

Popkum First Nation
Financial Statements
March 31, 2017

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, 2017, and the statements of operations and accumulated surplus (deficit), changes in net financial assets (net debt) 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, 2017, 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 complete 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 \$84,266 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, 2017. The audit opinion on the financial statements for the year ended March 31, 2017 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 \$33,100 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, 2017. The audit opinion on the financial statements for the year ended March 31, 2017 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.

Popkum First Nation
Statement of Financial Position
As at March 31, 2017

	2017	2016
Financial assets		
Cash and cash equivalents	12,359	188,210
Accounts receivable	36,830	9,603
Investments in Nation business entities (Note 3)	100	100
Funds held in trust (Note 4)	3,470	3,377
Total of financial assets	52,759	201,290
Liabilities		
Accounts payable and accruals	34,110	19,110
Long-term debt (Note 5)	70,798	64,998
Total of financial liabilities	104,908	84,108
Net financial assets (net debt)	(52,149)	117,182
Subsequent events (Note 6)		
Non-financial assets		
Tangible capital assets (Schedule 1)	3,067	3,539
Accumulated surplus (deficit) (Note 7)	(49,082)	120,721

Approved on behalf of the Council

Original signed by Chief James Murphy

Chief

Popkum First Nation
Statement of Change in Net Financial Assets (Net Debt)
For the year ended March 31, 2017

	2017	2016
Annual deficit	(169,803)	(100,656)
Purchases of tangible capital assets	-	(3,775)
Amortization of tangible capital assets	472	236
	472	(3,539)
Increase (decrease) in net financial assets	(169,331)	(104,195)
Net financial assets (net debt), beginning of year	117,182	221,377
Net debt, end of year	(52,149)	117,182

The accompanying notes are an integral part of these financial statements

1. Operations

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, 2017.

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, 2017, management has determined that no such liability is required to be recorded.

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 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 cost</i>	<i>2017 Total investment</i>
Government Business Entity		
Popkum FN Development Corporation - 100%	100	100

Popkum First Nation
Schedule 1 - Schedule of Tangible Capital Assets
For the year ended March 31, 2017

	<i>Automobile Equipment</i>	<i>2017</i>	<i>2016</i>
Cost			
Balance, beginning of year	3,775	3,775	-
Acquisition of tangible capital assets	-	-	3,775
Balance, end of year	3,775	3,775	3,775
Accumulated amortization			
Balance, beginning of year	236	236	-
Annual amortization	472	472	236
Balance, end of year	708	708	236
Net book value of tangible capital assets	3,067	3,067	3,539
Net book value of tangible capital assets (2016)	3,539	3,539	