

**Popkum First Nation**  
**Financial Statements**  
*March 31, 2016*

**Popkum First Nation**  
**Contents**  
*For the year ended March 31, 2016*

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To the Members of Popkum First Nation:

### Qualified Opinion

We have audited the financial statements of Popkum First Nation (the "First Nation"), which comprise the statement of financial position as at March 31, 2016, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2016, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Qualified Opinion

The consolidated financial statements do not include completed budgeted information. The exclusion of such information is a departure from Canadian Public Sector Accounting Standards as the comparison of budgeted to actual results is a significant measurement of performance.

We were not able to obtain sufficient and appropriate audit evidence over expenses of \$114,174 and were unable to determine whether any adjustments might be necessary to expenses, surplus, and cash flows from operations for the year ended March 31, 2016. The audit opinion on the financial statements for the year ended March 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

We were not able to obtain sufficient and appropriate audit evidence over other revenue of \$25,187 and were unable to determine whether any adjustments might be necessary to revenue, surplus, and cash flows from operations for the year ended March 31, 2016. The audit opinion on the financial statements for the year ended March 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chilliwack, British Columbia

October 22, 2024

*MNP LLP*

Chartered Professional Accountants

**Popkum First Nation**  
**Statement of Financial Position**  
*As at March 31, 2016*

|  | 2016           | 2015    |
|--|----------------|---------|
| <b>Financial assets</b>                          |                |         |
| Cash and cash equivalents                        | 188,210        | 217,487 |
| Accounts receivable                              | 9,603          | 73,678  |
| Investments in Nation business entities (Note 3) | 100            | 100     |
| Funds held in trust (Note 4)                     | 3,377          | 3,286   |
| <b>Total of financial assets</b>                 | <b>201,290</b> | 294,551 |
| <b>Liabilities</b>                               |                |         |
| Accounts payable and accruals                    | 19,110         | 12,110  |
| Long-term debt (Note 5)                          | 64,998         | 61,064  |
| <b>Total of financial liabilities</b>            | <b>84,108</b>  | 73,174  |
| <b>Net financial assets</b>                      | <b>117,182</b> | 221,377 |
| <b>Non-financial assets</b>                      |                |         |
| Tangible capital assets                          | 3,539          | -       |
| <b>Accumulated surplus (Note 6)</b>              | <b>120,721</b> | 221,377 |

Approved on behalf of the Council

Original signed by Chief James Murphy

Chief

**Popkum First Nation**  
**Statement of Operations and Accumulated Surplus**  
*For the year ended March 31, 2016*

|   | <i>Schedules</i> | <b>2016</b>      | <b>2015</b> |
|---|------------------|------------------|-------------|
| <b>Revenue</b>  |                  |                  |             |
| Indigenous Services Canada                              |                  | <b>167,193</b>   | 97,985      |
| Other income  |                  | <b>25,187</b>    | 358,969     |
| Province of BC  |                  | <b>35,533</b>    | 35,528      |
| Rental income   |                  | <b>57,440</b>    | 85,150      |
| Property taxation                                       |                  | <b>26,181</b>    | 26,904      |
| BC Hydro  |                  | <b>9,070</b>     | 9,070       |
| Interest income   |                  | <b>144</b>       | -           |
| Ottawa Trust  |                  | <b>91</b>        | 101         |
|   |                  | <b>320,839</b>   | 613,707     |
| <b>Expenses</b>   |                  |                  |             |
| Administration  | 3                | <b>290,200</b>   | 274,779     |
| Rights and Title  | 4                | <b>131,295</b>   | 77,774      |
|   |                  | <b>421,495</b>   | 352,553     |
| <b>Surplus (deficit)</b>                                |                  | <b>(100,656)</b> | 261,154     |
| <b>Accumulated surplus (deficit), beginning of year</b> |                  | <b>221,377</b>   | (39,777)    |
| <b>Accumulated surplus, end of year (Note 6)</b>        |                  | <b>120,721</b>   | 221,377     |

*The accompanying notes are an integral part of these financial statements*

**Popkum First Nation**  
**Statement of Change in Net Financial Assets**  
*For the year ended March 31, 2016*

|   | <b>2016</b>      | <b>2015</b> |
|---|------------------|-------------|
| <b>Annual surplus (deficit)</b>                           | <b>(100,656)</b> | 261,154     |
| Purchases of tangible capital assets                      | <b>(3,775)</b>   | -           |
| Amortization of tangible capital assets                   | <b>236</b>       | -           |
|   | <b>(3,539)</b>   | -           |
| <b>Increase (decrease) in net financial assets</b>        | <b>(104,195)</b> | 261,154     |
| <b>Net financial assets (net debt), beginning of year</b> | <b>221,377</b>   | (39,777)    |
| <b>Net financial assets, end of year</b>                  | <b>117,182</b>   | 221,377     |

*The accompanying notes are an integral part of these financial statements*

**Popkum First Nation**  
**Statement of Cash Flows**  
*For the year ended March 31, 2016*

|   | 2016      | 2015     |
|---|-----------|----------|
| <b>Cash provided by (used for) the following activities</b> |           |          |
| <b>Operating activities</b>                                 |           |          |
| Surplus (deficit)   | (100,656) | 261,154  |
| Interest on debt  | 3,935     | 6,306    |
| Non-cash items  |           |          |
| Amortization  | 236       | -        |
|   | (96,485)  | 267,460  |
| Changes in working capital accounts                         |           |          |
| Accounts receivable   | 64,075    | (69,054) |
| Accounts payable and accruals                               | 6,999     | (2,802)  |
| Ottawa trust fund   | (91)      | (101)    |
| Investments   | -         | (100)    |
|   | (25,502)  | 195,403  |
| <b>Capital activities</b>                                   |           |          |
| Purchases of tangible capital assets                        | (3,775)   | -        |
| <b>Increase (decrease) in cash resources</b>                | (29,277)  | 195,403  |
| <b>Cash resources, beginning of year</b>                    | 217,487   | 22,084   |
| <b>Cash resources, end of year</b>                          | 188,210   | 217,487  |

*The accompanying notes are an integral part of these financial statements*



**1. Operations**

The Popkum First Nation (the "First Nation") is located in the province of British Columbia, and provides various services to its members. Popkum First Nation includes the Nation's members, government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

**2. Significant accounting policies**

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

***Basis of presentation***

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

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

***Cash and cash equivalents***

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less.

***Funds held in Ottawa Trust Fund***

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

***Liability for contaminated site***

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2016.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at March 31, 2016, management has determined that no such liability is required to be recorded.

**2. Significant accounting policies** *(Continued from previous page)*

**Reporting entity**

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for government business entities.

Popkum First Nation government business entities, owned or controlled by the First Nation's Council but not dependent on the First Nation for their continuing operations, are included in the financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the government business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- Popkum FN Development Corporation

**Revenue recognition**

**Government Transfers**

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

**Funds held in Ottawa Trust Fund**

Due to measurement uncertainty, revenue related to the receipt of funds held in the Ottawa Trust Fund is recognized when it is received.

**Other revenue**

Other revenue is recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

**Rental revenue**

Rental revenue is recorded in the year it is earned. At the end of each year, management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

**Tangible capital assets**

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible assets are recorded at their fair value at the date of contribution.

**Amortization**

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

|                      | <b>Method</b> | <b>Rate</b> |
|----------------------|---------------|-------------|
| Automobile equipment | straight-line | 8 years     |

**2. Significant accounting policies** *(Continued from previous page)*

***Long-lived assets***

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in surplus for the year.

***Measurement uncertainty***

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

***Segments***

The First Nation conducts its business through two of reportable segments: Administration and Rights and Title. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable 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.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements.

**3. Investments in Nation business entities**

The First Nation has investments in the following entities:

|  | <i>Investment<br/>cost</i> | <i>2016<br/>Total<br/>investment</i> |
|--|----------------------------|--------------------------------------|
| <b>Government Business Entity</b>        |                            |                                      |
| Popkum FN Development Corporation - 100% | 100                        | 100                                  |

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**Popkum First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2016*

**4. Funds held in trust**

Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the First Nation's Council.

|                                    | 2016         | 2015  |
|------------------------------------|--------------|-------|
| <b>Capital Trust</b>               |              |       |
| Balance, beginning and end of year | 7            | 7     |
| <b>Revenue Trust</b>               |              |       |
| Balance, beginning of year         | 3,279        | 3,178 |
| Interest and distributions         | 91           | 101   |
| Balance, end of year               | 3,370        | 3,279 |
|                                    | <b>3,377</b> | 3,286 |

**5. Long-term debt**

Popkum First Nation is the guarantor of a Nation member's mortgage. The member defaulted on this loan and the First Nation has taken on the long-term debt. The balance of the mortgage at year end was \$64,998 (2015 - \$61,064).

**6. Accumulated surplus**

Accumulated surplus consists of the following:

|                                    | 2016           | 2015    |
|------------------------------------|----------------|---------|
| Equity in Nation business entities | 100            | 100     |
| Equity in Ottawa Trust Funds       | 3,377          | 3,286   |
| Equity in Tangible Capital Assets  | 3,539          | -       |
| Operating surplus                  | 113,705        | 217,991 |
|                                    | <b>120,721</b> | 221,377 |

**7. Segments**

The First Nation conducts its business through reportable segments, which are differentiated by major activities, accountability and control relationships. The reportable segments and their activities are as follows:

**Administration**

Includes general operations, IT support and financial management of the First Nation along with an arm related to property taxation and governance activities.

**Rights and Title**

Includes revenue and expenditures related to the negotiation of rights and title matters.

**Popkum First Nation**  
**Schedule 1 - Schedule of Tangible Capital Assets**  
*For the year ended March 31, 2016*

|  | <i>Automobile<br/>Equipment</i> | <i>2016</i>  | <i>2015</i> |
|--|---------------------------------|--------------|-------------|
| <b>Cost</b>                                      |                                 |              |             |
| Balance, beginning of year                       | -                               | -            | -           |
| Acquisition of tangible capital assets           | 3,775                           | 3,775        | -           |
| Balance, end of year                             | 3,775                           | 3,775        | -           |
| <b>Accumulated amortization</b>                  |                                 |              |             |
| Balance, beginning of year                       | -                               | -            | -           |
| Annual amortization                              | 236                             | 236          | -           |
| Balance, end of year                             | 236                             | 236          | -           |
| <b>Net book value of tangible capital assets</b> | <b>3,539</b>                    | <b>3,539</b> | <b>-</b>    |
| Net book value of tangible capital assets (2015) | -                               | -            |             |

**Popkum First Nation**  
**Schedule 2 - Schedule of Consolidated Expenses by Object**  
*For the year ended March 31, 2016*

|  | <b>2016</b>    | <b>2015</b>    |
|--|----------------|----------------|
| <b>Consolidated expenses by object</b> |                |                |
| Amortization                           | 236            | -              |
| Automotive                             | 5,009          | -              |
| Bank charges and interest              | 831            | 1,366          |
| Honoraria                              | 43,442         | 18,600         |
| Insurance                              | 2,212          | -              |
| Interest on long-term debt             | 3,935          | 6,306          |
| Meeting                                | 2,745          | -              |
| Office supplies and expenses           | 4,337          | -              |
| Professional fees                      | 143,295        | 96,274         |
| Rent                                   | 14,900         | 14,725         |
| Repairs and maintenance                | 14,843         | -              |
| Salaries and benefits                  | 36,900         | -              |
| Telephone                              | 2,322          | -              |
| Travel                                 | 32,314         | -              |
| Unsupported expenditures               | 114,174        | 215,282        |
|  | <b>421,495</b> | <b>352,553</b> |