

**Kwadacha Nation**  
**Consolidated Financial Statements**  
*March 31, 2018*

**Management's Responsibility****Independent Auditors' Report****Financial Statements**

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## **Management's Responsibility**

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To the Members of Kwadacha Nation:

The accompanying consolidated financial statements of Kwadacha Nation are the responsibility of management and have been approved by Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Chief and Council are responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Chief and Council is also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP is appointed by Chief and Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with both the Council and management to discuss their audit findings.

August 23, 2018



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Executive Director

# Independent Auditors' Report

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To the Members of Kwadacha Nation::

We have audited the accompanying consolidated financial statements of Kwadacha Nation:, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations and accumulated surplus, statement of remeasurement gains and losses, changes in net debt 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. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 audit qualified opinion.

## *Basis for Qualified Opinion*

Kwadacha Nation holds investments in several entities, including Chee Ventures Ltd., Kaska Energy Corp., Kaska Oil & Gas LP, and Kaska Drilling LP. The consolidated financial statements for the year ended April 30, 2018 were not available for these entities as of the audit report date. The Nation also holds an investment in Kwadacha Natural Resources LP, which owns investments in several subsidiaries. These subsidiaries have not been consolidated into the financial records of Kwadacha Natural Resources LP. Therefore, we are unable to determine whether adjustments are required to investment in Band business entities, earnings (loss) from investment in Band business entities, annual surplus and accumulated surplus.

## *Opinion*

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kwadacha Nation: as at March 31, 2018 and the results of its operations changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## *Other Matter*

The consolidated financial statements of Kwadacha Nation for the year ended March 31, 2017 were audited by another firm of public accountants who issued an unmodified opinion on July 28, 2017.

Prince George, British Columbia

August 23, 2018

*MNP LLP*

Chartered Professional Accountants

**Kwadacha Nation**  
**Statement of Financial Position**  
*As at March 31, 2018*

	2018	2017 <i>Restated (Note 16)</i>
<b>Financial assets</b>		
Cash and cash equivalents	1,797,573	2,195,374
Accounts receivable (Note 4)	1,894,197	1,362,675
Portfolio investments	92,482	-
Restricted cash and reserves (Note 5)	6,080,534	7,029,263
Inventories (Note 6)	268,730	285,899
Investment in Nation business entities (Note 7)	1,969,909	1,603,520
Mortgage receivable (Note 8)	116,048	87,030
Funds held in trust (Note 9)	124,708	120,725
<b>Total financial assets</b>	<b>12,344,181</b>	<b>12,684,486</b>
<b>Liabilities</b>		
Accounts payable and accruals	1,985,146	1,100,838
Deferred revenue	182,765	1,971,124
Long-term debt (Note 10)	5,175,650	5,722,487
Promissory Note Payable (Note 11)	2,027,532	2,053,000
Advances from related Nation entities (Note 12)	3,606,471	2,703,202
<b>Total financial liabilities</b>	<b>12,977,564</b>	<b>13,550,651</b>
<b>Net debt</b>	<b>(633,383)</b>	<b>(866,165)</b>
<b>Contingent liabilities (Note 13)</b>		
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	37,746,117	35,606,676
Prepaid expenses	37,878	5,501
<b>Total non-financial assets</b>	<b>37,783,995</b>	<b>35,612,177</b>
<b>Accumulated surplus (Note 14)</b>	<b>37,150,612</b>	<b>34,746,012</b>
<b>Accumulated surplus is comprised of:</b>		
Accumulated surplus	37,536,915	34,533,972
Accumulated remeasurement gains (losses)	(386,303)	212,040
	<b>37,150,612</b>	<b>34,746,012</b>

Approved on behalf of Chief and Council:

Donald A. Loney

Chief

Amelia M. Clark

Councillor

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Councillor

Bradley Seymour

Councillor

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Councillor

**Kwadacha Nation**  
**Statement of Operations**  
For the year ended March 31, 2018

	<b>Schedules</b>	<b>2018 Budget (Note 19)</b>	<b>2018</b>	<b>2017 Restated (Note 16)</b>
<b>Revenue</b>				
Indigenous Services Canada (Note 18)		8,818,440	8,891,378	7,623,636
Kwadacha Community Store		2,100,000	2,800,602	2,686,923
BC Hydro Trust Funds Contribution		1,317,749	1,808,782	3,853,329
First Nations Health Authority		1,536,263	1,587,493	1,428,763
Province of BC		1,841,306	1,012,939	2,077,999
Government of Canada		217,656	122,334	240,974
Wage subsidy		-	-	16,607
Band Member Trust		-	37,696	41,218
Other revenue		2,660,000	1,921,825	2,038,736
Interest		1,537,575	1,347,650	1,422,802
Rental		631,000	646,930	803,657
Investment income (loss)		-	67,804	(40,902)
FNESS - Fire Mitigation		-	-	75,000
Exchange gain (loss)		-	-	34,535
Gain on disposal of tangible capital assets		-	13,351	42,113
		<b>20,659,989</b>	<b>20,258,784</b>	<b>22,345,390</b>
<b>Program expenses (Schedule 2)</b>				
Administration	3	1,303,677	830,107	1,248,450
Education and Training	4	-	3,088,277	2,908,995
Income Assistance	5	591,821	609,935	508,861
Operations and Maintenance	6	1,257,750	1,265,295	1,303,416
Capital	7	6,456,033	2,847,524	2,761,942
Own Source	8	4,327,373	5,334,289	5,477,058
Health and Wellness	9	1,709,257	2,095,682	1,869,762
Settlement Negotiations	10	960,234	1,152,185	960,494
Band Member Trust	11	-	32,547	29,790
		<b>16,606,145</b>	<b>17,255,841</b>	<b>17,068,768</b>
<b>Annual surplus</b>		<b>4,053,844</b>	<b>3,002,943</b>	<b>5,276,622</b>

**Kwadacha Nation**  
**Statement of Accumulated Surplus**  
*For the year ended March 31, 2018*

	<b>2018</b>	<i>2017 Restated (Note 16)</i>
<b>Accumulated surplus, beginning of year, as previously stated</b>	<b>45,402,677</b>	41,897,635
Correction of errors <i>(Note 16)</i>	<b>(10,868,705)</b>	(12,640,285)
<b>Accumulated surplus, beginning of year, as restated</b>	<b>34,533,972</b>	29,257,350
<b>Annual surplus</b>	<b>3,002,943</b>	5,276,622
<b>Accumulated surplus, end of year</b>	<b>37,536,915</b>	34,533,972

**Kwadacha Nation**  
**Statement of Remeasurement Gains and Losses**  
*For the year ended March 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Accumulated remeasurement gains (losses), beginning of year</b>	<b>212,040</b>	(609,995)
<b>Unrealized gains (losses) attributable to:</b>		
Fair value of financial instruments in restricted cash and reserves	<b>(598,343)</b>	822,035
<b>Accumulated remeasurement gains (losses), end of year</b>	<b>(386,303)</b>	212,040



**Kwadacha Nation**  
**Statement of Change in Net Debt**  
*For the year ended March 31, 2018*

	<b>2018 Budget (Note 19)</b>	<b>2018</b>	<b>2017 Restated (Note 16)</b>
<b>Annual surplus</b>	<b>4,053,844</b>	<b>3,002,943</b>	5,276,622
Purchases of tangible capital assets	-	<b>(3,988,579)</b>	(7,375,852)
Amortization of tangible capital assets	<b>70,000</b>	<b>1,826,640</b>	1,531,712
Disposal of tangible capital assets	-	<b>22,499</b>	343,000
	<b>70,000</b>	<b>(2,139,440)</b>	(5,501,140)
Acquisition of prepaid expenses	-	<b>(32,378)</b>	-
Use of prepaid expenses	-	-	23,152
Change in remeasurement gains (losses) for the year	-	<b>(598,343)</b>	822,035
<b>Decrease in net debt</b>	<b>4,123,844</b>	<b>232,782</b>	620,669
<b>Net debt, beginning of year</b>	<b>(866,165)</b>	<b>(866,165)</b>	(1,486,834)
<b>Net debt, end of year</b>	<b>3,257,679</b>	<b>(633,383)</b>	(866,165)

**Kwadacha Nation**  
**Statement of Cash Flows**  
*For the year ended March 31, 2018*

	2018	2017 <i>Restated (Note 16)</i>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Annual surplus	3,002,943	5,276,622
Non-cash items		
Amortization	1,826,640	1,531,712
Earnings from Nation business entities	-	40,902
Change in remeasurement gains (losses) for the year	(598,343)	822,035
	4,231,240	7,671,271
Changes in working capital accounts		
Accounts receivable	(531,522)	(193,439)
Inventory	17,169	30,374
Prepaid expenses	(32,378)	23,152
Ottawa Trust Assets	(3,983)	-
Mortgage Receivable	(29,018)	4,250
Accounts payable and accruals	884,308	315,923
Deferred revenue	(1,788,359)	(332,594)
	2,747,457	7,518,937
<b>Financing activities</b>		
Advances of long-term debt	-	2,605,476
Repayment of long-term debt	(546,837)	(516,190)
Advances from related Nation entities and departments	1,047,362	-
Repayment of advances from related Nation entities and departments	-	(454,131)
Repayment of promissory note	(25,468)	-
	475,057	1,635,155
<b>Capital activities</b>		
Purchases of tangible capital assets	(3,988,579)	(7,375,852)
Disposal of tangible capital assets	22,499	343,000
	(3,966,080)	(7,032,852)
<b>Investing activities</b>		
Increase in portfolio investments	(92,482)	-
Investment in Nation business entities	(510,482)	57,362
Investment in trust funds	-	(3,547)
Reserves	-	(1,927)
Restricted cash	948,729	(7,029,263)
	345,765	(6,977,375)
<b>Decrease in cash and cash equivalents</b>	(397,801)	(4,856,135)
<b>Cash and cash equivalents, beginning of year</b>	2,195,374	7,051,509
<b>Cash and cash equivalents, end of year</b>	1,797,573	2,195,374

The accompanying notes are an integral part of these financial statements

**1. Operations**

The Kwadacha Nation (the "Nation") is located in the province of British Columbia, and provides various services to its members. Kwadacha Nation includes the Nation's members, government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

**2. Significant accounting policies**

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

***Reporting entity***

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities. Trusts administered on behalf of third parties by Kwadacha Nation are excluded from the First Nation reporting entity.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- 0936269 B.C. Ltd.
- Kwadacha Settlement Negotiations Agreement
- CMHC program
- Kwadacha Community Store
- Kwadacha Land Corp.
- Kwadacha Community Restaurant

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

**2. Significant accounting policies** *(Continued from previous page)*

Kwadacha Nation business entities, owned or controlled by the Nation's Chief and Council but not dependent on the Band for their continuing operations, are included in the consolidated financial statements using the modified equity method. Nation business partnerships, jointly owned and controlled by the Nation's Chief and Council that are not dependent on the Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method.

Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received.

Government business entities accounted for by the modified equity basis include:

- Kwadacha Natural Resources GP Ltd. (100%)
- Obo Forest Management GP Ltd. (100%)

Government business partnerships accounted for by the modified equity basis include:

- Kwadacha Natural Resources LP (99.99%)
- Tse Keh Nay LLP (33.33%)
- Claw Mountain Outfitters LLP (50%)
- Three Feathers LP (33.33%)
- KNGV Freight Services JV (50%)

Entities which are not controlled or jointly controlled are accounted for at cost. These include:

- Chee Ventures Ltd. (30.76%)
- Kaska ITA Land Corporation (33.33%)
- Kaska Oil & Gas Services LP (20%)
- Kaska Energy Corp. (20%)
- Kaska Drilling LP (20%)
- Three Feathers GP Ltd. (33.33%)

***Basis of presentation***

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

***Funds held in Ottawa Trust Fund***

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

**2. Significant accounting policies** *(Continued from previous page)*

***Net debt***

The First Nation's consolidated financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its financial assets less its liabilities. Net debt combined with non-financial assets comprise a second indicator of financial position, accumulated annual surplus.

***Asset classification***

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

***Cash and cash equivalents***

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

***Inventory***

Inventory is recorded at the lower of cost or net realizable value. Cost for retail inventory is valued using the FIFO method; cost for gravel is valued using the weighted average cost method.

***Tangible capital assets***

Capital expenditures are any significant expenditure incurred to acquire or improve land, buildings, engineering structures, machinery or equipment. The benefits last beyond one year and result in the acquisition of an asset or are an extension of the life of an asset. Tangible capital assets are initially recorded at cost less accumulated amortization. Contributed tangible assets are recorded at their fair value at the date of contribution.

Assets under construction are not amortized until the asset is available for productive use.

All intangible assets and items inherited by the right of the Nation, such as reserve lands, forests, water resources and mineral resources, are not recognized in the Nation's consolidated financial statements.

***Amortization***

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	<b><i>Method</i></b>	<b><i>Rate</i></b>
Buildings	declining balance	4 %
Computers	declining balance	30 %
Automotive	declining balance	30 %
Housing	declining balance	4 %
Equipment	declining balance	20 %
Infrastructure	declining balance	4 %
Renovations	straight-line	10 years

**2. Significant accounting policies** *(Continued from previous page)*

**Revenue recognition**

*i) Government Transfers*

The Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

*ii) Nation Capital and Revenue Trust Funds*

The Nation recognizes revenue of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

*iii) Investment Income*

Investment income is recognized by the Nation when the investment income is earned.

*iv) Other Revenue*

Revenue earned from the sale of fuel, tobacco and confectionary items is recognized when the goods are delivered to the customer, persuasive evidence of an arrangement exists, and collection is reasonably assured.

Interest income, rental income, and other revenue are recognized when earned and/or when the service is provided and collection is reasonably assured.

**Measurement uncertainty**

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are based on the best information available regarding potentially contaminated sites that the Nation is responsible for.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations in the periods in which they become known.

**Segments**

The Nation conducts its business through a number of reportable segments as described in Note 20. These operating segments are established by senior management to facilitate the achievement of the Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

**2. Significant accounting policies** *(Continued from previous page)*

***Liability for contaminated site***

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2018.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at March 31, 2018, no liability for contaminated sites exists.

***Financial instruments***

The First Nation recognizes its financial instruments when the First Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

The First Nation has designated endowment and trustee funds to be subsequently measured at their fair value. Fair value is determined by quoted prices in active markets.

The First Nation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating annual surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

**3. Change in accounting policies**

**PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions**

Effective April 1, 2017, the Band adopted the recommendations relating to PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

These new Sections define a related party and establish disclosures required for related party transactions. Disclosure is required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, a material financial effect on the financial statements. They also establish standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity policy from both a provider and recipient perspective.

There was no material impact on the consolidated financial statements of adopting the new Sections.

**PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights**

Effective April 1, 2017, the Band adopted the recommendations relating to PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

PS 3210 Assets provides additional guidance to clarify the definition of assets set out in PS 1000 Financial Statement Concepts.

PS 3320 Contingent Assets establishes disclosure standards on contingent assets.

PS 3380 Contractual Rights establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Section are as follows:

- Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.
- Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.
- Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

There was no material impact on the consolidated financial statements of adopting the new Sections.



**Kwadacha Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**4. Accounts receivable**

	<b>2018</b>	<b>2017</b>
Accounts receivable	<b>449,963</b>	631,806
Other receivables	<b>1,351,215</b>	455,020
Members	<b>58,962</b>	40,813
Indigenous Services Canada	<b>25,121</b>	212,535
GST Receivable	<b>6,350</b>	19,915
CMHC	<b>2,586</b>	2,586
	<b>1,894,197</b>	1,362,675

**5. Restricted cash and reserves**

	<b>2018</b>	<b>2017</b> <i>Restated (Note 16)</i>
<b>Reserves</b>		
Replacement Reserve	<b>245,922</b>	220,788
Capital Reserve	<b>633,960</b>	638,927
Debt Reserve	<b>104,474</b>	103,285
Secured Revenues Trust Account	<b>229,763</b>	313,330
Minister of Finance Security Deposit	<b>2,500</b>	2,500
	<b>1,216,619</b>	1,278,830
<b>Victoria Foundation</b>		
Endowment Fund	<b>3,971,978</b>	3,812,244
Trustee Payments	<b>891,937</b>	1,938,189
	<b>4,863,915</b>	5,750,433
	<b>6,080,534</b>	7,029,263

**Kwadacha Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

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Replacement Reserve

Under the terms of agreement #17-496-969 with Canada Mortgage and Housing Corporation, the Nation must set aside funds in the amount of \$23,281 (2017 - \$21,481) annually. 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 as may otherwise be approved by CMHC from time to time. At year end the replacement reserve is fully funded and is in compliance with the agreement with CMHC.

Capital Asset Reserve

The Capital Asset Reserve consists of internally restricted funds designated for the future acquisition of tangible capital assets in accordance with the Nation's capital plan.

Debt Reserve

Under the terms of a Borrowing Agreement with First Nation Finance Authority, five percent of the loan amount is withheld in the event that FNFA lacks sufficient funds to meet its obligations due to default in payment by the Nation. Upon extinguishment of the loan, the Debt Reserve, \$102,650 plus daily interest at 0.85%, will be repaid to the Nation.

Secured Revenues Trust Account

Under the terms of a Secured Revenues Trust Account Management Agreement with First Nations Finance Authority, a minimum debt service coverage ratio must be maintained with interest calculated monthly at 0.7%. Scheduled principal and interest payments are withdrawn in accordance with the Borrowing Agreement.

Victoria Foundation

Trust funds held on behalf of the Nation in an Endowment Fund created under the Endowment Fund Public Deed of Trust and a Payment Trustee Agreement between Kwadacha Nation, the Victoria Foundation and British Columbia Power Authority dated November 28, 2009. The initial capital contribution is disclosed in Note 15.

**6. Inventories**

	<b>2018</b>	2017
Retail	<b>242,176</b>	259,346
Gravel	<b>8,236</b>	8,236
Jet Fuel	<b>18,318</b>	18,318
	<b>268,730</b>	285,900

**Kwadacha Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**7. Investments in First Nation partnerships and business entities**

The First Nation has investments in the following entities:

				2018
	<i>Balance, beginning of year</i>	<i>Loans / advances</i>	<i>Share of earnings (loss)</i>	<i>Change in investment classification</i>
				<i>Total investment</i>
<b>Wholly-owned Businesses:</b>				
Kwadacha Natural Resources GP Ltd.	(9,008)	-	(2,728)	-
Obo Forest Management GP Ltd.	(5,179)	-	(2,744)	-
0936269 B.C. Ltd.	114,170	-	-	(114,170)
	<b>99,983</b>	<b>-</b>	<b>(5,472)</b>	<b>(114,170)</b>
				<b>(19,659)</b>
<b>First Nation Business Partnerships – Modified Equity:</b>				
Kwadacha Natural Resources LP - 99.99%	1,043,962	2,753	455,171	-
Three Feathers LP - 33.33%	128,663	-	(34,220)	-
Three Feathers GP Ltd. - 33.33%	25	-	-	(25)
Claw Mountain LP - 50%	352,122	(7,872)	16,873	-
Tse Keh Nay LLP	-	46,425	(14,309)	-
Chee Ventures Ltd. - 30.76%	67,456	-	-	(67,456)
Kaska Energy Corp. - 20%	25,000	-	-	(25,000)
Kaska Oil & Gas LP - 20%	(66,707)	-	-	66,707
Kaska Drilling LP - 20%	(46,984)	-	-	46,984
	<b>1,503,537</b>	<b>41,306</b>	<b>423,515</b>	<b>21,210</b>
	<b>1,603,520</b>	<b>41,306</b>	<b>418,043</b>	<b>(92,960)</b>
				<b>1,969,909</b>
				2017
	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Share of earnings (loss)</i>	<i>Change in investment classification</i>
				<i>Total investment</i>
<b>Wholly-owned Businesses:</b>				
Kwadacha Natural Resources GP Ltd.		(5,090)	-	(3,918)
Obo Forest Management GP Ltd.		(1,357)	(3,822)	-
0936269 B.C. Ltd.		125,516	(8,023)	(3,323)
<b>First Nation Business Partnerships – Modified Equity:</b>				
Kwadacha Natural Resources LP - 99.99%		962,262	200,230	(118,530)
Three Feathers GP Ltd. - 33.33%		17	8	-
Three Feathers LP - 33.33%		110,612	-	18,051
Chee Ventures Ltd. - 30.76%		49,531	17,294	631
Kaska Energy Corp. - 20%		25,000	-	-
Kaska Oil & Gas LP - 20%		(66,707)	-	-
Kaska Drilling LP - 20%		(46,984)	-	-
Claw Mountain LP - 50%		352,122	-	-
		<b>1,385,853</b>	<b>217,532</b>	<b>(99,848)</b>
		<b>1,504,922</b>	<b>205,687</b>	<b>(107,089)</b>
				<b>1,603,520</b>

**Kwadacha Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**7. Investments in First Nation partnerships and business entities** *(Continued from previous page)*

Summary financial information for each Nation business entity, accounted for using the modified equity method, for their respective year-ends is provided below.

The Nation's investees have a different year-end than March 31, 2018, as described below. The Nation uses the investees' year-end financial statements to account for its investment in these investees. There have been no significant events or transaction in the interim period.

All entities listed are unaudited.

As at the audit report date, financial statements were unavailable for Chee Ventures Ltd., Kaska Energy Corp., Kaska Oil & Gas Services LP, KNGV Freight Services JV, and Kaska Drilling LP, and as such financial information for these entities has not been included in the summary below.

	<i>Three Feathers LP As at April 30, 2018</i>	<i>Tse Keh Nay LLP As at March 31, 2018</i>	<i>Claw Mountain Outfitters LLP As at December 31, 2017</i>	<i>Kwadacha Natural Resources GP Ltd. As at April 30, 2017</i>
<b>Assets</b>				
Cash	417,329	138,350	95,615	-
Accounts receivable	17,479	-	10,670	-
Prepaid expenses	32,193	-	14,800	-
Due from related party	-	-	-	100
Investments	-	-	-	-
Property, plant, equipment	-	-	78,971	-
Intangibles	-	-	547,660	-
<b>Total assets</b>	<b>467,001</b>	<b>138,350</b>	<b>747,716</b>	<b>100</b>
<b>Liabilities</b>				
Accounts payable and accruals	183,531	42,002	13,903	2,200
Bank indebtedness	-	-	-	-
Current portion long term debt	-	-	-	-
Deferred revenue	-	-	11,568	-
Deficiency in investment	-	-	-	419
Due to related party	-	-	-	9,117
Long term debt	-	-	-	-
<b>Total liabilities</b>	<b>183,531</b>	<b>42,002</b>	<b>25,471</b>	<b>11,736</b>
<b>Shareholders' Equity/Partners' Capital</b>	<b>283,470</b>	<b>96,348</b>	<b>722,245</b>	<b>(11,636)</b>
<b>Total revenue</b>	<b>330,904</b>	<b>2,583</b>	<b>290,687</b>	<b>42</b>
<b>Total expenses (recovery)</b>	<b>256,473</b>	<b>45,514</b>	<b>256,941</b>	<b>2,770</b>
<b>Net income (loss)</b>	<b>74,431</b>	<b>(42,931)</b>	<b>33,746</b>	<b>(2,728)</b>

**Kwadacha Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**7. Investments in First Nation partnerships and business entities** *(Continued from previous page)*

	<i>Kwadacha Natural Resources LP As at April 30, 2017</i>	<i>Obo Forest Management GP Ltd. As at April 30, 2017</i>
<b>Assets</b>		
Cash	59,020	-
Accounts receivable	266,240	-
Prepaid expenses	6,498	-
Due from related party	12,375	100
Investments	1,597,842	5,128
Property, plant, equipment	868,575	-
Intangibles	-	-
<b>Total assets</b>	<b>2,810,550</b>	<b>5,228</b>
<b>Liabilities</b>		
Accounts payable and accruals	50,000	2,200
Bank indebtedness	105,525	-
Current portion long term debt	60,183	-
Deferred revenue	-	-
Deficiency in investment	-	-
Due to related party	2,303,015	10,851
Long term debt	96,272	-
<b>Total liabilities</b>	<b>2,614,995</b>	<b>13,051</b>
<b>Shareholders' Equity/Partners' Capital</b>	<b>195,555</b>	<b>(7,823)</b>
<b>Total revenue</b>	<b>2,628,999</b>	<b>97</b>
<b>Total expenses (recovery)</b>	<b>2,173,684</b>	<b>2,841</b>
<b>Net income (loss)</b>	<b>455,315</b>	<b>(2,744)</b>

**8. Mortgage receivable**

Mortgage receivable from a band member on property located in Prince George, BC is non-interest bearing, unsecured, with no set repayment terms.

**Kwadacha Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**9. Funds held in trust**

Capital and revenue trust monies are transferred to the Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the Nation's Council.

	<b>2018</b>	<b>2017</b>
<b>Capital Trust</b>		
Balance, beginning and end of year	<b>1</b>	<b>1</b>
<b>Revenue Trust</b>		
Balance, beginning of year	<b>120,724</b>	117,177
BC Special	<b>1,281</b>	1,288
Interest	<b>2,702</b>	2,259
Balance, end of year	<b>124,707</b>	120,724
	<b>124,708</b>	120,725

**Ottawa Trust Funds**

The Ottawa Trust accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

**Kwadacha Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**10. Long-term debt**

	<b>2018</b>	<b>2017</b>
Royal Bank of Canada term loan, repayable in monthly instalments of \$10,100 including interest at RBC prime plus 1.75%, secured by a Government of Canada ministerial guarantee matures, July 2018	<b>973,922</b>	1,046,374
Royal Bank of Canada demand loan, repayable in monthly instalments of \$4,900 including interest at 2.99% per annum, secured by a Government of Canada ministerial guarantee, matures November 2019	<b>936,809</b>	967,100
Royal Bank of Canada demand loan, repayable in monthly instalments of \$5,119 including interest at 3.44% per annum, secured by a Government of Canada ministerial guarantee, matures August 2018	<b>900,172</b>	930,062
Royal Bank of Canada demand loan, repayable in monthly instalments of \$2,917 including interest at 2.24% per annum, secured by a Government of Canada ministerial guarantee, matures April 2020	<b>495,436</b>	519,050
Royal Bank of Canada demand loan, repayable in monthly instalments of \$5,518 including interest at 2.56% per annum, secured by a Government of Canada ministerial guarantee, matures January 2021	<b>468,975</b>	522,439
Royal Bank of Canada demand loan, repayable in monthly instalments of \$2,321 including interest at 3.36% per annum, secured by a Government of Canada ministerial guarantee, matures December 2018	<b>338,850</b>	355,015
Conditional Sales Contract repayable in monthly instalments of \$7,918 including interest at 3.03% per annum, secured by equipment with a net book value \$372,082 (2017 - \$531,546), matures September 2021	<b>315,057</b>	399,211
Conditional Sales Contract repayable in monthly instalments of \$4,375 including interest at 3.24% per annum, secure by equipment with a net book value \$151,543 (2017 - \$216,490), matures March 2022	<b>196,625</b>	242,000
Royal Bank of Canada demand loan repayable in monthly instalments of \$1,783 including interest at 2.81% per annum, secured by a Government of Canada ministerial guarantee, matures July 2022	<b>175,420</b>	191,698
Royal Bank of Canada demand loan, repayable in monthly instalments of \$1,163 including interest at 2.59% per annum, secured by a Government of Canada ministerial guarantee, matures February 2021	<b>152,763</b>	162,617
Royal Bank of Canada demand loan, repayable in monthly instalments of \$765 including interest at 2.98% per annum, secured by a Government of Canada ministerial guarantee, matures April 2019	<b>75,295</b>	82,118
CMHC mortgage, repayable in monthly instalments of \$3,047 including interest at 1.98% per annum, secured by a Government of Canada ministerial guarantee, matures April 2019	<b>39,166</b>	74,575
All Nations Trust demand loan, repayable in monthly instalments of \$1,050 including interest at 8.25% per annum, unsecured, matures August 2021	<b>34,571</b>	45,913
All Nations Trust demand loan, repayable in monthly instalments of \$500 including interest at 7% per annum, unsecured, matures August 2021	<b>17,825</b>	22,551

**Kwadacha Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**11. Long-term debt** *(Continued from previous page)*

Conditional Sales Contract repayable in monthly instalments of \$881 including interest at 6.25% per annum, secured by equipment with a net book value \$11,543 (2017 - \$16,490), matures December 2019	<b>17,498</b>	26,681
Conditional Sales Contract repayable in monthly instalments of \$1,245 including interest at 6.29% per annum, secured by equipment with a net book value \$16,150 (2017 - \$18,649), matures February 2019	<b>13,122</b>	26,786
CMHC mortgage, repayable in monthly instalments of \$3,434 including interest at 2.11% per annum, secured by a Government of Canada ministerial guarantee, matures September 2018	<b>20,476</b>	60,792
CMHC mortgage, repayable in monthly instalments of \$3,787 including interest at 0.79% per annum, secured by a Government of Canada ministerial guarantee, matures April 2018	<b>3,670</b>	47,505
	<b>5,175,652</b>	5,722,487

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

2019	563,500
2020	503,481
2021	453,528
2022	405,319
2023	3,249,824
	<b>5,175,652</b>

**11. Promissory Note**

	<b>2018</b>	2017
<b>First Nation Finance Authority</b>		
Note payable for interim financing obtained for the construction of a biomass plant, due the earlier of (a) five years from the first principal amount drawdown (May 11, 2021), (b) the date of completion of the plant (April 21, 2017), or (c) the date upon which the Authority issues debt securities to replace the interim financing, secured by reserves established in accordance with an agreement with First Nation Finance Authority	<b>2,027,532</b>	2,053,000



**Kwadacha Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**12. Advances from related Nation entities**

Amounts due to Nation entities are unsecured, non-interest bearing with no specific terms of repayment.

	<b>2018</b>	<b>2017</b>
Due to Kwadacha Education Society	<b>2,812,636</b>	2,153,202
Due to Obo Forest Management LP	<b>828,200</b>	550,000
Due from others	<b>(148,056)</b>	-
Due to Kaska Oil & Gas LP	<b>66,707</b>	-
Due to Kaska Drilling LP	<b>46,984</b>	-
	<b>3,606,471</b>	2,703,202

**13. Contingent liabilities**

Kwadacha Nation has entered into contribution agreements with various government agencies. Funding received under these contribution agreements is subject to repayment if the Nation fails to comply with the terms and conditions of the agreements. The amount of the liability related to current year funding, if any, of the Nation is not determinable at this time.

The Nation may have future silviculture commitments for government business enterprise owned forest licenses if future costs exceed current estimates. The amount of the liability, if any, is not determinable at this time.

**14. Accumulated surplus**

Accumulated surplus consists of the following:

	<b>2018</b>	<b>2017</b> <i>Restated (Note 16)</i>
Operations Fund	<b>(3,708,540)</b>	(2,978,013)
CMHC Housing Fund	<b>247,722</b>	220,788
Capital Fund	<b>30,542,935</b>	27,831,190
Capital Asset Fund	<b>633,960</b>	638,927
Investment Fund	<b>1,969,909</b>	1,603,519
Ottawa Trust Fund	<b>124,708</b>	120,725
Settlement Negotiations Fund	<b>7,726,219</b>	7,096,836
Remeasurement Gains and Losses	<b>(386,303)</b>	212,040
	<b>37,150,610</b>	34,746,012

**15. Endowment Fund**

Trust funds are held on behalf of the Nation in an Endowment Fund with the Victoria Foundation, created under the Endowment Fund Public Deed of Trust and a Payment Trustee Agreement between Kwadacha Nation, the Victoria Foundation and British Columbia Power Authority dated November 28, 2009. The initial capital contribution earning interest in this fund is \$13,500,000. As the amount is an endowment held in perpetuity, it has not been recorded in these consolidated financial statements.

**Kwadacha Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2018*

**16. Correction of errors**

During the year, the First Nation determined that the capital asset reserve and the CMHC reserve equity accounts were presented as a liability in the consolidated financial statements in the prior year. As these reserve accounts are a restricted allocation of the accumulated surplus they are required to be presented as part of accumulated surplus. The impact of this correction has resulted in the following impact as at March 31, 2017:

- Reserve liabilities decreased by \$859,715
- Accumulated surplus increased by \$859,715

The Nation also determined that the initial capital portion of the endowment fund that was recorded on the consolidated statement of financial position does not meet the criteria of an asset under Public Sector Accounting Standards and should not be included as part of the reporting entity. The impact of this correction has resulted in the following impact as at March 31, 2017:

- Endowment fund decreased by \$13,500,000
- Accumulated surplus decreased by \$13,500,000

Additionally, the Nation determined that disbursements received from the endowment fund were recorded as deferred revenue, however as there is no external restriction on these funds they should be recognized as revenue in the period in which they are received/receivable. The impact of this correction has resulted in the following impact as at March 31, 2017:

- Deferred revenue decreased by \$1,771,580
- Revenue increased by \$1,771,580
- Annual surplus increased by \$1,771,580
- Accumulated surplus increased by \$1,771,580

**17. Economic dependence**

Kwadacha Nation receives substantially all of its revenue from Indigenous Services Canada (ISC) as a result of Treaties entered into with the Government of Canada. These treaties are administered by ISC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

**18. Indigenous Services Canada reconciliation**

	<b>2018</b>	<b>2017</b>
<b>Direct Nation Funding</b>		
ISC revenue per confirmation	<b>7,306,581</b>	9,594,760
ISC overpayment	<b>(103,562)</b>	-
Deferred for future capital projects	<b>(182,765)</b>	(1,971,124)
ISC funding for capital projects, not received or spent by March 31, 2018	<b>(100,000)</b>	-
Deferred revenue recognized during the year	<b>1,971,124</b>	-
Recipient total per financial statements	<b>8,891,378</b>	7,623,636

**19. Budget information**

Budgets were not prepared for all segments and all departments in 2018. As such, the budget figures in the Consolidated Statement of Operations are not presented for the same scope of activities as the actual results.

The disclosed budget information has been approved by the Chief and Council on the Kwadacha Nation. The original budget was approved at the Chief and Council meeting held on February 15, 2017.

**20. Segments**

During the year, the Nation had 9 reportable segments. These segments are differentiated by factors such as major activities, services lines, accountability, and control relationships. For management and reporting purposes, the revenues, expenses, surpluses or deficits are organized by the following segments:

**Administration:**

This segment provides governance initiatives and training through the activities of Chief and Council and administration of other activities relating to program delivery, membership and finance.

**Education and Training:**

This segment provides elementary and secondary education instructional services and provides financial support to Post Secondary students.

**Income Assistance:**

This segment provides programs and services for the social benefit and welfare of Nation members.

**Operations and Maintenance:**

The segment manages community and facilities operations and maintenance including capital projects, municipal services, water and waste water operations, roads, fire protection, and maintenance of community buildings.

**Capital:**

This segment provides for capital infrastructure development.

**Own Source:**

This segment provides for a variety of non-funded local services.

**Health and Wellness:**

This segment provides a variety of health care programs, services and support to Nation members. .

**Settlement Negotiations:**

This segment provides programs and services not otherwise funded for the social, economic and capital needs of Nation members.

**Band Member Trust:**

This segments provides administration services for funds held in trust for band members.

**21. Comparative figures**

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