

KWIKWETLEM FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

KWIKWETLEM FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS **MARCH 31, 2016**

Page

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position	1
Consolidated Statement of Change in Net Financial Assets	2
Consolidated Statement of Operations and Accumulated Surplus	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2016

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

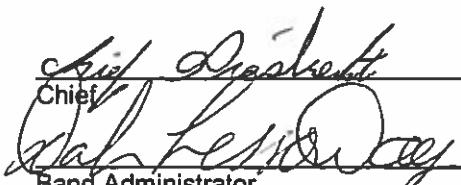
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgement. When alternative accounting methods exist, management has chosen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

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

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

The Chief and Council review the Nation's financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report. The Chief and Council take this information into consideration when approving the consolidated financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.

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


Chief
John Lesley Nagy
Band Administrator


Councilor
E. Hall


Councilor
Fred Kullutson

July 29 2016
Date
July 29 2016
Date
July 29, 2016
Date
July 29, 2016
Date

Independent Auditor's Report

To the Members of
Kwikwetlem First Nation

We have audited the accompanying consolidated financial statements of Kwikwetlem First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus, change in net financial assets, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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



REID HURST NAGY INC.
CHARTERED PROFESSIONAL ACCOUNTANTS

RICHMOND, B.C.
JULY 29, 2016

KWIKWETLEM FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash	\$ 1,451,657	\$ 3,181,747
Restricted cash (Note 3)	26,558	37,364
Accounts receivable (Note 4)	664,366	1,108,045
Due from related parties (Note 5)	316,318	13,022
Long-term investments (Note 6)	1,005,730	1,257,476
Investments in First Nation controlled entities (Note 7)	450,162	-
Trust funds (Note 3)	29,652	28,856
	3,944,443	5,626,510
LIABILITIES		
Accounts payable and accrued liabilities (Note 10)	885,488	833,376
Deferred revenue	635	4,149
Callable debt (Note 11)	72,348	497,074
Investments in First Nation controlled entities (Note 7)	-	6,439
Long-term debt (Note 12)	721,924	752,282
Damage deposits	5,078	5,128
	1,685,473	2,098,448
NET FINANCIAL ASSETS	2,258,970	3,528,062
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	5,977,088	4,777,073
Prepaid expenses	174,559	87,635
	6,151,647	4,864,708
ACCUMULATED SURPLUS	\$ 8,410,617	\$ 8,392,770
MEMBERS' EQUITY		
Equity in Operating Fund	\$ 2,777,950	\$ 4,903,514
Equity in Capital Fund	4,491,780	3,016,235
Equity in Social Housing	661,073	450,604
Equity in Ottawa Trust Fund	29,652	28,856
Equity in Enterprise Fund	450,162	(6,439)
ACCUMULATED SURPLUS	\$ 8,410,617	\$ 8,392,770

APPROVED ON BEHALF OF THE KWIKWETLEM FIRST NATION

Lon Sisk, Chief

Ed Hall, Councilor

Zed Kuhne, Councilor

KWIKWETLEM FIRST NATION

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

	2016	2015
<u>ANNUAL SURPLUS (DEFICIT)</u>	\$ 17,847	\$ (2,648,007)
Acquisition of tangible capital assets	(1,195,976)	(2,764,805)
Amortization of tangible capital assets	403,199	172,035
Principal reduction of long-term debt	(424,727)	-
Disposal of tangible capital assets	17,489	-
	(1,200,015)	(2,592,770)
Acquisition of prepaid asset	(140,358)	(87,635)
Use of prepaid asset	53,434	34,981
	(86,924)	(52,654)
DECREASE IN NET FINANCIAL ASSETS	(1,269,092)	(5,293,431)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	3,528,062	8,821,493
NET FINANCIAL ASSETS, END OF YEAR	\$ 2,258,970	\$ 3,528,062

KWIKWETLEM FIRST NATION

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

	2016 Budget	2016 Actual	2015 Actual
REVENUE			
Indigenous & Northern Affairs Canada	\$ 521,029	\$ 616,520	\$ 1,119,548
Quantum Murray Limited Partnership contract	1,300,000	1,125,117	947,083
Province of British Columbia	35,000	611,250	291,384
Investment gain from First Nation controlled entities	-	447,252	61,603
BC Housing	400,000	537,896	-
Miscellaneous	376,076	576,966	563,502
First Nations Health Authority	126,345	127,122	169,215
Rent	-	106,583	79,835
Health Canada	49,793	49,793	49,370
Fireworks	48,000	39,786	46,990
CMHC subsidies	39,300	37,396	38,739
Administration fee	-	27,298	360,327
Interest	4,000	16,146	33,719
	2,899,543	4,319,125	3,761,315
EXPENSES			
Band Programs	1,051,866	1,967,255	1,276,716
Capital Projects	342,040	583,759	2,831,528
Community Services	60,462	406,711	246,765
Economic Development	1,588,036	2,532,927	4,190,913
Education	102,769	91,750	110,063
Health	224,883	202,862	335,955
Social Services	137,897	121,397	139,538
Social Housing	23,000	59,066	124,783
Capital Fund	-	372,839	147,726
Ottawa Trust Fund	-	-	-
Enterprise Fund	-	(9,349)	-
	3,530,953	6,329,217	9,403,987
ANNUAL DEFICIT BEFORE OTHER	(852,410)	(2,010,092)	(5,642,672)
OTHER			
Tangible capital assets acquisitions	-	1,587,537	2,764,805
Principal reduction of long-term debt	-	424,726	227,488
Proceeds from long-term debt	-	-	2,372
Tangible capital assets disposals	-	(17,489)	-
CMHC adjustments	-	33,165	-
	-	2,027,939	2,994,665
ANNUAL SURPLUS (DEFICIT)	(852,410)	17,847	(2,648,007)
FUND BALANCE, BEGINNING OF YEAR	-	8,392,770	11,040,777
FUND BALANCE, END OF YEAR	\$ (852,410)	\$ 8,410,617	\$ 8,392,770

KWIKWETLEM FIRST NATION

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

	2016	2015
OPERATING ACTIVITIES		
ANNUAL SURPLUS (DEFICIT)	\$ 17,847	\$ (2,648,007)
Items not affecting cash		
Amortization	403,199	172,035
Share of income from First Nation controlled entities	(456,601)	(61,604)
Loss on tangible capital assets disposals	17,489	-
	(18,066)	(2,537,576)
Change in non-cash items on statement of financial position	101,211	76,853
	83,145	(2,460,723)
FINANCING ACTIVITIES		
Repayment of Social Housing long-term debt	(30,358)	(31,159)
Repayment of Capital Fund long-term debt	(424,726)	(227,488)
Demand loan proceeds	-	500,000
	(455,084)	241,353
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(1,620,703)	(2,764,805)
Redemption (purchase) of long-term investments	251,746	(437,245)
	(1,368,957)	(3,202,050)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,740,896)	(5,421,420)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,219,111	8,640,531
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,478,215	\$ 3,219,111
REPRESENTED BY:		
Cash	\$ 1,451,657	\$ 3,181,747
Restricted cash	26,558	37,364
	\$ 1,478,215	\$ 3,219,111

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

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

(b) Principles of Consolidation

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

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

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

1. Kwikwetlem First Nation Operating Fund
2. Kwikwetlem First Nation Social Housing Fund
3. Kwikwetlem First Nation Capital Fund
4. Kwikwetlem First Nation Trust Fund
5. Kwikwetlem First Nation Enterprise Fund

Organizations accounted for on a modified equity basis include:

6. Choxw Holdings Corp.
7. KFN Enterprises Ltd.
8. KFN Enterprises Limited Partnership

(c) Fund Accounting

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

- The Operating Fund which reports the general activities of the First Nation administration.
- The Capital Fund which reports the tangible capital assets of the First Nation not included in other funds, together with their related activities.
- The Trust Fund which reports on the trust funds of the First Nation and held by third parties.
- The Social Housing Fund which reports on the social housing assets of the First Nation together with their related activities.
- The Enterprise Fund which reports the First Nation's investment in self-supporting commercial entities.

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

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

(d) Revenue Recognition

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

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

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

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

(e) Segments

The First Nation conducts its business through reportable segments. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives, aid in resource allocation decisions, and to assess operational performance. For each reported segment, revenues and expenses represent both amounts that are directly attributed to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

(f) Cash

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

(g) Loans Receivable

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

(h) Investments

Investments include guaranteed investment certificates and mutual funds. These investments are recorded at cost.

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

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

(i) Tangible Capital Assets

Tangible capital assets 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.

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

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

Buildings and building improvements	5% Declining balance
Vehicles	30% Declining balance
Computer equipment	30% Declining balance
Office and general equipment	20% Declining balance
Boats	30% Declining balance
Infrastructure	10 years Straight line
Watermains	50 or 100 years Straight line
Roads	100 years Straight line
Canoes	20 years Straight line

Social Housing assets acquired under C.M.H.C. sponsored housing programs are being depreciated at a rate equal to the principal reduction on the mortgage of the assets.

Tangible capital assets are written down when conditions indicate that they no longer contribute to Kwikwetlem 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. Transfers of tangible capital assets from related parties are recorded at carrying value.

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

(j) Long-term Debt

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

(k) Replacement Reserve

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

(l) Budget

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

(m) Surplus Recoveries and Deficit Funding

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

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

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

(n) Internal charges and transfers

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

(o) Measurement Uncertainty

In preparing the consolidated financial statements for the First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period.

(p) Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or to 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, prepaid expenses and inventory of supplies.

(q) Net debt or net financial assets

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

(r) Financial Instruments

All significant financial assets, financial liabilities and equity instruments of the entity are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

2. CHANGES IN ACCOUNTING POLICIES

Liability for Contaminated Site:

Effective April 1, 2014 the First Nation adopted new Public Sector Accounting Handbook Standard PS 3260, Liability for Contaminated Sites. The standard requires the recognition of a liability for the remediation of contamination sites in the financial statements when the recognition criteria outlined in the standard is met. This change in accounting policy has been applied prospectively. There was no impact on adoption of this standard to the financial statements of the First Nation as no sites meeting the criteria were recognized by the First Nation.

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

3. RESTRICTED CASH

Replacement Reserve Fund:

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

As at the year end date, the Fund is overfunded by \$17,806 (2015 - fully funded).

Operating Reserve Fund:

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage & Housing Corporation, the Program is to set aside any surplus revenue to an operating reserve for the purpose of meeting future requirements of income-listed occupants over and above the maximum federal assistance. The Fund may be replenished to its original limit from subsequent operating surpluses.

As at the year end date, the Fund is fully funded (2015 - fully funded).

Ottawa Trust Funds:

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

	2016	2015
Replacement Reserve Fund - restricted cash	\$ 21,031	\$ 21,023
Development Trust Fund - restricted cash	5,527	16,341
Ottawa Trust Funds - restricted cash	29,652	28,856
	\$ 56,210	\$ 66,220

4. ACCOUNTS RECEIVABLE

	2016	2015
Accounts receivable - general	\$ 22,340	\$ 120,593
BC Housing	87,896	-
BC Hydro	23,107	-
First Nation Education Steering Committee	-	5,940
First Nation Health Authority	35,800	44,825
Fortis BC	44,099	-
Province of BC	150,000	225,000
Province of BC - Ministry of Transportation	29,950	29,950
Quantum Murray LP	93,833	663,563
Band members receivable	207,291	48,124
	694,316	1,086,643
Allowance for doubtful accounts	(29,950)	(29,950)
	\$ 664,366	\$ 1,108,045

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

5. DUE FROM RELATED PARTIES

	2016	2015
Due from Saskay Land Development Corporation	\$ 107,352	\$ 13,022
Due from Saskay Land Development Limited Partnership	<u>208,966</u>	-
	<u>\$ 316,318</u>	<u>\$ 13,022</u>

Loans have no specific terms of repayment and bear no interest.

6. LONG-TERM INVESTMENTS

The long-term investments are comprised of the following:

	2016	2015
Royal Bank Guaranteed Investment Certificates (GICs)	\$ 333,662	\$ 731,500
Royal Bank (GICs) held in trust for minor Band Members	<u>672,068</u>	525,976
	<u>\$ 1,005,730</u>	<u>\$ 1,257,476</u>

All the GICs are one-year long and renewed upon maturity. The interest rates are between 0.50% and 1.00% per annum.

7. INVESTMENTS IN FIRST NATION CONTROLLED ENTITIES

	2016	2015
Kwikwetlem's Colony Farm Bike Tours and Rentals Ltd. (100%)		
Shares	\$ -	\$ 10
Contributions	-	21,403
Accumulated equity in earnings	<u>-</u>	<u>(21,413)</u>
Saskay Land Development Corporation	-	-
Shares	-	10
Accumulated equity in earnings	<u>-</u>	<u>(6,449)</u>
	<u>-</u>	<u>(6,439)</u>
KFN Enterprises Ltd.		
Shares	10	-
Accumulated equity in earnings	<u>(12,600)</u>	-
	<u>(12,590)</u>	-
KFN Enterprises Limited Partnership		
Partnership units	9,999	-
Accumulated equity in earnings	<u>452,753</u>	-
	<u>462,752</u>	-
Choxw Holding Corp. (100%)		
Shares	-	-
	<u>\$ 450,162</u>	<u>\$ (6,439)</u>

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

8. GOVERNMENT BUSINESS ENTERPRISES

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

Condensed financial information for the First Nation's government business partnerships is as follows:

	KFN Enterprises Limited Partnership	KFN Enterprises Ltd.	2016 Total
--	--	---------------------------------	-------------------

Total assets	\$ 804,727	\$ 10	\$ 804,737
Total liabilities	\$ 341,929	\$ 12,600	\$ 354,529
Total equity	462,798	(12,590)	450,208
Total liabilities and equity	\$ 804,727	\$ 10	\$ 804,737

	KFN Enterprises Limited Partnership	KFN Enterprises Ltd.	2016 Total
--	--	---------------------------------	-------------------

Revenue	\$ 219,075	\$ -	\$ 219,075
Share of partnership income (loss)	595,657	(3,151)	592,506
	814,732	(3,151)	811,581
Expenses	361,934	2,350	364,284
Total expenses	361,934	2,350	364,284
Net income	\$ 452,798	\$ (5,501)	\$ 447,297

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

9. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated amortization					2016 net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year		
Land	\$ -	\$ 250,000	\$ -	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,000
Buildings and building improvements	3,725,767	256,683	-	3,982,450	140,989	148,338	-	289,327		3,693,123
Vehicles	124,708	280,609	111,708	293,609	96,168	45,407	(94,219)	47,356		246,253
Computer equipment	22,665	43,199	-	65,864	18,160	7,831	-	25,991		39,873
Office and general equipment	835,191	188,014	-	1,023,205	132,347	159,370	-	291,717		731,488
Boats	182,880	-	-	182,880	84,906	29,392	-	114,298		68,582
Infrastructure	12,492	-	-	12,492	2,879	1,250	-	4,129		8,363
Watermains	336,212	-	-	336,212	53,783	4,524	-	58,307		277,905
Roads	2,919	602,198	-	605,117	2,919	3,011	-	5,930		599,187
Canoes	81,509	-	-	81,509	15,119	4,076	-	19,195		62,314
	\$ 5,324,343	\$ 1,620,703	\$ 111,708	\$ 6,833,338	\$ 547,270	\$ 403,199	\$ (94,219)	\$ 856,250	\$ 5,977,088	

	Cost				Accumulated amortization					2015 Net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year		
Buildings and building improvements	\$ 1,783,627	\$ 1,942,140	\$ -	\$ 3,725,767	\$ 96,740	\$ 44,249	\$ -	\$ 140,989		\$ 3,584,778
Vehicles	111,708	13,000	-	124,708	86,723	9,445	-	96,168		28,540
Computer equipment	22,665	-	-	22,665	17,033	1,127	-	18,160		4,505
Office and general equipment	119,226	715,965	-	835,191	46,131	86,216	-	132,347		702,844
Boats	89,180	93,700	-	182,880	62,996	21,910	-	84,906		97,974
Infrastructure	12,492	-	-	12,492	1,811	1,068	-	2,879		9,613
Watermains	336,212	-	-	336,212	49,258	4,525	-	53,783		282,429
Roads	2,919	-	-	2,919	2,919	-	-	2,919		-
Canoes	81,509	-	-	81,509	11,625	3,494	-	15,119		66,390
	\$ 2,559,538	\$ 2,764,805	\$ -	\$ 5,324,343	\$ 375,236	\$ 172,034	\$ -	\$ 547,270	\$ 4,777,073	

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade payables	\$ 206,442	\$ 235,592
Accrued salaries and employee benefits payable	67,250	56,533
Government remittances payable	12,196	36,523
Prepaid rent and damage deposits	-	5,128
Guaranteed investment certificates payable in trust for young band members	599,600	499,600
	\$ 885,488	\$ 833,376

11. CALLABLE DEBT

Under a credit facility arrangement with the Bank of Montreal, the First Nation obtained two demand loans each of \$250,000 in March 2015. Both loans are payable on demand, due in February 2024 and have no specified terms of repayment or early repayment penalties. Both loans have an outstanding balance of \$36,174 as at March 31, 2016 totaling \$72,348 (2015: \$497,074).

12. LONG-TERM DEBT

	2016	2015
All Nations Trust Company loan, payments of \$1,550 per month including interest at 2.69% per annum, maturing August 1, 2030, secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada.	\$ 221,316	\$ 234,707
All Nations Trust Company loan, payments of \$2,308 per month including interest at 2.11% per annum, maturing December 1, 2038, secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada.	500,608	517,575
<u>Current portion</u>	721,924	752,282
	31,564	29,375
	\$ 690,360	\$ 722,907

Principal portion of long-term debt due within the next five years:

2017	\$ 31,564
2018	32,088
2019	33,005
2020	33,556
2021 and thereafter	591,711
	\$ 721,924

13. ECONOMIC DEPENDENCE

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

KWIKWETLEM FIRST NATION

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

14. REPLACEMENT RESERVE FUND

Under the terms of the agreement with Canada Mortgage & Housing Corporation (CMHC), the Replacement Reserve account is to be credited in the amount of \$9,040 annually in Schedule "B" of the Operating Agreement. 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 or as may otherwise be approved by CMHC from time to time.

As at year end date, the Replacement Reserve Fund is fully funded

15. OPERATING RESERVE FUND

Under the terms of the agreement with Canada Mortgage & Housing Corporation (CMHC), any annual operating surplus may be retained in an operating reserve account, to be drawn against in the event of any future deficits. The reserve is to be comprised of monies deposited in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time.

As at year end date, the Operating Reserve Fund is fully funded.

16. COMPARATIVE AMOUNTS

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

17. SUBSEQUENT EVENTS

On May 25, 2016, the Band Council approved the resolution to distribute a total amount of \$1,200,000 to all eligible Band members as of April 9, 2016.

KWIKWETLEM FIRST NATION

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

18. SEGMENTED INFORMATION

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

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

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

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

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

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

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

Other operations include Capital Fund, Ottawa Trust Fund and Enterprise Fund transactions.

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

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

18. SEGMENTED INFORMATION, continued

	Band Programs		Capital Programs		Community Services				
	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual
Revenues									
Indigenous & Northern Affairs Canada	\$ 165,721	\$ 190,042	\$ 186,100	\$ 32,040	\$ 24,240	\$ 565,654	\$ 80,662	\$ 29,462	\$ 144,221
Province of British Columbia	-	426,250	-	-	-	-	-	-	-
BC Housing	-	-	-	400,000	400,000	-	-	-	-
Rent	-	2,895	6,350	-	-	-	-	60,150	34,125
Other revenue	125,000	139,121	242,877	-	86,858	4,450	4,000	6,700	3,893
Total revenue	290,721	758,308	435,327	432,040	511,098	570,104	84,662	96,312	182,239
Expenses									
Infrastructure	-	-	-	300,000	218,847	627,983	-	-	-
Principal payments on loans	-	424,726	224,562	-	-	-	-	-	2,926
Professional fees	230,000	357,996	119,960	-	20,816	281,386	-	269,096	192,065
Program expenses	126,040	65,754	82,913	-	5,221	4,791	19,000	28,431	7,801
Repairs and maintenance	6,000	11,882	39,017	-	840	300	17,218	6,383	6,976
Tangible capital assets acquisitions	-	439,809	79,293	-	257,214	1,841,750	-	-	5,545
Wages and benefits	461,895	397,709	350,278	42,040	25,837	26,572	17,244	17,790	22,625
Other expenses	227,931	269,379	379,694	-	54,984	48,746	7,000	85,011	8,828
Total expenses	1,051,866	1,967,255	1,275,717	342,040	583,759	2,831,528	60,462	406,711	246,766
Other items	(761,145)	(1,208,947)	(840,390)	90,000	(72,661)	(2,261,424)	24,200	(310,399)	(64,527)
Annual surplus (deficit)	\$ (761,145)	\$ (1,208,947)	\$ (840,390)	\$ 90,000	\$ (72,661)	\$ (1,761,424)	\$ 24,200	\$ (310,399)	\$ (64,527)

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

18. SEGMENTED INFORMATION, continued

	Economic Development			Education			Health		
	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual
Revenues									
Indigenous & Northern Affairs Canada	\$ 77,800	\$ 227,800	\$ 84,952	\$ 53,070	\$ 53,070	\$ 34,605	\$ 15,914	\$ 23,187	\$ 22,158
Quantum Murray Limited Partnership contract	1,300,000	1,125,117	947,083	-	-	-	-	-	-
Province of British Columbia	35,000	185,000	291,384	-	-	-	-	-	-
BC Housing	-	137,896	-	-	-	-	-	-	-
First Nations Health Authority	-	25,000	-	-	-	-	126,345	102,122	169,215
Health Canada	-	-	-	-	-	-	49,793	49,793	49,370
Other revenue	269,076	381,786	695,584	49,699	51,187	61,579	(19,699)	(15,298)	(16,097)
Total revenue	1,681,876	2,082,599	2,019,003	102,769	104,257	96,184	172,353	159,804	224,646
Expenses									
Band member profit sharing	207,500	468,500	1,625,800	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	37,502
Professional fees	429,076	793,691	731,876	-	-	-	-	-	5,663
Program expenses	67,800	145,147	5,084	27,000	26,989	26,381	100,316	36,523	102,788
Repairs and maintenance	15,000	82,255	52,095	-	-	-	-	-	-
Tangible capital assets acquisitions	-	355,686	820,781	-	-	-	-	-	-
Wages and benefits	260,160	306,315	250,112	-	-	9,000	106,926	97,416	152,149
Other expenses	608,500	381,333	705,165	75,769	64,761	74,682	17,641	68,923	37,851
Total expenses	1,588,036	2,532,927	4,190,913	102,769	91,750	110,063	224,883	202,862	335,953
Other items	93,840	(450,328)	(2,171,910)	-	12,507	(13,879)	(52,530)	(43,058)	(111,307)
Annual surplus (deficit)	\$ 93,840	\$ (450,328)	\$ (2,171,910)	-	\$ 12,507	\$ (13,879)	\$ (52,530)	\$ (43,058)	\$ (111,307)

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

18. SEGMENTED INFORMATION, continued

	Social Services		Social Housing		Capital Fund				
	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual
Revenues									
Indigenous & Northern Affairs Canada	\$ 95,822	\$ 68,719	\$ 81,858	-	\$ 43,538	\$ 39,360	-	\$ -	\$ -
Rent	-	-	-	-	-	-	-	-	-
Other revenue	-	-	2,300	39,300	46,442	47,820	-	-	-
Total revenue	95,822	68,719	84,158	39,300	89,980	87,180	-	-	-
Expenses									
Amortization	-	-	-	-	-	-	-	372,840	147,726
Professional fees	-	-	-	3,000	2,750	2,700	-	-	-
Program expenses	9,661	1,365	1,438	-	-	-	-	-	-
Repairs and maintenance	-	-	-	10,000	(5,373)	56,529	-	-	-
Wages and benefits	56,198	9,595	47,308	-	-	-	-	-	-
Other expenses	72,038	110,437	90,791	10,000	61,689	65,555	-	-	-
Total expenses	137,897	121,397	139,537	23,000	59,066	124,784	-	372,839	147,726
Other items	(42,075)	(52,678)	(55,379)	16,300	30,914	(37,604)	-	(372,839)	(147,726)
	-	-	-	-	179,555	2,372	-	1,848,384	2,492,293
Annual surplus (deficit)	\$ (42,075)	\$ (52,678)	\$ (55,379)	\$ 16,300	\$ 210,469	\$ (35,232)	-	\$ 1,475,545	\$ 2,344,567

KWIKWETLEM FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

18. SEGMENTED INFORMATION, continued

	Ottawa Trust Fund			Enterprise Fund			Consolidated totals		
	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual
Revenues									
Indigenous & Northern Affairs Canada	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 521,029	\$ 616,520	\$ 1,119,548
Quantum Murray Limited Partnership contract	-	-	-	-	-	-	1,300,000	1,125,117	947,083
Province of British Columbia	-	-	-	-	-	-	35,000	611,250	291,384
Investment gain/loss from subsidiaries	-	-	-	-	447,252	61,603	-	447,252	61,603
BC Housing	-	-	-	-	-	-	400,000	537,896	-
First Nations Health Authority	-	-	-	-	-	-	126,345	127,122	169,215
Rent	-	-	-	-	-	-	-	106,583	79,835
Health Canada	-	-	-	-	-	-	49,793	49,793	49,370
Other revenue	-	796	871	-	-	-	467,376	697,592	1,043,277
Total revenue	-	796	871	-	447,252	61,603	2,899,543	4,319,125	3,761,315
Expenses									
Amortization	-	-	-	-	-	-	207,500	841,340	1,773,526
Infrastructure	-	-	-	-	-	-	300,000	218,847	665,485
Principal payments on loans	-	-	-	-	-	-	-	424,726	227,488
Professional fees	-	-	-	-	-	-	662,076	1,444,349	1,333,650
Program expenses	-	-	-	-	-	-	349,817	309,430	231,196
Repairs and maintenance	-	-	-	-	-	-	48,218	95,987	154,917
Tangible capital assets acquisitions	-	-	-	-	-	-	-	1,052,709	2,747,369
Wages and benefits	-	-	-	-	-	-	944,463	854,662	858,044
Other expenses	-	-	-	-	(9,349)	-	1,018,879	1,087,168	1,412,312
Total expenses	-	-	-	-	(9,349)	-	3,530,953	6,329,217	9,403,987
Other items	-	796	871	-	456,601	61,603	(631,410)	(2,010,092)	(5,642,672)
Annual surplus (deficit)	\$ -	\$ 796	\$ 871	\$ -	\$ 456,601	\$ 61,603	\$ (631,410)	\$ 17,847	\$ (2,648,007)