

**N'QUATQUA FIRST NATION
Consolidated Financial Statements
Year Ended March 31, 2019**

N'QUATQUA FIRST NATION
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Year Ended March 31, 2019

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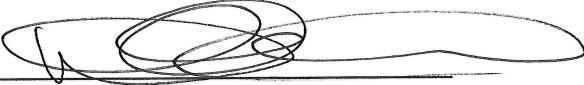
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

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

Jerry Spice Inc., an independent firm of Chartered Professional Accountants, is appointed by the Members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and may meet periodically with and separately with, both the Council and management to discuss their audit findings.


Micah Marange
Chief

Councillor


Odilia Warape
Councillor

D'Arcy, BC
July 25, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of N'Quatqua First Nation

We have audited the accompanying consolidated financial statements of N'Quatqua First Nation, which comprise the consolidated statement of financial position as at March 31, 2019 and the consolidated statements of operations, changes in net financial assets, changes in accumulated surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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.

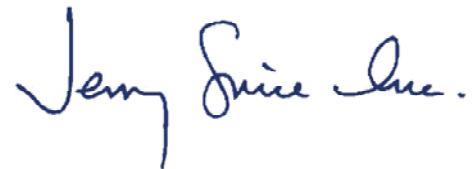
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report to the Members of N'Quatqua First Nation *(continued)*

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of N'Quatqua First Nation as at March 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Kamloops, British Columbia
July 25, 2019

Chartered Professional Accountants

N'QUATQUA FIRST NATION**Consolidated Statement of Financial Position****March 31, 2019****FINANCIAL ASSETS**

Cash (Note 3)	\$ 100,610	\$ 265,566
Ottawa trust funds (Note 9)	590,961	576,908
Restricted cash (Note 4)	344,173	323,049
St'at'imc Trust (PC) 2011 (Note 8)	1,484,995	1,252,262
Inventory	45,806	36,920
Accounts receivable (Note 5)	620,417	1,135,674
CMHC Subsidy receivable	3,938	-
	3,190,900	3,590,379

LIABILITIES

Bank indebtedness (Note 11)	194,309	144,943
Accounts payable (Note 12)	416,026	381,874
Current portion of long term debt (Note 15)	57,312	198,708
Amounts held in trust for minors	146,254	156,026
Long term debt (Note 15)	264,489	213,708
Deferred income (Note 13)	151,933	751,772
	1,230,323	1,847,031

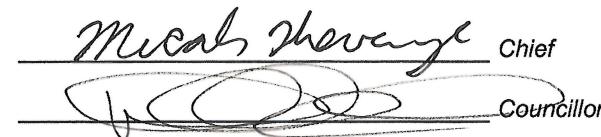
NET FINANCIAL ASSETS	1,960,577	1,743,348
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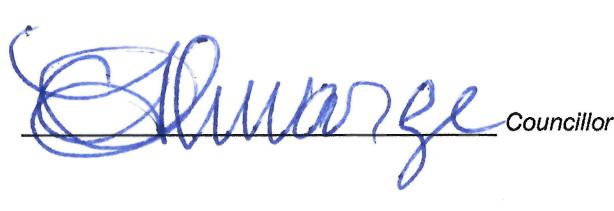
NON-FINANCIAL ASSETS

Prepaid expenses	36,546	93,187
Tangible capital assets (Note 10)	3,727,358	3,474,903
	3,763,904	3,568,090

ACCUMULATED SURPLUS	\$ 5,724,481	\$ 5,311,438
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SEGMENT DISCLOSURE (Note 20)**ON BEHALF OF COUNCIL**

Micah Shewane Chief
 Councillor

Shunage Councillor
 Councillor

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

N'QUATQUA FIRST NATION
Consolidated Statement of Operations
Year Ended March 31, 2019

	2019 Actual	2018 Actual
REVENUES		
Department of Indigenous Services Canada	\$ 1,331,651	\$ 1,232,919
Province of BC	936,049	296,633
Other income	338,685	360,750
First Nations Health Authority	169,503	298,937
Rental income	127,940	128,826
Tribal Councils/Associations	135,641	167,184
First Nations Education Steering Committee	83,568	91,023
Government of Canada	76,250	49,750
Sto:lo Aboriginal Skills and Employment Training	104,383	252,152
BC Hydro	5,393	5,393
New Relationship Trust	5,000	5,000
Canada Mortgage and Housing Corporation	58,515	276,928
NEEDCO Sales	634,496	570,669
St'at'imc (PC) 2011 Trust income	<u>232,835</u>	<u>198,003</u>
	4,239,909	3,934,167
EXPENSES		
Accounting fees	137,279	141,877
Advertising and promotion	738	11,145
Amortization	207,943	189,384
Bad debts	37,031	120,195
Business taxes, licences and memberships	3,450	4,088
Cost of goods sold (NEEDCO)	540,464	538,477
Equipment rentals	29,878	48,819
Insurance	89,995	72,429
Interest and bank charges	45,166	44,296
Office	15,625	9,352
Professional fees	492,428	565,691
Rental	32,973	37,481
Repairs and maintenance	166,970	242,156
Replacement Reserve provision	17,810	21,287
Salaries and wages	1,045,585	924,397
Special events	26,741	22,833
Supplies and program costs	648,656	595,414
Telephone	32,457	31,198
Training	28,787	27,462
Travel	160,431	132,028
Utilities	<u>41,191</u>	<u>58,052</u>
	3,801,598	3,838,061
ANNUAL SURPLUS	\$ 438,311	\$ 96,106

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

N'QUATQUA FIRST NATION**Consolidated Statement of Changes in Accumulated Surplus****Year Ended March 31, 2019**

	2019	2018
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 5,311,438	\$ 5,201,996
SURPLUS FOR THE YEAR	438,311	96,106
	5,749,749	5,298,102
Ottawa Trust	14,053	13,336
Reduction in equity as a result of Social Housing 2 mortgage payout	(39,321)	-
ACCUMULATED SURPLUS - END OF YEAR (Note 16)	\$ 5,724,481	\$ 5,311,438

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

N'QUATQUA FIRST NATION**Consolidated Statement of Changes in Net Financial Assets****Year Ended March 31, 2019**

	2019	2018
ANNUAL SURPLUS	\$ 438,311	\$ 96,106
Amortization of tangible capital assets	207,943	189,384
Purchase of tangible capital assets	(517,207)	(532,057)
Funding of the operating reserve	(2,994)	-
Mortgage payout by tenant	19,367	-
Decrease (increase) in prepaid expenses	56,641	(27,489)
Decrease in inventory	1,115	3,554
Increase in Ottawa Trust	14,053	13,336
Trust distributions to minors	-	(13,029)
	(221,082)	(366,301)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	217,229	(270,195)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	1,743,348	2,013,543
NET FINANCIAL ASSETS - END OF YEAR	\$ 1,960,577	\$ 1,743,348

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

N'QUATQUA FIRST NATION
Consolidated Statement of Cash Flows
Year Ended March 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Surplus	\$ 438,311	\$ 96,106
Items not affecting cash:		
Amortization of tangible capital assets	207,943	189,384
St'at'imc (PC) 2011 Trust income	(232,835)	(198,003)
	413,419	87,487
Changes in non-cash working capital:		
Accounts receivable	462,606	(178,256)
Subsidy receivable	(3,938)	-
Inventory	(8,886)	(3,554)
Accounts payable	84,924	163,348
Department of Indigenous Services Canada	(599,839)	556,672
Prepaid expenses	56,641	(27,219)
Amounts held in trust for minors	(9,772)	(13,029)
	(18,264)	497,962
Cash flow from operating activities	395,155	585,449
INVESTING ACTIVITY		
Purchase of tangible capital assets	(517,207)	(532,057)
Cash flow used by investing activity	(517,207)	(532,057)
FINANCING ACTIVITIES		
Repayment of long term debt by Member	19,364	-
Repayment of long term debt	(90,616)	(91,610)
Cash flow used by financing activities	(71,252)	(91,610)
DECREASE IN CASH FLOW	(193,304)	(38,218)
Cash - beginning of year	443,671	481,889
CASH - END OF YEAR	250,367	443,671
CASH CONSISTS OF:		
Bank indebtedness	\$ (194,309)	\$ (144,943)
Cash	100,503	265,565
Restricted cash	344,173	323,049
	\$ 250,367	\$ 443,671

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

N'QUATQUA FIRST NATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of the organization and its subsidiaries. As a result, figures as at March 31, 2019 or for the years then ended include the financial position of those subsidiaries and the results of their operations for the years then ended. The results of operations of the subsidiaries are included in the consolidated financial statements from the respective dates of acquisition or incorporation.

Fund accounting

The N'Quatqua First Nation (the "Nation") records accounting transactions using the fund accounting method. A fund is determined for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Each fund has its own statement of operations which presents the results of operations for the fund. The financial position of the Nation is shown on the balance sheet which includes the assets, liabilities and equity of all funds presented in the financial statements. The various funds have been amalgamated for the purpose of presentation in the financial statements. The N'Quatqua First Nation maintains the following funds:

The Operating Fund which reports the general activities of the Nation administration.

The Capital Fund which reports the capital assets of the Nation, together with their related financing.

The Social Housing Fund which reports the social housing assets of the Nation, together with related activities.

The Trust Fund which reports the trust funds owned by the Nation and held by third parties.

Basis of presentation

These consolidated financial statements have been prepared, in all material respects, in accordance with Canadian public sector accounting standards for government entities as defined by CPA Public Sector Accounting Handbook, which encompasses the following policies

Reporting Entity and Principles of Financial Reporting

The Nation reporting entity includes the N'Quatqua First Nation government and all related entities which are accountable to N'quatqua First Nation and are either owned or controlled by the Nation. Business entities, which are owned or controlled by N'quatqua First Nation and which are not dependant on the Nation for their continuing operations, are included in the summary financial statements using the modified equity method. These include:

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

Inventory

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

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N'QUATQUA FIRST NATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Government grants and transfers, which include Federal funding agreements are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made. When the eligibility criteria is not met, transfers received are reflected as deferred revenue in the year of receipt and classified as such on the Statement of Financial Position.

Rental revenue is recognized as it becomes receivable under the terms of the rental agreement. Periodic revenue is recognized on an accrual basis commencing at the beginning of the month.

Ottawa Trust Funds

The Nation uses the accrual method of accounting for Ottawa Trust Fund revenues earned in the Fund. Trust monies are recognized in revenue of the Nation upon withdrawal from the Ottawa Trust Fund.

Replacement Reserve

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

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of financial activity in the year in which it is used for the specified purpose.

Loans

Loans issued and repaid under the fund accounting method are recorded as expenditures and revenue respectively. Loans which become uncollectible are removed from equity in the year they are first considered doubtful.

Investments

The Nation accounts for its equity investments for which market value is not readily available at cost.

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.

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N'QUATQUA FIRST NATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tangible Capital Assets

Tangible capital assets are stated at cost less accumulated amortization and are recorded in the Capital Fund. The acquisition costs of tangible capital assets and payments on capital debt, which are not funded from capital financing sources, are charged to operations through interfund transfers and matched with the applicable revenue source in the year of expenditure. Tangible capital asset acquisitions are also recorded as an addition to assets of the Capital Fund with a corresponding increase in equity in tangible capital assets.

Amortization is recorded on a declining balance basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Buildings	4%	declining balance method
Fire truck	20%	declining balance method
Office furniture and equipment	20%	declining balance method
Machinery and equipment	10%	declining balance method
Vehicles	20%	declining balance method
Sawmill	10%	declining balance method
Logging machinery	20%	declining balance method
Fencing	10%	declining balance method

Social housing assets acquired under Canada Mortgage and Housing Corporation sponsored housing programs are amortized at a rate equivalent to the annual principal reduction in the related long-term debt, as required for Canada Mortgage and Housing Corporation reporting purposes.

Impairment of Long-lived Assets

In the event that fact and circumstances indicate that the Nation's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. The Nation considers that no circumstances exist that would require such an evaluation.

Leased Assets

Leases entered into, that transfer substantially all of the benefits and risks associated with ownership, are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the Nation, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make assumptions and estimates that have an effect on the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could be different from those estimates.

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N'QUATQUA FIRST NATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments

The Nation recognizes and measures financial assets and financial liabilities on the statement of financial position when it becomes a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are recorded on a trade date or settlement date basis. All financial instruments are measured at fair value on initial recognition. Financial instruments are subsequently measured at amortized cost as the Nation has not entered into any derivative contracts and it does not hold any investments in equity instruments quoted on the active market. Since no financial instruments are measured at fair value after initial recognition, a statement of remeasurement gains and losses has not been presented in these financial statements.

Financial instruments policy

The program recognizes and measures financial assets and financial liabilities on the statement of financial position when it becomes a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are recorded on a trade date or settlement date basis. All financial instruments are measured at fair value on initial recognition. Financial instruments are subsequently measured at amortized cost as the program has not entered into any derivative contracts and it does not hold any investments in equity instruments quoted on an active market. Since no financial instruments are measured at fair value after initial recognition, a Statement of Remeasurement Gains and Losses has not been presented in these financial statements.

Operating Reserve

For the Full Subsidy Program, in accordance with agreements with Canada Mortgage and Housing Corporation, any cumulative excess of revenue over expenditures is set aside in the operating reserve to only be applied against future deficits of the program or released upon payout of the phase.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. ECONOMIC DEPENDENCE

The Nation receives a significant portion of its revenue pursuant to a funding arrangement with Department of Indigenous Services Canada ("ISC").

N'QUATQUA FIRST NATION**Notes to Consolidated Financial Statements****Year Ended March 31, 2019****3. CASH**

	2019	2018
Band	\$ 106	\$ 181,107
Social Housing	39,616	37,755
Logging	634	157
NEEDCO operating accounts	56,692	39,000
Fisheries	3,562	7,547
	\$ 100,610	\$ 265,566

4. RESTRICTED CASH

	2019	2018
Minors' Trust bank account	\$ 218,474	\$ 218,371
Housing replacement reserve funds	122,705	104,678
Housing operating reserve funds	2,994	-
	\$ 344,173	\$ 323,049

The Housing restricted cash is derived under the terms of the agreement with Canada Mortgage and Housing Corporation ("CMHC"), the account is to be credited annually. These funds along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation.

Minor's Trust represents a previous settlement where Chief and Council made the decision to set aside monies to distribute to all members at that point in time. The Nation holds the remaining funds in trust for minors who have yet to turn 18. As members turn 18 the funds are paid out and the obligation is extinguished.

5. ACCOUNTS RECEIVABLE

	2019	2018
Aboriginal Community Career Employment Services	\$ 45,034	\$ -
Department of Indigenous Services Canada	-	93,977
Due from members	398,005	498,747
First Nation Education Steering Committee	7,688	10,137
Goods and Service Tax	27,713	-
Government of Canada	26,500	-
Other	57,257	184,463
Province of British Columbia	142,223	444,001
Sto:Lo Aboriginal Skills and Employment Training	-	103,551
 Subtotal	 704,420	 1,334,876
Allowance for doubtful accounts	(84,003)	(199,202)
 \$ 620,417	 \$ 1,135,674	

N'QUATQUA FIRST NATION**Notes to Consolidated Financial Statements****Year Ended March 31, 2019****6. INVENTORY**

	2019	2018
Inventory	\$ 45,806	\$ 36,920

7. PREPAID EXPENSES

	2019	2018
Prepaid expenses	\$ 36,546	\$ 93,187

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

	2019	2018
St'at'imc (PC) 2011 Trust investments	\$ 962,874	\$ 913,928
St'at'imc (PC) 2011 Trust account	\$ 522,121	\$ 338,334
	\$ 1,484,995	\$ 1,252,262

9. OTTAWA TRUST FUNDS

The Ottawa Trust accounts 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 Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. These funds are restricted in their use. The Nation is permitted to use its revenue for any purpose that will promote the general progress and welfare of the Nation and Nation members. The expenditures of capital funds requires the consent of Department of Indigenous Services Canada and generally must be for projects of a capital nature. Withdrawals of revenue or capital funds are recorded as revenue in the applicable fund where the monies are expended.

	2019	2018
Ottawa Trust Funds	\$ 590,961	\$ 576,908

N'QUATQUA FIRST NATION

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

10. TANGIBLE CAPITAL ASSETS

Cost	2018 Balance	Additions	Disposals	2019 Balance
Automotive equipment	\$ 666,371	\$ -	\$ -	\$ 666,371
Buildings	3,479,225	499,260	-	3,978,485
Equipment	636,816	15,095	-	651,911
Computer equipment	221,961	-	-	221,961
Land	123,077	-	-	123,077
Social Housing	1,777,803	-	98,767	1,679,036
N'Quatqua Fisheries Inc.	6,286	-	-	6,286
N'Quatqua Logging Co. Ltd.	308,600	-	308,600	-
NEEDCO	66,404	3,138	-	69,542
	\$ 7,286,543	\$ 517,493	\$ 407,367	\$ 7,396,669

Accumulated Amortization	2018 Balance	Amortization	Accumulated Amortization on Disposals	2019 Balance
Automotive equipment	\$ 579,327	\$ 18,918	\$ -	\$ 598,245
Buildings	1,524,588	65,365	-	1,589,953
Equipment	471,161	22,978	-	494,139
Computer equipment	191,796	6,033	-	197,829
Land	-	-	-	-
Social Housing	671,995	90,616	41,672	720,939
N'Quatqua Fisheries Inc.	5,732	111	-	5,843
N'Quatqua Logging Co. Ltd.	307,414	1,186	308,600	-
NEEDCO	59,627	2,736	-	62,363
	\$ 3,811,640	\$ 207,943	\$ 350,272	\$ 3,669,311

Net book value	2019	2018
Automotive equipment	\$ 68,126	\$ 87,044
Buildings	2,388,532	1,954,637
Equipment	157,772	165,655
Computer equipment	24,132	30,165
Land	123,077	123,077
Social Housing	958,097	1,105,808
N'Quatqua Fisheries Inc.	443	554
N'Quatqua Logging Co. Ltd.	-	1,186
NEEDCO	7,179	6,777
	\$ 3,727,358	\$ 3,474,903

11. BANK INDEBTEDNESS

	2019	2018
Cheques issued in excess of funds on deposit:		
Bank indebtedness	\$ 194,309	\$ 144,943

The Scotiabank line of credit has a limit of \$50,000 and bears interest at 3% per annum (2018 - 3%).

N'QUATQUA FIRST NATION**Notes to Consolidated Financial Statements****Year Ended March 31, 2019****12. ACCOUNTS PAYABLE**

	2019	2018
Accounts payable	\$ 416,024	\$ 381,872

13. DEFERRED REVENUE

Deferred revenue represents amounts received that relate to a subsequent period. A breakdown of deferred revenue is as follows:

	2019	2018
Department of Indigenous Services Canada	\$ 140,896	\$ 281,460
Ministry of Child and Family Development	-	444,002
Other	11,037	26,311
	\$ 151,933	\$ 751,773

N'QUATQUA FIRST NATION**Notes to Consolidated Financial Statements****Year Ended March 31, 2019****14. 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 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.

	2019	2018
<u>Replacement Reserve Fund</u>		
Social Housing I	\$ -	\$ 52,841
Social Housing II	272,662	257,495
Amount deposited to separate interest bearing account -		
Social Housing I	-	(43,358)
Amount deposited to separate interest bearing account -		
Social Housing II	(122,705)	(61,320)
Underfunding of Replacement Reserve under CMHC agreement	\$ 149,957	\$ 205,658

<u>Operating Reserve Fund</u>			
Social Housing II	\$ 108,310	\$ 141,124	
Amount deposited to separate interest bearing account	(2,994)	-	
Underfunding of Operating Reserve under CMHC agreement	\$ 105,316	\$ 141,124	

The Operating Reserve has been restated from prior year, see Note 19.

15. LONG TERM DEBT

	2019	2018
All Nations Trust Company loan bearing interest at 2.5% per annum, repayable in monthly blended payments of \$598. The loan matures on July 1, 2023 and is secured by Ministerial Guarantee from Department of Indigenous Services Canada.	\$ 85,221	\$ 90,297
All Nations Trust Company loan, repaid during the year.	-	12,511
All Nations Trust Company loan bearing interest at 1.92% per annum, repayable in monthly blended payments of \$742. The loan matures on April 1, 2024 and is secured by Ministerial Guarantee from Department of Indigenous Services Canada.	43,116	51,116
All Nations Trust Company loan bearing interest at 1.14% per annum, repayable in monthly blended payments of \$1,681. The loan matures on June 1, 2021 and is secured by Ministerial Guarantee from Department of Indigenous Services Canada.	43,142	62,698

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N'QUATQUA FIRST NATION**Notes to Consolidated Financial Statements****Year Ended March 31, 2019****15. LONG TERM DEBT (continued)**

	2019	2018
All Nations Trust Company loan bearing interest at 1.11% per annum, repayable in monthly blended payments of \$1,407. The loan matures on April 1, 2021 and is secured by Ministerial Guarantee from Department of Indigenous Services Canada.	114,932	130,444
All Nations Trust Company loan bearing interest at 2.5% per annum, repayable in monthly blended payments of \$760. The loan matures on April 1, 2023 and is secured by Ministerial Guarantee from Department of Indigenous Services Canada.	35,390	65,350
	321,801	412,416
Amounts payable within one year	(57,312)	(198,708)
	\$ 264,489	\$ 213,708

Principal repayment terms are approximately:

2020	\$ 57,312
2021	58,140
2022	109,463
2023	23,156
2024	73,730
	<hr/>
	\$ 321,801

16. ACCUMULATED SURPLUS

	2019	2018
Externally restricted - St'at'imc (Note 8.)	\$ 1,867,173	\$ 1,634,440
Equity in Ottawa Trust	590,961	576,908
Equity in tangible capital assets	3,405,557	3,061,591
Replacement and operating reserves	380,972	451,472
Unrestricted deficit	(520,182)	(312,973)
	<hr/>	<hr/>
	\$ 5,724,481	\$ 5,411,438

17. FAIR VALUE ESTIMATION

The Nation's financial instruments consists of cash, accounts receivable, accounts payable and accrued liabilities, amounts due to government agencies, and mortgages and loans payable. It is management's opinion that the nation 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

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

18. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

19. PRIOR PERIOD ADJUSTMENTS

During the year it was identified that expenses were not appropriately being allocated to the Social Housing program run under the CMHC Post-1996 Operating Agreement. This had the effect of overstating Social Housing surpluses, understating Band surpluses, understating Social Housing expenses and overstating Band expenses. This analysis identified \$157,550 in expenses from fiscal years 2001 to 2018 that should have been charged to Social Housing Post-1996. This adjustment resulted in the following:

- i) A decrease in the Operating Reserve of Social Housing Post-1996 of \$157,550
- ii) An increase in the Band's surplus of \$157,550.

During the year it was also identified that equity in tangible capital assets did not reflect the carrying value of the capital assets owned by N'Quatqua. This resulted in an increase to equity in tangible capital assets of \$349,126 and an increase in unrestricted deficit of the same amount.

20. SEGMENT DISCLOSURE

The N'Quatqua First Nation is a diversified First Nation organization that provides a wide range of services to its members. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Administration

This item relates to the revenues and expenses that relate to the operations of the Nation itself and cannot be directly attributed to a specific segment.

Operations and Maintenance

This service area provides services relating to the development, maintenance and service of the Nation's assets, infrastructure and common property.

Education

This service area provides educational services through elementary, secondary and post secondary education support and the operations of various other educational programs. The goal of this segment is to enhance the educational opportunities of the Nation's Members.

Economic Development

This service area provides for the development of economic opportunities to the members.

Health Services

This service area provides for health-related services and programs to the members.

Capital

This service area provides for the development of new capital projects and infrastructure programs on the reserve.

Social Housing

This service area provides for social housing to the members.

N'QUATQUA FIRST NATION

Consolidated Schedule One - Segment Disclosure

Year Ended March 31, 2019

	Administration	Operations & Maintenance	Education	Economic Development	Health Services	Capital	Social Housing	2019
REVENUES								
Indigenous Services Canada	\$ 242,600	\$ 149,489	\$ 351,210	\$ 20,132	\$ 308,452	\$ 259,768	\$ -	\$ 1,331,651
Other income	889,828	-	251,815	636,381	979,951	-	224,457	2,982,432
	1,132,428	149,489	603,025	656,513	1,288,403	259,768	224,457	4,314,083
EXPENSES								
Wages & benefits	354,263	71,172	202,794	75,553	306,658	-	35,144	1,045,584
Purchases	546,367	115,057	416,925	621,406	547,619	259,720	114,731	2,621,825
Amortization	113,714	-	-	4,033	-	-	90,616	208,363
	1,014,344	186,229	619,719	700,992	854,277	259,720	240,491	3,875,772
Surplus (deficit)	\$ 118,084	\$ (36,740)	\$ (16,694)	\$ (44,479)	\$ 434,126	\$ 48	\$ (16,034)	\$ 438,311

Year ended March 31, 2018

	Administration	Operations & Maintenance	Education	Economic Development	Health Services	Capital	Social Housing	2018
REVENUES								
Indigenous Services Canada	\$ 204,906	\$ 374,966	\$ 261,207	\$ 18,460	\$ 261,804	\$ 111,576	\$ -	\$ 1,232,919
Other	910,922	10,000	110,093	675,365	617,352	-	389,715	2,713,447
	1,115,828	384,966	371,300	693,825	879,156	111,576	389,715	3,946,366
EXPENSES								
Wages & benefits	343,810	55,735	165,179	90,766	218,176	-	50,732	924,398
Purchases	963,129	139,593	182,956	616,586	475,015	142,495	216,704	2,736,478
Amortization	103,758	-	-	3,134	-	-	82,492	189,384
	1,410,697	195,328	348,135	710,486	693,191	142,495	349,928	3,850,260
Surplus (deficit)	\$ (294,869)	\$ 189,638	\$ 23,165	\$ (16,661)	\$ 185,965	\$ (30,919)	\$ 39,787	\$ 96,106

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.