

Consolidated Financial Statements of

# **PROPHET RIVER FIRST NATION**

Year ended March 31, 2015

# PROPHET RIVER FIRST NATION

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## PROPHET RIVER FIRST NATION

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Prophet River First Nation (the "First Nation") are the responsibility of management and have been approved by the Chief and Council of the First Nation.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and 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 respects.

The First Nation maintains 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 the Nation's assets are appropriately accounted for and adequately safeguarded.

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

The Chief and Council review the First Nation's consolidated financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditors' report. The Chief and Council take the information into consideration when approving the financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.

The consolidated financial statements have been audited by KPMG LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. KPMG LLP have full access to the Council.



Lynette Sabza  
Chief



Darryl  
First Nation Band Manager



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## INDEPENDENT AUDITORS' REPORT

To the Chief and Council Members of Prophet River First Nation

We have audited the accompanying consolidated financial statements of Prophet River First Nation, which comprise the consolidated statement of financial position as at March 31, 2015, the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these 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 our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 audit opinion.



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*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Prophet River First Nation as at March 31, 2015, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Comparative Information*

The consolidated financial statements of Prophet River First Nations as at and for the year ended March 31, 2014, were audited by another auditor who expressed an unmodified opinion on those financial statements on July 25, 2014.

A handwritten signature in black ink that reads 'KPMG LLP' in a stylized, cursive font. A horizontal line is drawn underneath the signature.

Chartered Accountants

July 29, 2015

Prince George, Canada

## PROPHET RIVER FIRST NATION

## Consolidated Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014
<b>Financial Assets:</b>		
Cash	\$ 2,415,047	\$ 1,424,588
Restricted cash (note 2)	70,756	60,491
Accounts receivable (note 3)	523,852	624,613
Investment in business entities (note 4)	614,671	626,655
	<u>3,624,326</u>	<u>2,736,347</u>
<b>Financial Liabilities:</b>		
Accounts payable and accrued liabilities (note 5)	1,267,294	1,588,993
Deferred revenue (note 6)	316,131	192,594
Loans payable (note 7)	96,336	210,252
AANDC Treaty land entitlement debt (note 8)	190,040	190,040
	<u>1,869,801</u>	<u>2,181,879</u>
Net financial assets	1,754,525	554,468
<b>Non-Financial Assets:</b>		
Prepaid expenses	12,826	11,195
Tangible capital assets (note 9)	9,383,483	9,739,666
	<u>9,396,309</u>	<u>9,750,861</u>
Accumulated surplus (note 9)	\$ 11,150,834	\$ 10,305,329

See accompanying notes to consolidated financial statements.

On behalf of Council:

Esmeralda Salazar Chief

Bernie Wagner Council

## Council

# PROPHET RIVER FIRST NATION

## Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2015, with comparative information for 2014

	2015 Budget	2015 Actual	2014 Actual
Revenues (Schedule 1)	\$ 5,101,022	\$ 5,513,495	\$ 4,499,874
Expenses:			
Band funds	105,174	120,738	47,589
Band housing	97,673	180,757	125,391
Band support	186,248	170,883	251,765
Children and family development	53,664	62,048	53,673
Community economic development	14,941	24,325	13,945
Education	473,387	426,261	405,452
FNESC education	28,678	36,569	61,581
Health action	3,500	3,500	-
Health flexible programs	268,870	231,794	178,462
Health set funding	73,812	73,812	69,916
MOU program	962,002	829,473	734,965
Negotiated agreements	1,002,300	709,381	-
Operations and maintenance	337,901	274,686	257,632
Other education	39,244	49,271	21,699
Patient travel	54,498	85,421	86,397
Professional and institutional development program	15,000	15,000	-
Prophet River First Nation Trust Program	178,444	159,760	148,984
Prophet River Holdings Ltd.	-	7,181	5,727
Prophet River Management Ltd.	-	2,000	-
Prophet River Operations	377,723	510,819	356,497
Social development	91,173	125,356	106,255
Social housing	37,710	35,332	85,570
TLE - Agriculture claim	-	-	95,020
TLE - Trapline claim	7,470	-	95,769
Water feasibility	37,168	37,168	93,959
	4,446,580	4,171,535	3,296,248
Excess of revenues over expenses before the undernoted items	654,442	1,341,960	1,203,626
Other expenses (income):			
Amortization of tangible capital assets	-	484,862	518,459
Interest income on AANDC trust funds	-	(391)	(459)
Six Nation Ventures LP income allocation	-	(9,601)	(70,523)
Capital surplus repayment	-	-	172,226
PRFN Trust - Revenue for Multiplex	-	-	(72,553)
EBA Development loss allocation	-	21,585	-
Kihew-Sas GP Ltd. loss allocation	-	19,430	-
Writedown of intercompany investments	-	(19,430)	-
	-	496,455	547,150
Annual surplus	654,442	845,505	656,476
Accumulated surplus, beginning of year	10,305,329	10,305,329	9,648,853
Accumulated surplus, end of year	\$ 10,959,771	\$ 11,150,834	\$ 10,305,329

See accompanying notes to consolidated financial statements.

# PROPHET RIVER FIRST NATION

## Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2015, with comparative information for 2014

	2015 Budget	Total 2015	Total 2014
Annual surplus	\$ 654,442	\$ 845,505	\$ 656,476
Tangible capital assets			
Acquisition of tangible capital assets	-	(128,680)	(375,225)
Amortization of tangible capital assets	-	484,862	518,459
Change in prepaid expenses	-	(1,630)	(11,195)
Increase in net financial assets	-	1,200,057	788,515
Net financial assets (liabilities), beginning of year	-	554,468	(234,047)
Net financial assets, end of year	\$ -	\$ 1,754,525	\$ 554,468

See accompanying notes to consolidated financial statements.

# PROPHET RIVER FIRST NATION

## Consolidated Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 845,505	\$ 656,476
Items not involving cash:		
Amortization	484,862	518,459
Equity in loss (gain) on investments in business entities	11,984	(70,523)
	<u>1,342,351</u>	<u>1,104,412</u>
Changes in non-cash assets and liabilities:		
Accounts receivable	100,761	(170,717)
Accounts payable and accrued liabilities	(321,699)	505,350
Deferred revenue	123,537	192,594
Prepaid expenses	(1,630)	(11,198)
Inventory	-	1,961
	<u>1,243,320</u>	<u>1,622,402</u>
Financing:		
Repayment of loans payable	(113,916)	(217,571)
AANDC treaty land entitlement debt	-	190,040
	<u>(113,916)</u>	<u>(27,531)</u>
Investing:		
Acquisition of tangible capital assets	(128,680)	(375,224)
Increase in cash	1,000,724	1,219,647
Cash, beginning of year	1,485,079	265,432
Cash, end of year	<u>\$ 2,485,803</u>	<u>\$ 1,485,079</u>
Cash consists of:		
Restricted cash	\$ 70,756	\$ 60,491
Cash	2,415,047	1,424,588
	<u>\$ 2,485,803</u>	<u>\$ 1,485,079</u>

See accompanying notes to consolidated financial statements.

# PROPHET RIVER FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2015

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### **Nature of operations:**

Prophet River First Nation (the "First Nation") provides local government, education and social development services to its members and was established under the Indian Act (Canada).

#### **1. Basis of presentation and significant accounting policies:**

These consolidated financial statements include the assets, liabilities, and results of operations of the First Nation and all related entities and organizations subject to control by Chief and Council. No inclusion has been made of assets, liabilities, revenues or expenses of First Nations members, individually or collectively, incorporated or unincorporated, that are not controlled by or the responsibility of Chief and Council.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government, as established by the Public Sector Accounting and Auditing Board ("PSAB"). The First Nation's significant accounting policies are as follows:

##### **(a) Reporting entity and principles of consolidation:**

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

Two Other Government Organizations ("OGO"), which are controlled by the First Nation, are included in the financial statements using the consolidation method. Under the consolidation method, the assets, liabilities, revenues and expenses of the OGO's have been consolidated and 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.

Two Government Business Entities ("GBE"), and one Government Business Partnership ("GBP"), which are controlled or jointly controlled by the Band, are included in the summary financial statements using the modified equity method. Under the modified equity method, the GBE's and GBP's accounting policies are not adjusted to conform with those of the First Nation and inter-organizational transactions and balances are not eliminated. The First Nation recognizes its equity interest in the annual earnings or loss of the GBE's and GBP's in its consolidated statement of operating with a corresponding increase or decrease in its investment asset account. Any dividends or other cash distributions that the First Nation may receive from the GBE's and GBP's will be reflected as deductions in the investment asset account.

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 1. Basis of presentation and significant accounting policies (continued):

### (a) Reporting entity and principles of consolidation (continued):

The First Nation's OGO's, GBE's and GBP consist of the following:

OGO's:

- Prophet River Management Ltd. (100%) - June 30
- Prophet River Holdings Ltd. (100%) - March 31

GBE's:

- EBA Development GP Ltd. (33.33%) - March 31
- Kihew-Sas GP Ltd. ( 20%) - March 31

GBP:

- Six Nations Ventures Limited Partnership (16.67%) - December 31

### (b) Revenue recognition:

Government transfers and grant revenue are recognized as the First Nation becomes entitled to the funding under the terms of applicable funding agreements and are recorded in the period in which the resources are used for the purpose specified in the agreements. Restricted funding received which relates to a subsequent fiscal period or which stipulations that give rise to an obligation are reported as deferred revenue until the resources are used for the purpose or purposes specified and/or the stipulations giving rise to an obligation have been met.

Other revenue, including rent and lease revenue, and provision of services are recognized in the period the services are provided and the related proceeds are received or receivable.

Other revenue, trust income and investment income are recognized in the period the proceeds are earned and received or receivable.

# PROPHET RIVER FIRST NATION

## Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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### 1. Basis of presentation and significant accounting policies (continued):

#### (c) Non-financial assets:

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

#### (d) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation with a corresponding amount recorded as revenue. Tangible capital assets under construction are not amortized until the asset is available or use.

Tangible capital assets are amortized annually over their expected useful lives using the declining balance method at the following rates:

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Asset	Rate
Automotive equipment	30%
Building and housing	5%
Equipment	20% to 30%
Furniture and fixtures	20%
Infrastructure	4%

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When management determines that a tangible capital asset no longer contributes to the First Nation's ability to provide goods and services or that the value of future benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is written down.

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 1. Basis of presentation and significant accounting policies (continued):

### (e) Financial instruments:

#### (i) Initial measurement:

Financial instruments are measured at fair value on origination or acquisition, adjusted by, in the case of financial instruments that will not be subsequently measured at fair value, financing fees and transaction costs. All other transaction costs are recognized in net income in the year incurred.

When the First Nation issues a financial instrument that contains both a liability and an equity element, it classifies the component parts separately by determining the fair value of the component that is more easily measurable and allocating the residual to the other component.

#### (ii) Subsequent to initial recognition:

Investments in equity instruments that are quoted in an active market and free standing derivatives that are not designated in a qualifying hedging relationship are measured at fair value without any adjustment for transaction costs that may be incurred on sale or other disposal. Changes in fair value are recognized in net income in the period incurred. Investments in equity instruments that are not quoted in an active market are measured at cost, less any reduction for impairment. Other financial instruments are measured at amortized cost.

# PROPHET RIVER FIRST NATION

## Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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### 1. Basis of presentation and significant accounting policies (continued):

#### (e) Financial instruments (continued):

##### (iii) Impairment:

At year end, the First Nation assesses whether there are any indications that a financial asset measured at cost or amortized cost may be impaired. For purposes of impairment testing, each individually significant asset is assessed individually; the balance of the assets are grouped on the basis of similar credit risk characteristics. When there is an indication of impairment, the First Nation determines whether a significant adverse change has occurred during the year in the expected timing or amount of future cash flows from the financial asset. When there has been a significant adverse change, the carrying amount of the asset is reduced to the highest of the present value of expected cash flows; the amount that could be realized by selling the asset; and the amount that could be realized by exercising the First Nation's right to any collateral held as security.

When the extent of impairment decreases and the decrease can be related to an event occurring after the impairment was recognized, the impairment is reversed to the extent of the improvement in the year the reversal occurs.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the First Nation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying amount of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the First Nation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement.

#### (f) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating valuation of investment in business entities, collectibility of accounts receivable and the estimated useful lives of tangible capital assets. Actual results could differ from these estimates.

# PROPHET RIVER FIRST NATION

## Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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### **1. Basis of presentation and significant accounting policies (continued):**

#### **(g) Budget data:**

As a formal budget was approved by Chief and Council for the 2015 fiscal year, budget data has been presented.

#### **(h) Allocation of expenses:**

The Chief and Council record a number of its expenses by program. The cost of each program includes the personnel, premises and other expenses that are directly related to providing the program.

The Chief and Council allocate certain of its general support expenses by identifying the appropriate basis of allocating each expenses.

#### **(i) Segmented disclosure:**

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standards. The First Nations has determined the most appropriate basis for classifying segments is by Community services, Public works, and Corporate administration and other programs. Segmented disclosures are provided in note 16 and Schedule 2 to the consolidated financial statements.

#### **(j) Adoption of new accounting policy:**

The First Nation adopted Public Sector Accounting Board Standard PS 3260 Liability for Contaminated Sites effective April 1, 2014. Under PS 3260, contaminated sites are defined as a result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This standard relates to sites that are not in productive sites in productive use where an unexpected even resulted in contamination. The First Nation adopted this standard on a retroactive basis and there were no adjustments as a result of the adoption of this standard.

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 2. Restricted cash:

	2015	2014
Ottawa Trust accounts	\$ 16,611	\$ 16,220
Cash held for housing activities	54,145	44,271
	<hr/> <b>\$ 70,756</b>	<hr/> <b>\$ 60,491</b>

The Trust accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. These funds are restricted in their use, of which the First Nation is generally permitted to use for a purpose that will promote the general progress and welfare of the First Nation and First Nation members. The management of the funds is primarily governed by the sections of the Indian Act.

## 3. Accounts receivable:

	2015	2014
Canada Mortgage and Housing Corporation	\$ -	\$ 52,889
Aboriginal Affairs and Northern Development Canada	- -	200,000
Memberships	3,001,975	3,027,949
Trade receivables	711,359	558,857
	<hr/> <b>3,713,334</b>	<hr/> <b>3,839,695</b>
Allowance for doubtful accounts	(3,189,482)	(3,215,082)
	<hr/> <b>\$ 523,852</b>	<hr/> <b>\$ 624,613</b>

## 4. Investment in business entities:

	2015	2014
Government business enterprises (GBE's)	\$ 247,082	\$ 268,667
Government business partnership (GBP)	367,589	357,988
	<hr/> <b>\$ 614,671</b>	<hr/> <b>\$ 626,655</b>

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 4. Investment in business entities (continued):

### (a) GBE's:

i) The First Nation has made investments in incorporated entities summarized as follows:

EBA Developments Ltd. (33.33 % interest)		2015
Investment in shares, cost		\$ 266,667
Accumulated equity in earnings		(19,585)
		247,082
Kihew-Sas GP Ltd. (20% interest)		2015
Investment in shares, cost		1
Advances		(1)
Accumulated equity in earnings		(19,430)
Write down of investments		19,430
		-
		\$ 247,082

The fiscal years of the GBE's are March 31 and the financial information provided in note 4(a)(ii) are as at and for the periods ended March 31.

### (a) GBE's:

ii) Financial information for the incorporated entities is summarized as follows:

Kihew-Sas GP Ltd. (20% interest)		2015
Financial position information:		
Assets		\$ 5
Liabilities		97,152
Shareholders' equity		(97,147)
Results of operations:		
Current year revenue		-
Current year expenses		40,996
Current year net loss		(40,996)

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 4. Investment in business entities (continued):

<u>EBA Development GP Ltd. (33.33% interest)</u>	<u>2015</u>
Financial position information:	
Assets	\$ 742,765
Liabilities	1,243
Shareholders' equity	741,522
Results of operations:	
Current year revenue	26,598
Accumulated net earnings	97,152

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The First Nation's shares in the results of operations of EBA Development GP Ltd. and Kihew-Sas GP Ltd. for past two fiscal years were recorded during the 2015 fiscal year.

(b) GBP:

i) The First Nation's investment in GBP consists of the following:

<u>Six Nations Ventures Limited Partnership (16.67%)</u>	<u>2015</u>	<u>2014</u>
Investment, at cost	\$ 20	\$ 20
Accumulated equity in earnings	367,569	357,969
	<b>\$ 367,589</b>	<b>\$ 357,989</b>

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The fiscal year end of Six Nations Ventures Limited Partnership is December 31 and the financial information provided in note 4(b)(ii) are as at and for the periods ended December 31.

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 4. Investment in business entities (continued):

### (b) GBP (continued)

ii) Financial information relating to the First Nation's GBP investment is as follows:

Six Nations Ventures Limited Partnership (16.67% interest)	2015	2014
Financial position information:		
Assets	\$ 2,301,174	\$ 2,293,927
Liabilities	103,281	152,653
Partners' equity	2,197,893	2,141,274
Results of operations:		
Revenue	1,877,615	2,710,165
Expenses	1,820,008	2,287,026
Net earnings	57,607	423,139

## 5. Accounts payable and accrued liabilities:

	2015	2014
Trade payables	\$ 447,199	\$ 815,643
Prophet River Management Ltd. payables	715,640	713,640
GST payable	61,319	16,907
Payroll accruals	41,136	26,447
AANDC payable 2014	-	14,756
Prophet River Holdings Ltd. payables	2,000	1,600
	\$ 1,267,294	\$ 1,588,993

The account payables of Prophet River Management Ltd. and Prophet River Holdings Ltd. are not legal liabilities to the First Nation but in accordance with PSAB, must be consolidated.

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 6. Deferred revenue:

	2015	2014
Aboriginal Affairs and Northern Development Canada	\$ 61,131	\$ 172,226
Spectra Energy	230,000	-
Trust revenue	25,000	-
Other revenue	-	20,368
	<b>\$ 316,131</b>	<b>\$ 192,594</b>

## 7. Loans payable:

	2015	2014
All Nations Trust Company		
Mortgage, secured by first mortgages over properties with a total net book value of \$44,295, repayable in monthly installments of \$1,285 including interest at 1.64%, maturing in 2017.	\$ 96,336	\$ 110,064
Scotiabank - mortgage repayable, repaid during the year.	-	15,255
Treaty 8 Heritage trust - loan, repaid during the year.	-	84,933
	<b>\$ 96,336</b>	<b>\$ 210,252</b>

Scheduled principal repayments over the next two years are estimated as follows:

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2016	\$ 13,949
2017	82,387
	<b>\$ 96,336</b>

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 8. AANDC Treaty land entitlement debt:

The First Nation is negotiating a Treaty Land Entitlement (TLE) claim with the Government of Canada. AANDC has made loans to assist the Nation in funding these negotiations. Should a loan become due and payable while the claim is still in negotiation, the loan repayment date will be extended for five years or a period deemed appropriate to coincide with the anticipated claim settlement date.

There are two components to this loan:

- TLE component one, with a balance of \$95,020, is repayable on the earlier of March 31, 2018 or the date on which the claim is settled. The loan is interest free unless the First Nation defaults or the loan reaches maturity.
- TLE component two, with a balance of \$95,020, is repayable on the earlier of March 31, 2018 or the date on which the claim is settled. The loan is interest free unless the First Nation defaults or the loan reaches maturity.

## 9. Tangible capital assets:

Cost	Balance at March 31, 2014	Additions	Disposals	Balance at March 31, 2015
Land	\$ 63,000	\$ -	\$ -	\$ 63,000
Building and housing	12,028,963	-	-	12,028,963
Equipment	336,086	-	-	336,086
Infrastructure	1,523,185	-	-	1,523,185
Automotive equipment	152,864	-	-	152,864
Furniture and fixtures	152,775	-	-	152,775
Construction in progress	375,224	128,680	-	503,904
	<b>\$ 14,632,097</b>	<b>\$ 128,680</b>	<b>\$ -</b>	<b>\$ 14,760,777</b>

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

## 9. Tangible capital assets (continued):

Accumulated amortization	Balance at March 31, 2014		Additions	Amortization	Balance at March 31, 2015	
Building and housing	\$ 3,693,852	\$	-	\$ 415,637	\$ 4,109,489	
Equipment	239,445		-	19,141	258,586	
Infrastructure	723,957		-	33,536	757,493	
Automotive equipment	131,846		-	6,305	138,151	
Furniture and fixtures	103,332		-	10,243	113,575	
	\$ 4,892,432	\$	-	\$ 484,862	\$ 5,377,294	
Net book value March 31, 2014				Net book value March 31, 2015		
Land	\$ 63,000				\$ 63,000	
Building and housing	8,335,112				7,919,474	
Equipment	96,641				77,500	
Infrastructure	799,228				765,692	
Automotive equipment	21,018				14,713	
Furniture and fixtures	49,443				39,200	
Construction in progress	375,224				503,904	
	\$ 9,739,666				\$ 9,383,483	

## 10. Accumulated surplus:

Surplus is as follows:

	2015	2014
Unrestricted equity in funds	\$ 1,043,037	\$ (229,040)
CMHC replacement reserves (note 11)	93,032	151,828
Invested in tangible capital assets (note 12)	9,383,483	9,739,666
Equity in trust funds (note 13)	16,611	16,220
Equity in enterprise funds	614,671	626,655
	\$ 11,150,834	\$ 10,305,329

The Enterprise Fund represents the First Nation's investments in business entities, including incorporated and unincorporated businesses, as well as investments in related entities (note 4).

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 11. CMHC replacement reserves:

Under the terms of the agreement with CMHC, the First Nation is required to make annual deposits equal to required contributions to a replacement reserve account. These funds, along with accumulated interest, are to be held in a separate bank account. The funds in this account may only be used as approved by CMHC. Withdrawals are credited to accumulated interest first and then principal.

	2015	2014
Balance, beginning of the year	\$ 151,828	\$ 243,330
Allocation for the year	(58,796)	(91,502)
<b>Balance, end of the year</b>	<b>\$ 93,032</b>	<b>\$ 151,828</b>

## 12. Invested in tangible capital assets:

Change in invested in tangible capital assets:

	2015	2014
Balance, beginning of year	\$ 9,739,666	\$ 9,882,900
Acquisition of tangible capital assets	128,679	375,225
Amortization of tangible capital assets	(484,862)	(518,459)
<b>Balance, end of year</b>	<b>\$ 9,383,483</b>	<b>\$ 9,739,666</b>

## 13. Externally restricted surplus:

	Beginning balance	Contributions	Interest	Approved transfers	Ending balance
Ottawa Trust Fund	\$ 16,220	\$ -	\$ 391	\$ -	\$ 16,611

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## 14. Financial risks and concentration of risk:

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 rate, currency or credit risks unless otherwise noted.

### (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The First Nation is mainly exposed to credit risk with respect to its accounts receivable. The First Nation assesses on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the First Nation at March 31, 2015 is the carrying value of the receivables. The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the consolidated statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the consolidated statement of operations.

### (b) Liquidity risk:

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

### (c) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Financial assets and financial liabilities with variable interest rates expose the First Nation to cash flow interest rate risk. The First Nation is exposed to this risk through its interest-bearing loan payables.

There has been no change to the First Nation's risk exposures from 2014.

## 15. Comparative amounts:

The consolidated financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year's surplus.

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

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## **16. Segmented information:**

Segmented information has been identified based upon lines of service provided by the First Nation. The First Nation conducts its business through three reportable segments: Community services, Public works, and Corporate administration and other programs. 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 reporting 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. Inter-segment transfers are recorded at their exchange amount.

### *Community services*

Community services delivers necessary services and amenities to the First Nation's residents through community economic development, social assistance, health services and children and family development. In addition is responsible for administering and facilitating educational programs.

### *Public works*

Public works provides the function for operations and maintenance, social housing, band housing and water feasibility.

### *Corporate administration and other programs*

Corporate administration and other programs provides the function of corporate administration, band support, MOU program, band funds, Prophet River Operations, Prophet River Holdings Ltd., Prophet River Management Ltd., Prophet River First Nations Trust Programs, TLE - Agriculture claim, TLE - Trapline Claim, and any other legal function not categorized to a specific department.

## **17. Commitments and contingencies:**

Prophet River Holdings Ltd., a company consolidated into the First Nation owns a parcel of land that management expects may be contaminated. As at March 31, 2015, an environmental assessment of the land has not been completed and therefore no liability has been recorded.

# PROPHET RIVER FIRST NATION

## Schedule 1 - Consolidated Revenues

Year ended March 31, 2015, with comparative information for 2014 and 2013

	2015 Budget	2015 Actual	2014 Actual
Aboriginal Affairs and Northern Development Canada	\$ 1,098,395	\$ 1,092,970	\$ 1,518,049
Canada Mortgage and Housing Corporation	15,465	7,060	26,077
Donations	5,000	35,480	47,426
F.N.E.S.C.	30,395	30,395	59,014
Government of Canada grant	17,300	16,171	27,280
Health Canada	406,983	414,102	320,106
Industry Income	115,952	375,432	111,460
N.E.N.A.S	24,201	25,571	11,231
Negotiated agreements	863,838	715,574	130,872
New relationship trust grant	-	4,000	1,600
O.G.C Revenue	720,000	720,000	670,000
Other revenue	106,609	44,787	24,271
Prophet River Operations	645,646	1,181,712	771,264
Province of B.C.	163,664	163,664	53,664
Reimbursement revenue	47,179	52,900	35,128
Rental income	76,099	94,743	74,996
Treaty 8 Heritage Trust Revenue - EBA funds	400,000	400,000	400,000
Treaty 8 Tribal Association Trust Revenue	364,296	138,684	194,760
	\$ 5,101,022	\$ 5,513,495	\$ 4,499,874

# PROPHET RIVER FIRST NATION

## Schedule 2 - Consolidated Expenses by Object

Year ended March 31, 2015, with comparative information for 2014

	2015 Budget	2015 Actual	2014 Actual
Salaries and honorariums	\$ 1,495,591	\$ 1,613,975	\$ 1,132,407
Professional fees	546,555	471,302	509,885
Consulting and contracted services	762,316	648,162	280,016
Telephone and utilities	225,746	239,876	264,542
Repairs and maintenance	111,828	183,487	187,449
Student expenses	289,417	219,071	233,811
Medical expenses	68,241	98,169	114,013
Travel	172,812	156,023	122,836
Program expenses	82,304	52,434	77,453
Training and tuition	297,174	100,174	87,878
Office	65,825	64,026	59,465
Insurance	75,475	60,002	56,146
Community and cultural events	124,148	153,481	65,052
Materials and supplies	118,084	78,327	43,433
Social assistance	21,608	46,650	28,066
Bank charges and interest	10,495	9,850	23,571
Donations	3,000	2,125	18,258
Bad debts (recovery)	-	(25,599)	(8,034)
	<b>\$ 4,470,619</b>	<b>\$ 4,171,535</b>	<b>\$ 3,296,247</b>

# PROPHET RIVER FIRST NATION

## Schedule 3 - Segmented Information

Year ended March 31, 2015, with comparative information for 2014

Year ended March 31, 2015

	Revenue					
	AANDC	Other	Total	Expenses	Surplus (Deficit)	
Community services	\$ 515,755	\$ 440,107	\$ 955,862	\$ 1,032,936	\$ (77,074)	
Public works	210,405	70,449	280,854	527,943	(247,089)	
Corporate administration and others	366,810	3,909,967	4,276,779	2,610,656	1,666,123	
	<b>\$ 1,092,970</b>	<b>\$ 4,420,523</b>	<b>\$ 5,513,495</b>	<b>\$ 4,171,535</b>	<b>\$ 1,341,960</b>	

Year ended March 31, 2014

	Revenue					
	AANDC	Other	Total	Expenses	Surplus (Deficit)	
Community services	\$ 542,183	\$ 475,370	\$ 1,017,553	\$ 997,380	\$ 20,173	
Public works	236,362	95,412	331,774	562,552	(230,778)	
Corporate administration and others	739,504	2,411,043	3,150,547	1,736,316	1,414,231	
	<b>\$ 1,518,049</b>	<b>\$ 2,981,825</b>	<b>\$ 4,499,874</b>	<b>\$ 3,296,248</b>	<b>\$ 1,203,626</b>	