
**N'QUATQUA FIRST NATION
ANNUAL FINANCIAL REPORT
March 31, 2016**

**SEIGNEURET & COMPANY
Chartered Professional Accountants**

N'QUATQUA FIRST NATION

Box 88
D'Arcy, B.C. V0N 1L0

July 27, 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of N'Quatqua First Nation 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 prescribed for governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

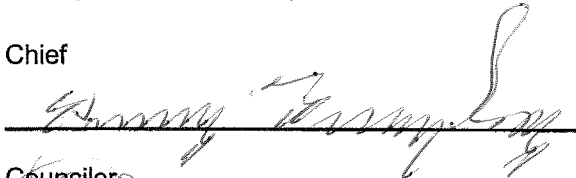
Management is responsible for the integrity and objectivity of these consolidated statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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

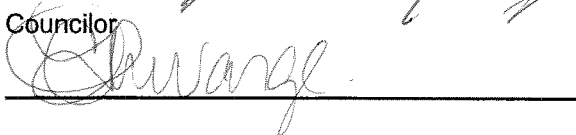
The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, Seigneuret & Company, Chartered Professional Accountants, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of N'Quatqua First Nation and meet when required.

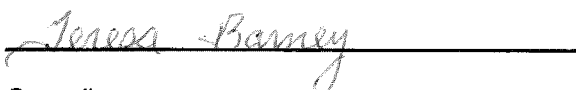
Chief



Councilor

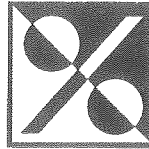


Councilor



Councilor





SEIGNEUR & COMPANY^{*}
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To: The Members of
N'Quatqua First Nation

We have audited the accompanying consolidated Statement of Financial Position of the N'Quatqua First Nation as at March 31, 2016, the consolidated Statements of Operations, Changes in Net Debt, the consolidated Statement of Cash Flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the 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.

Auditor's 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 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, these consolidated financial statements present fairly, in all material respects, the financial position of the N'Quatqua First Nation as at March 31, 2016 and the results of operations, changes in net debt, cash flow of the Nation for the year then ended, in accordance with Canadian public sector accounting standards.

Seigneur & Company
CHARTERED PROFESSIONAL ACCOUNTANTS

July 27, 2016

^{*}denotes professional corporation

**Our
success
is our
business**

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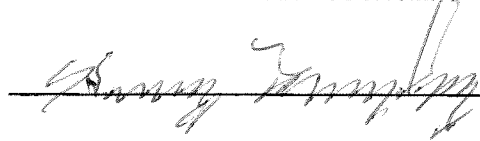
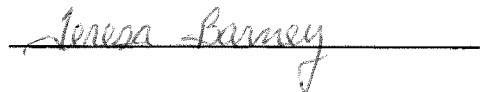
N'QUATQUA FIRST NATION


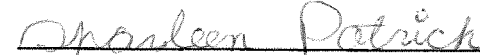
CONSOLIDATED STATEMENT OF FINANCIAL POSITION MARCH 31, 2016

	<u>2016</u>	<u>2015</u> (Restated - Note 21)
FINANCIAL ASSETS		
Cash (Note 2)	\$ 32,663	\$ 167,141
Accounts receivable (Note 3)	797,766	972,909
Inventory (Note 4)	31,830	53,025
Restricted cash and deposits (Note 7)	492,961	492,629
Due from government agencies	128,113	95,167
Ottawa Trust funds (Note 16)	<u>552,199</u>	<u>540,262</u>
	<u>2,035,532</u>	<u>2,321,133</u>
LIABILITIES		
Bank indebtedness (Note 8)	323,568	14,287
Accounts payable and accrued liabilities (Note 9)	126,298	161,272
Accounts payable INAC	78,680	126,514
Deferred revenue (Note 10)	560,872	580,065
Deferred contributions (Note 11)	135,271	169,089
Long term debt (Note 12)	<u>615,138</u>	<u>738,982</u>
	<u>1,839,827</u>	<u>1,790,209</u>
Net Debt	<u>195,705</u>	<u>530,924</u>
NON-FINANCIAL ASSETS		
Prepaid expenses (Note 5)	52,579	30,331
CMHC houses held for sale (Note 6)	12	14
Tangible capital assets (Schedule)	<u>3,197,785</u>	<u>3,346,900</u>
	<u>3,250,376</u>	<u>3,377,245</u>
ACCUMULATED SURPLUS	<u>\$ 3,446,081</u>	<u>\$ 3,908,169</u>
Equity in capital assets	\$ 1,004,640	\$ 1,057,511
Equity in Ottawa Trusts (Note 16)	552,199	540,262
Equity in Capital housing assets	1,139,510	1,139,510
Replacement and Operating reserves	561,040	538,701
Surplus - operations	<u>188,692</u>	<u>632,185</u>
ACCUMULATED SURPLUS	<u>\$ 3,446,081</u>	<u>\$ 3,908,169</u>

Contingent liabilities (Note 14)

APPROVED BY CHIEF AND COUNCIL:

See accompanying notes to consolidated financial statements.

N'QUATQUA FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS YEAR ENDED MARCH 31, 2016

	<u>BUDGET 2016</u> (Note 24)	<u>2016</u>	<u>2015</u> (Restated - Note 21)
REVENUE			
Federal Government:			
Indigenous and Northern Affairs Canada	\$ 903,505	\$ 894,232	\$ 754,092
Indigenous and Northern Affairs Canada recoveries	-	(89,156)	(180,621)
First Nations Employment Society	13,128	16,340	13,128
Department of Fisheries	63,000	63,000	63,000
Ottawa Trust funding reversal	-	-	(50,000)
Health Canada, First Nations and Inuit Health Branch	143,584	146,606	71,671
Southern Stl'atl'imx Health Society	126,897	127,155	154,316
CMHC subsidy	-	73,414	73,587
Ministry of Forests	90,737	90,737	97,704
Province of British Columbia	114,891	119,445	98,230
School District #48	263,087	285,018	266,346
Rental income	-	147,764	149,629
Band contribution to rental income	-	6,470	-
First Nations Education Steering Committee	26,814	29,586	28,461
Administration fees	88,000	89,506	45,290
BC Association of Aboriginal Friendship Centres	-	6,283	-
Band rental	47,600	46,100	52,137
Specific Claims	10,000	8,311	7,548
Sea to Sky Community Services Society	-	-	2,000
Interwest Timber Ltd.	-	22,692	71,171
BC Hydro contracts	5,393	67,880	45,693
Childcare fees	10,500	4,610	1,819
Crawford - ITP	6,000	6,000	-
Squamish-Lillooet Regional District	10,000	4,748	4,301
Fish sales	-	5,790	19,911
Jacket sales	5,000	4,640	-
New Relations Trust	6,950	7,442	2,000
Sto:lo Nation (SASET)	14,551	12,401	-
Squamish Forestry	-	357	33,553
NEEDCO sales	469,170	427,434	490,659
Other income	40,550	34,217	53,336
	<u>2,459,357</u>	<u>2,659,022</u>	<u>2,368,961</u>
EXPENDITURE			
Band government	383,633	491,144	311,322
Social services	497,269	651,797	557,562
Economic development	693,137	809,145	1,084,853
Education	642,171	684,899	584,736
Health	285,388	277,610	185,935
Housing	-	227,978	230,023
	<u>2,501,598</u>	<u>3,142,573</u>	<u>2,954,431</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURE	(42,241)	(483,551)	(585,470)
Transfer from/(to) deferred revenue	-	53,010	81,516
Transfer to operating reserve	-	(12,952)	(60,646)
SURPLUS (DEFICIT) FOR THE YEAR	<u>(42,241)</u>	<u>(443,493)</u>	<u>(564,600)</u>
OPENING SURPLUS	632,186	683,214	1,216,835
PRIOR PERIOD ADJUSTMENT (Note 21)	-	(51,028)	(20,049)
OPENING SURPLUS , as restated	<u>632,186</u>	<u>632,186</u>	<u>1,196,786</u>
CLOSING SURPLUS	<u>\$ 589,945</u>	<u>\$ 188,693</u>	<u>\$ 632,186</u>

See accompanying notes to consolidated financial statements.

N'QUATQUA FIRST NATION

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT MARCH 31, 2016

	<u>2016</u>	<u>2015</u> (restated - Note 21)
Annual surplus (deficit)	\$ (443,493)	\$ (564,600)
Change in equity - Social Housing operating reserve		
Change in equity - Ottawa trust funds	11,938	21,179
Change in equity - Band capital assets	(52,871)	(42,270)
Change in equity - Capital housing assets	-	-
Change in replacement and operating reserve	22,339	86,309
Prior period adjustment	-	(20,049)
	<u>(462,087)</u>	<u>(519,431)</u>
Acquisition of tangible capital assets	(65,987)	(25,755)
Amortization of tangible capital assets	215,102	227,915
Prepaid expenses	(22,249)	4,239
Acquisition of CMHC houses held for sale	2	-
	<u>126,868</u>	<u>206,399</u>
Increase (decrease) in net debt	(335,219)	(313,032)
Net debt at beginning of year	<u>530,924</u>	<u>843,956</u>
Net debt at end of year	<u>\$ 195,705</u>	<u>\$ 530,924</u>

See accompanying notes to consolidated financial statements.

N'QUATQUA FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOW YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u> (restated - Note 21)
OPERATING ACTIVITIES		
Excess (Shortfall) of Revenue over Expenditures	\$ (443,493)	\$ (533,621)
Items not involving cash:		
Amortization	50,739	63,455
Appropriations to Replacement Reserve fund	<u>27,927</u>	<u>27,927</u>
	(364,827)	(442,239)
Adjustment for Capital and Investment Transactions included in Operations:		
Principal repayments on long term debt	111,494	122,190
	(253,333)	(320,049)
Increase (decrease) in:		
Accounts receivable	175,142	91,205
Prepaid expenses	(22,251)	4,236
Inventory	21,195	(30,348)
Deferred revenue	(19,192)	(12,253)
Deferred contributions	(33,818)	(69,262)
Accounts payable	(82,808)	140,797
Due to government agencies	(32,946)	(73,583)
Replacement Reserve Fund	(18,540)	(2,264)
Operating Reserve Fund	<u>12,952</u>	<u>60,646</u>
	<u>(253,599)</u>	<u>(210,875)</u>
FINANCING ACTIVITIES		
Repayment of long term debt	<u>(123,844)</u>	<u>(122,190)</u>
	<u>(123,844)</u>	<u>(122,190)</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(65,987)	(25,755)
Transfer of houses held for sale	2	-
Change in restricted cash	<u>(332)</u>	<u>(760)</u>
	<u>(66,317)</u>	<u>(26,515)</u>
DECREASE IN CASH	(443,760)	(359,580)
CASH, beginning of year	<u>152,854</u>	<u>512,434</u>
(BANK INDEBTEDNESS) CASH, end of year	<u>\$ (290,906)</u>	<u>\$ 152,854</u>
(BANK INDEBTEDNESS) CASH REPRESENTED BY:		
Cash on hand	\$ 32,663	\$ 167,141
Bank indebtedness	<u>(323,568)</u>	<u>(14,287)</u>
	<u>\$ (290,905)</u>	<u>\$ 152,854</u>

See accompanying notes to consolidated financial statements.

**N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016**

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

The financial statements of the N'Quatqua First Nation are prepared in accordance with Canadian generally accepted accounting principles for government entities, as defined in the CICA Public Sector Accounting and Auditing Handbook.

b) Fund Accounting

The N'Quatqua First Nation uses fund accounting procedures which result in a self balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the Financial Statements.

c) Reporting Entity and Principles of Financial Reporting

The N'Quatqua First Nation reporting entity includes the Band government and all related entities which are accountable to the Band and are either owned or controlled by the Band. The N'Quatqua First Nation has three wholly-owned incorporated subsidiaries:

- N'Quatqua Logging Co. Ltd.
- N'Quatqua Fisheries Inc.
- NEEDCO N'Quatqua Employment & Economic Development Corporation

These financial statements consolidate the assets, liabilities and results of operations of these corporations.

All inter-entity balances have been eliminated on consolidation.

These corporations do not meet the definition of "government business enterprises" as defined in the CPA Public Sector Accounting and Auditing Handbook.

d) 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 provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets and prepaid expenses.

e) Cash and Cash Equivalents

Cash includes cash on hand and balances with banks net of bank overdraft.

N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

f) Inventory

Inventory, which consists of convenience store products and gasoline, is recorded at the lower of cost or net realizable value. Cost is calculated on a first-in first out basis.

g) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. 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.

Housing assets acquired under C.M.H.C. sponsored housing programs are amortized at a rate equivalent to the annual principal reduction in related long-term debt, as required for C.M.H.C. reporting purposes. Amortization for other capital assets is provided annually at rates calculated to write off the assets over their estimated useful lives as follows, except in the year of acquisition when one-half of the rate is used.

Non CMHC-sponsored tangible capital assets are amortized at the following rates:

Buildings	4%	straight-line
Fire truck	20%	straight-line
Office furniture and equipment	20%	straight-line
Machinery and equipment	10%	straight-line
Vehicles	20%	straight-line
Sawmill	10%	straight-line
Logging machinery	20%	straight-line
Fencing	10%	straight-line

Tangible capital assets are written down when conditions indicate that they no longer contribute to N'Quatqua 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 tangible 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.

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.

**N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016**

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

h) Net Debt

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

i) Revenue Recognition

All revenue is recorded on the accrual basis whereby amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue. Funding received under the terms of contribution agreements with the federal and provincial governments is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted by the government for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

Revenue derived from business activities is recognized when services or products are delivered and amounts are determinable and collectible.

j) Replacement Reserve

The Replacement Reserve account is funded by an annual charge against earnings as opposed to an appropriation of surplus. Interest earnings and approved expenditures are charged against the Reserve.

k) Houses Held for Sale to Band Members

The non-CMHC houses held for sale to band members are recorded on the Statement of Financial Position at a total amount equivalent to the principal payments to be made by Band members in order to acquire title to the assets.

CMHC Matured housing units are recorded on the Statement of Financial Position at \$1 per unit pending transfer to Band members when rental arrears are fully paid.

l) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the impairment of assets, amortization rates, and allowance for doubtful accounts receivable. Actual results could differ from those reported.

N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

m) Abbreviations

INAC refers to Indigenous and Northern Affairs Canada
 CMHC refers to Canadian Mortgage and Housing Corporation
 HC refers to Health Canada
 HRDC refers to Human Resources Development Canada
 FNES refers to First Nations Employment Society
 SSHS refers to Southern Stl'atl'imx Health Society
 VCH refers to Vancouver Coastal Health

2. CASH

	<u>2016</u>	<u>2015</u>
Cash is comprised of the following:		
Bank accounts:		
Band operating account	\$ -	\$ 82,210
BNS - Forestry account	12,037	63,084
Social Housing Program accounts	1,220	10,979
NEEDCO operating accounts	12,320	5,046
N'Quatqua Fisheries Inc. accounts	6,605	5,773
N'Quatqua Logging Co. Ltd. accounts	<u>481</u>	<u>49</u>
	<u>\$ 32,663</u>	<u>\$ 167,141</u>

N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

3. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Due from Funding Agencies:		
Province of BC	\$ 99,210	\$ 198,420
S.S.H.S.	31,788	49,152
First Nations Employment Society	990	4,376
Health Canada	12,600	12,600
B.C.A.A.F.C.	-	1,401
New Relationship Trust	400	-
BC Hydro	62,487	40,300
Squamish Lillooet Regional District	750	352
HC Patient Travel	14,278	14,278
CMHC	6,106	6,129
School District #48	57,417	28,429
First Nations Education Steering Committee Society	3,655	824
Interwest Timber Ltd.	10	27,538
First Nation Health Authority	654	-
	<u>290,345</u>	<u>383,799</u>
Due from Band Members:		
Housing, rents receivable	312,750	362,210
Housing, rents receivable, CMHC matured units	128,455	155,167
Overpayment of reimbursements	500	500
Mortgage and insurance arrears	32,474	40,075
	<u>474,179</u>	<u>557,952</u>
Band Sundry receivables	2,690	1,832
N'Quatqua Fisheries Inc. accounts receivable	26,500	26,500
NEEDCO accounts receivable	4,052	2,826
	<u>\$ 797,766</u>	<u>\$ 972,909</u>
Housing rents receivable, March 31, 2015	\$ 362,210	\$ 319,086
Increase in rental arrears for the year	23,267	43,124
Provision for uncollectible rents	<u>(72,727)</u>	<u>-</u>
Housing rents receivable, March 31, 2016	<u>\$ 312,750</u>	<u>\$ 362,210</u>

N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

4. INVENTORY

	<u>2016</u>	<u>2015</u>
Convenience store products	\$ 19,152	\$ 33,223
Fuel	12,678	19,802
	<u>\$ 31,830</u>	<u>\$ 53,025</u>

5. PREPAID EXPENSES

	<u>2016</u>	<u>2015</u>
Band administration - prepaid insurance	\$ 33,618	\$ 16,878
Social Housing - prepaid insurance	12,967	11,273
N'Quatqua Fisheries Inc. - prepaid insurance	1,640	1,111
NEEDCO - prepaid insurance	<u>4,352</u>	<u>1,070</u>
	<u>\$ 52,577</u>	<u>\$ 30,332</u>

6. CMHC HOUSES HELD FOR SALE

CMHC matured units (houses in the CMHC social housing program that have had their mortgages paid in full) are available to the homeowner for purchase for \$1 per unit once any rental arrears are paid in full.

No amortization of matured units is recorded after the mortgages are repaid as title is only being held pending payment of arrears.

7. RESTRICTED CASH AND DEPOSITS

	<u>2016</u>	<u>2015</u>
Replacement Reserve Funds:		
Cash in bank	\$ 24,722	\$ 24,742
St'at'imc (PC) 2011 Trust bank account (Note 18)	<u>468,239</u>	<u>467,887</u>
	<u>\$ 492,961</u>	<u>\$ 492,629</u>

N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

8. BANK INDEBTEDNESS

	<u>2016</u>	<u>2015</u>
Bank indebtedness is comprised of the following:		
Cheques issued in excess of funds on deposit:		
Social Housing Program accounts	\$ 6,793	\$ -
NEEDCO operating accounts	6,541	6,578
Band Scotiabank line of credit	117,677	7,709
Band TD First Nations Bank line of credit	<u>192,558</u>	<u>-</u>
	<u>\$ 323,569</u>	<u>\$ 14,287</u>

The Scotiabank line of credit has a limit of \$50,000 and bears interest at 3% per annum (2015 - 3%).

The TD First Nations Bank line of credit has a limit of \$150,000 (2015 - \$150,000) and bears interest at 3.7% per annum (2015 - 3.85%).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2016</u>	<u>2015</u>
Operating Fund Band Programs:		
Accounts payable	\$ 13,786	\$ 26,830
Due to Health Canada	42,515	42,515
Damage deposits	525	525
Accrued wages and benefits	13,917	38,933
Accrued liabilities	28,091	22,091
Social Housing Fund - accrued mortgage interest	1,083	1,362
Social Housing Fund - Damage deposits	1,588	1,050
N'Quatqua Fisheries Inc. - accounts payable	6,967	9,589
N'Quatqua Logging Inc. - accounts payable	3,750	6,844
NEEDCO - accounts payable	13,975	11,432
N'Quatqua First Nation Society	<u>101</u>	<u>101</u>
	<u>\$ 126,298</u>	<u>\$ 161,272</u>

N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

10. DEFERRED REVENUE

	<u>2016</u>	<u>2015</u>
St'at'imc (PC) 2011 Trust - Signing Bonus	\$ 560,872	\$ 580,065
	<u>\$ 560,872</u>	<u>\$ 580,065</u>

The surplus of the Trust Signing Bonus is deferred to cover the future payments due to Band members.

11. DEFERRED CONTRIBUTIONS

	<u>2016</u>	<u>2015</u>
St'at'imc (PC) 2011 Trust - Vehicle purchases	\$ 133,486	\$ 166,858
SSHS - Outdoor gym purchase	<u>1,785</u>	<u>2,231</u>
	<u>\$ 135,271</u>	<u>\$ 169,089</u>

The funding of the Trust withdrawal for vehicle purchases is deferred and recognized as revenue on the same basis as the amortization of the vehicles.

The funding from SSHS for the outdoor gym purchase is deferred and recognized as revenue on the same basis as the amortization of the outdoor gym.

12. MORTGAGES AND LOANS:

	<u>2016</u>	<u>2015</u>
<u>Mortgages on Social Housing Units:</u>		
All Nations Trust Company, loan with payments of \$564 per month including interest at 1.67% with a term of five years renewable on June 1, 2018. The loan is maturing on April 1, 2033 secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	\$ 100,661	\$ 105,711

All Nations Trust Company, loan with payments of \$2,114 per month including annual interest at 1.80% with a term of four years and nine months renewable on July 1, 2016. The loan is maturing on July 1, 2016 and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada

8,423	33,389
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N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

12. MORTGAGES AND LOANS (CONT'D):

All Nations Trust Company, loan with payments of \$1,800 per month including annual interest at 2.11%. The loan is maturing on October 1, 2018 and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	54,266	74,493
All Nations Trust Company, loan with payments of \$1,453 per month including annual interest at 2.69% with a term of five years renewable on August 1, 2015. The loan is maturing on April 1, 2017 and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	18,510	35,304
All Nations Trust Company, loan with payments of \$742 per month including annual interest at 1.92% with a term of five years renewable on April 1, 2019. The loan is maturing on April 1, 2024 and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	66,667	74,174
All Nations Trust Company, loan with payments of \$1,743 per month including annual interest at 2.63% with a term of five years renewable on June 1, 2016. The loan is maturing on May 1, 2026 and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	100,970	118,979
All Nations Trust Company, loan with payments of \$1,118 per month including annual interest at 1.67% with a term of five years renewable on June 1, 2018. The loan is maturing on April 1, 2023 and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	89,587	101,402
All Nations Trust Company, loan with payments of \$1,515 per month including annual interest at 2.65% with a term of five years renewable on April 1, 2016. The loan is maturing on April 1, 2026 and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	<u>160,862</u>	<u>174,598</u>
	<u>599,946</u>	<u>718,050</u>

N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

12. MORTGAGES AND LOANS (CONT'D):

Mortgage on Houses Held for Sale to Band Members:

Bank of Montreal loan with payments of \$552 per month including annual interest at 4.89%. The loan is maturing on September 1, 2018 and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada.

<u>15,192</u>	<u>20,932</u>
<u>\$ 615,138</u>	<u>\$ 738,982</u>

Principal payments due in each of the next five years are approximately:

2017	\$ 111,809
2018	86,976
2019	74,222
2020	59,872
2021	60,929

13. REPLACEMENT AND OPERATING RESERVE FUNDS

In accordance with the terms and conditions of the Operating Agreement with CMHC, the Social Housing Program must set aside funds annually for the non-annual expenditures of the Program for the repair and replacement of certain assets.

These funds are to be held in a separate interest-bearing bank account or term deposit with the interest earned to be credited as revenue to the Replacement Reserve Fund. As at the Audit Report date, the following amounts have not been deposited to a separate interest bearing account.

Replacement Reserve Fund:

	<u>2016</u>	<u>2015</u>
Social Housing I	\$ 52,394	\$ 52,340
Social Housing II	<u>160,715</u>	<u>151,362</u>
Total amount underfunded	<u>\$ 213,109</u>	<u>\$ 203,702</u>

Operating Reserve Fund:

Social Housing II - amount underfunded	<u>\$ 271,809</u>	<u>\$ 258,857</u>
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N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

13. REPLACEMENT AND OPERATING RESERVE FUNDS (CONT'D):

The replacement reserve for the social housing units that have matured has been transferred to the Band and will be used for the repair and replacement of worn out assets on the houses that are held for sale.

14. CONTINGENT LIABILITIES

Recoverable Surpluses

The N'Quatqua First Nation is contingently liable for the recovery of surpluses funded as a "SET" funding from INAC:

	<u>2016</u>	<u>2015</u>
Social Development - Special Needs	\$ 5,783	\$ 1,515
Social Development - Basic	<u>8,917</u>	<u>35,893</u>
	<u>\$ 14,700</u>	<u>\$ 37,408</u>

15. SUBSIDY SURPLUS FUND AND OPERATING RESERVE FUND

In accordance with the terms and conditions of the Operating Agreements entered into with CMHC prior to 1997, the Social Housing Program is permitted to set aside an amount of up to \$500 per housing unit for the purpose of meeting future requirements of income-tested occupants over and above the maximum federal assistance. This Subsidy Surplus Fund may be replenished to its original limit from subsequent operating surpluses. Any surpluses in excess of \$500 per unit is recoverable by CMHC.

In the case of Operating Agreements entered into in 1997 and beyond, a Subsidy Surplus Fund is not a condition of the Agreement. Any surplus revenue will be retained by the First Nation within an Operating Reserve Fund which may only be used for the ongoing operating costs of the housing projects committed under 1997 On-Reserve Housing Program.

**N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016**

16. EQUITY IN OTTAWA TRUSTS

	<u>2016</u>	<u>2015</u>
BALANCE, beginning of year	\$ 540,262	\$ 519,082
Additions:		
Interest income and grants	<u>11,937</u>	<u>21,180</u>
	<u>552,199</u>	<u>540,262</u>
Deductions:	<u>-</u>	<u>-</u>
BALANCE, end of year	<u><u>552,199</u></u>	<u><u>540,262</u></u>
COMPRISED OF:		
Revenue Trust Fund	\$ 273,175	\$ 261,238
Capital Trust Fund	<u>279,024</u>	<u>279,024</u>
	<u><u>\$ 552,199</u></u>	<u><u>\$ 540,262</u></u>

17. CANADA MORTGAGE AND HOUSING CORPORATION SUBSIDY

The Social Housing Program has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act to reduce mortgage interest expense to enable the project to provide housing to low-income individuals. The amount of assistance received in 2016 was \$73,414 (2015 - \$73,587).

18. ST'AT'IMC (PC) 2011 TRUST

The St'at'imc Authority reached a comprehensive settlement with the Province of British Columbia and BC Hydro on May 10, 2011. The Settlement Agreement provides compensation for impacts to St'at'imc lands and people in respect of past, present and future hydro development in the St'at'imc territory; as a result, the St'at'imc (PC) 2011 Trust was established to receive the settlement funds.

N'Quatqua is a beneficiary of the Trust and in accordance with the Settlement Agreement and Trust Indenture, the Nation is entitled to receive certain sums of monies from the Trust each year to be used for specific purposes as outlined in a Band Council Resolution.

Available Trust Revenues shall consist of funding received in a fiscal year and unused funding received in previous fiscal years. Expenditures shall consist only of expenses incurred for the purposes stated in the Band Council Resolution which shall be consistent with the purposes specified in the Indenture. The Nation is permitted to expend Trust monies on a basis other than as specified in the Band Council Resolution provided that the expenditures are consistent with the purposes specified in the Indenture.

During the year, the Nation neither requested nor received any funds.

**N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016**

19. COMPARATIVE FIGURES

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

20. FAIR VALUE ESTIMATION

The Band's financial instruments consists of cash, accounts receivable, accounts payable and accrued liabilities, amounts due to government agencies, mortgages and loans payable. It is management's opinion that the Band is not exposed to significant interest risk arising from these financial instruments. Exposure to credit risk is also not significant with the exception of Rents Receivable which have a higher credit risk due to the nature of the social housing program. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

21. PRIOR PERIOD ADJUSTMENT

During the year, it was discovered that the Band has been inadvertently recording the expected recovery of provincial taxes paid on fuel sales to status First Nations individuals on reserve incorrectly for a three year period. Corrections of these amounts for periods before April 1, 2015 have been recorded retroactively in the financial statements. As a result, the deficit at April 1, 2015 has been increased by \$51, 028 and amounts due from government agencies as at March 31, 2015 has decreased by \$51,028, the deficit at April 1, 2014 was increased by \$20,049, sales for the year end March 31, 2015 have decreased \$16,379, cost of sales for the year end March 31, 2015 have increased by \$14,600 and the amounts due from government agencies has decreased by \$51,028.

N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

22. SEGMENT DISCLOSURE:

The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The following table presents the expenses incurred and the revenue generated by main object of expense and by major revenue type. The segment results for the year are as follows:

	Band Government			Social Services			Economic Development		
	2016	2015	BUDGET 2016	2016	2015	BUDGET 2016	2016	2015	BUDGET 2016
Revenues									
Federal Government	\$ 196,583	\$ 199,058	\$ 196,583	\$ 378,579	\$ 267,225	\$ 416,995	\$ 88,403	\$ (50,000)	\$ 88,403
Provincial Government	6,396	18,109	6,396	52,165	49,186	46,020	90,737	97,704	98,737
Economic Activities	6,975	4,645	7,100	2,561	1,675	3,500	32,459	103,582	22,000
Net income from investments in government business enterprises	-	-	-	-	-	-	(50,786)	(55,589)	4,850
BC Hydro	5,393	5,393	5,393	-	-	-	62,487	40,300	-
Other revenue	109,904	40,674	110,350	22,748	52,329	26,000	23,524	74,403	7,700
Total Revenue	<u>325,251</u>	<u>267,879</u>	<u>325,822</u>	<u>456,053</u>	<u>370,415</u>	<u>492,515</u>	<u>246,824</u>	<u>210,400</u>	<u>221,690</u>
Expenses									
Wages, benefits & subcontracts	176,572	178,216	176,946	185,265	187,552	171,440	140,165	261,171	51,003
Program expenses	192,772	46,503	99,987	438,120	344,333	318,191	81,714	169,836	51,349
Travel & Honoraria	61,376	48,240	61,700	9,321	18,372	7,638	12,998	6,929	10,000
Professional fees	60,422	38,359	45,000	9,772	7,302	-	32,998	37,356	53,465
Total Expenses	<u>491,142</u>	<u>311,318</u>	<u>383,633</u>	<u>642,478</u>	<u>557,559</u>	<u>497,269</u>	<u>267,875</u>	<u>475,292</u>	<u>165,817</u>
Annual Surplus (Deficit)	<u>\$ (165,891)</u>	<u>\$ (43,439)</u>	<u>\$ (57,811)</u>	<u>\$ (186,425)</u>	<u>\$ (187,144)</u>	<u>\$ (4,754)</u>	<u>\$ (21,051)</u>	<u>\$ (264,892)</u>	<u>\$ 55,873</u>
	Capital Projects			Education			Health		
	2016	2015	BUDGET 2016	2016	2015	BUDGET 2016	2016	2015	BUDGET 2016
Revenues									
Federal Government	\$ -	\$ -	\$ -	\$ 240,567	\$ 167,586	\$ 299,518	\$ 203,445	\$ 165,589	\$ 200,166
Provincial Government	-	-	-	99,726	70,876	88,239	-	-	-
Economic Activities	-	-	-	-	-	-	-	-	-
Net income from investments in government business enterprises	-	-	-	-	-	-	-	-	-
BC Hydro	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	298,545	280,943	275,087	17,197	2,239	29,000
Total Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>638,838</u>	<u>519,405</u>	<u>662,844</u>	<u>220,642</u>	<u>167,828</u>	<u>229,166</u>
Expenses									
Wages, benefits & subcontracts	-	-	-	448,418	400,377	457,672	112,982	101,747	118,645
Program expenses	-	-	-	204,894	168,709	160,686	156,321	73,926	163,183
Travel & Honoraria	-	-	-	40,908	15,663	23,813	8,311	10,259	3,560
Professional fees	-	-	-	-	-	-	-	-	-
Total Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>694,220</u>	<u>584,739</u>	<u>642,171</u>	<u>277,614</u>	<u>185,932</u>	<u>285,388</u>
Annual Surplus (Deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (55,382)</u>	<u>\$ (65,334)</u>	<u>\$ 20,673</u>	<u>\$ (56,972)</u>	<u>\$ (18,104)</u>	<u>\$ (56,222)</u>

N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

22. SEGMENT DISCLOSURE (CONT'D):

	<u>2016</u>	<u>Housing</u> <u>2015</u>	<u>BUDGET</u> <u>2016</u>	<u>2016</u>	<u>Culture</u> <u>2015</u>	<u>BUDGET</u> <u>2016</u>	<u>2016</u>	<u>Total</u> <u>2015</u>	<u>BUDGET</u> <u>2016</u>
Revenues									
Federal Government	\$ 73,414	\$ 73,587	\$ -	\$ -	\$ -	\$ -	\$ 1,180,991	\$ 823,045	\$ 1,201,665
Provincial Government	-	-	-	-	-	-	249,024	235,875	239,392
Economic Activities	147,764	149,629	-	-	-	-	189,759	259,534	32,600
Net income from investments in government business enterprises	-	-	-	-	-	-	(50,786)	(55,589)	4,850
BC Hydro	-	-	-	-	-	-	67,880	45,693	5,393
Other revenue	<u>8,968</u>	<u>248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>480,886</u>	<u>450,836</u>	<u>448,137</u>
Total Revenue	<u>230,146</u>	<u>223,464</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,117,754</u>	<u>1,759,394</u>	<u>1,932,037</u>
Expenses									
Wages, benefits & subcontracts	24,043	6,549	-	-	-	-	1,087,445	1,135,612	975,706
Program expenses	197,222	217,475	-	-	-	-	1,271,043	1,020,782	793,396
Travel & Honoraria	712	-	-	-	-	-	133,626	99,453	106,711
Professional fees	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,191</u>	<u>89,017</u>	<u>98,465</u>
Total Expenses	<u>227,977</u>	<u>230,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,601,305</u>	<u>2,344,864</u>	<u>1,974,278</u>
Annual Surplus (Deficit)	<u>\$ 2,169</u>	<u>\$ (6,560)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (483,551)</u>	<u>\$ (585,470)</u>	<u>\$ (42,241)</u>

23. EXPENSES BY OBJECT

	<u>2016</u>	<u>2015</u>
Salaries and wages	\$ 981,104	\$ 1,022,737
Materials and supplies	123,405	72,010
Honoraria	44,860	35,795
Interest	135,869	141,242
Professional services	122,044	99,722
Amortization	50,739	63,455
Travel	94,076	67,260
Operations, maintenance, and utilities	283,359	301,493
Insurance	45,450	52,732
Contract services	220,490	226,314
Social development payments	154,046	149,655
Other	<u>887,131</u>	<u>722,016</u>
	<u>\$ 3,142,573</u>	<u>\$ 2,954,431</u>

24. BUDGETED FIGURES

Unaudited budget figures have been provided for comparative purposes and have been derived from estimates approved by management. However, budget data was not available for all programs.

**N'QUATQUA FIRST NATION
SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED MARCH 31, 2016**

	COST		ACCUMULATED AMORTIZATION			Net Book Value	
	Balance, March 31, 2015	Additions	Balance, March 31, 2015	Amortization	March 31, 2016	March 31, 2016	March 31, 2015
Infrastructure - Subdivision construction	\$ 200,355	\$ -	\$ 200,355	-	\$ -	\$ 200,355	\$ 200,355
Infrastructure - Water System	44,992	-	44,992	-	-	44,992	44,992
Land & buildings	1,674,721	41,500	1,716,221	33,900	871,089	845,132	837,532
Gas station	381,595	-	381,595	7,467	202,377	179,218	186,685
Fire Truck	173,766	-	173,766	-	173,766	-	-
Land improvement	60,721	-	60,721	-	-	60,721	60,721
Office equipment	141,133	3,085	144,218	2,153	134,067	10,151	9,219
Machinery & equipment	363,401	1,543	364,944	6,159	308,740	56,204	60,820
Vehicles	340,655	-	340,655	34,001	204,648	136,007	170,008
Computer software	79,131	-	79,131	-	79,131	-	-
Computer equipment	120,061	11,146	131,207	6,673	98,942	32,265	27,792
Sawmill	23,920	-	23,920	-	23,920	-	-
Logging machinery	151,951	-	151,951	-	151,951	-	-
Outdoor Gym	25,309	-	25,309	3,644	10,731	14,578	18,222
Fencing	2,885	6,095	8,980	305	3,190	5,790	-
Subtotal	3,784,596	63,369	3,847,965	94,302	2,262,552	1,585,413	1,616,346
CMHC Social Housing Capital Assets	2,974,134	-	2,974,134	118,101	1,372,551	1,601,583	1,719,684
N'Quatqua Fisheries Inc. Equipment	6,286	-	6,286	173	5,594	692	865
N'Quatqua Logging Co. Ltd. Property, Plant, & Equipment	308,600	-	308,600	371	307,117	1,483	1,854
NEEDCO Equipment	60,648	2,618	63,266	2,155	54,652	8,614	8,151
Total	\$ 7,134,264	\$ 65,987	\$ 7,200,251	\$ 215,102	\$ 4,002,466	\$ 3,197,785	\$ 3,346,900

