



Squiala First Nation
Financial Statements

March 31, 2016

Squiala First Nation

INDEX TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2016

Management's Responsibility for Financial Reporting
Auditor's Report

SUMMARY FINANCIAL STATEMENTS

Summary Statement of Financial Position	Statement 1
Summary Statement of Operations	Statement 2
Summary Statement of Net Assets	Statement 3
Summary Statement of Cash Flows	Statement 4
Notes to Financial Statements	

**Squiala First Nation
MARCH 31, 2016**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying summary financial statements of Squiala First Nation are the responsibility of management and have been approved by Chief and Council


The summary 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 the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

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

Chief and Council are 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.

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 consolidated financial statements and the external auditor's report.

The external auditors, Ribeyre Chang Haylock 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 Squiala First Nation and meet when required.



Chief David Jimmie



Councillor

INDEPENDENT AUDITOR'S REPORT

To: The Members of Squiala First Nation

Squiala First Nation

Report on the Financial Statements

We have audited the accompanying summary financial statements of **Squiala First Nation**, which comprise the summary statement of financial position as at March 31, 2016, and the summary statement of operations, summary statement of change in net assets, summary statement of cash flows 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 financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of **Squiala First Nation** as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Port Coquitlam, B.C.
July 11, 2016

Chartered Professional Accountants

Squiaala First Nation

SUMMARY STATEMENT OF FINANCIAL POSITION

As at March 31, 2016	Statement 1	
	2016	2015
Financial assets		
Cash - note 3	\$ 352,449	\$ 1,193,717
Restricted cash - note 3	946,614	920,219
Accounts receivable - note 4	523,017	401,214
Temporary investments - note 5	8,807,392	4,223,971
Investments - note 6	17,838,681	16,775,615
Due from related party - note 7	6,987,890	10,843,769
Trust moneys - note 8	12,098	12,105
	35,468,141	34,370,610
Liabilities		
Accounts payable and accrued liabilities	933,508	912,141
Deferred revenue - note 9	15,766,559	16,106,799
Long-term debt - note 10	2,680,643	2,850,769
	19,380,710	19,869,709
Net financial assets	16,087,431	14,500,901
Non-financial assets		
Prepaid expenses	35,862	47,146
Tangible capital assets - note 11	9,080,680	9,316,243
Total non-financial assets	9,116,542	9,363,389
Accumulated surplus - note 12	\$ 25,203,973	\$ 23,864,290

See accompanying notes

On behalf of Chief and Council:



 Chief



 Councillor

Squiala First Nation

SUMMARY STATEMENT OF OPERATIONS

As at March 31, 2016

Statement 2

	Budget	2016	2015
Revenue			
Indigenous and Northern Affairs Canada	\$ 1,314,262	\$ 1,691,392	\$ 1,341,557
Seabird Island Band	23,546	56,767	57,456
Sto:lo Nation	12,465	32,122	11,542
Property taxes	1,601,673	1,752,113	1,638,074
First Nation Education Steering Committee	20,645	59,584	64,708
Other revenue	306,481	278,099	204,356
Canada Mortgage and Housing Corporation	-	30,601	30,595
Rental revenue	31,961	388,122	451,359
Investment Fund revenues	13,544	32,842	13,544
Ottawa Trust revenues	-	736	769
Interest income	73,880	91,453	73,617
	3,398,457	4,413,831	3,887,577
Expenses			
Band government	336,640	418,102	344,074
Community infrastructure	335,563	352,218	287,423
Capital programs	406,363	641,770	569,745
Economic development	947,682	1,041,515	955,498
Education and training	734,941	844,569	906,322
Housing	-	124,818	122,806
Investments	201,426	211,248	201,426
Social development	147,639	283,181	134,294
Social programs	376,553	425,836	375,591
	3,486,807	4,343,257	3,897,179
Annual (deficit) surplus	(88,350)	70,574	(9,602)
Accumulated surplus, beginning of year		23,864,290	22,980,981
Equity increase in investments		1,248,237	906,659
Reimbursements (recoveries)		20,872	(13,748)
Accumulated surplus, end of year		\$ 25,203,973	\$23,864,290

See accompanying notes

Squia First Nation

SUMMARY STATEMENT OF CHANGE IN NET ASSETS

For the year ended March 31, 2016

Statement 3

	2016	2015
Annual surplus (deficit)	\$ 70,574	\$ (9,602)
Reimbursements (recoveries) in the year	20,872	(13,748)
	91,446	(23,350)
Changes in tangible capital assets		
Acquisition of tangible capital assets	(161,302)	(44,764)
Amortization of tangible capital assets	396,865	321,643
	235,563	276,879
Changes in other non-financial assets		
Equity increase in investments	1,248,237	906,659
Prepaid expenses and deposits	11,284	(25,176)
	1,259,521	881,483
Increase in net financial assets	1,586,530	1,135,012
Net financial assets at beginning of year	14,500,901	13,365,889
Net financial assets at end of year	\$ 16,087,431	\$ 14,500,901

See accompanying notes

Squiala First Nation

SUMMARY STATEMENT OF CASH FLOWS

For the year ended March 31, 2016

Statement 4

	2016	2015
OPERATING ACTIVITIES		
Revenue received	\$ 3,972,660	\$ 3,697,034
Expenses paid	(3,913,741)	(3,457,909)
Cash provided by operating activities	58,919	239,125
INVESTING ACTIVITIES		
Investment in temporary investments	(4,583,421)	(66,664)
Advances to investments - net	(5,000)	-
Advance from Squiala Holdings Limited Partnership	4,046,050	900,000
Net change in Ottawa Trust Funds	7	512
Purchase and construction of capital assets	(161,302)	(44,764)
Cash used in investing activities	(703,666)	789,084
FINANCING ACTIVITIES		
Repayment of long-term debt	(170,126)	(165,570)
Cash used in financing activities	(170,126)	(165,570)
(Decrease) increase in cash during the year	(814,873)	862,639
Cash, beginning of year	2,113,936	1,251,297
Cash, end of year	\$ 1,299,063	\$ 2,113,936
Represented by		
Cash	\$ 352,449	\$ 1,193,717
Restricted cash	946,614	920,219
	\$ 1,299,063	\$ 2,113,936

See accompanying notes

Squiala First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditor's Report

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These Summary Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the CICA Public Sector Accounting and Auditing Handbook, which encompasses the following principles.

a) Fund accounting

The Squiala 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 Summary Financial Statements. Details of the operations of each fund are set out in the supplementary schedules. The Squiala First Nation maintains the following funds:

- The Operating Fund which reports the general activities of the First Nation administration.
- The Investment Fund which reports the investment activities of the First Nation.
- The Social Housing Fund which reports the social housing assets of the First Nation, together with related activities.
- The Trust Fund which reports on trust funds owned by the First Nation and held by a third party.

b) Reporting entity and principles of financial reporting

The Squiala First Nation reporting entity includes the Squiala First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation except those which qualify as government business enterprises.

These financial statements summarize the assets, liabilities and results of operation for the following entities which use accounting principles which lend themselves to consolidation:

- Squiala First Nation Operating Fund
- Squiala First Nation Investment Fund
- Squiala First Nation Social Housing Fund
- Squiala First Nation Trust Fund

Investments in government business enterprises and government business partnerships are included in the summary financial statements using the modified equity method. They have been reported as financial assets under Public Sector Accounting standard PS1000.40(f). These include:

- Eagle North Limited Partnership (100% interest)
- Squiala Holdings Limited Partnership (100% interest)
- Squiala Holdings GP Ltd. (100% interest)
- Ch-ihl-kway-uhk Forestry Limited Partnership (12.4% interest)
- Ch-ihl-kway-uhk Tribe Society (11.1% interest)
- Ts'elxweyeqw Tribe Management Ltd. (14.3% interest)
- Ts'elxweyeqw Tribe Limited Partnership (14.3% interest)
- Centre Creek Limited Partnership (11% interest)

Squiala First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditor's Report

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

b) Reporting entity and principles of financial reporting (continued)

All inter-entity balances have been eliminated on summary, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

c) Fixed assets

Fixed assets are valued at either cost or estimated cost and either recorded in the Operating or the Social Housing Fund.

The acquisition costs of fixed assets and payments on capital debt, which are not funded from capital financing sources, are charged to operations and matched with the applicable revenue source in the year of expenditure. These expenditures are also recorded as an addition to assets of the Operating Fund with a corresponding increase in Equity in Fixed Assets.

Fixed assets acquired as part of the Social Housing Fund are recorded as assets of that fund.

d) Depreciation

Fixed assets are recorded and depreciated with a corresponding reduction in Equity in Fixed Assets. Fixed assets are depreciated over their expected useful life using the straight line method at the following rates:

Buildings and infrastructure	40 years, straight line
Equipment	5 years, straight line
Automotive	10 years, straight line

Social Housing assets acquired under Canada Mortgage and Housing Corporation sponsored housing programs are depreciated 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. To be consistent, housing assets in the Operating Fund are also depreciated at a rate equivalent to the annual principal reduction in the related long-term debt.

e) Revenue Recognition

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Statement of Financial Position.

Squiala First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditor's Report

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

f) Use of estimates

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 at the date of the financial statements and reported amounts of revenues and expenditures during the reported period. Actual results could differ from the estimates.

g) Financial assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not consumed in the normal course of operations. The indicator of net financial assets is determined by deducting the financial assets of the Squiala First Nation from its liabilities. Financial assets are primarily measured at historical cost.

h) Non-financial assets

Fixed assets and other non-financial assets are accounted for as assets by the Squiala First Nation because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Squiala First Nation unless they are sold.

2. ECONOMIC DEPENDENCE

The Squiala First Nation receives a major portion of its revenue pursuant to a funding arrangement with Indigenous and Northern Affairs Canada.

Squiala First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditor's Report

3. CASH AND RESTRICTED CASH

Cash is comprised of the following:

	2016	2015
Operating Fund	\$ 300,482	\$ 1,155,225
Social Housing Fund	51,967	38,492
	<u>\$ 352,449</u>	<u>\$ 1,193,717</u>

Restricted cash is comprised of the following:

	2016	2015
Operating Fund	\$ 607,888	\$ 593,050
Social Housing Fund	338,726	327,169
	<u>\$ 946,614</u>	<u>\$ 920,219</u>

The Band's bank accounts have an authorized overdraft limit of \$50,000.

4. ACCOUNTS RECEIVABLE

	2016	2015
Accounts receivable consists of the following:		
Trade	\$ 466,406	\$ 398,664
Indigenous and Northern Affairs Canada	54,061	-
Canadian Mortgage and Housing Corporation	2,550	2,550
	<u>\$ 523,017</u>	<u>\$ 401,214</u>

5. TEMPORARY INVESTMENTS

Temporary investments consist of the following:

- Guaranteed investment certificates bearing interest between 1.50% and 1.65% with maturities between May, 2016 and October, 2016.
- Deposits in money market mutual fund units.

On March 10, 2016, Squiala First Nation Chief and Council have resolved to transfer the short-term investment amount of \$6,561,299 to its investee, Squiala Holdings Limited Partnership. The transfer has not yet been completed as of March 31, 2016.

Squiala First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditor's Report

6. INVESTMENTS

	2016	2015
Eagle North Limited Partnership (100% owned)		
Accumulated net earnings	\$ 18,701,564	\$ 18,701,564
Indirect accounts payable	(3,161,564)	(3,161,564)
Advances	1,000	-
	15,541,000	15,540,000
Eagle North Limited Partnership was previously reported as Squiala Holdings Limited Partnership but the investment was transferred to Eagle North Limited Partnership in 2012 along with the associated accounts payable liability from the Squiala First Nation's accounts. The overall investment valuation and Squiala First Nation accounts payable have both been reduced by this amount. There was no effect on accumulated equity of the Squiala First Nation.		
Chi-ihl-kway-uhk Forestry Limited Partnership (12.4% partner)		
Accumulated net earnings	48,346	42,797
Chi-ihl-kway-uhk Tribe Society (11.1% partner)		
Accumulated net earnings	54,116	51,507
Squiala Holdings GP Limited (100% owned)		
Advances	4,000	-
Shares	100	100
	4,100	100
Ts'elxweyeqw Tribe Management Ltd. (14.3% owned)		
Shares	1	1
Ts'elxweyeqw Tribe Limited Partnership (14.3% partner)		
Accumulated net earnings	2,011,723	960,783
Centre Creek Limited Partnership (11% partner)		
Accumulated net earnings	179,395	180,427
	\$ 17,838,681	\$ 16,775,615

Squiala First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditor's Report

7. DUE FROM RELATED PARTY

The balance due from related party represents a net advance to Squiala Holdings Limited Partnership to support its net capital investment in Eagle Landing Developments Limited Partnership for an equal value.

	2016	2015
Opening equity	\$ 10,843,769	\$ 11,680,528
Equity increase reported for the year	190,171	63,241
Contribution to related party	70,000	-
Repayments from related party	(4,116,050)	(900,000)
	\$ 6,987,890	\$ 10,843,769

8. TRUST MONEYS

	March 31, 2015	Additions	Withdrawals	March 31, 2016
Revenue	\$ 127	\$ 736	\$ (743)	\$ 120
Capital	11,978	-	-	11,978
	\$ 12,105	\$ 736	\$ (743)	\$ 12,098

The Ottawa Trust accounts arise from moneys 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 and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

9. DEFERRED REVENUE

	2016	2015
Operating Fund		
Capital surplus account - CPMS # 7846	\$ -	\$ 171,760
Hall rental security deposits	4,664	3,614
Social Housing Fund		
Rent deposits	-	350
Investment Fund		
Eagle Landing Development Limited Partnership lease	15,761,895	15,931,075
	\$ 15,766,559	\$ 16,106,799

The lease to Eagle Landing Development Limited Partnership has an amortization period of 99 years at an expected rate of \$169,180 per year and expires on September 18, 2108.

Squiala First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditor's Report

10. LONG-TERM DEBT

	2016	2015
Mortgage payable maturing December 1, 2016 with monthly payments of \$1,425 including interest at 1.64%. Secured by real property and a ministerial guarantee.	\$ 22,530	\$ 39,108
Mortgage payable maturing April 1, 2017 with monthly payments of \$1,790 including interest at 1.67%. Secured by real property and a ministerial guarantee.	120,946	140,232
Mortgage payable maturing January 1, 2019 with monthly payments of \$1,616 including interest at 2.11%. Secured by real property and a ministerial guarantee.	138,542	154,825
Mortgage payable maturing April 1, 2019 with monthly payments of \$1,189 including interest at 1.92%. Secured by real property and a ministerial guarantee.	106,763	118,856
Mortgage payable maturing October 31, 2017 with monthly payments of \$15,630 including interest at 3.47%. Secured by real property.	2,291,862	2,397,748
	2,680,643	2,850,769
Less: current portion	(180,879)	(170,287)
	\$ 2,499,764	\$ 2,680,482

Principal payments expected over the next five years are as follows:

2017	\$ 180,879
2018	2,312,984
2019	117,729
2020	69,051
2021	-
	<u>\$ 2,680,643</u>

Squiala First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditor's Report

11. TANGIBLE CAPITAL ASSETS

	2016							2015	
	Beginning			Ending	Beginning		Ending	Net Book	Net Book
	Cost	Additions	Disposal	Cost	Accumulated	Depreciation	Disposal	Accumulated	Value
					Depreciation			Depreciation	Value
Operating Fund									
Office Furniture and equipment	\$ 188,268	\$ -	\$ -	\$ 188,268	\$ 131,773	\$ 33,242	\$ -	\$ 165,015	\$ 23,253
Infrastructure assets	2,708,529	-	-	2,708,529	835,885	67,714	-	903,599	1,804,930
Computer equipment	79,059	7,039	-	86,098	41,321	12,628	-	53,949	32,149
Automotive equipment	113,167	58,893	-	172,060	45,502	13,912	-	59,414	112,646
Equipment - other	193,156	3,295	-	196,451	140,280	28,302	-	168,582	27,869
Buildings	7,242,456	92,075	-	7,334,531	1,021,978	176,827	-	1,198,805	6,135,726
	10,524,635	161,302	-	10,685,937	2,216,739	332,625	-	2,549,364	8,136,573
Social Housing Fund									
Residential buildings	1,752,667	-	-	1,752,667	744,320	64,240	-	808,560	944,107
	\$ 12,277,302	\$ 161,302	\$ -	\$ 12,438,604	\$ 2,961,059	\$ 396,865	\$ -	\$ 3,357,924	\$ 9,080,680

Squiala First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditor's Report

12. ACCUMULATED SURPLUS

	2016	2015
Accumulated surplus is comprised of the following:		
Restricted surpluses		
Operating fund	\$ 126,868	\$ 3,967
Trust fund	12,098	12,105
CMHC replacement reserve	300,606	287,343
Equity in tangible capital assets	6,400,037	6,465,474
Unrestricted surplus	18,364,364	17,095,401
	\$ 25,203,973	\$ 23,864,290

13. SOCIAL HOUSING RESERVE FUNDS

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage and Housing Corporation, Squiala First Nation Social Housing 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 March 31, 2016 the reserve was deficient by \$14,600 (2015 - fully funded).

As part of the Post-1996 program, the Squiala First Nation had an operating reserve requirement of \$47,727. At March 31, 2016, the reserve was fully funded (2015 - fully funded).

14. CONTINGENT LIABILITIES

In the normal course of operations, the First Nation has become contingently liable for indebtedness of its members.

The First Nation has guaranteed loans owed by members to Canadian banks. At March 31, 2016 the guaranteed balances under these loans is \$139,624 for one outstanding loan (2015 - \$256,640 for two outstanding loans).

Squiala First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

See Auditor's Report

15. BUDGET INFORMATION

The budget information disclosed has been approved by the Squiala First Nation Chief and Council. Individual program operations not showing budget information does not mean budgets were not prepared but rather that their amounts were not readily determinable.

16. FINANCIAL INSTRUMENTS

Squiala First Nation is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at March 31, 2016.

Credit risk

The carrying value of the First Nation's main financial assets represents the maximum credit risk to which the nation is exposed.

Squiala First Nation's credit risk is due mainly to its accounts receivable. The balance sheet amounts are presented net of the allowance for impaired accounts, which management estimates based on past experience and its assessment of current economic conditions.

Liquidity risk

Squiala First Nation considers that it has sufficient credit facilities to ensure that funds are available to meet its current and long-term financial needs, at a reasonable cost.

Market risk

Squiala First Nation is exposed to interest rate risk on its fixed-interest and variable-interest financial instruments. Fixed-interest instruments subject the band to a fair value risk while the variable-interest instruments subject it to a cash flow risk.

The following table summarizes the contractual maturities of the financial liabilities as at March 31, 2016.

	Carrying amount	Contractual cash flows	0 to 1 year	1 to 5 years	Over 5 years
Accounts payable and accrued expenses	\$ 933,508	\$ 933,508	\$ 933,508	\$ -	\$ -
Long-term debt	2,680,643	2,680,643	180,879	2,499,764	-
	<u>\$ 3,614,151</u>	<u>\$ 3,614,151</u>	<u>\$ 1,114,387</u>	<u>\$ 2,499,764</u>	<u>\$ -</u>