

**Fort Nelson First Nation**  
**Consolidated Financial Statements**  
*For the year ended March 31, 2018*

# Fort Nelson First Nation

## Contents

For the year ended March 31, 2018

Page

### Management's Responsibility

### Independent Auditors' Report

### Consolidated Financial Statements

Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Remeasurement Gains.....	3
Consolidated Statement of Changes in Net Financial Assets.....	4
Consolidated Statement of Cash Flows.....	5

Notes to the Consolidated Financial Statements.....	6
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### Schedules

Schedule 1 - Consolidated Schedule of Tangible Capital Assets.....	22
Schedule 2 - Consolidated Schedule of Expenses by Object.....	25
Schedule 3 - Schedule of Revenue and Expenses - Administration.....	26
Schedule 4 - Schedule of Revenue and Expenses - Capital.....	27
Schedule 5 - Schedule of Revenue and Expenses - Child Development.....	28
Schedule 6 - Schedule of Revenue and Expenses - Economic Development.....	29
Schedule 7 - Schedule of Revenue and Expenses - Education.....	30
Schedule 8 - Schedule of Revenue and Expenses - Health.....	31
Schedule 9 - Schedule of Revenue and Expenses - Housing.....	32
Schedule 10 - Schedule of Revenue and Expenses - Lands Resources.....	33
Schedule 11 - Schedule of Revenue and Expenses - Other Investments.....	34
Schedule 12 - Schedule of Revenue and Expenses - Social Services.....	35

## Management's Responsibility

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To the Members of Fort Nelson First Nation:

The accompanying consolidated financial statements of Fort Nelson 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 Fort Nelson 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 First Nation's external auditors.

MNP LLP is appointed by the Council on behalf of the Members 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 Council and management to discuss their audit findings.

July 25, 2018

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Signature on File

Chief Financial Officer

## Independent Auditors' Report

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To the Members of Fort Nelson First Nation:

We have audited the accompanying consolidated financial statements of Fort Nelson First Nation, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations and accumulated surplus, remeasurement gains, changes in net financial assets, cash flows and the related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Fort Nelson First Nation as at March 31, 2018 and the results of its operations (including remeasurement gains), changes in net financial assets and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Surrey, British Columbia

July 25, 2018

*MNP LLP*

Chartered Professional Accountants

**Fort Nelson First Nation**  
**Consolidated Statement of Financial Position**  
*As at March 31, 2018*

	2018	2017
<b>Financial assets</b>		
Cash resources (Note 5)	6,205,309	8,082,313
Portfolio investments (Note 6)	14,581,684	15,145,262
Portfolio investments held in trust (Note 7)	8,856,274	9,227,082
Funds held in trust (Note 8)	16,262,618	16,341,500
Accounts receivable (Note 9)	1,691,099	2,361,022
Inventory	47,446	41,869
Investments in First Nation business entities (Note 10)	8,748,481	9,353,391
Investment in First Nation business partnership (Note 10)	4,208	134,778
<b>Total of financial assets</b>	<b>56,397,119</b>	<b>60,687,217</b>
<b>Liabilities</b>		
Accounts payable and accruals (Note 11)	3,100,250	3,033,425
Deferred revenue (Note 12)	577,326	425,732
Promissory notes payable (Note 13)	212,358	235,228
Long-term debt (Note 14)	2,717,139	2,701,495
<b>Total of liabilities</b>	<b>6,607,073</b>	<b>6,395,880</b>
<b>Net financial assets</b>	<b>49,790,046</b>	<b>54,291,337</b>
<b>Contingent liabilities (Note 15)</b>		
<b>Subsequent event (Note 16)</b>		
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	26,900,773	28,832,757
Prepaid expenses	79,027	266,596
<b>Total non-financial assets</b>	<b>26,979,800</b>	<b>29,099,353</b>
<b>Accumulated surplus (Note 17)</b>	<b>76,769,846</b>	<b>83,390,690</b>
<b>Accumulated surplus is comprised of:</b>		
Accumulated surplus	76,434,677	82,792,804
Accumulated remeasurement gains	335,169	597,886
	<b>76,769,846</b>	<b>83,390,690</b>

Approved on behalf of the Council

Signature on File

Chief Councilor

Signature on File

Councilor

**Fort Nelson First Nation**  
**Consolidated Statement of Operations and Accumulated Surplus**  
*For the year ended March 31, 2018*

	<i>Schedules</i>	<i>2018 Budget</i>	<i>2018</i>	<i>2017</i>
<b>Revenue</b>				
Indigenous Services Canada		3,564,480	4,568,088	4,022,747
First Nations Health Authority		1,005,005	1,294,379	1,025,622
Province of British Columbia		1,308,419	1,224,454	1,938,780
North East Native Advancing Agency		96,000	137,815	152,078
First Nations Education Steering Committee		157,860	388,994	531,932
Government of Canada		268,211	242,003	382,279
Department of Justice Canada		72,132	61,130	72,130
Rental income		272,820	262,224	226,337
Interest income		43,200	403,820	371,057
Income from portfolio investments		801,000	1,079,213	630,087
Canada Mortgage and Housing Corporation		133,845	170,917	277,306
Trust distributions		-	4,267,604	10,134,220
Other revenue		708,560	2,687,356	1,686,495
Loss from investments in First Nation business entities		-	(604,911)	(1,165,264)
Income from investment in partnership		-	515,647	206,178
Income from investment in First Nation business partnership		-	27,530	102,387
		<b>8,431,532</b>	<b>16,726,263</b>	<b>20,594,371</b>
<b>Program expenses</b>				
Administration	3	2,360,133	3,305,999	2,266,169
Capital	4	1,236,179	2,367,764	2,538,133
Child Development	5	529,117	649,544	618,491
Economic Development	6	271,668	310,680	257,989
Education	7	3,498,404	4,442,608	4,267,341
Health	8	1,154,973	1,328,995	1,144,300
Housing	9	690,673	787,297	935,089
Lands Resources	10	1,594,194	1,923,514	1,568,542
Other Investments	11	19,064	6,839,154	1,458,755
Social Services	12	1,045,757	1,128,835	1,162,701
		<b>12,400,162</b>	<b>23,084,390</b>	<b>16,217,510</b>
<b>Surplus (deficit)</b>		<b>(3,968,630)</b>	<b>(6,358,127)</b>	<b>4,376,861</b>
<b>Accumulated surplus, beginning of year</b>		<b>82,792,804</b>	<b>82,792,804</b>	<b>78,415,943</b>
<b>Accumulated surplus, end of year</b>		<b>78,824,174</b>	<b>76,434,677</b>	<b>82,792,804</b>

The accompanying notes are an integral part of these financial statements

**Fort Nelson First Nation**  
**Consolidated Statement of Remeasurement Gains**  
*For the year ended March 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Accumulated remeasurement gains, beginning of year</b>	<b>597,886</b>	416,680
<b>Unrealized gains (losses) attributable to:</b>		
Foreign exchange	-	(28,810)
Portfolio investments	<b>149,700</b>	634,441
<b>Amounts reclassified to the statement of operations:</b>		
Foreign exchange	<b>(16,953)</b>	(360,094)
Portfolio investments	<b>(395,464)</b>	(64,331)
<b>Accumulated remeasurement gains, end of year</b>	<b>335,169</b>	597,886

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

**Fort Nelson First Nation**  
**Consolidated Statement of Changes in Net Financial Assets**  
*For the year ended March 31, 2018*

	<b>2018</b> <i>Budget</i>	<b>2018</b>	<b>2017</b>
<b>Surplus (deficit)</b>	<b>(3,968,630)</b>	<b>(6,358,127)</b>	4,376,861
Purchases of tangible capital assets	<b>(10,500)</b>	<b>(408,045)</b>	(112,309)
Amortization of tangible capital assets	-	<b>2,340,029</b>	2,327,925
Proceeds from sale of tangible capital assets	-	-	36,501
Loss on disposal of tangible capital assets	-	-	2,898
Acquisition of prepaid expenses	-	-	(184,078)
Use of prepaid expenses	-	<b>187,569</b>	-
Change in remeasurement gains (losses) for the year	-	<b>(262,717)</b>	181,206
<b>Increase (decrease) in net financial assets</b>	<b>(3,979,130)</b>	<b>(4,501,291)</b>	6,629,004
<b>Net financial assets, beginning of year</b>	<b>54,291,337</b>	<b>54,291,337</b>	47,662,333
<b>Net financial assets, end of year</b>	<b>50,312,207</b>	<b>49,790,046</b>	54,291,337

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



**Fort Nelson First Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2018*

	2018	2017
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Surplus (deficit)	(6,358,127)	4,376,861
Non-cash items		
Amortization	2,340,029	2,327,925
Loss on disposal of tangible capital assets	-	2,898
Realized foreign exchange losses on portfolio investments	(16,953)	(360,094)
Realized losses on portfolio investments	(395,464)	(64,331)
Unrealized gain on portfolio investments	149,700	634,441
Loss from investments in First Nation business entities	604,911	1,165,264
Income from investment in First Nation business partnership	(27,530)	(102,387)
	(3,703,434)	7,980,577
Changes in working capital accounts		
Accounts receivable	669,923	449,221
Inventory	(5,578)	24,444
Accounts payable and accruals	66,825	98,802
Deferred revenue	151,594	38,439
Prepaid expenses	187,569	(184,078)
	(2,633,101)	8,407,405
<b>Financing activities</b>		
Advances of long-term debt	165,417	1,679,908
Repayment of long-term debt	(149,773)	(276,881)
Proceeds from (repayments of) promissory notes payable	(22,870)	77,520
Repayments of mortgage advance	-	(736,788)
	(7,226)	743,759
<b>Capital activities</b>		
Purchases of tangible capital assets	(408,045)	(112,309)
Proceeds from sale of tangible capital assets	-	36,501
	(408,045)	(75,808)
<b>Investing activities</b>		
Decrease in portfolio investments held in trust	370,808	-
Decrease in portfolio investments	563,578	1,810,380
Increase in portfolio investments held in trust	-	(9,227,082)
Proceeds from funds held in trust	78,882	215,413
Decrease in investment in partnership	-	1,233,482
Decrease in investments in First Nation business entities	-	4,062
Proceeds from investment in First Nation business partnership	158,100	-
	1,171,368	(5,963,745)
<b>Increase (decrease) in cash resources</b>	<b>(1,877,004)</b>	<b>3,111,611</b>
<b>Cash resources, beginning of year</b>	<b>8,082,313</b>	<b>4,970,702</b>
<b>Cash resources, end of year</b>	<b>6,205,309</b>	<b>8,082,313</b>

The accompanying notes are an integral part of these financial statements

**Fort Nelson First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

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**1. Operations**

The Fort Nelson First Nation (the "First Nation") is a First Nations government located in the province of British Columbia. The First Nation is responsible for the well-being of its community and enacts legal policies and programs in the areas of Administration, Capital, Child Development, Economic Development, Lands, Education, Health, Housing, Social Services and Other Investments. 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 in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Accounting Standards Board ("PSAB") of CPA Canada and are consistent with the accounting policies set out by the Department of Indigenous Services Canada. Significant accounting policies adopted by the First Nation are as follows:

***Reporting entity consolidated***

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation's business entities. Trusts administered on behalf of third parties by Fort Nelson First Nation are excluded from the First Nation reporting entity.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Liard Hotsprings Lodge (FNFN) Ltd.
- FNFN Gravel Pits Ltd.
- Fort Nelson Indian Band Land Trust Society
- Reaching For Our Vision Trust

All inter-entity balances have been eliminated on consolidation.

Fort Nelson First Nation 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:

- 672465 B.C. Ltd.
- Eh Cho Dene GP Ltd.
- Eh Cho Dene Enterprises Limited Partnership
- Waterways Communication Limited Partnership
- Waterways Communication Inc. (inactive)

***Cash and cash equivalents***

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in cash (Note 5).

***Portfolio investments***

Portfolio investments with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment. Portfolio investments include a guaranteed investment certificate and equity instruments that either have no maturity dates or have a maturity of greater than three months at the time of acquisition, and an investment in a partnership for which there is no control. Changes in fair value of investments quoted in an active market are recorded in the consolidated statement of remeasurement gains. Earnings from portfolio investments that are not quoted in an active market are recognized only to the extent received or receivable.

**Fort Nelson First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

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

***Inventory***

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business.

Inventory held for resale is classified as a financial asset when all of the following criteria are met:

- Prior to March 31, 2018, the First Nation has committed to sell the asset;
- The asset is in a condition to be sold;
- The asset is publicly seen to be for sale;
- There is an active market for the asset;
- A plan exists for selling the asset; and
- A sale to a party external to the First Nation can reasonably be expected within one year.

***Tangible capital assets***

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible assets are recorded at their fair value at the date of contribution. 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***

Assets under construction are not amortized until the asset becomes available for use. Amortization for other tangible capital assets is provided using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	<b><i>Method</i></b>	<b><i>Rate</i></b>
Buildings	straight-line	4 %
Automotive equipment	straight-line	10 %
Computer and office equipment	straight-line	10-20 %
Machinery and equipment	straight-line	10 %
Roads and land improvements	straight-line	4-8 %
Service installations	straight-line	5 %

***Long-lived assets***

Long-lived assets consist of tangible capital assets with finite useful lives. 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.

***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.

***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 net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of consolidated financial position, accumulated surplus.

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

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

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized are accounted for in 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.

***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 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.

***Other***

Investment income reported on investments not subject to significant influence is recorded as revenue in the period earned. Rental and other revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

***Measurement uncertainty (Use of estimates)***

The preparation of consolidated financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

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

**Fort Nelson First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

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

***Funds held in trust***

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 sale of 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.

***Segments***

The First Nation conducts its business through ten reportable segments: Administration, Capital, Child Development, Economic Development, Education, Health, Housing, Lands Resources, Other Investments and Social Services. 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 above.

***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.

At initial recognition, the First Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The First Nation has not made such an election during the year.

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 the published price quotations that are available in an open market. 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 consolidated statement of remeasurement gains.

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. 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 when there are indicators of impairment. Management considers whether the investee has experienced continued losses for a period of years, recent collection experience for the loan in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the consolidated 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 can occur, provided they are not greater than the amount that would have been reported at the date of reversal had the impairment not been previously recognized. In such instances these reversals are recognized in the consolidated statement of operations.

***Foreign currency translation***

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category reflect the exchange rates at the consolidated statement of financial position date. Unrealized foreign exchange gains and losses are recognized in the consolidated statement of remeasurement gains.

In the period of settlement, foreign exchange gains are reclassified to the consolidated statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the consolidated statement of remeasurement gains.

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

***Consolidated Statement of Remeasurement Gains***

By presenting remeasurement gains (losses) separately, changes in the carrying value of financial instruments arising from fair value measurement, unrealized foreign exchange gains (losses) and other comprehensive income arising from investments in government business entities are distinguished from revenue and expenses reported in the consolidated statement of operations. The consolidated statement of operations reports the extent to which revenues raised in the period were sufficient to meet the expenses incurred. Remeasurement gains (losses) do not affect this assessment as they are recognized in the statement of consolidated remeasurement gains. Taken together, the two statements account for changes in a First Nation's net assets (liabilities) in the period.

Upon settlement, the cumulative gain (loss) is reclassified from the consolidated statement of remeasurement gains and recognized in the consolidated statement of operations. Interest and dividends attributable to all financial instruments are reported in the consolidated statement of operations.

**3. 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.

***Interest rate risk***

Interest rate risk is the risk to the First Nation's earnings that arises from fluctuations in market interest rates and the degree of volatility of these rates. The First Nation does not use derivative instruments to reduce its exposure to interest rate risk. Management expects interest rates to remain relatively constant for the coming year and therefore considers the related risk to be low.

***Market risk***

Market risk relates to the possibility that the equity investments will change in value due to future fluctuations in market prices. The First Nation does not use derivative instruments to reduce its exposure to market risk.

***Fair values***

Due to their short-term nature, the carrying values of cash resources, portfolio investments, accounts receivable, accounts payable and accrued liabilities approximate their fair values. The terms and interest rates of the First Nation's long-term debt are similar to those currently offered for similar loans, therefore the carrying values of these loans are also considered to approximate their fair values.

***Foreign currency risk***

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. The First Nation enters into transactions to invest in portfolio investments which are denominated in US currency for which the related accounts are subject to exchange rate fluctuations. As at March 31, 2018 the First Nation held cash of \$NIL (2017 - 68,335 CAD\$ denominated in US currency).

**4. Change in accounting policies**

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

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

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

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

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

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

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

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

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

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

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

**Fort Nelson First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

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**5. Cash resources**

***Restricted cash***

Included in cash are externally restricted funded reserves in the amount of \$475,157 (2017 - \$340,472).

***Revolving line of credit***

The First Nation has available a \$600,000 revolving line of credit and a \$250,000 bank overdraft with interest charged at the Scotiabank prime rate plus 0.75% and 0.5% per annum respectively. At March 31, 2018, the outstanding line of credit and bank overdraft balances were \$NIL (2017 - \$NIL), and are secured by certain vehicles owned and a general security agreement over all present and future personal property with appropriate insurance coverage.

***Designated funds***

Included in cash are designated funds in the amount of \$2,914,073 (2017 - \$2,914,073) that may only be used for the purpose of funding specific capital projects and cannot be used for any other purpose. These funds represent the unexpended portion of cash withdrawn from the Capital account within the Funds Held in Trust (Note 8). The capital projects have since been completed and the remaining surplus will be repaid to Indigenous Services Canada, for redeposit into the Capital account.

**6. Portfolio investments**

Included in portfolio investments are the following:

- Publicly traded securities with a market value of \$14,518,800 (2017 - \$15,084,203 and an adjusted cost base of \$14,286,575 (2017 - \$14,521,993).
- The First Nation has an investment in a limited partnership representing 49.9% ownership of the partnership units. The limited partnership is accounted for as a portfolio investment and is not quoted in an active market.

Included in portfolio investments is a 5-year Guaranteed Investment Certificate of \$62,883 (2017 - \$61,059).

**7. Portfolio investments held in trust**

Included in portfolio investments held in trust are publicly traded securities with a market value of \$8,856,274 (2017 - \$9,227,082) and an adjusted cost base of \$8,753,330 (2017 - \$9,208,360).



**Fort Nelson First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**8. 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.

	<b>2018</b>	2017
<b>Capital Trust</b>		
Balance, beginning of year	<b>15,991,086</b>	15,979,975
Additions	<b>50,697</b>	11,111
Balance, end of year	<b>16,041,783</b>	15,991,086
<b>Revenue Trust</b>		
Balance, beginning of year	<b>350,414</b>	576,938
Additions	<b>408,673</b>	355,730
Withdrawals	<b>(538,252)</b>	(582,254)
Balance, end of year	<b>220,835</b>	350,414
	<b>16,262,618</b>	16,341,500

**9. Accounts receivable**

	<b>2018</b>	2017
Indigenous Services Canada	<b>112,414</b>	155,949
Due from members	<b>1,735,336</b>	1,088,549
Government of Canada	-	19,325
Other receivables	<b>1,531,442</b>	2,112,523
Allowance for doubtful accounts	<b>(1,688,093)</b>	(1,015,324)
	<b>1,691,099</b>	2,361,022

**Fort Nelson First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**10. Investments in First Nation business entities and partnership**

The First Nation has investments in the following entities:

					<b>2018</b>
	<i>Investment cost</i>	<i>Advances to (from)</i>	<i>Accumulated earnings (loss) in equity</i>	<i>Current earnings (loss) in equity</i>	<i>Total investment</i>
<b>Wholly-owned Businesses:</b>					
672465 B.C. Ltd.	1	17,589	206,152	92,137	315,879
Eh Cho Dene Enterprises Limited Partnership	4,864,103	(5,070,536)	9,335,126	(695,073)	8,433,620
Eh Cho Dene GP Ltd.	40	2,358	(1,441)	(1,975)	(1,018)
	4,864,144	(5,050,589)	9,539,837	(604,911)	8,748,481
<b>First Nation Business Partnership – Modified Equity:</b>					
Waterways Communications Limited Partnership - 51%	25,076	-	(48,398)	27,530	4,208
	4,889,220	(5,050,589)	9,491,439	(577,381)	8,752,689

					<b>2017</b>
	<i>Investment cost</i>	<i>Advances to (from)</i>	<i>Accumulated earnings (loss) in equity</i>	<i>Current earnings (loss) in equity</i>	<i>Total investment</i>
<b>Wholly-owned Businesses:</b>					
672465 B.C. Ltd.	1	17,589	322,252	(116,100)	223,742
Eh Cho Dene Enterprises Limited Partnership	4,864,103	(5,070,536)	10,381,962	(1,046,837)	9,128,692
Eh Cho Dene GP Ltd.	40	2,358	886	(2,327)	957
	4,864,144	(5,050,589)	10,705,100	(1,165,264)	9,353,391
<b>First Nation Business Partnership – Modified Equity:</b>					
Waterways Communications Limited Partnership - 51%	25,076	-	7,315	102,387	134,778
	4,889,220	(5,050,589)	10,712,415	(1,062,877)	9,488,169

**Fort Nelson First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**10. Investments in First Nation business entities and partnership** *(Continued from previous page)*

672465 B.C. Ltd. was established for the purpose of holding a 50% ownership in the operation of a drilling rig.

Eh Cho Dene Limited Partnership together with its general partner, Eh Cho Dene GP Ltd. was established to carry on road construction, site preparation and maintenance and land clearing for gas plants, hydro stations and right-of-ways.

Waterways Communications Limited Partnership was established is to carry on the business of providing communication products and services for resource companies operating within the Horn River Basin.

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

	<b>672465 B.C. Ltd.</b> <b>As at March 31,</b> <b>2018</b>	<b>Eh Cho Dene GP</b> <b>Ltd.</b> <b>As at March 31,</b> <b>2018</b>	<b>Eh Cho Dene</b> <b>Enterprises</b> <b>Limited</b> <b>Partnership</b> <b>As at March 31,</b> <b>2018</b>	<b>Waterways</b> <b>Communications</b> <b>Limited</b> <b>Partnership</b> <b>As at March 31,</b> <b>2018</b>
<b>Assets</b>				
Cash	342,689	-	80,743	3,489
Portfolio investments	-	-	3,953,252	-
Accounts receivable	-	-	2,210,379	23,898
Inventory	-	-	34,968	-
Prepaid expenses	-	-	500	-
Due from Partner	-	-	11,790	-
Investment in related entity	-	12,433	-	-
Property and equipment	-	-	2,580,961	-
<b>Total assets</b>	<b>342,689</b>	<b>12,433</b>	<b>8,872,593</b>	<b>27,387</b>
<b>Liabilities</b>				
Accounts payable and accruals	26,808	1,701	426,532	19,205
Due to related entity	-	14,108	-	-
Due to the First Nation	267,590	-	229,466	-
<b>Total liabilities</b>	<b>294,398</b>	<b>15,809</b>	<b>655,998</b>	<b>19,205</b>
<b>Net assets</b>	<b>48,291</b>	<b>(3,376)</b>	<b>8,216,595</b>	<b>8,182</b>
<b>Total revenue</b>	<b>64,106</b>	<b>-</b>	<b>5,866,006</b>	<b>396,935</b>
<b>Total expenses (recovery)</b>	<b>(28,031)</b>	<b>1,975</b>	<b>6,561,079</b>	<b>342,954</b>
	<b>92,137</b>	<b>(1,975)</b>	<b>(695,073)</b>	<b>53,981</b>

**11. Accounts payable and accruals**

	<b>2018</b>	<b>2017</b>
Indigenous Services Canada	159,759	108,752
First Nations Health Authority	8,134	362
Province of British Columbia	119,145	68,684
Other accounts payable and accrued liabilities	2,813,212	2,855,627
	<b>3,100,250</b>	<b>3,033,425</b>

**Fort Nelson First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**12. Deferred revenue**

	<i>Balance, beginning of year</i>	<i>Revenue received (recovered)</i>	<i>Transferred to revenue</i>	<i>Balance, end of year</i>
Indigenous Services Canada	147,864	5,984,560	6,028,973	103,451
First Nations Health Authority	6,365	1,320,850	1,285,518	41,697
Province of British Columbia	30,902	879,390	860,751	49,541
Other deferred revenue	240,601	1,599,434	1,457,398	382,637
	<b>425,732</b>	<b>9,784,234</b>	<b>9,632,640</b>	<b>577,326</b>

**13. 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 \$90,821 is non-interest bearing, unsecured and was due on the earlier of March 31, 2018 or date on which the Specified Claim is settled. The second note of \$66,887 is non-interest bearing, unsecured and is due on the earlier of March 31, 2019 or date on which the Specified Claim is settled.

During the year, a third note of \$54,650 was issued by Canada Mortgage and Housing Corporation for the purpose of renovations and repairs on a band owned house. Subject to certain conditions, the loan is forgivable on January 10, 2023.

**Fort Nelson First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**14. Long-term debt**

	<b>2018</b>	<b>2017</b>
CIBC mortgage payable - Mortgage repayable in monthly instalments of \$286, including interest at 4.30% per annum; due for renewal on May 1, 2018 and matures March 2023; guaranteed by Indigenous Services Canada; secured by assets with a net book value of \$39,242 (2017 - \$42,957).	<b>10,721</b>	13,621
Scotiabank mortgage payable - Mortgage repayable in monthly instalments of \$431 including interest at 3.995% per annum; due for renewal on May 15, 2023 and matures May 2032; guaranteed by Indigenous Services Canada.	<b>55,726</b>	58,628
All Nations Trust (3 units - Phase 1) (CMHC Full Program) - Mortgage repayable in monthly instalments of \$2,607, including interest at 1.53% per annum; due for renewal on November 1, 2019 and matures November 1, 2019; guaranteed by Indigenous Services Canada; secured by assets with a net book value of \$190,659 (2017 - \$220,893).	<b>51,525</b>	81,791
All Nations Trust (6 units - Phase 2) (CMHC Full Program) - Mortgage repayable in monthly instalments of \$2,388, including interest at 2.11% per annum; due for renewal on January 1, 2019 and matures December 1, 2028; guaranteed by Indigenous Services Canada; secured by assets with a net book value of \$303,339 (2017 - \$325,951).	<b>276,043</b>	298,696
All Nations Trust (3 units - Phase 3) (CMHC Full Program) - Mortgage repayable in monthly instalments of \$2,307, including interest at 1.44% per annum; due for renewal on July 1, 2022 and matures July 1, 2037; guaranteed by Indigenous Services Canada; secured by assets with a net book value of \$874,796 (2017 - \$895,474).	<b>465,742</b>	486,422
All Nations Trust (8 units - Phase 4) (CMHC Full Program) - Mortgage repayable in monthly instalments of \$6,352, including interest at 1.03% per annum; due for renewal on October 1, 2021 and matures October 1, 2041; guaranteed by Indigenous Services Canada; secured by assets with a net book value of \$1,925,618 (2017 - \$1,985,111).	<b>1,597,137</b>	1,491,264
All Nations Trust (Mortgage) - Mortgage repayable in monthly instalments of \$507, including interest at 4.74% per annum; due for renewal on February 1, 2021 and matures February 1, 2036; guaranteed by Indigenous Services Canada; secured by assets with a net book value of \$86,871 (2017 - \$91,790).	<b>73,866</b>	76,506
All Nations Trust (Mortgage) - Mortgage repayable in monthly instalments of \$292, including interest at 4.99% per annum; due for renewal on January 1, 2020 and matures January 1, 2025; guaranteed by Indigenous Services Canada.	<b>20,336</b>	22,796
All Nations Trust (Mortgage) - Mortgage repayable in monthly instalments of \$1,098, including interest at 4.49% per annum; due for renewal on August 1, 2022 and matures August 1, 2037; guaranteed by Indigenous Services Canada; secured by assets with a net book value of \$608,075 (2017 - \$641,750).	<b>166,043</b>	171,771
	<b>2,717,139</b>	2,701,495

**Fort Nelson First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**14. 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:

2019	149,397
2020	152,005
2021	144,323
2022	126,965
2023	124,606
Thereafter	2,019,843
	<u>2,717,139</u>

**15. Contingent liabilities**

The First Nation is contingently liable for member housing loans provided to individual members for loans made by various financial institutions for purposes of acquiring on reserve housing. In the event that members default on their obligations under these loans, the First Nation would be required to pay the outstanding loan balance to the lenders. In the event that the First Nation is unable to pay on any defaulted member loans, these loans are guaranteed by Indigenous Services Canada. The First Nation's guarantee is itself secured by the related real properties.

As at March 31, 2018, the loans are analyzed as follows:

All Nations Trust Company	20,251
All Nations Trust Company	165,430
All Nations Trust Company	73,572
CIBC Mortgages Corporation	43,178
CIBC Mortgages Corporation	10,473
CIBC Mortgages Corporation	85,579
CIBC Mortgages Corporation	114,410
Peace Hills Trust	27,864
Scotia Mortgage Corporation	<u>55,503</u>
	<u>596,260</u>

One of the First Nation's consolidated entity's Liard Hotsprings Lodge (FNFN) Ltd. is contingently liable for decommissioning costs that will be incurred at the end of the operating life of the fuel tanks on the entity's property. The ultimate decommissioning liability is uncertain and can vary in response to many factors including environmental factors, new restorative techniques and changes in legal requirements. As a result, the entity is unable to measure the potential liability at the date of these consolidated financial statements and, accordingly, no provision has been made in the accounts.

In September of 2017, the First Nation settled a sixteen year-old Treaty claim settlement with the Government of Canada (Canada). Canada failed to provide the Agricultural Benefits to the First Nation as described in Treaty 8. Under the terms of the agreement, the funds were paid to the First Nation and are to be distributed to Members. Under Canadian Public Sector Accounting Standards, the trust is not recorded as an asset with a corresponding equity in accumulated surplus of the First Nation as the trust is not controlled by the First Nation, it is controlled by a third party for the benefit of the First Nation membership.

**16. Subsequent event**

Subsequent to year end, 1164062 B.C. Ltd., a newly incorporated controlled entity, acquired property for \$850,000.

**Fort Nelson First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**17. Accumulated surplus**

Accumulated surplus consists of the following:

	2018	2017
Restricted cash	475,157	340,472
Designated cash	2,914,073	2,914,073
Portfolio investments held in trust	8,856,274	9,227,082
Trust funds held by federal government - capital account	16,041,783	15,991,086
Trust funds held by federal government - revenue account	220,835	350,414
Investments in First Nation business entities	8,748,481	9,353,391
Investment in First Nation business partnership	4,208	134,778
Investment in tangible capital assets	24,183,634	26,131,262
	<b>61,444,445</b>	64,442,558
Surplus available for operations	<b>14,990,232</b>	18,350,246
Accumulated surplus	<b>76,434,677</b>	82,792,804
Accumulated remeasurement gains	<b>335,169</b>	597,886
	<b>76,769,846</b>	83,390,690

**18. Trust funds**

**Fort Nelson First Nation Future Generations Trust**

The First Nation's revenue for the year included distributions from the trust of \$4,267,604 (2017 - \$69,557) and accounts receivable included balances due from the trust of \$NIL (2017 - \$1,152,628). As at March 31, 2018, the balance of funds held in trust was \$NIL (2017 - \$5,059,922) and the fair market value of the investments held in trust was \$NIL (2017 - \$5,349,934).

**Fort Nelson First Nation Future Generations Trust (2018)**

The Fort Nelson First Nation Future Generations Trust (2018) was established on February 13, 2018. As at March 31, 2018, the balance of funds held in trust was \$5,428,900 and the fair market value of the investments held in trust was \$5,446,029.

**Fort Nelson First Nation Agricultural Benefits Trust**

The Agricultural Benefit Trust was established on December 31, 2017. As at March 31, 2018, the balance of funds held in trust was \$25,547,058 and the fair market value of the investments held in trust was \$25,262,441. The First Nation's revenue for the year included distributions from the trust of \$192,003 (2017 - \$NIL) and accounts receivable included balances due from the trust of \$NIL (2017 - \$114,483).

Under Canadian Public Sector Accounting Standards, the trusts are not recorded as an asset 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.

**Fort Nelson First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

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**19. Fort Nelson First Nation Future Generations Society**

The Fort Nelson First Nation Future Generations Society acts as trustee to the Fort Nelson First Nation Future Generations Trust and the Fort Nelson Future Generations Trust (2018).

**20. Budget information**

The disclosed budget information has been approved by the Chief and Council of the First Nation at the Council meeting held on March 30, 2017.

Budget figures on the Consolidated Statement of Operations	(3,968,630)
Adjusted for:	
Acquisition of tangible capital assets	(10,500)
Replacement reserve transfers	(59,245)
Budgeted deficit approved by Chief and Council	<u>(4,038,375)</u>

**21. Supplemental cash flow information**

During the year the First Nation paid cash interest of \$64,354 (2017 - \$54,341) and received cash for interest of \$783,631 (2017 - \$609,245 ).

**22. Segments**

The First Nation describes its operating segments as follows:

**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.

**Capital**

This segment is comprised of programs that oversee the First Nation's infrastructure.

**Capital Projects**

This segment is comprised of capital assets as well as revenue of capitalized assets and assets under construction.

**Child Development**

This segment is comprised of programs that promote early childhood development and culture to children and young families.

**Economic Development**

This segment implements community economic development planning and capacity building initiatives, which are pursued to benefit the First Nation's community by enhancing employment, income generation activities, use of land and resources, economic infrastructure and business opportunities.

**Lands Resources**

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

**Education**

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



**Fort Nelson First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

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

**Health**

This segment administers the delivery of health programs and services.

**Housing**

This segment's activities include Nation owned and CMHC housing rental units and repairs.

**Other Investments**

This segment includes income and investments in government business enterprises, as well as income from portfolio investments and partnerships.

**Social Services**

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.

**23. Comparative figures**

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