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**N'QUATQUA FIRST NATION  
ANNUAL FINANCIAL REPORT**

**March 31, 2017**

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**SEIGNEURET & COMPANY  
Chartered Professional Accountants**

## N'QUATQUA FIRST NATION

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

July 27, 2017

### 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

Meek Shawage

Councilor

Shawage

Councilor

Shaheen Patrick

Councilor

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## 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, 2017, 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, 2017 and the results of operations, changes in net debt, and cash flow of the Nation for the year then ended, in accordance with Canadian public sector accounting standards.

*Seigneuret & Company*  
CHARTERED PROFESSIONAL ACCOUNTANTS

July 27, 2017

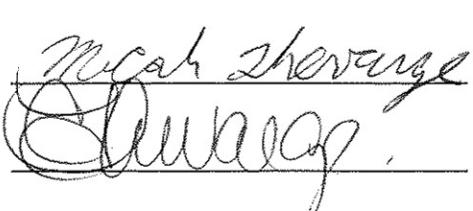
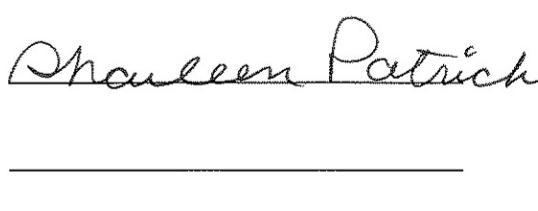
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## N'QUATQUA FIRST NATION

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	\$ 297,932	\$ 32,663
Accounts receivable (Note 3)	942,531	797,766
Inventory (Note 4)	33,366	31,830
Restricted cash and deposits (Note 7)	243,073	492,961
Due from government agencies	81,025	127,959
Ottawa Trust funds (Note 16)	<u>563,572</u>	<u>552,199</u>
	<u>2,161,499</u>	<u>2,035,378</u>
<b>LIABILITIES</b>		
Bank indebtedness (Note 8)	111,918	323,568
Accounts payable and accrued liabilities (Note 9)	203,029	126,144
Accounts payable INAC	22,388	78,680
Deferred revenue (Note 10)	743,030	560,872
Deferred contributions (Note 11)	250,401	135,271
Long term debt (Note 12)	<u>504,028</u>	<u>615,139</u>
	<u>1,834,794</u>	<u>1,839,674</u>
Net Debt	<u>326,705</u>	<u>195,704</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses (Note 5)	66,004	52,581
CMHC houses held for sale (Note 6)	12	12
Tangible capital assets (Schedule)	<u>3,127,403</u>	<u>3,197,785</u>
	<u>3,193,419</u>	<u>3,250,378</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 3,520,124</u>	<u>\$ 3,446,082</u>
Equity in capital assets	\$ 960,783	\$ 1,004,640
Equity in Ottawa Trusts (Note 16)	563,572	552,199
Equity in Capital housing assets	1,139,510	1,139,510
Replacement and Operating reserves	582,916	561,040
Surplus - operations	273,343	188,693
<b>ACCUMULATED SURPLUS</b>	<u>\$ 3,520,124</u>	<u>\$ 3,446,082</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, 2017

	<u>BUDGET 2017</u>	<u>2017</u>	<u>2016</u>
	(Note 23)		
<b>REVENUE</b>			
Federal Government:			
Indigenous and Northern Affairs Canada	\$ 883,303	\$ 981,837	\$ 894,232
Indigenous and Northern Affairs Canada recoveries	-	(22,388)	(89,156)
First Nations Employment Society	13,128	51,547	16,340
Department of Fisheries	-	63,000	63,000
Southern Stl'atl'imx Health Society	126,897	126,897	127,155
CMHC	-	317,415	73,414
First Nations Health Authority	-	144,603	146,606
Ministry of Forests	90,737	90,737	90,737
Province of British Columbia	185,526	371,239	119,445
School District #48	52,742	52,742	285,018
Rental income	-	136,452	147,764
Band contribution to rental income	-	-	6,470
First Nations Education Steering Committee	68,023	70,132	29,586
Administration fees	67,508	83,091	89,506
BC Association of Aboriginal Friendship Centres	3,491	7,680	6,283
Band rental	47,500	35,952	46,100
Specific Claims	10,000	7,906	8,311
Interwest Timber Ltd.	-	2,211	22,692
Lower St'at'imc Tribal Council	-	2,280	-
BC Hydro contracts	49,613	95,226	67,880
St'at'imc (PC) 2011 Trust (Note 18)	-	190,280	-
Childcare fees	8,300	6,757	4,610
Crawford - ITP	-	-	6,000
Squamish-Lillooet Regional District	10,000	4,151	4,748
Fish sales	-	3,541	5,790
Jacket sales	6,000	4,050	4,640
New Relations Trust	16,700	23,700	7,442
Sto:lo Nation (SASET)	57,610	70,426	12,401
Squamish Forestry	-	-	357
NEEDCO sales	-	506,010	427,434
Lillooet Tribal Council	-	20,500	-
Whiteline Contracting	-	126,388	-
Other income	16,850	10,392	34,217
Transfer from deferred contributions	-	31,553	33,818
	<u>1,713,928</u>	<u>3,616,307</u>	<u>2,692,840</u>
<b>EXPENDITURE</b>			
Band government	372,821	470,781	491,144
Social services	584,653	715,141	651,797
Economic development	929,678	925,679	809,145
Education	457,286	535,366	684,899
Health	280,242	312,476	277,610
Housing	-	241,203	227,978
	<u>2,624,680</u>	<u>3,200,646</u>	<u>3,142,573</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURE</b>	<b>(910,752)</b>	<b>415,661</b>	<b>(449,733)</b>
Transfer from/(to) deferred revenue	-	(182,158)	19,192
Transfer to deferred contributions	-	(146,684)	-
Transfer to operating reserve	-	(2,169)	(12,952)
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>	<b>(910,752)</b>	<b>84,650</b>	<b>(443,493)</b>
<b>OPENING SURPLUS</b>	<b>188,693</b>	<b>188,693</b>	<b>632,186</b>
<b>CLOSING SURPLUS</b>	<b>\$ (722,059)</b>	<b>\$ 273,343</b>	<b>\$ 188,693</b>

See accompanying notes to consolidated financial statements.

## N'QUATQUA FIRST NATION

### CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
Annual surplus (deficit)	\$ 84,650	\$ (443,493)
Change in equity - Ottawa trust funds	11,373	11,938
Change in equity - Band capital assets	(43,857)	(52,871)
Change in replacement and operating reserve	21,877	22,339
	<u>74,043</u>	<u>(462,087)</u>
Acquisition of tangible capital assets	(127,497)	(65,987)
Amortization of tangible capital assets	197,879	215,102
Prepaid expenses	(13,424)	(22,250)
Acquisition of CMHC houses held for sale	-	2
	<u>56,958</u>	<u>126,867</u>
Increase (decrease) in net debt	131,001	(335,220)
Net debt, beginning of year	<u>195,704</u>	<u>530,924</u>
Net debt, end of year	<u>\$ 326,705</u>	<u>\$ 195,704</u>

## N'QUATQUA FIRST NATION

### CONSOLIDATED STATEMENT OF CASH FLOW

YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
<b>OPERATING ACTIVITIES</b>		
Excess (Shortfall) of Revenue over Expenditures	\$ 84,650	\$ (443,493)
Items not involving cash:		
Amortization	48,983	50,739
Appropriations to Replacement Reserve fund	<u>27,927</u>	<u>27,927</u>
	161,560	(364,827)
Adjustment for Capital and Investment Transactions included in Operations:		
Principal repayments on long term debt	105,038	111,494
	266,598	(253,333)
Increase (decrease) in:		
Accounts receivable	(144,765)	175,142
Prepaid expenses	(13,423)	(22,250)
Inventory	(1,536)	21,195
Deferred revenue	182,158	(19,192)
Deferred contributions	115,130	(33,818)
Accounts payable	20,593	(82,839)
Due to government agencies	46,934	(32,915)
Replacement Reserve Fund	(8,219)	(18,540)
Operating Reserve Fund	<u>2,169</u>	<u>12,952</u>
	<u>465,639</u>	<u>(253,598)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of long term debt	<u>(111,111)</u>	<u>(123,844)</u>
	<u>(111,111)</u>	<u>(123,844)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	(127,497)	(65,987)
Transfer of houses held for sale	-	2
Change in restricted cash	<u>249,888</u>	<u>(332)</u>
	<u>122,391</u>	<u>(66,317)</u>
INCREASE (DECREASE) IN CASH	476,919	(443,759)
(BANK INDEBTEDNESS) CASH, beginning of year	<u>(290,905)</u>	<u>152,854</u>
CASH (BANK INDEBTEDNESS), end of year	<u>\$ 186,014</u>	<u>\$ (290,905)</u>
<b>CASH (BANK INDEBTEDNESS) REPRESENTED BY:</b>		
Cash on hand	\$ 297,932	\$ 32,663
Bank indebtedness	<u>(111,918)</u>	<u>(323,568)</u>
	<u>\$ 186,014</u>	<u>\$ (290,905)</u>

**N'QUATQUA FIRST NATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**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 CPA Canada Public Sector Accounting 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 Canada Public Sector Accounting 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, 2017**

**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, 2017**

**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, 2017**

**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>2017</u>	<u>2016</u>
Cash is comprised of the following:		
Bank accounts:		
Band operating account	\$ 208,649	\$ -
BNS - Forestry account	38,232	12,037
Social Housing Program accounts	24,536	1,220
NEEDCO operating accounts	4,935	12,320
N'Quatqua Fisheries Inc. accounts	21,256	6,605
N'Quatqua Logging Co. Ltd. accounts	<u>324</u>	<u>481</u>
	<u><u>\$ 297,932</u></u>	<u><u>\$ 32,663</u></u>

Cash is comprised of the following:

Bank accounts:

Band operating account	\$ 208,649	\$ -
BNS - Forestry account	38,232	12,037
Social Housing Program accounts	24,536	1,220
NEEDCO operating accounts	4,935	12,320
N'Quatqua Fisheries Inc. accounts	21,256	6,605
N'Quatqua Logging Co. Ltd. accounts	<u>324</u>	<u>481</u>
	<u><u>\$ 297,932</u></u>	<u><u>\$ 32,663</u></u>

**N'QUATQUA FIRST NATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**3. ACCOUNTS RECEIVABLE**

	<u>2017</u>	<u>2016</u>
<b>Due from Funding Agencies:</b>		
Province of BC	\$ 80,000	\$ 99,210
S.S.H.S.	31,724	31,788
First Nations Employment Society	-	990
Health Canada	-	12,600
B.C.A.A.F.C.	2,793	-
New Relationship Trust	4,340	400
BC Hydro	11,588	62,487
Squamish Lillooet Regional District	-	750
HC Patient Travel	-	14,278
CMHC	222,708	6,106
School District #48	-	57,417
First Nations Education Steering Committee Society	9,501	3,655
Interwest Timber Ltd.	10	10
First Nation Health Authority	-	654
St'at'imc (PC) 2011 Trust	66,138	-
Sto:lo Aboriginal Skills & Employment Training	<u>42,513</u>	<u>-</u>
	<u>471,315</u>	<u>290,345</u>
<b>Due from Band Members:</b>		
Housing, rents receivable	308,065	312,750
Housing, rents receivable, CMHC matured units	103,631	128,455
Overpayment of reimbursements	250	500
Mortgage and insurance arrears	<u>27,089</u>	<u>32,474</u>
	<u>439,035</u>	<u>474,179</u>
Band Sundry receivables	1,794	2,690
N'Quatqua Fisheries Inc. accounts receivable	26,500	26,500
NEEDCO accounts receivable	<u>3,887</u>	<u>4,052</u>
	<u>\$ 942,531</u>	<u>\$ 797,766</u>
 Housing rents receivable, March 31, 2016	 \$ 312,750	 \$ 362,210
Increase in rental arrears for the year	21,758	23,267
Provision for uncollectible rents	<u>(26,443)</u>	<u>(72,727)</u>
 Housing rents receivable, March 31, 2017	 <u>\$ 308,065</u>	 <u>\$ 312,750</u>

**N'QUATQUA FIRST NATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**4. INVENTORY**

	<u>2017</u>	<u>2016</u>
Convenience store products	\$ 15,180	\$ 19,152
Fuel	<u>18,186</u>	<u>12,678</u>
	<u><u>\$ 33,366</u></u>	<u><u>\$ 31,830</u></u>

**5. PREPAID EXPENSES**

	<u>2017</u>	<u>2016</u>
Band administration - prepaid insurance	\$ 35,181	\$ 33,622
Prepaid social assistance	13,893	-
Social Housing - prepaid insurance	10,746	12,967
N'Quatqua Fisheries Inc. - prepaid insurance	1,630	1,640
NEEDCO - prepaid insurance	<u>4,554</u>	<u>4,352</u>
	<u><u>\$ 66,004</u></u>	<u><u>\$ 52,581</u></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>2017</u>	<u>2016</u>
Replacement Reserve Funds:		
Cash in bank	\$ 24,702	\$ 24,722
St'at'imc (PC) 2011 Trust bank account (Note 18)	<u>218,371</u>	<u>468,239</u>
	<u><u>\$ 243,073</u></u>	<u><u>\$ 492,961</u></u>

**N'QUATQUA FIRST NATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**8. BANK INDEBTEDNESS**

	<u>2017</u>	<u>2016</u>
Bank indebtedness is comprised of the following:		
Cheques issued in excess of funds on deposit:		
Social Housing Program accounts	\$ -	\$ 6,792
NEEDCO operating accounts	5,551	6,541
Band Scotiabank line of credit	106,367	117,677
Band TD First Nations Bank line of credit	<u>-</u>	<u>192,558</u>
	<u>\$ 111,918</u>	<u>\$ 323,568</u>

The Scotiabank line of credit has a limit of \$50,000 and bears interest at 3% per annum (2016 - 3%).

The TD First Nations Bank line of credit has a limit of \$150,000 (2016 - \$150,000) and bears interest at 3.7% per annum (2016 - 3.85%).

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2017</u>	<u>2016</u>
Operating Fund Band Programs:		
Accounts payable	\$ 130,021	\$ 13,787
Due to Health Canada	-	42,515
Damage deposits	525	525
Accrued wages and benefits	16,785	13,917
Accrued liabilities	30,000	28,091
Social Housing Fund - accrued mortgage interest	618	1,083
Social Housing Fund - Damage deposits	2,438	1,588
N'Quatqua Fisheries Inc. - accounts payable	8,239	6,826
N'Quatqua Logging Inc. - accounts payable	3,750	3,750
NEEDCO - accounts payable	10,552	13,961
N'Quatqua First Nation Society	<u>101</u>	<u>101</u>
	<u>\$ 203,029</u>	<u>\$ 126,144</u>

**N'QUATQUA FIRST NATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**10. DEFERRED REVENUE**

	<u>2017</u>	<u>2016</u>
St'at'imc (PC) 2011 Trust - Signing Bonus	\$ 551,233	\$ 560,872
Social Housing Fund - CMHC Supplemental subsidy	<u>191,797</u>	-
	<u><u>\$ 743,030</u></u>	<u><u>\$ 560,872</u></u>

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

The CMHC supplemental subsidy is deferred to cover future replacement expenditures in Social Housing.

**11. DEFERRED CONTRIBUTIONS**

	<u>2017</u>	<u>2016</u>
St'at'imc (PC) 2011 Trust - Vehicle purchases	\$ 106,789	\$ 133,486
St'at'imc (PC) 2011 Trust - HVAC unit	16,920	-
St'at'imc (PC) 2011 Trust - Security system	53,039	-
INAC - Security system	22,542	-
St'at'imc (PC) 2011 Trust - Fire Hall	49,683	-
SSHS - Outdoor gym purchase	<u>1,428</u>	<u>1,785</u>
	<u><u>\$ 250,401</u></u>	<u><u>\$ 135,271</u></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 of the Trust withdrawal for the HVAC unit is deferred and recognized as revenue on the same basis as the amortization of the HVAC unit.

The funding of the Trust withdrawal for the security system is deferred and recognized as revenue on the same basis as the amortization of the security system. The security system for the administration buildings will not be amortized until it is installed and available for use.

The funding from INAC for the security system is deferred and recognized as revenue on the same basis as the amortization of the security system. The security system for the administration buildings will not be amortized until it is installed and available for use.

The funding of the Trust withdrawal for the fire hall is deferred and recognized as revenue on the same basis as the amortization of the fire hall. The fire hall will not be amortized until it is completed and available for use.

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.

**N'QUATQUA FIRST NATION**  
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**12. MORTGAGES AND LOANS:**

	<u>2017</u>	<u>2016</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	\$ 95,520	\$ 100,662
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
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	33,607	54,267
All Nations Trust Company, loan with payments of \$1,431 per month including annual interest at 0.91%. The loan is maturing on April 1, 2017 and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	1,431	18,510
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	58,965	66,667
All Nations Trust Company, loan with payments of \$1,681 per month including annual interest at 1.14% with a term of five years renewable on June 1, 2021. The loan is maturing on May 1, 2026 and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	82,033	100,970

**N'QUATQUA FIRST NATION**  
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**12. MORTGAGES AND LOANS (CONT'D):**

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	77,568	89,587
All Nations Trust Company, loan with payments of \$1,407 per month including annual interest at 1.11% with a term of five years renewable on April 1, 2021. The loan is maturing on April 1, 2026 and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	<u>145,785</u>	<u>160,862</u>
	<u>494,909</u>	<u>599,948</u>

**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>9,119</u>	<u>15,191</u>
	<u>\$ 504,028</u>	<u>\$ 615,139</u>

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

2018	\$ 86,973
2019	74,168
2020	59,868
2021	60,925
2022	45,120

**N'QUATQUA FIRST NATION**  
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**13. REPLACEMENT AND OPERATING RESERVE FUNDS**

In accordance with the terms and conditions of the Operating Agreements 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>2017</u>	<u>2016</u>
Social Housing I	\$ 56,292	\$ 52,394
Social Housing II	<u>176,545</u>	<u>160,715</u>
Total amount underfunded	<u>\$ 232,837</u>	<u>\$ 213,109</u>

Operating Reserve Fund:

Social Housing II - amount underfunded	<u>\$ 273,978</u>	<u>\$ 271,809</u>
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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>2017</u>	<u>2016</u>
Social Development - Special Needs	\$ 342	\$ 5,783
Social Development - Basic	-	8,917
Database and Security System	22,541	-
CCP	<u>2,616</u>	<u>-</u>
	<u>\$ 25,499</u>	<u>\$ 14,700</u>

**N'QUATQUA FIRST NATION**  
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**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.

**16. EQUITY IN OTTAWA TRUSTS**

	<u>2017</u>	<u>2016</u>
BALANCE, beginning of year	\$ 552,199	\$ 540,262
Additions:		
Interest income and grants	<u>11,373</u>	<u>11,937</u>
	<u>563,572</u>	<u>552,199</u>
Deductions:		
	<u>-</u>	<u>-</u>
BALANCE, end of year	<u>563,572</u>	<u>552,199</u>
COMPRISED OF:		
Revenue Trust Fund	\$ 284,548	\$ 273,175
Capital Trust Fund	<u>279,024</u>	<u>279,024</u>
	<u>\$ 563,572</u>	<u>\$ 552,199</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 2017 was \$66,767 (2016 - \$73,414).

**N'QUATQUA FIRST NATION**  
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**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 requested \$190,280 (2016 - \$NIL).

**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.

**N'QUATQUA FIRST NATION**  
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**MARCH 31, 2017**

**21. 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		
	<u>2017</u>	<u>2016</u>	<u>BUDGET</u> <u>2017</u>	<u>2017</u>	<u>2016</u>	<u>BUDGET</u> <u>2017</u>	<u>2017</u>	<u>2016</u>	<u>BUDGET</u> <u>2017</u>
<b>Revenues</b>									
Federal Government	\$ 281,224	\$ 196,583	\$ 191,405	\$ 492,058	\$ 378,579	\$ 484,952	\$ 133,112	\$ 88,403	\$ 133,112
Provincial Government	34,322	6,396	34,322	53,700	52,165	47,163	270,737	90,737	90,737
Economic Activities	6,902	6,975	7,000	1,725	2,561	3,500	20,291	32,459	22,000
Net income from investments in government business enterprises	-	-	-	-	-	-	(39,843)	(50,786)	-
BC Hydro	5,393	5,393	5,393	-	-	-	89,833	62,487	44,220
Other revenue	188,060	109,904	105,950	84,932	56,120	12,500	126,625	23,524	129,904
<b>Total Revenue</b>	<b>515,901</b>	<b>325,251</b>	<b>344,070</b>	<b>632,415</b>	<b>489,425</b>	<b>548,115</b>	<b>600,755</b>	<b>246,824</b>	<b>419,973</b>
<b>Expenses</b>									
Wages, benefits & subcontracts	181,178	176,572	189,063	233,204	185,265	230,665	249,756	140,165	256,508
Program expenses	160,993	192,772	90,758	401,575	438,120	344,382	59,715	81,714	60,450
Travel & Honoraria	71,869	61,376	48,000	29,999	9,321	9,606	8,163	12,998	18,200
Professional fees	83,994	60,422	45,000	7,268	9,772	-	56,847	32,998	67,200
<b>Total Expenses</b>	<b>498,034</b>	<b>491,142</b>	<b>372,821</b>	<b>672,046</b>	<b>642,478</b>	<b>584,653</b>	<b>374,481</b>	<b>267,875</b>	<b>402,358</b>
<b>Annual Surplus (Deficit)</b>	<b>\$ 17,867</b>	<b>\$ (165,891)</b>	<b>\$ (28,751)</b>	<b>\$ (39,631)</b>	<b>\$ (153,053)</b>	<b>\$ (36,538)</b>	<b>\$ 226,274</b>	<b>\$ (21,051)</b>	<b>\$ 17,615</b>

**N'QUATQUA FIRST NATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**21. SEGMENT DISCLOSURE (CONT'D):**

	<u>2017</u>	<u>Housing</u> <u>2016</u>	<u>BUDGET</u> <u>2017</u>	<u>2017</u>	<u>Culture</u> <u>2016</u>	<u>BUDGET</u> <u>2017</u>	<u>2017</u>	<u>Total</u> <u>2016</u>	<u>BUDGET</u> <u>2017</u>
<b>Revenues</b>									
Federal Government	\$ 268,464	\$ 73,414	\$ -	\$ -	\$ -	\$ -	\$ 1,654,385	\$ 1,180,992	\$ 1,250,580
Provincial Government	-	-	-	-	-	-	508,783	249,024	310,882
Economic Activities	136,451	147,764	-	-	-	-	165,369	189,759	32,500
Net income from investments in government business enterprises	-	-	-	-	-	-	(39,843)	(50,786)	-
BC Hydro	-	-	-	-	-	-	95,226	67,880	49,613
Other revenue	49,780	8,968	-	-	-	-	623,527	514,704	340,787
<b>Total Revenue</b>	<b>454,695</b>	<b>230,146</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,007,447</b>	<b>2,151,573</b>	<b>1,984,362</b>
<b>Expenses</b>									
Wages, benefits & subcontracts	37,842	24,043	-	-	-	-	1,111,416	1,087,445	1,083,527
Program expenses	240,438	197,222	-	-	-	-	1,174,810	1,271,043	786,862
Travel & Honoraria	750	712	-	-	-	-	147,952	133,626	114,771
Professional fees	8,000	6,000	-	-	-	-	157,608	109,192	112,200
<b>Total Expenses</b>	<b>287,030</b>	<b>227,977</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,591,786</b>	<b>2,601,306</b>	<b>2,097,360</b>
<b>Annual Surplus (Deficit)</b>	<b>\$ 167,665</b>	<b>\$ 2,169</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 415,661</b>	<b>\$ (449,733)</b>	<b>\$ (112,998)</b>

**22. EXPENSES BY OBJECT**

	<u>2017</u>	<u>2016</u>
Salaries and wages	\$ 1,080,047	\$ 981,104
Materials and supplies	89,134	119,926
Honoraria	57,718	44,860
Interest	117,970	135,869
Professional services	142,861	93,635
Amortization	48,983	50,739
Travel	95,349	94,076
Operations, maintenance, and utilities	227,795	287,858
Insurance	66,535	45,450
Contract services	186,214	248,900
Social development payments	171,495	154,046
Other	916,544	886,110
	<b>\$ 3,200,645</b>	<b>\$ 3,142,573</b>

**23. 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, 2017**

	COST			ACCUMULATED AMORTIZATION			Net Book Value	
	Balance, March 31, 2016	Additions	Balance, March 31, 2017	Balance, March 31, 2016	Amortization	March 31, 2017	March 31, 2017	March 31, 2016
Infrastructure - Subdivision construction	\$ 200,355	\$ -	\$ 200,355	\$ -	\$ -	\$ -	\$ 200,355	\$ 200,355
Infrastructure - Water System	44,992	-	44,992	-	-	-	44,992	44,992
Land & buildings	1,716,221	40,000	1,756,221	871,089	33,570	904,659	851,562	845,132
Gas station	381,595	-	381,595	202,377	7,169	209,546	172,049	179,218
Fire Truck	173,766	-	173,766	173,766	-	173,766	-	-
Land improvement	60,721	-	60,721	-	-	-	60,721	60,721
Office equipment	144,218	57,055	201,273	134,067	4,649	138,716	62,557	10,151
Machinery & equipment	364,944	18,800	383,744	308,740	7,501	316,241	67,503	56,204
Vehicles	340,655	-	340,655	204,648	27,202	231,850	108,805	136,007
Computer software	79,131	-	79,131	79,131	-	79,131	-	-
Computer equipment	131,207	5,248	136,455	98,942	6,978	105,920	30,535	32,265
Sawmill	23,920	-	23,920	23,920	-	23,920	-	-
Fire Hall	-	6,393	6,393	-	-	-	6,393	-
Logging machinery	151,951	-	151,951	151,951	-	151,951	-	-
Outdoor Gym	25,309	-	25,309	10,731	2,916	13,647	11,662	14,578
Fencing	8,980	-	8,980	3,190	579	3,769	5,211	5,790
<b>Subtotal</b>	<b>3,847,965</b>	<b>127,496</b>	<b>3,975,461</b>	<b>2,262,552</b>	<b>90,564</b>	<b>2,353,116</b>	<b>1,622,345</b>	<b>1,585,413</b>
CMHC Social Housing Capital Assets	2,974,134	-	2,974,134	1,372,551	105,039	1,477,590	1,496,544	1,601,583
N'Quatqua Fisheries Inc. Equipment	6,286	-	6,286	5,594	138	5,732	554	692
N'Quatqua Logging Co. Ltd. Property, Plant, & Equipment	308,600	-	308,600	307,117	297	307,414	1,186	1,483
NEEDCO Equipment	63,266	1	63,267	54,652	1,841	56,493	6,774	8,614
<b>Total</b>	<b>\$ 7,200,251</b>	<b>\$ 127,497</b>	<b>\$ 7,327,748</b>	<b>\$ 4,002,466</b>	<b>\$ 197,879</b>	<b>\$ 4,200,345</b>	<b>\$ 3,127,403</b>	<b>\$ 3,197,785</b>