

SHUSWAP INDIAN BAND
FINANCIAL STATEMENTS
MARCH 31, 2016

2016-1
2016-1

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FINANCIAL STATEMENTS
MARCH 31, 2016

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Management's Responsibility for Financial Statements

The accompanying financial statements of the Shuswap Indian Band are the responsibility of management and have been approved by Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

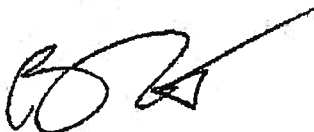
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the financial statements.

The Council meets 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 financial statements and the external auditor's report.

The external auditors, Larry Ewing Chartered Professional Accountant, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of the Shuswap Indian Band and meet when required.

On behalf of the Shuswap Indian Band.



Barbara Cote
Chief



Larry Ewing BComm, CPA, CA, CPA(II)
(an incorporated professional)

To the members of Shuswap Indian Band,

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

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based upon our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Shuswap Indian Band as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

CHARTERED PROFESSIONAL ACCOUNTANT

July 28, 2016

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SHUSWAP INDIAN BAND
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016

| | 2016 | 2015 |
|---|------------------|------------------|
| Financial assets | | |
| Cash | 1,579,337 | 668,967 |
| Accounts receivable – note 2 | 574,071 | 828,895 |
| Advances to band controlled entities – notes 3,9,10 | 298,363 | 339,504 |
| First Nations Trust Co. Shares | 1,000 | 1,000 |
| Trust Funds held by INAC | 10,760 | 40,952 |
| Total financial assets | 2,463,531 | 1,879,318 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 264,360 | 441,379 |
| Government withholdings payable | 17,280 | 10,949 |
| Salaries payable | 31,276 | |
| Bank loan – note 11 | 52,834 | 155,555 |
| Unearned lease revenue – note 7 | 9,225 | 12,301 |
| Total liabilities | 374,975 | 620,184 |
| Net financial assets | 2,088,556 | 1,259,134 |
| Non-financial assets | | |
| Prepaid expenses | | 10,000 |
| Tangible capital assets – notes 1,5 | 1,292,700 | 1,273,213 |
| Reserves for future expenditures – note 14 | (89,083) | |
| Accumulated surplus | 3,292,193 | 2,542,347 |


 Councilor

SHUSWAP INDIAN BAND
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2016

| | Budget | 2016 | 2015 |
|--|------------------|------------------|------------------|
| Revenues | | | |
| Indigenous and Northern Affairs Canada | | | |
| – note 4 | 1,235,195 | 1,235,195 | 1,269,460 |
| BC Hydro | 90,252 | 90,252 | 31,753 |
| Columbia Basin Trust | 159,000 | 159,000 | |
| First Nations Health Authority | 273,312 | 273,312 | 253,962 |
| First Nations GST | 638,125 | 638,125 | 523,811 |
| Other funds – note 15 | 433,463 | 433,463 | |
| Other income | 219,194 | 219,194 | 137,681 |
| Property taxes | 597,991 | 597,991 | 573,573 |
| Province of BC | 608,617 | 608,617 | 289,508 |
| Rent | 3,600 | 3,600 | 18,575 |
| Income from INAC trust | 848 | 848 | 1,675 |
| Gain from government business enterprises | | | 648,747 |
| Total revenue | 4,259,597 | 4,259,597 | 3,748,745 |
| Expenses | | | |
| Band government | 769,627 | 769,627 | 616,792 |
| Education | 179,141 | 179,141 | 128,005 |
| First nations GST | 252,523 | 252,523 | 201,637 |
| Health | 281,369 | 281,369 | 241,823 |
| Housing | 45,205 | 45,205 | 18,552 |
| Lands and resources | 503,509 | 503,509 | 577,440 |
| Public works | 120,435 | 120,435 | 87,675 |
| Social development | 236,951 | 236,951 | 194,387 |
| Taxation | 508,928 | 508,928 | 586,617 |
| Titles and rights | 347,840 | 347,840 | 300,000 |
| Amortization | 76,275 | 76,275 | 64,602 |
| Loss from government business enterprises | 194,648 | 194,648 | |
| Total expenses | 3,516,451 | 3,516,451 | 3,017,530 |
| Surplus (deficit) for the year | 743,146 | 743,146 | 731,215 |
| Accumulated surplus beginning of year | | 2,542,347 | 1,792,646 |
| Tangible capital assets additions – note 5 | | 95,763 | 18,486 |
| Reserves for future expenditures – note 14 | | (89,063) | |
| Accumulated surplus end of year | | 3,292,193 | 2,542,347 |

SHUSWAP INDIAN BAND
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2016

| | 2016 | 2015 |
|------------------------------------|-----------|-----------|
| Surplus (deficit) for the year | 743,146 | 731,215 |
| Amortization | 76,276 | 64,603 |
| Prepaid expenses | 10,000 | (10,000) |
| Change in financial assets | 829,422 | 785,818 |
| Financial assets beginning of year | 1,259,134 | 473,316 |
| Financial assets end of year | 2,088,556 | 1,259,134 |

SHUSWAP INDIAN BAND**STATEMENT OF CASH FLOWS**
YEAR ENDED MARCH 31, 2016

| | 2016 | 2015 |
|--|-----------|-----------|
| Operating transactions | | |
| Surplus (deficit) for the year | 743,146 | 731,215 |
| Depreciation | 76,275 | 64,602 |
| Change in advances to band controlled entities | 41,141 | (135,055) |
| Interest from INAC trust | (848) | (1,675) |
| Change in accounts receivable | 254,824 | 14,919 |
| Change in prepaid expenses | 10,000 | 80,000 |
| Change in accounts payable and accrued liabilities | (177,018) | 38,835 |
| Change in government withholdings payable | 6,332 | |
| Change in salaries payable | 31,276 | |
| Change in unearned INAC revenue | | (69,172) |
| Total from operating activities | 985,128 | 723,669 |
| Financing transactions | | |
| Trust fund withdrawals | 31,039 | |
| Loan repayment | (102,721) | (104,494) |
| Change in unearned lease revenue | (3,076) | (3,076) |
| Total financing transactions | (74,758) | (107,570) |
| Increase (decrease) in cash | 910,370 | 616,099 |
| Cash beginning of year | 668,967 | 52,868 |
| Cash end of year | 1,579,337 | 668,967 |

SHUSWAP INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

1) Significant Accounting Policies

a) Basis of Accounting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

b) Reporting Entity

The Shuswap Indian Band includes all Shuswap Indian Band government and all related entities that are controlled by the Band.

c) 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 impractical.

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.

Revenues related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service is performed.

d) Tangible Capital Assets

Tangible capital assets are recorded at cost. Amortization is recorded using the following annual rates:

| | | |
|------------------------|-----|----|
| Buildings | 5% | DB |
| Automotive | 25% | DB |
| Equipment | 25% | DB |
| Water systems | 5% | DB |
| Leasehold improvements | 20% | SL |

e) Investments in Controlled Corporations

The Band's investment in the Kinbasket Development Corporation, Kinbasket Property Development Corporation, and the Kinbasket Water & Sewer Company Ltd. have been accounted for using the modified equity method. Under the modified equity method the investment in these corporations are adjusted for income or loss for the year. For these corporations no modifications of the equity method are necessary because the accounting principles of these business entities are the same as that of the Band.

Larry Ewing CPA

SHUSWAP INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

1) Significant Accounting Policies (continued)

f) Investments in Non-Controlled Corporations

The Shuswap Indian Band holds a 6.7% interest in the St. Eugene Mission Hotel and Golf Course Funding Corporation which was paid for by the Government of Canada. The value of that interest has not been determined by the Band and, therefore, the value reported on these statements is nil.

g) Measurement Uncertainty

These financial statements have been prepared in accordance with Canadian generally accepted accounting practices. In preparing these financial statements management has made estimates and assumptions that affect the amounts reported. Actual results could differ from these estimates.

2) Accounts Receivable

| | 2016 | 2015 |
|---------------------|----------------|----------------|
| BC Highways and CPR | 389,258 | 485,580 |
| Property taxes | 174,813 | 215,006 |
| Province of BC | 10,000 | 128,309 |
| | <u>574,071</u> | <u>828,895</u> |

3) Advances to Band controlled entities

| | 2016 | 2015 |
|---|----------------|----------------|
| Due from Kinbasket Water & Sewer Company Ltd. | 348,634 | 174,620 |
| Due from Kinbasket Development Corporation | 923,746 | 944,253 |
| Deficiency in investment in band controlled entities – note 6 | (974,017) | (779,369) |
| Estimated value of advances to Band controlled entities | <u>298,363</u> | <u>339,504</u> |

4) Unearned INAC Revenue

| | 2016 | 2015 |
|---|------------------|------------------|
| Unearned INAC revenue beginning of year | | 69,172 |
| Community economic development (PPP) | | |
| First Nations Land Management Development | | 69,172 |
| Balance end of year | | |
| INAC revenue recorded | 1,235,195 | 1,200,288 |
| First Nations Land Management Development | | 69,172 |
| INAC funding per confirmation | <u>1,235,195</u> | <u>1,269,460</u> |

SHUSWAP INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

5) Tangible Capital Assets

| | 2016 Cost | 2016 Additions | 2016 Cost |
|--------------------------|------------------|-------------------|------------------|
| Land | 152,370 | 16,385 | 168,755 |
| Administrative buildings | 341,834 | | 341,834 |
| Church building | 68,375 | | 68,375 |
| Equipment | 228,107 | 11,000 | 239,107 |
| Leasehold improvements | 9,986 | 68,378 | 78,364 |
| Social housing buildings | 1,585,794 | | 1,585,794 |
| Water systems | 1,251,676 | | 1,251,676 |
| | <u>3,638,142</u> | <u>95,763</u> | <u>3,733,905</u> |

Included in the Taxation Fund are social and cultural expenditures amounting to \$68,375 which relate to capital renovations to the church building in the fiscal year ended March 31, 2013.

| | 2016 Amortization | 2016 Accumulated Amortization | 2016 Net Book Value | 2015 Net Book Value |
|--------------------------|----------------------|-------------------------------------|---------------------------|---------------------------|
| Land | | | 168,755 | 152,371 |
| Administrative buildings | 5,608 | 235,291 | 106,543 | 112,152 |
| Church building | 3,008 | 11,217 | 57,158 | 60,166 |
| Equipment | 7,165 | 212,111 | 26,996 | 23,161 |
| Leasehold improvements | 14,675 | 15,674 | 62,690 | 8,987 |
| Social housing buildings | 24,322 | 1,123,679 | 462,115 | 486,436 |
| Water systems | 21,497 | 843,233 | 408,443 | 429,940 |
| | <u>76,275</u> | <u>2,441,205</u> | <u>1,292,700</u> | <u>1,273,213</u> |

6) Investment In Controlled Entities

Kinbasket Development Corporation, Kinbasket Property Development Corporation and Kinbasket Water & Sewer Company Ltd. are wholly owned subsidiaries of the Band. Shares of these corporations are held in trust by members of the current Band Council for the benefit of the members of the Shuswap Indian Band. The Band owns a 90% interest in Kinbasket Integrated Property Management Ltd. The Band's investment in controlled entities can be summarized as follows:

| | 2016 | 2015 |
|---|------------------|------------------|
| Kinbasket Development Corporation equity | (2,059,053) | (1,982,498) |
| Kinbasket Property Development Corporation equity | 112,433 | 167,852 |
| Kinbasket Water and Sewer Company Ltd. equity | 972,603 | 980,022 |
| Kinbasket Integrated Property Management Ltd. — 90% | | 55,255 |
| | <u>(974,017)</u> | <u>(779,369)</u> |

SHUSWAP INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

6) Investment In Controlled Entities (Continued)

Audited condensed financial information for Kinbasket Development Corporation for its fiscal year ended March 31, 2016 is as follows:

| | 2016 | 2015 |
|--|-----------|-----------|
| Assets | 5,904,083 | 5,883,667 |
| Liabilities | 7,963,136 | 7,866,165 |
| Appraisal increase on lands held for development | 2,582,613 | 2,615,304 |
| Revenue | 320,213 | 799,288 |
| Income (loss) | (43,864) | 503,005 |

Unaudited condensed financial information for Kinbasket Property Development Corporation for its fiscal year ended March 31, 2015 is as follows:

| | 2015 |
|----------------|---------|
| Assets | 112,433 |
| Liabilities | |
| Revenue (loss) | 94,581 |
| Income (loss) | 94,581 |

Audited condensed financial information for Kinbasket Water & Sewer Company Ltd. for its fiscal year ended March 31, 2016 is as follows:

| | 2016 | 2015 |
|--|-----------|-----------|
| Assets | 5,756,732 | 5,468,121 |
| Liabilities | 4,784,129 | 4,488,099 |
| Appraisal increase on lands held for development | 582,791 | 582,791 |
| Revenue | 344,241 | 364,661 |
| Income (loss) | (7,419) | 128,433 |

7) Unearned Lease Revenue

BC Hydro has entered into a lease to access Band lands. The parties have agreed to a twenty year lease starting in 2000 and expiring in 2019 for consideration of \$61,517. Lease revenue from this agreement is being included in revenue over the term of the lease.

8) Loans to Band Members

No amounts are owing from Band Members.

SHUSWAP INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

9) Financial Instruments

Credit Risk Management

There is no credit risk on accounts receivable. These amounts generally relate to property taxes, amounts held in trust, or amounts due from government sources.

The Corporation is exposed to credit risk on the balances due from Kinbasket Water & Sewer Company Ltd., and Kinbasket Development Corporation. The amount of credit risk is accounted for by offsetting the advances to Band controlled entities with the deficiency in investment in band controlled entities.

Fair Values

The carrying amount of accounts payable and accounts receivable approximates their fair value because of the short term maturities of these items.

The fair value of balances due from Kinbasket Water & Sewer Company Ltd. and Kinbasket Development Corporation are less than carrying value as the amounts are unsecured and non-interest bearing. Since there are no specific terms of repayment, it has not been possible to determine the fair value.

10) Related Party Transactions

The Kinbasket Development Corporation, Kinbasket Water & Sewer Company Ltd., and Kinbasket Property Development Corporation are wholly owned subsidiaries of the Shuswap Indian Band. Funds are transferred between the companies to facilitate the cash requirements of each company.

33.3% of the shares of North Rock Holdings Inc. are owned by the Kinbasket Property Development Corporation which exerts significant influence over the corporation. During the year ended March 31, 2016 North Rock Holdings Ltd. rented office space to the Shuswap Indian Band for \$45,992.

The amounts owing from Kinbasket Development Corporation and Kinbasket Water & Sewer Company Ltd. are unsecured with no specific terms for repayment.

11) Bank Loan

The bank loan is payable upon demand plus interest at the bank prime rate plus 2%, and is secured by a general assignment of book debts. Payments are being made on this loan at \$8,991 per month.

SHUSWAP INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

12) Expenses by Object

| | 2016 | 2015 |
|----------------------------------|------------------|------------------|
| Administration | 272,426 | |
| Amortization | 76,275 | 64,602 |
| Bank charges and interest | 8,348 | 24,059 |
| Capital | 95,762 | 18,486 |
| Consulting | 600,662 | 752,163 |
| Insurance | 24,591 | 58,551 |
| Loss on band controlled entities | 194,648 | |
| Office | 47,026 | 23,176 |
| Other | 214,768 | 156,349 |
| Professional fees | 88,751 | 74,750 |
| Program | 856,074 | 529,935 |
| Rent | 45,992 | |
| Repairs and maintenance | 101,227 | 391,482 |
| Travel | 57,258 | 23,467 |
| Utilities | 88,905 | 129,197 |
| Wages, salaries and benefits | 742,008 | 771,313 |
| | <u>3,514,721</u> | <u>3,017,530</u> |

13) Contingent Liabilities

- a) The Band is contingently liable to the Bank of Montreal for loans of KDC Sand and Gravel in the amount of \$211,333.
- b) The Band is in litigation with a number of employees. The amount of the claims exceed \$240,000, however, it is not possible to estimate whether any liability will occur to the Band.
- c) The Band is in dispute with Shuswap Woodlands Restoration Ltd. over forestry services provided by Shuswap Woodlands Restoration Ltd. to the Shuswap Indian Band and its business enterprises. The amount in dispute is \$249,746. It is not determinable at this time if this amount will be payable in the future.
- d) Kinbasket Water & Sewer Company has a disagreement regarding the billing of one of its contractors for an amount exceeding \$1,118,753. Kinbasket Water & Sewer Company Ltd. have recorded this debt at \$375,100. The Shuswap Indian Band is contingently liable for this debt.
- e) The Band is contingently liable for housing loans of band members in the amount of \$588,998.
- f) The Band is contingently liable for a sewage improvement loan of \$194,608 in Kinbasket Water & Sewer Company Ltd.

SHUSWAP INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

14) Reserves for Future Expenditures

The Taxation Fund has made the following reserves for future expenditures.

| | <u>2016</u> |
|----------------------|---------------|
| Capital expenditures | 40,000 |
| Sewage repair | 40,000 |
| Environmental health | <u>5,000</u> |
| | <u>85,000</u> |

15) Interfund Payments

The following payments have been made between funds:

| | <u>Band Govn't</u> | <u>Housing</u> | <u>Education</u> | <u>Public Works</u> |
|------------------------|--------------------|----------------|------------------|---------------------|
| First Nations GST Fund | 55,000 | 45,702 | 15,606 | |
| Health | 25,129 | | | |
| Lands and Resources | 55,000 | | | |
| Public Works | 29,026 | | | |
| Taxation | 82,000 | 26,000 | 26,000 | 19,000 |
| Titles and Rights | 55,000 | | | |
| | <u>301,155</u> | <u>71,702</u> | <u>41,606</u> | <u>19,000</u> |

16) Comparative Figures

Certain of the March 31, 2015 comparative figures have been changed to conform with the financial statement presentation for the year ended March 31, 2016.