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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
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

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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.

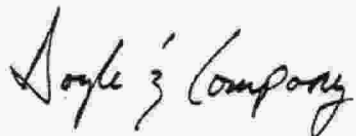
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

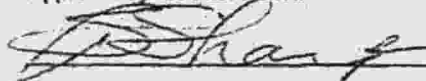
Edmonton, Alberta
September 19, 2018

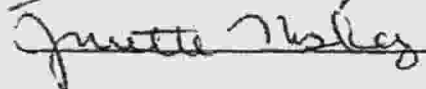

Chartered Professional Accountants

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

	2018	2017
	\$	\$
FINANCIAL ASSETS		
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
	37,361,660	41,972,835
LIABILITIES		
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
	8,450,540	6,880,631
NET FINANCIAL ASSETS (DEBT)	28,911,120	35,092,204
NON-FINANCIAL ASSETS		
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
	59,530,080	57,702,155
ACCUMULATED SURPLUS		
ACCUMULATED SURPLUS	51,335,800	50,270,672
EQUITY IN SETTLEMENT TRUST ACCOUNTS	27,857,321	28,681,483
EQUITY IN TRUST FUNDS	9,248,079	13,842,204
	88,441,200	92,794,359

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, 2018

SETTLEMENT CAPITAL ACCOUNT NET ASSETS

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

SETTLEMENT REVENUE ACCOUNT NET ASSETS

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

The accompanying notes form part of these financial statements.

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

				Capital \$	Revenue \$	Total \$
BALANCES - BEGINNING OF YEAR				10,321,997	3,520,207	13,842,204
REVENUE						
		Interest Income		-	277,981	277,981
		Royalties and Rental		2,772,276	346,214	3,118,490
				13,094,273	4,144,402	17,238,675
BCR Number	Date Funds Released	Purpose of Expenditure				
17/18-005	Jul 21/17	Govern. and Operations	(A)	1,592,660	-	1,592,660
17/18-009	Jan 16/18	Per Capita Distribution	(A)	-	629,000	629,000
17/18-005	Jul 21/17	Public Works - Admin	(B)	1,777,000	-	1,777,000
17/18-005	Jul 21/17	Consultation	(C)	103,000	-	103,000
17/18-005	Jul 21/17	Housing	(D)	187,721	-	187,721
17/18-007	Dec 8/17	Capital Projects - Housing	(E)	-	869,500	869,500
17/18-007	Feb 2/18	Capital Projects - Housing	(E)	-	380,500	380,500
17/18-006	Jul 6/17	Capital Projects	(E)	1,598,213	-	1,598,213
				5,258,594	1,879,000	7,137,594
Band Trust Funds Receivable at March 31, 2018						
17/18-005	May 9/17	Govern. and Operations	(A)	163,002	-	163,002
17/18-020	May 10/17	Govern. and Operations	(A)	-	690,000	690,000
				163,002	690,000	853,002
Total Expenditures				5,421,596	2,569,000	7,990,596
BALANCES - END OF YEAR				7,672,677	1,575,402	9,248,079
Location of Band Funds in Programs:						
(A) - Administration				2,445,662	629,000	3,074,662
(B) - Public Works				1,777,000	-	1,777,000
(C) - Consultation				103,000	-	103,000
(D) - Capital Housing and Maintenance Operations				187,721	-	187,721
(E) - Capital Projects				1,598,213	1,250,000	2,848,213
				6,111,596	1,879,000	7,990,596

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, 2018

	2018					2017
	Operating Net Assets \$	Equity in Business Enterprises \$	Equity in Tangible Capital Assets \$	Equity in Business Loans \$	Total \$	Total \$
BALANCE - BEGINNING OF YEAR	(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
BALANCE - END OF YEAR	(4,054,094)	25,866,057	29,341,680	182,157	51,335,800	50,270,672

LOON RIVER FIRST NATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2018

	2018 Budget \$	2018 Actual \$	2017 Actual \$
REVENUE			
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)
	16,277,252	21,465,246	24,621,393
OPERATING EXPENSES			
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
	16,277,252	15,532,606	14,801,186
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSE BEFORE OTHER	-	5,932,640	9,820,207
OTHER			
Net earnings (Loss) in First Nation Owned Companies	-	(3,272,890)	(6,899,230)
Amortization	-	(1,594,622)	(1,728,247)
	-	(4,867,512)	(8,627,477)
SURPLUS (DEFICIT) FOR THE YEAR	-	1,065,128	1,192,730

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

	2018 \$	2017 \$
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	1,065,128	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
INCREASE IN NET ASSETS	(6,181,084)	12,623,395
NET FINANCIAL ASSETS, BEGINNING OF YEAR	35,092,204	22,468,809
NET FINANCIAL ASSETS, END OF YEAR	28,911,120	35,092,204

The accompanying notes form part of these financial statements.

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

	2018 \$	2017 \$
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from funding agencies 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)
	7,241,156	5,906,681
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal repayments of long term debt	(146,220)	(644,012)
	(146,220)	(644,012)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Advances from (to) First Nation Enterprises	(4,335,031)	(4,958,780)
Purchase of capital assets	(4,261,641)	(5,358,049)
	(8,596,672)	(10,316,829)
INCREASE (DECREASE) IN CASH DURING THE YEAR	(1,501,736)	(5,054,160)
CASH - Beginning of year	1,603,567	6,657,727
CASH - End of year	101,831	1,603,567

The accompanying notes form part of these financial statements.

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	-	-	-	41,516	-	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

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

The accompanying notes form part of these financial statements.

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

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

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:

	<u>Years</u>
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, 2018

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, 2018

5. CASH

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

6. ACCOUNTS RECEIVABLE

	2018	2017
	\$	\$
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
	2,178,171	1,221,052
Less: Allowance for doubtful accounts	225,000	225,000
	1,953,171	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:

	2018		2017	
	Cost	Market Value	Cost	Market Value
		March 31/18		March 31/17
	\$	\$	\$	\$
Cash	1,005	1,005	52,075	52,075
Common shares and mutual funds	49,665	49,665	372,502	492,865
	50,670	50,670	424,577	544,940

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, 2018

8. INVESTMENT IN FIRST NATION OWNED COMPANIES

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

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

8. INVESTMENT IN FIRST NATION OWNED COMPANIES (continued)

	March 31 2018 \$	March 31 2017 \$
(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	85,163
Accumulated net (losses) earnings	(28,930)	(13,651)
	56,333	71,612
(f) Loon River Cree Pipeline & Facilities Ltd.		
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)
	(955,041)	(712,749)
(g) LRFN Land Corp.		
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
	17,857,792	17,590,574
(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	416,089
Advances to (from)	1,879,995	1,593,297
Accumulated net (losses) earnings	(1,178,691)	(725,750)
	1,117,493	1,283,736
TOTAL	25,866,057	24,803,915

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

8. INVESTMENT IN FIRST NATION OWNED COMPANIES (continued)

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

	March 31 2018 \$	March 31 2017 \$
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:

	March 31 2018 \$	March 31 2017 \$
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:

	March 31 2018 \$	March 31 2017 \$
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:

	March 31 2018 \$	March 31 2017 \$
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
MARCH 31, 2018

8. INVESTMENT IN FIRST NATION OWNED COMPANIES (continued)

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

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

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

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

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

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

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

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

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

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:

	2018		2017	
	Cost	Market Value March 31/18	Cost	Market Value March 31/17
	\$	\$	\$	\$
Cash and short term notes	5,123,508	5,123,508	2,601,781	2,601,781
Fixed income bonds	10,509,602	10,719,447	12,734,251	13,345,897
Equity investments	7,904,308	12,014,366	7,640,764	12,733,805
	23,537,418	27,857,321	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
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

10. ECONOMIC DEVELOPMENT LOANS

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

11. TANGIBLE CAPITAL ASSETS

	2018			2017
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Net Book Value \$
Buildings and leasehold	21,490,398	10,367,113	11,123,285	9,535,699
Vehicle and equipment	2,278,846	1,903,472	375,374	544,698
Roads, streets and bridges	3,482,064	1,800,852	1,681,212	1,780,392
Water and sewer	7,555,903	3,509,411	4,046,492	4,304,409
Band housing	17,992,690	6,918,925	11,073,765	9,346,918
CMHC housing	3,964,730	948,022	3,016,708	3,115,826
Rental Units	875,000	599,200	275,800	297,675
	57,639,631	26,046,995	31,592,636	28,925,617

12. BANK INDEBTEDNESS

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

13. ACCOUNTS PAYABLE

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

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

14. DEFERRED REVENUE

	2018	2017
	\$	\$
Deferred revenue consists of:		
Health Canada		
- Public health nursing service delivery and support service services clerk	-	125,000
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	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
	1,419,163	1,189,526
Capital Projects		
- Treaty 7 - Continuing Care Elders Project	86,547	86,547
	86,547	86,547
First Nation Development Fund		
- 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
	421,227	840,535
TOTAL DEFERRED REVENUE	1,926,937	2,313,363

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

15. LONG-TERM DEBT	2018	2017
	\$	\$
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
	3,660,613	3,806,833
Less current portion of long-term debt	826,937	2,076,354
	2,833,676	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
	3,660,613

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

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.