

NADLEH WHUT'EN INDIAN BAND

FINANCIAL STATEMENTS

MARCH 31, 2016

NADLEH WHUT'EN INDIAN BAND

FINANCIAL STATEMENTS

MARCH 31, 2016

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NADLEH WHUT'EN INDIAN BAND

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2016

The accompanying financial statements of Nadleh Whut'en Indian Band 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 prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

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

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


The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the financial statements and the external auditor's report.

The external auditors, DMC Chartered Professional Accountants Inc., conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Nadleh Whut'en Indian Band and meet when required.

On behalf of Nadleh Whut'en Indian Band:



Chief



Date



Councillor



Date



Chartered
Professional
Accountants Inc.



Independent Auditor's Report

To the Members of
Nadleh Whut'en Indian Band

We have audited the accompanying financial statements of Nadleh Whut'en Indian Band, which comprise the statement of financial position as at March 31, 2016, and the statements of revenue, expenditures and accumulated surplus, change 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 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 First Nation'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 First Nation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2016, and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Prince George, British Columbia
July 29, 2016**

DMC Chartered Professional
Accountants Inc.

NADLEH WHUT'EN INDIAN BAND

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash (Note 2)	\$ 1,110,753	\$ 1,023,933
Restricted cash (Note 2)	122,802	107,550
Accounts receivable (Note 3)	288,242	502,120
Member loans receivable (Note 4)	3,113	4,921
Due from government (Note 5)	100,718	15,427
Inventory held for sale (Note 6)	36,936	35,350
Portfolio investments (Note 7)	108,378	102,360
Investment and advances in band owned entities (Note 8)	11,244	3,679
Trust funds (Note 10)	775,490	783,174
	2,557,676	2,578,514
LIABILITIES		
Bank indebtedness (Note 11)	658,691	756,074
Accounts payable (Note 12)	1,119,024	1,183,970
Due to government (Note 13)	7,621	68,231
Long-term debt (Note 14)	12,673,153	4,672,637
Replacement reserves (Note 15)	66,171	122,802
	14,524,660	6,803,714
NET DEBT	(11,966,984)	(4,225,200)
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 16)	20,970,910	13,212,191
Prepaid expenses	49,423	51,868
	21,020,333	13,264,059
ACCUMULATED SURPLUS	\$ 9,053,349	\$ 9,038,859
Contingent Liabilities (Note 17)		
Economic Dependence (Note 18)		
Subsequent Events (Note 26)		

Approved on behalf of the Nadleh Whut'en Indian Band

 Chief

 Councillor

See accompanying notes to these financial statements.

NADLEH WHUT'EN INDIAN BAND

STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED MARCH 31, 2016

	2016 Budget	2016 Actual	2015 Actual
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 260,435	\$ 14,490	\$ (324,035)
Acquisition of tangible capital assets	-	(8,325,977)	(5,124,506)
Amortization of tangible capital assets	-	488,490	500,558
Proceeds on disposal	-	52,293	1,500
Gain (loss) on disposal of assets	-	26,475	(1,265)
	-	(7,758,719)	(4,623,713)
Acquisition of prepaid asset	2,445	(49,418)	(51,868)
Use of prepaid asset	-	51,863	53,691
	2,445	2,445	1,823
Decrease in net financial assets	262,880	(7,741,784)	(4,945,925)
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	-	(4,225,200)	720,725
NET DEBT AT END OF YEAR	\$ -	\$ (11,966,984)	\$ (4,225,200)

See accompanying notes to these financial statements.

NADLEH WHUT'EN INDIAN BAND

STATEMENT OF REVENUE, EXPENDITURES AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2016

	2016 Budget	2016 Actual	2015 Actual Restated
REVENUE			
Federal government transfers for operating (Note 19)	\$ 1,769,953	\$ 2,188,975	\$ 2,186,216
Federal government transfers for capital (Note 19)	-	-	241,700
Provincial government transfers for operating (Note 19)	2,100	11,789	7,115
Income from portfolio investments	-	18,056	17,015
Trust Funds amounts	-	56,319	70,941
Other Aboriginal Groups	182,710	741,157	374,783
Band Generated	91,225	2,838,517	3,122,396
Administration fees and overhead	225,000	3,926	-
Other revenue	51,007	513,244	468,619
Income from investment in govt business enterprise	-	(4,167)	(511,195)
	2,321,995	6,367,816	5,977,590
EXPENDITURES			
Administration	570,260	1,227,441	893,451
Social Services	310,707	343,277	324,317
Education	942,781	893,547	906,800
Housing	-	336,003	300,921
Capital	-	813,694	637,627
Economic Development	147,079	2,405,762	3,059,297
Community Services	90,735	192,869	157,622
	2,061,562	6,212,593	6,280,035
RECOVERY	-	(30,980)	(6,556)
REPLACEMENT RESERVE	-	(15,036)	(15,036)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE OTHER ITEMS	260,435	109,206	(324,035)
OTHER ITEMS			
Endako	-	(94,716)	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	260,435	14,490	(324,035)
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	-	9,038,859	9,362,894
TRANSFERS	77,898	-	-
ACCUMULATED SURPLUS AT END OF YEAR	\$ 338,333	\$ 9,053,349	\$ 9,038,859

See accompanying notes to these financial statements.

NADLEH WHUT'EN INDIAN BAND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015
Cash flows from		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	\$ 14,490	\$ (324,035)
Items not affecting cash		
Amortization	488,490	500,558
Replacement reserve	(56,631)	(8,822)
Gain (loss) on disposal of tangible capital assets	26,475	(1,265)
	472,824	166,436
Change in non-cash operating working capital		
Accounts receivable	213,878	(248,423)
Due from government	(85,291)	126,980
Prepaid expenses	2,440	1,828
Inventory held for sale	(1,586)	2,659
Accounts payable	(64,943)	904,266
Due to government	(60,610)	(17,015)
Member loans receivable	1,808	(1,820)
	478,520	934,911
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(8,325,976)	(5,124,510)
Proceeds on disposal of tangible capital assets	52,293	1,500
	(8,273,683)	(5,123,010)
FINANCING ACTIVITIES		
Advances from long-term debt	8,103,582	2,870,570
Repayment of long-term debt	(103,066)	(96,318)
Advances from short-term financing	(97,382)	756,074
	7,903,134	3,530,326
INVESTING ACTIVITIES		
Investment in Vanderhoof Co-op	(6,018)	(5,673)
Decrease/increase in Ottawa Trust Revenue	7,684	(70,940)
Investment in band owned entities (net)	(7,565)	185
	(5,899)	(76,428)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	102,072	(734,201)
CASH, BEGINNING OF YEAR	1,131,483	1,865,684
CASH, END OF YEAR	\$ 1,233,555	\$ 1,131,483
REPRESENTED BY		
Cash	\$ 1,110,753	\$ 1,023,933
Restricted cash	122,802	107,550
	\$ 1,233,555	\$ 1,131,483

See accompanying notes to these financial statements.

NADLEH WHUT'EN INDIAN BAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

DESCRIPTION OF OPERATIONS

Nadleh Whut'en Indian Band is a self-governed First Nations Band and operates on Nadleh Whut'en First Nation traditional territory, located in Fort Fraser, BC. Off-reserve aboriginal communities are also located throughout Northern BC with its head office located in Fort Fraser, BC.

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(a) Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(b) Reporting entity principles of financial reporting

These financial statements report only on the activities of the Nadleh Whut'en Indian Band.

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

Incorporated business entities, which are owned by the First Nation, or are controlled by the First Nation Council, and which are not dependent on the First Nation for their continuing operations are included in the financial statement using the modified equity method, whereby the investment was initially recorded at cost and adjusted to recognize the Nation's share of earning or losses and reduced by distributions received. The business entity's accounting principles are not adjusted to conform to those of the Nation.

1. Chundo Yus Forestry General Partner Ltd.
2. Chundo Yus Mining General Partner Ltd.
3. Chundo Yus Real Estate General Partner Ltd.
4. Chundo Yus Forestry Limited Partnership
5. Chundo Yus Mining Limited Partnership
6. Nadleh Limited Partner Ltd.

Investments in and advances to these companies are recorded on a modified equity basis less adjustments for any impairments in value which are considered to be permanent, are reported in the statement of financial position.

NADLEH WHUT'EN INDIAN BAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

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

(c) Financial instruments

The entity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The entity subsequently measures all of its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash (restricted and unrestricted), accounts receivable, advances from related parties, portfolio investments and trust funds.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, reserves, advances to related parties and long-term debt.

Fair value is determined by the price that is quoted in an active market. The most recent quote price becomes its new carrying value. When a quoted price in an active market is not available for an equity instrument that is a portfolio investment, it is measured at cost.

(d) Cash and cash equivalents

Cash includes cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

(e) Inventory for resale

Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value based on first in first out basis.

(f) Investments

Portfolio investments are recorded at amortized cost. The investment is increased by the Nation's contributions and/or the Nation's share of partnership income. The investment is reduced by any draws by the Nation.

(g) Trust funds

Trust funds are included as revenue in these statements only to the extent they have been received from the First Nation's trust funds. The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada 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.

NADLEH WHUT'EN INDIAN BAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

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

(h) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Nadleh Whut'en Indian Band's incremental cost of borrowing.

Amortization is provided for on a straight-line basis over their estimated useful lives as follows:

Automotive equipment	25% Declining balance
Buildings and infrastructure	5%-10% Declining balance
Computer equipment and software	55%-100% Declining balance
Equipment	20% Declining balance

Social housing assets acquired under Canadian Mortgage and Housing Corporation ("CMHC") sponsored housing programs are amortized at a rate equivalent to the annual principal reduction in related long-term debt, as required for CMHC reporting purposes, and is recorded as a charge against social housing operations.

Tangible capital assets are written down when conditions indicate that they no longer contribute to Nadleh Whut'en Indian Band's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

(i) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as excess of the carrying value of the asset over its fair life.

(j) Surplus recoveries and deficit funding

Under the terms of funding arrangements, remaining surpluses of certain programs may be recovered by the funding agency, and remaining deficits may be funded by the funding agency.

NADLEH WHUT'EN INDIAN BAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

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

(k) Replacement reserve

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

(l) Revenue recognition

All revenue is recorded on an accrual basis whereby amounts received or recorded as a receivable but not earned by the end of the fiscal year are recorded as deferred revenue. Funding received under the terms of contribution agreements with the federal government is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted by the federal government for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

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

Investment income reported on investments is recorded in the period earned.

Government transfers are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

(m) 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 operations. Non-financial assets are acquired, constructed or developed that do not provide resources to discharge existing liabilities but are not for resale. Non-financial assets include tangible capital assets, prepaid expenses and inventories of supplies.

(n) Net Financial Debt

The Nation's financial statements are presented so as to highlight net financial debt as the measurement of financial position. The net debt of the Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

(o) Segment Disclosures

The First Nation conducts its business through reportable segments. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives, aid in resource allocation decisions, and to assess operational performance. For each reported segment, revenues and expenses represent both amounts that are directly attributed to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The First Nation has provided definitions of segments used as well as presented financial information in segment format (Note 20).

NADLEH WHUT'EN INDIAN BAND**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2016****1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)****(p) Use of estimates**

The preparation of financial statements in conformity with Public sector accounting principles 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 reporting period. Significant areas requiring the use of estimates relate to the impairment of assets, allowance for doubtful accounts and rates for amortization. Actual results could differ from those estimates.

2. CASH

Under the terms of an agreement with the Canada Mortgage and Housing Corporation, Nadleh Whut'en Indian Band must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Replacement Reserve Fund. Cash is comprised of the following:

	2016	2015
Externally restricted		
Replacement Reserve	\$ 122,802	\$ 107,550
Unrestricted		
Operating	696,308	725,484
Social Housing	24,216	3,071
Premium Account	-	47,829
Property Tax	53,809	94,504
Nadleh Store	336,420	153,045
	1,110,753	1,023,933
	\$ 1,233,555	\$ 1,131,483

3. ACCOUNTS RECEIVABLE

	2016	2015
Social Housing	\$ 353,586	\$ 305,672
Due from others:		
Services - non-members	281,178	570,334
Other	28,411	33,287
	663,175	909,293
Allowance for doubtful accounts	(374,933)	(407,173)
	\$ 288,242	\$ 502,120

NADLEH WHUT'EN INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

4. MEMBER LOANS RECEIVABLE

	2016	2015
Loans to band members	\$ 48,848	\$ 49,293
Less: Allowance for doubtful accounts	(45,735)	(44,372)
	<u>\$ 3,113</u>	<u>\$ 4,921</u>

5. DUE FROM GOVERNMENT

	2016	2015
Indigenous and Northern Affairs Canada	\$ 50,290	\$ 9,167
Provincial government	16,320	6,260
Federal government	34,108	-
	<u>\$ 100,718</u>	<u>\$ 15,427</u>

6. INVENTORY HELD FOR RESALE

Inventory held for resale is classified as follows:

	2016	2015
Fuel and oil	\$ 12,882	\$ 18,867
Cigarettes and tobacco	13,499	6,024
Groceries, confectionary	10,555	10,459
	<u>\$ 36,936</u>	<u>\$ 35,350</u>

7. PORTFOLIO INVESTMENTS

	2016	2015
Vanderhoof Co-operative Equity Investment	\$ 108,376	\$ 102,358
Pacific Trail/First Nation Group Limited Partnership (PTP - 780 Units)	1	1
FNLP GP2 Inc. (1 Common Share)	1	1
	<u>\$ 108,378</u>	<u>\$ 102,360</u>

NADLEH WHUT'EN INDIAN BAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

8. INVESTMENT IN BAND OWNED ENTITIES

Nadleh Whut'en Indian Band's investment in government business partnerships consists of the following:

- ♦ Chundo Yus Forestry General Partner Ltd. (100%)
- ♦ Chundo Yus Mining General Partner Ltd. (100%)
- ♦ Chundo Yus Real Estate General Partner Ltd. (100%)
- ♦ Chundo Yus Forestry Limited Partnership (99.99%)
- ♦ Chundo Yus Mining Limited Partnership (99.99%)
- ♦ Chundo Yus Real Estate Limited Partnership (99.99%)
- ♦ Nadleh Limited Partner Ltd. (100%)

The First Nation entered into a Bare Trust / Agency Agreement with Nadleh Limited Partner Ltd. on May 29, 2015, which states that all income received from the Trust Property will belong to and be for the sole benefit of the First Nation and will be paid to the First Nation upon the direction of the Chief & Council.

	2016		2015	
Chundo Yus Forestry General Partner Ltd. (100%)	\$	20	\$	20
Chundo Yus Mining General Partner Ltd. (100%)		20		20
Chundo Yus Real Estate General Partner Ltd. (100%)		20		20
Chundo Yus Forestry Limited Partnership (99.99%)		9,999		9,999
Chundo Yus Mining Limited Partnership (99.99%)		9,999		9,999
Chundo Yus Real Estate Limited Partnership (99.99%)		9,999		9,999
Nadleh Limited Partner Ltd. (100%)		1		-
	\$	30,058	\$	30,057

	Chundo Yus Forestry General Partner Ltd. (100%)	Chundo Yus Mining General Partner Ltd. (100%)	Chundo Yus Real Estate General Partner Ltd. (100%)	Chundo Yus Forestry Limited Partnership (99.99%)	Chundo Yus Mining Limited Partnership (99.99%)	Chundo Yus Real Estate Limited Partnership (99.99%)	Nadleh Limited Partner Ltd. (100%)
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,656	\$ -
Accounts receivable	25	25	25	10,000	10,000	-	-
Investments	1	1	1	-	-	-	-
Due from Nadleh Whut'en	-	-	-	-	-	-	1
Total assets	\$ 26	\$ 26	\$ 26	\$ 10,000	\$ 10,000	\$ 17,656	\$ 1
Accounts payable	\$ 3,303	\$ 3,291	\$ 3,287	-	-	\$ 7,775	-
Due to Nadleh Whut'en	-	-	-	-	-	508,243	-
Total liabilities	3,303	3,291	3,287	-	-	516,018	-
Equity / Surplus	(3,277)	(3,265)	(3,261)	10,000	10,000	(498,362)	1
Total liabilities and equity	\$ 26	\$ 26	\$ 26	\$ 10,000	\$ 10,000	\$ 17,656	\$ 1

NADLEH WHUT'EN INDIAN BAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

8. INVESTMENT IN BAND OWNED ENTITIES, continued

	Chundo Yus Forestry General Partner Ltd. (100%)	Chundo Yus Mining General Partner Ltd. (100%)	Chundo Yus Real Estate General Partner Ltd. (100%)	Chundo Yus Forestry Limited Partnership (99.99%)	Chundo Yus Mining Limited Partnership (99.99%)	Chundo Yus Real Estate Limited Partnership (99.99%)	Nadleh Limited Partner Ltd. (100%)
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,580	\$ -
Expenses							
Consulting fees	-	-	-	-	-	2,872	-
Professional fees	500	500	500	-	-	4,226	-
Bank charges	-	-	-	-	-	2,596	-
Travel	-	-	-	-	-	1,052	-
	500	500	500	-	-	10,746	-
	\$ (500)	\$ (500)	\$ (500)	\$ -	\$ -	\$ (4,166)	\$ -

9. ADVANCES TO/FROM BAND OWNED ENTITIES

	2016	2015
Chundo Yus Forestry General Partner Ltd. (100%)	\$ 2,777	\$ 1,277
Chundo Yus Mining General Partner Ltd. (100%)	2,765	1,265
Chundo Yus Real Estate General Partner Ltd. (100%)	2,761	1,261
Chundo Yus Forestry Limited Partnership (99.99%)	(9,999)	(9,999)
Chundo Yus Mining Limited Partnership (99.99%)	(9,999)	(9,999)
Chundo Yus Real Estate Limited Partnership (99.99%)	508,243	501,010
Total	\$ 496,548	\$ 484,815

Related party balances are non-interest bearing with no set terms of repayment.

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

During the year, the Nadleh Whut'en Indian Band paid consulting and professional fees for its related parties as follows:

Chundo Yus Forestry General Partner Ltd. - 2016 \$1,500 (2015 - nil)
Chundo Yus Mining General Partner Ltd. - 2016 \$1,500 (2015 - nil)
Chundo Yus Real Estate General Partner Ltd. - 2016 \$1,500 (2015 - nil)
Chundo Yus Real Estate Limited Partnership - 2016 \$3,640 (2015 - \$511,099)

NADLEH WHUT'EN INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

10. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

	2016	2015
Capital funds held in trust	\$ 14,423	\$ 14,423
Revenue funds held in trust	761,067	768,751
	\$ 775,490	\$ 783,174

	March 31, 2015	Additions, 2015	March 31, 2016
Revenue	\$ 768,751	\$ (7,684)	\$ 761,067
Capital	14,423	-	14,423
	\$ 783,174	\$ (7,684)	\$ 775,490

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

11. BANK INDEBTEDNESS

The First Nation has an \$800,000 revolving credit facility with the Bank of Montreal for general working capital purposes and is secured by a general security agreement providing first ranking security interest over all of the tangible and intangible assets of the borrower. The outstanding balance at the end of the year is \$658,691 (2015 - \$756,074), with interest charged at the banks prime rate plus 1% per annum.

12. ACCOUNTS PAYABLE

	2016	2015
Trade payables	\$ 1,004,310	\$ 978,172
Accrued payables	44,724	116,114
Wages payable	35,399	49,105
Vacation payable	31,457	37,905
Other payables	3,134	2,674
	\$ 1,119,024	\$ 1,183,970

Included in trade payables is the March 2016 construction invoice for the new Band Administration and Cultural building totalling \$388,249. Subsequent to year end, this amount was paid through funds advanced from the construction loan facilities from the Bank of Montreal.

NADLEH WHUT'EN INDIAN BAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

13. DUE TO GOVERNMENT

	2016	2015
Federal government	\$ 6,162	\$ 65,952
Provincial government	1,459	2,279
	\$ 7,621	\$ 68,231

14. LONG-TERM DEBT

	2016	2015
Treaty Loan, Carrier Sekani Tribal Council Treaty negotiation loan, non-interest loan, non-interest bearing, repayable at the earlier of: a) the twelfth anniversary of the date of signing of the agreement in principle by the Carrier Sekani Tribal Council; b) the date on which a treaty is signed by the Carrier Sekani Tribal Council. A five year extension agreement was signed November 3, 2011.	\$ 1,407,264	\$ 1,407,264
CIBC mortgage, repayable in monthly installments of \$1,586, secured by buildings with a value of \$118,434 and a Government of Canada ministerial guarantee including interest at 2.99% per annum, maturing on August 01, 2022.	118,434	132,103
CMHC mortgage, repayable in monthly installments of \$2,539, secured by buildings with a value of \$97,150 and a Government of Canada Ministerial Loan Guarantee including interest at 1.22% per annum, maturing on June 1, 2019.	97,150	126,361
CMHC mortgage, repayable in monthly installments of \$2,901, secured by buildings with a value of \$40,239 and a Government of Canada ministerial guarantee including interest at 1.71% per annum, maturing on May 1, 2017.	40,239	74,103
CMHC mortgage, repayable in monthly installments of \$2,272, secured by buildings with a value of \$35,914 and a Government of Canada ministerial guarantee including interest at 1.98% per annum, maturing on July 1, 2017.	35,914	62,236
Bank of Montreal Construction loan, \$14.4 million non-revolving demand loan to finance the construction of the Band Administration and Cultural Building, available in a series of draws to be paid out upon advance of the Construction Take-Out Loan, which shall occur no later than August 31, 2016. Interest only payments at prime plus 1.75% per annum paid monthly. Security covered by a general security agreement providing first ranking security interest over all of the tangible and intangible assets of the borrower, all risk insurance including course of construction and general liability insurance with the lender named as a loss payee, and a pledge of the borrower's revenue stream as required.	2,000,000	2,200,000

NADLEH WHUT'EN INDIAN BAND**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2016****14. LONG-TERM DEBT, continued**

	2016 \$	2015 \$
Bank of Montreal non-revolving demand loan to bridge receipt of funding from the First Nations Health Authority (the FHNA) for the FNHA Bridge Loan for the construction of the Band Administrative and Cultural Building. The loan is to be paid in full upon receipt of funding from FNHA for the project, which shall occur no later than August 31, 2016. Interest only payments at prime plus 1.25% per annum are paid monthly. Security covered by a general security agreement providing first ranking security interest over all of the tangible and intangible assets of the borrower, all risk insurance including course of construction and general liability insurance with the lender named as a loss payee, and a pledge of the borrower's revenue stream as required.	8,974,152	670,570
	<u>\$ 12,673,153</u>	<u>\$ 4,672,637</u>

Principle portion of long-term debt due within the next five years excluding the Bank of Montreal construction loans as principle repayments are unknown at this time:

2017	\$ 106,375	
2018	60,937	
2019	46,854	
2020	24,886	
2021 and thereafter	12,434,101	
	<u>\$ 12,673,153</u>	
	2016	2015
Interest expense for the year on long-term debt	\$ 286,555	\$ 37,235

NADLEH WHUT'EN INDIAN BAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

15. RESERVES

Under the terms of an agreement with Canada Mortgage and Housing Corporation (CMHC), the First Nation is required to make annual deposits of at least \$15,036 to a separate replacement reserve for the replacement of certain items contained in the rental housing projects financed by CMHC.

	2016	2015
Balance, beginning of year	\$ 122,802	\$ 131,625
Contributions, required during the year	15,036	15,036
Withdrawals	(71,667)	(23,859)
	\$ 66,171	\$ 122,802

As at March 31, 2016, the Replacement Reserve Fund is overfunded by \$56,631 (2015 - underfunded by \$15,252).

16. TANGIBLE CAPITAL ASSETS

	Cost	Additions	Disposals	Accumulated amortization	2016 Net book value
Automotive equipment	\$ 612,696	\$ 64,003	\$ 287,718	\$ 342,446	\$ 46,534
Buildings and infrastructure	21,947,608	8,256,923	-	9,319,574	20,884,957
Computer equipment	47,647	5,050	-	45,002	7,696
Equipment	352,516	-	7,466	313,327	31,723
	\$ 22,960,467	\$ 8,325,976	\$ 295,184	\$ 10,020,349	\$ 20,970,910

	Cost	Additions	Disposals	Accumulated amortization	2015 Net book value
Automotive equipment	\$ 618,400	\$ -	\$ 5,704	\$ -	\$ 612,696
Buildings and infrastructure	16,871,896	5,075,712	-	-	21,947,608
Computer equipment	39,326	8,321	-	38,682	8,966
Equipment	342,040	10,476	-	311,179	41,337
	\$ 17,871,662	\$ 5,094,509	\$ 5,704	\$ 349,861	\$ 22,610,607

Buildings under construction in the amount of \$13,580,526 (2015 - \$5,549,207) are included in Buildings and will not be amortized until construction is complete.

NADLEH WHUT'EN INDIAN BAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

17. CONTINGENT LIABILITIES

Recoveries of Government Funding

Under the terms of the agreement with Indigenous and Northern Affairs Canada and other government agencies, certain surplus may be recoverable and so repayable to the government by the First Nation. The amount of the liability, if any, of the First Nation is not determinable at this time.

Carrier Sekani Treaty Funding Loan Agreement

The Carrier Sekani Tribal Council has signed an agreement on behalf of its member First Nations with Canada and British Columbia. The First Nation has signed a treaty loan agreement with the Carrier Sekani Tribal Council. The loan to the First Nation shall accrue interest at a rate established pursuant to the First Nation loan agreement between the Carrier Sekani Tribal Council with Canada and British Columbia. The amount of the liability for interest, if any, of the First Nation is not determinable at this time.

Ministerial Loan Agreement

The First Nation is contingently liable for Ministerial Loan Guarantees in the amount of \$37,956 for loans to individual First Nations Members.

Credit Facility

The First Nation has a \$50,000 MasterCard facility for general working capital purposes, a \$2,000,000 on-reserve housing loan program which provides up to 80% of the mortgage value to qualified borrowers for the construction, renovation, refinance or purchase of a dwelling on reserve, a construction loan for a maximum of \$14,400,000 with \$5,425,848 remaining to be drawn on and a \$1,440,000 Treasury Risk Management Facility to facilitate hedging of interest rate risk.

18. ECONOMIC DEPENDENCE

Nadleh Whut'en Indian Band receives a significant portion of its revenue pursuant to a funding agreement with Indigenous and Northern Affairs Canada. The First Nation's ability to operate certain programs depends on the contribution of this funding.

NADLEH WHUT'EN INDIAN BAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

19. GOVERNMENT TRANSFERS

2016			
	Operating	Capital	Total
Federal government transfers			
Indigenous and Northern Affairs Canada	\$ 2,062,239	\$ -	\$ 2,062,239
Health Canada	92,078	-	92,078
Canada Mortgage and Housing Corporation	34,658	-	34,658
Total	2,188,975	-	2,188,975
Provincial government transfers	11,789	-	11,789
	\$ 2,200,764	\$ -	\$ 2,200,764
2015			
	Operating	Capital	Total
Federal government transfers			
Indigenous and Northern Affairs Canada	\$ 2,064,228	\$ 241,700	\$ 2,305,928
Health Canada	86,376	-	86,376
Canada Mortgage and Housing Corporation	35,612	-	35,612
Total	2,186,216	241,700	2,427,916
Provincial government transfers	7,115	-	7,115
	\$ 2,193,331	\$ 241,700	\$ 2,435,031

20. PRIOR PERIOD ADJUSTMENT

The comparative figures have been restated for an error in band contributed revenue and expenses. As a result, band contributed revenue and expenses have changed as follows:

	2015	Adjustment	Restated
Band contributed revenue	\$ -	\$ (105,541)	\$ (105,541)
Band contributed expenses	-	105,541	105,541
	\$ -	\$ -	\$ -

As noted above, there is no effect on accumulated surplus as the amounts net to zero.

NADLEH WHUT'EN INDIAN BAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

21. SEGMENTED INFORMATION

Nadleh Whut'en Indian Band is a First Nation organization that provides a wide range of services to its members including social, education, housing, capital, economic development and community services. For management reporting purposes, the First Nation's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives with special regulations, restrictions or limitations.

First Nation services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Administration

The Administration departments provides operational and programmatic support to the Nation. It also manages the Nation's financial records to ensure that the government's operations are fiscally responsible and accurate financial results of government programming are being reported.

Social Services

The Social Services program provides assistance to community members unable to provide for themselves and their dependents. The services include, but are not limited to, income assistance, child and family services, and assisted living.

Education

The Education program offers aboriginal employment and training programs to assist members to attain employment, provides kindergarten to grade 12 courses and provides post secondary education support.

Housing

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

Capital

The Capital program provides for the development of new capital projects and infrastructure programs on the reserve.

Economic Development

The Economic Development department is responsible for creating and sustaining businesses and partnerships that provide economic growth and stability for the Nation.

Community Services

The Community Services department supports the members in their efforts to enhance their self-awareness, health and wellness, education and employment. Various programs are being offered in this department.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

NADLEH WHUT'EN INDIAN BAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

21. SEGMENTED INFORMATION, continued

	Administration		Social Services		Education	
	2016	2015	2016	2015	2016	2015
	Budget	Actual	Budget	Actual	Budget	Actual
Revenues						
Indigenous and Northern Affairs Canada	\$ 223,380	\$ 222,463	\$ 258,063	\$ 362,842	\$ 1,059,882	\$ 1,059,882
Federal Government	-	-	-	-	74,542	70,656
Provincial Government	-	10,000	-	-	2,100	2,115
Other Aboriginal Groups	-	315,528	48,793	89,282	46,210	54,333
Band Generated	91,225	30,625	-	-	-	-
Other revenue	272,250	153,529	-	3,952	3,517	15,497
Total revenue	586,855	734,047	306,861	456,076	1,186,251	1,206,732
Expenses						
Amortization	-	3,185	-	813	-	181
Consulting fees	7,500	173,631	3,500	1,812	-	113,194
Materials and supplies	4,650	31,272	4,700	51,430	30,956	50,180
Social assistance and support	-	-	233,100	186,115	-	-
Travel	67,000	96,909	4,000	45,049	17,350	18,075
Tuitions and allowances	-	-	-	-	643,456	527,754
Wages and benefits	312,960	369,101	55,162	50,029	144,791	129,631
Other expenses	178,150	553,343	10,245	39,009	106,228	54,532
Total expenses	570,260	1,227,441	310,707	374,257	942,781	893,547
Annual surplus (deficit)	\$ 16,595	\$ (493,395)	\$ (3,845)	\$ 81,819	\$ 243,470	\$ 299,931

NADLEH WHUT'EN INDIAN BAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

21. SEGMENTED INFORMATION, continued

	2016		2015		2016		2015		2016		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenues												
Indigenous and Northern Affairs Canada	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 156,745	\$ 395,406	\$ 136,550	\$ 239,351	\$ 236,165	
Federal Government	-	34,658	-	35,612	-	-	-	-	17,536	17,536	15,720	
Other Aboriginal Groups	-	-	-	-	-	-	75,000	-	-	66,000	-	
Band Generated	-	150,165	-	167,128	-	-	200,878	23	-	2,401,282	2,756,717	
Other revenue	-	163,765	-	102,649	-	-	-	-	240	195,998	(268,035)	
Total revenue	-	348,588	-	305,389	-	-	432,623	395,429	154,326	2,920,167	2,740,567	
Expenses												
Amortization	-	109,368	-	102,682	-	-	337,372	339,663	-	36,034	45,306	
Consulting fees	-	-	-	-	-	-	46,982	98,681	10,000	283,339	684,366	
Materials and supplies	-	10,809	-	5,902	-	-	18,665	40,391	19,350	97,740	108,974	
Travel	-	3,887	-	3,446	-	-	-	445	3,650	82,747	166,010	
Wages and benefits	-	73,022	-	36,612	-	-	4,981	-	14,288	445,083	470,255	
Other expenses	-	153,953	-	167,315	-	-	405,694	158,447	99,791	1,460,819	1,590,942	
Total expenses	-	351,039	-	315,957	-	-	813,694	637,627	147,079	2,405,762	3,065,853	
Other income (expenses)	-	(2,451)	-	(10,568)	-	-	(381,071)	(242,198)	7,247	514,405	(325,286)	
Annual surplus (deficit)	\$ -	\$ (2,451)	-	(10,568)	-	-	\$ (381,071)	(242,198)	7,247	\$ 419,689	\$ (325,286)	

NADLEH WHUT'EN INDIAN BAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

21. SEGMENTED INFORMATION, continued

	Community Services			Consolidated totals		
	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual
Revenues						
Indigenous and Northern Affairs Canada	\$ -	\$ -	\$ -	\$ 1,677,875	\$ 2,062,239	\$ 2,305,928
Federal Government	-	-	-	92,078	126,736	121,988
Provincial Government	-	-	-	2,100	11,789	7,115
Other Aboriginal Groups	87,702	141,014	102,362	182,710	741,157	374,783
Band Generated	-	55,567	11,439	91,225	2,838,517	3,122,393
Other revenue	-	38,115	41,743	276,007	587,378	45,383
Total revenue	87,702	234,696	155,544	2,321,995	6,367,816	5,977,590
Expenses						
Amortization	-	1,538	499	-	488,491	500,560
Consulting fees	-	3,310	370	21,000	622,268	923,439
Materials and supplies	-	34,482	33,935	59,656	294,578	337,479
Social assistance and support	-	-	-	233,100	186,115	191,358
Travel	-	28,993	14,759	92,000	275,660	328,928
Tuitions and allowances	-	-	-	643,456	527,754	551,395
Wages and benefits	80,403	92,827	84,641	607,610	1,164,674	1,126,250
Other expenses	10,325	31,718	23,418	404,740	2,699,068	2,342,218
Total expenses	90,735	192,868	157,622	2,061,562	6,258,608	6,301,627
Other income (expenses)	(3,033)	41,828	(2,077)	260,433	109,206	(324,036)
Annual surplus (deficit)	\$ (3,033)	\$ 41,828	\$ (2,077)	\$ 260,433	\$ 14,490	\$ (324,036)

NADLEH WHUT'EN INDIAN BAND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

22. EXPENSES BY OBJECT

	2016 Budget	2016 Actual	2015 Actual
Administration fees	\$ 113,826	\$ -	\$ -
Amortization	-	488,490	500,559
Band contributions	-	135,709	80,634
Catering	10,000	28,055	21,645
Consulting fees	21,000	622,268	923,439
Contracted services	6,500	45,096	58,490
Donations	-	27,347	68,694
Fees	-	-	300
Honorarium	96,000	173,500	113,614
Insurance	13,207	122,390	101,001
Interest and bank charges	9,650	40,918	84,963
Interest on long-term debt	-	286,555	37,236
Materials and supplies	59,657	294,577	337,480
Meeting expenses	-	3,643	4,650
Office expenses	10,000	39,793	20,345
Other	-	148,373	83,258
Professional fees	16,500	48,293	54,715
Purchases	-	1,194,646	1,281,119
Rent	-	44,717	28,203
Repairs and maintenance	44,936	142,603	150,715
Social assistance and support	233,100	186,115	191,358
Training	2,115	51,111	20,182
Travel	92,000	275,660	328,930
Tuitions and allowances	643,456	527,754	551,395
Utilities and telephone	72,005	111,739	100,674
Vehicle	10,000	8,568	10,184
Wages and benefits	607,610	1,164,673	1,126,252
		\$ 6,212,593	\$ 6,280,035

23. CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	2016	2015
Accounts receivable	\$ 293,878	\$ (248,423)
Due from government	(51,183)	126,980
Prepaid expenses	2,440	1,828
Inventory held for resale	(1,586)	2,659
Accounts payable	(64,946)	904,249
Due to government	(94,717)	(17,015)
	\$ 83,886	\$ 770,278

NADLEH WHUT'EN INDIAN BAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

24. EMPLOYMENT RETIREMENT PLAN

The First Nation has a defined contribution plan for its employees, where 5% of employees gross payroll is contributed to a defined contribution plan. Total band contributions for 2016 were \$57,141 (2015 - \$51,150).

25. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Interest rate risk

The First Nation is exposed to interest rate risk. Interest rate risk is the risk that the First Nation has interest rate exposure on its bank contingent liabilities, which have variable based on the bank's prime rates. This exposure may have an effect on its earnings in future periods. The First Nation reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates, which have been relatively stable over the period presented. There are some loans that are at fixed term rates and do not effect interest rate risk. The First Nation does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management, the interest rate risk to the First Nation is low and not material.

26. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Chief and Council in May 2015.

27. SUBSEQUENT EVENTS

Subsequent to year end, a request was made to the Bank of Montreal to advance funds from the construction loan to pay for the March 2016 construction invoice of \$388,249 included in trade payables at year end.

28. COMPARATIVE AMOUNTS

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