

Consolidated Financial Statements of

# **PROPHET RIVER FIRST NATION**

And Independent Auditors' Report thereon

Year ended March 31, 2019

# 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.

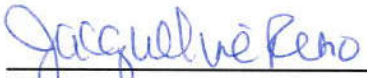
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen 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  
acting Chief

  
First Nation Financial Administrator

  
Councilor



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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the consolidated financial statements of Prophet River First Nation (the Entity), which comprise:

- the consolidated statement of financial position as at March 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net (debt) financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2019 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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



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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.  
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single, long, horizontal black line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants

Prince George, Canada

October 21, 2020

# PROPHET RIVER FIRST NATION

## Consolidated Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial Assets:</b>		
Cash	\$ 610,684	\$ 1,683,910
Restricted cash (note 2)	121,495	119,919
Accounts receivable (note 3)	1,735,864	2,031,839
Investment in business entities (note 4)	-	691,862
	<u>2,468,043</u>	<u>4,527,530</u>
<b>Financial Liabilities:</b>		
Accounts payable and accrued liabilities (note 5)	860,568	698,503
Deferred revenue (note 6)	734,436	102,931
Investment in business entities (note 4)	747,325	-
Capital lease obligation (note 7)	3,081,063	-
Loan payable (note 8)	103,807	53,707
ISC Treaty Land Entitlement debt (note 9)	95,020	95,020
	<u>5,622,219</u>	<u>950,161</u>
Net (debt) financial assets	(3,154,176)	3,577,369
<b>Non-Financial Assets:</b>		
Prepaid expenses	19,201	36,842
Tangible capital assets (note 10)	21,655,451	18,735,805
	<u>21,674,652</u>	<u>18,772,647</u>
Commitment and contingencies (note 17)		
Subsequent event (note 18)		
Accumulated surplus (note 11)	<u>\$ 18,520,476</u>	<u>\$ 22,350,016</u>

See accompanying notes to consolidated financial statements.

On behalf of Council:

 **acting**  
\_\_\_\_\_  
Chief

 \_\_\_\_\_  
Council

# PROPHET RIVER FIRST NATION

## Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2019, with comparative information for 2018

	2019 Budget (Note 1(g))	2019 Actual	2018 Actual
Revenue (Schedule 1)	\$ 4,464,761	\$ 16,984,578	\$ 19,205,149
Expenses (Schedule 2):			
1050320 BC Ltd	-	85,737	27,446
Agricultural Benefit Claims	-	345,981	17,625
BC Oil & Gas Commission	-	148,001	75,961
Band funds	33,962	460,901	79,582
Band housing	25,000	292,265	431,460
Band support	2,607,126	543,018	221,952
Children and family development	247,100	87,147	63,762
Commercial operations	-	50,052	139,639
Community economic development	-	179,014	98,515
Education	338,974	762,932	852,970
FNESC education	-	46,903	56,351
Fuel management	-	158,856	-
Health flexible programs	20,000	402,167	303,517
Health patient travel	95,717	145,507	108,394
Health set funding	-	119,261	102,426
Housing renovations	-	526	128,825
MOU program	356,714	1,032,311	808,813
Negotiated agreements	368,842	6,910	99,350
Operations and maintenance	196,199	372,410	325,140
Professional and institutional development program	236,884	56,729	46,271
Prophet River First Nation Trust program	76,980	1,849,177	1,114,950
Prophet River First Nation Trust contribution	-	9,916,575	8,228,756
Prophet River Holdings Ltd.	-	7,024	5,336
Prophet River Management Ltd.	-	-	4,000
Site C negotiation	-	13,397	-
Social development	23,838	78,139	89,149
Social housing	-	70,343	21,330
Youth against crime	-	-	1,980
	4,627,336	17,231,283	13,453,500
(Deficiency) excess of revenues over expenses before the undernoted items	(162,575)	(246,705)	5,751,649
Other income (expenses):			
Amortization	-	(1,191,435)	(793,787)
EBA Development GP Ltd. loss allocation	-	(9,618)	(3,627)
Dunne-E'nee-Desta LP loss allocation	-	(1,494,594)	-
Recovery of accounts payable	-	-	696,988
Six Nations Ventures LP income allocation	-	65,026	60,420
Write-down of intercompany investments	-	(952,214)	-
	-	(3,582,835)	(40,006)
Annual (deficit) surplus	(162,575)	(3,829,540)	5,711,643
Accumulated surplus, beginning of year	22,350,016	22,350,016	16,638,373
Accumulated surplus, end of year	\$ 22,187,441	\$ 18,520,476	\$ 22,350,016

See accompanying notes to consolidated financial statements.

# PROPHET RIVER FIRST NATION

## Consolidated Statement of Changes in Net (Debt) Financial Assets

Year ended March 31, 2019, with comparative information for 2018

	2018 Budget (Note 1(g))	Total 2019	Total 2018
Annual (deficit) surplus	\$ (162,575)	\$ (3,829,540)	\$ 5,711,643
Tangible capital assets:			
Acquisition of tangible capital assets	-	(4,111,081)	(4,644,776)
Amortization of tangible capital assets	-	1,191,435	793,787
Change in prepaid expenses	-	17,641	(20,136)
Increase in net (debt) financial assets	(162,575)	(6,731,545)	1,840,518
Net financial assets, beginning of year	3,577,369	3,577,369	1,736,851
Net financial assets (debt), end of year	\$ 3,414,794	\$ (3,154,176)	\$ 3,577,369

See accompanying notes to consolidated financial statements.

# PROPHET RIVER FIRST NATION

## Consolidated Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Annual (deficit) surplus	\$ (3,829,540)	\$ 5,711,643
Items not involving cash:		
Amortization	1,191,435	793,787
Loss (gain) on investments in business entities	1,439,186	(56,793)
	(1,198,919)	6,448,637
Changes in non-cash assets and liabilities:		
Accounts receivable	295,975	(1,299,995)
Accounts payable and accrued liabilities	162,067	(901,387)
Deferred revenue	631,505	(289,647)
Prepaid expenses	17,641	(20,136)
	(91,731)	3,937,472
Financing:		
Repayment of loans payable	(14,752)	(14,468)
Payment of capital lease obligations	(517,847)	-
Treaty land entitlement debt	-	(95,020)
	(532,599)	(109,488)
Investing:		
Acquisition of tangible capital assets	(447,320)	(4,644,776)
Decrease in cash	(1,071,650)	(816,792)
Cash, beginning of year	1,803,829	2,620,621
Cash, end of year	\$ 732,179	\$ 1,803,829
Cash consists of:		
Restricted cash	\$ 121,495	\$ 119,919
Cash	610,684	1,683,910
	\$ 732,179	\$ 1,803,829
Non-cash transactions:		
Acquisition of equipment under capital lease financed with obligations under capital lease	\$ 3,598,910	\$ -
	\$ 3,598,910	\$ -

See accompanying notes to consolidated financial statements.

# PROPHET RIVER FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

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### **Nature of operations:**

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

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

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

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

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

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

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 two Government Business Partnership ("GBP"), which are controlled or jointly controlled by the First Nation, 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, 2019

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

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

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

OGO's:

- Prophet River Management Ltd. (100%) - June 30
- Prophet River Holdings Ltd. (100%) - March 31
- 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
- Dunne-E'nee-Desta Limited Partnership (99.99%) - 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, 2019

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

(c) Non-financial assets:

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

(d) Tangible capital assets:

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

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

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

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, 2019

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## 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, 2019

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

### (g) Budget data:

A formal budget was not approved by Chief and Council for the 2019 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, 2019

## 2. Restricted cash:

	2019	2018
Ottawa Trust accounts	\$ 17,838	\$ 17,838
Cash held for housing activities	103,657	102,081
	<u>\$ 121,495</u>	<u>\$ 119,919</u>

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:

	2019	2018
Indigenous Services Canada	\$ 23,152	\$ 155,152
Memberships	2,885,329	2,887,888
Trade receivables	1,758,533	1,726,993
	<u>4,667,014</u>	<u>4,770,033</u>
Allowance for doubtful accounts	(2,931,150)	(2,738,194)
	<u>\$ 1,735,864</u>	<u>\$ 2,031,839</u>

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

## 4. Investment in business entities:

	2019	2018
Government business enterprises (GBE's)	\$ 217,385	\$ 227,004
Government business partnership (GBP)	(964,710)	464,858
	\$ (747,325)	\$ 691,862

### (a) GBE's:

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

EBA Developments GP Ltd. (33.33% interest)	2019	2018
Investment in shares, cost	\$ 266,667	\$ 266,667
Accumulated deficiency in earnings	(49,282)	(39,663)
	\$ 217,385	\$ 227,004

Kihew-Sas GP Ltd. (20% interest)	2019	2018
Investment in shares, cost	\$ 1	\$ 1
Advances	(1)	(1)
Accumulated deficiency in earnings	18,526	18,526
Write-down of investment	(18,526)	(18,526)
	\$ -	\$ -
	\$ 217,385	\$ 227,004

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, 2019

## 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)	2019	2018
Financial position information:		
Assets	\$ 653,782	\$ 683,645
Liabilities	(3,884)	(4,881)
Shareholders' equity	(649,898)	(678,764)
Results of operations:		
Revenue	6,264	17,090
Expenses	35,130	(27,975)
Net loss	(28,866)	(10,885)
Kihew-Sas GP Ltd. (20% interest)	2019	2018
Financial position information:		
Assets	\$ 50,506	\$ 50,485
Liabilities	(116,069)	(116,069)
Shareholders' equity	65,563	65,584
Results of operations:		
Revenue	245	23,442
Expenses	224	-
Net earnings	21	23,442

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

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

(b) GBP:

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

Six Nations Ventures Limited Partnership (16.67%)	2019	2018
Investment, at cost	\$ 20	\$ 20
Accumulated equity in earnings	529,764	464,838
	\$ 529,784	\$ 464,858

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.

Dunne-E'nee-Desta Limited Partnership (99.99%)	2019	2018
Investment, at cost	\$ 100	\$ -
Accumulated equity in earnings	(1,494,594)	-
	\$ (1,494,494)	\$ -
	\$ (964,710)	\$ 464,858

The fiscal year end of Dunne-E'nee-Desta Limited Partnership is December 31 and the financial information provided in note 4(b)(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, 2019

## 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)	2019	2018
Financial position information:		
Assets	\$ 3,380,604	\$ 2,958,065
Liabilities	(214,427)	(182,046)
Partners' equity	(3,166,177)	(2,776,019)
Results of operations:		
Revenue	2,669,862	2,344,448
Expenses	(2,279,704)	(1,981,926)
Net earnings	390,158	362,522
Dunne-E'nee-Desta Limited Partnership (99.99% interest)	2019	2018
Financial position information:		
Assets	\$ 935,680	\$ -
Liabilities	\$ (2,430,424)	\$ -
Partners' equity	1,494,744	-
Results of operations:		
Expenses	(1,494,744)	-
Net loss	(1,494,744)	-

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

## 5. Accounts payable and accrued liabilities:

	2019	2018
Trade payables	\$ 598,917	\$ 494,292
Payroll accruals	113,981	57,797
Holdbacks payable	143,137	143,137
Prophet River Holdings Ltd. payables	2,300	2,000
1050320 BC Ltd. payables	2,233	1,277
	<b>\$ 860,568</b>	<b>\$ 698,503</b>

The accounts payable of 1050320 BC Ltd. and Prophet River Holdings Ltd. are not legal liabilities to the First Nation but in accordance with PSAB, must be consolidated.

## 6. Deferred revenue:

	2019	2018
Indigenous Services Canada	\$ 322,542	\$ 40,785
Province of British Columbia	168,000	-
Site C Negotiations	85,748	-
Other revenue	158,146	62,146
	<b>\$ 734,436</b>	<b>\$ 102,931</b>

## 7. Capital lease obligations:

The First Nation has financed certain equipment by entering into capital leasing arrangements. Capital lease payments are due as follows:

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

## 7. Capital lease obligations (continued):

	2019	2018
CAT capital lease, repayable in monthly instalments of \$9,426, with an interest rate of 3.99%. Secured by specific assets with carrying value of \$409,456. Expires August 2022.	\$ 360,716	\$ -
CAT capital lease, repayable in monthly instalments of \$11,621, with an interest rate of 6.7%. Secured by specific assets with carrying value of \$479,200. Expires August 2022.	424,822	-
CAT capital lease, repayable in monthly instalments of \$8,180, with an interest rate of 6.7%. Secured by specific assets with carrying value of \$310,950. Expires August 2022.	299,011	-
Wells Fargo capital lease, repayable in monthly instalments of \$6,993., with an interest rate of 1.29%. Secured by specific assets with carrying value of \$392,563. Expires January 2024.	392,982	-
Wells Fargo capital lease, repayable in monthly instalments of \$6,033, with an interest rate of 2.99%. Secured by specific assets with carrying value of \$190,667. Expires September 2021.	174,180	-
John Deere capital lease, repayable in monthly instalments of \$12,712, interest free. Secured by specific assets with carrying value of \$411,884. Expires August 2021.	368,662	-
John Deere capital lease, repayable in monthly instalments of \$12,490, interest free. Secured by specific assets with carrying value of \$404,684. Expires August 2021.	362,217	-
John Deere capital lease, repayable in monthly instalments of \$13,269, interest free. Secured by specific assets with carrying value of \$615,686. Expires January 2023.	610,378	-
Wells Fargo capital lease, repayable in monthly instalments of \$13,246 with an interest rate of 5.38%. Secured by specific assets with carrying value of \$96,930. Expires August 2021	88,095	-
	\$ 3,081,063	\$ -

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

## 7. Capital lease obligations (continued):

Principal payments over the next five years are due as follows:

2020	\$	939,731
2021		962,324
2022		750,322
2023		359,165
2024		69,521
	\$	3,081,063

Interest of \$40,200 (2018 - nil) relating to capital lease obligations has been included in interest on capital leases expense. The total amount of assets under capital lease is \$3,598,910 with related accumulated amortization of \$286,890, which is included under machinery in tangible capital assets of the First Nation.

## 8. Loans payable:

	2019	2018
All Nations Trust Company		
Mortgage, secured by first mortgages over properties with a total net book value of nil, repayable in monthly installments of \$1,279 including interest at 1.44%, maturing in October of 2021.	\$ 39,033	\$ 53,707
Scotiabank vehicle loan, secured by an asset with a net book value of \$72,830, repayable in bi weekly instalments of \$604.61 including interest at 7.85%, maturing in March of 2024	64,774	-
	\$ 103,807	\$ 53,707

Scheduled principal repayments over the next 5 years are estimated as follows:

2020	\$	25,738
2021		27,046
2022		21,909
2023		14,523
2024		14,591
	\$	103,807

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

## 9. Treaty land entitlement debt:

The First Nation is negotiating a Treaty Land Entitlement (TLE) claim with the Government of Canada. Indigenous Services Canada has made loans to assist the First 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.

- The TLE 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. Tangible capital assets:

Cost	Balance at March 31, 2018	Additions	Transfers	Disposals	Balance at March 31, 2019
Land	\$ 3,968,777	\$ -	\$ -	\$ -	\$ 3,968,777
Building and housing	19,254,371	-	-	-	19,254,371
Equipment	546,581	393,860	-	-	940,441
Infrastructure	1,523,185	-	-	-	1,523,185
Automotive equipment	307,030	74,697	-	-	381,727
Furniture and fixtures	301,817	449	-	-	302,266
Construction in progress	-	43,165	-	-	43,165
Machinery	-	3,598,910	-	-	3,598,910
	\$ 25,901,761	\$ 4,111,081	\$ -	\$ -	\$ 30,012,842

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

## 10. Tangible capital assets (continued):

Accumulated amortization	Balance at March 31, 2018	Disposals	Amortization	Balance at March 31, 2019
Building and housing	\$ 5,719,847	\$ -	\$ 688,532	\$ 6,408,379
Equipment	314,050	-	102,137	416,187
Infrastructure	849,738	-	28,161	877,899
Automotive equipment	121,607	-	57,494	179,101
Furniture and fixtures	160,714	-	28,221	188,935
Machinery	-	-	286,890	286,890
	\$ 7,165,956	\$ -	\$ 1,191,435	\$ 8,357,391

	Net book value March 31, 2018	Net book value March 31, 2019
Land	\$ 4,244,629	\$ 3,968,777
Building and housing	13,258,672	12,845,992
Equipment	232,531	524,254
Infrastructure	673,447	645,286
Automotive equipment	185,423	202,626
Furniture and fixtures	141,103	113,331
Construction in progress	-	43,165
Machinery	-	3,312,020
	\$ 18,735,805	\$ 21,655,451

## 11. Accumulated surplus:

Surplus is as follows:

	2019	2018
Unrestricted equity in funds	\$ 651,997	\$ 2,820,920
CMHC replacement reserves (note 12)	88,429	83,591
Invested in tangible capital assets (note 13)	18,509,537	18,735,805
Equity in trust funds (note 14)	17,838	17,838
(Deficit) equity in enterprise funds	(747,325)	691,862
	\$ 18,520,476	\$ 22,350,016

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

## 11. Accumulated surplus (continued):

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).

## 12. 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.

	2019	2018
Balance, beginning of the year	\$ 83,591	\$ 78,753
Allocation for the year	4,838	4,838
Balance, end of the year	\$ 88,429	\$ 83,591

## 13. Invested in tangible capital assets:

Change in invested in tangible capital assets:

	2019	2018
Balance, beginning of year	\$ 18,735,805	\$ 14,884,816
Acquisition of tangible capital assets with unrestricted resources	447,320	4,644,776
Amortization of tangible capital assets	(1,191,435)	(793,787)
Payment of capital lease obligations	517,847	-
Balance, end of year	\$ 18,509,537	\$ 18,735,805

## 14. Externally restricted surplus:

	Balance at March 31, 2018	Contributions	Interest	Approved transfers	Balance at March 31, 2019
Ottawa Trust Fund	\$ 17,838	\$ -	\$ -	\$ -	\$ 17,838

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

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## 15. Related party transactions

During the year, First Nation had the following transactions with T'saa-Dunne Limited Partnership, a partnership related by way of being owned by an entity the First Nation wholly owns. The transactions were conducted within the normal course of business and were valued at exchange value, which is the amount agreed to by the parties.

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	2019
Equipment rental revenue	\$ 1,102,120
Write-down of accounts receivable	(952,214)

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The related party transaction of equipment rental revenue is included in other revenue on Schedule 1.

During the year, the First Nation wrote down the entire accounts receivable balance of T'saa-Dunne Limited Partnership as collectibility is unknown at this time.

## 16. 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, 2019 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.

# PROPHET RIVER FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

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## **16. Financial risks and concentration of risk: (continued):**

### **(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 2018.

## **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, 2019 management has no current plans to remediate the land that would cause an outflow of resources and therefore no liability has been recorded.

Under the terms of the operating agreement with CMHC any surpluses arising from any expenditures in excess of its operating agreement guidelines, may be repayable to CMHC.

## **18. Subsequent event:**

Subsequent to March 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization on March 11, 2020. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on Prophet River First Nation is not known at this time. These impacts could include potential future decreases in funding revenue, cash flows and working capital levels.

## **19. Comparative amounts:**

Certain 2018 comparative information have been reclassified, where applicable, to conform with the financial presentation adopted for the current year. These changes do not affect prior year surpluses.

# PROPHET RIVER FIRST NATION

## Schedule 1 - Consolidated Revenue

Year ended March 31, 2019, with comparative information for 2018

	2019 Budget (Note 1(g))	2019 Actual	2018 Actual
Canada Mortgage and Housing Corporation	\$ 15,465	\$ 4,676	\$ 8,283
Commercial operations	-	35,486	77,411
Donations	1,950	29,693	22,736
F.N.E.S.C.	55,115	53,639	68,764
First Nations Health Authority	428,764	568,736	557,008
Indigenous Services Canada	874,252	1,329,068	1,797,097
Industry income	115,952	3,306	-
N.E.N.A.S.	24,509	16,719	14,705
Negotiated agreements	963,838	-	184,597
New relationship trust grant	-	4,649	400
O.G.C. revenue	720,000	600,000	600,000
Oil and gas revenue	-	150,846	77,608
Other revenue	81,872	1,333,814	102,612
Progress Energy	-	-	682,483
Province of B.C.	83,499	71,439	116,301
Reimbursement revenue	3,181	42,819	109,961
Rental income	52,699	121,470	125,557
Treaty 8 Heritage Trust Revenue - EBA funds	310,000	300,000	300,000
Trust revenue	733,665	12,318,218	14,359,626
	\$ 4,464,761	\$ 16,984,578	\$ 19,205,149

# PROPHET RIVER FIRST NATION

## Schedule 2 - Consolidated Expenses by Object

Year ended March 31, 2019, with comparative information for 2018

	2019 Budget (Note 1(g))	2019 Actual	2018 Actual
Bank charges and interest	\$ 4,617	\$ 9,860	\$ 8,488
Community and cultural events	146,300	178,087	140,123
Consulting and contracted services	551,287	836,057	557,205
Equipment rental	-	329,925	-
Insurance	136,635	100,057	107,295
Interest on capital leases	-	40,200	-
Materials and supplies	60,637	461,525	155,763
Medical expenses	115,717	306,953	221,672
Office	172,030	298,209	173,705
Professional fees	396,714	299,002	489,626
Program expenses	123,020	103,210	161,069
Prophet River First Nation Trust contribution	-	9,916,575	8,228,756
Repairs and maintenance	165,728	215,576	233,190
Salaries and honorariums	1,423,863	2,484,612	1,647,633
Social assistance	21,608	15,963	19,292
Student expenses	221,197	409,005	295,752
Telephone and utilities	135,638	262,975	270,861
Training and tuition	347,732	517,291	417,368
Travel	604,613	446,201	325,702
	<b>\$ 4,627,336</b>	<b>\$ 17,231,283</b>	<b>\$ 13,453,500</b>