thereafter</u>	<u>1,597,383</u>
	3,806,833

LOON RIVER FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

15. RELATED PARTY TRANSACTIONS

During the year the First Nation contracted its subsidiary companies, Loon River Cree Contractors Ltd., Loon River Trucking Ltd. and Loon River Truckwash Ltd. to perform construction, housing, trucking and other services. The total amount billed to the First Nation for these services was \$1,728,567 (2016 - \$2,006,290).

Loon River Cree Contractors Ltd., Loon River Trucking Ltd., Loon River Cree Oilfield Operators Ltd., and Loon River Cree Pipeline & Facilities Ltd. were charged interest and royalties during the year by Loon River First Nation in the amount of \$3,280,948 (2016 - \$2,118,661).

During the year Mahgwa Resources Inc., a subsidiary company, paid distributions to Loon River First Nation totaling \$700,000 (2016 - \$0).

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.

During the year capital assets were transferred from Loon River First Nation to LRFN Land Corp and Loon River Truck Stop at the exchange amount of \$17,120,310 and \$416,089 respectively which is equal to cost and fair market value at the time of transfer.

16. CONTINGENT LIABILITIES

As at March 31, 2017 the First Nation has guaranteed a bank loans in the amount of \$831,568 (2016- \$940,371) for Loon River Trucking Ltd.

As at March 31, 2017 the First Nation and Loon River Trucking Ltd. guaranteed a bank loan in the amount of \$22,720 for Loon River Cree Contractors Ltd.

A statement of claim has been filed against Loon River Trucking Ltd. for breach of contract. Losses, if any, as a result of these claims are unknown.

17. BUDGET FIGURES

The 2017 budget figures which appear in these financial statements have not been audited.