

WE WAI KAI NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

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:

Chief Brian Assu
November 21, 2017

ALLEMEKINDERS & COMPANY

CHARTERED PROFESSIONAL ACCOUNTANT

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, 2017, and the consolidated statement of operations, changes in net financial assets 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 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the We Wai Kai Nation as at March 31, 2017, and of the results of its operations and cash flows for the year then ended in accordance with Generally accepted accounting principles.


Chartered Professional Accountant



Campbell River, BC
November 21, 2017

WE WAI KAI NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED MARCH 31, 2017

	Notes	2017 \$	2016 \$
Financial Assets			
Cash and cash equivalents	3	4,950,283	6,231,855
Accounts receivable	5	709,153	281,746
Inventory	6	5,586	4,906
Restricted cash	4	411,143	265,801
Funds held in trust by government	7	113,257	113,198
Due from (to) related entities	8	1,401,743	276,294
Notes receivable	9	0	2,758,356
Investment in business enterprises	10 & 11	8,634,986	6,708,878
		<u>16,226,151</u>	<u>16,641,034</u>
Liabilities			
Accounts payable and accrued liabilities	12	691,036	681,414
Employee benefit obligations	13	73,052	110,921
Deposits held in trust	14	1,500	7,500
Deferred revenues	15	261,392	98,118
Long-term debt	16	4,950,714	5,520,845
Capital lease obligations	17	0	7,976
		<u>5,977,694</u>	<u>6,426,774</u>
Net Financial Assets		<u>10,248,457</u>	<u>10,214,260</u>
Non-Financial Assets			
Deferred expenditures	19	54,544	135,778
Tangible capital assets	18	16,907,088	15,984,006
Net Non-Financial Assets		<u>16,961,632</u>	<u>16,119,784</u>
Accumulated Surplus	20	<u>27,210,089</u>	<u>26,334,044</u>

Contingent Liabilities & Commitments (Notes 21)

APPROVED ON BEHALF OF COUNCIL

WE WAI KAI NATION
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2017

	2017		2016
	Budget	Actual	
	\$	\$	\$
Revenues			
Indigenous and Northern Affairs Canada	3,766,096	4,255,687	3,844,685
Province of British Columbia	442,188	445,922	572,913
First Nations Health Authority	157,000	194,131	146,677
North Vancouver Island Aboriginal Training Soc.	82,420	158,933	66,120
Kwakiutl District Council	73,626	78,706	73,626
Laich-Kwil-Tach Environmental Assessments LP	5,000	75,000	53,945
Western Economic Diversification Canada	0	67,905	0
First Nations Education Steering Committee	43,801	46,011	49,441
Canada Mortgage and Housing Corporation	0	19,211	23,542
BC Hydro	2,000	2,000	2,000
Tale'Awt'xw Aboriginal Capital Corporation	0	0	55,136
Other sources:			
Corporate management fee	0	500,000	0
Net Income earned by business enterprises	0	215,500	505,025
Lease and rental income	310,100	344,362	337,454
Tobacco sales & fees	256,000	231,199	250,760
Travel and other expense recoveries	220,000	207,561	164,731
Taxation income	74,737	73,659	66,388
Interest income	75,000	55,525	157,714
Gain on disposal of assets	0	250	0
Miscellaneous	21,900	72,688	59,912
	<u>5,529,868</u>	<u>7,044,250</u>	<u>6,430,069</u>
Expenses			
Core governmental programs	3,162,174	3,280,468	3,312,425
Health programs	537,800	618,934	595,921
Community development programs	138,101	323,259	327,331
Economic development programs	731,938	687,151	779,296
Capital projects	593,000	279,698	450,475
Trusts and reserves	0	5,162	136,650
Net Loss earned by business enterprises	0	0	733,001
Writedown in investment in business enterprise	0	461,075	0
Amortization and loss on disposal of assets	0	512,458	515,687
	<u>5,163,013</u>	<u>6,168,205</u>	<u>6,850,786</u>
Annual Surplus	366,855	876,045	(420,717)
Surplus at Beginning of Year	<u>26,334,044</u>	<u>26,334,044</u>	<u>26,754,761</u>
Surplus at End of Year (Note 20)	<u><u>26,700,899</u></u>	<u><u>27,210,089</u></u>	<u><u>26,334,044</u></u>
Segment Disclosure (Note 23)			

WE WAI KAI NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2017

	2017		2016
	Budget	Actual	
	\$	\$	\$
Annual Surplus (Deficit)	<u>366,855</u>	<u>876,045</u>	<u>(420,717)</u>
Tangible capital assets			
Eliminations from annual surplus			
Amortization of capital assets	0	512,458	514,749
Loss (Gain) on disposal of capital assets	0	0	938
Recognition of capital transactions			
Acquisition of capital assets	(1,010,445)	(1,435,540)	(248,937)
Proceeds on sale of capital assets	<u>0</u>	<u>0</u>	<u>6,000</u>
	<u>(1,010,445)</u>	<u>(923,082)</u>	<u>272,750</u>
 Consumption/(acquisition) of deferred expenses	 <u>0</u>	 <u>81,234</u>	 <u>2,038</u>
	<u>0</u>	<u>81,234</u>	<u>2,038</u>
 Change in Net Financial Assets	 (643,590)	 34,197	 (145,929)
 Net Financial Assets at beginning of year	 <u>10,214,260</u>	 <u>10,214,260</u>	 <u>10,360,189</u>
Net Financial Assets at end of year	<u><u>9,570,670</u></u>	<u><u>10,248,457</u></u>	<u><u>10,214,260</u></u>

WE WAI KAI NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2017

	2017 \$	2016 \$
Operating Transactions		
Annual surplus (deficit) ¹	876,045	(420,717)
Non-cash items included in annual surplus	753,302	738,784
Changes in working capital accounts	<u>(1,345,761)</u>	<u>365,206</u>
	<u>283,586</u>	<u>683,273</u>
Capital Transactions		
Purchase of capital assets	(1,435,540)	(248,937)
Proceeds on disposal of capital assets	<u>0</u>	<u>6,000</u>
	<u>(1,435,540)</u>	<u>(242,937)</u>
Investing Transactions		
Issuance of note receivable	0	(422,472)
Recovery of note receivable	0	109,072
Investment in band controlled entities	(602,001)	(547,601)
Recovery of investment in band controlled entities	1,188,674	1,438,958
Transfer from funds in trust in Ottawa Trusts	<u>4,672</u>	<u>4,950</u>
	<u>591,345</u>	<u>582,907</u>
Financing Transactions		
Proceeds from debt	0	0
Deposit to FNFA debt reserve fund & SRTA account	(142,856)	(78,473)
Repayment of debt	(570,131)	(501,283)
Repayment of obligations under capital leases	<u>(7,976)</u>	<u>(8,342)</u>
	<u>(720,963)</u>	<u>(588,098)</u>
Increase (Decrease) in Cash and Equivalents	(1,281,572)	435,145
Cash and Equivalents at Beginning of Year	<u>6,231,855</u>	<u>5,796,710</u>
Cash and Equivalents at End of Year	<u><u>4,950,283</u></u>	<u><u>6,231,855</u></u>
Represented by:		
Cash and short term investments	4,950,283	6,231,855
Bank indebtedness	<u>0</u>	<u>0</u>
	<u><u>4,950,283</u></u>	<u><u>6,231,855</u></u>

¹ Interest received during the year was \$55,525 (2016 - \$157,714). Interest paid during the year was \$175,002 (2016 - \$190,795). 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, 2017

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, 2017

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
- WWK Marine Terminals 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, 2017

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 \$????? 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, 2017

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, 2017

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.

q) Change in Accounting Policy for Tangible Capital Assets

During the year management changed the policy for treatment of tangible capital assets to adopt the provisions of the Public Sector Accounting Standards for accounting for tangible capital assets. The change has been applied retroactively and the prior periods have been restated to reflect the impact of the change. The impact of the change on the prior periods is as follows:

	Originally Reported \$	Impact of Change in Policy \$	Restated \$
Prior year opening balances April 1, 2015			
Cost of tangible capital assets	20,577,723	0	20,577,723
Accumulated amortization	6,464,726	(2,143,759)	4,320,967
Net book value	14,112,997	2,143,759	16,256,756
Accumulated Surplus	24,611,002	2,143,759	26,754,761
Prior year results to March 31, 2016			
Amortization	723,284	(208,535)	514,749
Loss (Gain) on disposal of assets	(6,000)	6,938	938
Net book value	13,638,650	2,345,356	15,984,006
Accumulated Surplus	23,988,688	2,345,356	26,334,044

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

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, 2020.

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.

3. CASH AND CASH EQUIVALENTS

The general bank account has an overdraft facility in the amount of \$200,000 (2016 - \$200,000) with interest at prime plus 0.5% (2016 - prime plus 0.5%).

Cash and cash equivalents are comprised of the following:

	2017	2016
	\$	\$
Internally restricted		
Impact benefits agreement account	5,233,390	5,540,170
Lands & Natural Resources trust funds	0	180,133
Forest & range contribution and revenue sharing	22,392	342,982
	<u>5,255,782</u>	<u>6,063,285</u>
Unrestricted		
Operating	0	168,570
Cheques issued in excess of deposits	(290,499)	0
Overdraft facility	(15,000)	0
	<u>(305,499)</u>	<u>168,570</u>
Total Cash and Cash Equivalents	<u>4,950,283</u>	<u>6,231,855</u>
Reported as:		
Cash and cash equivalents	4,950,283	6,231,855
Bank indebtedness	0	0
	<u>4,950,283</u>	<u>6,231,855</u>

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

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.

	2017	2016
	\$	\$
First Nation Finance Authority		
Secured revenues trust account	223,142	79,104
Debt reserve fund	188,001	186,697
	<u>411,143</u>	<u>265,801</u>

5. ACCOUNTS RECEIVABLE

	2017	2016
	\$	\$
Due from members:		
First Nation Members		
• User Fees	204,934	200,651
• Loans	28,025	28,025
Allowance for doubtful accounts	(232,959)	(228,676)
	<u>0</u>	<u>0</u>
Due from others:		
Indigenous and Northern Affairs Canada	380,294	134,044
Fisheries and Oceans Canada	3,879	16,117
Canada Mortgage and Housing Corporation	0	23,542
Western Economic Diversification Canada	67,905	0
Province of British Columbia & Agencies	7,017	1,911
Kwakiutl District Council	11,820	11,820
North Vancouver Island Aboriginal Training Society	145,468	15,855
Nuyumbalees Society	88,912	80,587
Other First Nations and Agencies	17,794	22,359
Sales tax recoverable	9,496	5,211
General accounts	77,300	60,974
	<u>809,885</u>	<u>372,420</u>
Allowance for doubtful accounts	(100,732)	(90,674)
	<u>709,153</u>	<u>281,746</u>
Net accounts receivable	<u>709,153</u>	<u>281,746</u>

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

6. INVENTORY

	2017	2016
	\$	\$
Tobacco Products for Resale	5,586	4,906
	<u>5,586</u>	<u>4,906</u>

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.

	2016	Additions	Withdrawals	2017
	\$	\$	\$	\$
Revenue accounts	1,118	4,731	(4,672)	1,177
Capital accounts	112,080	0	0	112,080
	<u>113,198</u>	<u>4,731</u>	<u>(4,672)</u>	<u>113,257</u>

8. DUE FROM (TO) RELATED ENTITIES

	2017	2016
	\$	\$
Current Operating Advances due from (to):		
1012577 BC Ltd.	191,869	0
Cape Mudge Campsites Ltd.	22,096	11,369
Cape Mudge Developments Ltd.	25,263	(23,258)
Cape Mudge Resort Ltd.	114,700	11,582
Kerdan Hotel Ltd.	491,500	17,865
Middle Point Harbour Limited Partnership	0	1,155
Quinsam LFRC Limited Partnership	71,185	0
Quinsam Liquor Store Ltd	22,658	(233)
Quinsam Service Station Partnership	207,231	155,395
Quinsam Reserve Leasing Inc.	1,215	0
Quinsam Properties BT Inc.	461	0
WWK Forestry Limited Partnership	32,003	46,003
WWK Marine Terminals Limited Partnership	221,562	56,416
	<u>1,401,743</u>	<u>276,294</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, 2017

9. NOTES RECEIVABLE

	2017	2016
	\$	\$
1012577 BC Ltd.	0	2,758,356
	<u>0</u>	<u>2,758,356</u>

The Nation had 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. Upon the completion of the liquidation of the underlying assets the debt has been converted to a shareholder loan bearing no interest and incorporated in the Investment in Business Enterprises in Note 10.

10. INVESTMENT IN BUSINESS ENTERPRISES

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

	2017	2016
	\$	\$
Non-Controlling Interest Investments		
Leqwa Enterprises Inc.	1	1
Quadra Links Limited	25,000	25,000
WWK & P Holdings Ltd.	359,579	359,579
	<u>384,580</u>	<u>384,580</u>
Investments in Business Enterprises		
1012577 BC Ltd.	2,506,096	1
Cape Mudge Campsites Ltd.	96,772	123,749
Cape Mudge Developments Ltd.	199,768	186,188
Cape Mudge Forestry Ltd.	1	1
Cape Mudge Resort Ltd.	77,723	222,444
Kerdan Hotel Ltd.	0	625,000
Quinsam Liquor Store Ltd.	1,047,983	924,925
Quinsam Properties BT Inc.	1	1
Quinsam Reserve Leasing Ltd.	1	1
We Wai Kai Forestry (LPGP) Ltd.	18,050	18,012
We Wai Kai Seafood Corporation	0	125,615
	<u>3,946,395</u>	<u>2,225,937</u>

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

10. INVESTMENT IN BUSINESS ENTERPRISES (continued)

Investments & Earnings in Business Partnerships

A-Tlegay Fisheries Limited Partnership	742,980	567,782
Laich-Kwil-Tach Environmental Assessment Limited Partnership	569,035	542,045
Quinsam LFRC Limited Partnership	19,457	37,795
Quinsam Service Station Partnership	2,960,888	2,342,825
WWK Forestry Limited Partnership	11,651	607,914
	<u>4,304,011</u>	<u>4,098,361</u>
Net Investment in Business Enterprises	<u><u>8,634,986</u></u>	<u><u>6,708,878</u></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, 2017

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.

The interest in the WWK Marine Terminals Limited Partnership consists of a 99.9% interest as a limited partner with 1012577 BC Ltd. holding a 0.1% 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 31/16 - Mar 31/17	Mar 31/17	Mar 31/17
Assets			
Current	1,889,174	2,372,868	67,851
Capital & Other	3,818,244	1,855,324	2,888,703
	5,707,418	4,228,192	2,956,554
Liabilities			
Current	865,307	560,660	228,962
Long Term	4,493,633	2,614,350	2,795,259
Partner's Interest	(15,158)	1,408,539	(66)
	5,343,782	4,583,549	3,024,155
Net Assets (Liabilities)	363,636	(355,357)	(67,601)
 Total Revenues	 20,439,836	 3,173,178	 488,443
Total Expenses	20,321,056	3,123,852	556,111
Net Income (Loss) for the Year	118,780	49,326	(67,668)

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
	\$	\$
Trade payables	246,467	149,755
Accrued salaries and benefits payable	34,060	30,287
Sales taxes payable	2,840	2,318
Other accrued liabilities	407,669	499,054
	<u>691,036</u>	<u>681,414</u>

13. EMPLOYEE BENEFIT OBLIGATIONS

	2017	2016
	\$	\$
Vacation and overtime	63,002	99,160
Pension plan contributions	10,050	11,761
	<u>73,052</u>	<u>110,921</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 \$46,041 (2016- \$55,224) for retirement benefits. The Nation does not have any other obligations with regards to the pension plan as at March 31, 2017.

14. DEPOSITS HELD IN TRUST

	2017	2016
	\$	\$
Housing Application Deposits	1,500	7,500
	<u>1,500</u>	<u>7,500</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, 2017

15. DEFERRED REVENUES

Deferred revenues consist of the following:

	2016 \$	Funding received (repaid) \$	Revenue Recognized \$	2017 \$
Sources:				
INAC - Sports Field	0	250,000	0	250,000
INAC - Water System Upgrade	85,157	0	(85,157)	0
Property lease revenue	12,961	0	(1,569)	11,392
	<u>98,118</u>	<u>250,000</u>	<u>(86,726)</u>	<u>261,392</u>

16. LONG-TERM DEBT

	2017 \$	2016 \$
RBC Royal Bank		
Term Loan (Consolidated Loan)	1,220,447	1,609,225
Term Loan (Quinsam LRS)	269,022	325,849
First Nations Finance Authority (FNFA)		
Term Loan D1 (Land purchase)	952,177	990,057
Term Loan D2 (Corporate restructuring)	1,214,246	1,263,714
Term Loan D3 (Corporate restructuring)	1,294,822	1,332,000
	<u>4,950,714</u>	<u>5,520,845</u>

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, 2017 is \$792,434.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

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 D3 (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 2.9%. The loan is repayable on the earlier of the completion of the purpose of the borrowing and June 26, 2024. Loan is secured by assignment of cigarette franchise fees.

Future scheduled payments on long term debt is as follows:

Year ended March 31, 2018	\$758,650
Year ended March 31, 2019	\$758,650
Year ended March 31, 2020	\$725,228
Year ended March 31, 2021	\$318,250
Year ended March 31, 2022	\$271,097

17. CAPITAL LEASE OBLIGATIONS

	2017	2016
	\$	\$
RBC Royal Bank	0	7,976
	<u>0</u>	<u>7,976</u>

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

2018	<u>0</u>
Less: imputed interest	<u>0</u>
Balance of obligation	<u>0</u>

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

18. TANGIBLE CAPITAL ASSETS

	Cost \$	Additions \$	Disposals \$	Accumulated amortization \$	2017 Net book value \$
Land held for development	2,696,426	0	0	0	2,696,426
Band Buildings	6,363,496	215,449	0	1,725,678	4,853,267
Infrastructures:					
• Subdivisions	9,232,599	460,880	0	2,204,205	7,489,274
• Roads	1,208,141	160,554	0	821,539	547,156
• Water Systems	558,385	166,895	0	91,297	633,983
• Sewer Systems	218,456	0	0	98,107	120,349
Automotive & vessels	332,321	10,332	0	239,656	102,997
General equipment	48,634	0	0	27,209	21,425
Equipment under capital lease	48,618	0	0	48,618	0
Office equipment	75,117	0	0	56,736	18,381
Computer equipment	29,598	0	0	27,198	2,400
Work in progress	0	421,430	0	0	421,430
	<u>20,811,791</u>	<u>1,435,540</u>	<u>0</u>	<u>5,340,243</u>	<u>16,907,088</u>

	Cost \$	Additions \$	Disposals \$	Accumulated amortization \$	2016 Net book value \$
Land held for development	2,696,426	0	0	0	2,696,426
Band Buildings	6,287,264	76,232	0	1,552,730	4,810,766
Infrastructures:					
• Subdivisions	9,232,599	0	0	1,973,122	7,259,477
• Roads	1,208,141	0	0	770,002	438,139
• Water Systems	388,574	169,811	0	76,990	481,395
• Sewer Systems	218,456	0	0	92,646	125,810
Automotive & vessels	347,190	0	14,869	217,063	115,258
General equipment	48,634	0	0	23,491	25,143
Equipment under capital lease	48,618	0	0	43,756	4,862
Office equipment	72,223	2,894	0	53,150	21,967
Computer equipment	29,598	0	0	24,835	4,763
	<u>20,577,723</u>	<u>248,937</u>	<u>14,869</u>	<u>4,827,785</u>	<u>15,984,006</u>

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

19. DEFERRED EXPENDITURES

Deferred expenditures represent payments made before March 31, 2017 which will be funded from future year's revenues.

	2017	2016
	\$	\$
Social Assistance Payments	6,998	4,783
Prepaid Student Allowances	34,075	38,654
Miscellaneous	13,471	92,341
	<u>54,544</u>	<u>135,778</u>

20. ACCUMULATED SURPLUS

	2017	2016
	\$	\$
Internally Restricted:		
Invested in tangible capital assets	16,907,088	15,984,006
Invested in business enterprises & notes receivable	8,634,986	9,467,234
Less long term debt	(4,950,714)	(5,528,821)
	<u>20,591,360</u>	<u>19,922,419</u>
Externally Restricted:		
Capital projects	66,945	0
Funds held in trust by government	113,257	113,198
Taxation Contingency Reserve	0	0
FNFA Debt Reserve Fund	188,001	186,697
Trust & Reserves balances	846,674	833,894
	<u>1,214,877</u>	<u>1,133,789</u>
Unrestricted surplus	5,403,852	5,277,836
Accumulated surplus at end of year	<u>27,210,089</u>	<u>26,334,044</u>

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

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 \$3,831,528 (2016 - \$3,602,943).

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 \$4,757,092 as of March 31, 2017 (2016 - \$4,392,348).

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

22. SCHEDULE OF EXPENDITURES BY OBJECT

The following is a summary of expenses by object:

	2017	2016
	\$	\$
Wages and payroll costs	1,418,290	1,409,491
Social Program costs	612,943	558,483
Direct member benefits	576,610	570,429
Amortization	512,458	514,749
Consulting & professional fees	398,771	554,043
Residential construction costs	268,777	149,465
Utilities	254,422	256,542
Tuition and books	251,046	266,510
Contract & subcontract costs	216,582	303,494
Repairs and maintenance	200,259	180,230
Honoraria	194,682	221,430
Interest and bank charges	175,002	190,795
Travel	156,175	154,744
Materials and supplies	154,634	152,935
Donations and gifts	72,501	139,111
Medical travel	64,012	61,028
Miscellaneous	58,243	56,093
Insurance	38,500	36,620
Telecommunications	31,662	38,084
Equipment costs	26,324	19,450
Training	17,066	15,436
Infrastructure construction costs	8,171	267,684
Net losses and writedowns of investments	461,075	733,002
	<u><u>6,168,205</u></u>	<u><u>6,849,848</u></u>

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

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, 2017

23. SEGMENT DISCLOSURE (continued)

Year ended March 31, 2017:

	General Administration	Community Services	Housing	Health & Social Development	Education	Community & Economic Development	Eliminations	Consolidated Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
INAC	804,058	738,896	316,510	578,547	1,100,893	716,783	0	4,255,687
Federal	0	67,905	19,211	0	0	0	0	87,116
Provincial	0	0	0	23,306	0	424,616	0	447,922
Other	263,788	76,311	0	490,810	46,563	1,517,540	(141,487)	2,253,525
	<u>1,067,846</u>	<u>883,112</u>	<u>335,721</u>	<u>1,092,663</u>	<u>1,147,456</u>	<u>2,658,939</u>	<u>(141,487)</u>	<u>7,044,250</u>
Expenses								
Salaries and benefits	488,875	52,479	0	675,236	79,484	122,216	0	1,418,290
Interest	0	0	0	0	0	175,002	0	175,002
Amortization	0	512,458	0	0	0	0	0	512,458
Other	671,769	447,608	268,776	395,653	1,223,907	1,196,229	(141,487)	4,062,455
	<u>1,160,644</u>	<u>1,012,545</u>	<u>268,776</u>	<u>1,070,889</u>	<u>1,303,391</u>	<u>1,493,447</u>	<u>(141,487)</u>	<u>6,168,205</u>
Transfers	77,477	0	0	163,007	155,935	(396,419)	0	0
Annual Surplus (Deficit)	<u>(15,321)</u>	<u>(129,433)</u>	<u>66,945</u>	<u>184,781</u>	<u>0</u>	<u>769,073</u>	<u>0</u>	<u>876,045</u>

WE WAI KAI NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

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	357,626	34,756	1,387,115	(162,034)	1,986,928
	<u>1,095,105</u>	<u>863,120</u>	<u>285,239</u>	<u>799,579</u>	<u>1,256,092</u>	<u>2,292,968</u>	<u>(162,034)</u>	<u>6,430,069</u>
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	514,749	0	0	0	0	0	514,749
Other	733,562	733,619	149,465	366,639	1,225,739	1,688,761	(162,034)	4,735,751
	<u>1,205,050</u>	<u>1,298,353</u>	<u>149,465</u>	<u>972,437</u>	<u>1,306,803</u>	<u>2,080,712</u>	<u>(162,034)</u>	<u>6,850,786</u>
Transfers	192,105	214,914	(203,758)	80,500	0	(283,761)	0	0
Annual Surplus (Deficit)	<u>82,160</u>	<u>(220,319)</u>	<u>(67,984)</u>	<u>(92,358)</u>	<u>(50,711)</u>	<u>(71,505)</u>	<u>0</u>	<u>(420,717)</u>