

KLAHOOSE FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

KLAHOOSE FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2016

The accompanying consolidated financial statements of Klahoose First Nation and all the information in this annual report for the year ended March 31, 2016 are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgement. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Klahoose First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Nation's assets are appropriately accounted for and adequately safeguarded.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council reviews the Nation's financial statements and recommends their approval. The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report. The Council approves the financial statements for issuance to the Members. The Council also considers, for review and approval by the Members, the engagement of the external auditors.

The consolidated financial statements have been audited by Reid Hurst Nagy Inc., Chartered Professional Accountants in accordance with Canadian generally accepted auditing standards on behalf of the Members. Reid Hurst Nagy Inc. has full access to the books and records of the Nation. Reid Hurst Nagy Inc. has full and free access to the Council for information purposes.

Chief



Administrator



July 29, 2016

Date

July 29/16

Date

Independent Auditor's Report

To the Members of
Klahoose First Nation

We have audited the accompanying consolidated financial statements of Klahoose First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus, change in net financial assets, 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 auditor's 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 First Nation'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 First Nation'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.

Basis for Qualified Opinion

Beginning April 1, 2009, generally accepted accounting principles for government entities required that the Band record the net value of tangible capital assets in its financial statements. The Band has not applied these new financial statement reporting standards. Because the Band did not provide us with a completed capital asset register reflecting the total cost of tangible capital assets owned by the Band and appropriate accumulated amortization and any impairment attributable to each of those assets, we were unable to determine the net value of the tangible capital assets that should have been recorded as an asset and the related amortization or impairment that should have been recorded as an expense in the current and prior year. Upon adoption of PS 1200 Financial Statement Presentation, the Band did not fully adopt all aspects of the standard as they relate to the aforementioned tangible capital assets as they have reported capital purchases and long-term debt payments as expenses and have failed to appropriately report depreciation as an expense.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2016 and the results of its operations, the changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



REID HURST NAGY INC.
CHARTERED PROFESSIONAL ACCOUNTANTS

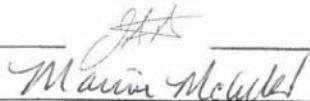
RICHMOND, B.C.
JULY 29, 2016

KLAHOOSE FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash	\$ 2,631,073	\$ 2,442,491
Restricted cash (Note 3)	1,771,667	1,360,307
Accounts receivable (Note 4)	164,555	190,251
Rent receivable	135,042	134,083
Due from First Nation Controlled Entities	179,711	208,572
Long-term investments (Note 5)	21,641,045	13,648,650
Deferred support negotiation expenses	3,386,419	3,218,159
	29,909,512	21,202,513
LIABILITIES		
Accounts payable (Note 7)	167,608	270,473
Long-term debt (Note 8)	9,213,852	8,892,597
	9,381,460	9,163,070
NET FINANCIAL ASSETS	20,528,052	12,039,443
NON-FINANCIAL ASSETS		
Capital assets (Note 9)	9,092,280	9,157,759
Prepaid expenses	4,027	5,287
Inventory	3,605	2,449
	9,099,912	9,165,495
ACCUMULATED SURPLUS (Note 10)	\$ 29,627,964	\$ 21,204,938
MEMBERS' EQUITY		
Equity in Operating Fund	\$ 3,150,257	\$ 2,674,875
Equity in Social Housing	1,403,827	1,344,966
Equity in Capital Fund	2,089,612	2,355,376
Equity in Ottawa Trust Fund	553,429	541,343
Equity in Enterprise Fund	21,641,045	13,648,650
Equity in Youth Trust Fund	789,794	639,728
ACCUMULATED SURPLUS	\$ 29,627,964	\$ 21,204,938

APPROVED ON BEHALF OF THE KLAHOOSE FIRST NATION



Marvin McCallum, Chief
Administrator

KLAHOOSE FIRST NATION

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015 (Note 2)
<u>ANNUAL SURPLUS</u>	\$ 8,423,026	\$ 5,670,645
Acquisition of tangible capital assets	(484,524)	(187,697)
Amortization of tangible capital assets	550,003	498,661
	65,479	334,798
Acquisition of prepaid asset	(4,027)	(5,287)
Use of prepaid asset	5,287	4,390
	1,260	(897)
Acquisition of inventory	(3,605)	(2,449)
Use of inventory	2,449	-
	(1,156)	(2,449)
INCREASE IN NET FINANCIAL ASSETS	8,488,609	6,002,097
<u>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</u>	12,039,443	6,037,346
<u>NET FINANCIAL ASSETS, END OF YEAR</u>	\$ 20,528,052	\$ 12,039,443

KLAHOOSE FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS FOR THE YEAR ENDED MARCH 31, 2016

	2016 Budget	2016 Actual	2015 Actual
REVENUE			
Indigenous and Northern Affairs Canada	\$ -	\$ 1,089,954	\$ 954,712
First Nations Education Steering Committee	-	6,335	1,923
BCTC - treaty	179,856	179,856	256,200
Cigarette sales	-	27,408	24,515
Clam sales	-	5,134	32,174
Distributions from First Nation Limited Partnership	-	1,099,520	674,750
Fisheries and Oceans Canada	-	6,386	1,800
First Nations Health Authority	-	304,272	245,488
Interest income	-	54,765	78,215
Other	-	468,161	582,038
Rental Income	-	130,033	124,593
Revenue sharing	-	1,197,652	1,226,801
Road use agreement	-	125,981	149,010
Share of income of First Nation Controlled Entities	-	7,992,395	5,383,681
Treaty negotiation support agreement	44,964	44,964	64,050
	224,820	12,732,815	9,799,952
EXPENSES			
Band programs	-	2,429,187	2,045,047
Education	-	256,679	221,234
Job creation	-	(15,872)	122,563
Health	-	278,035	274,962
Social development	-	102,731	115,907
Capital	-	1,208,454	882,334
Social housing	-	120,488	176,636
Capital fund	-	550,003	522,495
First Nation Negotiation Support Agreement Fund	204,721	213,224	246,732
Youth Trust Fund	-	48,392	34,892
	204,721	5,191,321	4,642,802
ANNUAL SURPLUS BEFORE OTHER ITEMS	20,099	7,541,494	5,157,150
OTHER ITEMS			
Proceeds from long-term debt	-	550,000	-
Principal reduction of long-term debt	-	(141,397)	399,316
Tangible capital asset additions	-	484,524	187,697
Loan payable - Canada	-	(179,856)	(256,200)
Allocation to deferred negotiation expenses	-	168,261	182,682
	-	881,532	513,495
ANNUAL SURPLUS	20,099	8,423,026	5,670,645
FUND BALANCE, BEGINNING OF YEAR	-	21,204,938	15,534,293
FUND BALANCE, END OF YEAR	\$ 20,099	\$ 29,627,964	\$ 21,204,938

KLAHOOSE FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015 (Note 2)
OPERATING ACTIVITIES		
ANNUAL SURPLUS	\$ 8,423,026	\$ 5,670,645
Items not affecting cash		
Amortization	550,003	522,495
Share of income (loss) of First Nation controlled entities	<u>(7,992,395)</u>	<u>(5,383,681)</u>
	980,634	809,459
Change in non-cash operating net assets	<u>(246,283)</u>	<u>303,801</u>
	734,351	1,113,260
FINANCING ACTIVITIES		
Advances to First Nation Controlled Entities	28,861	(225,811)
Repayment of long-term debt - Social Housing	(58,887)	(57,502)
Repayment of long-term debt - Other Programs	(349,715)	(341,815)
Loan proceeds - First Nation Negotiation Support	179,856	256,200
Loan proceeds - Other Programs	<u>550,000</u>	<u>-</u>
	350,115	(368,928)
INVESTING ACTIVITIES		
Purchase of capital assets	<u>(484,524)</u>	<u>(187,697)</u>
CHANGES IN CASH DURING THE YEAR	599,942	556,635
CASH, BEGINNING OF YEAR	3,802,798	3,246,163
CASH, END OF YEAR	\$ 4,402,740	\$ 3,802,798
REPRESENTED BY:		
Cash	\$ 2,631,073	\$ 2,442,491
Restricted cash	<u>1,771,667</u>	<u>1,360,307</u>
	\$ 4,402,740	\$ 3,802,798

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of CPA Canada.

(a) Reporting Entity

The Klahoose First Nation reporting entity includes the Klahoose First Nation government and all related entities that are controlled by the First Nation.

(b) Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the Consolidated Statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only Klahoose First Nation's investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Klahoose First Nation.

Organizations consolidated in Klahoose First Nation's financial statements include:

1. Klahoose First Nation Operating Fund
2. Klahoose First Nation Social Housing Fund
3. Klahoose First Nation Capital Fund
4. Klahoose First Nation Trust Fund
5. Klahoose First Nation Negotiation Support Agreement Fund
6. Klahoose First Nation Enterprise Fund
7. Klahoose First Nation Youth Trust Fund

Organizations accounted for on a modified equity basis include:

8. Qathen Xwegus Management Corporation
9. Klahoose Investment Limited Partnership
10. Klahoose Shellfish Limited Partnership
11. Klahoose Forestry Limited Partnership
12. Klahoose Forestry No.2 Limited Partnership
13. Klahoose Resort Limited Partnership
14. T'QOQ Woodworks Inc.

(c) Fund Accounting

The Klahoose First Nation maintains the following funds and reserves as part of its operations:

- The Operating Fund which reports the general activities of the First Nation administration.
- The Capital Fund which reports the capital assets of the First Nation not included in other funds, together with their related activities.
- The Trust Fund which reports on the trust funds of the First Nation and held by third parties.
- The Social Housing Fund which reports on the social housing assets of the First Nation together with their related activities.
- The First Nation Negotiation Support Agreement Fund which reports activity regarding the First Nation's Negotiation Support Agreement.
- The Enterprise Fund which reports the First Nation's investment in self-supporting commercial entities.
- The Youth Trust Fund holds distribution payments in trust for youth until the age of maturity.

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

(e) Segments

The First Nation conducts its business through reportable segments. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives, aid in resource allocation decisions, and to assess operational performance. For each reported segment, revenues and expenses represent both amounts that are directly attributed 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.

(f) Cash

Cash and cash equivalents include cash on hand and short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

(g) Loans Receivable

Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. Loans are reviewed on an annual basis by management. Interest income is accrued on loans receivable to the extent it is deemed collectable.

(h) Long-term Debt

Proceeds from long-term debt are recorded as program revenue. Payments of principal and interest are treated as program expenditures. Long-term debt is recorded as a liability on the balance sheet. Reductions of long-term debt are offset with an increase to Equity in Tangible Capital Assets.

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Tangible Capital Assets

Tangible capital assets expenditures incurred after March 31, 1996 are valued at acquisition cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets and are capitalized in the Capital Fund. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Capital expenditures incurred previous to April 1, 1996 are not reflected in the Capital Fund.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Klahoose First Nation's incremental cost of borrowing.

Amortization is provided for on a straight-line basis over their estimated useful lives as follows:

Buildings*	20 years Straight line
Automotive equipment	5 years Straight line
Computer equipment	5 years Straight line
Equipment	5 years Straight line
Dock	10 years Straight line
Infrastructure	20 years Straight line
Land	0 years Straight line

Tangible capital assets are written down when conditions indicate that they no longer contribute to Klahoose First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

(j) Replacement Reserve

The Replacement Reserve is funded by an annual charge against earnings as opposed to an appropriation of surplus.

(k) Budget

The budget reported in the financial statements was provided by management and is unaudited.

(l) Surplus Recoveries and Deficit Funding

Under the terms of funding arrangements, remaining surpluses of certain programs may be recovered by the funding agency, and remaining deficits may be funded by the funding agency.

(m) Internal charges and transfers

The central administration office provides services to other program areas. To recognize the cost of these services a corresponding revenue and expense is recorded and referred to as "Administration fees."

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined on a first in, first out basis.

2. ECONOMIC DEPENDENCE

Klahoose First Nation receives a significant portion of its revenue pursuant to an agreement referred to as "The Comprehensive Funding Arrangement". This agreement has been entered into by the Klahoose First Nation and Indigenous and Northern Affairs Canada. It is expected that the agreement will be renewed on an annual basis.

The Band also receives major funding pursuant to an arrangement with the First Nations Health Authority and under which certain surpluses and deficits may be offset, but with the net balance repayable or refundable as the case may be.

3. RESTRICTED CASH

Replacement Reserve Fund:

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage & Housing Corporation, the Housing Program must set aside funds annually for the non-annual expenditures of the Program for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account with any interest earned to be credited as revenue to the Replacement Reserve Fund.

As at the year end date, the Fund is overfunded by \$67,848 (2015 - underfunded \$30,586).

Ottawa Trust Funds:

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

	2016	2015
Replacement Reserve Fund - restricted cash	\$ 268,235	\$ 169,828
Ottawa Trust Funds - restricted cash	553,429	541,343
First Nation Negotiation Support Agreement Fund - restricted cash	160,209	9,408
Youth Trust Fund - restricted cash	789,794	639,728
	<hr/> \$ 1,771,667	<hr/> \$ 1,360,307

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

4. ACCOUNTS RECEIVABLE

	2016	2015
Accounts receivable - general	\$ 81,435	\$ 189,331
Indigenous and Northern Affairs Canada	45,330	(15,034)
Fisheries and Oceans Canada	81,120	81,120
Canada Mortgage and Housing Corporation	2,351	2,394
 Allowance for doubtful accounts	 210,236	 257,811
	(45,681)	(67,560)
	 \$ 164,555	 \$ 190,251

5. LONG-TERM INVESTMENTS

	2016	2015
Investment in Qathen Zwagus Management Corporation		
Shares	\$ 1	\$ 1
Accumulated deficit in earnings	(1,347,156)	(1,413,684)
	 (1,347,155)	 (1,413,683)
Investment in Klahoose Investment Limited Partnership		
Accumulated equity in earnings	23,012,036	14,787,121
	 23,012,036	 14,787,121
Investment in Klahoose Forestry Limited Partnership		
Advances	-	202,571
	 -	 202,571
Investment in Klahoose Forestry No.2 Limited Partnership		
Accumulated equity (deficit) in earnings	18,263	45,180
	 18,263	 45,180
Investment in T'OQ Woodworks Inc.		
Shares	1	1
Accumulated equity in earnings	(42,100)	27,460
	 (42,099)	 27,461
	 \$ 21,641,045	 \$ 13,648,650

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

6. GOVERNMENT BUSINESS ENTERPRISES

Commercial enterprises are those organizations that meet the definition of government business enterprises as described by the Public Sector Accounting Board of CPA Canada. Government business enterprises have the power to contract in their own name, have the financial and operating authority to carry on a business, sell goods and services to customers outside the First Nation government as their principal activity, and that can, in the normal course of their operations, maintain operations and meet liabilities from revenues received from outside the First Nation government.

	Qathen Xwegus Management Corporation	Klahoose Investment Limited Partnership	Klahoose Forestry Limited Partnership	Klahoose Forestry No.2 Limited Partnership	Klahoose Shellfish Limited Partnership	Klahoose Resort Limited Partnership	2016 Total
Cash	\$ 174,067	\$ 288,673	\$ 7,232,749	\$ 1,114	\$ 60,222	\$ 735,048	\$ 8,491,873
Accounts receivable	6,580	-	2,500,067	-	-	930,268	3,436,915
Prepays	13,021	-	58,513	-	21,510	6,910	99,954
Inventory	-	-	212,685	-	-	65,340	278,025
Tangible capital assets	11,015	-	507,680	-	19,912	89,480	628,087
Investments	2,456,204	22,374,572	-	27,323	-	-	24,858,099
Other assets	6,962	350,160	7,419,988	-	582,966	484,085	8,844,161
Total assets	\$ 2,667,849	\$ 23,013,405	\$ 17,931,682	\$ 28,437	\$ 684,610	\$ 2,311,131	\$ 46,637,114
Accounts payable	\$ 65,646	\$ 183	\$ 1,070,537	\$ 78	\$ 6,332	\$ 196,992	\$ 1,339,768
Deferred revenue	-	-	-	-	10,500	-	10,500
Other liabilities	3,949,359	-	1,073,212	10,500	1,322,768	1,335,161	7,691,000
Total liabilities	4,015,005	183	2,143,749	10,578	1,339,600	1,532,153	9,041,268
Equity	(1,347,156)	23,013,222	15,787,933	17,859	(654,990)	778,978	9,041,268
Total liabilities and equity	\$ 2,667,849	\$ 23,013,405	\$ 17,931,682	\$ 28,437	\$ 684,610	\$ 2,311,131	\$ 18,082,536

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

6. GOVERNMENT BUSINESS ENTERPRISES, continued

	Qathen Xwegus Management Corporation	Klahoose Investment Limited Partnership	Klahoose Forestry Limited Partnership	Klahoose Forestry No.2 Limited Partnership	Klahoose Shellfish Limited Partnership	Klahoose Resort Limited Partnership	2016 Total
Revenue	\$ 922,999	\$ 9,051,254	\$ 27,240,090	\$ 9	\$ 18,171	\$ 5,796,725	\$ 43,029,248
Expenses	856,471	25,437	18,510,906	26,929	200,655	5,307,498	24,927,896
	\$ 66,528	\$ 9,025,817	\$ 8,729,184	\$ (26,920)	\$ (182,484)	\$ 489,227	\$ 18,101,352

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

7. ACCOUNTS PAYABLE

	2016	2015
Accounts payable - general	\$ 102,980	\$ 225,579
School District #72	33,952	19,980
Wages payable	30,676	24,914
	\$ 167,608	\$ 270,473

8. LONG-TERM DEBT

	2016	2015
Bank of Montreal - repayable in monthly instalments of \$3,125 plus interest at prime plus 1.75% per annum. Secured by a general security agreement.	\$ 146,875	\$ 184,375
Bank of Montreal - interest payments only during construction with principal and interest payments to commence upon completion. Interest is at prime plus 1.75%. Secured by a general security agreement.	4,500,000	4,800,000
Bank of Montreal - repayable in monthly instalments of \$1,748 including interest at prime plus 1.75% per annum. Secured by a general security agreement.	288,115	295,686
Bank of Montreal - repayable in monthly instalments of \$3,986 including interest at prime plus 1.75% per annum. Secured by a general security agreement.	545,356	-
All Nations Trust Company - repayable in monthly instalments of \$1,341 including interest at 1.67% per annum, maturing May 2018, secured by a Ministerial Guarantee from INAC.	34,226	49,608
All Nations Trust Company - repayable in monthly instalments of \$1,354 including interest at 2.76% per annum, maturing March 2020, secured by a Ministerial Guarantee from INAC.	61,176	75,819
All Nations Trust Company - repayable in monthly instalments of \$1,316 including interest at 1.64% per annum, maturing September 2020, secured by a Ministerial Guarantee from INAC.	68,487	83,032
All Nations Trust Company - repayable in monthly instalments of \$1,327 including interest at 1.53% per annum, maturing August 2022, secured by a Ministerial Guarantee from INAC.	97,272	111,588
Government of Canada - promissory notes without interest for advances by Canada for treaty negotiations. Repayment provisions for these loans are outlined in sections 13.0 and 14.0 of the First Nation Negotiation Support Agreement.	3,472,345	3,292,489
	-	-
Current portion	9,213,852 437,784	8,892,597 406,695
Long-term portion	\$ 8,776,068	\$ 8,485,902

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

8. LONG-TERM DEBT, continued

	2016 \$	2015 \$
Principal portion of long-term debt due within the next five years:		
2017	\$ 437,784	
2018	437,398	
2019	438,953	
2020	426,627	
2021 and thereafter	<u>7,473,090</u>	
	<hr/> \$ 9,213,852	

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

9. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated amortization			2016 net book value
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	
Buildings	\$ 9,200,971	\$ 484,524	\$ 9,685,495	\$ 2,105,173	\$ 472,162	\$ 2,577,335	\$ 7,108,160
Automotive equipment	16,000	-	16,000	6,200	3,200	9,400	6,600
Equipment	330,185	-	330,185	301,381	14,301	315,682	14,503
Dock	318,869	-	318,869	157,539	31,887	189,426	129,443
Infrastructure	569,062	-	569,062	365,713	28,453	394,166	174,896
Land	136,356	-	136,356	-	-	-	136,356
Social housing	1,522,322	-	1,522,322	-	-	-	1,522,322
	\$ 12,093,765	\$ 484,524	\$ 12,578,289	\$ 2,936,006	\$ 550,003	\$ 3,486,009	\$ 9,092,280

	Cost			Accumulated amortization			2015 Net book value
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	
Buildings	\$ 9,149,631	\$ 51,340	\$ 9,200,971	\$ 1,660,520	\$ 444,653	\$ 2,105,173	\$ 7,095,798
Automotive equipment	16,000	-	16,000	3,000	3,200	6,200	9,800
Equipment	330,185	-	330,185	287,080	14,301	301,381	28,804
Dock	318,869	-	318,869	125,652	31,887	157,539	161,330
Infrastructure	569,062	-	569,062	337,260	28,453	365,713	203,349
Land	-	136,356	136,356	-	-	-	136,356
Social housing	1,522,322	-	1,522,322	-	-	-	1,522,322
	\$ 11,906,069	\$ 187,696	\$ 12,093,765	\$ 2,413,512	\$ 522,494	\$ 2,936,006	\$ 9,157,759

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

10. ACCUMULATED SURPLUS

	2016	2015
Unrestricted		
Operating Fund	\$ 3,150,257	\$ 2,674,875
Capital Fund	2,089,612	2,355,376
Enterprise Fund	21,641,045	13,648,650
	26,880,914	18,678,901
Restricted		
Social Housing	1,403,827	1,344,966
Ottawa Trust Fund	553,429	541,343
Youth Trust Fund	789,794	639,728
	2,747,050	2,526,037
	\$ 29,627,964	\$ 21,204,938

11. SEGMENTED INFORMATION

As previously discussed in note 1 (e) the First Nation conducts its business through reportable segments as follows:

The Band Programs department is responsible for administering projects the Band is involved in annually and on an on-going basis relating to the overall objectives of the First Nation and the development of stable, legitimate and accountable community governments. It also provides overall support of the First Nation including advisory services relating to financial management, band government, economic development, community services and technical services.

Education supports the members in expressing, preserving, developing and promoting its cultural heritage through the establishment and operation of First Nation education centres and programs, it also provides services for students at the elementary/secondary and post secondary level, including; instructional services both on and off reserve as well as support services such as transportation, accommodation, guidance and counselling.

Social Development provides assistance to community members unable to provide for themselves and their dependents. The services provided by this department include, but are not limited to, income assistance, child and family services, assisted living and early childhood development.

The Health department oversees the delivery of health programs and initiatives for the betterment of the lives of the members of the First Nation.

Job Creation supports the development of employment opportunities for members of the First Nation.

Capital Projects manages capital projects within the community undertaken to support the growth and/or maintenance of the First Nation's infrastructure.

Social Housing is responsible for the administration and management of Social Housing units.

Other operations include Capital Fund, Ottawa Trust Fund, First Nation Negotiation Support Agreement Fund, Enterprise Fund and Youth Trust Fund transactions.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

11. SEGMENTED INFORMATION, continued

	2016 Budget	Band Programs		2016 Budget	Education		2016 Budget	Job Creation	
		2016 Actual	2015 Actual		2016 Actual	2015 Actual		2016 Actual	2015 Actual
Revenues									
Indigenous and Northern Affairs Canada	\$ -	\$ 448,417	\$ 359,566	-	\$ 212,155	\$ 176,828	-	\$ -	\$ 140,730
Administration fee	-	89,903	91,929	-	-	-	-	-	-
Road use agreement	-	125,981	149,010	-	-	-	-	-	-
Rental Income	-	59,710	62,008	-	-	-	-	-	-
Distributions from First Nation Limited Partnership	-	1,099,520	674,750	-	-	-	-	-	-
Other revenue	-	1,390,535	1,543,994	-	18,335	1,923	-	6,386	30,000
Total revenue	-	3,214,066	2,881,257	-	230,490	178,751	-	6,386	170,730
Expenses									
Capital expenses	-	484,524	187,696	-	-	-	-	-	-
Honoraria	-	16,798	13,796	-	-	-	-	-	-
Materials and supplies	-	2,297	9,997	-	6,809	6,617	-	694	(111)
Principal payments on loans	-	4,644	-	-	-	-	-	7,571	4,314
Professional fees	-	338,165	249,607	-	-	-	-	-	-
Travel	-	54,197	41,452	-	10,902	6,140	-	2,403	2,159
Utilities and telephone	-	30,290	22,162	-	-	-	-	1,876	838
Wages and benefits	-	190,466	230,724	-	44,100	40,497	-	54,627	73,367
Other expenses	-	1,307,806	1,289,613	-	194,868	167,980	-	(83,043)	41,996
Total expenses	-	2,429,187	2,045,047	-	256,679	221,234	-	(15,872)	122,563
Other items	-	784,879	836,210	-	(26,189)	(42,483)	-	22,258	48,167
Annual surplus (deficit)	\$ -	\$ 1,334,879	\$ 836,210	-	\$ (26,189)	\$ (42,483)	-	\$ 22,258	\$ 48,167

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

11. SEGMENTED INFORMATION, continued

	2016 Budget	Health		2015 Actual	2016 Budget	Social Development		2015 Actual	2016 Budget	Capital 2016 Actual	2015 Actual
Revenues											
Indigenous and Northern Affairs Canada	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,272	\$ 95,163	\$ -	\$ 323,110	\$ 182,425	
First Nations Health Authority	-	304,272		245,488	-	-	-	-	-	-	
Other revenue	-	-		1	-	-	-	-	-	-	15,126
Total revenue	-	304,272		245,489	-	106,272	95,163	-	323,110	197,551	
Expenses											
Capital expenses	-	-		-	-	-	-	-	6,785	7,778	
Honoria	-	-		1,025	-	-	-	-	-	-	
Materials and supplies	-	20,088		11,307	-	13,499	-	-	12,003	18,359	
Principal payments on loans	-	-		-	-	-	-	-	337,500	337,500	
Professional fees	-	-		-	-	4,953	-	-	198,158	5,615	
Travel	-	33,529		41,397	-	2,103	-	-	5,120	5,541	
Utilities and telephone	-	-		-	-	3,309	4,448	-	56,960	49,876	
Wages and benefits	-	166,346		171,323	-	33,763	34,659	-	177,301	128,339	
Other expenses	-	58,072		49,910	-	45,104	76,800	-	414,627	329,326	
Total expenses	-	278,035		274,962	-	102,731	115,907	-	1,208,454	882,334	
Other items	-	26,237		(29,473)	-	3,541	(20,744)	-	(885,344)	(684,783)	
Annual surplus (deficit)	\$ -	\$ 26,237	\$ -	\$(29,473)	-	\$ 3,541	\$ (20,744)	-	\$ (885,344)	\$ (684,783)	

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

11. SEGMENTED INFORMATION, continued

	Social Housing			Capital Fund			Ottawa Trust Fund		
	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual
Revenues									
Rental Income	\$ -	\$ 70,323	\$ 62,585	-	\$ -	\$ -	\$ -	\$ -	\$ -
Other revenue	-	50,138	83,012	-	-	-	-	12,086	13,641
Total revenue	-	120,461	145,597	-	-	-	-	12,086	13,641
Expenses									
Capital expenses	-	-	-	-	550,003	522,495	-	-	-
Principal payments on loans	-	60,475	59,303	-	-	-	-	-	-
Professional fees	-	5,268	5,928	-	-	-	-	-	-
Other expenses	-	54,745	111,405	-	-	-	-	-	-
Total expenses	-	120,488	176,636	-	550,003	522,495	-	-	-
Other items	-	(27)	(31,039)	-	(550,003)	(522,495)	-	12,086	13,641
58,888	57,502			-	284,239	529,511	-	-	-
Annual surplus (deficit)	\$ -	\$ 58,861	\$ 26,463	-	\$ (265,764)	\$ 7,016	-	\$ 12,086	\$ 13,641

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

11. SEGMENTED INFORMATION, continued

	First Nation Negotiation Support Agreement Fund			Enterprise Fund			Youth Trust Fund		
	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual
Revenues									
Share of income of First Nation Controlled Entities	\$ -	\$ -	\$ -	\$ -	\$ 7,992,395	\$ 5,383,681	\$ -	\$ -	\$ -
Other revenue	224,820	224,820	320,250	-	-	-	-	198,458	167,840
Total revenue	224,820	224,820	320,250	-	7,992,395	5,383,681	-	198,458	167,840
Expenses									
Honoraria	9,600	9,000	14,400	-	-	-	-	-	-
Materials and supplies	-	32	-	-	-	-	-	-	-
Professional fees	43,100	38,421	32,919	-	-	-	-	-	-
Travel	10,831	4,985	1,662	-	-	-	-	-	-
Wages and benefits	54,000	52,994	44,832	-	-	-	-	-	-
Other expenses	107,289	107,792	152,919	-	-	-	-	48,392	34,892
Total expenses	224,820	213,224	246,732	-	-	-	-	48,392	34,892
Other items	-	11,596	73,518	-	7,992,395	5,383,681	-	150,066	132,948
Annual surplus (deficit)	\$ -	\$ -	\$ -	\$ -	\$ 7,992,395	\$ 5,383,681	\$ -	\$ 150,066	\$ 132,948

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

11. SEGMENTED INFORMATION, continued

			2016 Budget	2016 Actual	Consolidated totals 2015 Actual
Revenues					
Indigenous and Northern Affairs Canada		\$	-	\$ 1,089,954	\$ 954,712
First Nations Health Authority			-	304,272	245,488
Administration fee			-	89,903	91,929
Road use agreement			-	125,981	149,010
Rental Income			-	130,033	124,593
Share of income of First Nation Controlled Entities			-	7,992,395	5,383,681
Distributions from First Nation Limited Partnership			-	1,099,520	674,750
Other revenue			224,820	1,900,757	2,175,789
Total revenue			224,820	12,732,815	9,799,952
Expenses					
Capital expenses			-	1,041,312	717,969
Honoraria			9,600	25,798	29,221
Materials and supplies			-	55,422	46,169
Principal payments on loans			-	410,190	401,117
Professional fees			43,100	584,965	294,069
Travel			10,831	113,239	98,351
Utilities and telephone			-	92,435	77,324
Wages and benefits			54,000	719,597	723,741
Other expenses			107,289	2,148,363	2,254,841
Total expenses			224,820	5,191,321	4,642,802
Other items					
			-	7,541,495	5,157,150
			-	881,531	513,495
Annual surplus (deficit)		\$	-	\$ 8,423,026	\$ 5,670,645

KLAHOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **MARCH 31, 2016**

12. COMPARATIVE AMOUNTS

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period.