

OSOYOOS INDIAN BAND

FINANCIAL STATEMENTS

March 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of Osoyoos Indian Band:

We have audited the accompanying consolidated financial statements of Osoyoos Indian Band, which are comprised of the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except as explained in the following paragraphs, 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 of 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 entity'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 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 consolidated financial statements.

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

(1)

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Independent Auditor's Report to the Members of Osoyoos Indian Band (continued)

Basis for Qualified Opinion

We are expressing reservations of opinion for the following reasons:

- a) The information disclosed in Note 6 related to investments in wholly owned subsidiary companies and limited liability partnerships were subjected to review engagement procedures, and are not audited. A review does not constitute an audit and, consequently, we did not express an audit opinion on the financial information of the business entities. Based on our review, nothing came to our attention that causes us to believe that the financial information of the Band business entities were not, in all material respects, in accordance with International Financial Reporting Standards. Since we did not perform audit procedures on the share of net earnings from Band business entities which enters into the determination of the results of operations and the valuation of the investment shown in the financial statements of the Osoyoos Indian Band, we were unable to determine whether adjustments, if any, were required to the investment in Band business entities, share of net income of the Band entities or equity in the Band entities included in the 2016 and 2015 financial statements.
- b) The financial information of the Osoyoos Indian Band Housing Program, which has been included in these consolidated financial statements, was audited in accordance with the basis of accounting required by Section 95 of the Canada Mortgage and Housing Corporation. The tangible capital assets of the Osoyoos Indian Housing Program are carried in the statement of financial position at \$5,359,265. These tangible capital assets are amortized annually in an amount equal to the principal reduction of the mortgage on each associated capital asset and no amortization is taken on appliances. These amortization methods are in accordance with the basis of accounting required by Section 95 of the Canada Mortgage and Housing Corporation and this constitutes a departure from Public Sector Accounting Standards. The Band's records indicate that if management had amortized these tangible capital assets over their estimated economic life, a cumulative adjustment in the amount of \$224,000 would have been required to reduce net book value. Accordingly, current year amortization and deficit for the year would have decreased by \$102,600 (2015 - \$50,900) and year end accumulated surplus would have been reduced by \$224,000 (2015 - \$190,300).

Qualified Opinion

In our opinion, except for adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the matters described in (a) and (b) of the preceding paragraphs, these consolidated financial statements present fairly, in all material respects, the financial position of the Band as at March 31, 2016 and the results of its operations, changes in its net financial assets and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Penticton, British Columbia
July 26, 2016

White Kennedy LLP
CHARTERED PROFESSIONAL ACCOUNTANTS



OSOYOOS INDIAN BAND

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying financial statements of the Osayoos Indian Band 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 prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada 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.

The 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.

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 consolidated financial statements and the external auditor's report.

The external auditors, White Kennedy LLP, 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 the Osayoos Indian Band and meet when required.

On Behalf of Osayoos Indian Band:

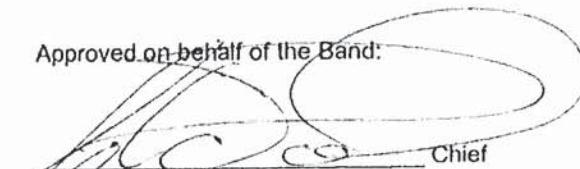
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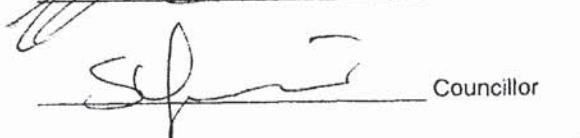
OSOYOOS INDIAN BAND
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2016, With Comparative Figures for 2015

	2016	2015 (restated)
	\$	\$
FINANCIAL ASSETS		
Cash and term deposits (Note 2)	4,682,069	4,837,833
Accounts receivable (Note 3)	600,043	525,676
Trust funds held by federal government (Note 4)	1,979,917	2,277,805
Portfolio investments (Note 5)	10,010	376,413
Investments in government business enterprises (Note 6)	35,222,888	29,380,405
Loans receivable from band members (Note 7)	118,837	141,587
First Nations Finance Authority Deposit (Note 8)	768,123	494,376
	43,379,887	38,034,095
LIABILITIES		
Accounts payable and accrued liabilities (Note 9)	1,243,126	1,216,158
Deferred revenue (Note 10)	444,221	505,265
Long term debt (Note 11)	18,271,201	13,706,099
	19,958,548	15,427,522
NET FINANCIAL ASSETS		
	23,421,339	22,606,573
NON-FINANCIAL ASSETS		
Prepaid expenses	-	30,608
Tangible capital assets (Note 12)	9,749,330	10,573,822
	9,749,330	10,604,430
ACCUMULATED SURPLUS (Note 13)		
	33,170,669	33,211,003
CONTINGENT LIABILITIES (Note 14)		
PRIOR PERIOD ADJUSTMENT (Note 23)		

Approved on behalf of the Band:



Chief



Councillor

(4)



OSOYOOS INDIAN BAND

CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended March 31, 2016, With Comparative Figures for 2015

	Budget	2016	2015 (restated)
	\$	\$	\$
REVENUE			
GOVERNMENT			
Aboriginal Affairs and Northern Dev. Canada	2,901,717	2,928,753	3,490,278
Health Canada	908,005	883,895	744,378
CMHC	-	270,620	258,963
Province of British Columbia	250,817	228,779	325,378
Okanagan training and development	288,551	211,525	141,703
SELF-GENERATED			
Income from business enterprises	-	2,812,826	3,026,992
Property taxes	2,108,293	2,176,461	2,090,781
Miscellaneous revenue	809,159	1,006,535	981,230
Other investment income	77,843	595,359	432,083
Rentals and leases	127,486	554,835	545,229
Gain on disposition of capital assets	-	-	149,511
	7,471,871	11,669,588	12,186,526
EXPENSES			
Administration	2,549,348	2,493,651	2,216,338
General government	1,965,622	2,352,002	2,054,501
Social development (Note 15)	2,017,238	1,943,392	4,375,249
Education	1,932,258	1,847,088	1,732,916
Social housing	991,388	1,693,767	448,801
Lands and natural resources	451,382	439,586	483,022
Health	359,211	391,123	349,123
Public works	251,106	220,451	668,609
Other projects	93,692	148,094	98,350
Economic development	63,526	82,963	18,943
	10,674,771	11,612,117	12,445,852
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER			
Transfers	-	-	(62,935)
Surplus clawbacks	(47,687)	(97,805)	(15,145)
DEFICIT FOR THE YEAR	(3,250,587)	(40,334)	(337,406)
ACCUMULATED SURPLUS, BEGINNING OF YEAR, as previously reported	33,211,003	33,211,003	33,836,837
Adjustment to prior period (Note 23)	-	-	(288,428)
ACCUMULATED SURPLUS, BEGINNING OF YEAR, restated	33,211,003	33,211,003	33,548,409
ACCUMULATED SURPLUS, END OF YEAR	29,960,416	33,170,669	33,211,003

OSOYOOS INDIAN BAND**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**

For the Year Ended March 31, 2016, With Comparative Figures for 2015

	2016	2015 (restated)
	\$	\$
DEFICIT FOR THE YEAR		
Amortization of tangible capital assets	500,046	526,479
Loss (gain) on disposal of tangible capital assets	270,144	(179,791)
Proceeds on disposal of tangible capital assets	-	190,844
Disposal (acquisition) of tangible capital assets	<u>54,302</u>	<u>(1,372,046)</u>
	824,492	(834,514)
Use (acquisition) of prepaid expenses	<u>30,608</u>	<u>(30,608)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	814,766	(1,202,528)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	22,606,573	23,809,101
NET FINANCIAL ASSETS, END OF YEAR	23,421,339	22,606,573

OSOYOOS INDIAN BAND

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2016, With Comparative Figures for 2015

	2016	2015 (restated)
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (Shortfall) of revenue over expenditures	(40,334)	(337,406)
Amortization	500,046	526,479
(Gain) loss on disposal of tangible capital assets	<u>270,143</u>	<u>(179,788)</u>
	<u>729,855</u>	<u>9,285</u>
Change in non-cash working capital:		
Accounts receivable and loans receivable	(51,616)	(97,745)
Prepaid expenses	30,608	(30,608)
Accounts payable and accrued liabilities	26,968	249,899
Deferred revenue	<u>(61,044)</u>	<u>329,710</u>
	<u>(55,084)</u>	<u>451,256</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances of long term debt	4,565,101	9,927,736
Increase in debt reserve fund	<u>(271,747)</u>	<u>(494,376)</u>
	<u>4,293,354</u>	<u>9,433,360</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase (decrease) of trust and reserve funds	747,130	(1,095,782)
Advances from portfolio investments	366,403	218,341
Proceeds from disposal of tangible capital assets	-	190,844
Acquisition of tangible capital assets	54,302	(1,372,046)
Purchase of term deposits	<u>(327,640)</u>	<u>-</u>
Advances to investments in subsidiaries	<u>(5,842,483)</u>	<u>(10,997,307)</u>
	<u>(5,002,288)</u>	<u>(13,055,950)</u>
NET DECREASE IN CASH		
CASH, beginning of year	(34,163)	(3,162,049)
CASH, end of year (Note 2)	1,942,268	5,104,317
	<u>1,908,105</u>	<u>1,942,268</u>

OOSOYOOS INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

Nature of Operations

Osoyoos Indian Band provides services and support to its band members.

Osoyoos Indian Band is an Indian Band subject to the provisions of the Indian Act of Canada, including exemption from income tax pursuant to section 87 of the Indian Act.

1. Summary of Significant Accounting Policies

REPORTING ENTITY

The Osoyoos Indian Band reporting entity includes the Osoyoos Indian Band government and all related entities that are either owned or controlled by the First Nation.

BASIS OF ACCOUNTING

The consolidated financial statements of the Osoyoos Indian Band have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The Band records accounting transactions using the fund accounting method generally in use for municipal organizations. A fund (branch) is determined for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Each fund has its own schedule of Revenue and Expenditures and Surplus which presents the results of operations and changes in surplus for the fund. The Band Council transfers amounts between funds as considered necessary. The financial position of the Band is shown on the consolidated statement of financial position which includes the assets, liabilities and equity of all funds presented in the financial statements.

The Band's incorporated business enterprises and its investments in limited partnerships have been accounted for using the modified equity method.

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 enterprises, which are included in the Consolidated Financial Statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only the Osoyoos Indian Band's investment in the government business enterprises and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprises that are different from those of the Osoyoos Indian Band. The government business enterprises follow International Financial Reporting Standards.

FINANCIAL INSTRUMENTS

The Band's financial instruments consists of cash and term deposits, trust funds held in trust by federal government, portfolio investments, loans receivable from band members, accounts receivable, accounts payable and accrued liabilities, and long term debt. The fair values of these financial instruments approximate their carrying value, unless otherwise noted.

OZOYOOS INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

1. Summary of Significant Accounting Policies (Continued)

TANGIBLE CAPITAL ASSETS

Property and equipment, when acquired, are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

Property and equipment relating to the Osoyoos Indian Band Housing Program are recorded using the fund accounting principles applied by Indian Band Housing Programs in Canada and guidelines prescribed by the Canada Mortgage and Housing Corporation. Indian Reserve Land is recorded at its appraised value on the date of contribution to the Program on the pre-1997 projects and is not recorded for the post-1996 projects in accordance with Canada Mortgage and Housing Corporation guidelines. Buildings and appliances are recorded at cost. Amortization on buildings is provided for annually in an amount equal to the principal reduction of the mortgage on each associated project. No amortization is provided on appliances, however, provision for future replacement of appliances is provided for through the Replacement Reserve.

Amortization on the remaining property and equipment is provided on the declining balance method and is charged against equity in property and equipment, at the following annual rates:

Automotive equipment	30%
Furniture and equipment	20%
Computer hardware	55%
Computer software	100%
Trailers	30%
Buildings	4%
Sewer system	4%
Water system	4%
Roads	8%

INVESTMENTS IN SUBSIDIARIES

The Band records its investment in and income from its subsidiaries on a modified equity basis as an addition to the investment and on the statement of operations. The amount of equity income to be accrued is determined at December 31 each year.

When advances or other amounts receivable from subsidiaries are determined to be uncollectible, the Band reduces the investment and related equity in investment on the balance sheet by the amount determined to be uncollectible.

INVESTMENTS IN LIMITED LIABILITY PARTNERSHIPS

The Band records its investment in and income from its limited liability partnerships on a modified equity basis as an addition to the investment and on the statement of operations. The amount of equity income to be accrued is determined at December 31 each year.

OOSOYOOS INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

1. Summary of Significant Accounting Policies (Continued)

TERM DEPOSITS

Term deposits consists of guaranteed investment certificates with maturity terms between 1 and 5 years. Investment income is allocated to the segment from which it was earned.

GOVERNMENT TRANSFERS

Government transfers received relate to education, infrastructure maintenance, social development, child care, housing and health programs. Government transfers paid relates to education, social services programs, child care, and infrastructure maintenance. Transfers are recognized in the financial statements as revenues or expenditures in the period in which events giving rise to the transfer occur, provided the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

REVENUErecognition

Revenue for services provided is recognized when the service is rendered. Revenue from leases is recognized in the period in which it is earned, when there is a clear evidence that an arrangement exists, amounts are fixed or can be determined, and the ability to collect is reasonably assured.

Taxation revenue is earned when the amount meets the definition of an asset, the annual taxation legislation has been authorized by the First Nations Tax Commission, and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. The taxation period is based on the calendar year January through December. Taxation revenue is billed in June and is due at the beginning of July each year.

MANAGEMENT ESTIMATES

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 amounts and revenues and expenditures during the reported periods. Significant estimates include assumptions used in the estimated useful life of tangible capital assets. Actual results could differ from those estimates.

REPLACEMENT RESERVE

The replacement reserve account is funded by an annual charge against operations in an amount determined by Canada Mortgage and Housing Corporation.

OPERATING RESERVE

The operating reserve account is funded by surplus revenue from housing projects committed to under the 1997 On-Reserve Program.

COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

OSOYOOS INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

2. Cash and Term Deposits

Under the terms of an agreement with Canada Mortgage and Housing Corporation, the Osoyoos Indian Band must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account, and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation. Taxation reserves are internally restricted and are used for capital development and contingent liabilities as described. Cash and term deposits are comprised of the following:

	2016	2015
	\$	\$
Restricted		
Housing Replacement Reserve Post 1996	589,149	544,079
Housing Operating Reserve	457,019	429,734
Taxation Capital Development Reserve	232,674	728,374
Taxation Contingency Reserve	183,912	158,304
Housing Replacement Reserve Pre 1997	28,937	80,441
	<u>1,491,691</u>	<u>1,940,932</u>
Unrestricted		
Current accounts	1,908,105	1,942,268
Term deposits	1,282,273	954,633
Total Cash and Cash Equivalents	<u>4,682,069</u>	<u>4,837,833</u>

3. Accounts Receivable

	2016	2015
	\$	\$
GST	134,163	-
Trade receivables	132,473	267,666
Rents	115,519	101,271
Okanagan Nation Alliance	53,137	28,547
All Nations Trust Company	43,500	-
Province of British Columbia - Ministry of Citizen's Services	42,482	42,116
CMHC	36,049	22,812
Property taxes	26,970	17,783
Environment Canada	15,750	-
Province of British Columbia - BC Parks	-	45,481
Total Accounts Receivable	<u>600,043</u>	<u>525,676</u>

OSOYOOS INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

4. Funds Held in Trust by Federal Government

Funds are held in trust for the Band by the Department of Aboriginal Affairs and Northern Development Canada. Amounts are comprised of the following:

	2016	2015
	\$	\$
Capital Fund		
Balance, beginning of year	378,976	378,976
Withdrawal	<u>(378,976)</u>	-
Balance, end of year	<u>-</u>	<u>378,976</u>
Revenue Fund		
Balance, beginning of year	1,898,829	1,199,325
Constellation Brands Canada Inc.	1,002,909	1,001,769
CDR Limited Partnership	391,018	123,500
Cherry Grove Estates	123,695	119,944
Mark Anthony Group	107,470	107,470
Andrew Peller Limited	94,000	94,000
Interest	35,689	45,972
South Okanagan Motorsport Corporation	15,000	-
Brookfield Johnson Controls	10,063	10,063
BC Special Interest	1,244	1,241
Spirit Ridge Vineyard Resort	-	79,545
BC Hydro	-	16,000
Withdrawals	<u>(1,700,000)</u>	<u>(900,000)</u>
Balance, end of year	<u>1,979,917</u>	<u>1,898,829</u>
Total Funds Held in Trust by Federal Government	<u>1,979,917</u>	<u>2,277,805</u>

5. Portfolio Investments

	2016	2015
	\$	\$
All Nations Trust shares	10,010	10,010
BMO InvestorLine equity investments	-	366,403
Total Investments	<u>10,010</u>	<u>376,413</u>

OSOYOOS INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

6. Investments in Government Business Enterprises

All companies are wholly owned subsidiaries of Osoyoos Indian Band Development Corporation, which is wholly owned by Osoyoos Indian Band, except for Nk'Mip Cellars Inc. which is 51% owned by Osoyoos Indian Band Development Corporation and CDR GP Inc. and CDR LP which are 25% owned by Osoyoos Indian Band. Nk'Mip Desert Cultural Centre Ltd and Senkulmen Utilities Ltd. are owned 100% by Osoyoos Indian Band. The Osoyoos Indian Band also owns 99.99% of each of the Limited Liability Partnerships.

	Advances	Retained Earnings	2016	2015 (restated)
	\$	\$	\$	\$
Osoyoos Indian Band Development Corporation	3,071,156	2,384,709	5,455,865	5,456,173
Nk'Mip Utilities Ltd.	-	751,655	751,655	609,719
Nk'Mip Cellars Inc.	-	606,098	606,098	507,462
Senkulmen Utilities Ltd.	-	116,921	116,921	171,733
Nk'Mip Campground and R.V. Park Ltd.	-	1,774	1,774	1,725
Senkulmen Projects Ltd.	-	1,748	1,748	1,748
Nk'Mip Vineyards Ltd.	-	1,623	1,623	1,657
Osoyoos Indian Band Holdings Corporation	-	1,352	1,352	1,268
Nk'Mip Forestry Corp.	-	1,294	1,294	1,246
Nk'Mip (Inkameep) Convenience Store Ltd.	-	1,236	1,236	1,219
CDR GP Inc.	-	250	250	250
Nk'Mip Desert Cultural Centre Ltd.	479,326	(480,824)	(1,498)	(1,485)
Oliver Readi-Mix Ltd.	-	(2,175)	(2,175)	(2,223)
Nk'Mip Canyon Desert Golf Course Ltd.	-	(962,736)	(962,736)	(962,736)
	3,550,482	2,422,925	5,973,407	5,787,756

Total Investments in Government Business Enterprises

	2016	2015 (restated)
	\$	\$
Osoyoos Indian Band Holdings Limited Liability Partnership	17,510,304	13,489,277
Investments in and advances to wholly owned subsidiary companies	5,973,407	5,787,756
Nk'Mip Campground and R.V. Park Limited Liability Partnership	5,030,155	4,535,741
Oliver Readi-Mix Limited Liability Partnership	1,544,750	1,060,841
Osoyoos Indian Band Development Limited Liability Partnership	1,440,188	543,147
Nk'Mip Canyon Desert Golf Course Limited Liability Partnership	1,207,829	1,352,522
Nk'Mip Forestry Limited Liability Partnership	608,479	422,134
Nk'Mip Desert Cultural Centre Limited Liability Partnership	544,757	678,703
Nk'Mip Convenience Store Limited Liability Partnership	532,523	343,267
Nk'Mip Vineyards Limited Liability Partnership	445,730	782,206
CDR Limited Partnership	421,250	421,250
Senkulmen Projects Limited Liability Partnership	(36,484)	(36,439)
	35,222,888	29,380,405



**OSOYOOS INDIAN BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2016**

6. Investments in Government Business Enterprises (continued)

Condensed financial information for the Band's government business enterprises is as follows:

OSOYOOS INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

7. Loans Receivable from Band Members

	2016	2015
	\$	\$
Members' loans receivable	<u>118,837</u>	<u>141,587</u>

Loans receivable from Band Members are interest bearing at 1%, unsecured, and due on demand.

8. First Nations Finance Authority Deposit

The Band obtained bond financing from the First Nations Finance Authority. As a condition of these borrowings, 5% of the loan proceeds are withheld by the First Nations Finance Authority as a debt reserve fund. The debt reserve fund amount will be credited to the Band and invested on its behalf. The fund is under the non-discretionary control of the First Nations Finance Authority and can be accessed by the Authority to cover loan defaults of any First Nations member of the Authority. Any debt reserve fund balance that exists at the end of the loan term will be returned to the Band in the form of debt extinguishment or cash.

The details of the cash deposits at the year end are as follows:

	2016	2015
	\$	\$
Cash Deposits	<u>766,123</u>	<u>494,376</u>

9. Accounts Payable and Accrued Liabilities

	2016	2015
	\$	\$
Sen Pok Chin Education Society	487,922	123,588
Accrued salaries and benefits payable	412,587	403,674
Trade payables	325,296	672,325
Accrued liabilities	<u>17,321</u>	<u>16,571</u>
Total Accounts Payable and Accrued Liabilities	<u>1,243,126</u>	<u>1,216,158</u>

10. Deferred Revenue

As at March 31, 2016 and 2015, deferred revenue consists of the Sen Pok Chin rent prepayment.

OSOYOOS INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

11. Long Term Debt

	2016	2015
	\$	\$
All Nations Trust Company Project #15 mortgage bearing interest at 1.7% per annum, repayable in monthly blended payments of \$2,702. The loan matures on August 1, 2016 and is secured by first mortgage over Project 15 properties with a carrying value of \$234,279, matures August 2016.	13,446	45,341
All Nations Trust Company Project #16 loan bearing interest at 1.12% per annum, repayable in monthly blended payments of \$2,169. The loan matures on December 1, 2019 and is secured by first mortgage over Project 16 properties with a carrying value of \$230,626, matures December 2019.	95,521	120,324
All Nations Trust Company Project #17, mortgage bearing interest at 1.92% per annum, repayable in monthly blended payments of \$2,113. The loan matures on April 1, 2019 and is secured by first mortgage over Project 17 properties with a carrying value of \$194,042, renewable April 2019.	75,866	99,521
All Nations Trust Company Project #18, mortgage bearing interest at 2.65% per annum, repayable in monthly blended payments of \$2,485. The loan matures on January 1, 2021 and is secured by first mortgage over Project 18 properties with a carrying value of \$260,665, renewable April 2016.	135,179	161,052
All Nations Trust Company Project #19, mortgage bearing interest at 1.65% per annum, repayable in monthly blended payments of \$1,424. The loan matures on May 1, 2022 and is secured by first mortgage over Project 19 properties with a carrying value of \$173,105, renewable June 2017.	100,128	115,427
All Nations Trust Company Project #20, mortgage bearing interest at 1.67% per annum, repayable in monthly blended payments of \$1,357. The loan matures on June 1, 2023 and is secured by first mortgage over Project 20 properties with a carrying value of \$184,128, renewable June 2018.	111,151	125,452
All Nations Trust Company Project #21, mortgage bearing interest at 1.92% per annum, repayable in monthly blended payments of \$1,900. The loan matures on May 1, 2024 and is secured by first mortgage over Project 21 properties with a carrying value of \$269,547, renewable April 2019.	172,251	191,545
All Nations Trust Company Project #22, mortgage bearing interest at 1.05% per annum, repayable in monthly blended payments of \$2,887. The loan matures on April 1, 2025 and is secured by first mortgage over Project 22 properties with a carrying value of \$446,124, renewable April 2020.	300,092	331,172

OSOYOOS INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

11. Long Term Debt (Continued)

All Nations Trust Company Project #23, mortgage bearing interest at 2.63% per annum, repayable in monthly blended payments of \$2,838. The loan matures on June 1, 2026 and is secured by first mortgage over Project 23 properties with a carrying value of \$406,189, renewable June 2016.	305,890	331,556
All Nations Trust Company Project #24, mortgage bearing interest at 2.11% per annum, repayable in monthly blended payments of \$2,826. The loan matures on December 1, 2033 and is secured by first mortgage over Project 24 properties with a carrying value of \$631,277, renewable January 2019.	502,121	525,199
All Nations Trust Company Project #25, mortgage bearing interest at 1.62% per annum, repayable in monthly blended payments of \$1,935. The loan matures on March 1, 2023 and is secured by first mortgage over Project 25 properties with a carrying value of \$170,125, renewable March 2018.	153,624	174,180
All Nations Trust Company Project #26, mortgage bearing interest at 1.65% per annum, repayable in monthly blended payments of \$2,819. The loan matures on September 1, 2036 and is secured by first mortgage over Project 26 properties with a carrying value of \$764,428, renewable September 2016.	584,545	608,523
All Nations Trust Company Project #27 mortgage bearing interest at 2.08% per annum, repayable in monthly blended payments of \$2,958. The loan matures on February 1, 2039 and is secured by first mortgage over Project 27 properties with a carrying value of \$647,248, renewable February 2019.	647,248	669,066
All Nations Trust Company Project #28 loan bearing interest at 1.67% per annum, repayable in monthly blended payments of \$2,683. The loan matures on January 1, 2040 and is secured by first mortgage over Project 28 properties with a carrying value of \$612,698, renewable January 2020.	633,122	654,567
First Nations Finance Authority (FNFA) bond financing bearing interest at 3.79% per annum, repayable in monthly blended payments of \$58,377. The bond financing matures on June 26, 2024 and is secured by contracts and leases of the Osoyoos Indian Band and Osoyoos Indian Band Holdings LLP.	9,214,200	9,553,174
FNFA bond financing bearing interest at 2.99% per annum, repayable in monthly blended payments of \$10,517. The bond financing matures on June 26, 2024 and is secured by contracts and leases of the Osoyoos Indian Band and Osoyoos Indian Band Holdings LLP.	2,548,817	-

OSOYOOS INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

11. Long Term Debt (Continued)

FNFA interim financing bearing interest at 2.60% per annum, repayable in interest only payments of \$7,295. The bond financing is due on demand and is secured by contracts and leases of the Osoyoos Indian Band and Osoyoos Indian Band Holdings LLP.	2,678,000
	<u>18,271,201</u>

Principal repayments over the next five years are estimated as follows:

	\$
2017	4,249,792
2018	674,769
2019	694,698
2020	685,352
2021	679,439
Subsequent	<u>11,287,151</u>
	<u>18,271,201</u>

Financing with the First Nations Finance Authority (FNFA)

Osoyoos Indian Band has entered into an agreement with the FNFA to borrow funds at an interest rate of 2.60%. The funds received have been advanced by the FNFA in anticipation of a bond issued by the FNFA. This interim financing will be replaced by this long term financing upon the issuance of such securities and the earlier of five years from the date of issuance of the interim financing or the completion by Osoyoos Indian Band of the defined purpose included in the Borrowing Agreement. FNFA interim financing of \$2,678,000 is due on demand.

Total interest paid during the current fiscal year on the FNFA debt was \$511,973 (2015 - \$278,565).

Total interest paid during the year for all loans was \$585,636 (2015 - \$357,285).

Total debt owing to FNFA is \$14,441,017 less debt reserve fund \$766,123, with a net amount owing of \$13,674,894.

OSOYOOS INDIAN BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2016



12. Consolidated Statement of Tangible Capital Assets

	Land	Buildings	Furniture & Equipment	Sewer infrastructure	Vehicles	Water infrastructure	Roads	2016	2015
COST	\$ 523,000	\$ 14,476,098	\$ 803,919	\$ 135,154	\$ 326,704	\$ 949,449	\$ 460,740	\$ 17,675,064	\$ 16,572,843
BALANCE, BEGINNING OF YEAR									
Acquisition of tangible capital assets	-	(79,273)	24,971	-	-	-	-	(54,302)	1,372,046
Disposal of tangible capital assets	(100,000)	(618,057)	(13,639)	-	-	-	-	(731,696)	(269,825)
BALANCE, END OF YEAR	423,000	13,778,768	815,251	135,154	326,704	949,449	460,740	16,889,066	17,675,064
ACCUMULATED AMORTIZATION									
BALANCE, BEGINNING OF YEAR	-	5,322,063	461,491	83,499	204,237	643,541	386,412	7,101,243	6,833,535
Amortization	-	401,099	41,959	2,067	36,739	12,236	5,946	500,046	526,479
Disposals	-	(461,553)	-	-	-	-	-	(461,553)	(258,772)
BALANCE, END OF YEAR	-	5,261,609	503,450	85,566	240,976	655,777	392,358	7,139,736	7,101,242
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	423,000	8,517,159	311,801	49,588	85,728	293,672	68,382	9,749,330	10,573,822

(19)

OSOYOOS INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

13. Accumulated Surplus

	2016	2015
	\$	\$
Unrestricted surplus		
Enterprise Fund	15,214,256	12,401,431
Operating Fund	8,565,660	10,169,938
Physical Assets Fund	<u>5,919,145</u>	<u>6,420,897</u>
	<u>29,699,061</u>	<u>28,992,266</u>
Restricted surplus		
Revenue Trust Fund	1,979,917	1,898,829
Taxation Capital Development Reserve	232,674	728,374
Replacement Reserve	618,086	624,520
Operating Reserve	457,019	429,734
Capital Trust Fund	-	378,976
Taxation Contingency Reserve	<u>183,912</u>	<u>158,304</u>
	<u>3,471,608</u>	<u>4,218,737</u>
Total Accumulated Surplus	<u>33,170,669</u>	<u>33,211,003</u>

14. Contingent Liabilities

Under the terms of the contribution agreements with the Department of Aboriginal Affairs and Northern Development Canada and other government departments, certain surpluses may be repayable to the government.

Ministerial guarantees:

The Band is contingently liable as a guarantor on 14 (2015 - 14) housing mortgages for social housing and privately-owned units. The Band's maximum potential liability under the guarantee is \$3,204,012 (2015 - \$3,516,172).

The Band has also provided loan guarantees for other companies and limited liability partnerships related to the Band in the amount of \$14,784,000 (2015 - \$14,684,000).

The Band has signed a standby letter of credit in the amount of \$419,900.

15. Social Development

Included in social development are band membership distributions of \$643,922 (2015 - \$3,123,907).

OSOYOOS INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

16. Related Party Transactions

Related Party	Relationship	Type of transaction	Received (Paid)	
			2016	2015
			\$	\$
Osoyoos Indian Band Holdings LLP	Partnership	Contribution	(700,000)	-
Nk'Mip Utilities Ltd.	Subsidiary	Taxation contribution Protective services	(200,000) (6,000)	(100,000) -
Nk'Mip Desert Cultural Centre LLP	Partnership	Taxation contribution	(75,000)	(308,655)
		Environment Canada Protective services	(33,850) (8,000)	(16,209) (6,000)
Nk'Mip Canyon Desert Golf Course LLP	Partnership	Sales	(41,629)	(29,966)
		Contribution	(30,000)	(30,000)
Nk'Mip Convenience Store LLP	Partnership	Sales	(22,763)	(27,499)
Oliver Readi-Mix LLP	Partnership	Sales Cost of sales	(14,549) 21,634	(10,335) 20,021
Osoyoos Indian Band Development LLP	Partnership	Contribution	14,500	-
		Administration	10,800	14,400
Senkulmen Projects LLP	Partnership	Sen Pok Chin School Expansion	-	(421,352)

These transactions were carried out in the normal course of business at their exchange value which approximates fair value.

OSOYOOS INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

17. Financial Instruments

Credit Risk

Credit risk arises from the possibility that a counter party will fail to perform its obligations. The Band is exposed to credit risk from customers. In order to reduce its credit risk, the Band reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Band has a significant number of customers which minimizes concentration of credit risk. There has been no change to the risk exposure from 2015.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Band is exposed to this risk mainly in respect of its receipt of funds from government transfers and payment of long-term debt and accounts payable. The Band manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At the balance sheet date, the Band had unused credit facilities of \$1,000,000 to further reduce liquidity risk. There has been no change to the risk exposure from 2015.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The band is exposed to interest rate risk primarily through its' long-term debt. In seeking to minimize the risks from interest rate fluctuations, the Band manages exposure through its normal operating and financing activities. There has been no change to the risk exposure from 2015.

18. Pension Agreement

The band provides a defined contribution plan for eligible members of its staff. Members contribute 5% of their salary which is matched by the band. Additional voluntary contributions can also be made by each member. The Osoyoos Indian Band contributed \$33,693 (2015 - \$37,064) to this plan during the year.

19. Budget Figures

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Chief and Council.

OSOYOOS INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

20. Segmented Information

The Band is a diversified government body that provides a wide range of services to its members such as social housing, social development, general government services, public works, and economic development. Distinguishable functional segments have been separately disclosed in the consolidated statement of operations. The nature of the segments and the activities they encompass are as follows:

Social Development Services

This segment includes band membership distributions and many of the Inkameep community services programs offered to band members including workshops, basic needs, shelter, in home care, national child benefits, Okanagan training and development program costs, and youth programs.

Administration Services

This segment includes costs relating to general administration of the band office including administration of taxation.

General Government Services

This segment includes operational and maintenance expenses and amortization.

Education Services

This segment includes costs relating to tuition and language and cultural research.

Public Works

This segment includes development costs incurred for capital projects, and costs relating to the maintenance of the Osoyoos health station.

Lands and Natural Resources

This segment includes costs relating to forestry resource management, Parks Canada program, and Species at Risk program.

Social Housing

This segment includes costs relating to the construction of housing for band members.

Health Services

This segment includes costs relating to providing community health, on reserve medical services, and patient travel.

Other Projects

This segment includes recreational services provided to band members.

Economic Development

This segment includes costs relating to the development of economic opportunities on OIB land.

OSOYOOS INDIAN BAND**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2016

21. Consolidated Expenses by Object

	2016	2015
	\$	\$
Salaries and benefits	2,400,290	2,342,347
Contracts	2,190,658	2,459,075
Social assistance	850,748	793,572
Repairs and maintenance	838,796	586,862
Tuition	647,687	640,839
Band membership distributions	643,922	3,123,907
Travel and meetings	623,631	518,782
Interest on long-term debt	585,636	278,565
Amortization	527,415	214,131
Administration	349,200	279,284
Recreation	306,476	276,683
Replacement reserve	262,850	10,819
Loss on disposal of housing tangible capital assets	257,644	-
Professional fees	246,695	152,396
Materials, supplies and activities	198,568	188,330
Training	162,620	127,426
Insurance	142,264	98,944
Health contributions	101,739	109,686
Miscellaneous	84,313	73,446
Honoraria	79,068	80,623
Telephone and utilities	69,394	43,056
Occupancy	24,996	24,996
Bank charges and interest	17,507	17,513
Bad debts	-	4,570
	11,612,117	12,445,852

OSOYOOS INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

22. Debt Issued on Behalf of a Government Business Enterprise

Osoyoos Indian Band was issued the following loans and subsequently issued the loans to its wholly owned businesses at the same terms and conditions of the initial loan. The loans and the respective loan receivables are as follows:

	2016	2015
	\$	\$
BMO Bank of Montreal demand loan bearing interest at prime plus 0.5% per annum, repayable in annual payments of \$33,000 plus monthly interest payments. The loan matures on September 30, 2028 and is secured by a general security agreement and a corporate guarantee from Osoyoos Indian Band Holdings LLP and Osoyoos Indian Band in the amount of \$780,000.	396,330	429,330
Nk'Mip Utilities Ltd., loan receivable bearing interest at prime plus 0.5% per annum, repayable in annual payments of \$33,000 plus monthly interest payments. The loan matures on September 30, 2028.	(396,330)	(429,330)
RBC Royal Bank, term loan bearing interest at 2.5% per annum, repayable in monthly blended payments of \$5,795. The loan was repaid during the year.	-	311,185
Nk'Mip Canyon Desert Golf Course LLP, loan receivable bearing interest at 2.5% per annum, repayable in monthly blended payments of \$5,795. The loan receivable was repaid during the year.	-	(311,185)
Net debt issued on behalf of a government business enterprise	-	-

The total interest revenue received from the government business enterprises on the loan receivable is \$13,863 (2015 - \$27,211).

The total interest expense paid on the debt issued on behalf of government business enterprises is \$13,863 (2015 - \$27,211).

OSOYOOS INDIAN BAND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

23. Prior Period Adjustment

The Band has restated its financial statements as per the following:

	<u>2015</u>
	\$
Adjustments to accumulated surplus	
2015 as previously reported	33,767,953
Adjustment to investment in Nk'Mip Cellars Inc. in 2015	(268,522)
Adjustment to investment in Nk'Mip Cellars Inc. in prior years	<u>(288,428)</u>
2015 as restated	<u>33,211,003</u>
 Adjustment to deficit for the year	 <u>2015</u>
2015 as previously reported	(68,884)
Adjustment to income from business enterprises	<u>(268,522)</u>
2015 as restated	<u>(337,406)</u>