

**Kwikwasut'inuxw Haxwa'mis First Nation**

**Financial Statements**

**March 31, 2016**

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# **Kwikwasut'inuxw Haxwa'mis First Nation**

## **Consolidated Financial Statements**

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**Kwikwasut'inuxw Haxwa'mis First Nation**

**Management's Statement of Responsibility for Financial Reporting**

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**March 31, 2016**

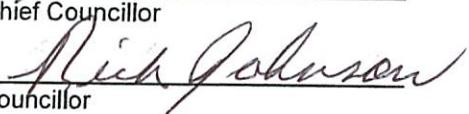
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The accompanying consolidated financial statements are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and necessarily include estimates which are based on management's best judgments.

Management is also responsible for implementing and maintaining a system of internal controls designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The consolidated financial statements have been reviewed and approved by Chief and Council.

McINTOSH | NORTON | WILLIAMS, an independent firm of chartered professional accountants, has been engaged to examine the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their report stating the scope of their examination and opinion on the consolidated financial statements follows.

  
\_\_\_\_\_  
Chief Councillor  
  
\_\_\_\_\_  
Councillor

7/25/16  
\_\_\_\_\_  
Date  
7/25/16  
\_\_\_\_\_  
Date



McINTOSH | NORTON | WILLIAMS  
Chartered Professional Accountants

Cory McIntosh, CPA, CGA CAFM, CFP\*

Jason S. Moore, BA, CPA, CGA\*

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*\*practising as a professional corporation.*

*'It's not what you earn, it's what you keep!'*

## Independent Auditor's Report

### To the Members of Kwikwasut'inuxw Haxwa'mis First Nation

We have audited the accompanying consolidated financial statements of Kwikwasut'inuxw Haxwa'mis First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus, change 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 Consolidated Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinion***

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

  
McINTOSH | NORTON | WILLIAMS  
chartered professional accountants

Port Alberni, British Columbia  
July 25, 2016

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# Kwikwasut'inuxw Haxwa'mis First Nation

## Consolidated Statement of Financial Position

March 31	2016 Actual	2015 Actual
	\$	\$
<b>Financial Assets</b>		
Cash	2,230,543	214,237
Accounts receivable (Note 2)	263,823	2,312,979
Long term investments (Note 3)	152,106	171,772
Restricted cash (Note 4)	11,455	163,403
	<b>2,657,927</b>	<b>2,862,391</b>
<b>Liabilities</b>		
Accounts payable	52,934	101,380
Wages and benefits payable	5,632	2,634
Deferred revenue	58,346	58,346
Committed funds (Note 5)	153,133	-
Long-term debt (Note 6)	444,096	453,514
	<b>714,141</b>	<b>615,874</b>
<b>Net financial assets - Page 2</b>	<b>1,943,786</b>	<b>2,246,517</b>
<b>Non-financial Assets</b>		
Prepaid expenses	17,566	10,360
Tangible capital assets (Note 7)	9,558,096	10,125,805
	<b>9,575,662</b>	<b>10,136,165</b>
<b>Accumulated Surplus (Note 9)</b>	<b>11,519,448</b>	<b>12,382,682</b>

Approved on behalf of the Kwikwasut'inuxw Haxwa'mis First Nation

Bob Namkeltin, Chief Councillor  
Rich Johnson, Councillor

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**Kwikwasut'inuxw Haxwa'mis First Nation****Consolidated Statement of Change in Net Financial Assets**

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<b>For the year ended March 31</b>	<b>2016 Actual</b>	<b>2015 Actual</b>
	\$	\$
<b>Excess (deficiency) of revenue over expenditures - Page 3</b>	<b>(710,101)</b>	1,889,621
Acquisition of tangible capital assets	(58,091)	(477,770)
Amortization of tangible capital assets	625,800	603,286
	<b>567,709</b>	125,516
Acquisition of prepaid asset	(7,206)	5,402
Changes in committed funds	(153,133)	-
(Decrease) increase in net financial assets	(302,731)	2,020,539
Net financial assets at beginning of year	2,246,517	225,978
<b>Net financial assets at end of year - Page 1</b>	<b>1,943,786</b>	2,246,517

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The accompanying notes are an integral part of the financial statements

## Kwikwasut'inuxw Haxwa'mis First Nation

### Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31	2016 Budget	2016 Actual	2015 Actual
	\$	\$	\$
<b>Revenue</b>			
Aboriginal Affairs and Northern Development Canada	1,504,464	1,058,799	3,322,428
Inter Tribal Health Authority	252,527	220,267	196,773
International Forest Products	-	84,836	91,675
Other revenue	-	78,560	77,749
T'Se'Kame' Forestry	25,000	40,681	25,850
Rental income	12,000	36,000	36,000
North Vancouver Island Aboriginal Training Society	-	31,220	8,875
Province of B.C.	-	30,000	91,138
First Nation Health Authority	-	27,440	-
User fees	25,000	24,265	24,046
North West Woods	-	19,293	-
Musamamagw Tsawataineuk Tribal Council	17,541	18,712	18,712
Interest income	-	8,942	6,501
Net income (loss) from T'Se'Kame' Forestry Ltd.	-	(6)	(2)
Net income (loss) from T'Se'Kame' Forestry LP	-	(55,952)	(20,523)
Strategic Natural Resources	-	-	22,672
Brinkman Forest Ltd.	-	-	11,220
	2,862,011	1,623,057	3,913,114
<b>Expenditures (Note 10)</b>			
Operating Fund	3,431,571	2,333,158	2,023,493
<b>Excess (deficiency) of revenue over expenditures- Page 2</b>			
	(576,060)	(710,101)	1,889,621
<b>Surplus at beginning of year</b>	-	<b>12,382,684</b>	<b>10,493,063</b>
<b>Surplus at end of year</b>	<b>(576,060)</b>	<b>11,672,583</b>	<b>12,382,684</b>

The accompanying notes are an integral part of the financial statements

# Kwikwasut'inuxw Haxwa'mis First Nation

## Consolidated Statement of Cash Flows

For the year ended March 31, 2016	2016 Actual	2015 Actual
	\$	\$
<b>Cash flows from Operating activities</b>		
Excess (deficiency) of revenue over expenditures		
Items not affecting cash	(710,101)	1,889,621
Amortization of tangible capital assets	625,800	603,286
	(84,301)	2,492,907
Change in non-cash operating working capital		
Accounts receivable	2,049,156	(2,174,756)
Prepaid expenses	(7,206)	5,402
Restricted cash	151,948	(4,556)
Accounts payable	(48,446)	(41,345)
Wages and benefits payable	2,998	(3,358)
	2,064,149	274,294
<b>Capital activities</b>		
Purchase of capital assets	(58,091)	(477,770)
<b>Financing activities</b>		
Proceeds from long term debt	-	235,000
Repayment of long term debt	(9,418)	(6,965)
Long term investments	19,666	8,228
	10,248	236,263
(Decrease) increase in cash and cash equivalents	2,016,306	32,787
<b>Cash and cash equivalents, beginning of year</b>	<b>214,237</b>	<b>181,450</b>
<b>Cash and cash equivalents, end of year</b>	<b>2,230,543</b>	<b>214,237</b>

The accompanying notes are an integral part of the financial statements

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# **Kwikwasut'inuxw Haxwa'mis First Nation**

## **Notes to Consolidated Financial Statements**

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**March 31, 2016**

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### **1. Basis of Presentation and Significant Accounting Policies**

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

#### **(a) Fund Accounting**

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

#### **(b) Reporting Entity Principles of Financial Reporting**

The Kwikwasut'inuxw Haxwa'mis First Nation reporting entity includes the Kwikwasut'inuxw Haxwa'mis First Nation Council and all related entities which are accountable to the First Nation and are either owned, directly or indirectly, or controlled by the Kwikwasut'inuxw Haxwa'mis First Nation.

These financial statements report on the assets, liabilities and results of operations for the following funds which use accounting principles that lend themselves to consolidation:

1. Operating Fund
2. Trust Fund
3. Enterprise Fund

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

#### **(c) Comparative Figures**

Comparative figures have been reclassified, where applicable, to conform to current presentation.

#### **(d) Revenue Recognition**

Funding received under the terms of agreements is recognized as revenue when received. Funding received but not yet expended is included in the applicable statement of operations.

#### **(e) Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# Kwikwasut'inuxw Haxwa'mis First Nation

## Notes to Consolidated Financial Statements

March 31, 2016

### 2. Accounts Receivable

Accounts receivable are shown net of allowance for doubtful accounts of \$96,576 (2015 - \$96,576).

### 3. Long Term Investments

	2016	2015
	\$	\$
T'Se'Kame' Forestry Ltd.	(988)	(982)
T'Se'Kame' Forestry Limited Partnership	153,093	172,753
	<b>152,105</b>	<b>171,771</b>

The First Nation owns 100% of the common shares of T'se'kame' Forestry Ltd. (TFL). The investment is recorded on the modified equity basis and is comprised of common shares of \$1 and retained deficit of \$988 (2014 - \$982). The company had assets of \$22 (2014 - \$22) and liabilities of \$1,251 (2014 - \$1,001) as at December 31, 2015; revenues of \$nil (2015 - loss \$6) and expenses of \$250 (2014 - nil) for the year then ended.

T'Se'Kame' Forestry Limited Partnership (TFLP):

- The general partner of TFLP is TFL owning 0.01% of the partnership units.
- The limited partner of TFLP, owning 99.99% of the partnership units, is Kwicksutaineuk Ah'Kwa'Ah'Mish First Nation Business Trust.
- The First Nation is the sole beneficiary of the Trust.

### 4. Restricted Cash

	2016	2015
	\$	\$
Ottawa Trust Funds - Revenue	5,741	157,689
Ottawa Trust Funds - Capital	5,714	5,714
	<b>11,455</b>	<b>163,403</b>

### 5. Committed Funds

The First Nation received \$153,133 during the year from their Ottawa Trust Fund and these funds are committed for future expenditures for new housing construction.

### 6. Long-term Debt

	2016	2015
	\$	\$
Peace Hills Trust housing mortgage, repayable at \$1,340 per month including interest at 4.84%; secured by guarantee of AANDC; renewal date May, 2017.	213,451	219,086

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## Kwikwasut'inuxw Haxwa'mis First Nation

### Notes to Consolidated Financial Statements

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**March 31, 2016**

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Peace Hills Trust housing mortgage, repayable at \$1,234 per month including interest at 3.95%; secured by guarantee of AANDC; renewal date January, 2020.	<u>230,645</u>	234,428
	<b>444,096</b>	<b>453,514</b>

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The First Nation is planning construction of 14 more housing units and has secured two mortgages, one for \$235,000 related to 6 units and another one for \$320,000 for 8 units to fund the projects; the commencement dates for these projects are unknown at this time. These mortgages will be secured by a guarantee from AANDC.

#### 7. Tangible Capital Assets

Capital assets acquired after March 31, 1986 are recorded at cost and charged to operations in the year the assets were acquired. The First Nation has not capitalized capital assets acquired before April 1, 1986. Amortization is calculated to reflect anticipated life expectancy on a declining balance basis as follows:

	Rate	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
		\$	\$	\$	\$
Buildings	4 %	<b>6,827,015</b>	<b>1,785,888</b>	<b>5,041,127</b>	<b>5,251,174</b>
Computer equipment	30 %	<b>49,460</b>	<b>38,178</b>	<b>11,282</b>	<b>4,400</b>
Construction in progress		<b>1,090,336</b>	<b>-</b>	<b>1,090,336</b>	<b>1,085,576</b>
General equipment	20 %	<b>1,573,838</b>	<b>1,308,812</b>	<b>265,026</b>	<b>310,286</b>
Infrastructure	10 %	<b>6,756,947</b>	<b>3,609,537</b>	<b>3,147,410</b>	<b>3,470,716</b>
Office equipment	20 %	<b>75,887</b>	<b>73,020</b>	<b>2,867</b>	<b>3,584</b>
Vehicles	30 %	<b>8,390</b>	<b>8,342</b>	<b>48</b>	<b>69</b>
		<b>16,381,873</b>	<b>6,823,777</b>	<b>9,558,096</b>	<b>10,125,805</b>

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## Kwikwasut'inuxw Haxwa'mis First Nation

### Notes to Consolidated Financial Statements

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March 31, 2016

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#### 8. Changes in Tangible Capital Assets

	Additions/ Transfers \$	Disposals/ Transfers \$	Amortization \$	Accumulated amortization on disposals \$
Buildings	-	-	210,047	-
Computer equipment	9,650	-	2,768	-
Construction in progress	4,760	-	-	-
General equipment	18,664	-	63,924	-
Infrastructure	25,017	-	348,323	-
Office equipment	-	-	717	-
Vehicles	-	-	21	-
<b>Total - 2016</b>	<b>58,091</b>	<b>-</b>	<b>625,800</b>	<b>-</b>
<b>Total - 2015</b>	<b>2,287,053</b>	<b>1,809,285</b>	<b>603,285</b>	<b>-</b>

#### 9. Accumulated Surplus

Accumulated surplus is comprised of:

	2016 \$	2015 \$
Restricted		
Trust Fund	<b>11,455</b>	<b>163,403</b>
Unrestricted		
Operating Fund	<b>11,384,404</b>	<b>12,037,113</b>
Enterprise Fund	<b>126,298</b>	<b>182,256</b>
	<b>11,510,702</b>	<b>12,219,369</b>
	<b>11,675,290</b>	<b>12,382,772</b>

# Kwikwasut'inuxw Haxwa'mis First Nation

## Notes to Consolidated Financial Statements

**March 31, 2016**

### 10. Expenditures

<b>For the year ended March 31</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>
	\$	\$	\$
Amortization	-	625,800	603,286
Bad debts	-	7,127	6,291
Basic needs	69,009	81,831	76,610
Child nutrition	4,198	4,198	11,498
Community activities	10,500	8,011	3,262
Computer equipment	5,446	1,443	-
Consultation	2,500	2,500	-
Contract fees	1,035,668	273,259	436,742
Council travel	14,600	32,347	25,671
Cultural enrichment	25,000	29,135	11,247
Elder costs	33,140	21,817	-
Election costs	-	6,998	5,230
Equipment	-	18,774	226,168
First Responders	9,200	3,725	-
Fuel	216,000	215,137	200,440
Healthy families	44,160	31,510	36,627
Home and community care	19,344	16,974	-
Honoraria	57,852	54,206	46,554
Housing Policy-Staff costs	1,971	4,928	-
Insurance	22,699	21,543	19,911
Interest and bank charges	1,800	6,772	6,344
Interest on long-term debt	-	21,467	11,580
Licenses, dues and fees	63	596	569
Materials and supplies	625,963	24,087	12,557
Meetings	2,500	3,472	-
Members assistance	-	500	4,700
Miscellaneous expenses	6,500	-	-
Office expenses	16,926	30,929	23,110
Payroll costs	-	1,723	-
Post secondary costs	102,320	115,473	117,662
Professional fees	185,073	154,755	62,386
Rent	11,300	9,124	6,500
Repairs and maintenance	31,240	51,525	135,353
Sports and recreation	3,032	3,200	-
Student living allowance and tuition	3,244	-	437
Student transportation	-	2,000	-
Training	6,387	52,571	1,829
Travel	246,144	90,751	50,705
Tsunami Preparedness	-	25,775	-
Utilities and telephone	21,228	28,017	22,498
Wages and benefits	390,828	286,168	296,722
Workshops and meeting costs	28,592	25,395	22,927
	<b>3,431,571</b>	<b>2,333,158</b>	<b>2,023,493</b>

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## **Kwikwasut'inuxw Haxwa'mis First Nation**

### **Notes to Consolidated Financial Statements**

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**March 31, 2016**

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#### **11. Economic Dependence**

Kwikwasut'inuxw Haxwa'mis First Nation receives the majority of its operating revenues in the form of grants and contributions from Aboriginal Affairs and Northern Development Canada. The amount of funding for each fiscal period from these entities is uncertain as the grants and contributions are subject to annual review and negotiation.

#### **12. Financial Instruments**

The financial instruments of the First Nation consist of cash, accounts receivable, accounts payable and accrued liabilities, wages and benefits payable, due to government agencies, and long term debt. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

#### **13. Related Party Transactions**

During the year the First Nation entered into transactions with T'se'kame' Forestry Limited Partnership. The transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the current year the First Nation charged contract fees in the amount of \$40,681 (2015 - 25,850 for administration fees).