

Financial Statements of

# ENGLISH RIVER FIRST NATION

Year ended March 31, 2014

CHUC M SEC 2015 MAR 26



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## **INDEPENDENT AUDITORS' REPORT**

To the Chief and Council of English River First Nation

We have audited the accompanying financial statements of English River First Nation, which comprise the statement of financial position as at March 31, 2014, the statement of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 our 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, we consider internal control relevant to the entity's preparation 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 qualified audit opinion.

### *Basis for Qualified Opinion*

The financial statements of English River First Nation include long-term investments and income from these investments which were not subject to audit.



The English River First Nation has deficiencies in the accounting records related to the recording of travel and assistance expenses. As a result we were unable to obtain sufficient appropriate audit evidence about the classification and the recorded amount of travel expenses and other cash expenses totalling \$1,527,668. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

*Qualified Opinion*

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly in all material respects, the financial position of English River First Nation as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

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Chartered Accountants

Saskatoon, Canada  
March 24, 2015

# ENGLISH RIVER FIRST NATION

## Statement of Financial Position

March 31, 2014, with comparative information for 2013

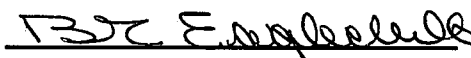
	2014	2013
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 1,024,892	\$ 5,994
Accounts receivable (note 3)	1,402,325	3,141,449
Long-term investments (note 4)	32,271,207	34,827,689
	<u>\$ 34,698,424</u>	<u>\$ 37,975,132</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	\$ 2,325,718	\$ 3,084,070
Due to related parties (note 5)	567,282	625,742
Deferred revenue (note 6)	122,378	745,560
Long-term debt (note 7)	5,541,699	5,961,458
	<u>8,557,077</u>	<u>10,416,830</u>
Net assets	26,141,347	27,558,302
<b>Non-financial assets:</b>		
Trust funds in Ottawa (note 8)	6,020	5,387
Tangible capital assets (note 9)	36,116,057	33,124,784
	<u>36,122,077</u>	<u>33,130,171</u>
Accumulated surplus	<u>\$ 62,263,424</u>	<u>\$ 60,688,473</u>

Contingencies (note 10)

The accompanying notes are an integral part of these financial statements.

On behalf of the Chief and Council:

 Councillor

 Councillor

# ENGLISH RIVER FIRST NATION

## Statement of Operations

Year ended March 31, 2014, with comparative information for 2013

	Budget	2014	2013
<b>Revenue:</b>			
Aboriginal Affairs and Northern Development Canada	\$ 3,678,160	\$ 8,062,983	\$ 9,036,988
Meadow Lake Tribal Council	2,099,078	3,381,003	3,427,287
Collaboration agreement - Community Investment	1,219,700	1,771,550	-
Project management fees	-	1,278,148	1,405,976
Government of Saskatchewan	22,000	1,096,005	24,491
Government of Canada	35,000	634,275	4,262,321
Canada Mortgage and Housing Corporation	-	619,255	491,219
Band development	-	562,128	563,558
Nuclear Waste Management	-	467,500	-
Miscellaneous	246,742	340,544	274,222
Northern Lights School	261,806	294,316	385,428
Rental income	36,830	47,703	159
Treaty land entitlement account	-	-	40,000
Earnings (loss) on long-term investments	-	(629,774)	7,023,240
	7,599,316	17,925,636	26,934,889
<b>Expenses (Summary schedule of operations by activity):</b>			
Community infrastructure	719,771	4,034,405	3,119,981
Education	1,692,757	3,385,002	3,268,923
Other	237,610	2,347,678	189,869
Employment and economic development	351,161	1,960,756	2,879,044
Social development	347,127	1,889,520	1,947,826
Health services	1,028,960	1,056,738	1,050,746
Band government	916,210	1,048,208	1,671,900
Capital	225,000	628,378	578,113
	5,518,596	16,350,685	14,706,402
<b>Surplus</b>	2,080,720	1,574,951	12,228,487
<b>Accumulated surplus, beginning of year</b>	-	60,688,473	48,459,986
<b>Accumulated surplus, end of year</b>	\$ -	\$ 62,263,424	\$ 60,688,473

The accompanying notes are an integral part of these financial statements.

# ENGLISH RIVER FIRST NATION

## Statement of Changes in Net Assets

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Surplus	\$ 1,574,951	\$ 12,228,487
Acquisition of tangible capital assets	(6,116,228)	(10,195,407)
Amortization of tangible capital assets	3,124,955	2,405,808
	(1,416,322)	4,438,888
Interest on trust funds in Ottawa	(633)	(591)
Increase (decrease) in net assets	(1,416,955)	4,438,297
Net assets, beginning of year	27,558,302	23,120,005
Net assets, end of year	\$ 26,141,347	\$ 27,558,302

The accompanying notes are an integral part of these financial statements.

# ENGLISH RIVER FIRST NATION

## Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash flows from (used in):		
Operations:		
Surplus	\$ 1,574,951	\$ 12,228,487
Items not involving cash:		
Loss (earnings) on long-term investments	629,774	(7,023,240)
Amortization of tangible capital assets	3,124,955	2,405,808
Interest on trust funds in Ottawa	(633)	(591)
	5,329,047	7,610,464
Change in non-cash operating working capital:		
Accounts receivable	1,739,124	(2,573,805)
Accounts payable and accrued liabilities	(758,352)	(80,035)
Deferred revenue	(623,182)	(208,233)
	5,686,637	4,748,391
Financing:		
Proceeds from long term debt	838,384	1,359,948
Principal payments on long term debt	(1,258,143)	(1,151,160)
	(419,759)	208,788
Capital		
Purchase of tangible capital assets	(6,116,228)	(10,195,407)
Investing		
Advances on long-term investments	1,926,708	1,265,901
Due from (to) related parties	(58,460)	756,023
	1,868,248	2,021,924
Increase (decrease) in cash	1,018,898	(3,216,304)
Cash and cash equivalents, beginning of year	5,994	3,222,298
Cash and cash position, end of year	\$ 1,024,892	\$ 5,994
Supplemental cash flow disclosure:		
Interest paid on long-term debt	\$ 160,358	\$ 213,525

The accompanying notes are an integral part of these financial statements.

# ENGLISH RIVER FIRST NATION

## Notes to Financial Statements

Year ended March 31, 2014

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### 1. Operations

The English River First Nation (the "First Nation") is located on lands surrounding Patuanak, Saskatchewan. The First Nation receives a major portion of its revenue from Aboriginal Affairs and Northern Development Canada ("AANDC") and Meadow Lake Tribal Council.

### 2. Significant accounting policies:

These financial statements of the First Nation have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. The English River First Nation reporting entity includes the First Nation and all related entities that are controlled by the First Nation. Significant accounting policies adopted by the First Nation are as follows:

#### (a) Basis of consolidation:

Long-term investments subject to control or significant influence and considered government business enterprises have been accounted for on the modified equity basis with the activity being reflected in the statement of operations. The following entities represent financial assets of the First Nation and are considered self sustaining, business oriented entities and are recorded in the consolidated financial statements based on the modified equity method of accounting:

- Des Nedhe Development Inc.;
- English River Enterprises Inc.;
- MLTC Resource Development Limited Partnership;
- Tron Power Limited Partnership;
- Canadian Shield Limited Partnership;
- Des Nedhe Development Limited Partnership;
- English River Enterprises Limited Partnership;
- English River Enterprises Property Management Limited Partnership;
- English River Enterprises Equipment Rental Limited Partnership; and
- Minetec Sales Limited Partnership.

Portfolio investments in which the First Nation does not exercise significant influence are accounted for on the cost basis with any activity being reflected in the statement of operations.



# ENGLISH RIVER FIRST NATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

## 2. Significant accounting policies (continued):

### (b) Accrual accounting:

Accrual accounting is used for the preparation of these financial statements. Under the accrual method an expense and related liability are recorded at the time the goods or services have been received and an obligation has been incurred.

### (c) Tangible capital assets:

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

### (d) Amortization:

Cost less residual value of the tangible capital assets excluding land and assets under construction are amortized on a straight line basis from the date of acquisition at the following rates:

Asset	Method	Rate
General housing	Straight-line	5%
Buildings and improvements	Straight-line	5%
General equipment	Straight-line	20%
Infrastructure	Straight-line	5%
Vehicles	Straight-line	20%

Assets under construction are not subject to amortization until the project is substantially complete and available for use.

### (e) Revenue recognition:

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the statement of financial position.

# ENGLISH RIVER FIRST NATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

## 2. Significant accounting policies (continued):

### (f) Cash and cash equivalents:

Cash and cash equivalents includes highly liquid deposits with an initial term to maturity of 90 days or less.

Cash is allocated for the following purposes:

	2014	2013
Externally restricted:		
AANDC	\$ 887,823	\$ 152,682
CMHC	6,005	9,644
Other	1,326,666	1,008,402
	2,220,494	1,170,728
Unrestricted:		
Operating	(1,195,602)	(1,164,734)
	\$ 1,024,892	\$ 5,994

### (g) Income taxes:

No provision for income taxes is included in these consolidated financial statements on the basis that the First Nation is exempt from income taxes under Section 149(1)(d.5) of the income tax act and Section 87 of the Indian Act.

### (h) Non-financial assets:

Non financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

### (i) Use of estimates:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount and estimated life of tangible capital assets, the provision for impairment of accounts receivable and deferred revenue. Actual amounts could differ from estimates.

# ENGLISH RIVER FIRST NATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

## 3. Accounts receivable:

	2014	2013
First Nations Trust	\$ 345,771	\$ -
Aboriginal Affairs and Northern Development Canada	332,015	2,530,403
Canada Mortgage and Housing Corporation	266,870	134,118
Northern Lights Community Development Corporation	206,662	126,524
Meadow Lake Tribal Council	137,174	254,846
Other	49,954	53,759
Goods and services tax rebate	48,862	41,799
Government of Canada	15,017	-
	<u>\$ 1,402,325</u>	<u>\$ 3,141,449</u>

# ENGLISH RIVER FIRST NATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

## 4. Long-term investments:

The First Nation has a one-ninth interest in the MLTC Reserve Development Limited Partnership and its related investments. The First Nation is the beneficial owner of Des Nedhe Development Inc. and English River Enterprises Inc., which are corporations that have been set up to develop business enterprises for the benefit of the members. The First Nation is also the beneficial owner of Tron Power Limited Partnership, Canadian Shield Limited Partnership, Des Nedhe Development Limited Partnership, English River Enterprises Limited Partnership, English River Enterprises Property Management Limited Partnership and Minetec Sales Limited Partnership. Investments are comprised of the following:

	2014	2013
MLTC Resource Development Limited Partnership	\$ 4,789,660	\$ 4,658,561
Des Nedhe Development Inc. (100%)	(1,344,404)	(946,935)
English River Enterprises Inc. (100%)	(21,202)	(19,156)
Tron Power Limited Partnership (99.9%)	20,694,406	22,948,739
Des Nedhe Development Limited Partnership (99.9%)	3,708,150	3,620,413
English River Enterprises Limited Partnership (99.9%)	1,774,846	1,688,440
Minetec Sales Limited Partnership (99.9%)	845,332	1,330,693
English River Enterprises Equipment Rental Limited Partnership (99.9%)	1,144,463	1,157,541
English River Enterprises Property Management Limited Partnership (99.9%)	670,914	380,251
Canadian Shield Limited Partnership (42.9%)	9,042	9,042
	<b>\$ 32,271,207</b>	<b>\$ 34,827,589</b>

Earnings (loss) from long-term investments is comprised of the following:

	2014	2013
Tron Power Limited Partnership	(472,624)	5,345,293
English River Enterprises Limited Partnership	86,406	(364,834)
English River Enterprises Property Management Limited Partnership	290,663	95,941
English River Enterprises Equipment Rental Limited Partnership	(13,078)	57,916
English River Enterprises Inc.	(2,046)	(7,310)
Des Nedhe Development Limited Partnership	132,737	1,307,075
Des Nedhe Development Inc.	(397,570)	-
Minetec Sales Limited Partnership	(485,361)	160,146
MLTC Resource Development Limited Partnership	231,099	429,013
	<b>\$ (629,774)</b>	<b>\$ 7,023,240</b>

# ENGLISH RIVER FIRST NATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

## 5. Due from (to) related parties:

	2014	2013
Des Nedhe Development Limited Partnership	\$ (255,130)	\$ (156,901)
Tron Power Limited Partnership	(274,810)	(173,914)
English River Treaty Land Entitlement Trust	4,324	(290,098)
Cree Lake Resort	-	34,365
English River Enterprises Limited Partnership	(41,666)	(39,194)
	<u>\$ (567,282)</u>	<u>\$ (625,742)</u>

## 6. Deferred revenue:

	2014	2013
Meadow Lake Tribal Council	\$ 96,130	\$ 41,121
Aboriginal Affairs and Northern Development Canada	26,248	669,773
Government of Canada	-	34,666
	<u>\$ 122,378</u>	<u>\$ 745,560</u>

# ENGLISH RIVER FIRST NATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

## 7. Long-term debt:

	2014	2013
First Nations Bank; prime plus 1.50% (4.50%), payable in monthly instalments of \$60,000 blended principal and interest, maturing March 1, 2018, secured by a redirection of AANDC and other government sources, Mudjatik Enterprises Inc. income allocation payable to Des Nedhe Developments Inc., SGA funds, TLE income allocation issued by the trustees, NorSask dividends, Mudjatik-Thyssen Joint Venture dividends, Athabasca Catering Limited Partnership dividends, Northern Resource Trucking dividends and assignment of all risk insurance	\$ 2,134,952	\$ -
First Nations Bank; 4.25%, payable in quarterly instalments of \$37,500 blended principal and interest, maturing January 1, 2016, secured by a redirection of AANDC and other government sources, Mudjatik Enterprises Inc. income allocation payable to Des Nedhe Developments Inc., SIGA funds, TLE income allocation issued by the trustees, NorSask dividends, Mudjatik-Thyssen Joint Venture dividends, Athabasca Catering Limited Partnership dividends, Northern Resource Trucking dividends and assignment of all risk insurance	300,000	450,000
First Nations Bank; 4.50%, payable in monthly instalments of \$36,893 blended principal and interest, maturing April 1, 2014, secured by a redirection of AANDC and other government sources, Mudjatik Enterprises Inc. income allocation payable to Des Nedhe Developments Inc., SIGA funds, TLE income allocation issued by the trustees, NorSask dividends, Mudjatik-Thyssen Joint Venture dividends, Athabasca Catering Limited Partnership dividends, Northern Resource Trucking dividends and assignment of all risk insurance	37,100	467,670
First Nations Bank; prime plus 2.8% (5.8%), payable in quarterly instalments of \$15,000 blended principal and interest, maturing June 30, 2014, secured by a redirection of AANDC and other government sources, Mudjatik Enterprises Inc. income allocation payable to Des Nedhe Developments Inc., SIGA funds, TLE income allocation issued by the trustees, NorSask dividends, Mudjatik-Thyssen Joint Venture dividends, Athabasca Catering Limited Partnership dividends, Northern Resource Trucking dividends and assignment of all risk insurance	35,000	95,000

# ENGLISH RIVER FIRST NATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

## 7. Long-term debt (continued):

	2014	2013
First Nations Bank; 4.50%, payable in monthly instalments of \$33,090 blended principal and interest, maturing April 1, 2014, secured by a redirection of AANDC and other government sources, Mudjatik Enterprises Inc. income allocation payable to Des Nedhe Developments Inc., SIGA funds, TLE income allocation issued by the trustees, NorSask dividends, Mudjatik-Thyssen Joint Venture dividends, Athabasca Catering Limited Partnership dividends, Northern Resource Trucking dividends and assignment of all risk insurance	33,197	419,420
First Nations Bank; 4.50% demand interim variable loan, due October 1, 2013	-	1,359,947
Canada Mortgage and Housing Corporation; 2.87% loan, payable in monthly instalments of \$13,233 blended principal and interest, maturing November 1, 2029, renewable December 1, 2014, secured by a redirection of annual funding from Aboriginal Affairs and Northern Development Canada (subsequently renewed payable in monthly instalments of \$12,300 (including interest of 1.83% renewable December 2019)	2,003,242	2,103,319
Canada Mortgage and Housing Corporation; 2.65% loan, payable in monthly instalments of \$2,304 blended principal and interest, maturing February 1, 2025, renewable February 1, 2015, secured by a redirection of annual funding from Aboriginal Affairs and Northern Development Canada	262,035	282,488
Canada Mortgage and Housing Corporation; 2.61% loan, payable in monthly instalments of \$1,684 blended principal and interest, maturing September 1, 2029, renewable September 1, 2014 secured by a redirection of annual funding from Aboriginal Affairs and Northern Development Canada (subsequently renewed payable in monthly instalments of \$1,615 (including interest at 2.01% renewable October 2019)	257,596	270,926
Canada Mortgage and Housing Corporation; 1.62% loan, payable in monthly instalments of \$1,343 blended principal and interest, maturing January 1, 2028, renewable March 1, 2018, secured by a redirection of annual funding from Aboriginal Affairs and Northern Development Canada	199,626	212,430

# ENGLISH RIVER FIRST NATION

## Notes to Financial Statements (continued)

Year ended March 31, 2014

### 7. Long-term debt (continued):

	2014	2013
Canada Mortgage and Housing Corporation; 2.40% loan, payable in monthly instalments of \$1,455 blended principal and interest, maturing July 1, 2025, renewable October 1, 2015, secured by a redirection of annual funding from Aboriginal Affairs and Northern Development Canada	173,178	186,327
Canada Mortgage and Housing Corporation; 2.84% loan, payable in monthly instalments of \$939 blended principal and interest, maturing February 1, 2025, renewable April 1, 2015, secured by a redirection of annual funding from Aboriginal Affairs and Northern Development Canada	105,773	113,931
	<b>\$ 5,541,699</b>	<b>\$ 5,961,458</b>

Estimated principal repayments of term debt for each of the next five years and thereafter are as follows:

2015	\$ 1,068,225
2016	1,001,732
2017	886,110
2018	328,083
2019	197,065
Thereafter	2,060,484
	<b>\$ 5,541,699</b>



# ENGLISH RIVER FIRST NATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

## 8. Trust funds in Ottawa:

The First Nation has the following funds being held in trust by Aboriginal Affairs and Northern Development Canada:

	Capital	Revenue	Total
Balance at March 31, 2013	\$ 945	\$ 4,442	\$ 5,387
Interest earned	-	633	633
Balance at March 31, 2014	\$ 945	\$ 5,075	\$ 6,020

The Ottawa trust accounts arise from funds derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Section 63 to 69 of the Indian Act.

# ENGLISH RIVER FIRST NATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

## 9. Tangible capital assets:

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Buildings	\$ 12,992,744	\$ 7,414,505	\$ 5,578,239	\$ 5,209,108
Water and sewer	20,538,095	6,991,929	13,546,166	10,051,133
Bridge	8,538,395	1,280,759	7,257,636	7,684,555
School and gymnasium	5,788,810	4,601,036	1,187,774	1,377,137
Nursing station	7,826,253	391,313	7,434,940	7,538,072
Arena and curling rink	1,697,674	1,248,093	449,581	502,965
Equipment	1,628,058	966,337	661,721	761,814
	\$ 59,010,029	\$ 22,893,972	\$ 36,116,057	\$ 33,124,784

Amortization is allocated to the following activities:

	2014	2013
Education	\$ 515,616	\$ 497,557
Community infrastructure	2,403,799	1,702,711
Capital	205,540	205,540
	\$ 3,124,955	\$ 2,405,808

## 10. Contingencies:

The Band has provided a guarantee on the debt of English River Enterprises Limited Partnership for up to \$8,408,425 and English River Enterprises Equipment Rental Limited Partnership for up to \$524,488.

# ENGLISH RIVER FIRST NATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

## 11. Expenses by object:

	2014	2013
Wages and benefits	\$ 4,246,215	\$ 4,062,541
Amortization of tangible capital assets	3,124,955	2,405,808
Assistance	1,690,675	1,874,844
Travel	1,527,668	1,936,975
Education and programming	1,098,351	922,702
Repairs and maintenance	1,035,143	427,634
Materials and supplies	893,829	548,848
Cultural	792,263	317,998
Utilities	413,492	371,878
Community health	234,100	93,800
Recreation	163,287	420,398
Insurance	158,079	122,959
Bank charges	143,693	60,951
Telephone	147,631	95,140
Contracts	130,016	227,773
Interest expense on long-term debt	122,827	202,556
Professional development	109,790	124,583
Other	78,990	150,951
Equipment rental	78,626	65,356
Professional and legal	43,000	160,405
Vehicle	41,644	41,276
Meetings	37,144	32,345
Postage and freight	20,785	6,571
Fuel	18,482	14,610
Administration	-	17,500
	\$ 16,350,685	\$ 14,706,402

## 12. Financial instruments and risk management:

The fair value of the First Nation's financial assets and liabilities including cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate carrying values due to the short-term period to maturity of the items.

The fair value of the long-term debt approximates carrying amounts due to the fixed and variable interest rates on the majority of the debt or rates that approximate current rates based on similar debt instruments.

# ENGLISH RIVER FIRST NATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

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## 12. Financial instruments and risk management (continued):

The First Nation has the following significant risks from its use of financial statements:

(a) Credit risk on accounts receivable:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The First Nation's exposure arises principally from its accounts receivable.

(b) 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 market interest rates. The First Nation's exposure to interest rate risk arises primarily from any outstanding debt with floating interest rates as well as prevailing interest rates at the time of renewal or refinancing of long-term debt as it becomes due.

(c) Liquidity risk:

Liquidity risk is the risk that the First Nation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The First Nation manages its liquidity risk by monitoring its operating requirements to ensure it has sufficient funds to fulfill its obligations.

A significant position of the First Nation's assets consist of investments in economic development entities ultimately controlled by the First Nation (note 4). The First Nation has also guaranteed debts of certain of these entities (note 10). The ultimate realization of these investments amounts is dependent upon the ability of the related entities to generate and maintain sufficient cash resources and profitability in order to continue to provide cash to the First Nation to assist in its operations.

## 13. Economic dependence:

The English River First Nation receives a major portion of its revenue pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada.

## 14. Budget information:

The budget information disclosed has been approved by the First Nation's Chief and Council.

# ENGLISH RIVER FIRST NATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

## 15. Reconciliation of AANDC funding:

	2014	2013
Contributions per funding agreement	\$ 7,419,458	\$ 9,252,290
Add: prior year deferred revenue	669,773	454,471
Less: current year deferred revenue	(26,248)	(669,773)
	<u>\$ 8,062,983</u>	<u>\$ 9,036,988</u>

## 16. Related party transactions:

Long-term investments in related parties are described in notes 2 and 4 and amounts due from (to) related parties are described in note 5. Project management fees include \$1,200,000 (2013 - \$1,200,000) received from Des Nedhe Development Limited Partnership.

## 17. Collaboration agreement:

Effective May 31, 2013, English River First Nation, Cameco Corporation ("Cameco") and Areva Resources Canada Inc. ("Areva") signed a Collaboration Agreement (the "Agreement"). The objectives of this Agreement are to provide a framework for economic, employment and other opportunities to the First Nation and its members. This framework is to be built around the following pillars:

- Community Investment;
- Workforce Development;
- Business Development; and
- Community Engagement and Environmental Stewardship.

Cameco and the First Nation have formed a Joint Implementation Committee to implement the Agreement and to provide a forum to discuss matters related to the operations of Cameco and Areva, monitor and oversee the implementation of the Agreement, collaborate and seek consensus on matters relating to the Agreement, make recommendations to the senior representatives of the parties to the Agreement and to carry out the obligations of the Agreement.

The Agreement provides for one-time and ongoing payments to the First Nation based on certain milestones and production volumes from the operations of Cameco and Areva. During the year, the First Nation received \$1,750,000 pursuant to the Agreement.

# ENGLISH RIVER FIRST NATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

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## **18. Comparative figures:**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.