

**Blueberry River First Nation**  
**Consolidated Financial Statements**  
*March 31, 2014*

# Blueberry River First Nation

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*For the year ended March 31, 2014*

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## Management's Responsibility

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To the Members of Blueberry River First Nation

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

MNP LLP is appointed by the 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 the Chief and Council and management to discuss their audit findings.

November 24, 2014

Originally signed by Cici Sterritt

Administrator

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# Independent Auditors' Report

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To the Members of Blueberry River First Nation:

We have audited the accompanying consolidated financial statements of Blueberry River First Nation, which comprise the consolidated statement of financial position as at 2014, and the consolidated statements of operations and accumulated operating surplus, remeasurement gains and losses, changes in net financial assets (net debt) and cash flows 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 statement.

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*

We were unable to observe sufficient evidence of the Nation's budget being formally prepared and approved. Therefore, the Nation did not meet PSA standard 1201 that requires a budget be prepared and disclosed.

We were not able to consolidate two of the subsidiary business entities owned and controlled by the Nation into these financial statements for the following reasons. Blueberry River Enterprises Limited Partnership's financial statements for the year ended March 31, 2014 were issued with a disclaimer of opinion due to its management not being able to provide its auditors with supporting documentation for many transactions and adjusting journal entries. Also there was a substantial turn over in management and the Board of Directors which could not assist or provide evidence for these transactions. The financial statements for 0851799 BC Ltd. (o/a Creever Trading Post) for the year ended March 31, 2014 were not prepared nor available as no financial statements had been issued for this company at the date of release of these statements. Therefore management recorded an estimated loss for this company for the year. Both Blueberry River Enterprises Limited Partnership and 0851799 BC Ltd. (o/a Creever Trading Post) have been recorded on the modified equity basis. Also, the summary of financial information for 0851799 BC Ltd. (o/a Creever Trading Post) was not disclosed in note 9 for the same above noted reason.

## *Qualified Opinion*

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements present fairly in all material respects the financial position of Blueberry River First Nation and its subsidiaries as at 2014 and the results of its operations (including remeasurement gains and losses), changes in net financial assets (net debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## *Other Matter*

The financial statements of Blueberry River First Nation for the year ended March 31, 2013 were audited by another auditor who expressed a qualified opinion on those financial statements dated October 24, 2013.

Edmonton, Alberta

November 24, 2014

**MNP LLP**  
Chartered Accountants

# Blueberry River First Nation

## Consolidated Statement of Financial Position

*As at March 31, 2014*

	2014	2013
<b>Financial assets</b>		
Cash (Note 3)	1,293,053	284,706
Accounts receivable (Note 4)	987,908	1,105,323
AANDC capital and revenue trust funds (Note 5)	170,576	136,832
Investments (Note 6), (Note 7)	14,717,398	21,938,422
Long-term investments (Note 9)	2,022,151	788,386
<b>Total of assets</b>	<b>19,191,086</b>	<b>24,253,669</b>
<b>Liabilities</b>		
Bank indebtedness (Note 10)	500,000	115,000
Accounts payable and accrued liabilities	1,059,230	701,755
Deferred revenue (Note 11)	618,793	703,937
Investment in Blueberry River Enterprises Limited Partnership (Note 9)	-	816,710
Distributions due to minors (Note 12)	312,312	262,312
Callable debt (Note 13)	6,402,722	6,630,730
Trust distributions due to members (Note 14)	9,703,099	11,544,194
AANDC Treaty Land Entitlement debt (Note 15)	3,246,888	3,216,893
<b>Total of financial liabilities</b>	<b>21,843,044</b>	<b>23,991,531</b>
<b>Net financial assets (net debt)</b>	<b>(2,651,958)</b>	<b>262,138</b>
<b>Contingencies (Note 16)</b>		
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	21,882,664	21,802,627
Prepaid expenses	4,684	-
<b>Total non-financial assets</b>	<b>21,887,348</b>	<b>21,802,627</b>
<b>Accumulated surplus</b>	<b>19,235,390</b>	<b>22,064,765</b>
<b>Accumulated surplus is comprised of:</b>		
Accumulated operating surplus	18,944,945	20,350,720
Accumulated remeasurement gains	290,445	1,714,045
	<b>19,235,390</b>	<b>22,064,765</b>

**Approved on behalf of the Board**

Originally signed by Chief Marvin Yahey

**Chief**

Originally signed by Sherry Dominic

**Councillor**

Originally signed by Lisa Hotte

**Councillor**

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

# Blueberry River First Nation

## Consolidated Statement of Operations and Accumulated Operating Surplus

*For the year ended March 31, 2014*

	<b>2014 Budget</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>			
Aboriginal and Northern Development Canada	1,967,612	3,564,911	1,699,137
Other revenue			
Spectra MOU-Educational funding	100,000	50,000	100,000
TCPL community agreement funding	67,000	-	-
EBA trust-provincial funding	1,262,914	1,078,066	1,103,171
Province of BC funding	92,444	282,931	126,186
Health Canada	541,498	478,400	416,137
Additional government funding			
Aramark (ARWS) Capacity Funding	-	228,734	-
TCPL revenue	-	954,862	23,000
Other revenue	1,293,124	671,904	1,315,829
GST and Sales Tax rebates	100,000	-	105,842
Donations	25,000	54,642	54,992
Spectra Revenue	-	27,300	-
Rental income	20,000	22,100	14,146
Interest income	-	12,200	110,602
Oil companies and BC Hydro	1,180,530	1,093,251	1,765,335
Rental and repairs income	90,000	35,658	50,710
O.G.C.	552,300	766,500	530,012
FNESC funding	150,000	81,759	74,938
Resource Revenue Sharing Agreement	77,000	35,530	55,800
Settlement Trust funds	919,500	2,539,577	108,306
<b>Total revenue</b>	<b>8,438,922</b>	<b>11,978,325</b>	<b>7,654,143</b>

*Continued on next page*

# Blueberry River First Nation

## Consolidated Statement of Operations and Accumulated Operating Surplus

*For the year ended March 31, 2014*

	<i>Schedules</i>	<i>2014 Budget</i>	<i>2014</i>	<i>2013</i>
<b>Total revenue</b> <i>(Continued from previous page)</i>		<b>8,438,922</b>	<b>11,978,325</b>	7,654,143
<b>Expenses</b>				
Administration				
Administration	3	2,424,853	2,671,107	3,016,830
Public works	4	745,400	623,980	644,123
Housing	5	185,600	471,732	525,707
Community Cultural Program	6	59,745	27,348	61,010
TLE-Agricultural Benefit Claim	7	-	122,992	-
TLE-Registered Trapline System	8	-	76,645	-
TLE-Mineral Rights Claim	9	-	68,458	-
TLE Highway Right of Way	10	-	557,512	-
TLE -Replacement Reserves	11	-	338,680	-
Treaty Land Entitlement	12	-	-	453,871
Administration subtotal		<b>3,415,598</b>	<b>4,958,454</b>	4,701,541
Education				
General Education - AANDC	13	747,300	781,394	769,698
Education - Post secondary	14	304,200	459,742	286,961
Recreation	15	246,137	21,715	260,806
Adult Learning Center	16	196,644	255,714	170,043
Education subtotal		<b>1,494,281</b>	<b>1,518,565</b>	1,487,508
Social Services				
Social assistance	17	499,408	474,614	412,621
Community Wellness				
Health - Integrated	18	413,885	513,616	907,020
Headstart program	19	64,515	94,367	-
Community Wellness subtotal		<b>478,400</b>	<b>607,983</b>	907,020
Economic and Resource based				
Economic benefits	20	75,442	164,378	120,642
Land	21	831,200	1,261,841	1,021,333
Pink Mountain Ranch	22	308,800	537,083	498,517
Band Raised Revenue	23	-	-	38,836
Economic and Resource based subtotal		<b>1,215,442</b>	<b>1,963,302</b>	1,679,328

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

# Blueberry River First Nation

## Consolidated Statement of Operations and Accumulated Operating Surplus

*For the year ended March 31, 2014*

	<i>Schedules</i>	<i>2014 Budget</i>	<i>2014</i>	<i>2013</i>
Other				
NENAS	24	-	11,074	78,442
NENAS - Global Info System Project	25	-	26,561	-
Capital program	26	337,000	947,348	1,328,691
Trust activities	27	351,818	705,888	2,017,917
CPMS #10621 Sewage (Lagoon) Upgrade	28	69,298	72,925	106,031
CPMS #9461 Water systems upgrade	29	-	136,017	79,877
Special Services - ACRS 2 Group	30	-	64,304	-
BC Hydro Site C Stage 3	31	-	292,921	125,083
BTS funded programs	32	72,315	26,668	155,112
EBA Assessment	33	-	27,136	-
Strategic Engagement Agreement	34	-	123,630	-
Special Projects-Comm Development	35	-	27,556	-
Spectra	36	-	27,250	-
Central Supplies & Procurement	37	-	96,909	-
Community Food Service Program	38	69,463	20,631	-
TransCanada Pipelines	39	-	962,837	26,505
Other subtotal		899,894	3,569,655	3,917,658
<b>Total expenses</b>		<b>8,003,023</b>	<b>13,092,573</b>	<b>13,105,676</b>
<b>Operating deficit before other items</b>		<b>435,899</b>	<b>(1,114,248)</b>	<b>(5,451,533)</b>
<b>Other income (expense)</b> <i>(Schedule 40)</i>				
Share of loss - Blueberry River Enterprises Ltd. <i>(Note 9)</i>		-	(291,592)	(789,392)
Share of income (loss) - Blueberry Creever Trading Post <i>(Note 9)</i>		-	(25,000)	24,375
Share of loss - Three Nations Ventures L.P. <i>(Note 9)</i>		-	(45,458)	(426,500)
Share of income - Six Nations Ventures L.P. <i>(Note 9)</i>		-	70,523	40,183
		-	(291,527)	(1,151,334)
<b>Operating deficit</b>		<b>435,899</b>	<b>(1,405,775)</b>	<b>(6,602,867)</b>
<b>Accumulated operating surplus, beginning of year, as previously stated</b>		<b>-</b>	<b>23,115,673</b>	<b>27,306,874</b>
Correction of errors <i>(Note 2)</i>		-	(2,764,953)	(353,287)
<b>Accumulated operating surplus, beginning of year, as restated</b>		<b>-</b>	<b>20,350,720</b>	<b>26,953,587</b>
<b>Accumulated operating surplus, end of year</b>		<b>435,899</b>	<b>18,944,945</b>	<b>20,350,720</b>

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



**Blueberry River First Nation**  
**Consolidated Statement of Remeasurement Gains and Losses**  
*For the year ended March 31, 2014*

	<b>2014</b>	<b>2013</b>
<b>Accumulated remeasurement gains, beginning of year</b>	<b>1,714,045</b>	<b>-</b>
<b>Unrealized gains (losses) attributable to:</b>		
Unrealized gains (losses)	<b>587,037</b>	1,951,629
<b>Amounts reclassified to the statement of operations:</b>		
Realized gains	<b>(2,010,637)</b>	(237,584)
<b>Change in remeasurement gains (losses), for the year</b>	<b>(1,423,600)</b>	1,714,045
<b>Accumulated remeasurement gains, end of year</b>	<b>290,445</b>	1,714,045

**Blueberry River First Nation**  
**Consolidated Statement of Changes in Net Financial Assets (Net Debt)**  
*For the year ended March 31, 2014*

	<b>2014 Budget</b>	<b>2014</b>	<b>2013</b>
<b>Annual operating deficit</b>	-	<b>(1,405,775)</b>	(6,602,867)
Purchases of tangible capital assets (Schedule 1)	-	<b>(1,027,388)</b>	(556,213)
Amortization of tangible capital assets	-	<b>947,348</b>	947,632
Acquisition of prepaid expenses	-	<b>(4,681)</b>	-
Change in remeasurement gains (losses) for the year	-	<b>(1,423,600)</b>	1,714,045
<b>Decrease in net financial assets</b>	-	<b>(2,914,096)</b>	(4,497,403)
<b>Net financial assets, beginning of year</b>	-	<b>262,138</b>	4,759,541
<b>Net financial assets (Net debt), end of year</b>	-	<b>(2,651,958)</b>	262,138

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

**Blueberry River First Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2014*

	<b>2014</b>	<b>2013</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Operating deficit	(1,405,775)	(6,602,867)
Non-cash items		
Amortization	947,348	947,632
Bad debts	2,781,400	269,308
Income re-invested in Nation's businesses	291,527	1,151,334
AANDC capital and revenue trust funds	(33,744)	(40,688)
	<b>2,580,756</b>	<b>(4,275,281)</b>
Changes in working capital accounts		
Accounts receivable	657,490	(338,169)
Prepaid expenses	(4,684)	-
Accounts payable and accrued liabilities	(691,997)	(1,258,936)
Deferred revenue	(85,144)	(610,308)
Distributions due to minors	50,000	(63,000)
Trust distributions to members	(1,841,095)	(4,006,011)
	<b>665,326</b>	<b>(10,551,705)</b>
<b>Financing/Investing activities</b>		
Repayment of callable debt	(228,008)	(432,035)
Treaty land entitlement claim settlement	29,995	412,502
Advances (to) from Nation's businesses	(4,614,000)	29,607
Increase in Settlement Trust Funds	5,797,422	11,110,065
	<b>985,409</b>	<b>11,120,139</b>
<b>Capital activities</b>		
Purchases of tangible capital assets	(1,027,388)	(556,213)
<b>Increase (decrease) in cash resources</b>	<b>623,347</b>	<b>12,221</b>
<b>Cash resources, beginning of year</b>	<b>169,706</b>	<b>157,485</b>
<b>Cash resources, end of year</b>	<b>793,053</b>	<b>169,706</b>
<b>Cash resources are composed of:</b>		
Cash	1,293,053	284,706
Bank indebtedness	(500,000)	(115,000)
	<b>793,053</b>	<b>169,706</b>

**1. Significant accounting policies**

These financial statements are the representations of management and are prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and are consistent with the accounting policies set out by the Department of Aboriginal Affairs and Northern Development Canada. These consolidated financial statements are subject to review by the nation's funding agents. It is possible that adjustments could be made based on results of their reviews. Significant aspects of the accounting policies adopted by the First Nation are as follows:

***Basis of Presentation and revenue recognition***

Sources of financing and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable under the terms of applicable funding agreements; expenditures 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.

Unrestricted government transfers are recognized when they become receivable under the terms of applicable funding agreements. Restricted government transfers are deferred and recognized as revenue in the period in which the resources are used for the purposes specified.

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

Oil and gas company revenues regarding monitoring invoices issued by Blueberry River First Nation are recorded as revenue when payment is received.

***Reporting entity***

These consolidated financial statements include Blueberry River First Nation and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

Business entities, which are owned or controlled by Blueberry River First Nation and which are not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method, as outlined in Note 9. Under the modified equity method, the equity method of accounting is modified only to the extent that the accounting principles of the business entity are not adjusted to conform with those of the First Nation. Thus, the First Nation's investment in these enterprises is recorded at cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. These business entities include Three Nations Ventures L.P., Six Nations Ventures L.P., Blueberry River Enterprises Ltd. and 0851799 BC Ltd (operating as Blueberry Creever Trading Post).

The Nation has consolidated the assets, liabilities, revenues and expenses of the following entities:

Blueberry Trust (BT)  
Blueberry Interim Trust (BIT)  
Blueberry Not-For-Profit Trust (BNFPT)  
Blueberry EBA Trust (EBA Trust)

***AANDC capital and revenue trust funds***

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

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

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

***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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may vary from current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in income in the periods in which they become known.

Accounts receivable are stated after evaluation as to their collectability. Investment in Nation business entities is stated after evaluation as to valuation and collectability of advances. The impairment of marketable securities, included in the Investments (note 6), was determined to be of a temporary nature. Amortization is based on the estimated useful lives of tangible capital assets.

***Tangible capital assets***

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development and betterment of the asset.

***Amortization***

Amortization for tangible capital assets is provided using the following methods at rates intended to amortize the cost, less residual value, of the assets over their estimated useful lives:

Buildings	4% diminishing balance
Automotive equipment	30% diminishing balance
Equipment	20% diminishing balance
Computer equipment	100% diminishing balance
Water and sewer, roads and drainage	4% diminishing balance
Leasehold improvements	20% diminishing balance
Guiding and outfitting license	4% diminishing balance

In the year of acquisition, amortization is calculated at one-half of the annual rates.

***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 Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in deficit for the year.

***Non-financial assets***

The Nation's tangible capital assets and other non-financial assets are accounted for as assets because they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the government unless they are sold.

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

***RRSA Trust Accounts held at Ratcliff & Company***

Blueberry River First Nations and Doig River First Nation receive oil and gas funds from the Province of B.C. pursuant to a Resource Revenue Sharing Agreement (RRSA). The allocation of such revenues between the two Bands is substantially resolved. All funds available to Blueberry are recorded as revenue.

***Segments***

The First Nation conducts its business through six reportable segments: Administration, Education, Social Services, Community Wellness, Economic and Resource based, and Other. 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.

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 in this Note.

***Financial instruments***

The First Nation recognizes its financial instruments when the First Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

The First Nation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating surplus (deficit). Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Management considers whether the investee has experienced continued losses for a period of years in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

**Blueberry River First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2014*

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**2. Corrections of errors**

During the year, the First Nation determined that they had not been appropriately setting up their allowance for doubtful accounts regarding general trade receivables in the 2013 year. This resulted in a decrease in receivables, net financial assets and accumulated operating surplus and an increase in bad debt expense of \$189,261.

During the year, the Nation determined that they had not been appropriately setting up their allowance for doubtful accounts regarding members receivables in the 2013 year. This resulted in a decrease in receivables, net financial assets and accumulated operating surplus and an increase in bad debt expense of \$230,526 (2012 - \$150,480).

During the year the Nation determined that they had recorded a gain in error on the conversion of a loan from a related party, the Blueberry Trust, to a portion of a building in the 2013 year. This resulted in an decrease in accumulated operating surplus and decrease in revenue of \$487,388.

During the year the Nation determined that they had under-accrued their WCB payable in the 2013 year. This resulted in an increase in payables and expenses of \$16,266 (2012 - \$16,266) and a decrease in net financial assets.

During the year, the Nation determined it had inaccurately consolidated the Blueberry Trust. Blueberry Trust assets totalling \$3,345,746 were recorded as financial assets (Trust - Settlement Funds) when they were in fact tangible capital assets. This had the effect of reducing Investments (previously called Trust - Settlement Funds), and net financial assets. Note, this did not effect accumulated operating surplus.

During the year, the Nation determined it had over accrued its share of income on its investment in Three Nation Ventures L.P. in the 2013 year. This resulted in a decrease in investments, net financial assets, accumulated operating surplus and share of income of \$117,912 (2012 - \$117,912).

During the year, the Nation determined it had inappropriately over reported it's investment in Blueberry River Enterprises LP in the 2013 year. This resulted in a decrease in investments, net financial assets and accumulated operating surplus of \$9,555 (2012 - 68,629).

During the year, the Nation determined it had disclosed the remeasurement gains from investments of \$1,714,045 in accumulated operating surplus in the 2013 year when it should have been disclosed separately as accumulated remeasurement gains on the statement of financial position. This did not reduce overall accumulated surplus.

In total, these correction of errors had the impact of reducing the opening accumulated operating surplus for the year by \$2,764,953. (2013 - \$353,287). The retroactive application of these correction of errors did have a material impact on the results of operations and financial condition of the First Nation.

**Blueberry River First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2014*

**3. Cash**

Cash includes Band general and EBA Trust funds as follows:

	<b>2014</b>	<b>2013</b>
Band general bank accounts	<b>556,115</b>	149,321
Band general GIC funds	<b>20,925</b>	20,718
Band general RRSA funds held in trust - Ratcliff & Company	<b>46</b>	128
EBA Trust RBC bank accounts	<b>183,505</b>	87,387
Blueberry Trust general bank accounts	<b>532,462</b>	27,152
	<b>1,293,053</b>	284,706

**4. Accounts receivable**

	<b>2014</b>	<b>2013</b>
AANDC	<b>24,791</b>	130,217
Member receivables	<b>1,062,220</b>	949,811
Accounts receivable - trade and other	<b>2,699,447</b>	2,261,491
GST receivable	<b>35,849</b>	88,802
Allowance for doubtful accounts	<b>(2,834,399)</b>	(2,324,998)
	<b>987,908</b>	1,105,323

Of the allowance for doubtful accounts noted above, \$1,061,531 (2013 - \$949,811) relates to member receivables.

**5. AANDC capital and revenue trust funds**

Capital and revenue trust moneys are transferred to the Nation on the authorization of the Minister of Aboriginal Affairs and Northern Development Canada, with the consent of the Nation's Council.

	<b>2014</b>	<b>2013</b>
<b>Capital Trust</b>		
Balance, beginning of year	<b>9,249</b>	9,249
Balance, end of year	<b>9,249</b>	9,249
<b>Revenue Trust</b>		
Balance, beginning of year	<b>127,583</b>	86,895
Transfers to the Nation	<b>33,744</b>	40,688
Balance, end of year	<b>161,327</b>	127,583
	<b>170,576</b>	136,832



**Blueberry River First Nation**  
**Notes to the Consolidated Financial Statements**  
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**6. Investments**

The investments consist of the following investments managed by:

	<b>2014</b>	<b>2013</b>
<b>TD Canada Trust Company</b>		
Cash and equivalents - capital accounts	4,787,996	5,997,576
Cash and equivalents - revenue accounts	102,337	261,324
Canadian equities	3,930,000	14,322,882
Cash and equivalents - capital accounts (denominated in US)	1,451,657	3,730
Cash and equivalents - revenue accounts (denominated in US)	80,552	54,322
International equities (denominated in US)	-	1,318,837
Foreign exchange gain (loss)	165,325	(20,249)
	<b>10,517,867</b>	<b>21,938,422</b>
<b>Fidelity Investments Canada</b>		
Fidelity US monthly income fund series B ISC	846,846	-
Fidelity Dividend Fund Series B	839,758	-
Fidelity True North Fund Series B	212,870	-
Fidelity Canadian Large Cap Fund	416,298	-
Fidelity Small Cap America Fund Series B	207,992	-
Fidelity Monthly Income Fund Series B	1,245,746	-
Fidelity US Dividend Fund Series B ISC	430,021	-
	<b>4,199,531</b>	<b>-</b>
	<b>14,717,398</b>	<b>21,938,422</b>

The investments are denominated in Canadian funds, unless otherwise noted. Cost of investment portfolio is \$14,426,953 (2013 - \$20,224,377). Cumulative gains as at March 31, 2014 are \$290,445 (2013 - \$1,714,045). The change in cumulative unrealized gains (losses) during the year is (\$2,010,637) (2013 - (\$237,584)).

**Blueberry River First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2014*

**7. Nation Trusts**

This note provides a summary breakdown of the Nations' Trust assets, liabilities, receipts and disbursements for the year.

	Blueberry Trust	Blueberry Interim Trust	Blueberry Not-For- Profit Trust	EBA Trust	Total
<b>Assets</b>					
Investments (note 6)	14,579,544	125,585	12,269	-	<b>14,717,398</b>
Trust bank accounts - included in cash (note 3)	532,462	-	-	183,505	<b>715,967</b>
Blueberry Trust - 1/3 portion of building, net of amortization - included in tangible capital assets	3,132,108	-	-	-	<b>3,132,108</b>
Trust loan receivable due from Blueberry River Enterprises L.P. - included in long-term investments (note 9)	2,072,000	-	-	-	-
	<b>20,316,114</b>	<b>125,585</b>	<b>12,269</b>	<b>183,505</b>	<b>20,637,473</b>
<b>Liabilities</b>					
Accounts payable	(32,967)	-	-	-	<b>(32,967)</b>
Trust distributions due to members (note 14)	(9,194,799)	-	-	(239,000)	<b>(9,433,799)</b>
	<b>(9,227,766)</b>	<b>-</b>	<b>-</b>	<b>(239,000)</b>	<b>(9,466,766)</b>
<b>Net Assets</b>	<b>11,088,348</b>	<b>125,585</b>	<b>12,269</b>	<b>(55,495)</b>	<b>11,170,707</b>
<b>Receipts</b>					
Income	2,560,453	-	-	-	<b>2,560,453</b>
<b>Total receipts</b>	<b>2,560,453</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,560,453</b>
<b>Disbursements</b>					
Expenses	705,888	-	-	-	<b>705,888</b>
<b>Total disbursements</b>	<b>705,888</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>705,888</b>
<b>Surplus (deficit) of receipts over disbursements</b>	<b>1,854,565</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,854,565</b>

**Blueberry River First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2014*

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**7. Nation Trusts** *(Continued from previous page)*

On or before February 12, 1998, both Blueberry River First Nations (Blueberry) and Doig River First Nation (Doig) approved and assented to a \$147,000,000 settlement agreement with Canada. The final allocation of all funds was not entirely resolved until March 2, 2005, when the Honourable Justice Hugessen of the Federal Court of Canada authorized the allocation of Settlement Funds between Blueberry and Doig on a pro rata basis of 52% and 48% respectively.

A number of trusts were established by the Bands to administer their portion of the Settlement funds until permanent arrangements had been established. Blueberry's trusts include the Blueberry Interim Trust (BIT), the various Blueberry Distribution Trusts, the Blueberry Not-For-Profit Trust (BNFPT) and the Blueberry Trust (BT). On August 9, 2006, the Blueberry Trust Society (BTS) was established and incorporated under the BC Society Act. The directors of the Blueberry Trust Society are Chief Marvin Yahey, Sherry Dominic, Norma Pyle, Wayne Yahey, and Lisa Hotte. The custodian is The Canada Trust Company.

On June 27, 2007, the directors of the BTS approved a Declaration of Trust creating the Blueberry Trust (BT). During the year, the Trustees of the BIT, advised Chief and Council that they will internally restrict \$8,000,000 to be maintained in the BIT. The funds are to be held until resolution of a legal issue regarding potential compensation for interest earned on assets held in the Trust, before the assets were distributed to Band members. In February 2008, a significant portion of the investments in the BIT and BNFPT Trusts were transferred out through the BNFPT Trust to the Band, who in turn contributed the investments into the BT Trust. The BTS is now trustee for both the BT and EBA Trusts. The breakdown of net assets, at cost for each trust as at March 31 is as noted above. The total fair market values as at March 31, 2014 for the net trust assets noted above is \$23,695,565 (2013 - \$28,133,856).

One of the main purposes for the Blueberry trusts was to make several capital distributions to each adult member of the Band or to members who turned 19 during the year. The amount due to minors and adults has been recorded as a liability "Trust distributions due to members". These distributions will be paid out to minors or adults, as they become payable, from the Settlement Funds which are held in trust.

**8. Blueberry EBA Trust**

On March 11, 2004, Blueberry River First Nations (the "Band") together with other Treaty 8 First Nations entered into a negotiation Protocol Agreement with the Province of British Columbia ("BC"). The Band exercised its right to withdraw from that agreement and negotiated the Blueberry River First Nations Economic Benefits Agreement ("EBA") with BC separately from the other Treaty 8 First Nations. The Blueberry EBA Trust (the "EBA Trust") was established on August 10, 2006 pursuant to section 5(a) of the EBA to receive payments under that agreement to be held for the benefit of the membership of Blueberry River First Nations. Since the Trust was established, it has received substantial funds (\$1,078,066 - 2014; \$1,103,171 - 2013; \$1,058,362 - 2012; \$1,085,709 - 2011; \$1,445,647 - 2010; \$2,698,042 - 2009; \$1,173,900 - 2008; \$5,049,238 - 2007) from the Province of BC.

During the year, the EBA Trust has allocated funds of \$1,078,066 (2013 - \$1,103,171) to Band programs and paid expenses. It also made a \$2,000 capital distribution to each Band member in 2007. A liability of \$239,000 (2013 - \$241,000) owing to minors, as at March 31, 2014, has been recorded on the statement of financial position. (Note 14)

**Blueberry River First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2014*

**9. Long-term investments**

The First Nation has investments in the following entities:

						2014
	<i>Investment cost</i>	<i>Loans / advances, net of draws</i>	<i>Cumulative share of earnings (loss)</i>	<i>Share of current year's net income (loss)</i>	<i>Write off of loans</i>	<i>Total investment</i>
<b>Investments at cost</b>						
Bluevest Contractors Inc - 50%	50	-	-	-	-	50
Blueberry River Economic Development Inc. - 100%	1	-	-	-	-	1
Investment in Traplines	180,000	-	-	-	-	180,000
<b>Investments recorded at modified equity:</b>						
<b>Three Nations Ventures L.P.</b>						
Investment in 33.3%	-	-	286,250	(45,458)	-	240,792
<b>Six Nations Ventures L.P.</b>						
Investment in 16.67%	1	-	287,465	70,523	-	357,989
<b>Blueberry River Enterprises, L.P.</b>						
100% investment in 60 shares	-	2,072,000	(816,710)	(291,592)	-	963,698
<b>0851799 BC Ltd. (o/a Creever Trading Post)</b>						
100% investment in 1 share	1	200,000	104,620	(25,000)	-	279,621
	<b>180,053</b>	<b>2,272,000</b>	<b>(138,375)</b>	<b>(291,527)</b>	<b>-</b>	<b>2,022,151</b>

**Blueberry River First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2014*

9. Long-term investments (Continued from previous page)

						2013
	<i>Investment cost</i>	<i>Loans / advances, net of draws</i>	<i>Cumulative share of earnings (loss)</i>	<i>Share of prior year's net income (loss)</i>	<i>Write off of loans</i>	<i>Total investment</i>
<b>Investments at cost</b>						
Bluevest Contractors Inc - 50%	50	-	-	-	-	50
Investments in traplines	110,000	-	-	-	-	110,000
<b>Investments recorded at modified equity:</b>						
<b>Three Nations Ventures L.P.</b>						
Investment in 33.3%	-	(234,723)	947,473	(426,500)	-	286,250
<b>Six Nations Ventures, L.P.</b>						
Investment in 16.67%	-	-	247,283	40,183	-	287,466
<b>Blueberry River Enterprises, L.P.</b>						
100% investment in 60 shares	1	-	(28,320)	(788,391)	-	(816,710)
Accumulated share of net income	-	-	28,320	788,390	-	816,710
<b>0851799 BC Ltd. (o/a Creever Trading Post)</b>						
100% investment in 1 share	1	270,128	(189,277)	23,768	-	104,620
	110,052	35,405	1,005,479	(362,550)	-	788,386

*Continued on next page*

# Blueberry River First Nation

## Notes to the Consolidated Financial Statements

*For the year ended March 31, 2014*

### 9. Long-term investments *(Continued from previous page)*

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

	<i>Three Nations Ventures L.P. As at December 31, 2013</i>	<i>Six Nations Ventures L.P. As at December 31, 2013</i>	<i>Blueberry River Enterprises LP As at March 31, 2014</i>	<i>0851799 BC Ltd. (o/a Creever Trading Post) As at March 31, 2014</i>
<b>Assets</b>				
Cash	179,244	187,613	11,831	-
Accounts receivable	48,571	245,136	3,169,410	-
Inventory	36,323	-	-	-
Investments	50,072	324,073	7,961	-
Prepaid expenses	-	26,871	9,637	-
Property, plant and equipment	431,040	1,501,546	1,459,401	-
Investment in Fort St. John Co-op	-	8,688	-	-
<b>Total assets</b>	<b>745,250</b>	<b>2,293,927</b>	<b>4,658,240</b>	<b>-</b>
<b>Liabilities</b>				
Bank indebtedness	-	-	539,097	-
Accounts payable and accruals	27,256	152,653	2,311,113	-
Due to related party - Blueberry Trust	-	-	2,072,000	-
Long-term debt	-	-	844,439	-
<b>Total liabilities</b>	<b>27,256</b>	<b>152,653</b>	<b>5,766,649</b>	<b>-</b>
<b>Partners equity</b>	<b>717,994</b>	<b>2,141,274</b>	<b>(1,108,409)</b>	<b>-</b>
<b>Total revenue</b>	<b>997,799</b>	<b>2,710,165</b>	<b>13,498,812</b>	<b>-</b>
<b>Total cost of sales/expenses</b>	<b>1,134,174</b>	<b>2,255,993</b>	<b>13,658,039</b>	<b>-</b>
<b>Net income (loss) before other items</b>	<b>(136,375)</b>	<b>454,172</b>	<b>(159,227)</b>	<b>-</b>
<b>Other income (loss)</b>	<b>-</b>	<b>(31,033)</b>	<b>(132,394)</b>	<b>-</b>
	<b>(136,375)</b>	<b>423,139</b>	<b>(291,621)</b>	<b>-</b>

Note the above amounts represent 100% of all assets, liabilities, revenues and expenses for all owners, not just Blueberry River First Nation's share.

### 10. Bank indebtedness

Bank indebtedness includes an operating loan amounting to \$500,000 (2013 – \$115,000) and bearing interest at Royal Bank prime plus 3.1% (2013 - 4.1%).

### 11. Deferred revenue

	<b>2014</b>	<b>2013</b>
AANDC	109,313	61,133
HWC recovery	55,498	54,000
TCPL	144,632	144,770
BTS	25,050	-
Deferred revenue - others	284,300	444,034
	<b>618,793</b>	<b>703,937</b>

**Blueberry River First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2014*

**12. Distributions due to minors**

In past years, there were 3 different distributions to each member, paid out to adult members only. These include \$1,000 on December 20, 2002; \$2,000 on January 6, 2003 and \$5,000 on December 12, 2003. Adults were paid, but the minors will not be paid until they turn 19 years of age. Chief & Council declared an additional distribution in December 2013 for \$500 after the TLE Highway Claim was settled. The amount of unfunded distributions due to minors eligible for these distributions is \$312,312 (2013 - 262,312).

**13. Callable debt**

	<b>2014</b>	2013
Royal Bank mortgage (re social housing) repayable in monthly installments of \$1,207, including interest at 3.40% guaranteed by AANDC, due March 2019	<b>76,663</b>	88,310
TD Equipment Finance Auto Loan, repayable in monthly installments of \$3,992, including interest at 7.382%, due November 2016	<b>115,625</b>	153,459
Royal Bank demand loan repayable in monthly installments of \$46,204, including interest at 4.81%, due January 2030.	<b>6,210,434</b>	6,388,960
	<b>6,402,722</b>	6,630,729

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

	Principal
2015	333,885
2016	350,428
2017	351,748
2018	335,452
2019 and thereafter	5,031,209
	<b>6,402,722</b>

Interest on long-term debt amounted to \$316,571 (2013 - \$392,580)

The Royal Bank loans are secured by a General Security Agreement executed by the Nation providing a charge over all assets and undertakings; a Nation council resolution authorizing borrowing of up to \$7,000,000 for construction of a multi-purpose building and \$500,000 for furniture and fixtures; an assignment of monies from the EBA Trust, any shortfall in loan payments must be made from funds in the Blueberry Trust, supported by a letter from the Trustees of the Blueberry Trust Society.

The First Nation has a Revolving Credit Line from RBC Royal Bank for a credit limit of \$500,000 at Royal Bank prime plus 3.1% (2013 - 4.10%) interest per annum to support First Nation's immediate cash requirement. The revolving loan showed a balance of \$500,000 (2013 - \$115,000).

**Blueberry River First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2014*

**14. Trust distributions due to members**

The trust distributions due to members consists of distributions from the following Trusts or funds:

	<b>2014</b>	<b>2013</b>
Settlement Trusts, consisting of prior year distributions payable from the Blueberry Interim Trust, Blueberry Distribution Trust, Blueberry Distribution Trust II, Blueberry Distribution Trust III, Blueberry Distribution Trust IV, Blueberry Distribution Trust V and the Blueberry Trust. These are due mainly to minors, who will receive the distributions once they turn 19.	<b>9,194,799</b>	11,013,894
Settlement Trust distribution funds paid to the Band but not yet distributed to members. If not distributed to members, should be repaid to the Blueberry Trust.	<b>120,500</b>	130,500
EBA Trust - 2007 \$2,000 distribution per member.	<b>239,000</b>	241,000
RRSA funds - 2009 \$1,000 distribution per member	<b>148,800</b>	158,800
	<b>9,703,099</b>	11,544,194

**15. AANDC Treaty Land Entitlement Debt**

Blueberry River First Nation is negotiating Treaty Land Entitlement claims with the Government of Canada. AANDC has made these loans to assist the First Nation to fund these negotiations. Should a loan become due and payable while the claim is still in negotiation, the loan repayment date will be extended for five years or a period deemed appropriate to coincide with the anticipated claim settlement date. There are six components to the loans:

	<b>2014</b>	<b>2013</b>
<b>Treaty Land Entitlement Loans</b>		
Component one matured on March 31, 2010. The repayment date has been extended to March 31, 2015 or the date on which the claim is settled.	<b>73,552</b>	73,552
Component two matured March 31, 2011. Extended to March 31, 2016 or settlement date.	<b>287,789</b>	287,789
Component three matured March 31, 2012. Extended to March 31, 2016 or settlement date.	<b>85,397</b>	85,397
Component four matured March 31, 2012. Extended to March 31, 2016 or settlement date.	<b>317,464</b>	317,464
Component five is repayable on the earlier of March 31, 2016 or the date on which the claim is settled.	<b>309,938</b>	309,938
Component six is repayable on the earlier of March 31, 2016 or the date on which the claim is settled.	<b>389,571</b>	389,571
Component seven is repayable on the earlier of March 31, 2016 or the date on which the claim is settled.	<b>628,201</b>	739,420
Component eight is repayable on the earlier of March 31, 2016 or the date on which the claim is settled.	-	209,061
Component nine is repayable on the earlier of March 31, 2017 or the date on which the claim is settled.	<b>392,199</b>	392,199
Component ten is repayable on the earlier of March 31, 2017 or the date on which the claim is settled.	<b>12,502</b>	12,502
Component eleven is repayable on the earlier of March 31, 2017 or the date on which the claim is settled.	<b>200,000</b>	200,000
Component twelve is repayable on the earlier of March 31, 2017 or the date on which the claim is settled.	<b>200,000</b>	200,000
Component thirteen is repayable on the earlier of March 31, 2018 or the date on which the claim is settled.	<b>350,275</b>	-
	<b>3,246,888</b>	3,216,893

The loans are all interest free unless the First Nation defaults or the loans reach maturity.



**16. Contingent liabilities**

The Public Guardian for BC initiated a claim against the Blueberry Trusts, regarding potential interest owing to minors for distribution funds held by the Trusts until the minors turn 19 years of age. The Trustees of the Blueberry Trust Society advised Chief and Council that they have internally restricted the remaining assets of the Blueberry Interim Trust until resolution of the above noted legal issue. It is too early for the Trustees to determine the outcome of the claim.

It has been determined that Blueberry Trust disbursements made to Blueberry River First Nations for the years ended December 31, 2008 and 2009 are in excess of the income earned in the Blueberry Trust for those years. Also on December 5, 2008, a capital distribution of \$3,000 was approved and subsequently paid out to members. The above noted amounts are contrary to the terms of the Trust, creating a possible claim by the beneficiaries of the Trust, who are Blueberry River First Nations and its members. It is too early for management to estimate the ultimate outcome of this issue.

The Nation is contingently liable for bank indebtedness of Blueberry River Enterprises Limited Partnership for which it provided guarantees for. The bank indebtedness consists of an operating line of credit and a bank overdraft in total of \$539,097 (2013 - \$930,000).

**17. AANDC TLE Highway Right of Way Settlement funding**

Included in AANDC funding of \$3,564,911 (page 2) is TLE Highway Right of Way Settlement funding of \$1,666,597, which is reported on Schedule 10 - page 33. Of the \$1,666,597 of funding recorded an amount of \$768,841 was spent to purchase land during the year. This amount is not recorded as expense as it is an asset and is therefore recorded on Schedule 1 (page 24).

**18. Comparative figures**

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

**19. Financial Instruments**

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, currency or credit risks arising from these financial instruments except as otherwise disclosed.

***Risk Management Policy***

The First Nation, as part of operations, has established risk management objectives such as, avoidance of undue concentrations of risk. In seeking to meet these objectives, the First Nation follows a risk management policy approved by Chief and Council.

***Credit Risk***

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

***Risk management***

The First Nation manages its credit risk by performing regular credit assessments of its customers, provides allowances for potentially uncollectible accounts receivable, consider credit ratings of counterparties, etc.

**19. Financial instruments** *(Continued from previous page)*

***Liquidity Risk***

Liquidity risk is the risk that the First Nation will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The First Nation enters into transactions to purchase goods and services on credit; borrow funds from financial institutions or other creditors; lease office equipment from various creditors; etc., for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the First Nation's future net cash flows for the possibility of negative net cash flow.

Contractual maturities of callable debt, trust distributions due to members and AANDC Treaty Land Entitlement Debt are disclosed in Notes 13, 14 and 15.

The First Nation manages the liquidity risk resulting from its accounts payable; callable debt; etc. by how liquidity risk is managed – i.e., investing in liquid assets, such as stocks and government bonds.

***Foreign currency risk***

The First Nation enters into transactions to invest in investments denominated in US currency for which the related revenues, expenses, and investment account balances are subject to exchange rate fluctuations. See note 6 for investment balances which are denominated in US currency.

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In seeking to manage the risks from foreign exchange rate fluctuations, the First Nation diversifies its investment portfolio, which helps protect against any significant adverse movements in the exchange rate.

***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. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The First Nation is exposed to interest rate risk primarily relating to investments (note 6), bank indebtedness and callable debt (note 13). The Nation is exposed to significant interest rate price risk with respect to certain callable debt amounts which bear interest at rates agreed upon at the time of issuance.

***Other price risk***

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The First Nation enters into transactions to purchase stocks, for which the market price fluctuates.

Other price risk is measured using standard deviation, which measures a stock's volatility regardless of the cause. The First Nation manages its other price risk by entering into futures contracts.