

**Halfway River First Nation**  
**Consolidated Financial Statements**  
*March 31, 2018*

# Halfway River First Nation

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*For the year ended March 31, 2018*

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## Independent Auditors' Report

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To the Members Members of Halfway River First Nation:

We have audited the accompanying consolidated financial statements of Halfway River First Nation, which comprise the consolidated statement of financial position as at March 31, 2018 and the consolidated statements of operations, accumulated surplus, changes in net financial assets, cash flows and the related schedules for the year then ended, and 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 the auditors' 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, the auditor considers 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 qualified audit opinion.

### *Basis for Qualified Opinion*

As explained in Note 14, the Nation has not disclosed the budget information as required by Canadian Public Sector Accounting Standards.

### *Qualified Opinion*

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Halfway River First Nation as at March 31, 2018 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Surrey, British Columbia

July 30, 2018

*MNP LLP*

Chartered Professional Accountants

# Halfway River First Nation

## Consolidated Statement of Financial Position

*As at March 31, 2018*

	<b>2018</b>	<i>2017 Restated Note 16</i>
<b>Financial assets</b>		
Cash resources (Note 4)	<b>9,978,444</b>	3,525,639
Accounts receivable (Note 5)	<b>2,875,391</b>	459,760
Investment in First Nation business entities (Note 6)	<b>6,770,388</b>	6,016,437
Funds held in trust (Note 7)	<b>3,026,556</b>	2,906,747
<b>Total of financial assets</b>	<b>22,650,779</b>	12,908,583
<b>Financial Liabilities</b>		
Accounts payable and accruals (Note 8)	<b>7,469,192</b>	563,114
Deferred revenue (Note 9)	<b>3,112,536</b>	2,050,754
Promissory notes payable (Note 10)	<b>3,323,685</b>	3,599,014
Long-term debt (Note 11)	<b>1,738,702</b>	1,907,551
<b>Total of financial liabilities</b>	<b>15,644,115</b>	8,120,433
<b>Net financial assets</b>	<b>7,006,664</b>	4,788,150
<b>Contingent liabilities</b> (Note 12)		
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	<b>9,090,540</b>	9,190,979
Prepaid expenses	<b>10,735</b>	-
<b>Total non-financial assets</b>	<b>9,101,275</b>	9,190,979
<b>Accumulated surplus</b> (Note 13)	<b>16,107,939</b>	13,979,129

Approved on behalf of the Council

\_\_\_\_\_  
Signature on File

Councilor

\_\_\_\_\_  
Signature on File

Councilor

# Halfway River First Nation

## Consolidated Statement of Operations

*For the year ended March 31, 2018*

	<i>Schedules</i>	<i>2018 Budget</i>	<i>2018</i>	<i>2017 Restated Note 16</i>
<b>Revenue</b>				
Indigenous Services Canada	-	1,051,665	856,766	
First Nations Health Authority	-	497,908	486,112	
Canada Mortgage and Housing Corporation	-	223,808	117,696	
Province of British Columbia	-	5,508,743	1,940,475	
Other revenue	-	1,952,508	1,065,504	
Oil and gas, mining and gravel revenue	-	1,052,782	921,177	
Industry agreement revenue	-	1,343,085	1,352,762	
Rental income	-	376,391	334,233	
Interest income	-	91,821	82,926	
Donations	-	75,715	133,479	
Earnings from investment in First Nation business entities	-	1,192,050	2,151,379	
		-	13,366,476	9,442,509
<b>Expenses</b>				
Administration	3	-	949,507	848,337
Education	4	-	420,837	399,531
First Nation Businesses	5	-	751,912	201,634
Health	6	-	524,787	529,399
Housing	7	-	628,196	602,997
Lands	8	-	2,599,091	2,494,997
Social Assistance	9	-	245,345	258,175
Operations and Maintenance	10	-	503,490	559,866
Treaties and Claims	11	-	4,034,239	242,802
Community Activities	12	-	478,655	531,255
Child and Family Development	13	-	101,607	99,444
		-	11,237,666	6,768,437
<b>Surplus</b>		-	2,128,810	2,674,072

*The accompanying notes are an integral part of these financial statements*

**Halfway River First Nation**  
**Consolidated Statement of Accumulated Surplus**  
*For the year ended March 31, 2018*

	<b>2018</b>	<i>2017 Restated Note 16</i>
<b>Accumulated surplus, beginning of year, as previously stated</b>	<b>15,267,491</b>	11,991,445
Correction of an error <i>(Note 16)</i>	<b>(1,288,362)</b>	(686,388)
<b>Accumulated surplus, beginning of year, as restated</b>	<b>13,979,129</b>	11,305,057
<b>Surplus</b>	<b>2,128,810</b>	2,674,072
<b>Accumulated surplus, end of year</b>	<b>16,107,939</b>	13,979,129

# Halfway River First Nation

## Consolidated Statement of Changes in Net Financial Assets

*For the year ended March 31, 2018*

	<b>2018 Budget</b>	<b>2018</b>	<b>2017 Restated Note 16</b>
<b>Annual surplus</b>	-	<b>2,128,810</b>	2,674,072
Acquisition of tangible capital assets	-	<b>(616,371)</b>	(1,647,221)
Amortization of tangible capital assets	-	<b>716,810</b>	683,772
Use (addition) of prepaid expenses	-	<b>(10,735)</b>	32,222
<b>Increase in net financial assets</b>	-	<b>2,218,514</b>	1,742,845
<b>Net financial assets, beginning of year</b>	-	<b>4,788,150</b>	3,045,305
<b>Net financial assets, end of year</b>	-	<b>7,006,664</b>	4,788,150

*The accompanying notes are an integral part of these financial statements*



# Halfway River First Nation

## Consolidated Statement of Cash Flows

*For the year ended March 31, 2018*

	2018	2017 <i>Restated Note 16</i>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Surplus	2,128,810	2,674,072
Non-cash items		
Amortization	716,810	683,772
Earnings from investment in First Nation business entities	(1,192,050)	(2,151,379)
	1,653,570	1,206,465
Changes in working capital accounts		
Accounts receivable	(2,415,631)	296,684
Prepaid expenses	(10,735)	32,222
Accounts payable and accruals	6,906,078	105,461
Deferred revenue	1,061,782	608,340
	7,195,064	2,249,172
<b>Financing activities</b>		
Repayments of long-term debt	(168,849)	(165,843)
Advances from (repayments of) promissory notes payable	(275,329)	188,532
	(444,178)	22,689
<b>Capital activities</b>		
Acquisition of tangible capital assets	(616,371)	(1,647,221)
<b>Investing activities</b>		
Advances to related First Nation business entities	438,099	25,477
Decrease in portfolio investments	-	380,361
Increase in funds held in trust	(119,809)	(255,983)
	318,290	149,855
<b>Increase in cash resources</b>	6,452,805	774,495
<b>Cash resources, beginning of year</b>	3,525,639	2,751,144
<b>Cash resources, end of year</b>	9,978,444	3,525,639

# Halfway River First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2018*

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### 1. Operations

The Halfway River First Nation (the "First Nation") is located in the province of British Columbia, and provides various services to its members. The First Nation is responsible for the well-being of its community and enacts legal policies and programs in the areas of Child and Family Development, Education, Economic Development, Health, Housing, Lands and Social Assistance. The First Nation is also mandated to take actions to protect the well-being of members and the community, and to establish cultural programs and undertake initiatives in economic development.

### 2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards established by the Chartered Professional Accountants of Canada and are consistent with the accounting policies set out by Indigenous Services Canada. Significant aspects of the accounting policies adopted by the First Nation are as follows:

#### **Reporting entity**

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

The First Nation's business entities, owned or controlled by the First Nation's Council but not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- Six Nations Ventures Limited Partnership
- Halfway River Ventures Ltd.
- Halfway River Resources Ltd.
- Halfway River Limited Partnership
- Halfway River Holdings Ltd.

#### **Basis of presentation**

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

#### **Asset classification**

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

#### **Cash resources**

Cash resources include cash and term deposit securities with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash as disclosed in *Note 4*.

#### **Tangible capital assets**

Tangible capital assets are initially recorded at cost which includes all amounts that are directly attributed to acquisition, construction, development or betterment of the assets.

Contributed tangible assets are recorded at their fair value at the date of contribution.

# Halfway River First Nation

## Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

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### 2. Significant accounting policies *(Continued from previous page)*

All intangibles and items inherited by right of the First Nation, such as reserve lands, forests, water, and mineral resources, are not recognized as assets in the First Nation's consolidated financial statements.

Historic works of art and treasures are not recorded as assets in these consolidated financial statements.

#### **Amortization**

Tangible capital assets are amortized annually on a straight line basis over their estimated useful lives. In the year of acquisition, one-half the annual amortization is applied.

	<b>Rate</b>
Buildings and infrastructure	20-25 years
Automotive equipment	3 years
Furniture and equipment	5 years

#### **Long-lived assets**

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in operations for the year.

#### **Net financial assets**

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of consolidated financial position. The consolidated financial assets of the First Nation are determined by its consolidated financial assets less its liabilities. Consolidated net financial assets combined with non-financial assets comprise a second indicator of consolidated financial position, accumulated surplus.

#### **Revenue recognition**

##### **Funding**

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the consolidated statement of financial position in the year of receipt.

##### **Government transfers**

The First Nation recognizes a government transfer, including Indigenous Services Canada, First Nations Health Authority, and Province of British Columbia, as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

##### **Externally restricted revenue**

The First Nation recognizes externally restricted inflows as revenue in the period the resources are used for the purpose specified in accordance with an agreement or legislation. Until this time, the First Nation records externally restricted inflows in deferred revenue.

##### **Funds held in trust**

The First Nation recognizes revenue of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

**2. Significant accounting policies** *(Continued from previous page)*

**Other revenue**

Other revenue is recognized when services have been provided, all significant contractual obligations have been satisfied and collectability is reasonably assured.

Oil and gas royalties are paid in trust to the Government of Canada on behalf of the Halfway River First Nation pursuant to the provision of the *Indian Oil and Gas Act* and Regulations. This revenue is recognized in the accounts of Halfway River First Nation when reported by the Government of Canada.

Oil and gas company revenue regarding monitoring invoices issued by Halfway River First Nation are recorded when the amounts to be received can be reasonably estimated and collections are reasonably assured. Rental and other revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

**Measurement uncertainty (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 revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amounts due from First Nation members and investments in First Nation business entities are stated after evaluation as to their collectability and recoverability and an appropriate allowance for impairment is provided where considered necessary. Deferred revenue is based upon estimates of unexpended amounts and amounts required to complete specific projects. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the First Nation is responsible for. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the periods in which they become known.

**Liability for contaminated site**

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contamination site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2018.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for when the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at March 31, 2018, there is no liability for contaminated sites accrued in these consolidated financial statements.

**Funds held in Ottawa Trust Fund**

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

**2. Significant accounting policies** *(Continued from previous page)*

**Segments**

The First Nation conducts its business through eleven reportable segments: Administration, Education, First Nation Businesses, Health, Housing, Lands, Social Assistance, Operations and Maintenance, Treaties and Claims, Community Activities and Child and Family Development. These operating segments are established by senior management to:

- facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance;
- help users of the consolidated financial statements identify the resources allocated to support the major activities of the First Nation;
- help users of the consolidated financial statements make more informed judgments about the First Nation and about its major activities;
- helps users of the consolidated financial statements better understand the manner in which the organizations in the First Nation are organized and how the First Nation discharges its accountability obligations;
- enhance the transparency of financial reporting; and
- help users of the consolidated financial statements better understand performance of the segments and the First Nation.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed above.

**3. Change in accounting policies**

**PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions**

Effective April 1, 2017, the First Nation adopted the recommendations relating to PS 2200 *Related Party Disclosures* and PS 3420 *Inter-Entity Transactions*, as set out in the CPA Canadian Public Sector Accounting Standards Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

These new Sections define a related party and establish disclosures required for related party transactions. Disclosure is required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, a material financial effect on the consolidated financial statements. They also establish standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

There was no material impact on the consolidated financial statements of adopting the new Sections.

**PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights**

Effective April 1, 2017, the First Nation adopted the recommendations relating to PS 3210 *Assets*, PS 3320 *Contingent Assets*, and PS 3380 *Contractual Rights*, as set out in the CPA Canadian Public Sector Accounting Standards Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

PS 3210 *Assets* provides additional guidance to clarify the definition of assets set out in PS 1000 *Financial Statement Concepts*.

PS 3320 *Contingent Assets* establishes disclosure standards on contingent assets.

# Halfway River First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2018*

### 3. Change in accounting policies *(Continued from previous page)*

PS 3380 *Contractual Rights* establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Section are as follows:

- Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.
- Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.
- Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

There was no material impact on the consolidated financial statements of adopting the new Sections.

### 4. Cash resources

	2018	2017 <i>Restated Note 16</i>
Externally restricted	9,264,741	2,399,383
Unrestricted	713,703	1,126,256
	<b>9,978,444</b>	<b>3,525,639</b>

Externally restricted cash resources consist of funded housing reserves and funds held in trust by a lawyer. The funds held in trust by a lawyer are released as certain agreements or conditions are met and reports are submitted for approval.

The First Nation has available a \$250,000 revolving demand facility with an authorized limit of \$250,000 bearing interest at the Royal Bank of Canada's prime plus 2.11% (2017 - prime plus 2.11%). As at March 31, 2018 the prime rate was 3.45% (2017 - 2.70%). At March 31, 2018, the outstanding demand facility balance was \$NIL (2017 - \$NIL).

Security for the demand facility includes Band council resolutions signed by a quorum of the Chief and Council of the First Nation authorizing the borrowings as contemplated in the credit facilities agreement. The First Nation is subject to certain covenants. As at March 31, 2018 the First Nation is in compliance with all such covenants.

### 5. Accounts receivable

	2018	2017
Indigenous Services Canada	80,077	101,276
Canada Mortgage and Housing Corporation	74,355	7,769
First Nations Health Authority	1,000	1,000
Province of British Columbia	553,838	-
Halfway River First Nation G2G Escrow	1,160,000	-
Due from members	61,112	42,887
Rent receivable	519,630	388,698
Other receivables	657,174	401,156
Allowance for doubtful accounts	(231,795)	(483,026)
	<b>2,875,391</b>	<b>459,760</b>

# Halfway River First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2018*

### 6. Investment in First Nation business entities

The First Nation has investments in the following entities:

			<i>2018</i>
	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>
<i>Total investment</i>			
<b>Wholly-owned Businesses - Modified Equity:</b>			
Halfway River Ventures Ltd.	3	495,227	1,659,544
Halfway River Resources Ltd.	3	1,809	-
Halfway River Holdings Ltd.	3	3,346	(30,953)
Halfway River Limited Partnership	1	-	4,137,949
	<b>10</b>	<b>500,382</b>	<b>5,766,540</b>
<b>First Nation Business Partnership - Modified Equity:</b>			
Six Nations Ventures Limited Partnership - 16.67%	20	-	503,436
	<b>30</b>	<b>500,382</b>	<b>6,269,976</b>
			<b>6,770,388</b>

  

			<i>2017</i>
	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>
<i>Total investment</i>			
<b>Wholly-owned Businesses - Modified Equity:</b>			
Halfway River Ventures Ltd.	3	933,326	1,815,888
Halfway River Resources Ltd.	3	1,809	-
Halfway River Holdings Ltd.	3	3,346	(30,953)
Halfway River Limited Partnership	1	-	2,888,555
	<b>10</b>	<b>938,481</b>	<b>4,673,490</b>
<b>First Nation Business Partnership – Modified Equity:</b>			
Six Nations Ventures Limited Partnership - 16.67%	20	-	404,436
	<b>30</b>	<b>938,481</b>	<b>5,077,926</b>
			<b>6,016,437</b>

The First Nation's investment in Six Nations Ventures Limited Partnership was established for the purposes of operating as a log sort yard on a contract basis and providing contract hauling and janitorial services in the Fort St. John area.

The First Nation's investment in Halfway River Limited Partnership was established for the purposes of carrying on the business of pursuing, on a non-exclusive basis, economic and business opportunities.

The First Nation's investment in Halfway River Ventures Ltd. was established for the purposes of offering right of way clearing, and clean up services for utility and oil companies.

During the year, Halfway River Ventures Ltd. billed the First Nation management fees in the amount of \$625,000 (2017 - \$NIL). This transaction is in the the normal course of operations and is recorded at the exchange amount.

# Halfway River First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2018*

### 6. Investment in First Nation business entities *(Continued from previous page)*

Summary financial information for each First Nation business partnership and entity, accounted for using the modified equity method, for their respective year-end is as follows:

	<i>Halfway River Ventures Ltd. As at March 31, 2018</i>	<i>Halfway River Resources Ltd. As at March 31, 2018</i>	<i>Halfway River Holdings Ltd. As at March 31, 2018</i>	<i>Six Nations Ventures Limited Partnership As at March 31, 2018</i>
<b>Assets</b>				
Cash	916,271	-	-	1,123,393
Accounts receivable	1,071,655	-	-	114,560
Inventory	187,437	-	-	-
Prepaid expenses	21,502	-	-	17,457
Property and equipment	235,258	-	-	1,286,605
Other assets	159,000	420	-	647,652
<b>Total assets</b>	<b>2,591,123</b>	<b>420</b>	<b>-</b>	<b>3,189,667</b>
<b>Liabilities</b>				
Accounts payable and accruals	666,612	2,850	2,850	81,693
Other liabilities	413,228	8,681	35,075	100,477
<b>Total liabilities</b>	<b>1,079,840</b>	<b>11,531</b>	<b>37,925</b>	<b>182,170</b>
<b>Equity</b>	<b>1,511,283</b>	<b>(11,111)</b>	<b>(37,925)</b>	<b>3,007,497</b>
 <b>Total revenue</b>	 <b>6,498,286</b>	 <b>117</b>	 <b>-</b>	 <b>3,148,088</b>
<b>Total expenses</b>	<b>6,816,394</b>	<b>2,849</b>	<b>2,850</b>	<b>2,554,090</b>
	<b>(318,108)</b>	<b>(2,732)</b>	<b>(2,850)</b>	<b>593,998</b>
	<i>Halfway River Limited Partnership As at March 31, 2018</i>			
<b>Assets</b>				
Cash	3,701,320			
Accounts receivable	459,057			
Inventory	-			
Prepaid expenses	-			
Property and equipment	-			
Other assets	41,950			
<b>Total assets</b>	<b>4,202,327</b>			
<b>Liabilities</b>				
Accounts payable and accruals	47,780			
Other liabilities	16,598			
<b>Total liabilities</b>	<b>64,378</b>			
<b>Equity</b>	<b>4,137,949</b>			
 <b>Total revenue</b>	 <b>1,478,211</b>			
<b>Total expenses</b>	<b>303,699</b>			
	<b>1,174,512</b>			



# Halfway River First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2018*

### 7. Funds held in trust

Funds held in trust include the Ottawa Trust accounts which arise from moneys 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 and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the *Indian Act*. Capital and revenue trust moneys are transferred to the First Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the First Nation's Council.

	2018	2017
<b>Capital Trust</b>		
Balance, beginning of year	2,022,754	1,835,126
Oil and gas well royalties revenue	39,686	11,880
Gravel revenue	-	175,748
<b>Balance, end of year</b>	<b>2,062,440</b>	<b>2,022,754</b>
<b>Revenue Trust</b>		
Balance, beginning of year	883,993	815,638
Oil and gas well royalties revenue	15,184	14,184
Interest	64,939	54,171
<b>Balance, end of year</b>	<b>964,116</b>	<b>883,993</b>
	<b>3,026,556</b>	<b>2,906,747</b>

### 8. Accounts payable and accruals

	2018	2017
Other accounts payable and accrued liabilities	316,038	481,566
First Nations Health Authority	-	5,000
Indigenous Services Canada	89,140	76,548
Halfway River First Nation Trust	7,064,014	-
	<b>7,469,192</b>	<b>563,114</b>

### 9. Deferred revenue

	<i>Balance, beginning of year Restated Note 16</i>	<i>Revenue received</i>	<i>Transferred to revenue</i>	<i>Balance, end of year</i>
Indigenous Services Canada	158,875	71,429	193,465	36,839
Other deferred revenue	1,891,879	2,919,149	1,735,331	3,075,697
	<b>2,050,754</b>	<b>2,990,578</b>	<b>1,928,796</b>	<b>3,112,536</b>

Other deferred revenue consists of funds received for various industry agreements. The First Nation recognizes as revenue in the period the resources are used for the purpose specified in accordance with an agreement.

# Halfway River First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2018*

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### 10. Promissory notes payable

The Council has filed a specific claim in the British Columbia Supreme Court for damage for injunctive relief, infringement of Treaty Rights and for related declaration of rights pursuant to Treaty 8 and Trapline Registration System. Negotiations towards an out of court settlement are currently in progress. The outcome is not certain and presently undeterminable. The Council received funding from Indigenous Services Canada as advance for the negotiation of this claim. Under the terms of the funding agreement, these advances are to be repaid by the Council out of their claim settlements. These advances have been recorded as a liability, as the Council has provided promissory notes to the Government of Canada in 2015 in accordance with the Native Claims Loan Agreement. The first note of \$2,927,071 (2017 - \$2,927,071) is non-interest bearing, unsecured and is due on the earlier of March 31, 2021 or date on which the Specified Claim is settled. The second note of \$396,614 (2017 - \$396,614) is non-interest bearing, unsecured and is due on the earlier of March 31, 2021 or date on which the Specified Claim is settled. A third note was repaid during the year in the amount of \$275,329.

### 11. Long-term debt

	2018	2017
ANTCO Mortgage bearing interest at 4.74% per annum, repayable in monthly payments of \$1,218 including interest. The loan is secured by a Government of Canada ministerial guarantee. The loan matures on February 1, 2032.	<b>148,526</b>	155,978
RBC Mortgage bearing interest at 2.60% per annum, repayable in monthly payments of \$1,224 including interest. The loan is secured by a Government of Canada ministerial guarantee. The loan matures on January 1, 2021.	<b>159,952</b>	170,335
RBC Mortgage bearing interest at 2.29% per annum, repayable in monthly payments of \$1,911 including interest. The loan is secured by a Government of Canada ministerial guarantee. The loan matures on May 24, 2021.	<b>173,910</b>	192,607
Repaid in full during the year.	-	1,235
RBC Mortgage bearing interest at 2.45% per annum, repayable in monthly payments of \$2,663 including interest. The loan is secured by a Government of Canada ministerial guarantee. The loan matures on April 1, 2018.	<b>2,669</b>	34,146
ANTCO Mortgage bearing interest at 1.39% per annum, repayable in monthly payments of \$1,550 including interest. The loan is secured by a Government of Canada ministerial guarantee. The loan matures on May 1, 2020.	<b>39,668</b>	57,578
ANTCO Mortgage bearing interest at 1.62% per annum, repayable in monthly payments of \$1,641 including interest. The loan is secured by a Government of Canada ministerial guarantee. The loan matures on February 1, 2022.	<b>74,705</b>	93,031
ANTCO Mortgage bearing interest at 1.05% per annum, repayable in monthly payments of \$2,328 including interest. The loan is secured by a Government of Canada ministerial guarantee. The loan matures on August 1, 2026.	<b>349,565</b>	373,705
ANTCO Mortgage bearing interest at 1.11% per annum, repayable in monthly payments of \$4,018 including interest. The loan is secured by a Government of Canada ministerial guarantee. The loan matures on April 1, 2036.	<b>789,707</b>	828,936
	<b>1,738,702</b>	1,907,551

# Halfway River First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2018*

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### 11. Long-term debt *(Continued from previous page)*

Principal repayments on long-term debt in each of the next five years, assuming all term debt is subject to contractual terms of repayment, and long-term debt subject to refinancing is renewed, are estimated as follows:

	Principal
2019	141,276
2020	140,968
2021	127,791
2022	239,904
2023	170,840
Thereafter	917,923
<b>Total</b>	<b>1,738,702</b>

### 12. Contingent liabilities

The First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

The First Nation is contingently liable for costs associated with a landfill site including the removal of vehicles and garbage on reserve land and the remediation of any soil contamination. The costs to remediate are uncertain and can vary depending on the extent of the environmental damage and in response to any changes in environmental standards. Accordingly, as at the date of these consolidated financial statements, the First Nation was unable to reasonably estimate the potential liability and no provision has been made in the consolidated financial statements.

Included in the First Nation's tangible capital assets are costs related to sewer upgrades completed in a prior year which may potentially be impaired. There has not been any formal assessment conducted to support impairment or to estimate the costs required to rectify the potential impairment. Accordingly, as at the date of these consolidated financial statements, the First Nation was unable to reasonably estimate the potential liability and accordingly no provision has been made in the consolidated financial statements.

### 13. Accumulated surplus

	<b>2018</b>	<i>2017 Restated Note 16</i>
Restricted cash	<b>3,360,727</b>	2,399,383
Trust Funds held by Federal Government - capital and revenue account	<b>3,026,556</b>	2,906,747
Investment in tangible capital assets	<b>7,351,838</b>	7,283,428
Investment in First Nation business entities	<b>6,770,388</b>	6,016,437
Deferred revenue	<b>3,112,536</b>	2,050,754
Unrestricted operating deficit	<b>(7,514,106)</b>	(6,677,620)
	<b>16,107,939</b>	13,979,129

Restricted cash has been adjusted to include accounts receivable from the Halfway River First Nation G2G Escrow of \$1,160,000 and to exclude accounts payable due to the Halfway River First Nation Trust of \$7,064,014, both of which are restricted in nature.

# Halfway River First Nation

## Notes to the Consolidated Financial Statements

For the year ended March 31, 2018

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### 14. Budget information

Canadian public sector accounting standards require the disclosure of budget information for comparison to the First Nation's actual revenue and expenses. The consolidated budgeted revenue and expenses, and surplus have not been reported in these consolidated financial statements. While having no effect on reported revenue, expenses and surplus, omission of this information is considered a departure from Public Sector Accounting standards.

### 15. Defined contribution pension plan

The First Nation provides a defined contribution pension plan covering substantially all full-time employees. Members are required to contribute 5.5% of their salary up to a maximum of 18.0% (2017 - 5.5%-18.0%). The First Nation contributes 5.5% (2017 - 5.5%) and the contributions are directed to the member's contribution account. Pension expense in the amount of \$114,586 (2017 - \$92,841) is included in salaries and benefits. There were no changes to the pension plan during the year.

### 16. Correction of an error

During the year, information became available regarding the treatment of the First Nation's externally restricted revenue. For 2017, the impact of this correction has resulted in a decrease in revenue of \$693,012 and an increase in deferred revenue of \$693,012. For 2018 the impact of this correction has resulted in a decrease in opening accumulated surplus of \$693,012.

During the year, it was determined that the First Nation's externally restricted cash resources included cash held in a trust not controlled by the First Nation and therefore should not have been part of the First Nation's government reporting entity. For 2016 the impact of this correction has resulted in a decrease in cash resources of \$686,388 and a decrease in revenue of \$686,388. For 2017 the impact of this correction has resulted in a decrease in cash resources of \$595,350, a decrease in revenue of \$5,644, a decrease in expenses of \$96,682, and a decrease in opening accumulated surplus of \$686,388. For 2018, the impact of this correction has resulted in a decrease in opening accumulated surplus of \$595,350.

### 17. Trust funds

#### ***Halfway River First Nation Trust***

The Halfway River First Nation Trust ("the Trust") was established on October 18, 2007. As at March 31, 2018, the balance of funds held in trust was \$11,075,346 (2017 - \$595,350), the fair market value of the investments held in trust was \$10,965,370 (2017 - \$595,350) and accounts payable included \$7,064,014 (2017 - \$NIL) due to the Trust.

In January 2018, the First Nation settled a sixteen year-old Treaty claim settlement with the Government of Canada (Canada). Canada failed to provide the Agricultural Benefits to the First Nation as described in Treaty 8. Under the terms of the agreement, the funds were paid to the Trust and are to be distributed to Members. During the year, settlement proceeds of \$12,951,316 were transferred to the Trust. Per capita distributions, ratification costs and other related expenses were paid out of the Trust in the amount of \$3,667,674. The remaining balance of funds held in trust at year end related to this settlement was \$9,283,642.

#### ***Halfway River First Nation G2G Escrow***

The Halfway River First Nation G2G Escrow agreement was established on November 2, 2017 with the Royal Trust Corporation of Canada ("RTC") appointed as the escrow agent. As at March 31, 2018, the balance of funds held in trust by RTC on behalf of the First Nation was \$5,810,475 (2017 - \$NIL). The First Nation's revenue for the year included distributions from funds held in trust by RTC of \$1,160,000 (2017 - \$NIL) and accounts receivable included balances due from RTC of \$1,160,000 (2017 - \$NIL).

Under Canadian Public Sector Accounting Standards, these trusts are not recorded as assets with the corresponding equity in accumulated surplus of the First Nation as the trusts are not controlled by the First Nation, they are controlled by a third party for the benefit of the First Nation membership.

**18. Segments**

During year, the First Nation had eleven reportable segments listed below. These segments are differentiated by major activities.

**Administration** - This segment provides band support and administrative services for the operations of the First Nation, including various financial functions such as payroll, accounts receivable and accounts payable.

**Education** - This segment is responsible for managing and delivering K to grade 12 education programs and services both on and off reserve. This includes language and culture, employment counselling services and the management of post-secondary student funding and support programs.

**First Nation Businesses** - This segment is comprised of business activities that are performed in the pursuit of economic and business development. This includes community economic development planning and capacity building initiatives pursued to benefit the First Nation's community by enhancing employment, income generation activities, economic infrastructure and business opportunities.

**Health** - This segment administers the delivery of the health programs and services.

**Housing** - This segment activities reflect housing rental units and repairs.

**Lands** - This segment is responsible for ensuring that interests of the First Nation are represented in matters of lands and natural resources.

**Social Assistance** - This segment administers benefits and services to individuals and families living on reserve who are in need of support. Department services include income assistance, assisted living, family violence prevention and awareness, and low income family immediate needs.

**Operations and Maintenance** - This segment implements capital projects undertaken by the First Nation and maintains community infrastructure. Community infrastructure includes buildings, roads and bridges, fire protection, water and electrical systems and wastewater treatment.

**Treaties and Claims** - This segment reflects the activities of treaty and claim negotiations which are ongoing with the Government of Canada.

**Community Activities** - This segment provides community programs and activities which are internally funded.

**Child and Family Development** - This segment is comprised of programs that promote early childhood development, and culture to children and young families.