

FORT NELSON FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

FORT NELSON FIRST NATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

	Page(s)
Management's Responsibility for Financial Reporting	3
Independent Auditor's Report	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Change in Net Financial Assets	6
Consolidated Statement of Remeasurement Gains (Losses)	7
Consolidated Statement of Operations and Accumulated Surplus (Deficit)	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10 - 35

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Fort Nelson First Nation for the year ended March 31, 2015 are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies is described in Note 1 to the consolidated financial statements. Financial statements are not precise since they include certain amounts based on estimates and judgments. 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 aspects.

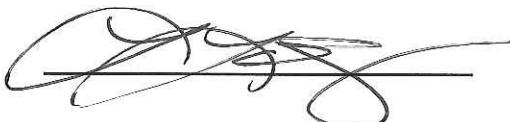
Fort Nelson First Nation's management is responsible for maintaining systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and Fort Nelson First Nation's assets are appropriately accounted for and adequately safeguarded.

Fort Nelson First Nation's Chief and Council are responsible for ensuring that management fulfills its responsibilities of financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council meets periodically with management, as well as the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging its responsibilities, and to review the consolidated financial statements and the external auditor's report.

The consolidated financial statements have been audited by MNP LLP in accordance with Canadian generally accepting auditing standards on behalf of the members. MNP LLP has full and free access to the Chief and Council with regard to audit requirements.

On behalf of Fort Nelson First Nation

A handwritten signature in black ink, appearing to be a stylized 'J' or 'D', is written over a horizontal line.

INDEPENDENT AUDITOR'S REPORT

To the Members,
Fort Nelson First Nation:

We have audited the accompanying consolidated financial statements of Fort Nelson First Nation, which comprise the consolidated statements of financial position as at March 31, 2015 and the consolidated statements of change in net financial assets, remeasurement gains (losses), operations and accumulated surplus (deficit) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

First Nation's Management's Responsibility for the Consolidated Financial Statements

First Nation's 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 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 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 misstatements 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 preparation 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 qualified audit opinion.

Basis for Qualified Opinion

One of Fort Nelson First Nation's controlled organizations consolidated in the financial statements derives a portion of its revenue from cash sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to cash revenues, accumulated surplus (deficit), assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these consolidated statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2015 and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The financial statements of Fort Nelson First Nation for the year ended March 31, 2014 were audited by KNV Chartered Accountants LLP of Kelowna, British Columbia, prior to its merger with MNP LLP. KNV Chartered Accountants LLP expressed a qualified opinion on those statements on July 8, 2014.

June 29, 2015

Kelowna, British Columbia



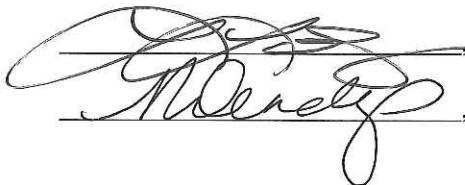
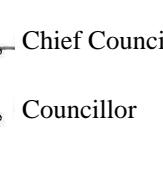
Chartered Professional Accountants

FORT NELSON FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2015 AND 2014

	2015	2014
FINANCIAL ASSETS:		
Cash and cash equivalents (Note 4)	\$ 13,611,022	\$ 6,360,524
Portfolio investments (Note 5)	5,623,322	8,172,681
Trust funds held by federal government (Note 6)	16,102,049	16,344,433
Accounts receivable (Note 7)	2,268,054	3,962,424
Inventory for resale	86,828	66,703
Investment in partnership	4,250,286	4,444,152
<u>Investments in and advances to government business enterprises (Note 8)</u>	<u>18,887,747</u>	<u>19,818,481</u>
Total financial assets	60,829,308	59,169,398
FINANCIAL LIABILITIES:		
Accounts payable and accrued liabilities (Note 12)	2,354,585	2,347,417
Deferred revenue (Note 13)	417,910	624,002
Promissory notes payable (Note 14)	157,708	90,821
Long-term debt (Note 15)	1,383,010	1,813,477
Total financial liabilities	4,313,213	4,875,717
NET FINANCIAL ASSETS	56,516,095	54,293,681
NON-FINANCIAL ASSETS:		
Tangible capital assets (Note 16)	31,223,149	31,201,840
Prepaid expenses	89,704	169,698
Total non-financial assets	31,312,853	31,371,538
ACCUMULATED SURPLUS (Note 25)	\$ 87,828,948	\$ 85,665,219

LEASE COMMITMENTS AND CONTINGENT LIABILITIES (Notes 19 & 20)

APPROVED BY COUNCIL

 Chief Councillor
 Councillor

The accompanying Notes are an integral part of this statement.

FORT NELSON FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	Budget	2015	2014
	(Note 24)	(Note 26)	
INCREASE (DECREASE) IN NET FINANCIAL ASSETS:			
Annual surplus (deficit)	\$ (50,242)	\$ 1,759,777	\$ 797,481
Acquisition of tangible capital assets	(1,745,000)	(2,313,829)	(8,206,638)
Proceeds from sale of tangible capital assets	-	500	3,802
Loss on disposal of tangible capital assets	-	39,320	3,658
Asset impairment loss	-	149,532	-
Amortization of tangible capital assets	-	2,103,168	1,830,302
Acquisition of prepaid expenses	-	(89,704)	(169,698)
Use of prepaid expenses	-	169,698	229,025
Remeasurement gains for the year	-	403,952	226,739
Increase (decrease) in net financial assets		2,222,414	(5,285,329)
NET FINANCIAL ASSETS, BEGINNING OF THE YEAR		54,293,681	59,579,010
NET FINANCIAL ASSETS, END OF THE YEAR		\$ 56,516,095	\$ 54,293,681

The accompanying Notes are an integral part of this statement.

FORT NELSON FIRST NATION
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS (LOSSES)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	2015	2014
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	\$ 305,368	\$ 78,629
Unrealized gains on portfolio investments	362,360	173,995
Unrealized foreign exchange gains on portfolio investments	216,898	122,702
Realized gains on portfolio investments reclassified to the statement of operations	(175,306)	(69,958)
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	\$ 709,320	\$ 305,368

The accompanying Notes are an integral part of this statement.

FORT NELSON FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
(DEFICIT)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	Budget	2015	2014
		(Note 26)	
REVENUES:			
Aboriginal Affairs and Northern Development Canada (AANDC)	\$ 3,501,491	\$ 5,913,957	\$ 3,858,019
BC Hydro	98,000	31,451	53,365
Canada Mortgage and Housing Corporation (CMHC)	82,266	82,266	83,424
Department of Justice Canada	72,130	74,630	72,130
First Nations Education Steering Committee (FNESC)	223,392	360,797	251,870
First Nations Health Authority (FNHA)	1,669,710	808,756	1,748,152
Government of Canada	-	73,814	7,351
Income from investment in partnership	816,000	3,416,189	319,985
Loss from investments in government business enterprises	-	(395,307)	(106,921)
Income from portfolio investments	-	214,403	138,864
Interest income	810,000	530,276	675,255
North East Native Advancing Society (NENAS)	72,000	151,796	52,451
Other revenue	2,381,761	3,996,647	5,286,370
Property taxation	58,611	60,000	60,485
Province of British Columbia	3,007,376	3,172,505	4,238,634
Rental income	218,044	203,042	192,529
	13,010,781	18,695,222	16,931,963
EXPENSES:			
Administration	2,170,387	2,463,285	2,112,824
Band Housing	322,072	258,995	218,448
Capital	1,400,778	1,445,333	1,177,838
Capital Asset Fund	-	2,230,629	2,055,823
Child Development	431,442	379,890	270,212
Economic Development	319,000	297,442	141,595
Education	3,694,120	3,354,022	2,976,264
Enterprise Fund	20,499	1,460,650	990,404
Health	1,128,048	1,118,770	936,473
Lands Resources	1,924,175	2,209,042	3,653,592
Other Reserves Fund	-	320,000	360,734
Social Housing	167,855	138,356	138,694
Social Services	1,482,647	1,259,031	1,101,581
	\$13,061,023	16,935,445	16,134,482
ANNUAL SURPLUS (DEFICIT)		1,759,777	797,481
ACCUMULATED OPERATING SURPLUS (DEFICIT), BEGINNING OF YEAR		85,359,851	84,562,370
ACCUMULATED OPERATING SURPLUS (DEFICIT), END OF YEAR		\$87,119,628	\$85,359,851

The accompanying Notes are an integral part of this statement.

FORT NELSON FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	2015	2014
CASH AND CASH EQUIVALENTS WAS PROVIDED FROM (USED IN):		
Operating transactions:		
Annual surplus (deficit)	\$ 1,759,777	\$ 797,481
Items not affecting cash and cash equivalents -		
Amortization of tangible capital assets	2,103,168	1,830,302
Asset impairment loss	149,532	-
Loss on disposal of tangible capital assets	39,320	3,658
Unrealized foreign exchange gains on portfolio investments	216,898	122,702
Unrealized gains on portfolio investments	362,360	173,995
Realized gains on portfolio investments reclassified to the statement of operations	(175,306)	(69,958)
	4,455,749	2,858,180
Net change in non-cash working capital balances (Note 22)	1,555,315	(114,324)
	6,011,064	2,743,856
Investing transactions:		
Decrease (increase) in portfolio investments	2,549,359	(1,462,349)
Decrease in investments in and advances to government business enterprises	930,734	565,129
Decrease in investment in partnership	193,866	1,846,166
	3,673,959	948,946
Financing transactions:		
Repayment of long-term debt	(430,467)	(128,748)
Proceeds from long-term debt	-	194,179
Proceeds from promissory note payable	66,887	90,821
	(363,580)	156,252
Capital transactions:		
Proceeds from sale of tangible capital assets	500	3,802
Acquisition of tangible capital assets	(2,313,829)	(8,206,638)
	(2,313,329)	(8,202,836)
Increase (decrease) in cash and cash equivalents	7,008,114	(4,353,782)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,704,957	27,058,739
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 29,713,071	\$ 22,704,957

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION (Note 23)

COMPARATIVE FIGURES (Note 26)

The accompanying Notes are an integral part of this statement.

FORT NELSON FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

PURPOSE OF FORT NELSON FIRST NATION

Fort Nelson First Nation (the First Nation) is a First Nations village government operating out of Fort Nelson, British Columbia. The First Nation is responsible for the well-being of its community and enacts legal policies and programs in the areas of Administration, Capital, Child Development, Economic Development, Lands, Education, Health, Housing, Social Services and Other Investments. The First Nation is also mandated to take actions to protect the well-being of members and the community and to establish cultural programs and undertake initiatives in economic development.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

(b) Reporting Entity

Included in the reporting entity are the First Nation and all related entities that are controlled by the First Nation.

(c) Principles of Consolidation

All fully owned and controlled entities are consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of a government business enterprise, which are included in the consolidated financial statements on a modified equity basis and certain not-for profit organizations which are not consolidated. Inter-organizational balances and transactions are eliminated upon consolidation.

Organizations consolidated in Fort Nelson First Nation's consolidated financial statements include:

1. Liard Hotsprings Lodge (FNFN) Ltd.
2. FNFN Gravel Pits Ltd.

Organizations accounted for on a modified equity basis include:

1. 672465 B.C. Ltd.
2. Eh Cho Dene GP Ltd.
3. Eh Cho Dene Enterprises Limited Partnership
4. Waterways Communication Limited Partnership
5. Waterways Communication Inc. (inactive)

Not-for-profit organizations include:

1. Fort Nelson First Nation Future Generations Society
2. Fort Nelson Indian Band Lands Trust Society (inactive)

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial Instruments

i. Measurement

The First Nation initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The First Nation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

Financial assets comprise of cash and cash equivalents, accounts receivable and portfolio investments and the investment in partnership.

Financial liabilities comprise of accounts payable and accrued liabilities, deferred revenue, promissory note and long-term debt.

Fair value is determined by the price that is quoted in an active market. The most recent quoted price becomes its new carrying value. When a quoted price in an active market is not available for an equity instrument that is a portfolio investment, it is measured at cost.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

ii. Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

iii. Transaction Costs

Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

(e) Cash and Cash Equivalents

Cash and cash equivalents represent operating cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts with an initial maturity of less than three months and which are subject to an insignificant risk of changes in value.

(f) Portfolio Investments

The First Nation has investments in Guaranteed Investment Certificates (GIC's) and equity instruments that either have no maturity dates or have a maturity of greater than three months at the time of acquisition. GIC's and other investments not quoted in an active market are reported at cost or amortized cost. The First Nation's investment in partnership is reported at cost.

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Portfolio Investments (Continued)

Portfolio investments in equity instruments that are quoted in an active market are recorded at fair value and the associated transaction costs are expensed upon initial recognition. The change in the fair value is recognized in the Consolidated Statement of Remeasurement Gains (Losses) as a remeasurement gain or loss until the portfolio investments are realized on disposal. Upon disposal, any accumulated remeasurement gains or losses associated with the portfolio investments are reclassified to the Consolidated Statement of Operations.

Impairment is defined as a loss in value of a portfolio investment that is other than a temporary decline and is included in the Consolidated Statement of Operations. In the case of an item in the fair value category, a reversal of any net remeasurement gains recognized in previous reporting periods up to the amount of the write-down is reported in the Consolidated Statement of Remeasurement Gains (Losses). The loss is not reversed if there is a subsequent increase in value.

(g) Inventory for Resale

Inventory is recorded at the lower of cost (first-in, first-out basis) and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs necessary to make the sale.

(h) Tangible Capital Assets

Material tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Maintenance and repair costs are recognized as an expense when incurred. Betterments that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded at fair value when received and shown as revenue in the capital fund, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

Revenue received for operations and used to purchase tangible capital assets are recorded in the individual funds with an offsetting transfer to the capital asset fund for the amount of the tangible capital asset. Revenue received directly for tangible capital assets are recorded in the capital asset fund where the amortization is expensed. Any gains or losses on the disposal of the capital assets are recorded in the capital asset fund.

All intangibles and items inherited by right of the First Nation, such as reserve lands, forests, water, and mineral resources, are not recognized as assets in the First Nation's consolidated financial statements.

The First Nation's assets under construction consist of the material and labour costs for projects under construction that were not completed at March 31, 2015.

Historic works of art and treasures are not recorded as assets in these consolidated financial statements.

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Budgets

Budget information has been included when the information is available. These budgets have been prepared by department managers and approved by Chief and Council.

(j) Revenue Recognition

Funding received under funding arrangements which relates to a subsequent period is reflected as deferred revenue in the year of receipt and classified as such on the consolidated statement of financial position. Funding is recognized when conditions have been met.

Investment income reported on investments not subject to significant influence is recorded as revenue in the period earned.

Rental and other revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Government transfers are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

(k) Amortization

Tangible capital assets controlled by the First Nation are amortized over their estimated useful lives on a straight-line basis using the following annual rates:

Buildings	4%
Automotive equipment	10%
Computer and office equipment	10%-20%
Machinery and equipment	10%
Roads and land improvements	4%-8%
Service installations	5%

Amortization on Social Housing assets acquired under housing programs sponsored by CMHC are recorded at a rate equivalent to the annual principal reduction in related long-term debt, which is estimated to be their useful life.

Assets under construction are not amortized until the asset becomes available for use.

(l) Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Financial assets include cash and cash equivalents, portfolio investments, trust funds held by federal government and investments in a partnership and government business enterprises. Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. Non-financial assets have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of the property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(n) Foreign Currency Translation

Assets bought and sold during the year and transactions relating to revenues and expenses in foreign currencies are translated into Canadian dollars at the rate prevailing at the transaction dates. Monetary assets and liabilities in foreign currencies at the close of the year are translated into Canadian dollars at the rate prevailing at the year-end.

Foreign exchange gains or losses arise from recording the difference between foreign currency balances translated at rates prevailing at year-end and balances translated at rates prevailing on transaction dates. As at March 31, 2015, cash and cash equivalents and portfolio investments include \$296,212 and \$986,495 respectively (2014 - \$213,274 and \$972,236) in US dollars and converted into Canadian dollars.

Unrealized foreign exchange gains and losses are recognized in the consolidated statement of remeasurement gains (losses). In the period of settlement, realized foreign exchange gains and losses are recognized in the consolidated statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the consolidated statement of remeasurement gains (losses).

(o) Expenses

Expenses are recognized in the fiscal year that the events giving rise to the expense occur and resources are consumed.

(p) Segment Disclosure

A segment is defined as a distinguishable activity or group of activities of the First Nation for which it is appropriate to separately report financial information to achieve the objectives of the First Nation. The objectives of disclosing information about segments are to:

- i. help users of the consolidated financial statements identify the resources allocated to support the major activities of the First Nation;
- ii. help users of the consolidated financial statements make more informed judgments about the First Nation and about its major activities;
- iii. help users of the consolidated financial statements better understand the manner in which the organizations in the First Nation are organized and how the First Nation discharges its accountability obligations;
- iv. enhance the transparency of financial reporting; and
- v. help users of the consolidated financial statements better understand the performance of the segments and the First Nation.

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Segment Disclosure (Continued)

The First Nation identifies its segments based on specific projects and funding arrangements which have been disclosed in the consolidated financial statements. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements, other than the inter-segment transfers, such as revenue from transactions with other segments, which are measured at the transfer price used by the First Nation and are not eliminated in the segment disclosure note.

(q) Use of Estimates

The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are based on the best information available regarding potentially contaminated sites that the First Nation is responsible for.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed periodically to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

(r) Liability for Contaminated Sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2015.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

As at March 31, 2015, the First Nation's estimated liability for contaminated sites was \$NIL.

(s) Trust funds

Trust funds account for assets which must be administered as directed by agreement or statute for certain beneficiaries. In accordance with PSAB recommendations on financial statement presentations for local governments, trust funds not controlled by the First Nation are not included in the First Nation's consolidated financial statements. Trust funds administered by the First Nation are presented in Note 17.

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

2. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2014, the First Nation adopted the recommendations to PS 3260, *Liability for Contaminated Sites*, as set out in the Canadian public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

Previously, no accounting policy existed to account for a liability for contaminated sites. Under the new recommendations, the First Nation is required to recognize a liability for contaminated sites when economic benefits will be given up, as described in Note 1, *Significant Accounting Policies*.

There was no effect on the First Nation's financial statements of adopting the above-noted change in accounting policy.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant credit, interest or liquidity risks arising from the financial instruments disclosed on the statement of financial position.

(a) Interest Rate Risk

Interest rate risk is the risk to the First Nation's earnings that arises from fluctuations in market interest rates and the degree of volatility of these rates. The First Nation does not use derivative instruments to reduce its exposure to interest rate risk. Management expects interest rates to remain relatively constant for the coming year and therefore considers the related risk to be low.

(b) Market Risk

Market risk relates to the possibility that the equity investments will change in value due to future fluctuations in market prices. The First Nation does not use derivative instruments to reduce its exposure to market risk.

(c) Fair Values

Due to their short-term nature, the carrying values of cash and cash equivalents, portfolio investments, accounts receivable, accounts payable, accrued liabilities and deferred revenue approximate their fair values. The terms and interest rates of the First Nation's long-term debt are similar to those currently offered for similar loans, therefore the carrying values of these loans are also considered to approximate their fair values.

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

4. CASH AND CASH EQUIVALENTS

(a) Included in cash and cash equivalents are externally restricted funds as follows:

	2015	2014
Deferred revenue (Note 13)	\$ 417,910	\$ 624,002
Funded reserves	311,296	241,481
	<hr/> \$ 729,206	<hr/> \$ 865,483

(b) Revolving Line of Credit

The First Nation has available a \$600,000 revolving line of credit and a \$400,000 bank overdraft with interest charged at the Scotiabank prime rate plus 1.5% and 1% per annum respectively. At March 31, 2015, the outstanding line of credit balance was \$NIL (2014 - \$NIL), and is secured by certain vehicles owned.

(c) Designated Funds

Included in cash and cash equivalents are designated funds in the amount of \$2,914,073 (2014 - \$2,432,443) that may only be used for the purpose of funding specific capital projects and cannot be used for any other purpose. These funds represent the unexpended portion of cash withdrawn from the Capital account within the Trust Funds Held by Federal Government (Note 6). The capital projects were completed during the year and the remaining surplus will be repaid to AANDC for redeposit into the Capital account.

5. PORTFOLIO INVESTMENTS

Included in portfolio investments are externally restricted funds in the amount of \$361,053 (2014 - \$3,284,824) which include guaranteed investment certificates held as security for specific projects.

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

6. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

AANDC holds certain funds in trust for the First Nation. These funds are designated as revenue or capital funds 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. Subject to approval by the Minister of Aboriginal Affairs and Northern Development Canada, the First Nation is permitted to expend its revenue funds for any purpose that will support the general progress and welfare of the First Nation and members. The expenditures of capital funds requires the consent of the Minister of Aboriginal Affairs and Northern Development Canada and such expenditures generally must be for projects of a capital nature.

The trust funds held by federal government are analyzed as follows:

	2014		2015
	Total	Additions	Withdrawals
Revenue	\$ 594,349	\$ 438,188	\$ (836,152)
Capital	15,750,084	155,580	-
Fund Total	\$ 16,344,433	\$ 593,768	\$ (836,152)
			\$ 16,102,049

7. ACCOUNTS RECEIVABLE

The First Nation's accounts receivable are analyzed as follows:

	2015	2014
AANDC	\$ 16,884	\$ 134,019
Due from members	1,057,596	1,091,929
FNHA	2,855	563,115
Province of British Columbia	22,403	7,916
Other receivables	2,058,158	3,068,741
Less - allowance for doubtful accounts	3,157,896 (889,842)	4,865,720 (903,296)
	\$ 2,268,054	\$ 3,962,424

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

8. INVESTMENTS IN AND ADVANCES TO GOVERNMENT BUSINESS ENTERPRISES

The First Nation's investments and advances to government business enterprises are analyzed as follows:

	2015	2014
672465 B.C. Ltd. (Note 9.a)	\$ 518,215	\$ 1,044,527
Eh Cho Dene GP Ltd. (Note 9.b)	7,210	8,272
Eh Cho Dene Enterprises Limited Partnership (Note 10)	18,317,850	18,713,241
Waterways Communications Limited Partnership (Note 11)	44,447	52,416
Waterways Communications Inc. (inactive)	25	25
	\$ 18,887,747	\$ 19,818,481

9. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES

The First Nation holds 100% ownership of 672465 B.C. Ltd. and Eh Cho Dene GP Ltd. The following provides condensed financial information for the years ended March 31, 2015 and 2014:

(a) 672465 B.C. Ltd.

	2015	2014
Assets:		
Cash and cash equivalents	\$ 15,144	\$ 270,818
Accounts receivable	3,058	123,267
Corporate income tax recoverable	57,872	-
Equipment, net of accumulated amortization	518,447	691,262
Total assets	\$ 594,521	\$ 1,085,347
Liabilities:		
Accounts payable and accrued liabilities	\$ 76,306	\$ 40,820
Due to the First Nation	24,664	363,468
	100,970	404,288
Shareholder's equity	493,551	681,059
Total liabilities and shareholder's equity	\$ 594,521	\$ 1,085,347
Results of operations:		
Revenue	\$ 1,233,819	\$ 3,104,642
Expenses	(1,421,327)	(2,960,094)
Net income (loss)	\$ (187,508)	\$ 144,548

FORT NELSON FIRST NATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)****9. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES (Continued)**

(b) Eh Cho Dene GP Ltd.

	2015	2014
Assets:		
Corporate income tax recoverable	\$ 733	\$ 938
Investment in related entity	17,021	17,241
Total assets	\$ 17,754	\$ 18,179
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,700	\$ 1,700
Due to related entity	11,202	10,565
	12,902	12,265
Shareholder's equity	4,852	5,914
Total liabilities and shareholder's equity	\$ 17,754	\$ 18,179
Results of operations:		
Revenue	\$ (220)	\$ (266)
Expenses	(842)	(961)
Net loss	\$ (1,062)	\$ (1,227)

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

10. INVESTMENT IN EH CHO DENE ENTERPRISES LIMITED PARTNERSHIP

Eh Cho Dene GP Ltd. and the First Nation have an investment in Eh Cho Dene Enterprises Limited Partnership, a government business enterprise. The purpose of the Partnership is to carry on road construction, site preparation and maintenance and land clearing for gas plants, hydro stations and right-of-ways.

The First Nation owns 99.9% (999/1,000) units of the Partnership. The following provides condensed financial information for the years ended March 31, 2015 and 2014:

	2015	2014
Assets:		
Cash and cash equivalents	\$ 3,980,294	\$ 4,581,324
Term deposit	7,519,112	7,420,550
Accounts receivable	1,848,439	2,682,633
Inventory	109,000	96,500
Work in progress	-	81,373
Prepaid expenses	3,108	79,556
Loan receivable, related entity	8,884	8,247
Property and equipment	5,256,931	6,168,675
Total assets	\$ 18,725,768	\$ 21,118,858
Liabilities:		
Accounts payable and accrued liabilities	\$ 390,888	\$ 683,557
Obligation under capital lease	-	848,836
Long-term debt	-	699,624
Due to the First Nation	229,466	561,398
	620,354	2,793,415
Partners' equity	18,105,414	18,325,443
Total liabilities and partners' equity	\$ 18,725,768	\$ 21,118,858
Results of operations:		
Revenue	\$ 9,316,627	\$ 11,942,213
Expenses	(9,536,656)	(12,208,623)
Net loss	\$ (220,029)	\$ (266,410)

At March 31, 2015, the First Nation's share of the partners' equity totals \$18,088,385 (2014 - \$18,308,194).

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

10. INVESTMENT IN EH CHO DENE ENTERPRISES LIMITED PARTNERSHIP (Continued)

(a) Credit Facilities

Provided by The Bank of Nova Scotia, the Partnership has available for use the following credit facilities:

Operating credit line, to an authorized limit of \$750,000 to provide financing for general operating requirements. Advances are repayable upon demand and bear interest at the bank's prime lending rate plus 1.00% per annum with interest payable monthly.

Revolving term loan and/or lease line, to an authorized limit of \$500,000, to assist with financing and/or leasing of equipment. Terms may be from 1 to 5 years. The term advances bear interest at the bank's prime lending rate plus 1.50% per annum with interest payable monthly. The lease line bears interest at the bank's prime lending rate plus 1.15%, per annum with interest payable monthly.

The security for the above mentioned facilities include the following:

General security agreement over all present and future personal property with appropriate insurance coverage payable to the bank;

Unlimited guarantee signed by the First Nation;

Unlimited guarantee signed by Eh Cho Dene GP Ltd.;

Unlimited postponement agreement signed by the First Nation; and

Specific fixed charges over certain pieces of equipment with appropriate insurance coverage.

The loans were not drawn upon at March 31, 2015 and 2014.

(b) Related Party Transactions

During the year, the Partnership billed revenues to recover costs incurred in the amounts of \$226,866 (2014 - \$287,102) to the First Nation. These transactions are in the normal course of operations and are recorded at the exchange amount.

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

11. INVESTMENT IN WATERWAYS COMMUNICATIONS LIMITED PARTNERSHIP

Northwestel Inc. and the First Nation have an investment in Waterways Communications Limited Partnership, a government business partnership. The purpose of the Partnership is to carry on the business of providing communication products and services for resource companies operating within the Horn River Basin.

The First Nation owns 51% (51/100) units of the Partnership. The following provides condensed financial information for the years ended March 31, 2015 and 2014:

	2015	2014
Assets:		
Cash and cash equivalents	\$ 161,424	\$ 201,863
Accounts receivable	139,217	124,304
Due from related parties	-	3,976
Deferred charges	22,332	-
Total assets	\$ 322,973	\$ 330,143
Liabilities:		
Accounts payable and accrued liabilities	\$ 212,864	\$ 268,623
Customer deposits	22,958	-
	235,822	268,623
Partners' equity	87,151	61,520
Total liabilities and partners' equity	\$ 322,973	\$ 330,143
Results of operations:		
Revenue	\$ 729,727	\$ 666,424
Expenses	(704,096)	(636,079)
Net income	\$ 25,631	\$ 30,345

At March 31, 2015, the First Nation's share of the partners' equity totals \$44,447 (2014 - \$31,375).

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The First Nation's accounts payable and accrued liabilities are analyzed as follows:

	2015	2014
AANDC payable	\$ 350,298	\$ 12,342
FNHA payable	6,088	19,425
Province of British Columbia	68,684	-
<u>Other accounts payable and accrued liabilities</u>	<u>1,929,515</u>	<u>2,315,650</u>
	<u>\$ 2,354,585</u>	<u>\$ 2,347,417</u>

13. DEFERRED REVENUE

The First Nation's deferred revenue are analyzed as follows:

	2014	Current Year	2015
	Deferred	Funding	Current Year
	Revenue	Received	Revenue
(Note 26)			
AANDC	\$ 146,121	\$ 512,514	\$ (657,185)
Province of British Columbia	377,067	(68,684)	(38,945)
Other deferred revenue	100,814	232,588	(186,380)
	<u>\$ 624,002</u>	<u>\$ 676,418</u>	<u>\$ (882,510)</u>
	<u>\$ 417,910</u>		

14. PROMISSORY NOTES PAYABLE

The promissory notes are payable to the Government of Canada as represented by AANDC. The funds are to be utilized for expenditures with respect to the research, development, and negotiation of its Specific Claim relating to the Trapline Registration Specific Claim. The first note of \$90,821 is non-interest bearing, unsecured and is due on the earlier of March 31, 2018 or the date on which the Specified Claim is settled. The second note of \$66,887 is non-interest bearing, unsecured and is due on the earlier of March 31, 2019 or the date on which the Specified Claim is settled.

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

15. LONG-TERM DEBT

The First Nation's long-term debt is analyzed as follows:

	2015	2014
	(Note 26)	
CIBC mortgage payable - Mortgage repayable in monthly instalments of \$286, including interest at 4.30% per annum; due for renewal on May 1, 2018 and matures March 2023; guaranteed by AANDC.	\$ 19,062	\$ 21,690
Scotiabank mortgage payable - Mortgage repayable in monthly instalments of \$431 including interest at 3.995% per annum; due for renewal on May 15, 2023 and matures May 2032; guaranteed by AANDC.	64,097	66,914
All Nations Trust (3 units - Phase 1) (CMHC Full Program) - Mortgage repayable in monthly instalments of \$2,607, including interest at 1.53% per annum; due for renewal on December 1, 2017 and matures November 1, 2019; guaranteed by AANDC.	140,990	169,700
All Nations Trust (6 units - Phase 2) (CMHC Full Program) - Mortgage repayable in monthly instalments of \$2,388, including interest at 2.11% per annum; due for renewal on January 1, 2019 and matures December 1, 2028; guaranteed by AANDC.	342,598	363,220
All Nations Trust (3 units - Phase 3) (CMHC Full Program) - Mortgage repayable in monthly instalments of \$2,307, including interest at 1.44% per annum; due for renewal on July 1, 2017 and matures July 1, 2037; guaranteed by AANDC.	527,263	546,582
Scotiabank (Vehicle loan) - Repaid in full during the year.	-	155,000
All Nations Trust (Mortgage) - Mortgage repayable in monthly instalments of \$719, including interest at 4.89% per annum; due for renewal on February 1, 2016 and matures February 1, 2036; guaranteed by AANDC.	81,043	83,600
All Nations Trust (Mortgage) - Mortgage repayable in monthly instalments of \$292, including interest at 4.99% per annum; due for renewal on January 1, 2020 and matures January 1, 2025; guaranteed by AANDC.	27,210	30,252
All Nations Trust (Mortgage) - Mortgage repayable in monthly instalments of \$1,134, including interest at 4.89% per annum; due for renewal on August 1, 2016 and matures August 1, 2036; guaranteed by AANDC.	180,747	186,148

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

15. LONG-TERM DEBT (Continued)

	2015	2014
	(Note 26)	
Scotiabank (Vehicle loan) -		
Repaid in full during the year.	\$ -	\$ 190,371
	1,383,010	1,813,477
Less - current portion	(165,315)	(210,364)
	\$ 1,217,695	\$ 1,603,113

Included in the current portion is a loan that will mature in the next fiscal year. However, assuming similar terms of refinance we have estimated the approximate principal repayments in the next five years, and thereafter to be as follows:

2016	\$ 86,601
2017	87,891
2018	89,846
2019	91,855
2020	83,616
Thereafter	943,201
	<hr/> \$ 1,383,010

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

16. TANGIBLE CAPITAL ASSETS

The First Nation's tangible capital assets are analyzed as follows:

	2014 Cost	2014 Accumulated Amortization	2014 Net Book Value	2015 Additions (Disposals)	Amortization (Net of Disposals)	2015 Net Book Value
First Nation Operations:						
Land	\$ 2,255,652	\$ -	\$ 2,255,652	\$ -	\$ -	\$ 2,255,652
Buildings	17,237,221	7,082,488	10,154,733	6,140,790	808,057	15,487,466
Automotive equipment	1,194,180	676,227	517,953	-	64,451	453,502
Computer and office equipment	1,205,634	819,627	386,007	265,449	106,468	544,988
Machinery and equipment	669,145	567,575	101,570	39,498	12,432	128,636
Roads and land improvements	9,690,024	4,570,380	5,119,644	2,776,599	432,527	7,463,716
Service installations	10,347,493	7,765,996	2,581,497	4,152	517,582	2,068,067
Assets under construction	7,361,896	-	7,361,896	(7,081,619)	-	280,277
Total First Nation Operations	49,961,245	21,482,293	28,478,952	2,144,869	1,941,517	28,682,304
Social Housing Operations:						
CMHC Housing units	2,105,783	449,648	1,656,135	-	70,086	1,586,049
Related Entity Operations:						
Liard Hot Springs Lodge (FNFN) Ltd.-						
Property and equipment	1,396,399	331,403	1,064,996	(70,780)	45,608	948,608
FNFN Gravel Pits Ltd.-						
Equipment	2,147	390	1,757	5,969	1,538	6,188
Total related entity operations	1,398,546	331,793	1,066,753	(64,811)	47,146	954,796
	\$ 53,465,574	\$ 22,263,734	\$ 31,201,840	\$ 2,080,058	\$ 2,058,749	\$ 31,223,149

	2015 Cost	2015 Accumulated Amortization	2015 Net Book Value
First Nation Operations:			
Land	\$ 2,255,652	\$ -	\$ 2,255,652
Buildings	23,378,010	7,890,544	15,487,466
Automotive equipment	1,194,181	740,679	453,502
Computer and office equipment	1,471,084	926,096	544,988
Machinery and equipment	708,643	580,007	128,636
Roads and land improvements	12,466,621	5,002,905	7,463,716
Service installations	10,351,645	8,283,578	2,068,067
Assets under construction	280,277	-	280,277
Total First Nation Operations	52,106,113	23,423,809	28,682,304
Social Housing Operations:			
CMHC Housing units	2,105,783	519,734	1,586,049
Related Entity Operations:			
Liard Hot Springs Lodge (FNFN) Ltd.-			
Property and equipment	1,325,619	377,011	948,608
FNFN Gravel Pits Ltd.-			
Equipment	8,117	1,929	6,188
Total related entity operations	1,333,736	378,940	954,796
	\$ 55,545,632	\$ 24,322,483	\$ 31,223,149

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

17. TRUST FUNDS

The First Nation's revenue for the year included trust distributions of \$495,391 (2014 - \$200,934) and accounts receivable included \$710,892 (2014 - \$251,501) due from the Fort Nelson First Nation Future Generations Trust. As at March 31, 2015 the balance of funds held in the trust was \$4,718,891 (2014 - \$4,256,801) and the fair market value of the investments held in the trust was \$4,495,686 (2014 - \$4,411,449).

18. FORT NELSON FIRST NATION FUTURE GENERATIONS SOCIETY

The Fort Nelson First Nation Future Generations Society (the Society), a controlled organization acts as trustee to the Fort Nelson First Nation Future Generations Trust. The Society has not been consolidated in the First Nation's financial statements.

19. LEASE COMMITMENTS

The First Nation's total obligations under various operating leases for equipment are as follows:

2016	\$ 24,994
2017	14,170
2018	13,748
2019	7,443
	<hr/>
	\$ 60,355
	<hr/>

20. CONTINGENT LIABILITIES

(a) Member Housing Loans

The First Nation is contingently liable for member housing loans provided to individual members for loans made by various financial institutions for purposes of acquiring on reserve housing. In the event that members default on their obligations under these loans, the First Nation would be required to pay the outstanding loan balance to the lenders. In the event that the First Nation is unable to pay on any defaulted member loans, these loans are guaranteed by AANDC. The First Nation's guarantee is itself secured by the related real properties.

As at March 31, 2015, the loans are analyzed as follows:

All Nations Trust Company	\$ 27,204
All Nations Trust Company	181,323
All Nations Trust Company	80,948
CIBC Mortgages Corporation	97,546
CIBC Mortgages Corporation	18,895
CIBC Mortgages Corporation	28,833
CIBC Mortgage Corporation	38,294
Peace Hills Trust	44,285
Scotia Mortgage Corporation	63,883
Scotia Mortgage Corporation	11,230
	<hr/>
	\$ 592,441
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FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

20. CONTINGENT LIABILITIES (Continued)

(b) Guarantor

The First Nation is a guarantor on an operating line of credit and a revolving term loan for Eh Cho Dene Enterprises Limited Partnership with authorized limits of \$750,000 and \$500,000 respectively. The balances of the operating line of credit and revolving term loan are \$NIL as at March 31, 2015.

(c) Legal Action

The First Nation has been named defendant in a legal action alleging various torts related to a road blockade. Legal council to the First Nation is unable to assess the First Nation's potential liability, if any, resulting from this action. Accordingly, no provision has been made in the accounts for such an occurrence. If any loss is eventually realized, it will be treated as a charge to income in the year incurred.

(d) Contaminated Site

The First Nation is contingently liable for costs associated with a contaminated site including the removal and replacement of fuel tanks on reserve land and the remediation of any soil contamination. The costs to remediate are uncertain and can vary depending on the extent of the environmental damage and in response to any changes in environmental standards. Accordingly, as at the date of these consolidated financial statements, the First Nation was unable to reasonably estimate the potential liability and no provision has been made in the financial statements.

(e) Decommissioning Costs

The First Nation is contingently liable for decommissioning costs that will be incurred at the end of the operating life of the fuel tanks on the First Nation's property. The ultimate decommissioning liability is uncertain and can vary in response to many factors including environmental factors, new restorative techniques and changes in legal requirements. As a result, the First Nation is unable to measure the potential liability at the date of these consolidated financial statements and, accordingly, no provision has been made in the accounts.

(f) Environmental Cleanup

The First Nation is contingently liable for costs associated with the cleanup of a diesel spill on land owned by one of the First Nation's controlled entities. As at the date of these consolidated financial statements, the First Nation was unable to reasonably estimate the amount of the cost and may vary depending on the extent of the environmental damage. The First Nation anticipates that the cost associated with these damages will be covered by insurance. Accordingly, no provision has been made in the accounts with respect to this claim.

21. CMHC ASSISTANCE

An agreement with CMHC under Section 95 of the National Housing Act provides assistance equivalent to the breakeven point as agreed between the First Nation and CMHC. The agreement provides for review of the level of assistance if the mortgage interest rate is increased or decreased on renewal.

In return for the above assistance from CMHC toward member housing charges, the First Nation has agreed to make annual housing assessments against its tenants' incomes in the minimum amount of \$77,544. If the First Nation charges annual housing assessments less than \$77,544, it has agreed to contribute the balance. The First Nation may retain operating surpluses to provide against future revenue shortfalls.

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

22. NET CHANGE IN NON CASH WORKING CAPITAL BALANCES

	2015	2014
Decrease (increase) in accounts receivable	\$ 1,694,370	\$ (1,194,454)
Increase in inventory for resale	(20,125)	(46,912)
Decrease in prepaid expenses	79,994	59,327
Increase in accounts payable and accrued liabilities	7,168	1,309,263
Decrease in deferred revenue	(206,092)	(241,548)
	<u>\$ 1,555,315</u>	<u>\$ (114,324)</u>

23. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The First Nation's cash and cash equivalents are comprised of:

	2015	2014
Cash and cash equivalents	\$13,611,022	\$ 6,360,524
Trust funds held by federal government	16,102,049	16,344,433
	<u>\$29,713,071</u>	<u>\$22,704,957</u>

During the year the First Nation paid cash for interest of \$42,464 (2014 - \$56,311) and received cash for interest of \$707,492 (2014 - \$799,429).

24. BUDGET FIGURES

The disclosed budget information has been approved by the Chief and Council of the First Nation at the Council meeting held on March 31, 2014. The following is a reconciliation of the approved budget surplus for the year from the budgeted surplus shown on the consolidated statement of operations and accumulated surplus (deficit) in accordance with Canadian public sector accounting standards.

	2015 Budget
Budgeted surplus (deficit) for the year	\$ (50,242)
Less: Acquisition of tangible capital assets	(1,745,000)
Less: Repairs and maintenance expenses capitalized as tangible capital assets	(126,000)
Less: Replacement reserve transfers	(40,200)
Budgeted surplus (deficit) for the year, per Chief and Council	<u>\$ (1,961,442)</u>

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

25. ACCUMULATED SURPLUS (DEFICIT)

The First Nation's accumulated surplus is analyzed as follows:

	2015	2014
	(Note 26)	
Restricted cash and cash equivalents	\$ 729,206	\$ 865,483
Designated cash and cash equivalents	2,914,073	2,432,443
Restricted portfolio investments	361,053	3,284,824
Internally designated portfolio investments	5,262,269	4,887,857
Investment in partnership	4,250,286	4,444,152
Trust funds held by federal government - capital account	15,905,664	15,750,084
Investment in and advances to government business enterprises	18,887,747	19,818,481
Investment in tangible capital assets	31,223,149	31,201,840
	79,533,447	82,685,164
Surplus (deficit) available for operations	7,586,181	2,674,687
Accumulated operating surplus	87,119,628	85,359,851
Accumulated remeasurement gains	709,320	305,368
	\$ 87,828,948	\$ 85,665,219

26. COMPARATIVE FIGURES

Certain balances of the preceding year have been reclassified to conform with current year's financial statement presentation.

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

27. SEGMENT DISCLOSURE

The First Nation describes its operating segments as follows:

(a) Administration

This segment provides band support and administrative services for the operations of the First Nation, including various financial functions such as payroll, accounts receivable and accounts payable.

(b) Capital Works

This segment is comprised of programs that oversee the First Nation's infrastructure.

(c) Capital Asset Fund

This segment is comprised of capital assets and related amortization as well as revenue of capitalized assets and assets under construction.

(d) Child Development

This segment is comprised of programs that promote early childhood development and culture to children and young families.

(e) Economic Development

This segment implements community economic development planning and capacity building initiatives, which are pursued to benefit the First Nation's community by enhancing employment, income generation activities, use of land and resources, economic infrastructure and business opportunities.

(f) Lands Resources

This segment is responsible for ensuring that interests of the First Nation are represented in matters of lands and natural resources.

(g) Education

This segment is responsible for managing and delivering K to grade 12 education programs and services. This includes language and culture, employment counselling services and the management of post-secondary student funding and support programs.

(h) Health

This segment administers the delivery of the Health Programs and Services.

(i) Housing

This segment's activities include Nation owned and CMHC housing rental units and repairs.

(j) Social Services

This segment administers benefits and services to individuals and families living on reserve who are in need of support. Department services include income assistance, assisted living, family violence prevention and awareness.

(k) Other Investments

This segment includes income and investments in government business enterprises, as well as income from portfolio investments and partnerships.

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

27. SEGMENT DISCLOSURE (Continued)

	Administration	Capital Works	Capital Asset Fund	Child Development	Economic Development	Lands Resources
REVENUES:						
AANDC	\$ 610,743	\$ 508,393	\$ 2,273,047	\$ 83,174	\$ 78,847	\$ -
BC Hydro	-	-	-	-	-	31,451
CMHC	-	-	-	-	-	-
FNHA	-	-	-	-	-	-
Income from investment in partnership	-	-	-	-	-	-
Loss from investments in government business enterprises	-	-	-	-	-	-
Income from portfolio investments	-	-	-	-	-	-
Other revenue	1,101,764	47,442	-	154,999	-	1,269,108
Province of British Columbia	1,205,593	-	-	130,442	125,629	988,790
	2,918,100	555,835	2,273,047	368,615	204,476	2,289,349
EXPENSES:						
Amortization	-	-	1,985,937	-	-	-
Bad debts	19,551	-	-	-	-	-
Busing	-	-	-	-	-	-
Community programs	262,980	-	-	16,150	-	-
Distribution to minors	-	-	-	-	-	-
Equipment and furniture	15,750	52,970	-	2,838	-	13,034
Honoraria	98,825	-	-	-	11,100	11,344
Impairment loss	-	-	-	-	-	-
Insurance	415	40,184	-	-	-	-
Interest on long-term debt	2,595	-	-	-	-	-
Lands rebilling	-	-	-	-	-	818,902
Post secondary allowances	-	-	-	-	-	-
Professional fees	661,567	-	-	-	120,695	535,960
Property taxes	-	-	-	-	-	-
Cost of goods sold	-	-	-	-	-	-
Repairs and maintenance	-	589,256	-	4,939	-	-
Social services payments	-	-	-	-	-	-
Student incentives	-	-	-	-	-	-
Supplies and other	95,894	124,436	194,322	24,213	7,865	178,281
Travel and training	196,811	11,046	50,370	18,080	16,520	52,348
Utilities	49,080	77,690	-	13,158	531	31,514
Wages and benefits	1,059,817	549,751	-	300,512	140,731	594,461
	2,463,285	1,445,333	2,230,629	379,890	297,442	2,235,844
SURPLUS (DEFICIT) BEFORE TRANSFERS	454,815	(889,498)	42,418	(11,275)	(92,966)	53,505
TRANSFER FROM (TO) OPERATING FUNDS	(886,321)	889,498	(2,714,977)	(34,360)	96,465	(790,179)
ACCUMULATED OPERATING SURPLUS (DEFICIT), BEGINNING OF YEAR	1,233,325	-	27,028,743	52,615	-	682,740
ACCUMULATED OPERATING SURPLUS (DEFICIT), END OF YEAR	\$ 801,819	\$ -	\$ 24,356,184	\$ 6,980	\$ 3,499	\$ (53,934)

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

27. SEGMENT DISCLOSURE (Continued)

	Education	Health	Housing	Social Services	Other Investments	2015	2014
(Note 26)							
REVENUES:							
AANDC	\$ 1,886,154	\$ 5,576	\$ -	\$ 468,023	\$ -	\$ 5,913,957	\$ 3,858,019
BC Hydro	-	-	-	-	-	31,451	53,365
CMHC	-	-	82,266	-	-	82,266	83,424
FNHA	-	808,756	-	-	-	808,756	1,748,152
Income from investment in partnership	-	-	-	-	3,416,189	3,416,189	319,985
Loss from investments in government business enterprises	-	-	-	-	(395,307)	(395,307)	(106,921)
Income from portfolio investments	-	-	-	-	214,403	214,403	138,864
Other revenue	481,674	7,850	230,733	94,591	2,114,643	5,502,804	6,645,381
Province of British Columbia	649,922	-	-	72,129	-	3,172,505	4,232,486
	3,017,750	822,182	312,999	634,743	5,349,928	18,747,024	16,972,755
EXPENSES:							
Amortization	-	-	70,086	-	47,145	2,103,168	1,830,302
Bad debts	-	-	-	-	1,338	20,889	44,137
Busing	96,713	-	-	-	-	96,713	93,800
Community programs	-	298,598	-	174,168	-	751,896	568,900
Distribution to minors	-	-	-	-	320,000	320,000	360,000
Equipment and furniture	6,548	1,256	-	-	-	92,396	94,844
Honoraria	4,250	-	-	4,988	-	130,507	122,307
Impairment loss	-	-	-	-	149,532	149,532	-
Insurance	28,218	-	36,660	-	23,749	129,226	116,832
Interest on long-term debt	-	-	32,777	-	-	35,372	39,196
Lands rebilling	-	-	-	-	-	818,902	1,759,517
Post secondary allowances	462,403	-	-	-	-	462,403	281,890
Professional fees	5,666	35,614	3,807	-	38,230	1,401,539	1,723,693
Property taxes	-	-	-	-	28,281	28,281	29,351
Cost of goods sold	-	-	-	-	447,672	447,672	387,455
Repairs and maintenance	67,558	-	96,856	4,872	210,141	973,622	610,329
Social services payments	-	-	-	485,162	-	485,162	469,701
Student incentives	78,856	-	-	-	-	78,856	52,403
Supplies and other	363,395	35,926	33,347	20,429	75,599	1,153,707	1,140,697
Travel and training	69,693	15,172	1,303	36,234	5,469	473,046	258,559
Utilities	81,616	30,378	42,252	28,766	119,713	474,698	417,162
Wages and benefits	2,089,106	701,826	105,263	504,412	313,781	6,359,660	5,774,199
	3,354,022	1,118,770	422,351	1,259,031	1,780,650	16,987,247	16,175,274
SURPLUS (DEFICIT) BEFORE TRANSFERS	(336,272)	(296,588)	(109,352)	(624,288)	3,569,278	1,759,777	797,481
TRANSFER FROM (TO) OPERATING FUNDS	323,757	262,921	148,377	626,898	2,077,921	-	-
ACCUMULATED OPERATING SURPLUS (DEFICIT), BEGINNING OF YEAR	12,515	74,844	456,872	(2,610)	55,820,807	85,359,851	84,562,370
ACCUMULATED OPERATING SURPLUS (DEFICIT), END OF YEAR	\$ -	\$ 41,177	\$ 495,897	\$ -	\$ 61,468,006	\$ 87,119,628	\$ 85,359,851

FORT NELSON FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

27. SEGMENT DISCLOSURE (Continued)

The First Nation's segmented revenues and expenses are reconciled to the consolidated financial statements as follows:

Total revenues per segment disclosure note	\$ 18,747,024
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Inter-segment administration fees	(51,802)
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Total revenues per consolidated statement of operations	18,695,222
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Total expenses per segment disclosure note	16,987,247
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Inter-segment administration fees	(51,802)
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Total expenses per consolidated statement of operations	\$ 16,935,445
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