

Fort Nelson First Nation
Consolidated Financial Statements
For the year ended March 31, 2022

Management's Responsibility

To the Members of Fort Nelson First Nation:

The accompanying consolidated financial statements of Fort Nelson First Nation are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Fort Nelson First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the First Nation's external auditors.

MNP LLP is appointed by the Council on behalf of the Members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

e-Signed by Angela O'Shaughnessy

2022-10-04 22:25:40:40 GMT

Director of Finance

Independent Auditor's Report

To the Members of Fort Nelson First Nation:

Opinion

We have audited the consolidated financial statements of Fort Nelson First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, changes in net financial assets and cash flows and related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2022, and the results of its consolidated operations, its consolidated remeasurement gains and losses, consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

MNP LLP

Suite 301, 15303 - 31st Avenue, Surrey B.C., V3Z 6X2

1.800.761.7772 T: 604.536.7614 F: 604.538.5356

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Surrey, British Columbia

October 3, 2022

MNP LLP

Chartered Professional Accountants

Fort Nelson First Nation
Consolidated Statement of Financial Position
As at March 31, 2022

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Financial assets | | |
| Cash resources (Note 4) | 7,743,771 | 5,911,405 |
| Portfolio investments (Note 5) | 11,268,803 | 12,182,126 |
| Portfolio investments held in trust (Note 6) | 12,194,310 | 12,940,285 |
| Funds held in trust (Note 7) | 9,915,971 | 9,649,328 |
| Accounts receivable (Note 8) | 16,223,889 | 1,603,120 |
| Inventory | 34,887 | 34,888 |
| Investments in First Nation business entities (Note 9) | 20,184,846 | 4,466,869 |
| Investment in First Nation business partnership (Note 9) | - | 28,485 |
| Note receivable (Note 10) | 1,000,000 | 1,000,000 |
| Total of financial assets | 78,566,477 | 47,816,506 |
| Liabilities | | |
| Accounts payable and accruals (Note 11) | 3,896,316 | 2,923,523 |
| Deferred revenue (Note 12) | 5,010,441 | 4,863,310 |
| Long-term debt (Note 13) | 2,203,502 | 2,351,023 |
| Promissory notes payable (Note 14) | 212,358 | 212,358 |
| Mortgage advance (Note 15) | 727,477 | 712,478 |
| Total of liabilities | 12,050,094 | 11,062,692 |
| Net financial assets | 66,516,383 | 36,753,814 |
| Contingencies (Note 16) | | |
| Non-financial assets | | |
| Tangible capital assets (Note 17) (Schedule 1) | 23,353,973 | 24,502,196 |
| Prepaid expenses | 56,412 | 71,538 |
| Total non-financial assets | 23,410,385 | 24,573,734 |
| Accumulated surplus (Note 18) | 89,926,768 | 61,327,548 |
| Accumulated surplus is comprised of: | | |
| Accumulated surplus (Note 18) | 88,614,784 | 58,976,246 |
| Accumulated remeasurement gains | 1,311,984 | 2,351,302 |
| | 89,926,768 | 61,327,548 |

Approved on behalf of the Council

e-Signed by Sharleen Gale
2022-09-30 23:19:20 GMT

Chief

PAB.

Councillor

Fort Nelson First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2022

| | <i>Schedules</i> | <i>2022 Budget</i> | <i>2022</i> | <i>2021</i> |
|---|------------------|------------------------|-------------|-------------|
| Revenue | | | | |
| Indigenous Services Canada | | 5,939,594 | 8,757,022 | 5,163,249 |
| First Nations Health Authority | | 1,532,658 | 1,394,353 | 1,478,345 |
| Province of British Columbia | | 2,464,104 | 16,931,330 | 3,787,995 |
| Government of Canada | | 342,874 | 607,445 | 495,404 |
| First Nations Education Steering Committee | | 358,748 | 388,260 | 378,510 |
| North East Native Advancing Agency | | 150,206 | 119,270 | 130,923 |
| BC First Nation Gaming Revenue Sharing LP | | 505,374 | 287,162 | 505,374 |
| Rental income | | 311,304 | 270,881 | 242,261 |
| Canada Mortgage and Housing Corporation | | 102,144 | 102,603 | 102,327 |
| Property taxation | | 49,000 | 48,473 | 49,023 |
| Interest income | | 159,860 | 222,110 | 167,551 |
| Other revenue | | 2,154,405 | 3,285,674 | 2,167,389 |
| Trust distributions (Note 20) | | - | 1,490,159 | 1,538,315 |
| Income from portfolio investments | | 1,731,100 | 2,518,165 | 2,088,690 |
| Liard Hotsprings Lodge (FNFN) Ltd. | | - | 828,146 | 392,561 |
| Gain (loss) from investments in First Nation business entities (Note 9) | | - | 14,955,565 | (1,145,470) |
| Income from investment in First Nation business partnership (Note 9) | | - | 441 | 4,434 |
| | | 15,801,371 | 52,207,059 | 17,546,881 |
| Program expenses | | | | |
| Administration & Governance | 3 | 2,638,316 | 2,264,425 | 10,681,888 |
| Capital | 4 | 4,556,036 | 5,462,631 | 2,235,743 |
| Economic Development | 5 | 97,874 | 1,436,850 | 1,239,773 |
| Education | 6 | 4,273,019 | 4,247,142 | 3,965,404 |
| Family & Community Services | 7 | 1,115,503 | 1,141,223 | 1,036,344 |
| Health | 8 | 1,919,202 | 1,778,399 | 1,766,382 |
| Housing | 9 | 880,129 | 883,727 | 924,413 |
| Justice | 10 | 394,974 | 270,774 | 152,788 |
| Lands Resources | 11 | 2,228,096 | 2,559,716 | 1,954,474 |
| Other Investments | 12 | 440,800 | 1,871,480 | 1,912,336 |
| Social Services | 13 | 601,997 | 652,154 | 490,150 |
| | | 19,145,946 | 22,568,521 | 26,359,695 |
| Surplus (deficit) | | (3,344,575) | 29,638,538 | (8,812,814) |
| Accumulated surplus, beginning of year | | 58,976,246 | 58,976,246 | 67,789,060 |
| Accumulated surplus, end of year | | 55,631,671 | 88,614,784 | 58,976,246 |

The accompanying notes are an integral part of these financial statements

Fort Nelson First Nation
Consolidated Statement of Remeasurement Gains and Losses
For the year ended March 31, 2022

| | 2022 | 2021 |
|--|------------------|--------------------|
| Accumulated remeasurement gains (losses), beginning of year | 2,351,302 | (1,718,214) |
| Unrealized gains (losses) attributable to: | | |
| Portfolio investments | (420,949) | 3,013,742 |
| Amounts reclassified to the statement of operations: | | |
| Portfolio investments | (618,369) | 1,055,774 |
| Accumulated remeasurement gains, end of year | 1,311,984 | 2,351,302 |

The accompanying notes are an integral part of these financial statements

Fort Nelson First Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2022

| | <i>2022 Budget</i> | <i>2022</i> | <i>2021</i> |
|---|------------------------|--------------------|--------------------|
| Surplus (deficit) | (3,344,575) | 29,638,538 | (8,812,814) |
| Purchases of tangible capital assets | (149,800) | (760,336) | (561,270) |
| Amortization of tangible capital assets | 1,469,710 | 1,908,559 | 1,940,379 |
| Acquisition of prepaid expenses | - | - | (25,506) |
| Use of prepaid expenses | - | 15,126 | - |
| Change in remeasurement gains (losses) for the year | - | (1,039,318) | 4,069,516 |
| Increase (decrease) in net financial assets | (2,024,665) | 29,762,569 | (3,389,695) |
| Net financial assets, beginning of year | 36,753,814 | 36,753,814 | 40,143,509 |
| Net financial assets, end of year | 34,729,149 | 66,516,383 | 36,753,814 |

The accompanying notes are an integral part of these financial statements

Fort Nelson First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2022

| | 2022 | 2021 |
|--|--------------|-------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | | |
| Surplus (deficit) | 29,638,538 | (8,812,814) |
| Non-cash items | | |
| Amortization | 1,908,559 | 1,940,379 |
| Realized loss (gain) on portfolio investments | 299,970 | (569,143) |
| Realized loss (gain) on investments held in trust | 318,399 | (486,633) |
| Loss (gain) from investments in First Nation business entities | (14,955,565) | 1,145,470 |
| Income from investment in First Nation business partnership | (441) | (4,434) |
| | 17,209,460 | (6,787,175) |
| Changes in working capital accounts | | |
| Accounts receivable | (14,620,769) | 481,426 |
| Prepaid expenses | 15,129 | (25,506) |
| Accounts payable and accruals | 972,793 | 416,891 |
| Deferred revenue | 147,131 | 9,884,243 |
| | 3,723,744 | 3,969,879 |
| Financing activities | | |
| Repayment of long-term debt | (147,521) | (145,085) |
| Mortgage advance | 14,999 | 3,987 |
| | (132,522) | (141,098) |
| Capital activities | | |
| Purchases of tangible capital assets | (760,336) | (561,270) |
| Investing activities | | |
| Increase in portfolio investments - net | 151,646 | 770,509 |
| Increase (decrease) in portfolio investments held in trust - net | (150,036) | (1,104,385) |
| Increase in funds held in trust | (266,643) | (186,776) |
| Proceeds from funds held in trust | - | 6,764,780 |
| Advances to investment in First Nation business entities | (762,412) | (7,313,907) |
| Proceeds from investment in First Nation business partnership | 28,925 | - |
| Advances of note receivable | - | (1,000,000) |
| | (998,520) | (2,069,779) |
| Increase in cash resources | 1,832,366 | 1,197,732 |
| Cash resources, beginning of year | 5,911,405 | 4,713,673 |
| Cash resources, end of year | 7,743,771 | 5,911,405 |

The accompanying notes are an integral part of these financial statements

1. Operations

The Fort Nelson First Nation (the "First Nation") is a First Nations government located in the province of 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, Economic Development, Education, Family and Community Services, Health, Housing, Justice, Lands Resources, Other Investments and Social Services. 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.

Impact on operations of COVID-19 (coronavirus)

In early March 2020 the global outbreak of COVID-19 (coronavirus) began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

The First Nation's operations were impacted by COVID-19 due to closure of offices and service delivery buildings such as the school and health centre, added cleaning and supply costs, additional PP&E purchased in year, cancellation of events, lay-off of staff, and other operational disruptions. The operational impact of COVID-19 has been partially offset by available government programs for which the First Nation was eligible and additional government transfers for program support.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the First Nation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

2. Significant accounting policies

These consolidated financial statements are the representations of management in accordance with Canadian public sector accounting standards as recommended by the Public Accounting Standards Board of CPA Canada and are consistent with the accounting policies set out by the Department of Indigenous Services Canada. Significant accounting policies adopted by the First Nation are as follows:

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation's business entities. Trusts administered on behalf of third parties by Fort Nelson First Nation are excluded from the First Nation reporting entity.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Liard Hotsprings Lodge (FNFN) Ltd.
- Chalo Independent School Society
- Fort Nelson Indian Band Land Trust Society
- Reaching For Our Vision Trust

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

2. Significant accounting policies *(Continued from previous page)*

Fort Nelson First Nation business entities, owned or controlled by the First Nation's Council but not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- Deh Tai GP Ltd.
- Deh Tai Limited Partnership
- FNFN Forestry Limited Partnership

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

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. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

Net financial assets

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of consolidated financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of consolidated financial position, accumulated surplus (deficit).

Cash and cash equivalents

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in cash (Note 4).

Portfolio investments

Portfolio investments with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment. Portfolio investments include a guaranteed investment certificate and equity instruments that either have no maturity dates or have a maturity of greater than three months at the time of acquisition, and an investment in a partnership for which there is no control. Changes in fair value of investments quoted in an active market are recorded in the consolidated statement of remeasurement gains and losses. Earnings from portfolio investments that are not quoted in an active market are recognized only to the extent received or receivable.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business.

Inventory held for resale is classified as a financial asset when all of the following criteria are met:

- Prior to March 31, 2022, the First Nation has committed to sell the asset;
- The asset is in a condition to be sold;
- The asset is publicly seen to be for sale;
- There is an active market for the asset;
- A plan exists for selling the asset; and
- A sale to a party external to the First Nation can reasonably be expected within one year.

2. Significant accounting policies *(Continued from previous page)*

Tangible capital assets

Tangible capital assets are initially recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible assets are recorded at their fair value at the date of contribution. 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. Historic works of art and treasures are not recorded as assets in these consolidated financial statements.

Amortization

Assets under construction are not amortized until the asset becomes available for use. Amortization for other tangible capital assets is provided using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

| | Method | Rate |
|-------------------------------|---------------|-------------|
| Buildings | straight-line | 4 % |
| Automotive equipment | straight-line | 10 % |
| Computer and office equipment | straight-line | 10-30 % |
| Machinery and equipment | straight-line | 10-30 % |
| Roads and land improvements | straight-line | 4-20 % |
| Service installations | straight-line | 5 % |

Long-lived assets

Long-lived assets consist of tangible capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in operations for the year.

Liability for contaminated site

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, 2022.

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, 2022, no liability for contaminated sites exists.

Revenue recognition

Funding

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the consolidated statement of financial position in the year of receipt.

Government transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

2. Significant accounting policies *(Continued from previous page)*

Externally restricted revenue

The First Nation recognizes externally restricted inflows as revenue in the period the resources are used for the purpose specified in accordance with an agreement or legislation. Until this time, the First Nation records externally restricted inflows in deferred revenue.

Funds held in trust

The First Nation recognizes revenue of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

Other Income

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.

Measurement uncertainty (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. Amounts due from First Nation members and investments in First Nation business entities are stated after evaluation as to their collectability and recoverability and an appropriate allowance for impairment is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the First Nation is responsible for. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the periods in which they become known.

Funds held in trust

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Segments

The First Nation conducts its business through eleven reportable segments: Administration, Capital, Child Development, Economic Development, Education, Health, Housing, Justice, Lands Resources, Other Investments and Social Services. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed above.

2. Significant accounting policies *(Continued from previous page)*

Financial instruments

The First Nation recognizes its financial instruments when the First Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the First Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The First Nation has not made such an election during the year.

The First Nation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by the published price quotations that are available in an open market. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment when there are indicators of impairment. Management considers whether the investee has experienced continued losses for a period of years, recent collection experience for the loan in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the consolidated statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements can occur, provided they are not greater than the amount that would have been reported at the date of reversal had the impairment not been previously recognized. In such instances these reversals are recognized in the consolidated statement of operations.

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category reflect the exchange rates at the consolidated statement of financial position date. Unrealized foreign exchange gains and losses are recognized in the consolidated statement of remeasurement gains and losses.

In the period of settlement, foreign exchange gains are reclassified to the consolidated statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the consolidated statement of remeasurement gains and losses.

Consolidated statement of remeasurement gains and losses

By presenting remeasurement gains (losses) separately, changes in the carrying value of financial instruments arising from fair value measurement, unrealized foreign exchange gains (losses) and other comprehensive income arising from investments in government business entities are distinguished from revenue and expenses reported in the consolidated statement of operations. The consolidated statement of operations reports the extent to which revenues raised in the period were sufficient to meet the expenses incurred. Remeasurement gains (losses) do not affect this assessment as they are recognized in the consolidated statement of remeasurement gains and losses. Taken together, the two statements account for changes in a First Nation's net assets (liabilities) in the period.

Upon settlement, the cumulative gain (loss) is reclassified from the consolidated statement of remeasurement gains and losses and recognized in the consolidated statement of operations. Interest and dividends attributable to all financial instruments are reported in the consolidated statement of operations.

2. Significant accounting policies *(Continued from previous page)*

Recent accounting pronouncement

PS 3280 Asset Retirement Obligation (New)

In August 2018, new PS 3280 Asset Retirement Obligations was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new PS 3280 establishes standards on how to account for and report a liability for asset retirement obligations (ARO). As asset retirement obligations associated with landfills are included in the scope of new PS 3280, PS 3270 Solid Waste Landfill Closure and Post-Closure Liability will be withdrawn.

The main features of this standard are as follows:

An ARO represents a legal obligation associated with the retirement of a tangible capital asset.

- Asset retirement costs increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner.
- When an asset is no longer in productive use, the associated asset retirement costs are expensed.
- Measurement of the ARO liability should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date.
- Subsequent measurement of the ARO liability results in either a change in the carrying amount of the related tangible capital asset or an expense. The accounting treatment depends on the nature of the remeasurement and whether the asset remains in productive use.
- The best method to estimate the liability is often a present value technique.

This standard was to be effective for fiscal years beginning on or after April 1, 2021. On June 25, 2020, the PSAB made the decision to defer the effective date by one year due to the impact of the COVID-19 pandemic. The new section is now effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted. The Nation does not expect application of the new standard to have a material effect on the consolidated financial statements.

3. Financial instruments

The First Nation as part of its operations carries a number of financial instruments. It is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

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.

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.

Fair values

Due to their short-term nature, the carrying values of cash resources, portfolio investments, accounts receivable, accounts payable and accruals 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.

3. Financial instruments *(Continued from previous page)*

Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

Risk management

The First Nation manages its credit risk by assessing the collectibility of its receivables and creating allowances for potentially uncollectible accounts receivable.

4. Cash resources

Restricted cash

Included in cash are externally restricted funded reserves in the amount of \$505,775 (2021 - \$495,193).

Credit facilities

The First Nation has available a \$600,000 (2021 - \$600,000) revolving line of credit and a \$250,000 (2021 - \$250,000) bank overdraft with interest charged at the Scotiabank prime rate plus 0.75% and 0.5% per annum respectively. At March 31, 2022, the outstanding line of credit and bank overdraft balances were \$NIL (2021 - \$NIL), and are secured by certain vehicles owned and a general security agreement over all present and future personal property with appropriate insurance coverage. Prime rate at March 31, 2022 was 2.70% (2021 - 2.45%).

Designated funds

Included in cash are designated funds in the amount of \$2,914,073 (2021 - \$2,914,073) 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 Funds held in trust (Note 7). The capital projects have since been completed and the remaining surplus will be either used for an approved capital project or repaid to Indigenous Services Canada, for redeposit into the Capital account.

5. Portfolio investments

Included in portfolio investments are the following:

- Publicly traded securities with a market value of \$11,049,815 (2021 - \$11,963,648) and an adjusted cost base of \$10,433,049 (2021 - \$10,885,176).
- The First Nation has an investment in a limited partnership representing 49.9% ownership of the partnership units with an adjusted cost base of \$1 (2021 - \$1). The limited partnership is accounted for as a portfolio investment and is not quoted in an active market.
- A 5-year Guaranteed Investment Certificate of \$218,988 (2021 - \$218,478).

6. Portfolio investments held in trust

Included in portfolio investments held in trust are publicly traded securities with a market value of \$12,194,310 (2021 - \$12,940,285) and an adjusted cost base of \$11,499,091 (2021 - \$11,667,455).

Fort Nelson First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

7. Funds held in trust

Funds held in trust include the Ottawa Trust accounts which arise from moneys 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*. Capital and revenue trust moneys are transferred to the First Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the First Nation's Council.

| | 2022 | 2021 |
|----------------------------|------------------|-------------|
| Capital Trust | | |
| Balance, beginning of year | 9,565,056 | 16,073,854 |
| Additions | 34,418 | 1,202 |
| Withdrawals | - | (6,510,000) |
| Balance, end of year | 9,599,474 | 9,565,056 |
| Revenue Trust | | |
| Balance, beginning of year | 84,272 | 153,478 |
| Additions | 232,225 | 185,574 |
| Withdrawals | - | (254,780) |
| Balance, end of year | 316,497 | 84,272 |
| | 9,915,971 | 9,649,328 |

8. Accounts receivable

| | 2022 | 2021 |
|---------------------------------|--------------------|-------------|
| Indigenous Services Canada | 350,353 | 22,974 |
| First Nations Health Authority | 21,884 | 138,169 |
| Province of British Columbia | 14,350,156 | 397,659 |
| Government of Canada | 97,616 | 16,720 |
| Due from members | 1,807,427 | 1,818,009 |
| Other receivables | 1,548,573 | 1,186,337 |
| Allowance for doubtful accounts | (1,952,120) | (1,976,748) |
| | 16,223,889 | 1,603,120 |

Fort Nelson First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

9. Investments in First Nation business entities and partnership

The First Nation has investments in the following entities:

| | | | | | 2022 |
|---|------------------------|---------------------------|--|--|-------------------------|
| | <i>Investment cost</i> | <i>Advances to (from)</i> | <i>Accumulated earnings (loss) in equity</i> | <i>Current earnings (loss) in equity</i> | <i>Total investment</i> |
| First Nation Business entities - Modified Equity: | | | | | |
| Deh Tai Limited Partnership - 99.9% | 100 | 10,405,746 | (3,706,368) | 14,556,907 | 21,256,385 |
| Deh Tai GP Ltd. - 100% | 1 | - | (1,554,266) | 246,615 | (1,307,650) |
| FNFN Forestry Limited Partnership - 99.99% | - | 111,875 | (27,807) | 152,043 | 236,111 |
| | 101 | 10,517,621 | (5,288,441) | 14,955,565 | 20,184,846 |
| First Nation Business Partnership – Modified Equity: | | | | | |
| Waterways Communications Limited Partnership - 51% | 25,076 | (28,925) | 3,408 | 441 | - |
| First Nation Business – Full Consolidation: | | | | | |
| Liard Hotsprings Lodge (FNFN) Ltd. - 100% | 1 | 3,924,306 | (4,466,060) | (22,317) | (564,070) |
| | | | | | 2021 |
| | <i>Investment cost</i> | <i>Advances to (from)</i> | <i>Accumulated earnings (loss) in equity</i> | <i>Current earnings (loss) in equity</i> | <i>Total investment</i> |
| First Nation Business entities - Modified Equity: | | | | | |
| 672465 B.C. Ltd. - 100% | 1 | - | 39,140 | (39,141) | - |
| Deh Tai Limited Partnership - 99.99% | 100 | 9,643,334 | (3,004,058) | (702,310) | 5,937,066 |
| Deh Tai GP Ltd. - 100% | 1 | - | (1,175,354) | (378,912) | (1,554,265) |
| FNFN Forestry Limited Partnership - 99.99% | - | 111,875 | - | (27,807) | 84,068 |
| | 102 | 9,755,209 | (4,140,272) | (1,148,170) | 4,466,869 |
| First Nation Business Partnership – Modified Equity: | | | | | |
| Waterways Communications Limited Partnership - 51% | 25,076 | - | (1,025) | 4,434 | 28,485 |
| First Nation Business – Full Consolidation: | | | | | |
| Liard Hotsprings Lodge (FNFN) Ltd. - 100% | 1 | 3,923,004 | (4,208,688) | (258,706) | (544,389) |

Continued on next page

Fort Nelson First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

9. Investments in First Nation business entities and partnership *(Continued from previous page)*

FNFN Forestry Limited Partnership was established to enter into forestry operations near Fort Nelson, British Columbia.

Deh Tai Limited Partnership together with its general partner, Deh Tai GP Ltd. were established as part of a Master Limited Partnership structure to invest in entities to pursue economic development opportunities. As of March 31, 2022, the Limited Partnership held investments in the following:

- Eh Cho Dene Limited Partnership was established to carry on road construction, site preparation and maintenance and land clearing for gas plants, hydro stations and right-of-ways.
- Fern Lake Commercial Holdings Limited Partnership was established to hold commercial rental properties.
- Fern Lake Residential Holdings Limited Partnership was established to hold residential rental properties.
- Clarke Lake Geothermal Limited Partnership was established to develop geothermal electricity production facilities. For the fiscal year ended March 31, 2022, Deh Tai Limited Partnership's share of income was \$12,168,322 (2021 - \$946,463 loss). During the year, Clarke Lake Limited Partnership capitalized \$16,721,727 (2021 - \$NIL) in development costs for a geothermal project.

As at March 31, 2022 the general partner held an investment in 1164062 B.C. Ltd., which was established to provide accommodations through hotel and restaurant operations in Fort Nelson, British Columbia.

Summary financial information for each First Nation business entity, accounted for using the modified equity method, for their respective year-end is as follows:

| | <i>FNFN Forestry Limited Partnership As at December 31, 2021</i> | <i>Deh Tai GP Ltd. As at December 31, 2021</i> | <i>Deh Tai Limited Partnership As at December 31, 2021</i> |
|-------------------------------|---|---|---|
| Assets | | | |
| Cash | - | 45,990 | 3,357,723 |
| Trade and other receivables | - | 386,157 | 2,590,426 |
| Inventory | - | 24,230 | 53,364 |
| Investments | 6,692,682 | - | 502,560 |
| Prepaid expenses and deposits | - | 22,146 | 61,015 |
| Loans receivable | - | - | 27,361 |
| Property, plant and equipment | - | 125,838 | 19,769,751 |
| Advances to related parties | - | 3,429,993 | 4,787,845 |
| Total assets | 6,692,682 | 4,034,354 | 31,150,045 |
| Liabilities | | | |
| Accounts payable and accruals | 3,000 | 138,154 | 4,911,067 |
| Long-term debt | - | 40,000 | 687,035 |
| Advances from related parties | - | 5,076,386 | 3,329,993 |
| Payable to the First Nation | 111,875 | - | 11,503,319 |
| Total liabilities | 114,875 | 5,254,540 | 20,431,414 |
| Net assets | 6,577,807 | (1,220,186) | 10,718,631 |
| Total revenue | (74,467) | 1,536,397 | 35,779,850 |
| Total expenses | 1,500 | 1,128,752 | 23,163,680 |
| Net income (loss) | (75,967) | 407,645 | 12,616,170 |

Continued on next page

Fort Nelson First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

9. Investments in First Nation business entities and partnership *(Continued from previous page)*

Liard Hotsprings Lodge (FNFN) Ltd. was established to provide accommodations, restaurant operations and sales of gasoline, food and souvenirs near Fort Nelson, British Columbia.

Summary financial information for Liard Hotsprings Lodge (FNFN) Ltd., accounted for using the full consolidation method, for its respective year-end is as follows:

| | <i>Liard Hotsprings Lodge (FNFN) Ltd. As at December 31, 2021</i> |
|-------------------------------|--|
| Assets | |
| Cash | 19,426 |
| Accounts receivable | 76,293 |
| Inventory | 34,888 |
| Property and equipment | 952,850 |
| Total assets | 1,083,457 |
| Liabilities | |
| Accounts payable and accruals | 121,492 |
| Long-term debt | 40,000 |
| Advances from related parties | 5,552,982 |
| Total liabilities | 5,714,474 |
| Deficit | (4,631,017) |
| Total revenue | 777,612 |
| Total expenses | 1,046,650 |
| Net loss | (269,038) |

Fort Nelson First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

10. Note receivable

The note receivable from Peak Renewables Ltd., an unrelated party, is due on demand and bears interest at 8% after the demand date.

11. Accounts payable and accruals

| | 2022 | 2021 |
|--|------------------|-------------|
| Indigenous Services Canada | 167,399 | 25,836 |
| First Nations Health Authority | 311,759 | 42,334 |
| Province of British Columbia | 85,266 | 47,476 |
| Other accounts payable and accrued liabilities | 3,331,892 | 2,807,877 |
| | 3,896,316 | 2,923,523 |

12. Deferred revenue

Deferred revenue consists of funds received for specific purposes which were not completed at the end of the fiscal year.

| | <i>Balance, beginning of year</i> | <i>Funding Received</i> | <i>Revenue Recognized</i> | <i>Balance, end of year</i> |
|--------------------------------|--|------------------------------------|--------------------------------------|--|
| Indigenous Services Canada | 3,130,113 | 9,364,225 | 8,924,422 | 3,569,916 |
| First Nations Health Authority | 687,803 | 1,374,969 | 1,734,646 | 328,126 |
| Province of British Columbia | 372,270 | 17,008,356 | 16,931,330 | 449,296 |
| Other deferred revenue | 673,124 | 2,980,301 | 2,990,322 | 663,103 |
| | 4,863,310 | 30,727,851 | 30,580,720 | 5,010,441 |

Fort Nelson First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

13. Long-term debt

| | 2022 | 2021 |
|--|------------------|-------------|
| Scotiabank - 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 Indigenous Services Canada. | 42,896 | 46,300 |
| All Nations Trust (6 units - Phase 2) (CMHC Full Program) - Mortgage repayable in monthly instalments of \$2,401, including interest at 2.22% per annum; due for renewal on January 1, 2024 and matures December 1, 2028; guaranteed by Indigenous Services Canada; secured by assets with a net book value of \$207,797 (2021 - \$232,864). | 180,833 | 205,406 |
| 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, 2022 and matures July 1, 2037; guaranteed by Indigenous Services Canada; secured by assets with a net book value of \$789,022 (2021 - \$810,886). | 380,102 | 401,995 |
| All Nations Trust (8 units - Phase 4) (CMHC Full Program) - Mortgage repayable in monthly instalments of \$6,407, including interest at 1.12% per annum; due for renewal on October 1, 2026 and matures October 1, 2041; guaranteed by Indigenous Services Canada; secured by assets with a net book value of \$1,681,473 (2021 - \$1,743,185). | 1,353,082 | 1,414,791 |
| All Nations Trust - Mortgage repayable in monthly instalments of \$507, including interest at 4.74% per annum; due for renewal on February 1, 2026 and matures February 1, 2036; guaranteed by Indigenous Services Canada; secured by assets with a net book value of \$67,196 (2021 - \$72,114). | 61,732 | 65,243 |
| All Nations Trust - Mortgage repayable in monthly instalments of \$283, including interest at 3.69% per annum; matures January 1, 2025; guaranteed by Indigenous Services Canada. | 9,100 | 12,204 |
| All Nations Trust - Mortgage repayable in monthly instalments of \$1,098, including interest at 4.49% per annum; due for renewal on August 1, 2022 and matures August 1, 2037; guaranteed by Indigenous Services Canada; secured by assets with a net book value of \$473,374 (2021 - \$507,049). | 140,357 | 147,326 |
| Scotiabank term loan - Loan repayable in monthly principal instalments of \$1,863; interest payable monthly at 3.95% per annum; matures November 24, 2023; secured by assets with a net book value of \$67,073 (2021 - \$76,016). | 35,400 | 57,758 |
| | 2,203,502 | 2,351,023 |

Fort Nelson First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

13. Long-term debt *(Continued from previous page)*

Principal repayments on long-term debt in each of the next five years, assuming all term debt is subject to contractual terms of repayment and long-term debt subject to refinancing is renewed, are estimated as follows:

| | |
|------------|-----------|
| 2023 | 149,032 |
| 2024 | 142,028 |
| 2025 | 130,973 |
| 2026 | 130,190 |
| 2027 | 132,503 |
| Thereafter | 1,518,776 |
| | 2,203,502 |

14. Promissory notes payable

The Council has filed a specific claim in the British Columbia Supreme Court for damage for injunctive relief, infringement of Treaty Rights and for related declaration of rights pursuant to Treaty 8 and Trapline Registration System. Negotiations towards an out of court settlement are currently in progress. The outcome is not certain and presently undeterminable. The Council received funding from Indigenous Services Canada as advance for the negotiation of this claim. Under the terms of the funding agreement, these advances are to be repaid by the Council out of their claim settlements. These advances have been recorded as a liability, as the Council has provided promissory notes to the Government of Canada in 2015 in accordance with the Native Claims Loan Agreement. The first note of \$90,821 is non-interest bearing, unsecured and is due on the earlier of March 31, 2023 or 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, 2024 or date on which the Specified Claim is settled.

During 2019, a note of \$54,650 was issued by Canada Mortgage and Housing Corporation for the purpose of renovations and repairs on a band owned house. Subject to certain conditions, the loan is forgivable on January 10, 2023.

15. Mortgage advance

The First Nation entered into an agreement with CMHC in which funds are advanced to assist in payment for the construction of housing. Advances under the mortgage are based on the progress of construction, up to the authorized mortgage amount of \$1,163,924 (2021 - \$1,163,924). Once construction is fully completed the mortgage becomes due and payable. Once payable, the loan will be repayable in monthly instalments, with interest at a rate to be determined on the date of the final advance, per annum over a term of 25 years.

Fort Nelson First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

16. Contingencies

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 Indigenous Services Canada. The First Nation's guarantee is itself secured by the related real properties.

As at March 31, 2022, the loans are analyzed as follows:

| | |
|--------------------------------------|-----------------------|
| CIBC Mortgages Corporation | 35,921 |
| CIBC Mortgages Corporation | 64,586 |
| CIBC Mortgages Corporation | 72,081 |
| Peace Hills Trust | 8,771 |
| North Peace Savings and Credit Union | 80,055 |
| North Peace Savings and Credit Union | <u>170,740</u> |
| | <u><u>432,154</u></u> |

One of the First Nation's consolidated entities, Liard Hotsprings Lodge (FNFN) Ltd., is contingently liable for decommissioning costs that will be incurred at the end of the operating life of the fuel tanks on the entity'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 entity 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.

These consolidated statements are subject to review by the First Nation's funding agents. It is possible that the adjustments could be made based on the results of their reviews.

On December 22, 2021, the Federal Court of Canada has approved a settlement between Canada and certain First Nations and their members who were subject to a drinking water advisory that lasted at least one year between November 20, 1995, and June 20, 2021. The First Nation is eligible to participate in the settlement class. First Nations have until December 2, 2022, to confirm their acceptance by submitting a Band Council Resolution. The First Nation is unable to reasonably estimate a value or range of outcomes for the settlement as it is in part based on individual impacted members' claims which can be filed up to March 7, 2023.

17. Tangible capital assets

Included in tangible capital assets for the year is \$1,649,678 (2021 - \$1,629,152) of new construction of a 6-plex. The new 6-plex was in progress at March 31, 2022 and is therefore not being amortized.

Fort Nelson First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

18. Accumulated surplus

Accumulated surplus consists of the following:

| | 2022 | 2021 |
|--|-------------------|-------------|
| Restricted cash | 505,775 | 495,193 |
| Designated cash | 2,914,073 | 2,914,073 |
| Portfolio investments held in trust | 12,194,310 | 12,940,285 |
| Trust funds held by federal government - capital account | 9,599,474 | 9,565,056 |
| Trust funds held by federal government - revenue account | 316,497 | 84,272 |
| Investments in First Nation business entities | 20,184,846 | 4,466,869 |
| Investment in First Nation business partnership | - | 28,485 |
| Investment in tangible capital assets | 20,422,994 | 21,438,695 |
| | 66,137,969 | 51,932,928 |
| Surplus available for operations | 22,476,815 | 7,043,318 |
| Accumulated surplus | 88,614,784 | 58,976,246 |
| Accumulated remeasurement gains | 1,311,984 | 2,351,302 |
| | 89,926,768 | 61,327,548 |

19. Budget information

The disclosed budget information has been approved by the Chief and Council and community members of the First Nation at the Community meeting held on March 23, 2021.

| | |
|--|---------------------------|
| Budget figures on the Consolidated Statement of Operations | (3,344,575) |
| Adjusted for: | |
| Capital expenditures | (149,800) |
| Replacement reserve transfers | <u>(35,700)</u> |
| Budgeted deficit approved by Chief and Council and community members | <u><u>(3,530,075)</u></u> |

20. Trust funds

Fort Nelson First Nation Future Generations Trust (2018)

The First Nation's revenue for the year included distributions from the trust of \$295,333 (2021 - \$321,847) and expenses included distributions to the trust of \$295,333 (2021 - \$321,847). As at March 31, 2022, the balance of funds held in trust was \$6,217,390 (2021 - \$5,722,649) and the fair market value of the investments held in trust was \$7,247,664 (2021 - 6,898,514). The Fort Nelson First Nation Future Generations Society acts as trustee to the Fort Nelson Future Generations Trust (2018).

Fort Nelson First Nation Agricultural Benefits Trust

The First Nation's revenue for the year included distributions from the trust of \$1,194,826 (2021 - \$1,216,468) and expenses included distributions to the trust of \$1,194,826 (2021 - \$1,216,468). As at March 31, 2022, the balance of funds held in trust was \$30,108,686 (2021 - \$27,694,884) and the fair market value of the investments held in trust was \$31,738,548 (2021 - \$30,655,275).

Under Canadian public sector accounting standards, the trusts are not recorded as an asset with the corresponding equity in accumulated surplus of the First Nation as the trusts are not controlled by the First Nation, they are controlled by a third party for the benefit of the First Nation membership.

21. Defined contribution pension plan

The First Nation has a defined contribution pension plan covering all full-time and part-time employees. Contributions to the plan are based on 2.5%-5.5% of participants' contributions up to \$6,477 per participant. There have been no significant changes to the plan in the current year.

22. Supplemental cash flow information

During the year the First Nation paid cash interest of \$60,522 (2021 - \$53,135) and received cash for interest of \$1,131,903 (2021 - \$903,273).

23. Economic dependence

Fort Nelson First Nation receives a significant portion of its revenue from Indigenous Services Canada and First Nations Health Authority as a result of Treaties entered into with the Government of Canada. These treaties are administered by Indigenous Services Canada and First Nations Health Authority under the terms and conditions of the *Indian Act*. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

24. Compliance with laws and regulations

The First Nation is required by the First Nations Financial Transparency Act to submit its consolidated financial statements to Indigenous Services Canada, and post its consolidated financial statements on a website, within 120 days of year-end. As the First Nation had not done this, it is not in compliance with this law. The potential effect of the non-compliance is unknown.

25. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

The comparative figures include a reclassification to reflect a decrease in investments in First Nation business entities of \$6,681,485 and a decrease in deferred revenue of \$6,681,485.

26. Segments

The First Nation describes its operating segments as follows:

Administration and Governance

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

Capital

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

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.

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.

Family and Community Services

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

Health

This segment administers the delivery of health programs and services.

Housing

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

Justice

This segment administers services to assist community members in the local administration of justice, in a culturally relevant fashion.

Lands Resources

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

Other Investments

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

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 and child out of parental home.