

Consolidated Financial Statements of

PROPHET RIVER FIRST NATION

Year ended March 31, 2017

PROPHET RIVER FIRST NATION

Table of Contents

	Page
Management's Responsibility for Financial Reporting	
Independent Auditors' Report	
Consolidated Statement of Financial Position	1
Consolidated Statement of Operations and Accumulated Surplus	2
Consolidated Statement of Changes in Net Financial Assets	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5 - 19
Schedule 1 - Consolidated Revenues	20
Schedule 2 - Consolidated Expenses by Object	21

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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Canada
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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, 2017, 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.



Page 2

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, 2017, 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

July 28, 2017

Prince George, Canada

PROPHET RIVER FIRST NATION




Consolidated Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Financial Assets:		
Cash	\$ 2,496,690	\$ 2,377,774
Restricted cash (note 2)	123,931	60,407
Accounts receivable (note 3)	731,844	2,613,016
Investment in business entities (note 4)	635,069	631,791
	<u>3,987,534</u>	<u>5,682,988</u>
Financial Liabilities:		
Accounts payable and accrued liabilities (note 6)	1,599,890	1,927,710
Deferred revenue (note 7)	392,578	1,419,820
Loan payable (note 8)	68,175	82,366
INAC Treaty Land Entitlement debt (note 9)	190,040	190,040
	<u>2,250,683</u>	<u>3,619,936</u>
Net financial assets	1,736,851	2,063,052
Non-Financial Assets:		
Prepaid expenses	16,706	47,059
Tangible capital assets (note 5)	14,884,816	12,880,288
	<u>14,901,522</u>	<u>12,927,347</u>
Accumulated surplus (note 10)	<u>\$ 16,638,373</u>	<u>\$ 14,990,399</u>

See accompanying notes to consolidated financial statements.

On behalf of Council:

 Chief
 Council
 Council

PROPHET RIVER FIRST NATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2017, with comparative information for 2016

	2017 Budget (Note 1(g))	2017 Actual	2016 Actual
Revenues (Schedule 1)	\$ 6,301,590	\$ 7,533,324	\$ 9,214,623
Expenses:			
BC Oil & Gas Commission	-	38,662	-
Band funds	105,254	92,211	42,343
Band housing	379,749	302,265	242,456
Band support	364,745	332,268	189,350
Children and family development	53,664	55,205	45,312
Commercial operations	337,723	95,290	394,652
Community economic development	78,282	51,600	92,466
Education	552,648	610,842	567,364
FNESC education	27,550	60,962	23,022
Fuel management	-	31,167	572,529
Health flexible programs	231,217	271,924	256,560
Health patient travel	54,498	165,640	118,345
Health set funding	78,698	94,956	88,958
Housing renovations	54,643	368,787	208,618
MOU program	867,700	783,798	942,775
Negotiated agreements	732,300	91,217	40,659
Operations and maintenance	337,901	228,683	113,758
Other education	48,748	32,486	63,487
Professional and institutional development program	-	301,654	123,858
Prophet River First Nation Trust Program	178,444	1,052,856	578,116
Prophet River Holdings Ltd.	-	14,846	7,847
Prophet River Management Ltd.	-	1,500	(15,153)
Social development	106,581	138,416	139,110
Social housing	37,710	23,973	43,585
Water feasibility	37,168	-	-
Youth against crime	19,835	-	26,955
	4,685,058	5,241,208	4,906,972
Excess of revenues over expenses before the undernoted items	1,616,532	2,292,116	4,307,651
Other income (expenses):			
Amortization	-	(647,743)	(473,264)
EBA Development GP Ltd. loss allocation	-	(6,660)	(9,791)
Loss on disposal of tangible capital assets	-	-	(12,284)
Interest income on INAC trust funds	-	323	342
Kihew-Sas GP Ltd. loss allocation	-	(1,591)	(2,192)
Six Nation Ventures LP income allocation	-	9,938	26,911
Writedown of intercompany investments	-	1,591	2,192
	-	(644,142)	(468,086)
Annual surplus	1,616,532	1,647,974	3,839,565
Accumulated surplus, beginning of year	14,990,399	14,990,399	11,150,834
Accumulated surplus, end of year	\$ 16,606,931	\$ 16,638,373	\$ 14,990,399

See accompanying notes to consolidated financial statements.

PROPHET RIVER FIRST NATION

Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2017, with comparative information for 2016

	2017 Budget (Note 1(g))	Total 2017	Total 2016
Annual surplus	\$ 1,616,532	\$ 1,647,974	\$ 3,839,565
Tangible capital assets:			
Acquisition of tangible capital assets	-	(2,652,271)	(3,982,353)
Amortization of tangible capital assets	-	647,743	473,264
Loss on sale of tangible capital assets	-	-	12,284
Change in prepaid expenses	-	30,353	(34,233)
Increase in net financial assets	1,616,532	(326,201)	308,527
Net financial assets, beginning of year	2,063,052	2,063,052	1,754,525
Net financial assets, end of year	\$ 3,679,584	\$ 1,736,851	\$ 2,063,052

See accompanying notes to consolidated financial statements.

PROPHET RIVER FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 1,647,974	\$ 3,839,565
Items not involving cash:		
Amortization	647,743	473,264
Gain on investments in business entities	(3,278)	(17,120)
Loss on disposal of tangible capital assets	-	12,284
	2,292,439	4,307,993
Changes in non-cash assets and liabilities:		
Accounts receivable	1,881,172	(2,089,164)
Accounts payable and accrued liabilities	(327,820)	660,416
Deferred revenue	(1,027,242)	1,103,689
Prepaid expenses	30,353	(34,233)
	2,848,902	3,948,701
Financing:		
Repayment of loan payable	(14,191)	(13,970)
Investing:		
Acquisition of tangible capital assets	(2,652,271)	(3,982,353)
Increase (decrease) in cash	182,440	(47,622)
Cash, beginning of year	2,438,181	2,485,803
Cash, end of year	\$ 2,620,621	\$ 2,438,181
Cash consists of:		
Restricted cash	\$ 123,931	\$ 60,407
Cash	2,496,690	2,377,774
	\$ 2,620,621	\$ 2,438,181

See accompanying notes to consolidated financial statements.

PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2017

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.

Three 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, 2017

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
- 1050320 BC 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, 2017

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, 2017

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, 2017

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

(g) Budget data:

A formal budget was not approved by Chief and Council for the 2017 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 department.

PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

2. Restricted cash:

	2017	2016
Ottawa Trust accounts	\$ 17,276	\$ 16,953
Cash held for housing activities	106,655	43,454
	\$ 123,931	\$ 60,407

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:

	2017	2016
Indigenous and Northern Affairs Canada	\$ 32,402	\$ 1,401,428
Memberships	2,969,609	2,987,247
Trade receivables	904,587	1,399,095
	3,906,598	5,787,770
Allowance for doubtful accounts	(3,174,754)	(3,174,754)
	\$ 731,844	\$ 2,613,016

PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

4. Investment in business entities:

	2017	2016
Government business enterprises (GBE's)	\$ 230,631	\$ 237,291
Government business partnership (GBP)	404,438	394,500
	\$ 635,069	\$ 631,791

(a) GBE's:

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

EBA Developments GP Ltd. (33.33% interest)	2017	2016
Investment in shares, cost	\$ 266,667	\$ 266,667
Accumulated deficiency in earnings	(19,988)	(29,376)
	\$ 246,679	\$ 237,291
Kihew-Sas GP Ltd. (20% interest)	2017	2016
Investment in shares, cost	\$ 1	\$ 1
Advances	(1)	(1)
Accumulated deficiency in earnings	(23,214)	(21,622)
Write down of investments	23,214	21,622
	-	-
	\$ 246,679	\$ 237,291

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, 2017

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)	2017	2016
Financial position information:		
Assets	\$ 692,150	\$ 712,138
Liabilities	2,501	2,500
Shareholders' equity	689,649	709,638
Results of operations:		
Revenue	12,160	20,073
Expenses	32,148	49,457
Net (loss) earnings	(19,988)	(29,384)
Kihew-Sas GP Ltd. (20% interest)	2017	2016
Financial position information:		
Assets	\$ (27,043)	\$ -
Liabilities	116,069	108,112
Shareholders' equity	(89,026)	(108,112)
Results of operations:		
Expenses	7,957	10,960
Net loss	(7,957)	(10,960)

(b) GBP:

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

Six Nations Ventures Limited Partnership (16.67%)	2017	2016
Investment, at cost	\$ 20	\$ 20
Accumulated equity in earnings	404,436	394,500
	\$ 404,456	\$ 394,520

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, 2017

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)	2017	2016
Financial position information:		
Assets	\$ 2,496,642	\$ 2,561,154
Liabilities	79,698	202,801
Partners' equity	2,416,944	2,358,353
Results of operations:		
Revenue	1,862,732	1,974,199
Expenses	1,803,117	1,812,741
Net earnings	59,615	161,458

5. Tangible capital assets:

Cost	Balance at March 31, 2016	Additions	Transfers	Disposals	Balance at March 31, 2017
Land	\$ 63,000	\$ 524,486	\$ -	\$ -	\$ 587,486
Building and housing	12,358,623	1,461,606	4,059,009	-	17,879,238
Equipment	336,086	-	-	-	355,602
Infrastructure	1,523,185	-	-	-	1,523,185
Automotive equipment	96,646	124,259	-	-	220,906
Furniture and fixtures	168,163	51,753	-	-	219,915
Construction in progress	4,059,009	470,650	(4,059,009)	-	470,650
	\$ 18,604,712	\$ 2,632,754	\$ -	\$ -	\$ 21,256,982

PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

5. Tangible capital assets (continued):

Accumulated amortization	Balance at March 31, 2016	Disposals	Amortization	Balance at March 31, 2017
Building and housing	\$ 4,512,632	\$ -	\$ 539,282	\$ 5,051,914
Equipment	273,815	-	16,047	291,637
Infrastructure	789,594	-	30,728	820,322
Automotive equipment	25,076	-	46,323	71,399
Furniture and fixtures	123,310	-	15,363	136,897
	\$ 5,724,427	\$ -	\$ 647,743	\$ 6,372,169
		Net book value March 31, 2017		Net book value March 31, 2016
Land		\$ 587,486		\$ 63,000
Building and housing		12,827,328		7,845,992
Equipment		63,965		62,271
Infrastructure		702,863		733,591
Automotive equipment		149,506		71,570
Furniture and fixtures		83,018		44,855
Construction in progress		470,650		4,059,009
		\$ 14,884,816		\$ 12,880,288

6. Accounts payable and accrued liabilities:

	2017	2016
Trade payables	\$ 694,813	\$ 821,049
Prophet River Management Ltd. payables	698,988	698,988
GST payable	-	1,315
Payroll accruals	61,535	64,267
Holdbacks payable	142,554	340,091
Prophet River Holdings Ltd. payables	2,000	2,000
	\$ 1,599,890	\$ 1,927,710

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, 2017

7. Deferred revenue:

	2017	2016
Indigenous and Northern Affairs Canada	\$ 207,981	\$ 1,195,295
Spectra Energy	184,597	218,525
Other revenue	-	6,000
	\$ 392,578	\$ 1,419,820

8. Loan payable:

	2017	2016
All Nations Trust Company Mortgage, secured by first mortgages over properties with a total net book value of \$16,153 (2016 - \$30,344), repayable in monthly installments of \$1,279 including interest at 1.44%, maturing in October of 2021.	\$ 68,175	\$ 82,366

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

2018	\$ 14,519
2019	14,674
2020	14,886
2021	15,102
2022	8,994
	\$ 68,175

PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

9. 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.

10. Accumulated surplus:

Surplus is as follows:

	2017	2016
Unrestricted equity in funds	\$ 1,022,459	\$ 1,387,452
CMHC replacement reserves (note 11)	78,753	73,915
Invested in tangible capital assets (note 12)	14,884,816	12,880,288
Equity in trust funds (note 13)	17,276	16,953
Equity in enterprise funds	635,069	631,791
	<u>\$ 16,638,373</u>	<u>\$ 14,990,399</u>

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, 2017

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.

	2017	2016
Balance, beginning of the year	\$ 73,915	\$ 93,032
Allocation for the year	4,838	(19,117)
Balance, end of the year	\$ 78,753	\$ 73,915

12. Invested in tangible capital assets:

Change in invested in tangible capital assets:

	2017	2016
Balance, beginning of year	\$ 12,880,288	\$ 9,383,483
Acquisition of tangible capital assets	2,652,271	3,982,353
Amortization of tangible capital assets	(647,743)	(473,264)
Disposition of tangible capital assets	-	(12,284)
Balance, end of year	\$ 14,884,816	\$ 12,880,288

13. Externally restricted surplus:

	Balance at March 31, 2016	Contributions	Interest	Approved transfers	Balance at March 31, 2017
Ottawa Trust Fund	\$ 16,953	\$ -	\$ 323	\$ -	\$ 17,276

PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

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, 2017 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 2016.

15. 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, 2017 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

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

16. Subsequent event:

Subsequent to the year end, 1050320 BC Ltd., a company wholly owned by the First Nation, purchased land for \$700,000 in the Fort St. John region.

17. 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

Schedule 1 - Consolidated Revenues

Year ended March 31, 2017, with comparative information for 2016

	2017 Budget (Note 1(g))	2017 Actual	2016 Actual
Canada Mortgage and Housing Corporation	\$ -	\$ 21,406	\$ 12,301
Commercial operations	-	78,808	652,675
Donations	-	42,150	75,930
F.N.E.S.C.	-	56,753	29,183
F.N.E.S.S.	-	-	144,516
First Nations Health Authority	-	469,209	455,442
Indigenous and Northern Development Canada	-	2,834,035	4,722,310
Industry Income	-	6,000	182,000
N.E.N.A.S.	-	14,656	51,465
Negotiated agreements	-	49,963	79,521
New relationship trust grant	-	15,829	45,958
O.G.C. Revenue	-	600,000	660,000
Oil and gas revenue	-	39,564	-
Other revenue	-	154,465	37,491
Province of B.C.	-	143,583	92,431
Reimbursement revenue	-	159,818	57,092
Rental income	-	100,220	101,179
Treaty 8 Heritage Trust Revenue - EBA funds	-	400,000	400,000
Trust Revenue	-	2,346,865	1,415,129
	\$ 6,301,590	\$ 7,533,324	\$ 9,214,623

PROPHET RIVER FIRST NATION

Schedule 2 - Consolidated Expenses by Object

Year ended March 31, 2017, with comparative information for 2016

	2017 Budget (Note 1(g))	2017 Actual	2016 Actual
Bad debts recovered	\$ -	\$ -	\$ (16,653)
Bank charges and interest	4,617	9,238	9,577
Community and cultural events	130,147	191,397	100,950
Consulting and contracted services	645,155	663,613	297,783
Insurance	128,387	73,817	62,025
Materials and supplies	96,247	209,865	151,501
Medical expenses	68,241	315,318	303,185
Office	91,638	158,977	100,351
Professional fees	407,514	415,461	412,584
Program expenses	146,137	380,928	127,335
Repairs and maintenance	169,238	163,372	459,045
Salaries and honorariums	1,514,368	1,561,748	2,074,379
Social assistance	21,608	40,549	48,394
Student expenses	229,522	339,426	262,338
Telephone and utilities	232,459	222,627	225,744
Training and tuition	258,666	269,568	101,441
Travel	525,845	225,304	186,993
	\$ 4,669,789	\$ 5,241,208	\$ 4,906,972