

Consolidated Financial Statements of

PROPHET RIVER FIRST NATION

Year ended March 31, 2018

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
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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, which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statements of operations and changes in net assets, changes in net 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 accounting standards for private enterprises, 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.

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, 2018, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

KPMG LLP

Chartered Professional Accountants

Prince George, Canada

September 10, 2018

PROPHET RIVER FIRST NATION


Consolidated Statement of Financial Position

March 31, 2018, with comparative information for 2017


	2018	2017
Financial Assets:		
Cash	\$ 1,683,910	\$ 2,496,690
Restricted cash (note 2)	119,919	123,931
Accounts receivable (note 3)	2,031,839	731,844
Investment in business entities (note 4)	691,862	635,069
	<u>4,527,530</u>	<u>3,987,534</u>
Financial Liabilities:		
Accounts payable and accrued liabilities (note 6)	698,503	1,599,890
Deferred revenue (note 7)	102,931	392,578
Loan payable (note 8)	53,707	68,175
INAC Treaty Land Entitlement debt (note 9)	95,020	190,040
	<u>950,161</u>	<u>2,250,683</u>
Net financial assets	3,577,369	1,736,851
Non-Financial Assets:		
Prepaid expenses	36,842	16,706
Tangible capital assets (note 5)	18,735,805	14,884,816
	<u>18,772,647</u>	<u>14,901,522</u>
Accumulated surplus (note 10)	<u>\$ 22,350,016</u>	<u>\$ 16,638,373</u>

See accompanying notes to consolidated financial statements.

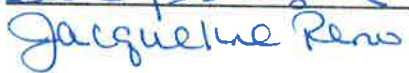
On behalf of Council:



Chief



Council


Jacqueline Reno

PROPHET RIVER FIRST NATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2018, with comparative information for 2017

	2018 Budget (Note 1(g))	2018 Actual	2017 Actual
Revenues (Schedule 1)	\$ 6,573,374	\$ 19,204,587	\$ 17,894,977
Expenses:			
1050320 BC Ltd	-	27,446	-
Agricultural Benefit Claims	-	17,625	-
BC Oil & Gas Commission	-	75,961	38,662
Band funds	86,859	79,582	92,211
Band housing	106,963	431,460	302,265
Band support	191,745	221,952	332,268
Children and family development	53,664	63,762	55,205
Commercial operations	337,723	139,639	95,290
Community economic development	185,941	98,515	51,600
Deloitte Trust contribution	-	8,228,756	10,361,653
Education	540,401	833,978	610,842
FNESC education	55,115	56,351	60,962
Fuel management	-	-	31,167
Health flexible programs	267,742	303,517	271,924
Health patient travel	104,311	108,394	165,640
Health set funding	70,207	102,426	94,956
Housing renovations	196,217	128,825	368,787
MOU program	1,053,642	808,813	783,798
Negotiated agreements	732,300	99,350	91,217
Operations and maintenance	337,901	325,140	228,683
Other education	59,924	18,992	32,486
Professional and institutional development program	-	46,271	301,654
Prophet River First Nation Trust Program	550,374	1,114,950	1,052,856
Prophet River Holdings Ltd.	-	5,336	14,846
Prophet River Management Ltd.	-	4,000	1,500
Social development	91,173	89,149	138,416
Social housing	68,993	21,330	23,973
Water feasibility	37,168	-	-
Youth against crime	19,835	1,980	-
	5,148,198	13,453,500	15,602,861
Excess of revenues over expenses before the undernoted items	1,425,176	5,751,087	2,292,116
Other income (expenses):			
Amortization	-	(793,787)	(647,743)
EBA Development GP Ltd. loss allocation	-	(3,627)	(6,660)
Interest income on INAC trust funds	-	562	323
Recovery of accounts payable	-	696,988	-
Six Nation Ventures LP income allocation	-	60,420	9,938
	-	(39,444)	(644,142)
Annual surplus	1,425,176	5,711,643	1,647,974
Accumulated surplus, beginning of year	16,638,373	16,638,373	14,990,399
Accumulated surplus, end of year	\$ 18,063,549	\$ 22,350,016	\$ 16,638,373

See accompanying notes to consolidated financial statements.

PROPHET RIVER FIRST NATION

Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2018, with comparative information for 2017

	2018 Budget (Note 1(g))	Total 2018	Total 2017
Annual surplus	\$ 1,425,176	\$ 5,711,643	\$ 1,647,974
Tangible capital assets:			
Acquisition of tangible capital assets	-	(4,644,776)	(2,652,271)
Amortization of tangible capital assets	-	793,787	647,743
Change in prepaid expenses	-	(20,136)	30,353
Increase in net financial assets	1,425,176	1,840,518	(326,201)
Net financial assets, beginning of year	-	1,736,851	2,063,052
Net financial assets, end of year	\$ 1,425,176	\$ 3,577,369	\$ 1,736,851

See accompanying notes to consolidated financial statements.

PROPHET RIVER FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 5,711,643	\$ 1,647,974
Items not involving cash:		
Amortization	793,787	647,743
Gain on investments in business entities	(56,793)	(3,278)
	6,448,637	2,292,439
Changes in non-cash assets and liabilities:		
Accounts receivable	(1,299,995)	1,881,172
Accounts payable and accrued liabilities	(901,387)	(327,820)
Deferred revenue	(289,647)	(1,027,242)
Prepaid expenses	(20,136)	30,353
	3,937,472	2,848,902
Financing:		
Repayment of loan payable	(14,468)	(14,191)
AANDC treaty land entitlement debt	(95,020)	-
	(109,488)	(14,191)
Investing:		
Acquisition of tangible capital assets	(4,644,776)	(2,652,271)
(Decrease) increase in cash	(816,792)	182,440
Cash, beginning of year	2,620,621	2,438,181
Cash, end of year	\$ 1,803,829	\$ 2,620,621
Cash consists of:		
Restricted cash	\$ 119,919	\$ 123,931
Cash	1,683,910	2,496,690
	\$ 1,803,829	\$ 2,620,621

See accompanying notes to consolidated financial statements.

PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

2. Restricted cash:

	2018	2017
Ottawa Trust accounts	\$ 17,838	\$ 17,276
Cash held for housing activities	102,081	106,655
	\$ 119,919	\$ 123,931

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:

	2018	2017
Indigenous and Northern Affairs Canada	\$ 155,152	\$ 32,402
Memberships	2,887,888	2,969,609
Trade receivables	1,726,993	904,587
	4,770,033	3,906,598
Allowance for doubtful accounts	(2,738,194)	(3,174,754)
	\$ 2,031,839	\$ 731,844

PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

4. Investment in business entities:

	2018	2017
Government business enterprises (GBE's)	\$ 227,004	\$ 230,631
Government business partnership (GBP)	464,858	404,438
	\$ 691,862	\$ 635,069

(a) GBE's:

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

EBA Developments GP Ltd. (33.33% interest)	2018	2017
Investment in shares, cost	\$ 266,667	\$ 266,667
Accumulated deficiency in earnings	(39,663)	(36,036)
	\$ 227,004	\$ 230,631

Kihew-Sas GP Ltd. (20% interest)	2018	2017
Investment in shares, cost	\$ 1	\$ 1
Advances	(1)	(1)
Accumulated deficiency in earnings	(18,526)	(23,214)
Write down of investments	18,526	23,214
	-	-
	\$ 227,004	\$ 230,631

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, 2018

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)	2018	2017
Financial position information:		
Assets	\$ 683,645	\$ 692,150
Liabilities	(4,881)	(2,501)
Shareholders' equity	(678,764)	(689,649)
Results of operations:		
Revenue	17,090	12,160
Expenses	27,975	32,148
Net (loss) earnings	(10,885)	(19,988)

Kihew-Sas GP Ltd. (20% interest)	2018	2017
Financial position information:		
Assets	\$ 50,485	\$ 27,043
Liabilities	(116,069)	(116,069)
Shareholders' equity	65,584	89,026
Results of operations:		
Revenue	23,442	-
Expenses	-	7,957
Net earnings (loss)	23,442	(7,957)

(b) GBP:

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

Six Nations Ventures Limited Partnership (16.67%)	2018	2017
Investment, at cost	\$ 20	\$ 20
Accumulated equity in earnings	464,838	404,418
	\$ 464,858	\$ 404,438

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, 2018

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)	2018	2017
Financial position information:		
Assets	\$ 2,958,065	\$ 2,496,642
Liabilities	(182,046)	(79,698)
Partners' equity	(2,776,019)	(2,416,944)
Results of operations:		
Revenue	2,344,448	1,862,732
Expenses	1,981,926	1,803,117
Net earnings	362,522	59,615

5. Tangible capital assets:

Cost	Balance at March 31, 2017	Additions	Transfers	Disposals	Balance at March 31, 2018
Land	\$ 587,486	\$ 3,657,143	\$ -	\$ -	\$ 4,244,629
Building and housing	17,879,241	618,077	481,201	-	18,978,519
Equipment	355,602	190,979	-	-	546,581
Infrastructure	1,523,185	-	-	-	1,523,185
Automotive equipment	220,906	86,124	-	-	307,030
Furniture and fixtures	219,915	81,902	-	-	301,817
Construction in progress	470,650	10,551	(481,201)	-	-
	\$ 21,256,985	\$ 4,644,776	\$ -	\$ -	\$ 25,901,761

PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

5. Tangible capital assets (continued):

Accumulated amortization	Balance at March 31, 2017	Disposals	Amortization	Balance at March 31, 2018
Building and housing	\$ 5,051,914	\$ -	\$ 667,933	\$ 5,719,847
Equipment	291,637	-	22,413	314,050
Infrastructure	820,322	-	29,416	849,738
Automotive equipment	71,399	-	50,208	121,607
Furniture and fixtures	136,897	-	23,817	160,714
	\$ 6,372,169	\$ -	\$ 793,787	\$ 7,165,956
		Net book value March 31, 2018	Net book value March 31, 2017	
Land		\$ 4,244,629	\$ 587,486	
Building and housing		13,258,672	12,827,328	
Equipment		232,531	63,965	
Infrastructure		673,447	702,863	
Automotive equipment		185,423	149,506	
Furniture and fixtures		141,103	83,018	
Construction in progress		-	470,650	
		\$ 18,735,805	\$ 14,884,816	

6. Accounts payable and accrued liabilities:

	2018	2017
Trade payables	\$ 494,292	\$ 694,813
Prophet River Management Ltd. payables	-	698,988
Payroll accruals	57,797	61,535
Holdbacks payable	143,137	142,554
Prophet River Holdings Ltd. payables	2,000	2,000
1050320 BC Ltd. payables	1,277	-
	\$ 698,503	\$ 1,599,890

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, 2018

7. Deferred revenue:

	2018	2017
Indigenous and Northern Affairs Canada	\$ 40,785	\$ 207,981
Spectra Energy	-	184,597
Other revenue	62,146	-
	<u>\$ 102,931</u>	<u>\$ 392,578</u>

8. Loan payable:

	2018	2017
All Nations Trust Company		
Mortgage, secured by first mortgages over properties with a total net book value of nil (2017 - \$16,153), repayable in monthly installments of \$1,279 including interest at 1.44%, maturing in October of 2021.	\$ 53,707	\$ 68,175

Scheduled principal repayments over the next 4 years are estimated as follows:

2019	\$ 14,674
2020	14,886
2021	15,102
2022	9,045
2023	-
	<u>\$ 53,707</u>

PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

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, loan was settled within the year.
- TLE component two, with a balance of \$95,020, was repayable on the earlier of March 31, 2018 or the date on which the claim is settled although subsequent to year end an extension has been requested on the due date which is currently being reviewed. The loan is interest free unless the First Nation defaults or the loan reaches maturity.

10. Accumulated surplus:

Surplus is as follows:

	2018	2017
Unrestricted equity in funds	\$ 2,820,920	\$ 1,022,459
CMHC replacement reserves (note 11)	83,591	78,753
Invested in tangible capital assets (note 12)	18,735,805	14,884,816
Equity in trust funds (note 13)	17,838	17,276
Equity in enterprise funds	691,862	635,069
	\$ 22,350,016	\$ 16,638,373

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, 2018

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.

	2018	2017
Balance, beginning of the year	\$ 78,753	\$ 73,915
Allocation for the year	4,838	4,838
Balance, end of the year	\$ 83,591	\$ 78,753

12. Invested in tangible capital assets:

Change in invested in tangible capital assets:

	2018	2017
Balance, beginning of year	\$ 14,884,816	\$ 12,880,288
Acquisition of tangible capital assets	4,644,776	2,652,271
Amortization of tangible capital assets	(793,787)	(647,743)
Balance, end of year	\$ 18,735,805	\$ 14,884,816

13. Externally restricted surplus:

	Balance at March 31, 2017	Contributions	Interest	Approved transfers	Balance at March 31, 2018
Ottawa Trust					
Fund	\$ 17,276	\$ -	\$ 562	\$ -	\$ 17,838

PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

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, 2018 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 2017.

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, 2018 management has no current plans to remediate the land that would cause an outflow of resources and therefore no liability has been recorded.

16. 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, 2018, with comparative information for 2017

	2018 Budget (Note 1(g))	2018 Actual	2017 Actual
Canada Mortgage and Housing Corporation	\$ 15,465	\$ 8,283	\$ 21,406
Commercial operations	645,646	77,411	78,808
Donations	1,950	22,736	42,150
F.N.E.S.C.	55,115	68,764	56,753
First Nations Health Authority	428,764	557,008	469,209
Indigenous and Northern Affairs Canada	2,321,023	1,797,097	2,834,035
Industry Income	115,952	-	6,000
N.E.N.A.S.	24,509	14,705	14,656
Negotiated agreements	981,138	184,597	49,963
New relationship trust grant	-	400	15,829
O.G.C. Revenue	720,000	600,000	600,000
Oil and gas revenue	-	77,608	39,564
Other revenue	111,872	102,050	154,465
Progress Energy	-	682,483	-
Province of B.C.	83,499	116,301	143,583
Reimbursement revenue	3,677	109,961	159,818
Rental income	76,099	125,557	100,220
Treaty 8 Heritage Trust Revenue - EBA funds	310,000	300,000	400,000
Trust revenue	678,665	14,359,626	12,708,518
	\$ 6,573,374	\$ 19,204,587	\$ 17,894,977

PROPHET RIVER FIRST NATION

Schedule 2 - Consolidated Expenses by Object

Year ended March 31, 2018, with comparative information for 2017

	2018 Budget (Note 1(g))	2018 Actual	2017 Actual
Bank charges and interest	\$ 4,617	\$ 8,488	\$ 9,238
Community and cultural events	146,301	140,123	191,397
Consulting and contracted services	717,055	557,205	663,613
Deloitte Trust contribution	-	8,228,756	10,361,653
Insurance	127,552	107,295	73,817
Materials and supplies	60,114	155,763	209,865
Medical expenses	115,717	221,672	315,318
Office	174,693	173,705	158,977
Professional fees	407,514	489,626	415,461
Program expenses	134,301	161,069	380,928
Repairs and maintenance	144,891	233,190	163,372
Salaries and honorariums	1,711,500	1,647,633	1,561,748
Social assistance	21,608	19,292	40,549
Student expenses	218,667	295,752	339,426
Telephone and utilities	236,163	270,861	222,627
Training and tuition	344,732	417,368	269,568
Travel	582,773	325,702	225,304
	\$ 5,148,198	\$ 13,453,500	\$ 15,602,861