

**Halfway River First Nation**  
**Consolidated Financial Statements**  
*March 31, 2019*

# Halfway River First Nation

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*For the year ended March 31, 2019*

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## Management's Responsibility

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To the Members of Halfway River First Nation:


The accompanying consolidated financial statements of Halfway River First Nation are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Halfway River First Nation's Chief and Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Chief and Council fulfil these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Chief and Council are also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP is appointed by Chief and Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Chief and Council and management to discuss their audit findings.

 E-SIGNED by Randy Orr

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Band Manager

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## Independent Auditor's Report

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To the Members of Halfway River First Nation:

### Qualified Opinion

We have audited the consolidated financial statements of Halfway River First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and 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.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations, changes in its consolidated net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Qualified Opinion

As explained in Note 13, the First Nation has not disclosed the budget information as required by Canadian Public Sector Accounting Standards.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 qualified opinion.

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

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation'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 cease operations, or has no realistic alternative but to do so.

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

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these consolidated 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 consolidated 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 First Nation'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 First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

Surrey, British Columbia

July 29, 2019

*MNP LLP*

Chartered Professional Accountants

# Halfway River First Nation

## Consolidated Statement of Financial Position

*As at March 31, 2019*

	2019	2018
<b>Financial assets</b>		
Cash resources (Note 4)	8,899,165	9,978,444
Accounts receivable (Note 5)	2,337,467	3,023,544
Investment in First Nation partnerships and business entities (Note 6)	10,121,147	6,770,388
Funds held in trust (Note 7)	3,048,161	3,026,556
<b>Total of financial assets</b>	<b>24,405,940</b>	22,798,932
<b>Financial Liabilities</b>		
Accounts payable and accruals (Note 8)	1,112,025	7,617,345
Deferred revenue (Note 9)	7,079,810	3,112,536
Promissory notes payable (Note 10)	3,323,685	3,323,685
Long-term debt (Note 11)	1,599,416	1,738,702
<b>Total of financial liabilities</b>	<b>13,114,936</b>	15,792,268
<b>Net financial assets</b>	<b>11,291,004</b>	7,006,664
<b>Contingent liabilities</b> (Note 12)		
<b>Non-financial assets</b>		
Tangible capital assets (Note 13) (Schedule 1)	9,099,577	9,090,540
Prepaid expenses	108,064	10,735
<b>Total non-financial assets</b>	<b>9,207,641</b>	9,101,275
<b>Accumulated surplus</b> (Note 14)	<b>20,498,645</b>	16,107,939

Approved on behalf of the Council

E-SIGNED by Chief and Council

E-SIGNED by Chief and Council

# Halfway River First Nation

## Consolidated Statement of Operations and Accumulated Surplus

*For the year ended March 31, 2019*

	<i>Schedules</i>	<b>2019</b>	<b>2018</b>
<b>Revenue</b>			
Indigenous Services Canada		<b>923,210</b>	1,051,665
First Nations Health Authority		<b>534,459</b>	497,908
Canada Mortgage and Housing Corporation		<b>102,071</b>	223,808
Province of British Columbia		<b>3,743,644</b>	5,508,743
Other revenue		<b>1,240,023</b>	1,952,508
Oil and gas, mining and gravel revenue		<b>1,220,185</b>	1,052,782
Industry agreement revenue		<b>2,725,853</b>	1,343,085
Rental income		<b>401,580</b>	376,391
Interest income		<b>66,752</b>	91,821
Donations		<b>115,910</b>	75,715
Earnings from investment in First Nation partnerships and business entities		<b>3,702,324</b>	1,192,050
		<b>14,776,011</b>	13,366,476
<b>Expenses</b>			
Administration	3	<b>2,129,858</b>	949,507
Education	4	<b>492,642</b>	420,837
First Nation Businesses	5	<b>408,932</b>	751,912
Health	6	<b>521,995</b>	524,787
Housing	7	<b>595,578</b>	628,196
Lands	8	<b>3,158,574</b>	2,599,091
Social Assistance	9	<b>249,604</b>	245,345
Operations and Maintenance	10	<b>498,499</b>	503,490
Treaties and Claims	11	<b>1,655,044</b>	4,034,239
Community Activities	12	<b>588,513</b>	478,655
Child and Family Development	13	<b>86,066</b>	101,607
		<b>10,385,305</b>	11,237,666
<b>Surplus</b>		<b>4,390,706</b>	2,128,810
<b>Accumulated surplus, beginning of year</b>		<b>16,107,939</b>	13,979,129
<b>Accumulated surplus, end of year</b>		<b>20,498,645</b>	16,107,939

**Halfway River First Nation**  
**Consolidated Statement of Changes in Net Financial Assets**  
*For the year ended March 31, 2019*

	<b>2019</b>	<b>2018</b>
<b>Annual surplus</b>	<b>4,390,706</b>	2,128,810
Acquisition of tangible capital assets	<b>(955,957)</b>	(616,371)
Proceeds on disposal of tangible capital assets	<b>136,500</b>	-
Amortization of tangible capital assets	<b>810,420</b>	716,810
Addition of prepaid expenses	<b>(97,329)</b>	(10,735)
<b>Increase in net financial assets</b>	<b>4,284,340</b>	2,218,514
<b>Net financial assets, beginning of year</b>	<b>7,006,664</b>	4,788,150
<b>Net financial assets, end of year</b>	<b>11,291,004</b>	7,006,664



# Halfway River First Nation

## Consolidated Statement of Cash Flows

*For the year ended March 31, 2019*

	2019	2018
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Surplus	4,390,706	2,128,810
Non-cash items		
Amortization	810,420	716,810
Earnings from investment in First Nation partnerships and business entities	(3,702,324)	(1,192,050)
	1,498,802	1,653,570
Changes in working capital accounts		
Accounts receivable	686,077	(2,487,224)
Accounts payable and accruals	(6,505,320)	6,977,671
Deferred revenue	3,967,274	1,061,782
Prepaid expenses	(97,329)	(10,735)
	(450,496)	7,195,064
<b>Financing activities</b>		
Repayments of long-term debt	(139,286)	(168,849)
Repayments of promissory notes payable	-	(275,329)
	(139,286)	(444,178)
<b>Capital activities</b>		
Acquisition of tangible capital assets	(955,957)	(616,371)
Proceeds on disposal of tangible capital assets	136,500	-
	(819,457)	(616,371)
<b>Investing activities</b>		
Advances from First Nation partnerships and business entities	351,565	438,099
Increase in funds held in trust	(21,605)	(119,809)
	329,960	318,290
<b>Increase (decrease) in cash resources</b>	(1,079,279)	6,452,805
<b>Cash resources, beginning of year</b>	9,978,444	3,525,639
<b>Cash resources, end of year</b>	8,899,165	9,978,444

# Halfway River First Nation

## Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

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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 First 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 3*.

#### **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.

**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

Assets under construction are not amortized until the asset is available for productive use.

**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 partnerships and 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, 2019.

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, 2019, 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.

# Halfway River First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2019*

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### 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 policy

Effective April 1, 2018, the First Nation adopted the recommendations relating to the following Section as set out in the CPA Public Sector Accounting Handbook:

- PS 3430 *Restructuring Transactions*

Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statements of adopting the new Section.

### 4. Cash resources

	<b>2019</b>	<b>2018</b>
Externally restricted	<b>7,281,179</b>	9,264,741
Unrestricted	<b>1,617,986</b>	713,703
	<b>8,899,165</b>	9,978,444

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 (2018 - \$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% (2018 - prime plus 2.11%). As at March 31, 2019 the prime rate was 3.95% (2018 - 3.45%). At March 31, 2019, the outstanding demand facility balance was \$NIL (2018 - \$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, 2019 the First Nation is in compliance with all such covenants.

# Halfway River First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2019*

### 5. Accounts receivable

	2019	2018
Indigenous Services Canada	26,295	80,077
Canada Mortgage and Housing Corporation	38,222	74,355
First Nations Health Authority	35,335	1,000
Province of British Columbia	927,333	553,838
Halfway River First Nation G2G Escrow	-	1,160,000
Due from members	174,456	61,112
Rent receivable	702,771	519,630
Other receivables	663,778	805,327
Allowance for doubtful accounts	(230,723)	(231,795)
	<b>2,337,467</b>	<b>3,023,544</b>

### 6. Investment in First Nation partnerships and business entities

The First Nation has investments in the following entities:

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>	2019 <i>Total investment</i>
<b>Wholly-owned Businesses - Modified Equity:</b>				
Halfway River Ventures Ltd.	3	143,662	2,598,381	2,742,046
Halfway River Resources Ltd.	3	1,809	-	1,812
Halfway River Holdings Ltd.	3	3,346	(30,953)	(27,604)
Halfway River Limited Partnership	1	-	6,861,346	6,861,347
	<b>10</b>	<b>148,817</b>	<b>9,428,774</b>	<b>9,577,601</b>
<b>First Nation Business Partnership - Modified Equity:</b>				
Six Nations Ventures Limited Partnership - 16.67%	20	-	543,526	543,546
	<b>30</b>	<b>148,817</b>	<b>9,972,300</b>	<b>10,121,147</b>

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>	2018 <i>Total investment</i>
<b>Wholly-owned Businesses - Modified Equity:</b>				
Halfway River Ventures Ltd.	3	495,227	1,659,544	2,154,774
Halfway River Resources Ltd.	3	1,809	-	1,812
Halfway River Holdings Ltd.	3	3,346	(30,953)	(27,604)
Halfway River Limited Partnership	1	-	4,137,949	4,137,950
	<b>10</b>	<b>500,382</b>	<b>5,766,540</b>	<b>6,266,932</b>
<b>First Nation Business Partnership – Modified Equity:</b>				
Six Nations Ventures Limited Partnership - 16.67%	20	-	503,436	503,456
	<b>30</b>	<b>500,382</b>	<b>6,269,976</b>	<b>6,770,388</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.

# Halfway River First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2019*

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

**2019**                      **2018**

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 \$212,456 (2018 - \$625,000). This transaction is in the the normal course of operations and is recorded at the exchange amount.

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, 2019</i>	<i>Halfway River Resources Ltd. As at March 31, 2019</i>	<i>Halfway River Holdings Ltd. As at March 31, 2019</i>	<i>Six Nations Ventures Limited Partnership As at March 31, 2019</i>
<b>Assets</b>				
Cash	1,004,561	-	-	1,651,524
Accounts receivable	2,210,810	-	-	160,184
Inventory	158,368	-	-	-
Prepaid expenses	19,498	-	-	60,542
Property and equipment	190,085	-	-	1,618,201
Other assets	711,830	689	-	7,041
<b>Total assets</b>	<b>4,295,152</b>	<b>689</b>	<b>-</b>	<b>3,497,492</b>
<b>Liabilities</b>				
Accounts payable and accruals	1,122,046	2,850	2,850	119,438
Other liabilities	986,706	11,531	37,925	36,466
<b>Total liabilities</b>	<b>2,108,752</b>	<b>14,381</b>	<b>40,775</b>	<b>155,904</b>
<b>Equity</b>	<b>2,186,400</b>	<b>(13,692)</b>	<b>(40,775)</b>	<b>3,341,588</b>
 <b>Total revenue</b>	 9,728,767	 269	 -	 2,369,151
<b>Total expenses</b>	<b>9,007,915</b>	<b>2,850</b>	<b>2,850</b>	<b>2,128,616</b>
	<b>720,852</b>	<b>(2,581)</b>	<b>(2,850)</b>	<b>240,535</b>

	<i>Halfway River Limited Partnership As at March 31, 2019</i>
<b>Assets</b>	
Cash	4,137,602
Accounts receivable	1,718,645
Inventory	756,837
Prepaid expenses	75,541
Property and equipment	160,686
Other assets	41,950
<b>Total assets</b>	<b>6,891,261</b>
<b>Liabilities</b>	
Accounts payable and accruals	44,268
Other liabilities	16,598
<b>Total liabilities</b>	<b>60,866</b>
<b>Equity</b>	<b>6,830,395</b>
 <b>Total revenue</b>	 3,403,135
<b>Total expenses</b>	<b>710,689</b>
	<b>2,692,446</b>

# Halfway River First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2019*

### 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.

	2019	2018
<b>Capital Trust</b>		
Balance, beginning of year	2,062,440	2,022,754
Additions	54,031	39,686
Balance, end of year	2,116,471	2,062,440
<b>Revenue Trust</b>		
Balance, beginning of year	964,116	883,993
Additions	49,562	80,123
Withdrawals	(81,988)	-
Balance, end of year	931,690	964,116
	<b>3,048,161</b>	<b>3,026,556</b>

### 8. Accounts payable and accruals

	2019	2018
Other accounts payable and accrued liabilities	1,071,860	464,191
First Nations Health Authority	33,493	-
Indigenous Services Canada	6,672	89,140
Halfway River First Nation Trust	-	7,064,014
	<b>1,112,025</b>	<b>7,617,345</b>

### 9. Deferred revenue

Deferred revenue consists of funds received for specific purposes which were not completed at the end of the fiscal year. The major categories are:

	<i>Balance, beginning of year</i>	<i>Revenue received</i>	<i>Transferred to revenue</i>	<i>Balance, end of year</i>
Indigenous Services Canada	36,839	126,122	51,536	111,425
Other deferred revenue	3,075,697	5,603,248	1,710,560	6,968,385
	<b>3,112,536</b>	<b>5,729,370</b>	<b>1,762,096</b>	<b>7,079,810</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, 2019*

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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 (2018 - \$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 (2018 - \$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.

### 11. Long-term debt

	2019	2018
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.	141,281	148,526
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.	149,296	159,952
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.	154,745	173,910
RBC Mortgage - repaid in full during the year.	-	2,669
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.	21,533	39,668
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.	56,354	74,705
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.	325,459	349,565
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.	750,748	789,707
	<b>1,599,416</b>	<b>1,738,702</b>

# Halfway River First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2019*

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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:

2020	140,968
2021	127,820
2022	124,800
2023	109,038
2024	111,018
Thereafter	985,772
<b>Total</b>	<b>1,599,416</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.

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. Tangible capital assets

Included in tangible capital asset additions for the year is \$364,200 (2018 - \$NIL) of new housing construction and \$148,260 (2018 - \$NIL) in other construction projects that are in progress at March 31, 2019 and are therefore not being amortized.

### 14. Accumulated surplus

	2019	2018
Restricted cash	7,281,179	3,360,727
Trust Funds held by Federal Government - capital and revenue account	3,048,161	3,026,556
Investment in tangible capital assets	7,500,158	7,351,838
Investment in First Nation business entities	10,121,147	6,770,388
Deferred revenue	7,079,810	3,112,536
Unrestricted operating deficit	(14,531,810)	(7,514,106)
	<b>20,498,645</b>	<b>16,107,939</b>

### 15. 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.

**16. 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% (2018 - 18.0%). The First Nation contributes 5.5% (2018 - 5.5%) and the contributions are directed to the member's contribution account. Pension expense in the amount of \$137,032 (2018 - \$114,586) is included in salaries and benefits. There were no changes to the pension plan during the year.

**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, 2019, the balance of funds held in trust was \$19,351,830 (2018 - \$11,075,346), the fair market value of the investments held in trust was \$19,884,328 (2018 - \$10,965,370) and accounts payable included \$NIL (2018 - \$7,064,014) due to the Trust.

***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, 2019, the balance of funds held in trust by RTC on behalf of the First Nation was \$3,487,820 (2018 - \$5,810,475). The First Nation's revenue for the year included distributions from funds held in trust by RTC of \$1,160,000 (2018 - \$1,160,000) and accounts receivable included balances due from RTC of \$NIL (2018 - \$1,160,000).

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.

**18. Segments** *(Continued from previous page)*

**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.

**19. Economic dependence**

Halfway River First Nation receives a significant portion of its revenue from the Province of British Columbia as a result of funding agreements. The ability of the First Nation to continue operations is dependent upon the Province of British Columbia's continued financial commitments as guaranteed by these treaties.

**20. Comparative figures**

Certain comparative figures have been reclassified to conform with current year's presentation.