

# **TS'KW'AYLAXW FIRST NATION**

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## **CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2016**

# **TS'KW'AYLAXW FIRST NATION**

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## **CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2016**

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# TS'KW'AYLAXW FIRST NATION

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2016

The accompanying consolidated financial statements of Ts'kw'aylaxw 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.

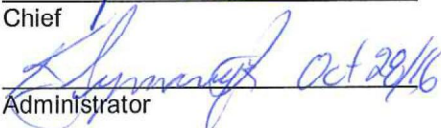
The Ts'kw'aylaxw First Nation maintains systems of internal accounting and administrative controls. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Nation's assets are appropriately accounted for and adequately safeguarded.

The Council is 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. in accordance with Canadian generally accepted auditing standards on behalf of their members. Reid Hurst Nagy Inc. has full and free access to the council for information purposes.

  
\_\_\_\_\_  
Chief

  
\_\_\_\_\_  
Administrator

## Independent Auditor's Report

To the Members of  
**Ts'kw'aylaxw First Nation**

We have audited the accompanying consolidated financial statements of Ts'kw'aylaxw First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations, change in net financial assets, cash flows and the related schedules 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.

### *Basis for Qualified Opinion*

Beginning April 1, 2009, generally accepted accounting principles for government entities required that the Band record the net value of tangible capital assets in its financial statements. The Band has not applied these new financial statement reporting standards. Because the Band did not provide us with a completed capital asset register reflecting the total cost of tangible capital assets owned by the Band and appropriate accumulated amortization and any impairment attributable to each of those assets, we were unable to determine the net value of the tangible capital assets that should have been recorded as an asset and the related amortization or impairment that should have been recorded as an expense in the current and prior year. Upon adoption of PS 1200 Financial Statement Presentation, the Band did not fully adopt all aspects of the standard as they relate to the aforementioned tangible capital assets as they have reported capital purchases and long-term debt payments as expenses and have failed to appropriately report depreciation as an expense.

*Qualified opinion*

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated 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, the changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Emphasis of Matter*

The financial statements for the year ended March 31, 2015, presented for comparative purposes, were audited by another auditor who expressed an opinion with reservation on those statements in their report dated August 17, 2015.

A handwritten signature in black ink that reads 'Reid Hurst Nagy Inc.' in a cursive, flowing script.

REID HURST NAGY INC.  
CHARTERED PROFESSIONAL ACCOUNTANTS

KELOWNA, B.C.  
October 28, 2016

# TS'KW'AYLAXW FIRST NATION

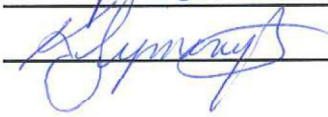
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2016

	2016	2015
<b>FINANCIAL ASSETS</b>		
Cash (Note 3)	\$ 858,436	\$ 458,224
Restricted cash (Note 3)	1,102,264	858,915
Short term investments (Note 4)	150,000	150,000
Accounts receivable (Note 5)	590,756	457,447
Due from related parties (Note 6)	43,101	12,072
Long-term investments (Notes 8 & 18)	52	52
St'at'imc Settlement Trust (Note 7 & 18)	3,739,795	3,269,962
	<b>6,484,404</b>	<b>5,206,672</b>
<b>LIABILITIES</b>		
Accounts payable (Note 10)	430,635	629,769
Deferred revenue (Note 11)	115,000	239,588
Long-term debt (Note 12)	544,445	562,798
	<b>1,090,080</b>	<b>1,432,155</b>
<b>NET FINANCIAL ASSETS</b>	<b>5,394,324</b>	<b>3,774,517</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 9)	2,928,706	2,956,773
Prepaid expenses	18,937	12,283
	<b>2,947,643</b>	<b>2,969,056</b>
<b>ACCUMULATED SURPLUS (Note 18)</b>	<b>\$ 8,341,967</b>	<b>\$ 6,743,573</b>

APPROVED ON BEHALF OF THE TS'KW'AYLAXW FIRST NATION

 , Chief

 , Administrator

# TS'KW'AYLAXW FIRST NATION

## CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended March 31, 2016

	2016 Budget	2016 Actual	2015
<b>ANNUAL SURPLUS</b>	\$ 1,452,817	\$ 1,598,394	\$ 477,551
Acquisition of tangible capital assets	-	(80,839)	(46,263)
Amortization of tangible capital assets	-	108,906	102,227
	-	28,067	55,964
Acquisition of prepaid asset	(6,654)	(18,937)	(12,283)
Use of prepaid asset	-	12,283	13,685
	(6,654)	(6,654)	1,402
<b>INCREASE IN NET FINANCIAL ASSETS</b>	1,446,163	1,619,807	534,917
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	-	3,774,517	3,239,600
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	\$ -	\$ 5,394,324	\$ 3,774,517

# TS'KW'AYLAXW FIRST NATION

## CONSOLIDATED SUMMARY STATEMENT OF OPERATIONS

For the year ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
<b>REVENUE</b>			
Indigenous and Northern Affairs Canada	\$ 3,070,151	\$ 3,387,098	\$ 1,919,602
Canada Mortgage and Housing Corporation	-	69,302	103,420
BC Hydro	77,467	79,612	77,467
First Nations Health Authority	448,019	645,626	334,515
Rental	-	50,413	49,888
Property tax assessed	-	112,329	-
Interest	-	50,380	65,334
Graymont	2,000	44,034	101,646
Royalties	-	267,128	265,318
Administration fee	222,012	92,839	38,836
First Nations Education Steering Committee	20,578	21,860	28,965
Other	93,618	937,892	1,264,043
Members' Trust	40,000	130,000	97,000
ISET	-	-	35,220
	3,973,845	5,888,513	4,381,255
<b>EXPENSES</b>			
Administration	1,000,956	1,121,704	1,267,879
Community Welfare	82,467	184,473	96,156
Operations and Maintenance	147,195	192,048	246,605
Economic Development	34,000	22,974	47,681
Natural Resources	65,318	82,469	166,633
Health	359,923	398,936	464,167
Education	476,213	383,559	378,173
Social Development	324,936	272,817	354,099
Social Housing	-	40,224	55,984
Capital Fund	56,020	1,345,470	578,021
Ottawa Trust Fund	-	6,172	30,131
Internal Revenue Trust Fund	-	91,583	97,180
Enterprise Fund	-	147,690	120,995
	2,547,028	4,290,119	3,903,704
<b>ANNUAL SURPLUS</b>	1,452,817	1,598,394	477,551
<b>FUND BALANCE, BEGINNING OF YEAR</b>	-	6,743,573	6,266,022
<b>FUND BALANCE, END OF YEAR</b>	\$ 1,452,817	\$ 8,341,967	\$ 6,743,573

The accompanying notes are an integral part of the financial statements



# TS'KW'AYLAXW FIRST NATION

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2016

	2016	2015
<b>OPERATING ACTIVITIES</b>		
ANNUAL SURPLUS	\$ 1,598,394	\$ 477,551
Change in non-cash items on statement of financial position	(463,687)	(169,520)
	<b>1,134,707</b>	<b>308,031</b>
<b>CAPITAL ACTIVITIES</b>		
Purchase of capital assets	(80,839)	(46,263)
Amortization	108,906	102,227
	<b>28,067</b>	<b>55,964</b>
<b>FINANCING ACTIVITIES</b>		
Due from (to) related parties	(31,029)	15,840
Long-term debt	(18,353)	(17,985)
	<b>(49,382)</b>	<b>(2,145)</b>
<b>INVESTING ACTIVITIES</b>		
Change in St'at'imc Trust	(469,832)	(704,823)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>643,560</b>	<b>(342,973)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,317,140</b>	<b>1,660,113</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,960,700</b>	<b>\$ 1,317,140</b>
<b>CASH AND CASH EQUIVALENTS ARE REPRESENTED BY:</b>		
Cash	\$ 858,436	\$ 458,225
Restricted cash	1,102,264	858,915
	<b>\$ 1,960,700</b>	<b>\$ 1,317,140</b>

# TS'KW'AYLAXW FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

### 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards for governments as defined in the CICA Public Sector Accounting Handbook.

#### (a) Reporting Entity

The Ts'kw'aylaxw First Nation reporting entity includes the Ts'kw'aylaxw 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, which 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 Ts'kw'aylaxw 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 Ts'kw'aylaxw First Nation.

Organizations consolidated in Ts'kw'aylaxw First Nation's financial statements include:

1. Ts'kw'aylaxw First Nation Operating Fund
2. Ts'kw'aylaxw First Nation Social Housing Fund
3. Ts'kw'aylaxw First Nation Capital Fund
4. Ts'kw'aylaxw First Nation Ottawa Trust Fund
5. Ts'kw'aylaxw First Nation Internal Revenue Trust Fund
6. Ts'kw'aylaxw First Nation Enterprise Fund
7. St'at'imc (PC) 2011 Trust Fund

Organizations accounted for on a modified equity basis include:

8. Marble Canyon Forestry Ltd.

#### (c) Fund Accounting

The Ts'kw'aylaxw 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 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.

#### (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 is performed is deferred and recognized when the fee is earned or service performed.

# TS'KW'AYLAXW FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

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

#### (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) Investments

The Band accounts for Ts'kw'aylawx Forestry Company Ltd.'s 100% interest in Marble Canyon Forestry Ltd. using the modified equity method. Under this method the cost of this investment is adjusted by earnings or losses of Marble Canyon Forestry Ltd. from the date of acquisition.

Inter-entity balances and transactions are not eliminated under the modified equity method.

#### (h) 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 of long-term debt are offset with an increase to Equity in Capital Assets.

# TS'KW'AYLAXW FIRST NATION

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## 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.

Amortization is calculated on a declining balance basis at the following annual rates, except in the year of acquisition when one-half the rate is used:

Buildings	5%
Automotive equipment	30%
TV satellite system	50%
Furniture and equipment	20%
Machinery and equipment	30%
Playground equipment	20%
Irrigation equipment	20%
Boats	5%

Tangible capital assets are written down when conditions indicate that they no longer contribute to Ts'kw'aylaxw 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 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 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. Land is not amortized.

#### (j) Replacement Reserve

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

#### (k) Budget

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

#### (l) 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.

#### (m) 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."

#### (n) 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.

# TS'KW'AYLAXW FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

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

#### (o) Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### 2. DUE TO GOVERNMENT OF CANADA

The amounts due to the Government of Canada were advanced to the Ts'kw'aylaxw First Nation as loans to facilitate the treaty negotiations process. Total loans advanced to March 31, 2016 amount to \$2,328,462 (2015 - \$2,328,462). These amounts have not been reported on the Consolidated Statement of Financial Position.

### 3. 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 \$898 (2015 - underfunded \$6,250).

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 year end date, the Fund is overfunded by \$12,588 (2015 - \$-).

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.

Members' Trust Funds:

Ts'kw'aylaxw First Nation administers their own revenue trust account known as the Members' Trust for land management activities. Withdrawals of the Members' Trust are recorded as revenue in the applicable fund where the monies are expended.

The Members' Trust GIC consists of a GIC held in a Canadian financial institution. The GIC earns interest at a rate of 0.9% (2015 - 0.9%) and matures February 2017.

# TS'KW'AYLAXW FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

### CASH, continued

	2016	2015
Cash		
Band	\$ 792,615	\$ 468,756
Social Housing	65,821	(10,532)
	<b>858,436</b>	<b>458,224</b>
Restricted cash		
Members' Trust	395,564	177,096
Members' Trust GIC	100,000	100,000
Ottawa Revenue Trust	5,745	6,172
Ottawa Capital Trust	575,597	575,597
Replacement Reserve Fund	12,598	50
Operating Reserve Fund	12,760	-
	<b>1,102,264</b>	<b>858,915</b>
	<b>\$ 1,960,700</b>	<b>\$ 1,317,139</b>

The Band has negotiated a line of credit to an authorized amount of \$50,000 bearing interest at prime plus 0.75%. This line of credit is secured by an assignment of monies on Indigenous and Northern Affairs Canada comprehensive funding agreement and a commitment letter in the amount of \$50,000.

### 4. SHORT TERM INVESTMENT

Short term investments consist of a GIC held in a Canadian financial institution. The GIC earns interest at a rate of 1.45% (2015 - 1.45%) and matures June 2016.

The Ts'kw'aylaxw First Nation also holds shares in Sun Life Financial at a cost of \$Nil (2015 - \$Nil).

### 5. ACCOUNTS RECEIVABLE

	2016	2015
Trade receivables	\$ 151,772	\$ 443,267
Indigenous and Northern Affairs Canada	306,475	-
First Nations Health Authority	50,000	-
Canada Mortgage and Housing Corporation	-	12,872
Graymont Western Canada Inc.	79,117	79,117
Rent receivables	332,084	336,620
	<b>919,448</b>	<b>871,876</b>
Allowance for doubtful accounts	(328,692)	(414,429)
	<b>\$ 590,756</b>	<b>\$ 457,447</b>

# TS'KW'AYLAXW FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

### 6. DUE FROM (TO) RELATED PARTIES

	2016	2015
Due from St'atl'imx Hydro	\$ 2,286	\$ 2,286
Due to Ainsworth	(5,201)	(5,201)
Due from Marble Canyon Forestry Ltd.	46,016	14,987
	<b>\$ 43,101</b>	<b>\$ 12,072</b>

Transactions with related parties, if any, are in the normal course of business, and are for fair consideration that is mutually agreed upon by the related parties.

### 7. ST'AT'IMC SETTLEMENT TRUST

	2016	2015
St'at'imc Settlement Trust	\$ 3,739,795	\$ 3,269,962

In 2011, Ts'kw'aylaxw First Nation and other members of the St'at'imc Nation signed an agreement to establish the St'at'imc Trust. The amount above and the revenue recorded in the current year represent Ts'kw'aylaxw First Nation's proportionate share of the assets of the Trust to be funded over the next 50 years. The capital of the Trust is subject to restriction, however revenue earned on an annual basis is available for Ts'kw'aylaxw First Nation for their use. As at March 31, 2016, the Trust had been funded to the amount of \$1,973,060.

# TS'KW'AYLAXW FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

### 8. Long Term Investments

Ts'kw'aylawx First Nation owns 100% effective ownership of Marble Canyon Forestry Ltd.

	2016	2015
Investment in Marble Canyon Forestry Ltd.	\$ 52	\$ 52
	2016 Total	2015 Total
Current assets	\$ 177,367	\$ 11,315
Current liabilities	\$ 118,036	\$ 9,456
Due to shareholders	43,042	12,042
Total liabilities	161,078	21,498
Share capital	100	100
Equity	16,189	(10,283)
Total equity	16,289	(10,183)
Total liabilities and equity	\$ 177,367	\$ 11,315
	2016 Total	2015 Total
Revenue	\$ 167,516	\$ -
Expenses	\$ 141,044	\$ 5,785



# TS'KW'AYLAXW FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

### 9. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated amortization			
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization end of year	Balance, end of year	2016 net book value
Buildings	\$ 3,110,440	\$ -	\$ 3,110,440	\$ 1,259,830	\$ 72,982	\$ 1,332,812	\$ 1,777,628
Automotive equipment	300,808	-	300,808	254,113	14,008	268,121	32,687
TV satellite system	30,709	-	30,709	30,709	-	30,709	-
Furniture and equipment	318,063	-	318,063	255,830	12,482	268,312	49,751
Machinery and equipment	89,347	80,839	170,186	85,936	9,107	95,043	75,143
Playground equipment	40,658	-	40,658	39,490	233	39,723	935
Irrigation equipment	3,873	-	3,873	3,803	14	3,817	56
Boats	5,323	-	5,323	4,923	80	5,003	320
Land	744,636	-	744,636	-	-	-	744,636
Infrastructure under construction	247,550	-	247,550	-	-	-	247,550
	\$ 4,891,407	\$ 80,839	\$ 4,972,246	\$ 1,934,634	\$ 108,906	\$ 2,043,540	\$ 2,928,706

	Cost			Accumulated amortization			
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization end of year	Balance, end of year	2015 Net book value
Buildings	\$ 3,100,440	\$ 10,000	\$ 3,110,440	\$ 1,185,890	\$ 73,940	\$ 1,259,830	\$ 1,850,610
Automotive equipment	264,545	36,263	300,808	241,872	12,241	254,113	46,695
TV satellite system	30,709	-	30,709	30,709	-	30,709	-
Furniture and equipment	318,063	-	318,063	241,627	14,203	255,830	62,233
Machinery and equipment	89,347	-	89,347	84,474	1,462	85,936	3,411
Playground equipment	40,658	-	40,658	39,197	293	39,490	1,168
Irrigation equipment	3,873	-	3,873	3,786	17	3,803	70
Boats	5,323	-	5,323	4,852	71	4,923	400
Land	744,636	-	744,636	-	-	-	744,636
Infrastructure under construction	247,550	-	247,550	-	-	-	247,550
	\$ 4,845,144	\$ 46,263	\$ 4,891,407	\$ 1,832,407	\$ 102,227	\$ 1,934,634	\$ 2,956,773

# TS'KW'AYLAXW FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

### 10. ACCOUNTS PAYABLE

	2016	2015
Accounts payable - general	\$ 403,272	\$ 573,052
Wages and benefits payable	27,363	56,717
	<b>\$ 430,635</b>	<b>\$ 629,769</b>

### 11. DEFERRED REVENUE

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

	March 31, 2015	Funding received, 2016	Revenue recognized, 2016	March 31, 2016
<b>Federal government</b>				
Indigenous and Northern Affairs Canada	\$ 124,588	\$ -	\$ (124,588)	\$ -
<b>Other</b>				
Members' Trust - Fire Department	100,000	-	-	100,000
Graymont Trust - royalties	15,000	15,000	(15,000)	15,000
	<b>115,000</b>	<b>15,000</b>	<b>(15,000)</b>	<b>115,000</b>
	<b>\$ 239,588</b>	<b>\$ 15,000</b>	<b>\$ (139,588)</b>	<b>\$ 115,000</b>

### 12. LONG-TERM DEBT

	2016	2015
All Nations Trust Company - repayable in monthly instalments of \$1,327 including interest at 1.53% per annum, maturing August 2022, secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada.	\$ 544,445	\$ 562,798

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

2018	\$ 19,109
2019	19,510
2020	19,920
2021 and thereafter	485,906
	<b>\$ 544,445</b>

# TS'KW'AYLAXW FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

### 13. ACCUMULATED SURPLUS

	2016	2015
Restricted		
Social Housing	\$ 132,464	\$ 122,880
Ottawa Trust Fund	581,343	581,770
Internal Revenue Trust Fund	1,051,514	830,843
St'at'imc (PC) 2011 Trust Fund	3,739,795	3,269,962
	<b>5,505,116</b>	<b>4,805,455</b>
Unrestricted		
Operating Fund	218,009	102,112
Capital Fund	2,516,045	1,637,083
Enterprise Fund	102,797	198,923
	<b>2,836,851</b>	<b>1,938,118</b>
	<b>\$ 8,341,967</b>	<b>\$ 6,743,573</b>

### 14. CONTINGENT LIABILITIES

TS'KW'AYLAXW FIRST NATION has guaranteed certain band member loans with Indigenous and Northern Affairs Canada. The total amount guaranteed amounts to \$214,400 (2015 - \$214,400) with \$24,680 (2015 - \$28,651) being outstanding at March 31, 2016.

### 15. COMPARATIVE AMOUNTS

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period. The March 31, 2015 comparative amounts were reported on by another firm of Chartered Professional Accountants.

### 16. COMMITMENTS

Ts'kw'aylaxw First Nation has entered into a lease for office equipment with monthly payments of \$470, expiring in May 2016 and a lease for photocopiers with monthly payments of \$1,090, expiring in 2019. Estimated minimum lease payments over the next five years are as following:

2017	\$ 14,020
2018	13,080
2019	13,080
2020	3,270

### 17. ECONOMIC DEPENDENCE

Ts'kw'aylaxw First Nation receives a significant portion of its revenue pursuant to a funding agreement with Indigenous and Northern Affairs Canada.

# TS'KW'AYLAXW FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

### 18. PRIOR PERIOD ADJUSTMENT

Subsequent to the issuance of the audited financial statements for the year ended March 31, 2015, the First Nation has chosen to account for its interest in the St'at'imc Settlement Trust using the current funded amount of the trust as the basis for the represented interest. In prior years, the trust was represented as the present value of all future anticipated funding over the life of the trust. This amount drastically varied from the funds actually held by the trust. As a result, the prior year figures have been restated to recognize the change in accounting policy. Detailed below is the amount of the change by financial statement line item.

Further, figures for the Replacement Reserve Fund were reallocated to "Accumulated Surplus", from a liability to reflect their legal form.

The "Investment in Marble Canyon" was adjusted to reflect its actual cost.

Each of these changes are detailed below.

	As previously presented 2015	Change	As restated 2015
St'at'imc Settlement Trust - opening balance	\$ 27,427,500	\$ (24,865,361)	\$ 2,562,139
St'at'imc Settlement Trust - closing balance	29,071,974	(25,805,012)	3,269,962
Accumulated Surplus - end of the year	32,547,374	(25,803,802)	6,743,572
Reclassified Replacement Reserve equity from liabilities	5,350	(5,350)	-
Reduction of "investment in Marble Canyon"	7,192	(7,140)	52
Change in St'at'imc Settlement Trust	1,644,474	(939,651)	704,823
Accumulated surplus - beginning of the year	\$ 31,130,172	\$ (24,864,150)	\$ 6,266,022

# TS'KW'AYLAXW FIRST NATION

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

### 19. SEGMENTED INFORMATION

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

The Administration 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.

The Community Welfare Programs department provides services to help the Members by providing a variety of programs, community services and social assistance.

The Operations and Maintenance Programs department provides services relating to the development, maintenance and service of the First Nation's assets, infrastructure and common property.

The Economic Development Programs department provides for the development of economic opportunities to the Members.

The Natural Resource Management includes exploration of natural resources and development of natural resource revenues.

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

The 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.

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

Other operations include Capital Fund, Ottawa Trust Fund, Internal Revenue Trust Fund, Enterprise Fund and St'at'imc (PC) 2011 Trust 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.

# TS'KW'AYLAXW FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

### 19. SEGMENTED INFORMATION, continued

	Administration		Community Welfare		Operations and Maintenance	
	2016 Budget	2015 Actual	2016 Budget	2015 Actual	2016 Budget	2015 Actual
<b>Revenues</b>						
Indigenous and Northern Affairs Canada	\$ 504,925	\$ 649,164	\$ -	\$ -	\$ 80,809	\$ 80,104
Indigenous and Northern Affairs Canada -Recoveries	-	(10,035)	-	-	-	-
BC Hydro	-	2,145	77,467	77,467	-	-
First Nations Health Authority	-	-	1,000	-	-	-
Property tax assessed	-	112,329	-	-	-	-
Members' Trust	20,000	35,000	-	-	20,000	20,000
Other revenue	222,012	124,839	16,072	109,543	41,576	42,928
<b>Total revenue</b>	<b>746,937</b>	<b>798,968</b>	<b>93,539</b>	<b>229,010</b>	<b>100,809</b>	<b>143,032</b>
<b>Expenses</b>						
Wages and benefits	448,118	395,710	-	17,503	105,661	101,808
Honoraria	121,200	120,893	-	8,900	-	-
Travel	66,000	142,757	-	-	6,500	5,441
Materials and supplies	22,000	24,021	-	-	3,200	97
Professional fees	-	2,152	-	-	-	860
Administration fees	17,708	17,708	77,467	-	-	-
Contractors	18,200	25,178	-	-	1,100	253
Repairs and maintenance	30,000	1,434	-	-	17,200	19,470
Other expenses	277,730	391,851	5,000	158,070	13,534	64,119
<b>Total expenses</b>	<b>1,000,956</b>	<b>1,121,704</b>	<b>82,467</b>	<b>96,156</b>	<b>147,195</b>	<b>246,605</b>
<b>Annual surplus (deficit)</b>	<b>\$ (254,019)\$</b>	<b>(304,493)\$</b>	<b>11,072 \$</b>	<b>132,854 \$</b>	<b>(46,386)\$</b>	<b>(103,573)</b>

# TS'KW'AYLAXW FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

### 19. SEGMENTED INFORMATION, continued

		Economic Development		Natural Resources		Health	
	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual	2015 Actual
Revenues							
Indigenous and Northern Affairs Canada	\$ 29,407	\$ 29,407	\$ 29,970	\$ -	\$ -	\$ -	\$ -
First Nations Health Authority	-	-	-	-	-	-	-
Other revenue	9,278	9,278	19,166	65,318	203,305	189,978	334,515
Total revenue	38,685	38,685	49,136	65,318	203,305	189,978	33,037
Expenses							
Wages and benefits	10,450	17,836	32,830	-	46,045	143,902	189,574
Honoraria	-	-	-	-	-	-	3,430
Travel	3,000	2,606	4,536	-	-	-	26,356
Materials and supplies	5,050	225	663	-	45	674	2,642
Administration fees	-	-	-	65,318	-	-	3,795
Contractors	-	250	6,085	-	-	3,708	13,370
Repairs and maintenance	-	-	-	-	-	-	7,846
Other expenses	15,500	2,057	3,567	-	36,379	18,349	217,154
Total expenses	34,000	22,974	47,681	65,318	82,469	166,633	464,167
Annual surplus (deficit)	\$ 4,685	\$ 15,711	\$ 1,455	\$ -	\$ 120,836	\$ 23,345	\$ (96,615)

# TS'KW'AYLAXW FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

### 19. SEGMENTED INFORMATION, continued

	2016 Budget	Education 2016 Actual	2015 Actual	2016 Budget	Social Development 2016 Actual	2015 Actual	2016 Budget	Social Housing 2016 Actual	2015 Actual
Revenues									
Indigenous and Northern Affairs Canada	\$ 474,643	\$ 477,521	\$ 455,197	\$ 324,936	\$ 333,214	\$ 319,342	\$ -	\$ -	-
Indigenous and Northern Affairs Canada -Recoveries	-	-	9,286	-	(684)	(3,741)	-	-	-
Canada Mortgage and Housing Corporation	-	-	-	-	-	-	-	25,743	25,743
Other revenue	22,578	41,028	36,776	-	-	50	-	24,065	33,429
Total revenue	497,221	518,549	501,259	324,936	332,530	315,651	-	49,808	59,172
Expenses									
Wages and benefits	116,080	77,746	77,641	59,579	44,130	50,144	-	-	-
Honoraria	3,000	10,490	5,094	-	-	-	-	-	-
Travel	6,000	11,671	10,960	701	298	2,545	-	544	164
Materials and supplies	800	4,501	4,351	-	-	13	-	150	229
Administration fees	-	16,496	-	2,134	-	21	-	2,800	8,797
Contractors	-	-	-	-	-	236	-	960	(150)
Repairs and maintenance	-	961	862	-	-	-	-	1,773	351
Other expenses	350,333	261,694	279,265	262,522	228,389	301,140	-	33,997	46,593
Total expenses	476,213	383,559	378,173	324,936	272,817	354,099	-	40,224	55,984
Annual surplus (deficit)	\$ 21,008	\$ 134,990	\$ 123,086	\$ -	\$ 59,713	\$ (38,448)	\$ -	\$ 9,584	\$ 3,188



# TS'KW'AYLAXW FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

### 19. SEGMENTED INFORMATION, continued

	2016 Budget	Capital Fund 2016 Actual	2015 Actual	2016 Budget	Ottawa Trust Fund 2016 Actual	2015 Actual	2016 Budget	Internal Revenue Trust Fund 2016 Actual	2015 Actual
Revenues									
Indigenous and Northern Affairs Canada	\$ 1,655,431	\$ 1,961,906	\$ 390,315	\$ -	\$ -	\$ -	\$ -	\$ -	-
First Nations Health Authority	30,275	230,275	-	-	-	-	-	-	-
Canada Mortgage and Housing Corporation	-	43,559	77,677	-	-	-	-	-	-
Royalties	-	-	-	-	-	-	-	267,128	265,318
Other revenue	-	1,727	46,416	-	5,745	15,319	45,126	45,126	56,517
Total revenue	1,685,706	2,237,467	514,408	-	5,745	15,319	312,254	312,254	321,835
Expenses									
Wages and benefits	-	13,702	-	-	-	-	-	-	-
Honoraria	-	300	-	-	-	-	-	-	-
Travel	-	361	787	-	-	-	-	-	-
Contractors	-	596,203	33,573	-	-	-	-	-	-
Other expenses	56,020	734,904	543,661	-	6,172	30,131	91,583	91,583	97,180
Total expenses	56,020	1,345,470	578,021	-	6,172	30,131	91,583	91,583	97,180
Annual surplus (deficit)	\$ 1,629,686	\$ 891,997	\$ (63,613)	\$ -	\$ (427)	\$ (14,812)	\$ -	\$ 220,671	\$ 224,655

# TS'KW'AYLAXW FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

### 19. SEGMENTED INFORMATION, continued

	St'at'imc (PC) 2011 Trust Fund				Enterprise Fund		2015 Actual		2016 Budget		Consolidated totals	
	2016 Budget	2016 Actual	2015 Actual	2015 Budget	2016 Actual	2016 Budget	2015 Actual	2015 Budget	2016 Actual	2016 Budget	2015 Actual	2015 Actual
Revenues												
Indigenous and Northern Affairs Canada	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,070,151	\$ 3,387,782	\$ 1,924,092
Indigenous and Northern Affairs Canada -Recoveries	-	-	-	-	-	-	-	-	-	-	(684)	(4,490)
BC Hydro	-	-	-	-	-	-	-	-	77,467	79,612	77,467	77,467
First Nations Health Authority	-	-	-	-	-	-	-	-	448,019	645,626	334,515	334,515
Property tax assessed	-	-	-	-	-	-	-	-	-	112,329	-	-
Canada Mortgage and Housing Corporation	-	-	-	-	-	-	-	-	-	69,302	103,420	103,420
Royalties	-	-	-	-	-	-	-	-	-	267,128	265,318	265,318
Members' Trust	-	-	-	-	-	-	-	-	40,000	130,000	97,000	97,000
Other revenue	-	469,833	707,823	-	51,564	338,208	168,111	-	-	1,197,416	1,583,932	1,583,932
Total revenue	-	469,833	707,823	-	51,564	3,973,845	168,111	-	-	5,888,511	4,381,255	4,381,255
Expenses												
Wages and benefits	-	-	-	-	55,295	881,709	30,225	-	129,200	921,740	1,096,607	1,096,607
Honoraria	-	-	-	-	-	-	-	-	99,961	150,208	126,814	126,814
Travel	-	-	-	-	1,496	-	764	-	-	196,065	203,060	203,060
Materials and supplies	-	-	-	-	34,735	31,410	14,033	-	-	64,254	74,768	74,768
Professional fees	-	-	-	-	3,698	-	2,550	-	-	6,710	5,550	5,550
Administration fees	-	-	-	-	-	176,542	-	-	25,300	50,227	37,067	37,067
Contractors	-	-	-	-	-	-	-	-	63,800	632,290	106,085	106,085
Repairs and maintenance	-	-	-	-	27,125	-	58,039	-	-	54,639	95,904	95,904
Other expenses	-	-	-	-	25,339	1,139,106	15,383	-	-	2,213,984	1,981,643	1,981,643
Total expenses	-	-	-	-	147,688	2,547,028	120,994	-	-	4,290,117	3,903,703	3,903,703
Annual surplus (deficit)	\$ -	\$ 469,833	\$ 707,823	\$ -	\$ (96,126)	\$ 1,426,817	\$ 47,117	\$ -	\$ -	\$ 1,598,394	\$ 477,551	\$ 477,551

# TS'KW'AYLAXW FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

### 19. SEGMENTED INFORMATION, continued

	Ts'kw'aylaxw Forestry Company Ltd.			Ts'kw'aylaxw Economic Development Corporation			Consolidated totals		
	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual
Revenues									
Indigenous and Northern Affairs Canada	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	3,070,151 \$	3,387,782 \$	1,924,092
Indigenous and Northern Affairs Canada -Recoveries	-	-	-	-	-	-	-	(684)	(4,490)
BC Hydro	-	-	-	-	-	-	77,467	79,612	77,467
First Nations Health Authority	-	-	-	-	-	-	448,019	645,626	334,515
Property tax assessed	-	-	-	-	-	-	-	112,329	-
Canada Mortgage and Housing Corporation	-	-	-	-	-	-	-	69,302	103,420
Royalties	-	-	-	-	-	-	-	267,128	265,318
Members' Trust	-	-	-	-	-	-	40,000	130,000	97,000
Other revenue	-	-	-	-	-	-	338,208	1,197,416	1,583,932
Total revenue	-	-	-	-	-	-	3,973,845	5,888,511	4,381,255
Expenses									
Wages and benefits	-	-	-	-	-	-	881,709	921,740	1,096,607
Honoraria	-	-	-	-	-	-	129,200	150,208	126,814
Travel	-	-	-	-	-	-	99,961	196,065	203,060
Materials and supplies	-	-	-	-	-	-	31,410	64,254	74,768
Professional fees	-	-	-	-	-	-	-	6,710	5,550
Administration fees	-	-	-	-	-	-	176,542	50,227	37,067
Contractors	-	-	-	-	-	-	25,300	632,290	106,085
Repairs and maintenance	-	-	-	-	-	-	63,800	54,639	95,904
Other expenses	-	-	-	-	-	-	1,139,106	2,213,984	1,981,643
Total expenses	-	-	-	-	-	-	2,547,028	4,290,117	3,903,703
Annual surplus (deficit)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,426,817 \$	1,598,394 \$	477,551