

(0457) 30-0005-13.14 PRA

**Swan River First Nation
Consolidated Financial Statements
March 31, 2014**

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**ABORIGINAL AFFAIRS & NORTHERN
DEVELOPMENT CANADA
ALBERTA REGION**

Swan River First Nation

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Swan River First Nation

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

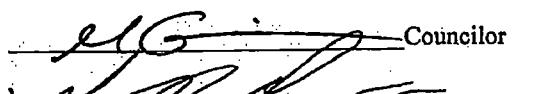
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgement. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

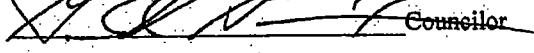
The First Nation maintains systems of internal accounting and administrative controls of high quality. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately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

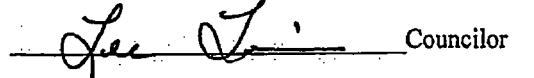
The First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

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

 Councilor

 Councilor

 Councilor

DOYLE & COMPANY

CHARTERED ACCOUNTANTS

Allan J. Grykulik, C.A.*

Scott T. Mockford, C.A.*

* Operates as a Professional Corporation

11210 - 107 Avenue N.W. 2nd Flr

Edmonton, Alberta T5H 0Y1

INDEPENDENT AUDITORS' REPORT

Tel (780) 452-2300, Fax (780) 452-2335

To the Chief and Council

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the **Swan River First Nation**, which comprise the statement of financial position as at March 31, 2014 and the statements of activities, change in net financial assets and cash flows, change in accumulated surplus, tangible capital assets, financial activities by program and expenditures by object for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

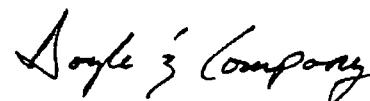
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Swan River First Nation as at March 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

July 21, 2014

Edmonton, Alberta

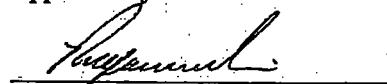


Chartered Accountants

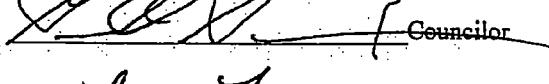
Swan River First Nation
Consolidated Statement of Financial Position
As at March 31, 2014

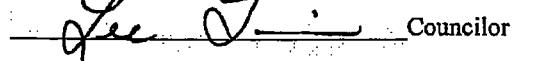
	2014 \$	2013 \$
FINANCIAL ASSETS		
Cash	62,179	105,274
Restricted cash (Note 3)	366,538	722,610
Accounts receivable (Note 4)	794,228	792,436
Investments (Note 5)	-	13,369
Investment in First Nation controlled entities (Note 6)	599,400	851,777
	1,822,345	2,485,466
LIABILITIES		
Accounts payable	69,652	278,510
Deferred revenue (Note 7)	65,000	840,098
Long-term liabilities (Note 8)	2,691,153	1,480,088
Replacement reserve	57,750	47,750
	2,883,555	2,646,446
NET FINANCIAL DEBT	(1,061,210)	(160,980)
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	8,473,427	7,023,457
Trust funds (Note 9)	637,594	621,848
Prepaid expenses	59,317	56,934
	9,170,338	7,702,239
ACCUMULATED SURPLUS (Schedule 1 and Note 12)	8,109,128	7,541,259

Approved by the First Nation:

 Chief

 Councilor

 Councilor

 Councilor

Swan River First Nation
Consolidated Statement of Financial Activities
For the year ended March 31, 2014

	Page #	2014 Budget \$	2014 Actual \$	2013 Actual \$
REVENUE				
Lesser Slave Lake Indian Regional Council		30,000	30,000	3,423,172
Aboriginal Affairs and Northern Development Canada		4,355,476	4,355,476	1,174
Health Canada		1,096,096	1,096,096	1,024,341
First Nations Development Fund		-	561,268	563,008
Human Resource Development Canada		193,375	306,973	306,973
Canada Mortgage and Housing Corporation		170,772	120,281	149,059
Other revenue		840,624	2,113,440	1,593,150
Revenue deferred from previous period		-	840,098	740,448
Revenue deferred to subsequent period		-	(65,000)	(840,098)
		6,686,343	9,358,632	6,961,227
EXPENDITURES				
Band Management	18.	1,360,552	1,557,503	1,678,122
CMHC Housing #1	19.	12,352	27,599	19,926
CMHC Housing #2	20.	16,818	5,418	10,445
CMHC Multi-plex	21.	-	55,437	47,277
Child Care Incentives	22.	118,882	138,996	148,839
Child Fund		-	-	76,304
Child Welfare	23.	30,000	30,000	30,283
Consultation	24.	467,472	554,312	618,830
Economic Development	25.	82,380	86,636	82,958
Education - Post Secondary	26.	363,790	405,729	398,755
First Nations Development Fund	27.	-	172,679	376,930
Health Services	28 - 30.	1,096,096	1,183,788	1,065,089
Housing and Renovations	31.	400,785	547,634	471,244
Human Resources Development	32.	193,376	234,942	211,269
School	33.	1,056,128	1,743,948	684,200
Social Services	34.	807,684	971,847	817,251
Water Treatment Plant	35.	162,568	218,945	163,482
		6,168,883	7,935,413	6,901,204
Excess of Revenue Over Expenditures				
- Before Other Expenses		517,460	1,423,219	60,023
Other Expenses				
Amortization		-	(618,719)	(543,644)
EXCESS OF REVENUE OVER EXPENDITURE		517,460	804,500	(483,621)

The accompanying notes form part of these financial statements.

Swan River First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2014

	2014 \$	2013 \$
EXCESS OF REVENUES OVER EXPENSES	552,123	(505,524)
Acquisition of tangible capital assets	(2,068,689)	(1,300,042)
Amortization of tangible capital assets	618,719	543,644
Increase in investment in First Nation controlled entities	-	234,566
	(1,449,970)	(521,832)
Acquisition of prepaid assets	(59,317)	(56,934)
Use of prepaid assets	56,934	52,121
	(2,383)	(4,813)
DECREASE IN NET ASSETS	(900,230)	(1,032,169)
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	(160,980)	871,189
NET FINANCIAL DEBT, END OF YEAR	(1,061,210)	(160,980)

Swan River First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2014

	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from funding agencies and other income	8,581,742	7,185,307
Cash paid to suppliers and employees	(8,389,031)	(6,490,406)
	192,711	694,901
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in long-term obligations	1,211,065	307,393
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in investments	13,369	-
Increase in investment in First Nation controlled entities	252,377	(212,663)
Tangible capital assets acquired	(2,068,689)	(1,300,042)
	(1,802,943)	(1,512,705)
DECREASE IN CASH DURING THE YEAR	(399,167)	(510,411)
CASH - Beginning of year	827,884	1,338,295
CASH - End of year	428,717	827,884
 Cash is Comprised of:		
Cash	62,179	105,274
Restricted cash	366,538	722,610
	428,717	827,884

Swan River First Nation
Consolidated Statement of Changes in Accumulated Surplus - Schedule 1
For the year ended March 31, 2014

	Unrestricted Surplus	Equity in Tangible Capital Assets	Equity in Enterprise Fund	Equity in Trust Funds	2014 \$	2013 \$
Balance, Beginning of Year	524,265	5,543,369	851,777	621,848	7,541,259	7,797,337
Excess of revenue over expenses	804,500	-	(252,377)	-	552,123	(505,525)
Restricted funds designated for future use	-	-	-	15,746	15,746	14,881
Current years funds used for subsidiaries advances	-	-	-	-	-	234,566
Current years funds used for tangible capital assets	(2,068,688)	2,068,688	-	-	-	-
Annual amortization expense	618,719	(618,719)	-	-	-	-
Long-term liabilities obtained	1,639,741	(1,639,741)	-	-	-	-
Long-term liabilities repaid	(428,677)	428,677	-	-	-	-
Change in accumulated surplus	565,595	238,905	(252,377)	15,746	567,869	(256,078)
Balance, End of Year	1,089,860	5,782,274	599,400	637,594	8,109,128	7,541,259

The accompanying notes form part of these financial statements.

Swan River First Nation
Consolidated Statement of Tangible Capital Assets - Schedule 2
For the year ended March 31, 2014

	Automotive	Buildings & Infrastructure	Furniture & Equipment	2014 \$	2013 \$
COST:					
Balance, Beginning of Year	631,858	11,728,691	791,284	13,151,833	11,932,134
Acquisition of tangible capital assets	87,227	1,981,462	-	2,068,689	1,300,042
Disposal of tangible capital assets	(33,570)	-	-	(33,570)	(80,343)
Balance, End of Year	685,515	13,710,153	791,284	15,186,952	13,151,833
ACCUMULATED AMORTIZATION:					
Balance, Beginning of Year	481,890	4,860,751	785,735	6,128,376	5,665,075
Annual amortization	74,034	540,325	4,360	618,719	543,644
Accumulated amortization on disposals	(33,570)	-	-	(33,570)	(80,343)
Balance, End of Year	522,354	5,401,076	790,095	6,713,525	6,128,376
NET BOOK VALUE	163,161	8,309,077	1,189	8,473,427	7,023,457

The accompanying notes form part of these financial statements.

Swan River First Nation
Consolidated Statement of Financial Activities by Program - Schedule 3
For the year ended March 31, 2014

	Page #	LSLIRC Revenue \$	AANDC Revenue \$	Other Revenue \$	2014 Total Revenue \$	Total Expenditures \$	Surplus (Deficit) \$	2013 Surplus (Deficit) \$
Administration	18.	-	977,429	981,388	1,958,817	1,557,503	401,314	(10,338)
CMHC Housing - #1	19.	-	-	37,295	37,295	27,599	9,696	17,370
CMHC Housing - #2	20.	-	-	37,512	37,512	5,418	32,094	27,067
CMHC Multi-plex	21.	-	-	112,142	112,142	55,437	56,705	(47,277)
Child Care Incentives	22	-	-	135,849	135,849	138,996	(3,147)	(20,261)
Child Fund		-	-	-	-	-	-	(9,950)
Child Welfare	23.	30,000	-	-	30,000	30,000	-	(283)
Consultation	24.	-	-	807,715	807,715	554,312	253,403	106,488
Economic Development	25.	-	84,784	-	84,784	86,636	(1,852)	5,400
Education - Post Secondary	26.	-	327,252	6,869	334,121	405,729	(71,608)	(21,897)
First Nation Development Fund	27.	-	-	1,336,366	1,336,366	172,679	1,163,687	56,109
Health Services	28 - 30.	-	-	1,098,829	1,098,829	1,183,788	(84,959)	(40,691)
Housing and Renovations	31.	-	446,614	49,070	495,684	547,634	(51,950)	73,987
Human Resource Development	32.	-	-	193,375	193,375	234,942	(41,567)	(17,294)
School	33.	-	1,643,474	100,474	1,743,948	1,743,948	-	-
Social Services	34.	-	812,707	-	812,707	971,847	(159,140)	-
Water Treatment Plant	35.	-	63,216	13,056	139,488	218,945	(79,457)	(58,406)
		30,000	4,355,476	4,909,940	9,358,632	7,935,413	1,423,219	60,024

The accompanying notes form part of these financial statements.

Swan River First Nation
Consolidated Statement of Expenditures by Object - Schedule 4
For the year ended March 31, 2014

	2014	2013
	\$	\$
EXPENDITURES		
Administration	222,580	206,963
Advances to controlled entities	16,287	234,566
Bad debts	-	102,263
Contract labour	207,848	140,089
Donations	22,298	38,809
Equipment	4,054	4,637
Honorarium	85,204	66,533
Insurance	81,688	56,180
Interest and bank charges	47,672	16,741
Office	117,328	33,495
Professional fees	40,249	47,041
Program expenses	2,169,449	2,413,003
Repairs and maintenance	154,228	131,525
Salaries, wages, and benefits	2,364,150	2,249,297
Supplies and materials	247,902	188,416
Training	94,097	76,947
Travel	477,422	501,251
Tuition	1,328,498	262,562
Utilities	254,459	233,149
TOTAL EXPENDITURES	7,935,413	7,003,467

Swan River First Nation

Notes to the Consolidated Financial Statements

March 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Fund Accounting

The Swan River First Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the financial statements. Details of the operations of each fund are set out in the supplementary schedules. The Swan River First Nation maintains the following funds:

- The Operating Fund which reports the general activities of the First Nation Administration.
- The Equity in Capital Assets Fund which reports the capital assets of the First Nation, together with their related financing.
- The Equity in Enterprise Fund which reports the investment made in controlled entities.
- The Trust Fund which reports on trust funds owned by the First Nation and held by third parties.

(b) Reporting Entity and Principles of Financial Reporting

The Swan River First Nation reporting entity includes the Swan River First Nation's government and all related entities which are accountable to the First Nation and are either owned or controlled by the Swan River First Nation.

These financial statements consolidate the assets, liabilities and results of operations for the following entities which lend themselves to consolidation.

- Swan River First Nation Operating Fund
- Swan River First Nation Trust Funds

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

Incorporated business entities, which are owned or controlled by the Swan River First Nation and which are not dependent on the First Nation for their continuing operations are included in the summary financial statements using the modified equity method. These include:

- Swan River Tribal Enterprises Ltd.
- Wapsewsepi Enterprises Ltd.
- Creeland Resources Inc.

Swan River First Nation
Notes to the Consolidated Financial Statements
March 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

(c) 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 normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a declining balance basis over the estimated useful life as follows:

	Years
Automotive	3-10
Buildings and infrastructure	25-50
Furniture and equipment	5-20

Annual amortization is charged in the year of acquisition and not in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(d) 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.

(e) Trust Funds

The Ottawa Trust Accounts arise from monies 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 Sections 63 to 69 of the Indian Act.

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.

(f) Financial Instruments

The Nation's financial instruments consist of trust funds, accounts receivable, investments, prepaid expenses, bank indebtedness, accounts payable, deferred revenue and long-term obligations. Unless otherwise noted, it is management's opinion that the Nation is not exposed to significant interest or foreign currency risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Swan River First Nation
Notes to the Consolidated Financial Statements
March 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

(g) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. ECONOMIC DEPENDENCE

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

3. RESTRICTED CASH

	2014	2013
	\$	\$
First Nation Development Fund	247,785	641,425
Canada Mortgage and Housing Corporation	118,753	81,185
	366,538	722,610

4. ACCOUNTS RECEIVABLE

	2014	2013
	\$	\$
Trade	667,338	589,200
Aboriginal Affairs and Northern Development Canada	5,000	-
Lesser Slave Lake Indian Regional Council	21,603	165,649
First Nation Development Fund	141,683	138,754
Canada Housing and Mortgage Corporation	20,947	-
Members		
Rent	595,931	552,481
Water	21,226	26,172
Less: Allowance for doubtful accounts	(679,500)	(679,820)
	794,228	792,436

Swan River First Nation
Notes to the Consolidated Financial Statements
March 31, 2014

5. INVESTMENTS

	2014	2013
	\$	\$
United Farmers of Alberta	-	10,969
Telus Corporation	-	2,400
	<hr/>	<hr/>
	13,369	

6. INVESTMENTS IN FIRST NATION CONTROLLED ENTITIES

	2014	2013
	\$	\$
Creeland Resources Inc.		
Shares	100	100
Accumulated surplus in earnings	26,760	25,686
	<hr/>	<hr/>
	26,860	25,786
Wapsewsepi Enterprises Ltd.		
Shares	100	100
Advances	2,413,709	2,413,709
Accumulated deficit in earnings	(1,841,269)	(1,587,818)
	<hr/>	<hr/>
	572,540	825,991
Total investment in controlled entities	599,400	851,777

Unaudited financial information for each of the entities for their respective years ended are as follows:

	Assets	Liabilities	Revenues	Net Earnings (Loss)
	\$	\$	\$	\$
Creeland Resources Inc. (100%)	57,626	30,766	56,033	1,074
Wapsewsepi Enterprises Ltd. (100%)	616,162	2,457,331	555,743	(253,451)

7. DEFERRED REVENUE

	2014	2013
	\$	\$
First Nations Development Fund	65,000	840,098

Swan River First Nation
Notes to the Consolidated Financial Statements
March 31, 2014

8. LONG-TERM LIABILITIES

	2014 \$	2013 \$
Peace Hills Trust loan, secured by ministerial guarantee of the Minister of Aboriginal Affairs and Northern Development Canada, is repayable in monthly instalments of \$1,625 including interest charged at 5.09%.		
- CMHC #1 loan	60,027	76,136
Peace Hills Trust loan, secured by ministerial guarantee of the Minister of Aboriginal Affairs and Northern Development Canada, is repayable in monthly instalments of \$2,042 including interest charged at 4.69%.		
- CMHC #2 loan	22,038	45,032
Peace Hills Trust loan, secured by ministerial guarantee of the Minister of Aboriginal Affairs and Northern Development Canada, is repayable in monthly instalments of \$2,026 including interest charged at 5.04%.		
- 7 trailers loan	42,763	64,455
Peace Hills Trust loan, secured by ministerial guarantee of the Minister of Aboriginal Affairs and Northern Development Canada, is repayable in monthly instalments of \$2,844 including interest charged at 4.84%.		
- 12 trailers loan	88,142	117,421
Canada Mortgage and Housing Corporation mortgage loan, is due May, 2038 and is repayable in monthly instalments of \$6,266 including interest charged at 1.52%.		
- Multi-plex loan	1,522,167	1,177,044
Bank of Montreal Loan is due on demand with interest only payments during construction with interest charged at prime plus 2.0%.		
- Gymnasium	956,016	-
	2,691,153	1,480,088

Future minimum principal repayments required to meet existing obligations are as follows:

	\$
2015	144,488
2016	123,052
2017	98,221
2018	61,749
2019	55,704
Thereafter	2,207,939
	2,691,153

Swan River First Nation
Notes to the Consolidated Financial Statements
March 31, 2014

9. EQUITY IN TRUST FUND

	Capital \$	Revenue \$	Total \$
Balance, beginning of year	334,392	287,456	621,848
<u>Earnings</u>	-	15,746	15,746
Balance, end of year	<u>334,392</u>	<u>303,202</u>	<u>637,594</u>

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2014 \$	2013 \$
Tangible capital assets (Schedule 2)	15,186,952	13,151,833
Accumulated amortization (Schedule 2)	(6,713,525)	(6,128,376)
<u>Long-term liabilities (Note 8)</u>	<u>(2,691,153)</u>	<u>(1,480,088)</u>
	5,782,274	5,543,369

11. EQUITY IN ENTERPRISE FUND

	2014 \$	2013 \$
Balance, beginning of year	851,777	639,114
Advances to controlled entities	-	234,566
<u>Deficit from controlled entities</u>	<u>(252,377)</u>	<u>(21,903)</u>
<u>Balance, end of year</u>	599,400	851,777

12. ACCUMULATED SURPLUS

	2014 \$	2013 \$
Unrestricted surplus	1,089,860	524,265
Equity in tangible capital assets	5,782,274	5,543,369
Equity in enterprise fund	599,400	851,777
<u>Equity in trust funds</u>	<u>637,594</u>	<u>621,848</u>
	8,109,128	7,541,259

Swan River First Nation
Notes to the Consolidated Financial Statements
March 31, 2014

13. CONTINGENT LIABILITIES

A former employee has filed a statement of claim relating to a wrongful dismissal. The amount of damages sought is \$700,000

The outcome and potential liability to the First Nation from this action, if any, is not determinable.