

Consolidated Financial Statements of

PROPHET RIVER FIRST NATION

Year ended March 31, 2016

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 First 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.


Chief


First Nation Financial Administrator



KPMG LLP
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Prince George BC V2L 5R8
Canada
Telephone (250) 563-7151
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INDEPENDENT AUDITORS' REPORT

To the Chief and Council and Members of Prophet River First Nation

We have audited the accompanying consolidated financial statements of Prophet River First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2016, 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 First Nation'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 First Nation'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, 2016, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

August 19, 2016

Prince George, Canada

PROPHET RIVER FIRST NATION

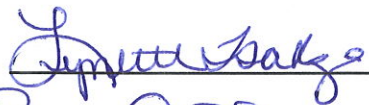

Consolidated Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Financial Assets:		
Cash	\$ 2,377,774	\$ 2,415,047
Restricted cash (note 2)	60,407	70,756
Accounts receivable (note 3)	2,613,016	523,852
Investment in business entities (note 4)	631,791	614,671
	<u>5,682,988</u>	<u>3,624,326</u>
Financial Liabilities:		
Accounts payable and accrued liabilities (note 5)	1,927,710	1,267,294
Deferred revenue (note 6)	1,419,820	316,131
Loan payable (note 7)	82,366	96,336
INAC Treaty Land Entitlement debt (note 8)	190,040	190,040
	<u>3,619,936</u>	<u>1,869,801</u>
Net financial assets	2,063,052	1,754,525
Non-Financial Assets:		
Prepaid expenses	47,059	12,826
Tangible capital assets (note 9)	12,880,288	9,383,483
	<u>12,927,347</u>	<u>9,396,309</u>
Accumulated surplus (note 10)	<u>\$ 14,990,399</u>	<u>\$ 11,150,834</u>

See accompanying notes to consolidated financial statements.

On behalf of Council:

 Chief
 Council

PROPHET RIVER FIRST NATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2016, with comparative information for 2015

	2016 Budget	2016 Actual	2015 Actual
Revenues (Schedule 1)	\$ 10,005,158	\$ 9,214,623	\$ 5,513,495
Expenses:			
Band funds	74,171	42,343	120,738
Band housing	97,673	242,456	180,757
Band support	274,179	189,350	170,883
Children and family development	53,973	45,312	62,048
Commercial operations	347,608	394,649	510,819
Community economic development	54,834	92,466	24,325
Education	561,905	567,364	426,261
FNESC education	27,310	23,022	36,569
Fuel management	508,538	572,529	-
Health action	-	-	3,500
Health flexible programs	296,858	256,560	231,794
Health patient travel	71,580	118,345	85,421
Health set funding	86,144	88,958	73,812
Housing renovations	158,887	208,618	-
MOU program	871,074	942,775	829,473
Negotiated agreements	43,975	40,659	709,381
Operations and maintenance	171,584	113,761	274,686
Other education	68,636	63,487	49,271
Professional and institutional development program	136,197	123,858	15,000
Prophet River First Nation Trust Program	579,763	578,116	159,760
Prophet River Holdings Ltd.	-	7,847	7,181
Prophet River Management Ltd.	-	(15,153)	2,000
Social development	116,913	139,110	125,356
Social housing	37,710	43,585	35,332
Water feasibility	-	-	37,168
Youth against crime	19,835	26,955	-
	4,659,347	4,906,972	4,171,535
Excess of revenues over expenses before the undernoted items	5,345,811	4,307,651	1,341,960
Other expenses (income):			
Amortization	-	473,264	484,862
EBA Development GP Ltd. loss allocation	-	9,791	21,585
Loss on disposal of tangible capital assets	-	12,284	-
Interest income on INAC trust funds	-	(342)	(391)
Kihew-Sas GP Ltd. loss allocation	-	2,192	19,430
Six Nation Ventures LP income allocation	-	(26,911)	(9,601)
Writedown of intercompany investments	-	(2,192)	(19,430)
	-	468,086	496,455
Annual surplus	5,345,811	3,839,565	845,505
Accumulated surplus, beginning of year	11,150,834	11,150,834	10,305,329
Accumulated surplus, end of year	\$ 16,496,645	\$ 14,990,399	\$ 11,150,834

See accompanying notes to consolidated financial statements.

PROPHET RIVER FIRST NATION

Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2016, with comparative information for 2015

	2016 Budget	Total 2016	Total 2015
Annual surplus	\$ 5,345,811	\$ 3,839,565	\$ 845,505
Tangible capital assets:			
Acquisition of tangible capital assets	-	(3,982,353)	(128,680)
Amortization of tangible capital assets	-	473,264	484,862
Loss on sale of tangible capital assets	-	12,284	-
Change in prepaid expenses	-	(34,233)	(1,630)
Increase in net financial assets	5,345,811	308,527	1,200,057
Net financial assets, beginning of year	1,754,525	1,754,525	554,468
Net financial assets, end of year	\$ 7,100,336	\$ 2,063,052	\$ 1,754,525

See accompanying notes to consolidated financial statements.

PROPHET RIVER FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 3,839,565	\$ 845,505
Items not involving cash:		
Amortization	473,264	484,862
Equity in (gain) loss on investments in business entities	(17,120)	11,984
Loss on disposal of tangible capital assets	12,284	-
	4,307,993	1,342,351
Changes in non-cash assets and liabilities:		
Accounts receivable	(2,089,164)	100,761
Accounts payable and accrued liabilities	660,416	(321,699)
Deferred revenue	1,103,689	123,537
Prepaid expenses	(34,233)	(1,630)
	3,948,701	1,243,320
Financing:		
Repayment of loan payable	(13,970)	(113,916)
Investing:		
Acquisition of tangible capital assets	(3,982,353)	(128,680)
(Decrease) increase in cash	(47,622)	1,000,724
Cash, beginning of year	2,485,803	1,485,079
Cash, end of year	\$ 2,438,181	\$ 2,485,803
Cash consists of:		
Restricted cash	\$ 60,407	\$ 70,756
Cash	2,377,774	2,415,047
	\$ 2,438,181	\$ 2,485,803

See accompanying notes to consolidated financial statements.

PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2016

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 consolidated 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 operations 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, 2016

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, 2016

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 for use.

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

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

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, 2016

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

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The First Nation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method (or effective interest rate method).

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 value 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 year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) 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 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, 2016

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

(g) Budget data:

A formal budget was not approved by Chief and Council for the 2016 fiscal year, therefore, un-approved 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) Contaminated sites:

Contaminated sites are defined as the 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.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- (a) an environmental standard exists,
- (b) contamination exceeds the environmental standard,
- (c) the organization is directly responsibly or accepts responsibility for the liability,
- (d) future economic benefits will be given up, and
- (e) a reasonable estimate of the liability can be made.

(j) 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 3 to the consolidated financial statements.

PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

2. Restricted cash:

	2016	2015
Ottawa Trust accounts	\$ 16,953	\$ 16,611
Cash held for housing activities	43,454	54,145
	\$ 60,407	\$ 70,756

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:

	2016	2015
Indigenous and Northern Affairs Canada	\$ 1,401,428	\$ -
Memberships	2,987,247	3,001,975
Trade receivables	1,399,095	711,359
	5,787,770	3,713,334
Allowance for doubtful accounts	(3,174,754)	(3,189,482)
	\$ 2,613,016	\$ 523,852

PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

4. Investment in business entities:

	2016	2015
Government business enterprises (GBE's)	\$ 237,291	\$ 247,082
Government business partnership (GBP)	394,500	367,589
	\$ 631,791	\$ 614,671

(a) GBE's:

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

EBA Developments GP Ltd. (33.33% interest)	2016	2015
Investment in shares, cost	\$ 266,667	266,667
Accumulated deficiency in earnings	(29,376)	\$ (19,585)
	237,291	247,082
Kihew-Sas GP Ltd. (20% interest)	2016	2015
Investment in shares, cost	\$ 1	\$ 1
Advances	(1)	(1)
Accumulated deficiency in earnings	(21,622)	(19,430)
Write down of investments	21,622	19,430
	-	-
	\$ 237,291	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.

PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

4. Investment in business entities (continued):

(a) GBE's:

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

EBA Development GP Ltd. (33.33% interest)	2016	2015
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Financial position information:

Assets	\$ 712,138	\$ 742,765
Liabilities	2,500	1,243
Shareholders' equity	709,638	741,522

Results of operations:

Revenue	20,073	26,592
Expenses	49,457	18,512
Net (loss) earnings	(29,384)	8,087

Kihew-Sas GP Ltd. (20% interest)	2016	2015
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Financial position information:

Assets	\$ -	\$ 5
Liabilities	108,112	97,152
Shareholders' equity	(108,112)	(97,147)

Results of operations:

Expenses	10,960	40,996
Net loss	(10,960)	(40,996)

(b) GBP:

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

Six Nations Ventures Limited Partnership (16.67%)	2016	2015
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Investment, at cost	\$ 20	\$ 20
Accumulated equity in earnings	394,500	367,569

	\$ 394,520	\$ 367,589
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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, 2016

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)	2016	2015
Financial position information:		
Assets	\$ 2,561,154	\$ 2,301,174
Liabilities	202,801	103,281
Partners' equity	2,358,353	2,197,893
Results of operations:		
Revenue	1,974,199	1,877,615
Expenses	1,812,741	1,820,008
Net earnings	161,458	57,607

5. Accounts payable and accrued liabilities:

	2016	2015
Trade payables	\$ 821,049	\$ 447,199
Prophet River Management Ltd. payables	698,988	715,640
GST payable	1,315	61,319
Payroll accruals	64,267	41,136
Holdbacks payable	340,091	-
Prophet River Holdings Ltd. payables	2,000	2,000
	\$ 1,927,710	\$ 1,267,294

The accounts payable 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, 2016

6. Deferred revenue:

	2016	2015
Indigenous and Northern Affairs Canada	\$ 1,195,295	\$ 61,131
Spectra Energy	218,525	230,000
Trust revenue	-	25,000
Other revenue	6,000	-
	\$ 1,419,820	\$ 316,131

7. Loan payable:

	2016	2015
All Nations Trust Company		
Mortgage, secured by first mortgages over properties with a total net book value of 2016 \$30,344 (2015 - \$44,295), repayable in monthly installments of \$1,285 including interest at 1.64%, maturing in February of 2017.	\$ 82,366	\$ 96,336

Scheduled principal repayments over the next year are estimated as follows:

2017	\$ 82,366
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PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

8. INAC Treaty Land Entitlement debt:

The First Nation is negotiating a Treaty Land Entitlement (TLE) claim with the Government of Canada. INAC 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, 2015	Additions	Disposals	Balance at March 31, 2016
Land	\$ 63,000	\$ -	\$ -	\$ 63,000
Building and housing	12,028,963	329,660	-	12,358,623
Equipment	336,086	-	-	336,086
Infrastructure	1,523,185	-	-	1,523,185
Automotive equipment	152,864	82,200	138,418	96,646
Furniture and fixtures	152,775	15,388	-	168,163
Construction in progress	503,904	3,555,105	-	4,059,009
	\$ 14,760,777	\$ 3,982,353	\$ 138,418	\$ 18,604,712

PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

9. Tangible capital assets (continued):

Accumulated amortization	Balance at March 31, 2015	Disposals	Amortization	Balance at March 31, 2016
Building and housing	\$ 4,109,489	\$ -	\$ 403,142	\$ 4,512,631
Equipment	258,586	-	15,229	273,815
Infrastructure	757,493	-	32,101	789,594
Automotive equipment	138,151	126,134	13,059	25,076
Furniture and fixtures	113,575	-	9,733	123,308
	\$ 5,377,294	\$ 126,134	\$ 473,264	\$ 5,724,424
	Net book value March 31, 2015			Net book value March 31, 2016
Land	\$ 63,000			\$ 63,000
Building and housing	7,919,474			7,845,992
Equipment	77,500			62,271
Infrastructure	765,692			733,591
Automotive equipment	14,713			71,570
Furniture and fixtures	39,200			44,855
Construction in progress	503,904			4,059,009
	\$ 9,383,483			\$ 12,880,288

10. Accumulated surplus:

Surplus is as follows:

	2016	2015
Unrestricted equity in funds	\$ 1,387,452	\$ 1,043,037
CMHC replacement reserves (note 11)	73,915	93,032
Invested in tangible capital assets (note 12)	12,880,288	9,383,483
Equity in trust funds (note 13)	16,953	16,611
Equity in enterprise funds	631,791	614,671
	\$ 14,990,399	\$ 11,150,834

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, 2016

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.

	2016	2015
Balance, beginning of the year	\$ 93,032	\$ 151,828
Allocation for the year	(19,117)	(58,796)
Balance, end of the year	\$ 73,915	\$ 93,032

12. Invested in tangible capital assets:

Change in invested in tangible capital assets:

	2016	2015
Balance, beginning of year	\$ 9,383,483	\$ 9,739,666
Acquisition of tangible capital assets	3,982,353	128,679
Amortization of tangible capital assets	(473,264)	(484,862)
Disposition of tangible capital assets	(12,284)	-
Balance, end of year	\$ 12,880,288	\$ 9,383,483

13. Externally restricted surplus:

	Balance at March 31, 2015	Contributions	Interest	Approved transfers	Balance at March 31, 2016
Ottawa Trust Fund	\$ 16,611	\$ -	\$ 342	\$ -	\$ 16,953

PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

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, 2016 is the carrying value of accounts receivable. 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 2015.

15. Comparative amounts:

The consolidated financial statements have been reclassified, where applicable, to conform with the financial presentation adopted per the current year.

PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

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, Housing renovations, 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 is contaminated. As at March 31, 2016, management has no current plans to remediate the land that would cause an outflow of resources and therefore no liability has been recorded.

PROPHET RIVER FIRST NATION

Schedule 1 - Consolidated Revenues

Year ended March 31, 2016, with comparative information for 2015

	2016 Budget	2016 Actual	2015 Actual
Canada Mortgage and Housing Corporation	\$ 23,017	\$ 12,301	\$ 7,060
Commercial operations	645,646	652,675	1,181,712
Donations	1,930	75,930	35,480
F.N.E.S.C.	25,810	29,183	30,395
F.N.E.S.S.	323,549	144,516	-
First Nations Health Authority	382,932	455,442	414,102
Government of Canada grant	-	-	16,171
Indigenous and Northern Development Canada	5,910,149	4,722,310	1,092,970
Industry Income	182,000	182,000	375,432
N.E.N.A.S.	53,154	51,465	25,571
Negotiated agreements	87,475	79,521	715,574
New relationship trust grant	44,647	45,958	4,000
O.G.C. Revenue	720,000	660,000	720,000
Other revenue	42,841	37,491	44,787
Province of B.C.	83,931	92,431	163,664
Reimbursement revenue	20,681	57,092	52,900
Rental income	28,699	101,179	94,743
Treaty 8 Heritage Trust Revenue - EBA funds	-	400,000	400,000
Treaty 8 Tribal Association	310,000	-	250
Trust Revenue	1,118,697	1,415,129	138,684
	\$ 10,005,158	\$ 9,214,623	\$ 5,513,495

PROPHET RIVER FIRST NATION

Schedule 2 - Consolidated Expenses by Object

Year ended March 31, 2016, with comparative information for 2015

	2016 Budget	2016 Actual	2015 Actual
Bad debts recovered	\$ (5,000)	\$ (16,653)	\$ (25,599)
Bank charges and interest	4,282	9,577	9,850
Community and cultural events	118,709	100,950	153,481
Consulting and contracted services	461,503	297,783	648,162
Donations	3,000	-	2,125
Insurance	57,575	62,025	60,002
Materials and supplies	97,059	151,501	78,327
Medical expenses	191,423	303,185	98,169
Office	47,605	100,351	64,026
Professional fees	342,591	412,584	471,302
Program expenses	154,971	127,335	52,434
Repairs and maintenance	292,576	459,045	183,487
Salaries and honorariums	2,094,429	2,074,379	1,613,975
Social assistance	36,561	48,394	46,650
Student expenses	269,454	262,338	219,071
Telephone and utilities	201,971	225,744	239,876
Training and tuition	112,965	101,441	100,174
Travel	177,673	186,993	156,023
	\$ 4,659,347	\$ 4,906,972	\$ 4,171,535

PROPHET RIVER FIRST NATION

Schedule 3 - Consolidated Segmented Information

Year ended March 31, 2016, with comparative information for 2015

Year ended March 31, 2016

	Revenue			Expenses	Surplus (Deficit)
	INAC	Other	Total		
Community services	\$ 662,828	\$ 536,653	\$ 1,199,481	\$ 1,303,233	\$ (103,752)
Public works	84,924	683,301	768,225	972,331	(204,106)
Corporate administration and other programs	3,974,558	3,272,359	7,246,917	2,631,408	4,615,509
	\$ 4,722,310	\$ 4,492,313	\$ 9,214,623	\$ 4,906,972	\$ 4,307,651

Year ended March 31, 2015

	Revenue			Expenses	Surplus (Deficit)
	AANDC	Other	Total		
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 other programs	366,810	3,909,967	4,276,779	2,610,656	1,666,123
	\$ 1,092,970	\$ 4,420,523	\$ 5,513,495	\$ 4,171,535	\$ 1,341,960