

**KWADACHA NATION
FINANCIAL STATEMENTS**

March 31, 2015

RHB SCHMITZ de GRACE
Chartered Accountants

KWADACHA NATION
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For the year ended March 31, 2015

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RHB SCHMITZ de GRACE

Chartered Accountants

Partners

- Lynn Ross, CPA, CA
- Norm Hildebrandt, CPA, CA
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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Kwadacha Nation and all the information in this annual report for the year ended March 31, 2015 are the responsibility of management and have been approved by Chief and Council.

The 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 judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Kwadacha Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance the financial information is relevant, reliable and accurate and the Nation's assets are appropriately accounted for and adequately safeguarded.

Chief and Council are responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

Chief and Council review the Nation's financial statements and recommends their approval. 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 financial statements and the external auditors' report. Chief and Council take this information into consideration when approving the financial statements for issuance to the Members. Chief and Council also consider the engagement of the external auditors.

The financial statements have been audited by RHB Schmitz de Grace, Chartered Accountants, in accordance with Canadian generally accepted auditing standards, on behalf of the Nation's members. RHB Schmitz de Grace, Chartered Accountants have full and free access to Chief and Council.

July 17, 2015

Chief

Councillor

RHB SCHMITZ de GRACE

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INDEPENDENT AUDITORS' REPORT

To the Members of Kwadacha Nation

We have audited the accompanying financial statements of Kwadacha Nation, which comprise the statement of financial position as at March 31, 2015, and the statements of financial activities and accumulated surplus, change in net financial assets and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from 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 the 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RHB SCHMITZ de GRACE

Chartered Accountants

Partners

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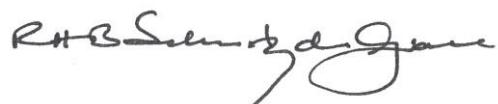
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INDEPENDENT AUDITORS' REPORT, continued

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kwadacha Nation as at March 31, 2015, 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.



Prince George, BC
July 17, 2015

Chartered Accountants

KWADACHA NATION
STATEMENT OF FINANCIAL POSITION

March 31, 2015

	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash	\$ 1,876,855	\$ 677,131
Restricted cash (Note 3)	<u>18,979,651</u>	<u>17,702,892</u>
Accounts receivable (Note 4)	1,201,729	3,042,157
Investment in Government Business Entities (Note 5)	1,469,015	1,104,290
Inventory held for sale	199,398	245,114
Trust funds (Note 17)	<u>113,556</u>	<u>108,032</u>
	<u><u>23,840,204</u></u>	<u><u>\$ 22,879,616</u></u>
LIABILITIES		
Bank indebtedness (Note 18)	-	\$ 40,000
Accounts payable and accrued liabilities	680,807	1,967,933
Capital asset reserve (Note 19)	560,631	452,793
Due to Kwadacha Education Society (Note 20)	2,513,106	1,988,660
Long-term debt (Note 21)	5,847,797	5,425,376
Replacement reserve (Note 22)	178,627	162,223
Deferred revenue (Note 23)	<u>1,771,624</u>	<u>1,740,628</u>
	<u><u>11,552,592</u></u>	<u><u>\$ 11,777,613</u></u>
NET FINANCIAL ASSETS	<u><u>12,287,612</u></u>	<u><u>11,102,003</u></u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 24)	30,688,628	29,578,523
Prepaid expenses	<u>12,881</u>	<u>20,770</u>
	<u><u>30,701,509</u></u>	<u><u>29,599,293</u></u>
ACCUMULATED SURPLUS (Note 25)	<u><u>\$ 42,989,121</u></u>	<u><u>\$ 40,701,296</u></u>

Approved on behalf of the Kwadacha Nation

Donald Lee Jones Chief

Douglas Dicks Councillor

KWADACHA NATION
STATEMENT OF FINANCIAL ACTIVITIES AND ACCUMULATED SURPLUS
For the year ended March 31, 2015

	2015	2014
REVENUE		
Federal Government:		
Aboriginal Affairs & Northern Development Canada	\$ 6,798,068	\$ 7,727,537
Canadian Mortgage and Housing Corporation	32,263	31,943
Federal Government of Canada	91,306	113,702
Health Canada	1,066,208	1,831,174
Hydro contribution	2,932,878	3,579,378
Other revenue	2,524,804	2,998,688
Interest income	1,630,859	527,649
Province of British Columbia	780,760	813,506
Kwadacha General Store gross profit	657,163	326,096
Rent	571,004	561,410
Investment income (loss)	512,519	(129,699)
Administration fees	245,027	242,485
BC Hydro	109,600	119,600
Trust revenue	52,535	35,752
Wages subsidy	52,000	-
Gain on disposal of tangible capital assets	35,891	-
Exchange gains	5,751	-
Northern Health Authority	-	2,000
	<hr/>	<hr/>
	\$ 18,098,636	\$ 18,781,221

KWADACHA NATION
STATEMENT OF FINANCIAL ACTIVITIES AND ACCUMULATED SURPLUS
For the year ended March 31, 2015

	2015	2014
EXPENSES		
BC Hydro settlement funds	\$ 2,591,657	\$ 3,125,748
Own source	3,676,609	3,092,300
Education and training	3,161,702	3,055,798
Capital	1,652,755	2,572,804
Health and wellness	1,686,953	1,551,068
Operations and maintenance	1,104,633	1,365,619
Administration	1,233,777	1,299,731
Income assistance	638,589	541,147
Trust accounts	35,960	22,786
	<u>15,782,635</u>	<u>16,627,001</u>
(RECOVERY) REIMBURSEMENT	<u>(28,176)</u>	<u>39,083</u>
EXCESS OF REVENUE OVER EXPENSES	<u>2,287,825</u>	<u>2,193,303</u>
ACCUMULATED SURPLUS AT BEGINNING OF THE YEAR	<u>40,701,296</u>	<u>38,507,993</u>
ACCUMULATED SURPLUS AT END OF THE YEAR	<u>\$ 42,989,121</u>	<u>\$ 40,701,296</u>

KWADACHA NATION

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

March 31, 2015

	2015	2014
EXCESS OF REVENUE OVER EXPENSES	\$ 2,287,825	\$ 2,193,303
Tangible capital assets:		
Acquisition	(2,611,118)	(2,443,097)
Amortization	1,447,699	1,400,186
Gain on disposal	(35,891)	-
Proceeds from disposal	89,205	-
	(1,110,105)	(1,042,911)
Use of prepaid expenses	7,889	27,326
Increase in net financial assets	1,185,609	1,177,718
NET FINANCIAL ASSETS AT BEGINNING OF THE YEAR	11,102,003	9,924,285
NET FINANCIAL ASSETS AT END OF THE YEAR	\$ 12,287,612	\$ 11,102,003

KWADACHA NATION

STATEMENT OF CASH FLOWS

For the year ended March 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 2,287,825	\$ 2,193,303
Items not affecting cash		
Amortization	1,447,699	1,400,186
Gain on disposal of tangible capital assets	<u>(35,891)</u>	-
	3,699,633	3,593,489
Changes in non-cash working capital items:		
Accounts receivable	1,840,428	299,123
Inventory held for sale	45,716	(8,766)
Prepaid expenses	7,889	27,327
Accounts payable and accrued liabilities	<u>(1,287,126)</u>	(1,405,880)
Deferred revenue	30,996	42,083
Capital asset reserve, net	<u>107,838</u>	180,793
	<u>4,445,374</u>	<u>2,728,169</u>
FINANCING ACTIVITIES		
Advances from Kwadacha Education Society	524,446	(123,968)
Proceeds from long-term debt	862,000	789,073
Repayment of long-term debt	<u>(439,579)</u>	(455,464)
Repayment of bank indebtedness, net	<u>(40,000)</u>	(25,000)
	<u>906,867</u>	184,641
INVESTING ACTIVITIES		
Increase in investments in Government Business Entities	(364,725)	(48,367)
Increase in Ottawa Trust Funds	<u>(5,524)</u>	(2,667)
Purchase of tangible capital assets	<u>(2,611,118)</u>	(2,443,097)
Proceeds on disposal of tangible capital assets	89,205	-
Replacement reserve, net	<u>16,404</u>	(35,676)
	<u>(2,875,758)</u>	<u>(2,529,807)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	2,476,483	383,003
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>18,380,023</u>	17,997,020
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 20,856,506</u>	<u>\$ 18,380,023</u>
REPRESENTED BY:		
Cash	\$ 1,876,855	\$ 677,131
Restricted cash	<u>18,979,651</u>	<u>17,702,892</u>
	<u>\$ 20,856,506</u>	<u>\$ 18,380,023</u>

RHB SCHMITZ de GRACE
Chartered Accountants

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

1. DESCRIPTION OF OPERATIONS

Kwadacha Nation (the “Nation”) is a self-governed First Nation located at Fort Ware, BC, with its head office located in Prince George, BC. Off-reserve members are also located throughout Northern BC.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These summary financial statements have been prepared in accordance with Canadian generally accepted accounting principles for government entities, as defined in the CICA Public Sector Accounting and Auditing Handbook, which encompasses the following principles:

Fund Accounting

The Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual, or voluntary actions. The various funds have been amalgamated for the purposes of presentation in the summary financial statements. Detail of the operations of each fund are set out in the supplementary schedules. The Nation maintains the following funds:

- The Operating Fund which reports the general activities of the Nation’s administration.
- The Capital Fund which reports the capital assets of the Nation not included in other funds, together with their related activities.
- The Trust Fund which reports on the trust funds of the Nation and held by third parties.
- The CMHC Housing Fund which reports on activities within the CMHC Housing Program.
- The BC Hydro Settlement Fund which reports on project briefs and settlement monies received from BC Hydro.

Reporting Entity Principles of Financial Reporting

These financial statements report only on the activities of the Nation.

The Nation’s reporting entity includes the Nation and all related entities which are accountable to the Nation and are either owned or controlled by the Nation.

These financial statements consolidate the assets, liabilities and results of operations for the following entities which lend themselves to consolidation:

1. Operations Fund
2. Capital Fund
3. Trust Fund
4. CMHC Housing Fund
5. BC Hydro Settlement Fund

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

KWADACHA NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Investments in Government Business Entities

Incorporated business entities, which are wholly or partially owned by the Nation, are accounted for in the financial statements using the modified equity method and include Kaska Energy Corp., 0936269 BC Ltd., Kwadacha Natural Resources GP Ltd., OBO Forest Management GP Ltd., Chee Ventures and Three Feathers GP Ltd.

Government partnerships, in which the Nation has an ownership interest, are accounted for in the financial statements using the modified equity method. These include Kaska Oil and Gas Services Limited Partnership, Kaska Drilling Limited Partnership, Kwadacha Natural Resources Limited Partnership and Three Feathers Limited Partnership.

Tangible Capital Assets and Amortization

Tangible capital assets are recorded except for reserve lands, natural resources and cultural resources which are not recorded.

Intangible properties are recorded at cost and due to their nature are not subject to amortization. These properties are reviewed for impairment on an annual basis.

Tangible capital assets are recorded at cost. The Nation provides for using the declining balance methods and straight line method at rates designed to depreciate the cost of the tangible capital assets over their estimated useful lives. The annual rates are as follows:

Automotive	30% Declining balance
CMHC Housing	4% Declining balance
Community buildings	4% Declining balance
Computer equipment	30% Declining balance
Infrastructure	4% Declining balance
Housing	4% Declining balance
Renovations	10 year Straight line
School	4% Declining balance
Store	4% Declining balance
Store equipment	20% Declining balance
Subdivision	4% Declining balance

Financial Instruments

Measurement of financial instruments

The Nation initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Nation subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value of these financial instruments are recognized in net income.

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Financial assets measured at amortized cost include, cash (restricted and unrestricted), accounts receivable, and trust funds.

The entity has designated investments in Government Business Entities to be measured at fair value.

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities, reserves, deferred revenue, due to Kwadacha Education Society and long-term debt.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

The Nation's transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period occurred. The carrying amount of the financial instruments that will not be subsequently measured at fair value is adjusted for transaction costs directly attributable to the origination, issuance or assumption of these instruments.

Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is measured using the average weighted cost method.

Revenue Recognition

Revenue and expenditures are recorded using the accrual basis of accounting. Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. Gains are recognized when realized. Items not practically measureable until cash is received are accounted for at that time.

KWADACHA NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from management's best estimates as additional information becomes available in the future.

Recoveries of Funding and Agency Reimbursements

Funding received from federal government sources in the form of conditional transfer payments are subject to recovery by the Crown. The Crown may also reimburse expenditures upon determining adherence to the terms and conditions of payment for a specific purpose. Recoveries and reimbursements are accounted for in the period they are recovered or received.

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

3. RESTRICTED CASH

	<u>2015</u>	<u>2014</u>
Funded replacement reserve		
Under the terms of the Nation's Housing Agreement with Canada Mortgage and Housing Corporation (CMHC), a separate replacement reserve account is maintained. The funds in this account may only be used based on criterion as set out by CMHC.	\$ 178,627	\$ 150,580
Victoria Foundation: Endowment Fund Restricted		
Consists of funds held on behalf of the Nation in an Endowment Fund created under the Endowment Fund Public Deed of Trust between the Victoria Foundation and the Nation dated November 27, 2009 and the Payment Trustee Agreement among the Victoria Foundation, the Nation, and the British Columbia Hydro and Power Authority dated November 28, 2009.	17,090,631	15,535,714
Victoria Foundation: Trustee Fund Restricted		
Consists of funds dedicated to dispute resolution of issues arising under the terms of the Settlement Negotiation Agreement.	1,147,262	1,549,661
Capital Asset Reserve Fund		
Consists of funds dedicated for future capital asset purchases.	560,631	464,437
Deposit required by Minister of Finance for gravel pit	<u>2,500</u>	<u>2,500</u>
	<u>\$ 18,979,651</u>	<u>\$17,702,892</u>

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

4. ACCOUNTS RECEIVABLE

	2015	2014
Trade receivables	\$ 468,286	\$ 951,720
Government receivables	251,267	1,552,468
GST receivable	11,650	10,420
Band members and employee advances	158,767	110,827
Mortgage receivable	96,780	103,280
Band housing	471,486	467,258
Other	<u>212,284</u>	<u>313,442</u>
Allowance for doubtful accounts	<u>1,670,520</u> <u>(468,791)</u>	<u>3,509,415</u> <u>(467,258)</u>
	<u>\$ 1,201,729</u>	<u>\$ 3,042,157</u>

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

5. INVESTMENTS IN GOVERNMENT BUSINESS ENTITIES

	2015	2014
Chee Ventures Ltd. (30.76%)		
Shares	\$ 40	
Loss for year	(1)	
Advances	<u>48,289</u>	-
	<u>48,328</u>	-
Kaska Drilling Limited Partnership (20%)		
Equity	(46,726)	(40,484)
(Loss) income for the year	(258)	9
Drawings	<u>-</u>	(6,250)
	<u>(46,984)</u>	(46,725)
Kaska Oil and Gas Services Limited Partnership (20%)		
Deficiency	(64,825)	(62,615)
(Loss) income for the year	(1,882)	4,040
Drawings	<u>-</u>	(6,250)
	<u>(66,707)</u>	(64,825)
Kwadacha Natural Resources Limited Partnership		
Units	99	99
Income for the year	360,085	-
Advances	<u>933,860</u>	1,036,147
	<u>1,294,044</u>	1,036,246
Kaska Energy Corp. (20%)		
Shares	100	100
Advances	<u>24,900</u>	24,900
	<u>25,000</u>	25,000
0936269 BC Ltd. (100%)		
Shares	100	100
Opening equity	148,119	148,119
Income for the year	657	-
Advances	<u>(9,530)</u>	4,149
	<u>139,346</u>	152,368
Balance carried forward	\$ 1,393,027	\$ 1,102,064

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

5. INVESTMENTS IN GOVERNMENT BUSINESS ENTITIES, continued

	2015	2014
Balance brought forward	\$ 1,393,027	\$ 1,102,064
Kwadacha Natural Resources GP Ltd. (100%)		
Shares	100	100
Income for the year	2,987	-
Advances	<u>(100)</u>	<u>(100)</u>
	2,987	-
OBO Forest Management Limited Partnership		
Advances	4,089	2,226
OBO Forest Management GP Ltd. (100%)		
Shares	100	100
Loss for the year	(427)	-
Advances	<u>(100)</u>	<u>(100)</u>
	(427)	-
Three Feathers GP Ltd. (33.33%)		
Shares	100	-
Income for the year	7	-
Advances	<u>(100)</u>	<u>-</u>
	7	-
Three Feathers Limited Partnership (33.33%)		
Units	33	-
Advances	(33)	-
Income for the year	<u>69,332</u>	<u>-</u>
	69,332	-
	<u>\$ 1,469,015</u>	<u>\$ 1,104,290</u>

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

6. INVESTMENT IN CHEE VENTURES LTD.

The fiscal year end of Chee Ventures is December 31. The financial summary of Chee Ventures is prepared from the unaudited financial statements as at December 31, 2014.

The Nation has a 31.76% ownership with a net loss of \$1 allocated to the Nation in the current year.

	2015	2014
ASSETS	\$ 64,269	\$ 8,696
LIABILITIES	62,237	6,751
NET EQUITY	\$ 2,032	\$ 1,945
REVENUE AND EXPENSES		
Revenue	18,408	-
Expenses	(18,427)	(599)
(Income tax) recovery	16	209
NET LOSS	\$ (3)	\$ (390)

7. INVESTMENT IN KASKA DRILLING LIMITED PARTNERSHIP

The fiscal year end of Kaska Drilling Limited Partnership is March 31. The financial summary of Kaska Drilling Limited Partnership is prepared from unaudited financial statements as at March 31, 2014.

The Nation has a 20% ownership with a net loss of \$1,290 allocated to the Nation in the current year (2014 - \$7,288).

	2015	2014
ASSETS	\$ 9,403	\$ 5,349
LIABILITIES	10,344	5,000
NET (DEFICIT) EQUITY	\$ (941)	\$ 349
REVENUE AND EXPENSES		
Revenue	\$ 5,098	\$ -
Expenses	(6,388)	(7,288)
NET LOSS	\$ (1,290)	\$ (7,288)

The March 31, 2015 financial statements are not yet available.

RHB SCHMITZ de GRACE
Chartered Accountants

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

8. INVESTMENT IN KASKA OIL AND GAS LIMITED PARTNERSHIP

The fiscal year end of Kaska Drilling Limited Partnership is March 31. The financial summary of Kaska Drilling Limited Partnership is prepared from unaudited financial statements as at March 31, 2014.

The Nation has a 20% ownership with a net (loss) income of (\$1,882) allocated to the Nation in the current year (2014 - \$1,679).

	2015	2014
ASSETS	\$ 150,642	\$ 162,954
LIABILITIES	2,496	5,398
NET EQUITY	\$ 148,146	\$ 157,556
REVENUE AND EXPENSES		
Revenue	\$ -	\$ 19,381
Expenses	<u>(9,410)</u>	<u>(10,986)</u>
NET (LOSS) INCOME	<u>\$ (9,410)</u>	<u>\$ 8,395</u>

The March 31, 2015 financial statements are not yet available.

9. INVESTMENT IN KASKA ENERGY CORP

The Nation has a 20% ownership. The amount shown represents the original advances with no change due to inactivity.

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

10. INVESTMENT IN THREE FEATHERS GP LTD.

The fiscal year end of Three Feathers GP Ltd. is April 30. The financial summary of Three Feathers GP Ltd. is prepared from unaudited financial statements as at April 30, 2014.

The Nation has a 33.33% ownership with a net income of \$7 allocated to the Nation in the current year (2014 - \$nil).

	2015	2014
ASSETS	\$ 320	\$ 300
LIABILITIES	-	-
NET EQUITY	<u>\$ 320</u>	<u>\$ 300</u>
REVENUE AND EXPENSES		
Revenue	\$ 20	\$ -
Expenses	-	-
NET INCOME	<u>\$ 20</u>	<u>\$ -</u>

11. INVESTMENT IN THREE FEATHERS LIMITED PARTNERSHIP

The fiscal year end of Three Feathers Limited Partnership is April 30. The financial summary of Three Feathers GP Ltd. is prepared from unaudited financial statements as at April 30, 2014.

The Nation has a 33.33% ownership with a net income of \$72,624 allocated to the Nation in the current year (2014 - \$(3,312)).

	2015	2014
ASSETS	\$ 228,441	\$ 144,400
LIABILITIES	<u>20,464</u>	<u>60,282</u>
NET EQUITY	<u>\$ 207,977</u>	<u>\$ 84,118</u>
REVENUE AND EXPENSES		
Revenue	\$ 560,328	\$ -
Expenses	<u>(342,435)</u>	<u>(9,936)</u>
NET INCOME (LOSS)	<u>\$ 217,893</u>	<u>\$ (9,936)</u>

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

12. INVESTMENT IN 0936269 BC LTD.

The fiscal year end of 0936269 BC Ltd. is March 31. The financial summary is prepared from unaudited statements as at March 31, 2015.

	2015	2014
ASSETS	\$ 365,442	\$ 378,317
LIABILITIES	<u>138,627</u>	<u>152,159</u>
NET EQUITY	<u>\$ 226,815</u>	<u>\$ 226,158</u>
REVENUE AND EXPENSES		
Revenue	\$ 45,000	\$ 38,430
Expenses	(43,790)	(37,978)
Income tax	(553)	(207)
NET INCOME	<u>\$ 657</u>	<u>\$ 245</u>

13. INVESTMENT IN KWADACHA NATURAL RESOURCES LIMITED PARTNERSHIP

The fiscal year end of Kwadacha Natural Resources Limited Partnership is April 30. The financial summary is prepared from unaudited statements as at April 30, 2014.

	2015	2014
ASSETS	\$ 2,184,893	\$ 1,603,482
LIABILITIES	<u>1,819,462</u>	<u>1,669,593</u>
NET DEFICIT	<u>\$ 365,431</u>	<u>(66,111)</u>
REVENUE AND EXPENSES		
Revenue	\$ 1,242,302	\$ 22,915
Expenses	(1,061,692)	(44,730)
Other income (charges)	397,999	(44,396)
NET INCOME (LOSS)	<u>\$ 578,609</u>	<u>\$ (66,211)</u>

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

14. INVESTMENT IN KWADACHA NATURAL RESOURCES GP LTD.

The fiscal year end of Kwadacha Natural Resources GP Ltd. is April 30. The financial summary is prepared from unaudited statements as of April 30, 2014.

	2015	2014
ASSETS	\$ 5,348	\$ 100
LIABILITIES	<u>2,261</u>	<u>1,662</u>
NET DEFICIT	<u><u>\$ 3,087</u></u>	<u><u>(1,562)</u></u>
REVENUE AND EXPENSES		
Expenses	\$ (1,260)	\$ (1,662)
Other income	<u>5,909</u>	<u>-</u>
NET INCOME (LOSS)	<u><u>\$ 4,649</u></u>	<u><u>(1,662)</u></u>

15. INVESTMENT IN OBO FOREST MANAGEMENT GP LTD.

The fiscal year end of OBO Forest Management GP LTD is April 30. The financial summary is prepared from unaudited statements as of April 30, 2014.

	2015	2014
ASSETS	\$ 4,114	\$ 100
LIABILITIES	<u>4,441</u>	<u>1,032</u>
NET DEFICIT	<u><u>\$ (327)</u></u>	<u><u>(932)</u></u>
REVENUE AND EXPENSES		
Expenses	\$ (3,440)	\$ (1,000)
Other income (charges)	<u>4,045</u>	<u>(32)</u>
NET INCOME (LOSS)	<u><u>\$ 605</u></u>	<u><u>(1,032)</u></u>

The April 30, 2015 financial statements are not yet available.

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

16. INVESTMENT IN OBO FOREST MANAGEMENT LIMITED PARTNERSHIP

The fiscal year end of OBO Forest Management GP Ltd. is April 30. The financial summary is prepared from unaudited statements as of April 30, 2014.

	2015	2014
ASSETS	\$ 885,636	\$ 550,100
LIABILITIES	484,214	553,226
NET DEFICIT	\$ 401,422	(3,126)
REVENUE AND EXPENSES		
Revenue	\$ 1,157,134	\$ -
Expenses	(752,586)	(3,226)
NET INCOME (LOSS)	\$ 404,548	\$ (3,226)

17. TRUST FUNDS

The Ottawa Trust Accounts arise from monies from capital or revenue sources outlined in Section 62 of the Indian Act. These funds are held in trust in the consolidated revenue fund of the Government of Canada and are subject to audit by the office of the Auditor General of Canada. The management of these funds governed by Sections 63 and 69 of the Indian Act.

	2015	2014
Capital funds held in trust	\$ 1	\$ 1
Revenue funds held in trust	<u>113,555</u>	<u>108,031</u>
	\$ 113,556	\$ 108,032

18. BANK INDEBTEDNESS

	2015	2014
Revolving line of credit of up to \$100,000, revolving in increments of \$5,000, bearing interest at prime plus 1.75%, due on demand.	<u>\$ -</u>	<u>\$ 40,000</u>

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

19. CAPITAL ASSET RESERVE

Capital asset reserves are internally restricted and have been designated for future acquisitions of tangible capital assets.

20. DUE TO KWADACHA EDUCATION SOCIETY

Kwadacha Education Society is related to Kwadacha Nation by virtue of ownership. The amount due to Kwadacha Education Society of \$2,513,106 (2014 - \$1,988,660) is unsecured, non-interest bearing and has no term of repayment. The Nation advanced (charged) the Society the following during the year:

	2015	2014
Aboriginal Headstart	\$ 126,294	\$ 119,625
Comprehensive Education Support, net of recovery	24,531	21,310
Education Enhancement	54,000	50,000
Financial Support	7,370	7,260
Guidance and Councelling	14,874	14,740
Instructional Services	2,602,603	2,502,338
Post Secondary Student Support	191,221	197,640
Salary Enhancement	14,711	-
Student Transportation	90,477	49,181
Teacherages	(60,000)	93,371
Administration fees	-	(54,028)
	<u>\$ 3,066,081</u>	<u>\$ 3,001,437</u>

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established by and agreed to by the related parties.

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

21. LONG-TERM DEBT

	2015	2014
Mortgage repayable in monthly instalments of \$3,434 bearing interest at 2.11% per annum, maturing Sept 1, 2025, secured by a Government of Canada ministerial guarantee.	\$ 138,929	\$ 176,790
Mortgage repayable in monthly instalments of \$3,047 bearing interest at 1.98% per annum, maturing April 1, 2019, secured by a Government of Canada ministerial guarantee.	143,335	176,717
Mortgage repayable in monthly instalments of \$3,787 bearing interest at 2.84% per annum, maturing April 1, 2018, secured by a Government of Canada ministerial guarantee.	134,029	175,058
Mortgage repayable in monthly instalments of \$1,245 including interest at 3.59% per annum, maturing February 1, 2016.	180,857	189,155
Demand loan, repayable in monthly instalments of \$840, including interest at prime plus 1.25% per annum.	-	2,597
Demand loan, repayable in monthly instalments of \$2,917, including interest at 2.24% per annum, maturing April 1, 2020.	564,477	583,475
Demand loan, repayable in monthly instalments of \$12,256 including interest at 4.2% per annum.	-	65,807
Mortgage, repayable in monthly instalments of \$1,764 including interest at 2.59% per annum, maturing July 1, 2017.	223,239	238,425
Demand loan, repayable in monthly instalments of \$2,321 including interest at 3.36% per annum, maturing December 30, 2018.	384,475	399,170
Mortgage, repayable in monthly instalments of \$5,766 including interest at 3.50% per annum, maturing January 1, 2016.	623,057	669,613
Mortgage, repayable in monthly instalments of \$765 including interest at 2.98% per annum, maturing April 1, 2019.	95,170	100,887
Balance carried forward	<u>\$ 2,487,568</u>	<u>\$ 2,777,694</u>

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

21. LONG-TERM DEBT, continued

	2015	2014
Balance brought forward	\$ 2,487,568	\$ 2,777,694
Mortgage repayable in monthly instalments of \$10,100 bearing interest at 4.75% per annum, maturing July 17, 2015, secured by a Government of Canada ministerial guarantee.	1,188,189	1,251,517
Mortgage repayable in monthly instalments of \$2,850 bearing interest at 4.3% per annum, maturing April 1, 2016, secured by a Government of Canada ministerial guarantee.	64,900	95,474
Mortgage repayable in monthly instalments of \$5,119 bearing interest at 3.44% per annum, maturing August 1, 2018, secured by a Government of Canada ministerial guarantee.	986,853	1,013,917
Mortgage repayable in monthly instalments of \$4,900 bearing interest at 2.99% per annum, maturing November 1, 2019, secured by a Government of Canada ministerial guarantee.	1,025,039	172,420
Conditional Sales Contract repayable in monthly instalments of \$1,245 bearing interest at 6.29% per annum, maturing February 27, 2019. Secured by equipment with a net book value of \$154,267.	51,703	63,050
Conditional Sales Contract repayable in monthly instalments of \$881, bearing interest at 5.96%, per annum, maturing December 15, 2019, secured by equipment with a net book value of \$48,075.	43,545	51,304
	<u>\$ 5,847,797</u>	<u>\$ 5,425,376</u>

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

2016	\$ 406,690
2017	\$ 419,798
2018	\$ 399,260
2019	\$ 349,434
2020	\$ 286,629

An individual Nation member has a loan secured by a Government of Canada ministerial guarantee of \$129,426 (2014 - \$148,333).

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

22. REPLACEMENT RESERVE

Under the terms of the agreement with CMHC, the Replacement Reserve account is to be credit in the amount of \$23,281 annually plus interest. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or the Credit Union Deposit Insurance Corporation; in investments guaranteed by a Canadian government; or in other investments approved by CMHC. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principle. At year end, the program has funded reserves of \$178,627 (2014 - \$162,223).

23. DEFERRED REVENUE

The Nation has recorded the BC Hydro Settlement Fund surplus as deferred revenue to be used in the delivery of community related projects.

	2015	2014
Guiding Territory deposits	\$ 78,810	\$ 61,250
BC Hydro Settlement Fund	<u>1,692,814</u>	<u>1,679,378</u>
	<u>\$ 1,771,624</u>	<u>\$ 1,740,628</u>

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

24. TANGIBLE CAPITAL ASSETS

	Cost	Additions	Disposals	Accumulated Amortization	2015	2014
					Net book Value	Net book Value
Automotive	\$ 1,180,841	\$ 19,175	\$ 237,828	\$ 744,776	\$ 217,412	\$ 335,841
CMHC	2,224,775	-	-	1,299,667	925,108	963,634
Community buildings	9,850,933	196,759	-	1,540,080	8,507,612	8,661,255
Computer equipment	282,731	1,883	-	266,413	18,201	23,715
Equipment	288,144	14,871	-	110,050	192,965	225,047
Infrastructure - PDP						
ACRS	54,652	-	-	12,259	42,393	44,160
Electrical	470,260	-	-	54,204	416,056	433,392
Landfill	784,626	383,905	-	154,361	1,014,170	664,524
PDP	60,084	-	-	28,909	31,175	32,474
Wastewater	49,449	677,773	-	30,428	696,794	33,933
Water systems	1,370,438	44,180	-	399,820	1,014,798	1,011,981
Housing	7,933,382	1,179,677	-	2,069,230	7,043,829	6,133,068
Renovations	2,035,990	-	-	1,542,190	493,800	618,477
School	5,100,993	-	-	2,420,221	2,680,772	2,792,471
Store	1,942,103	-	-	821,074	1,121,029	1,167,739
Store equipment	187,737	71,979	8,294	95,127	156,295	120,434
Subdivision	6,485,045	20,916	-	1,189,686	5,316,275	5,516,434
Guiding territory	799,944	-	-	-	799,944	799,994
	\$ 41,102,127	\$ 2,611,118	\$ 246,122	\$ 12,778,495	\$ 30,688,628	\$ 29,578,573

25. ACCUMULATED SURPLUS

The surplus on the summary statement of financial position consists of the following funds:

	2015	2014
Surplus (Note 26)	\$ 25,898,489	\$ 25,165,582
Endowment fund restricted	\$ 17,090,632	\$ 15,535,714
	\$ 42,989,121	\$ 40,701,296

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

26. SURPLUS

The surplus on the summary statement of financial position consists of the following funds:

	2015	2014
Operations Fund	\$ 1,959,997	\$ 596,424
Capital Fund	23,302,479	23,186,093
BC Hydro Fund	17,776,733	16,119,062
Investment Fund	-	1,000,126
Trust Fund	113,556	108,032
CMHC Housing Fund	(163,645)	(308,441)
Less BC Hydro Endowment Fund	<u>(17,090,631)</u>	<u>(15,535,714)</u>
	<u>\$ 25,898,489</u>	<u>\$ 25,165,582</u>

27. INCOME TAX

Kwadacha Nation is tax exempt as a public body performing a function of government in Canada under Section 149 (1)(c) of the Income Tax Act.

28. ECONOMIC DEPENDENCE

Kwadacha Nation receives a significant portion of its revenue pursuant to a funding agreement with Aboriginal Affairs & Northern Development Canada

29. COMPARATIVE AMOUNTS

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period.

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

30. FINANCIAL INSTRUMENT RISKS

Risks and concentrations

The Nation is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the company's risk exposure as at March 31, 2015.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Nation is exposed to this risk mainly in respect of its bank indebtedness, accounts payable and accrued liabilities and long-term debt.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Nation's main credit risks relate to its accounts receivable. The Nation provides credit to its client in the normal course of operations.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Nation has no significant transactions completed in foreign currencies.

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

30. FINANCIAL INSTRUMENT RISKS, continued

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Nation is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Nation to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Floating rate instruments subject the Nation to related cash flow risk.

Other price risk

Other price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Nation is not exposed to significant other price risk.

KWADACHA NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

31. EXPENSES BY OBJECT

	2015 Budget	2015	2014
Accomodations	\$ 6,500	\$ 6,600	\$ 6,815
Activities	113,877	137,089	83,573
Administration	180,397	160,003	170,199
Adult Institutional Care	60,867	63,354	63,078
Advertising and Promotion	15,200	11,492	11,735
Amortization	1,155,000	1,447,699	1,400,186
Appliances	15,000	10,199	13,173
Bad Debts (Recovery)	40,000	24,574	54,548
Bank Members Assistance	45,000	36,634	2,236
Bank and Service Charges	33,015	28,312	30,500
Basic	190,000	194,948	185,619
Basic Shelter	100,097	135,310	105,919
Bereavement	5,875	13,328	33,874
Charter Expense	951,200	878,636	894,619
Computer Maintenance	21,500	15,579	27,075
Contracts	2,471,719	1,689,955	2,028,763
Consulting Fees	492,969	379,727	668,636
Counsellor Services	-	-	4,560
Disbursements	2,183,140	1,412,146	1,990,000
Donations	6,500	20,500	1,645
Education	3,126,081	3,124,423	3,055,798
Elders Cost of Living Assistance	188,600	185,850	185,400
Election Expense	-	-	2,722
Equipment Rental	30,500	26,332	27,234
Equipment Repairs and Maintenance	44,500	43,150	43,951
Fees and Dues	44,350	36,415	21,345
Fuel	126,368	120,237	85,743
Freight	220,924	209,558	251,501
GFA	43,167	34,184	38,653
Honorarium	82,350	84,351	80,263
Horse care	20,000	21,291	23,970
Hot Lunch Program	22,299	56,549	-
Inspections	11,900	7,045	12,247
Insurance	146,469	142,822	111,317
Interest on Long-Term Debt	199,830	211,434	189,521
Janitorial	5,000	-	705
Materials	4,285	23,010	119,313
Balance carried forward	\$ 12,404,479	\$ 10,992,736	\$ 12,026,436

KWADACHA NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

31. EXPENSES BY OBJECT, continued

	2015 Budget	2015	2014
Balance brought forward	\$ 12,404,479	\$ 10,992,736	\$ 12,026,436
Management Fees	106,500	64,764	103,168
Meeting Expenses	19,000	13,221	13,708
Meeting Expenses - Gifts	1,500	386	464
Meeting Expenses - Other	10,000	9,854	880
Membership	3,950	3,950	4,323
Mortgage Payments	5,200	5,135	5,135
Office Supplies	16,200	18,126	17,164
Off Reserve Members Assistance	49,500	49,547	50,000
Office Supplies - Fort Ware	12,000	11,281	12,896
Patient Travel - Transportation	340,000	380,494	336,821
Patient Travel - Accomodations and Meals	155,000	174,519	158,875
Postage and Courier	5,610	4,681	4,330
Premises	10,000	9,641	-
Professional Fees	92,925	49,325	101,083
Property Taxes	7,520	499	6,811
Purchases - Massetoe (L)	-	35,960	22,786
Rent	92,460	92,460	81,360
Repairs and Maintenance	129,152	121,550	136,421
Replacement Reserve	129,281	129,281	203,281
Research	1,500	26	82
Restaurant Upgrades	-	-	42
Satelite Services	2,650	2,086	1,288
Security and Monitoring	2,350	1,956	987
Special Needs	19,966	15,805	14,546
Supplies	342,532	323,785	315,155
Telephone and Fax	42,850	42,749	37,122
Telephone and Fax - Fort Ware	7,500	6,766	4,464
Training and Workshops	78,500	22,752	21,176
Travel	295,060	277,814	379,737
Travel: Council	7,500	4,595	16,696
Utilities	131,500	132,425	138,276
Vehicle	-	-	5,500
Vouchers	-	-	2,500
Wages and Benefits	2,549,942	2,781,243	2,402,342
Warehousing	5,000	3,223	1,146
	<u>\$ 17,077,127</u>	<u>\$ 15,782,635</u>	<u>\$ 16,627,001</u>

KWADACHA NATION
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

32. AANDC FUNDING RECONCILIATION

Total AANDC funding per statement of financial activities and accumulated surplus	<u>\$ 6,798,068</u>
Total AANDC Funding per 2014 - 2015 PAYE report	<u>\$ 6,798,068</u>