

WE WAI KAI NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

CAPE MUDGE BAND COUNCIL

690 Headstart Crescent
Campbell River, BC
V9H 1V1



Management's Responsibility for the Consolidated Financial Statements

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

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

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

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

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

The external auditors, Allemekinders & Company, Chartered Professional Accountant, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of We Wai Kai Nation and meet when required.

On behalf of We Wai Kai Nation:

Brian Assu
Chief Brian Assu
October 21, 2016

INDEPENDENT AUDITOR'S REPORT

To the Members, We Wai Kai Nation

We have audited the accompanying financial statements of the We Wai Kai Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statement of operations, changes in net debt and cash flow 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis' for Qualified Opinion

Certain subsidiaries and partnerships prepare financial statements that were not audited or subject to a review assurance engagement. Note 1(b) identifies the report issued in respect of each entity. Had we conducted sufficient and appropriate audit procedures on the financial records of each entity we would have been able to determine if any adjustments would have been necessary to investments and the net income or loss earned by each entity.

ALLEMEKINDERS & COMPANY

CHARTERED PROFESSIONAL ACCOUNTANT

Basis' for Qualified Opinion (continued)

The accounting policy for the recording, measurement and valuation of capital assets as outlined in Note 1 to the financial statements was not modified during the year to adopt the changes in Canadian generally accepted accounting standards for tangible capital assets which is now applicable. If the changes to Canadian generally accepted accounting standards for tangible capital assets had been implemented, capital assets, accumulated surplus, and the annual amortization of capital assets would be materially different.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the We Wai Kai Nation as at March 31, 2016, and of the results of its operations and cash flows for the year then ended in accordance with Generally accepted accounting principles.

Allemekinders & Company
Chartered Professional Accountant

Campbell River, BC
October 21, 2016

WE WAI KAI NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED MARCH 31, 2016

	Notes	2016 \$	2015 \$
Financial Assets			
Cash and cash equivalents	3	6,231,855	5,796,710
Accounts receivable	5	281,746	275,214
Inventory	6	4,906	5,358
Restricted cash	4	265,801	185,568
Funds held in trust by government	7	113,198	113,269
Due from (to) related entities	8	276,294	543,769
Notes receivable	9	2,758,356	2,444,956
Investment in business enterprises	10 & 11	<u>6,708,878</u>	<u>7,828,211</u>
		<u>16,641,034</u>	<u>17,193,055</u>
Liabilities			
Accounts payable and accrued liabilities	12	681,414	599,575
Employee benefit obligations	13	110,921	104,023
Deposits held in trust	14	7,500	1,500
Deferred revenues	15	98,118	89,322
Long-term debt	16	5,520,845	6,022,128
Capital lease obligations	17	<u>7,976</u>	<u>16,318</u>
		<u>6,426,774</u>	<u>6,832,866</u>
Net Financial Assets		<u>10,214,260</u>	<u>10,360,189</u>
Non-Financial Assets			
Deferred expenditures	19	135,778	137,816
Tangible capital assets	18	<u>13,638,650</u>	<u>14,112,997</u>
Net Non-Financial Assets		<u>13,774,428</u>	<u>14,250,813</u>
Accumulated Surplus	20	<u>23,988,688</u>	<u>24,611,002</u>

Contingent Liabilities & Commitments (Notes 21)

APPROVED ON BEHALF OF COUNCIL

Brian Dossu
Ki Dossu

WE WAI KAI NATION
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2016

	2016		
	Budget \$	Actual \$	2015 \$
Revenues			
Indigenous and Northern Affairs Canada	3,929,842	3,844,685	3,808,847
Province of British Columbia	0	572,913	440,787
First Nations Health Authority	152470	146,677	147,837
Kwakiutl District Council	0	73,626	77,182
North Vancouver Island Aboriginal Training Soc.	63,420	66,120	78,836
Tale'Awtwx Aboriginal Capital Corporation	0	55,136	4,425
Laich-Kwil-Tach Environmental Assessments LP	0	53,945	7,000
First Nations Education Steering Committee	0	49,441	66,089
Canada Mortgage and Housing Corporation	30,065	23,542	0
BC Hydro	0	2,000	860,000
A-Tlegay Fisheries Limited Partnership	0	0	73,667
First Nations Financial Management Board	0	0	30,000
Other sources:			
Net Income earned by business enterprises	0	505,025	1,415,693
Lease and rental income	0	337,454	331,657
Tobacco sales & fees	0	250,760	235,842
Travel and other expense recoveries	0	164,731	158,878
Interest income	0	157,714	129,163
Taxation income	66,388	66,388	59,313
Gain on disposal of assets	0	6,000	0
Miscellaneous	0	59,912	50,279
	4,242,185	6,436,069	7,975,495
Expenses			
Core governmental programs	2,869,182	3,312,425	2,937,532
Health programs	301,948	595,921	571,991
Community development programs	286,335	327,331	467,322
Economic development programs	71,255	779,296	791,250
Capital projects	458,497	450,475	522,473
Trusts and reserves	0	136,650	5,573
Net Loss earned by business enterprises	0	733,001	0
Writedown in investment in business enterprise	0	0	0
Amortization and loss on disposal of assets	0	723,284	733,087
	3,987,217	7,058,383	6,029,228
Annual Surplus			
Surplus at Beginning of Year	254,968	(622,314)	1,946,267
Surplus at End of Year (Note 20)	24,014,847	24,611,002	22,664,735
	24,269,815	23,988,688	24,611,002

Segment Disclosure (Note 23)

WE WAI KAI NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2016

	2016		
	Budget \$	Actual \$	2015 \$
Annual Surplus (Deficit)	254,968	(622,314)	1,946,267
Tangible capital assets			
Eliminations from annual surplus			
Amortization of capital assets	0	723,284	733,087
Gain on disposal of capital assets	0	(6,000)	0
Recognition of capital transactions			
Acquisition of capital assets	(254,968)	(248,937)	(158,551)
Proceeds on sale of capital assets	0	6,000	0
	(254,968)	474,347	574,536
Consumption/(acquisition) of deferred expenses			
	0	2,038	(95,829)
	0	2,038	(95,829)
Change in Net Financial Assets	0	(145,929)	2,424,974
Net Financial Assets at beginning of year	10,360,189	10,360,189	7,935,215
Net Financial Assets at end of year	10,360,189	10,214,260	10,360,189

WE WAI KAI NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2016

	2016 \$	2015 \$
Operating Transactions		
Annual surplus (deficit) ¹	(622,314)	1,771,602
Non-cash items included in annual surplus	940,381	(513,195)
Changes in working capital accounts	<u>365,206</u>	<u>(344,869)</u>
	<u>683,273</u>	<u>913,538</u>
Capital Transactions		
Purchase of capital assets	(248,937)	(158,551)
Proceeds on disposal of capital assets	<u>6,000</u>	<u>0</u>
	<u>(242,937)</u>	<u>(158,551)</u>
Investing Transactions		
Issuance of note receivable	(422,472)	(2,335,885)
Recovery of note receivable	109,072	199,134
Investment in band controlled entities	(547,601)	(749,634)
Recovery of investment in band controlled entities	1,438,958	900,000
Transfer from funds in trust in Ottawa Trusts	<u>4,950</u>	<u>8,288</u>
	<u>582,907</u>	<u>(1,978,097)</u>
Financing Transactions		
Proceeds from debt	0	2,632,000
Deposit to FNFA debt reserve fund & SRTA account	(78,473)	(131,391)
Repayment of debt	(501,283)	(434,287)
Repayment of obligations under capital leases	<u>(8,342)</u>	<u>(7,984)</u>
	<u>(588,098)</u>	<u>2,058,338</u>
Increase (Decrease) in Cash and Equivalents	435,145	835,228
Cash and Equivalents at Beginning of Year	5,796,710	4,961,482
Cash and Equivalents at End of Year	<u>6,231,855</u>	<u>5,796,710</u>
Represented by:		
Cash and short term investments	6,231,855	5,796,710
Bank indebtedness	0	0
	<u>6,231,855</u>	<u>5,796,710</u>

¹ Interest received during the year was \$157,714 (2015 - \$129,163). Interest paid during the year was \$190,795 (2015 - \$175,504). Interest received is made up of the interest income from the Statement of Operations. Interest paid is made up of the interest expense from the Statement of Operations.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, which encompass the following principles:

a) Reporting Entity

The We Wai Kai Nation reporting entity includes the We Wai Kai Nation government and all related entities that are either owned or controlled by the Nation. The We Wai Kai Nation is referred to by Indigenous and Northern Affairs Canada as the Cape Mudge Indian Band. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. Control exists regardless of whether the government chooses not to exercise its power to govern so long as it has the ability to govern. Control must exist at the financial statement date, without the need to amend agreements.

b) Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise or partnership. These enterprises are included in the Consolidated Financial Statements on a modified equity basis.

Consolidation Method

This method combines the accounts of distinct organizations. It requires uniform accounting policies for the organizations. Inter-organizational balances and transactions are eliminated under this method. The method reports the organizations as if they were one organization. The organizations included through the consolidation method are:

- We Wai Kai Nation government administration
- WWK Holdings Society

Modified Equity Method

This method reports only a Government's investment in and the net income or loss of the organization. In addition, any amounts receivable or payable are consolidated in the financial statements after eliminating any intercompany transactions and balances. The organizations included through the modified equity method are:

- Subject to an assurance review or audit engagement:
 - A'tlegay Fisheries Limited Partnership
 - Laich-Kwil-Tach Environmental Assessment Partnership
 - Quinsam LFRC Limited Partnership
- Not subject to an assurance review or audit engagement for a recognized basis of accounting under the CPA Canada Public Sector Accounting Handbook:
 - 1012577 BC Ltd.
 - Cape Mudge Campsites Ltd.
 - Cape Mudge Developments Ltd.
 - Cape Mudge Forestry Ltd.
 - Cape Mudge Resort Ltd.
 - Kerdan Hotel Ltd.
 - Middle Point Harbour Limited Partnership
 - Quinsam Liquor Store Ltd.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES - continued

- Quinsam Reserve Leasing Inc.
- Quinsam Properties BT Inc.
- Quinsam Service Station Partnership
- WWK Forestry (LPGP) Ltd.
- WWK Forestry Limited Partnership
- We Wai Kai Seafood Corporation

c) 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 provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not held for resale. Non-financial assets include capital assets and prepaid expenses.

d) Basis of presentation

Sources of financing and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become 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.

e) Cash

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

f) Portfolio investments

Long-term investments in entities that are not majority owned or controlled by the Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment and include:

- Leqwa Enterprises Ltd.
- MP Port Management (GP) Ltd.
- Quadra Links Limited
- Quinsam LFRC (GP) Ltd.
- WWK & P Holdings Ltd.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES - continued

g) Financial Instruments

The Nation's financial instruments consist of cash, accounts receivable, temporary and long-term investments, accounts payable, amounts due to (from) related parties and long-term debt. Unless otherwise noted, it is management's opinion that the Nation is not exposed to significant currency or credit risks arising from these financial instruments. The Nation is exposed to interest rate risk on its long term debt which is based on fluctuations in prime interest rates. The Nation does not use any hedges or contracts to manage the exposure to interest rate fluctuations. A 1% change in interest rates would not have impacted the cash flow but would have increased the interest cost and decreased the principal repayment by \$30,773 during the year.

h) Inventory

Inventory, which consists of goods available for resale, is recorded at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

i) Tangible Capital Assets

Property, equipment and infrastructure expenditures incurred after March 31, 1987 are valued at acquisition cost and recorded in the Capital Fund. Expenditures incurred previous to April 1, 1987 were charged to operations in the year of acquisition and are not reflected in the Capital Fund.

The acquisition cost of tangible capital assets and payments on capital debt, which are not funded from capital financing sources, are charged to operations and matched with the applicable revenue source in the year of expenditure. These expenditures are also recorded as an addition to assets in the Capital Fund with a corresponding increase in Equity in Capital Assets.

Tangible capital assets are amortized annually with a corresponding reduction in Equity in Capital Assets over their expected useful life using the straight line method at the following rates:

Buildings and Improvements	4%
General and Other Equipment	20%
Infrastructure	4%

In the year of acquisition, 50% of the normal amortization is recorded. Planning and other consulting fees expended from capital financing, which relate to no particular project, are amortized 100% in the year of expenditure.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES - continued

j) Funds held in trust

Fund held in trust on behalf of Nation members by the Government of Canada are reported on the statement of financial position with an offsetting amount in members' equity. Trust monies consist of:

- Capital trust monies derived from non-renewable resource transactions on the sale of land or other Nation capital assets prior to the implementation of the Land Code in the 2009-10 fiscal year, and
- Revenue trust monies generated primarily through interest earned on deposits held in trust.

k) Net Financial Assets

The Nation's financial statements are presented so as to highlight net financial assets (or debt) as the measurement of financial position. The net financial assets of the Nation is determined by its financial assets less its liabilities.

l) Revenue Recognition

Revenue is recognized on an accrual basis whereby amounts received or recorded as 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 capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

Annual levies for property taxation are recorded as taxation income when levied.

m) Comparative Figures

Prior year's comparative figures have been reclassified where necessary to conform with the current year's presentation.

n) Budget Amounts

Budget amounts have been derived initially from the official budget adopted by Council at the beginning of the current year, supplemented with additional information for any new programs adopted since the official budget, where information is available.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES - continued

o) Measurement Uncertainty

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

p) Fund Accounting

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

- The Operating Fund which reports the general activities of the We Wai Kai Nation Administration.
- The Capital Fund which reports the capital assets of the We Wai Kai Nation, together with the details on related financing.
- The Trusts and Reserve Fund which reports the activities of the Ottawa Trust Accounts, and the Lands and Natural Resources Trust which was established under the Land Code.
- The Enterprise Fund which represents the Nation's investment in controlled commercial entities which are self-supporting.

2. ECONOMIC DEPENDENCE

The Nation receives a significant portion of its operating revenue pursuant to a Federal Transfer Arrangement with Indigenous and Northern Affairs Canada. The current agreement is a five year agreement which expires March 31, 2017.

Funding is based on a master budget which is part of the agreement. The Nation is permitted to use any surpluses at its own discretion, provided the terms and conditions of the agreement are met, but must also take responsibility for any deficits.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

3. CASH AND CASH EQUIVALENTS

The general bank account has an overdraft facility in the amount of \$200,000 (2015 - \$200,000) with interest at prime plus 0.5% (2015 - prime plus 0.5%).

Cash and cash equivalents are comprised of the following:

	2016 \$	2015 \$
Internally restricted		
Impact benefits agreement account	5,540,170	5,494,461
Lands & Natural Resources trust funds	180,133	391,512
Forest & range contribution and revenue sharing	<u>342,982</u>	<u>242,220</u>
	<u><u>6,063,285</u></u>	<u><u>6,128,193</u></u>
Unrestricted		
Operating	168,570	3,183
Cheques issued in excess of deposits	<u>0</u>	<u>(334,666)</u>
	<u><u>168,570</u></u>	<u><u>(331,483)</u></u>
Total Cash and Cash Equivalents	<u>6,231,855</u>	<u>5,796,710</u>
Reported as:		
Cash and cash equivalents	6,231,855	5,796,710
Bank indebtedness	<u>0</u>	<u>0</u>
	<u><u>6,231,855</u></u>	<u><u>5,796,710</u></u>

4. RESTRICTED CASH

The Nation has borrowed funds and has issued a debt instrument through the First Nation Finance Authority (FNFA). As a condition of these borrowings, a portion of the borrowed monies and debenture proceeds are withheld by the FNFA as a debt reserve fund. Additionally, funds earned from a tobacco franchise fee are redirected at source to a secured revenues trust account to fund upcoming payments under the debt instrument.

	2016 \$	2015 \$
First Nation Finance Authority		
Secured revenues trust account	79,104	0
Debt reserve fund	<u>186,697</u>	<u>158,568</u>
	<u><u>265,801</u></u>	<u><u>158,568</u></u>

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

5. ACCOUNTS RECEIVABLE

	2016	2015
	\$	\$
Due from members:		
First Nation Members		
• User Fees	200,651	197,292
• Loans	28,025	28,982
Allowance for doubtful accounts	<u>(228,676)</u>	<u>(209,967)</u>
	<u>0</u>	<u>16,307</u>
Due from others:		
Indigenous and Northern Affairs Canada	134,044	79,110
Fisheries and Oceans Canada	16,117	15,650
Canada Mortgage and Housing Corporation	23,542	0
Province of British Columbia & Agencies	1,911	36,413
Kwakiutl District Council	11,820	11,820
North Vancouver Island Aboriginal Training Society	15,855	42,449
Nuyumbalees Society	80,587	78,854
Other First Nations and Agencies	22,359	32,680
Sales tax recoverable	5,211	3,797
General accounts	<u>60,974</u>	<u>48,808</u>
	<u>372,420</u>	<u>349,581</u>
Allowance for doubtful accounts	<u>(90,674)</u>	<u>(90,674)</u>
	<u>281,746</u>	<u>258,907</u>
Net accounts receivable	<u>281,746</u>	<u>275,214</u>

6. INVENTORY

	2016	2015
	\$	\$
Tobacco Products for Resale		
	4,906	5,358
	<u>4,906</u>	<u>5,358</u>

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

7. FUNDS HELD IN TRUST BY GOVERNMENT

Trust fund accounts arise from moneys 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 Section 63 to 69 of the Indian Act.

	2015 \$	Additions \$	Withdrawals \$	2016 \$
Revenue accounts	1,189	4,879	(4,950)	1,118
Capital accounts	112,080	0	0	112,080
	<u>113,269</u>	<u>0</u>	<u>(4,950)</u>	<u>113,198</u>

8. DUE FROM (TO) RELATED ENTITIES

	2016 \$	2015 \$
Current Operating Advances due from (to):		
1012577 BC Ltd.	0	275,120
Cape Mudge Campsites Ltd.	11,369	20,554
Cape Mudge Developments Ltd.	(23,258)	14,706
Cape Mudge Resort Ltd.	11,582	875
Kerdan Hotel Ltd.	17,865	0
Middle Point Harbour Limited Partnership	1,155	0
Quinsam LFRC Limited Partnership	56,416	57,690
Quinsam Liquor Store Ltd	(233)	18,516
Quinsam Service Station Partnership	155,395	134,478
WWK Forestry (LPGP) Ltd.	0	0
WWK Forestry Limited Partnership	<u>46,003</u>	<u>21,830</u>
	<u>276,294</u>	<u>543,769</u>

Current operating advances to related entities have been funded from working capital and are unsecured, non-interest bearing and due on demand.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

9. NOTES RECEIVABLE

	2016 \$	2015 \$
Quinsam Service Station Partnership	0	109,072
1012577 BC Ltd.	<u>2,758,356</u>	<u>2,335,884</u>
	<u>2,758,356</u>	<u>2,444,956</u>

The Nation has extended a term loan to the Quinsam Service Station Partnership on the sale of the constructed service station facility to the Partnership with repayment in monthly blended payments of \$17,700, including interest based on 52 month amortization with an interest rate of 6% per annum.

The Nation has extended a demand loan to the 1012577 BC Ltd. for the purpose of acquiring a debt instrument held by the Coastal Community Credit Union over the Middle Point Harbour Limited Partnership with interest payable at 4% per annum.

10. INVESTMENT IN BUSINESS ENTERPRISES

The Nation's investments in non-controlling investments, government business enterprises and partnerships consist of the following:

	2016 \$	2015 \$
Non-Controlling Interest Investments		
Leqwa Enterprises Inc.	1	1
MP Port Management (GP) Ltd.	0	0
Quadra Links Limited	25,000	25,000
Quinsam LFRC (GP) Ltd.	0	0
WWK & P Holdings Ltd.	<u>359,579</u>	<u>359,579</u>
	<u>384,580</u>	<u>384,580</u>
Investments in Business Enterprises		
1012577 BC Ltd.	1	1
Cape Mudge Campsites Ltd.	123,749	130,700
Cape Mudge Developments Ltd.	186,188	218,945
Cape Mudge Forestry Ltd.	1	1
Cape Mudge Resort Ltd.	222,444	234,274
Kerdan Hotel Ltd.	625,000	1,105,647
Quinsam Liquor Store Ltd.	924,925	641,859
Quinsam Properties BT Inc.	1	1
Quinsam Reserve Leasing Ltd.	1	1
We Wai Kai Forestry (LPGP) Ltd.	18,012	100
We Wai Kai Seafood Corporation	<u>125,615</u>	<u>45,249</u>
	<u>2,225,937</u>	<u>2,376,778</u>

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

10. INVESTMENT IN BUSINESS ENTERPRISES (continued)

Investments & Earnings in Business Partnerships

A-Tlegay Fisheries Limited Partnership	567,782	285,792
Laich-Kwil-Tach Environmental Assessment Limited Partnership	542,045	564,016
Quinsam LFRC Limited Partnership	37,795	29,371
Quinsam Service Station Partnership	2,342,825	2,385,799
Middle Point Harbour Limited Partnership	0	478,555
WWK Forestry Limited Partnership	<u>607,914</u>	<u>1,323,320</u>
	<u>4,098,361</u>	<u>5,066,853</u>
Net Investment in Business Enterprises	<u>6,708,878</u>	<u>7,828,211</u>

a) Loans to Business Enterprises

Loans to Cape Mudge Developments Ltd., Cape Mudge Campsites Ltd., Cape Mudge Resort Ltd. and Kerdan Hotel Ltd. are non-interest bearing and have no specific terms of repayment.

b) Shareholdings in Business Enterprises

100% of the issued shares in the following companies are held in trust for the We Wai Kai Nation:

1012577 BC Ltd.
 Cape Mudge Campsites Ltd.
 Cape Mudge Developments Ltd.
 Cape Mudge Forestry Ltd.
 Cape Mudge Resort Ltd.
 Kerdan Hotel Ltd.
 Quinsam Liquor Store Ltd.
 Quinsam Properties BT Inc.
 Quinsam Reserve Leasing Inc.
 We Wai Kai Seafood Corporation
 WWK Forestry (LPGP) Ltd.

The WWK Holdings Society is controlled by Chief & Council of the We Wai Kai Nation.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

10. INVESTMENT IN BUSINESS ENTERPRISES (continued)

c) Interests in Business Partnerships

The interest in the A-Tlegay Fisheries Limited Partnership consists of a 27.5% interest as a limited partner.

The interest in the Laich-Kwil-Tach Environmental Assessment Limited Partnership consists of a 49.995% interest as a limited partner.

The interest in the Quinsam LFRC Limited Partnership consists of a 48% interest as a limited partner with Quinsam LFRC (GP) Ltd. holding a 1% interest as a general partner.

The interest in the Quinsam Service Station Partnership consists of a 99% interest in the partnership.

The interest in the Middle Point Harbour Limited Partnership consists of a 51% interest as a limited partner.

The interest in the WWK Forestry Limited Partnership consists of a 99% interest as a limited partner with WWK Forestry (LPGP) Ltd. holding a 1% interest as a general partner.

11. RESULTS OF OPERATIONS OF BUSINESS ENTERPRISES & PARTNERSHIPS

DESCRIPTION	Retail Goods & Services Businesses	Natural Resource Businesses	Industrial Businesses
Fiscal Year Ends	Oct 31/15 - Mar 31/16	Mar 31/16	Mar 31/16
Assets			
Current	1,705,635	2,864,511	161,140
Capital & Other	3,188,891	1,802,190	3,392,252
	4,894,526	4,666,701	3,553,392
Liabilities			
Current	587,332	633,530	209,947
Long Term	4,153,819	2,431,322	2,734,038
Partner's Interest	(1,520)	2,057,659	264,786
	4,739,631	5,122,511	3,208,771
Net Assets (Liabilities)	154,895	(455,810)	344,621
Total Revenues	19,944,589	3,334,278	504,821
Total Expenses	19,607,853	2,406,506	762,907
Net Income (Loss) for the Year	336,736	927,772	(258,086)

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
	\$	\$
Trade payables	149,755	187,838
Accrued salaries and benefits payable	30,287	21,692
Sales taxes payable	2,318	4,556
Other accrued liabilities	499,054	385,489
	<u>681,414</u>	<u>599,575</u>

13. EMPLOYEE BENEFIT OBLIGATIONS

	2016	2015
	\$	\$
Vacation and overtime	99,160	94,651
Pension plan contributions	11,761	9,372
	<u>110,921</u>	<u>104,023</u>

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

Pension plan

The Nation provides a defined contribution plan for eligible members of its staff. Members are required to contribute between 3% and 9% of their basic salary. The Nation contributes matching contributions which are directed to the member's contribution account. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. The Nation contributed during the year \$55,224 (2015- \$46,723) for retirement benefits. The Nation does not have any other obligations with regards to the pension plan as at March 31, 2016.

14. DEPOSITS HELD IN TRUST

	2016	2015
	\$	\$
Housing Application Deposits	7,500	1,500
	<u>7,500</u>	<u>1,500</u>

The housing application deposits are held on behalf of Band Members and are non-interest bearing.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

15. DEFERRED REVENUES

Deferred revenues consist of the following:

	2015 \$	Funding received (repaid) \$	Revenue Recognized \$	2016 \$
Sources:				
INAC - Lands & Resources	62,930	204,536	(267,466)	0
INAC - Water System Upgrade	20,018	234,950	(169,811)	85,157
Brighter Futures	0			0
Property lease revenue	6,374	14,711	(8,124)	12,961
	89,322	454,197	(445,401)	98,118

16. LONG-TERM DEBT

	2016 \$	2015 \$
RBC Royal Bank		
Term Loan (Consolidated Loan)	1,609,225	1,983,306
Term Loan (Quinsam LRS)	325,849	380,343
First Nations Finance Authority (FNFA)		
Term Loan D1 (Land purchase)	990,057	1,026,479
Term Loan D2 (Corporate restructuring)	1,263,714	0
Term Loan IF (Corporate restructuring)	1,332,000	2,632,000
	5,520,845	6,022,128

a) RBC Royal Bank - Term Loan (Consolidated Loan)

The Nation has entered into a consolidation loan with RBC Royal Bank which is repayable in monthly blended payments of \$36,700, including interest based on 120 month amortization with an interest rate of prime plus 0.9% per annum.

b) RBC Royal Bank - Term Loan (Quinsam LRS)

The Nation has entered into a loan for the construction of the Liquor Retail Store on the Quinsam Reserve with RBC Royal Bank which is repayable in monthly blended payments of \$5,633, including interest based on 120 month amortization with an interest rate of prime plus 0.9% per annum. The net book value of the building at March 31, 2016 is \$788,425.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

16. LONG-TERM DEBT (continued)

c) RBC Royal Bank - Term Loan's Security

The RBC Royal Bank Term Loans are secured by a General Security Agreement, an assignment of revenues under the Interim Forestry Agreement and guarantees from band controlled entities as follows:

WWK Holdings Society	\$1,095,000
Kerdan Hotel Ltd.	\$795,000
Quinsam Service Station Partnership	\$1,500,000
Quinsam Properties BT Inc.	\$1,500,000
Quinsam Reserve Leasing Inc.	\$1,500,000

d) First Nations Finance Authority (FNFA) - Term Loan D1 (Land purchase)

The Nation has entered into a loan for the acquisition of property with the FNFA which is repayable in monthly payments of \$6,272, including interest at 3.79% maturing June 2024. Loan is secured by assignment of cigarette franchise fees.

e) First Nations Finance Authority (FNFA) - Term Loan D2 (Corporate restructuring)

The Nation has entered into a loan for the acquisition of property with the FNFA which is repayable in monthly interest only payments, with interest at 2.6%. The loan is repayable on the earlier of the completion of the purpose of the borrowing and September 2019. Loan is secured by assignment of cigarette franchise fees.

f) First Nations Finance Authority (FNFA) - Term Loan IF (Corporate restructuring)

The Nation has entered into a loan for the acquisition of property with the FNFA which is repayable in monthly interest only payments, with interest at 2.6%. The loan is repayable on the earlier of the completion of the purpose of the borrowing and September 2019. Loan is secured by assignment of cigarette franchise fees.

Future scheduled payments on long term debt is as follows:

Year ended March 31, 2017	\$636,947
Year ended March 31, 2018	\$636,038
Year ended March 31, 2019	\$635,129
Year ended March 31, 2020	\$634,221
Year ended March 31, 2021	\$4,030,628

17. CAPITAL LEASE OBLIGATIONS

	2016	2015
	\$	\$
RBC Royal Bank		
- implicit lease rate of 4.24%	7,976	16,318
- due March 2017		
- monthly payments of \$741		
- secured by liquor store coolers with a book value of \$9,722		
	<u>7,976</u>	<u>16,318</u>

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

17. CAPITAL LEASE OBLIGATIONS (continued)

Minimum lease payments related to the obligation under capital lease are as follows:

2017	<u>8,151</u>
	<u>8,151</u>
Less: imputed interest	<u>(175)</u>
<u>Balance of obligation</u>	<u><u>7,976</u></u>

18. TANGIBLE CAPITAL ASSETS

	Cost \$	Additions \$	Disposals \$	Accumulated amortization \$	2016 Net book value \$
Land held for development	2,696,426	0	0	0	2,696,426
Band Buildings	6,272,886	76,232	0	2,509,225	3,839,893
Infrastructures:					
• Subdivisions	9,232,599	0	0	3,142,379	6,090,220
• Roads	1,208,141	0	0	771,067	437,074
• Water Systems	388,574	169,811	0	117,380	441,005
• Sewer Systems	218,456	0	0	148,749	69,707
• Pool Complex	14,378	0	0	11,788	2,590
Automotive & vessels	347,190	0	14,869	299,301	33,020
General equipment	48,634	0	0	42,325	6,309
Equipment under capital lease	48,618	0	0	38,896	9,722
Office equipment	72,223	2,894	0	67,195	7,922
Computer equipment	29,598	0	0	24,836	4,762
	20,577,723	248,937	14,869	7,173,141	13,638,650

	Cost \$	Additions \$	Disposals \$	Accumulated amortization \$	2015 Net book value \$
Land held for development	2,696,426	0	0	0	2,696,426
Band Buildings	6,272,886	0	0	2,256,785	4,016,101
Infrastructures:					
• Subdivisions	9,232,599	0	0	2,774,813	6,457,786
• Roads	1,208,141	0	0	722,742	485,399
• Water Systems	257,490	131,084	0	107,080	281,494
• Sewer Systems	218,456	0	0	140,135	78,321
• Pool Complex	14,378	0	0	11,213	3,165
Automotive & vessels	327,690	19,500	0	300,886	46,304
General equipment	48,634	0	0	35,510	13,124
Equipment under capital lease	48,618	0	0	29,172	19,446
Office equipment	67,303	4,920	0	63,918	8,305
Computer equipment	26,551	3,047	0	22,472	7,126
	20,419,172	158,551	0	6,464,726	14,112,997

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

19. DEFERRED EXPENDITURES

Deferred expenditures represent payments made before March 31, 2016 which will be funded from future year's revenues.

	2016	2015
	\$	\$
Social Assistance Payments	4,783	5,547
Prepaid Student Allowances	38,654	34,500
Miscellaneous	92,341	97,769
	<u>135,778</u>	<u>137,816</u>

20. ACCUMULATED SURPLUS

	2016	2015
	\$	\$
Internally Restricted:		
Invested in tangible capital assets	13,638,650	14,112,997
Invested in business enterprises & notes receivable	9,467,234	10,273,167
Less long term debt	<u>(5,528,821)</u>	<u>(6,038,446)</u>
	<u>17,577,063</u>	<u>18,347,718</u>
Externally Restricted:		
Capital projects	0	0
Funds held in trust by government	113,198	113,269
Taxation Contingency Reserve	0	0
FNFA Debt Reserve Fund	186,697	185,568
Trust & Reserves balances	<u>833,894</u>	<u>730,477</u>
	<u>1,133,789</u>	<u>1,029,314</u>
Unrestricted surplus	5,277,836	5,233,970
Accumulated surplus at end of year	<u>23,988,688</u>	<u>24,611,002</u>

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

21. CONTINGENT LIABILITIES AND COMMITMENTS

The Nation has entered into contribution agreements with the Indigenous and Northern Affairs Canada, Health Canada and various federal and provincial government departments. Funding received under these contribution agreements is subject to repayment if the Nation fails to comply with the terms and conditions of the agreements.

In addition, in the normal course of its operations, the Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on Nation's financial statements.

Additional contingencies and commitments include the following:

a) Mortgage Guarantees

The Nation is contingently liable with respect to Ministerial guarantees for "On Reserve Housing Loans" to various financial institutions. The outstanding balances on these guaranteed loans is \$3,602,943 (2015 - \$3,856,945).

b) Commitment to Fund Controlled Entities and Repay Debt Related to Investment

The Nation's investment policy in related corporations includes a commitment to advance working capital for operating purposes as required. The amount of future working capital requirements is unknown at this time and will depend upon the results of ongoing entity operations.

c) British Columbia Treaty Commission Agreement

The We Wai Kai Nation, as a Kwakiutl First Nation, has authorized the Laich-Kwil-Tach Treaty Society (formerly Hamatla Treaty Society) to represent its interest in negotiations with Canada and British Columbia, as contemplated by the British Columbia Treaty Commission Agreement. The Society has received loans pursuant to a Negotiation Loan Management Agreement between the Society and the British Columbia Treaty Commissioners. The agreement states "Amounts payable to the Kwakiutl First Nations pursuant to a treaty may be set off against debts incurred pursuant to this Agreement with the Society".

Information supplied by the Society indicates that from any proceeds received under a treaty settlement, the We Wai Kai Nation is responsible for a loan amount of \$4,392,348 as of March 31, 2016 (2015 - \$4,074,208).

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

22. SCHEDULE OF EXPENDITURES BY OBJECT

The following is a summary of expenses by object:

	2016	2015
	\$	\$
Wages and payroll costs	1,409,491	1,437,306
Amortization	723,284	733,087
Direct member benefits	570,429	538,731
Social Program costs	558,483	402,440
Consulting & professional fees	554,043	328,428
Contract & subcontract costs	303,494	496,302
Infrastructure construction costs	267,684	400,340
Tuition and books	266,510	250,185
Utilities	256,542	207,068
Honoraria	221,430	218,492
Interest and bank charges	190,795	175,504
Repairs and maintenance	180,230	157,598
Travel	154,744	183,162
Materials and supplies	152,935	146,789
Residential construction costs	149,465	90,844
Donations and gifts	139,111	32,160
Medical travel	61,028	43,537
Miscellaneous	56,093	82,842
Telecommunications	38,084	33,249
Insurance	36,620	34,514
Equipment costs	19,450	17,431
Training	15,436	19,219
Net losses and writedowns of investments	733,002	0
	<u>7,058,383</u>	<u>6,029,228</u>

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

23. SEGMENT DISCLOSURE

The Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by program. Programs were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, restrictions or limitations. These activities can also be categorized into segments. The following segments have been identified and as such are separately disclosed:

General Administration

General Administration contains activities that are needed to manage and administer the Nation's organization.

Community Services

Community Services contains all activities that relate to the operations, maintenance, development, construction and financing of buildings, infrastructure and land of the Nation.

Housing

Housing contains activities that relate to on reserve housing.

Health & Social Development

Health & Social Development contains activities that provide health services, medical services, financial support or support by other means to members that is aimed at developing both the individual as well as the community.

Education

Education contains activities that provide education and facilitate educational opportunities to members for primary, secondary schooling and adult vocational training.

Community & Economic Development

Community & Economic Development contains activities that are involved in the development of the community and the development and operation of economic opportunities.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The segment results for the period are as follows:

WE WAI KAI NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

23. SEGMENT DISCLOSURE (continued)

Year ended March 31, 2016:

	General Administration	Community Services	Housing	Health & Social Development	Education	Community & Economic Development	Eliminations	Consolidated Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
INAC	815,752	773,008	261,697	419,765	1,221,336	353,127	0	3,844,685
Federal	0	0	23,542	0	0	0	0	23,542
Provincial	0	0	0	22,188	0	552,726	0	574,914
Other	279,353	90,112	0	322,849	34,756	1,427,892	(162,034)	1,992,928
	1,095,105	863,120	285,239	764,802	1,256,092	2,333,745	(162,034)	6,436,069
Expenses								
Salaries and benefits	471,488	49,985	0	605,798	81,064	201,156	0	1,409,491
Interest	0	0	0	0	0	190,795	0	190,795
Amortization	0	723,284	0	0	0	0	0	723,284
Other	733,562	733,619	149,465	365,683	1,225,739	1,688,779	(162,034)	4,734,813
	1,205,050	1,506,888	149,465	971,481	1,306,803	2,080,730	(162,034)	7,058,383
Transfers	192,105	214,914	(203,758)	80,500	0	(283,761)	0	0
Annual Surplus (Deficit)	82,160	(428,854)	(67,984)	(126,179)	(50,711)	(30,746)	0	(622,314)

WE WAI KAI NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

23. SEGMENT DISCLOSURE (continued)

Year ended March 31, 2015:

	General Administration	Community Services	Housing	Health & Social Development	Education	Community & Economic Development	Eliminations	Consolidated Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
INAC	763,575	698,668	185,450	549,055	1,057,000	555,099	0	3,808,847
Federal	0	0	0	0	0	0	0	0
Provincial	0	0	0	25,182	0	1,275,605	0	1,300,787
Other	283,064	43,120	0	312,016	28,689	2,375,721	(176,749)	2,865,861
	1,046,639	741,788	185,450	886,253	1,085,689	4,206,425	(176,749)	7,975,495
Expenses								
Salaries and benefits	480,828	53,152	0	603,937	82,801	216,589	0	1,437,307
Interest	0	0	0	0	0	175,504	0	175,504
Amortization	0	733,087	0	0	0	0	0	733,087
Other	652,058	793,669	90,844	310,561	1,020,229	992,718	(176,749)	3,683,330
	1,132,886	1,579,908	90,844	914,498	1,103,030	1,384,811	(176,749)	6,029,228
Transfers	101,927	4,266	0	112,442	18,775	(237,410)	0	0
Annual Surplus (Deficit)	15,680	(833,854)	94,606	84,197	1,434	2,584,204	0	1,946,267