

(1052) (0476) 30-0005-17.18 PRA

**LOON RIVER FIRST NATION  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**

HAND DELIVERED TO: David Arpin  
name  
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**LOON RIVER FIRST NATION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

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## LOON RIVER FIRST NATION

MARCH 31, 2018

### 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

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

11210 – 107 Avenue N.W.  
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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, 2018 and the Change in Accumulated Surplus, Statements of Operations, Change in Net Financial Assets and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

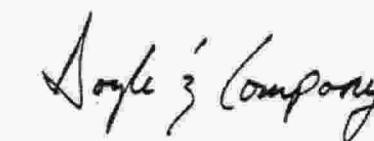
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparations and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the The Nation as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Edmonton, Alberta  
September 19, 2018

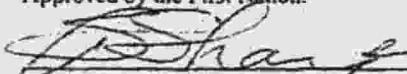


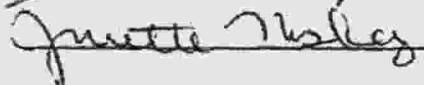
Chartered Professional Accountants

**LOON RIVER FIRST NATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2018**

	2018 \$	2017 \$
<b>FINANCIAL ASSETS</b>		
Cash (Note 5)	101,831	1,603,567
Accounts Receivable (Note 6)	1,953,171	996,052
RBC Investment Account (Note 7)	50,670	544,940
Economic Development Loans (Note 10)	141,852	182,157
Investment In First Nation Owned Companies (Note 8)	25,866,057	24,803,915
Trust Account - Capital	7,672,677	10,321,997
Trust Account - Revenue	1,575,402	3,520,207
	<b>37,361,660</b>	<b>41,972,835</b>
<b>LIABILITIES</b>		
Bank indebtedness (Note 12)	694,317	-
Accounts Payable (Note 13)	2,168,673	760,435
Deferred Revenue (Note 14)	1,926,937	2,313,363
Long Term Debt (Note 15)	3,660,613	3,806,833
	<b>8,450,540</b>	<b>6,880,631</b>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>28,911,120</b>	<b>35,092,204</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible Capital Assets (Note 11)	31,592,636	28,925,617
Prepaid Expenses	80,123	95,055
Settlement Capital Account Funds (Note 9)	27,857,321	28,681,483
	<b>59,530,080</b>	<b>57,702,155</b>
<b>ACCUMULATED SURPLUS</b>		
<b>ACCUMULATED SURPLUS</b>	<b>51,335,800</b>	<b>50,270,672</b>
<b>EQUITY IN SETTLEMENT TRUST ACCOUNTS</b>	<b>27,857,321</b>	<b>28,681,483</b>
<b>EQUITY IN TRUST FUNDS</b>	<b>9,248,079</b>	<b>13,842,204</b>
	<b>88,441,200</b>	<b>92,794,359</b>

Approved by the First Nation:

 Chief

 Band Manager

**LOON RIVER FIRST NATION**  
**STATEMENT OF CHANGES IN SETTLEMENT EQUITY ACCOUNTS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

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**SETTLEMENT CAPITAL ACCOUNT NET ASSETS**

	2018 Budget \$	2018 Actual \$	2017 Actual \$
<b>REVENUE</b>			
Investment Income	-	807,720	841,855
<b>EXPENDITURES</b>			
Trust and Management Fees	-	212,602	207,451
Transfer to Settlement Revenue Account	-	531,656	633,823
	-	744,258	841,274
<b>REVENUE LESS EXPENDITURES</b>	-	63,462	581
<b>UNREALIZED GAIN (LOSS) IN MARKET VALUE</b>	-	(887,624)	1,103,528
<b>(DEFICIT) SURPLUS FOR THE YEAR</b>	-	(824,162)	1,104,109
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>28,681,483</b>	27,577,374	
<b>NET ASSETS - END OF YEAR</b>	<b>27,857,321</b>	28,681,483	

**SETTLEMENT REVENUE ACCOUNT NET ASSETS**

	2018 Budget \$	2018 Actual \$	2017 Actual \$
<b>REVENUE</b>			
Transfer from Settlement Capital Account	-	531,656	633,823
<b>EXPENDITURES</b>			
Transfer to the Operating Accounts	-	531,656	633,823
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>	-	-	-
<b>NET ASSETS - BEGINNING OF YEAR</b>	-	-	-
<b>NET ASSETS - END OF YEAR</b>	<b>-</b>	-	-

**LOON RIVER FIRST NATION**  
**STATEMENT OF CHANGES IN TRUST FUND ACCOUNTS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

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			<b>Capital \$</b>	<b>Revenue \$</b>	<b>Total \$</b>
<b>BALANCES - BEGINNING OF YEAR</b>			10,321,997	3,520,207	<b>13,842,204</b>
<b>REVENUE</b>					
Interest Income			-	277,981	<b>277,981</b>
Royalties and Rental			2,772,276	346,214	<b>3,118,490</b>
			13,094,273	4,144,402	<b>17,238,675</b>
<b>BCR</b>	<b>Date Funds Released</b>	<b>Purpose of Expenditure</b>			
Number					
17/18-005	Jul 21/17	Govern. and Operations (A)	1,592,660	-	<b>1,592,660</b>
17/18-009	Jan 16/18	Per Capita Distribution (A)	-	629,000	<b>629,000</b>
17/18-005	Jul 21/17	Public Works - Admin (B)	1,777,000	-	<b>1,777,000</b>
17/18-005	Jul 21/17	Consultation (C)	103,000	-	<b>103,000</b>
17/18-005	Jul 21/17	Housing (D)	187,721	-	<b>187,721</b>
17/18-007	Dec 8/17	Capital Projects - Housing (E)	-	869,500	<b>869,500</b>
17/18-007	Feb 2/18	Capital Projects - Housing (E)	-	380,500	<b>380,500</b>
17/18-006	Jul 6/17	Capital Projects (E)	1,598,213	-	<b>1,598,213</b>
			5,258,594	1,879,000	<b>7,137,594</b>
<b>Band Trust Funds Receivable at March 31, 2018</b>					
17/18-005	May 9/17	Govern. and Operations (A)	163,002	-	<b>163,002</b>
17/18-020	May 10/17	Govern. and Operations (A)	-	690,000	<b>690,000</b>
			163,002	690,000	<b>853,002</b>
<b>Total Expenditures</b>			5,421,596	2,569,000	<b>7,990,596</b>
<b>BALANCES - END OF YEAR</b>			7,672,677	1,575,402	<b>9,248,079</b>

**Location of Band Funds in Programs:**

(A) - Administration	2,445,662	629,000	<b>3,074,662</b>
(B) - Public Works	1,777,000	-	<b>1,777,000</b>
(C) - Consultation	103,000	-	<b>103,000</b>
(D) - Capital Housing and Maintenance Operations	187,721	-	<b>187,721</b>
(E) - Capital Projects	1,598,213	1,250,000	<b>2,848,213</b>
	6,111,596	1,879,000	<b>7,990,596</b>

**LOON RIVER FIRST NATION**  
**STATEMENT OF CHANGES IN ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	<b>2018</b>				<b>2017</b>	
	Operating Net Assets \$	Equity in Business Enterprises \$	Equity in Tangible Capital Assets \$	Equity in Business Loans \$	Total \$	Total \$
<b>BALANCE - BEGINNING OF YEAR</b>	(1,244,037)	24,803,916	26,528,636	182,157	50,270,672	49,077,942
Excess of Revenues Over Expenditure	1,065,128	-	-	-	1,065,128	1,192,730
Net Advances to Business Enterprise	(4,335,031)	4,335,031	-	-	-	-
Net Loss in Business Enterprises	3,272,890	(3,272,890)	-	-	-	-
Loan Principal Repayments During the Year	(146,025)	-	146,025	-	-	-
Capital Asset Acquisitions	(4,261,641)	-	4,261,641	-	-	-
Annual Amortization Expense	1,594,622	-	(1,594,622)	-	-	-
Change in Accumulated Surplus	(2,810,057)	1,062,141	2,813,044	-	1,065,128	1,192,730
<b>BALANCE - END OF YEAR</b>	<b>(4,054,094)</b>	<b>25,866,057</b>	<b>29,341,680</b>	<b>182,157</b>	<b>51,335,800</b>	<b>50,270,672</b>

# LOON RIVER FIRST NATION

## STATEMENT OF OPERATIONS

**FOR THE YEAR ENDED MARCH 31, 2018**

	2018 Budget \$	2018 Actual \$	2017 Actual \$
<b>REVENUE</b>			
Kee Tas Kee Now Tribal Council (KTC)	6,136,437	7,103,135	6,226,037
Health Canada	1,246,919	1,344,118	1,246,919
Band Trust Funds	5,237,400	7,990,596	5,335,900
Transfers-Settlement Revenue Account	538,011	83,157	538,011
First Nation Development Fund	1,088,258	577,431	472,168
First Nation Management and Economic Development	1,797,877	3,652,609	6,099,489
Other	234,269	327,773	320,541
Contributions Carried Forward From Prior Year	419,308	2,313,363	6,695,691
Contributions Carried Forward To Next Year	(421,227)	(1,926,936)	(2,313,363)
	<b>16,277,252</b>	<b>21,465,246</b>	<b>24,621,393</b>
<b>OPERATING EXPENSES</b>			
Administration	4,746,795	4,222,478	4,704,022
Education	2,579,290	2,779,714	2,750,248
Economic Development	-	203,205	-
Public Works	3,438,374	2,777,886	3,120,763
First Nations and Inuit Health Program	1,246,919	1,553,463	1,188,629
Capital Housing and Maintenance Operations	825,060	759,089	718,939
Social Services Programs	1,045,495	989,979	906,127
Social Services Administration	104,909	106,837	115,663
Aboriginal Skills and Employment Training Strategy	119,575	151,524	119,575
Early Childhood Intervention	-	46,150	46,150
Consultation Unit	539,269	862,910	541,572
Youth	279,925	312,871	219,451
Daycare	354,902	277,100	314,042
Capital Projects, Highway 88, and Canada North Camps	-	305,306	38,620
First Nation Development Fund	996,739	184,094	17,385
	<b>16,277,252</b>	<b>15,532,606</b>	<b>14,801,186</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSE BEFORE OTHER</b>			
	-	5,932,640	9,820,207
<b>OTHER</b>			
Net earnings (Loss) in First Nation Owned Companies	-	(3,272,890)	(6,899,230)
Amortization	-	(1,594,622)	(1,728,247)
	<b>-</b>	<b>(4,867,512)</b>	<b>(8,627,477)</b>
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>			
	<b>-</b>	<b>1,065,128</b>	<b>1,192,730</b>

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, 2018**

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>EXCESS (DEFICIT) OF REVENUE OVER EXPENSES</b>	<b>1,065,128</b>	1,192,730
Acquisition of Tangible Capital Assets	(4,261,641)	(5,358,049)
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	14,932	7,232
Amortization of Tangible Capital Assets	1,594,622	1,728,247
Increase (Decrease) in Trust and Investment Accounts	(4,594,125)	(2,483,164)
	(7,246,212)	11,430,665
<b>INCREASE IN NET ASSETS</b>	<b>(6,181,084)</b>	12,623,395
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>35,092,204</b>	22,468,809
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>28,911,120</b>	35,092,204

**LOON RIVER FIRST NATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	<b>2018</b>	<b>2017</b>
	\$	\$
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash received from funding agencies and operations for the year	20,121,701	21,713,497
Cash paid to suppliers and employees	(12,846,541)	(15,643,221)
Interest paid	(34,004)	(163,595)
	<b>7,241,156</b>	<b>5,906,681</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Principal repayments of long term debt	(146,220)	(644,012)
	<b>(146,220)</b>	<b>(644,012)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Advances from (to) First Nation Enterprises	(4,335,031)	(4,958,780)
Purchase of capital assets	(4,261,641)	(5,358,049)
	<b>(8,596,672)</b>	<b>(10,316,829)</b>
<b>INCREASE (DECREASE) IN CASH DURING THE YEAR</b>	<b>(1,501,736)</b>	<b>(5,054,160)</b>
<b>CASH - Beginning of year</b>	<b>1,603,567</b>	<b>6,657,727</b>
<b>CASH - End of year</b>	<b>101,831</b>	<b>1,603,567</b>

**LOON RIVER FIRST NATION**  
**SCHEDULE 1- INDIVIDUAL PROGRAMS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	Tribal Council Funds	Band Trust Funds	Other Revenue	Deferred Revenue From Prior Year	Deferred Revenue To Next Year	Total Revenue	Operating Expenditures	Capital Expenditures and Loan Principal Repayments	Total Expenditures	Net Transfer In(Out)	Current Year's Surplus (Deficit)
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Administration	726,192	3,074,662	83,157	-	-	3,884,011	4,222,478	-	4,222,478	338,467	-
Education	2,194,687	-	-	-	-	2,194,687	2,779,714	-	2,779,714	585,027	-
Economic Development	203,200	-	-	-	-	203,200	203,205	-	203,205	-	(5)
First Nation Management and Economic Development	-	-	3,652,609	-	-	3,652,609	-	-	-	(1,918,893)	1,733,716
Public Works	919,263	1,777,000	-	613,759	(532,136)	2,777,886	2,777,886	-	2,777,886	-	-
First Nations and Inuit Health Program	-	-	1,351,350	125,000	-	1,476,350	1,553,463	-	1,553,463	-	(77,113)
Capital Housing and Maintenance Operations	329,948	187,721	139,391	-	-	657,060	759,089	146,220	905,309	248,249	-
Social Development - Programs	989,979	-	-	-	-	989,979	989,979	-	989,979	-	-
Social Development - Administration	106,837	-	-	-	-	106,837	106,837	-	106,837	-	-
Aboriginal Skills and Employment Training Strategy (A.S.E.T.S)	151,524	-	-	-	-	151,524	151,524	-	151,524	-	-
Early Childhood Intervention	-	-	46,150	-	-	46,150	46,150	-	46,150	-	-
Consultation Unit	137,719	103,000	135,000	-	-	375,719	862,910	-	862,910	487,191	-
Youth and Summer Employment	53,632	-	-	60,474	-	114,106	312,871	-	312,871	198,765	-
Daycare	140,154	-	-	75,752	-	215,906	277,100	-	277,100	61,194	-
Capital Projects	1,150,000	2,848,213	-	556,327	(973,573)	3,580,967	305,306	3,275,661	3,580,967	-	-
First Nation Development Fund	-	-	577,431	840,535	(421,227)	996,739	184,094	944,464	1,128,558	-	(131,819)
Loon River Truck Stop	-	-	-	41,316	-	41,516	-	41,516	41,516	-	-
	7,103,135	7,990,596	5,985,088	2,313,363	(1,926,936)	21,465,246	15,532,606	4,407,861	19,940,467	-	1,524,779

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, 2018**

	<b>2018 Budget \$</b>	<b>2018 Actual \$</b>	<b>2017 Actual \$</b>
Salaries, wages and benefits	<b>5,499,248</b>	<b>5,452,402</b>	5,344,128
Contracted and general services	<b>5,905,524</b>	<b>5,236,710</b>	4,688,747
Materials, goods and utilities	<b>4,140,980</b>	<b>4,198,982</b>	4,065,517
Bank charges and interest	<b>130,000</b>	<b>15,512</b>	97,794
Per Capita Distribution	<b>601,500</b>	<b>629,000</b>	605,000
	<b>16,277,252</b>	<b>15,532,606</b>	14,801,186

**LOON RIVER FIRST NATION**  
**SCHEDULE 3 - TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	Buildings & Improvements	Vehicles & Equipment	Roads, Street & Bridges	Water & Sewer	Band & CMHC Housing	Highway 88 Project	2018 \$	2017 \$
<b>COST:</b>								
Balance, Beginning of Year	19,352,331	2,278,846	3,482,064	7,555,903	20,708,846	-	<b>53,377,990</b>	65,556,340
Acquisition of tangible capital assets	2,138,067	-	-	-	2,123,574	-	<b>4,261,641</b>	5,358,049
Disposal of tangible capital assets	-	-	-	-	-	-	-	-
Transfers to Land Corp & Truckstop	-	-	-	-	-	-	-	(17,536,399)
Balance, End of Year	<b>21,490,398</b>	<b>2,278,846</b>	<b>3,482,064</b>	<b>7,555,903</b>	<b>22,832,420</b>	-	<b>57,639,631</b>	53,377,990
<b>ACCUMULATED AMORTIZATION:</b>								
Balance, Beginning of Year	9,816,633	1,734,148	1,701,672	3,251,494	7,948,426	-	<b>24,452,373</b>	22,724,126
Current year amortization	550,480	169,324	99,180	257,917	517,721	-	<b>1,594,622</b>	1,728,247
Accumulated amortization on disposals	-	-	-	-	-	-	-	-
Balance, End of Year	<b>10,367,113</b>	<b>1,903,472</b>	<b>1,800,852</b>	<b>3,509,411</b>	<b>8,466,147</b>	-	<b>26,046,995</b>	24,452,373
<b>NET BOOK VALUE</b>	<b>11,123,285</b>	<b>375,374</b>	<b>1,681,212</b>	<b>4,046,492</b>	<b>14,366,273</b>	-	<b>31,592,636</b>	28,925,617

**LOON RIVER FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

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**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:

	<b>Years</b>
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**  
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**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**  
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**5. CASH**

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

**6. ACCOUNTS RECEIVABLE**

	<b>2018</b>	<b>2017</b>
	\$	\$
Accounts receivable consists of:		
Accounts receivable - KTC	218,707	260,129
First Nation Development Fund	209,527	126,209
Staff member advances	53,939	137,356
Industry	362,066	301,592
G.S.T. recoverable	-	150,073
Accounts receivable - Other	1,333,932	245,693
	<b>2,178,171</b>	1,221,052
Less: Allowance for doubtful accounts	225,000	225,000
	<b>1,953,171</b>	996,052

**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:

	<b>2018</b>		<b>2017</b>	
	<b>Cost</b>	<b>Market Value</b>	<b>Cost</b>	<b>Market Value</b>
	\$	\$	\$	\$
Cash	1,005	1,005	52,075	52,075
Common shares and mutual funds	49,665	49,665	372,502	492,865
	<b>50,670</b>	<b>50,670</b>	<b>424,577</b>	<b>544,940</b>

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.

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**8. INVESTMENT IN FIRST NATION OWNED COMPANIES**

	March 31 2018 \$	March 31 2017 \$
<b>(a) Loon River Cree Contractors Ltd.</b>		
Investment in shares at cost		
100 Class A shares - 100% ownership	10	10
Advances to (from)	<b>13,171,750</b>	10,269,424
Accumulated net (losses) earnings	<b>(9,600,386)</b>	(8,135,714)
	<b>3,571,374</b>	2,133,720
<b>(b) Loon River Trucking Ltd.</b>		
Investment in shares at cost		
100 Class A shares - 100% ownership	100	100
Advances to (from)	<b>10,436,604</b>	9,796,515
Management fees receivable	-	-
Accumulated net (losses) earnings	<b>(6,461,120)</b>	(6,039,115)
	<b>3,975,584</b>	3,757,500
<b>(c) Mahgwa Resources Inc.</b>		
Investment in shares at cost	*	*
100 Class A shares - 100% ownership	1	1
Advances to (from)	-	(132,084)
Accumulated net (losses) earnings	<b>72,009</b>	639,754
	<b>72,010</b>	507,671
<b>(d) Loon River Truckwash Ltd.</b>		
Investment in shares at cost		
100 Class A shares - 100% ownership	100	100
Advances to (from)	<b>658,534</b>	517,173
Accumulated net (losses) earnings	<b>(488,122)</b>	(345,422)
	<b>170,512</b>	171,851

**LOON RIVER FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. INVESTMENT IN FIRST NATION OWNED COMPANIES (continued)**

	<b>March 31 2018</b>	<b>March 31 2017</b>
	\$	\$
<b>(e) Loon River Cree Oilfield Operators Ltd.</b>		
Investment in shares at cost		
100 Class A shares - 100% ownership	100	100
Advances to (from)	85,163	85,163
Accumulated net (losses) earnings	(28,930)	(13,651)
	<b>56,333</b>	<b>71,612</b>
<b>(f) Loon River Cree Pipeline &amp; Facilities Ltd.</b>		
Investment in shares at cost		
100 Class A shares - 100% ownership	100	100
Advances to (from)	401,989	157,100
Accumulated net (losses) earnings	(1,357,130)	(869,949)
	<b>(955,041)</b>	<b>(712,749)</b>
<b>(g) LRFN Land Corp.</b>		
Investment in shares at cost		
100 Class A shares - 100% ownership	100	100
Assets contributed by LRFN	17,120,310	17,120,310
Advances to (from)	376,819	389,234
Accumulated net (losses) earnings	360,563	80,930
	<b>17,857,792</b>	<b>17,590,574</b>
<b>(h) Loon River Truck Stop Ltd.</b>		
Investment in shares at cost		
100 Class A shares - 100% ownership	100	100
Assets contributed by LRFN	416,089	416,089
Advances to (from)	1,879,995	1,593,297
Accumulated net (losses) earnings	(1,178,691)	(725,750)
	<b>1,117,493</b>	<b>1,283,736</b>
<b>TOTAL</b>	<b>25,866,057</b>	<b>24,803,915</b>

**LOON RIVER FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. INVESTMENT IN FIRST NATION OWNED COMPANIES (continued)**

March 31, 2018 unaudited financial information for Loon River Cree Contractors Ltd. is as follows:

	<b>March 31 2018</b>	<b>March 31 2017</b>
	\$	\$
Assets	6,828,652	3,996,787
Liabilities	17,088,291	12,132,491
Revenue	6,603,152	6,776,129
Net earnings (loss) for the period	(1,464,672)	(2,321,026)

March 31, 2018 unaudited financial information for Loon River Trucking Ltd. is as follows:

	<b>March 31 2018</b>	<b>March 31 2017</b>
	\$	\$
Assets	6,522,136	5,225,013
Liabilities	12,983,156	11,264,028
Revenue	(7,929,403)	5,218,630
Net earnings for the year	(422,006)	(2,911,632)

March 31, 2018 unaudited financial information for Mahgwa Resources Inc. is as follows:

	<b>March 31 2018</b>	<b>March 31 2017</b>
	\$	\$
Assets	211,209	775,347
Liabilities	139,198	135,592
Revenue	515,797	688,638
Net earnings (loss) for the year	398,177	542,955

March 31, 2018 unaudited financial information for Loon River Truckwash Ltd. is as follows:

	<b>March 31 2018</b>	<b>March 31 2017</b>
	\$	\$
Assets	586,754	585,737
Liabilities	1,074,676	931,059
Revenue	215,774	208,261
Net earnings (loss) for the year	(142,600)	(99,489)

**LOON RIVER FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. INVESTMENT IN FIRST NATION OWNED COMPANIES (continued)**

March 31, 2018 unaudited financial information for Loon River Cree Oilfield Operators Ltd. is as follows:

	<b>March 31 2018</b>	March 31 2017
	\$	\$
Assets	<b>64,449</b>	94,544
Liabilities	<b>93,279</b>	108,095
Revenue	-	107
Net earnings (loss) for the year	<b>(15,279)</b>	(71,706)

March 31, 2018 unaudited financial information for Loon River Cree Pipeline & Facilities Ltd. is as follows:

	<b>March 31 2018</b>	March 31 2017
	\$	\$
Assets	<b>418,708</b>	669,653
Liabilities	<b>1,775,738</b>	1,539,503
Revenue	<b>34,719</b>	705,041
Net earnings (loss) for the year	<b>(487,181)</b>	(704,342)

March 31, 2018 unaudited financial information for LRFN Land Corp. is as follows:

	<b>March 31 2018</b>	March 31 2017
	\$	\$
Assets	<b>18,677,980</b>	17,230,803
Liabilities	<b>18,317,316</b>	17,149,772
Revenue	<b>300,000</b>	100,001
Net earnings (loss) for the year	<b>279,633</b>	91,521

March 31, 2018 unaudited financial information for Loon River Truck Stop Ltd. is as follows:

	<b>March 31 2018</b>	March 31 2017
	\$	\$
Assets	<b>2,379,619</b>	2,077,166
Liabilities	<b>3,558,210</b>	2,802,816
Revenue	<b>7,111,755</b>	3,567,777
Net earnings (loss) for the year	<b>(452,941)</b>	(725,513)

**LOON RIVER FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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:

	<b>2018</b>		<b>2017</b>	
	<b>Cost</b>	<b>Market Value March 31/18</b>	<b>Cost</b>	<b>Market Value March 31/17</b>
	\$	\$	\$	\$
Cash and short term notes	<b>5,123,508</b>	<b>5,123,508</b>	2,601,781	2,601,781
Fixed income bonds	<b>10,509,602</b>	<b>10,719,447</b>	12,734,251	13,345,897
Equity investments	<b>7,904,308</b>	<b>12,014,366</b>	7,640,764	12,733,805
	<b>23,537,418</b>	<b>27,857,321</b>	22,976,796	28,681,483

Fixed income bonds consist of corporate and provincial bonds that bear interest at rates from 1.25% to 5.56%. 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**  
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**10. ECONOMIC DEVELOPMENT LOANS**

	2018	2017
	\$	\$
Economic Development Loans	491,852	482,157
Less: Allowance for doubtful accounts	(350,000)	(300,000)
	<b>141,852</b>	<b>182,157</b>

**11. TANGIBLE CAPITAL ASSETS**

	2018	2017	
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Buildings and leasehold	21,490,398	10,367,113	11,123,285
Vehicle and equipment	2,278,846	1,903,472	375,374
Roads, streets and bridges	3,482,064	1,800,852	1,681,212
Water and sewer	7,555,903	3,509,411	4,046,492
Band housing	17,992,690	6,918,925	11,073,765
CMHC housing	3,964,730	948,022	3,016,708
Rental Units	875,000	599,200	275,800
	<b>57,639,631</b>	<b>26,046,995</b>	<b>31,592,636</b>
	<b>28,925,617</b>		

**12. BANK INDEBTEDNESS**

	2018	2017
	\$	\$
Bank indebtedness consist of:		
Cheque's issued in excess of bank balance	<b>694,317</b>	-

**13. ACCOUNTS PAYABLE**

	2018	2017
	\$	\$
Accounts Payable consist of:		
Payroll liabilities	60,259	68,544
Trade accounts payable and accruals - other	<b>2,108,414</b>	<b>691,891</b>
	<b>2,168,673</b>	<b>760,435</b>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**14. DEFERRED REVENUE**

	<b>2018</b>	<b>2017</b>
	\$	\$
Deferred revenue consists of:		
<b>Health Canada</b>		
- Public health nursing service delivery and support service services clerk	-	125,000
<b>KTC Targeted Funding</b>		
- KTC Fixed Funding - FNWWAP <1.5M - Ground Water Feasibility	-	71,755
<b>Capital and Revenue Trust Funds</b>		
- Capital - Public Works funding not spent as at March 31	532,136	542,004
- Revenue - Daycare funding not spent as at March 31	-	75,752
- Revenue - Youth and Summer Employment Programs not spent as at March 31	-	60,474
- Capital Project funding not spent as at March 31		
Capital - Bridge Repairs	46,894	46,894
Community Infrastructure & Roads	154,387	-
Housing Renovations	264,947	-
Capital - Residential Subdivision	420,799	422,886
Loon River Truck Stop	-	41,516
	<b>1,419,163</b>	1,189,526
<b>Capital Projects</b>		
- Treaty 7 - Continuing Care Elders Project	86,547	86,547
	<b>86,547</b>	86,547
<b>First Nation Development Fund</b>		
- Project 10470 (Bridge deck replacement)	26,725	26,725
- Project 11492 (House Renovations)	18,446	18,446
- Project 12145 (Clarence Jaycox School Improvements)	15,745	15,745
- Project 12146 (Wellness Building Renovations)	68,502	68,502
- Project 12147 (Outdoor Rink Upgrades)	102,460	102,460
- 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
	<b>421,227</b>	840,535
<b>TOTAL DEFERRED REVENUE</b>	<b>1,926,937</b>	2,313,363

**LOON RIVER FIRST NATION**  
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**15. LONG-TERM DEBT**

	<b>2018</b> \$	<b>2017</b> \$
Long-term debt consists of the following:		
Prime +1% CIBC demand installment loan repayable at \$62,500 per month plus interest due April 2020	1,500,000	1,500,000
1.85% CMHC mortgage repayable at \$1,288 per month due August 2034	406,546	422,495
1.67% CMHC mortgage repayable at \$2,530 per month due June 2028	286,350	311,760
1.67% CMHC mortgage repayable at \$6,958 per month due June 2028	787,451	857,329
1.85% CMHC mortgage repayable at \$1,408 per month due August 2034	222,124	233,606
2.63% CMHC mortgage repayable at \$1,391 per month due August 2034	219,218	230,550
2.68% CMHC mortgage repayable at \$1,424 per month due February 2036	238,924	251,093
	<b>3,660,613</b>	3,806,833
Less current portion of long-term debt	826,937	2,076,354
	<b>2,833,676</b>	1,730,479

The CIBC demand installment 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 \$34,004 (2017 - \$121,668) during the year.

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

	\$
2019	826,937
2020	892,039
2021	207,194
2022	147,401
2023	150,162
2024 and thereafter	1,436,880
	<b>3,660,613</b>

**LOON RIVER FIRST NATION**  
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**16. 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 \$820,552 (2017 - \$1,728,567).

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 \$659,263 (2017 - \$3,280,948).

During the year Mahgwa Resources Inc., a subsidiary company, paid distributions to Loon River First Nation totaling \$965,920 (2017 - \$700,000).

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.

**17. CONTINGENT LIABILITIES**

As at March 31, 2018 the First Nation has guaranteed a bank loans in the amount of \$985,819 (2017 - \$877,875) for Loon River Trucking Ltd.

The Province of Alberta has filed a claim in the amount of \$7.5M, against Loon River Cree Contractors Ltd and others, related to a wild fire. The insurance company is dealing with this issue and no losses to the company are expected.

A statement of claim has been filed against Loon River Cree Trucking Ltd.. for wrongful dismissal. Losses, if any, as a result of this claim is unknown.

A statement of claim has been filed against Loon River Trucking Ltd. and Loon River First Nation for breach of contract. Losses, if any, as a result of this claim is unknown.

**18. BUDGET FIGURES**

The 2018 budget figures which appear in these financial statements have not been audited.