

Kwikwasut'inuxw Haxwa'mis First Nation

Financial Statements

March 31, 2017

Kwikwasut'inuxw Haxwa'mis First Nation

Consolidated Financial Statements

March 31, 2017

Page

Management's Statement of Responsibility for Financial Reporting

Independent Auditor's Report

Financial Statements

Consolidated Statement of Financial Position	1
Consolidated Statement of Change in Net Financial Assets	2
Consolidated Statement of Operations and Accumulated Surplus	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Consolidated Financial Statements	5 - 11

Consolidated Schedules of Financial position and Operations and Accumulated Surplus by Program

Operating Fund	12 - 46
Trust Fund	47
Enterprise Fund	48

Mandatory reporting requirements

Social Development Schedule Supplementary Information	49
Education Schedule Supplementary Information	50
Council and Administration Schedule Supplementary Information	51

Kwikwasut'inuxw Haxwa'mis First Nation

Management's Statement of Responsibility for Financial Reporting

March 31, 2017

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.

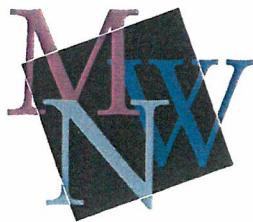
Management is also responsible for implementing and maintaining a system of internal controls designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss and financial records are properly maintained to provide reliable information for the preparation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

R. D. Scott
Councillor
Rich Johnson
Councillor

August 8/17
Date
August 8/17
Date



McINTOSH | NORTON | WILLIAMS
Chartered Professional Accountants

Cory McIntosh, CPA, CGA CAFM, CFP*
Jason S. Moore, BA, CPA, CGA*
Michael K. Williams, CPA, CGA*

*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, 2017, 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, 2017, 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
August 8, 2017

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Kwikwasut'inuxw Haxwa'mis First Nation

Consolidated Statement of Financial Position

March 31	2017 Actual	2016 Actual
	\$	\$
Financial Assets		
Cash	1,806,103	2,246,294
Accounts receivable (Note 2)	158,800	263,122
Long term investments (Note 3)	107,836	152,106
Restricted cash (Note 4)	12,393	11,455
	2,085,132	2,672,977
Liabilities		
Accounts payable	120,274	52,934
Wages and benefits payable	12,351	5,632
Deferred revenue	59,346	58,346
Committed funds (Note 5)	-	153,133
Long-term debt (Note 6)	429,972	444,096
	621,943	714,141
Net financial assets - Page 2	1,463,189	1,958,836
Non-financial Assets		
Prepaid expenses	17,060	17,566
Tangible capital assets (Note 7)	9,307,076	9,558,096
	9,324,136	9,575,662
Accumulated Surplus (Note 9)	10,787,325	11,534,498

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

R. D. Sow, Councillor

Rich Johnson, Councillor

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

For the year ended March 31	2017 Actual	2016 Actual
	\$	\$
Deficiency of revenue over expenditures - Page 3	(900,302)	(695,143)
Acquisition of tangible capital assets	(322,348)	(58,091)
Amortization of tangible capital assets	<u>573,364</u>	<u>625,800</u>
	251,016	567,710
Acquisition of prepaid asset	506	(7,115)
Changes in committed funds	153,133	(153,133)
Decrease in net financial assets	(495,647)	(287,681)
Net financial assets at beginning of year	1,958,836	2,246,517
Net financial assets at end of year - Page 1	1,463,189	1,958,836

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	2017 Budget (Unaudited)	2017 Actual	2016 Actual
	\$	\$	\$
Revenue			
Indigenous and Northern Affairs Canada	725,277	937,851	1,058,799
Inter Tribal Health Authority	262,997	242,466	220,267
International Forest Products	-	132,114	84,836
Rental income	-	36,000	36,000
Other revenue	-	32,116	78,560
T'Se'Kame' Forestry	-	31,915	40,681
North Vancouver Island Aboriginal Training Society	-	27,052	31,220
User fees	25,000	25,441	24,265
Musgamagw Dzawada'enuxw Tribal Council	17,541	18,367	18,712
Interest income	-	14,612	8,942
Net income (loss) from T'Se'Kame' Forestry Ltd.	-	(9)	(6)
Net income (loss) from T'Se'Kame' Forestry LP	-	(93,594)	(55,952)
Province of B.C.	-	-	30,000
First Nation Health Authority	-	-	27,440
North West Woods	-	-	19,293
	1,247,178	1,404,331	1,623,057
Expenditures (Note 10)			
Operating Fund	1,414,830	2,304,633	2,318,200
Deficiency of revenue over expenditures- Page 2	(167,852)	(900,302)	(695,143)
Surplus at beginning of year	-	11,687,627	12,382,770
Surplus at end of year	(167,852)	10,787,325	11,687,627

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, 2017	2017 Actual	2016 Actual
	\$	\$
Cash flows from Operating activities		
Deficiency of revenue over expenditures		
Items not affecting cash	(900,302)	(695,143)
Amortization of tangible capital assets	573,364	625,800
	(326,938)	(69,343)
Change in non-cash operating working capital		
Accounts receivable	104,322	2,049,857
Prepaid expenses	506	(7,206)
Restricted cash	(938)	151,948
Accounts payable	67,333	(48,355)
Deferred revenue	1,000	-
Wages and benefits payable	6,719	2,998
	(147,996)	2,079,899
Capital activities		
Purchase of capital assets	(322,344)	(58,091)
Financing activities		
Repayment of long term debt	(14,121)	(9,417)
Long term investments	44,270	19,666
	30,149	10,249
(Decrease) increase in cash and cash equivalents	(440,191)	2,032,057
Cash and cash equivalents, beginning of year	2,246,294	214,237
Cash and cash equivalents, end of year	1,806,103	2,246,294

The accompanying notes are an integral part of the financial statements

Kwikwasut'inuxw Haxwa'mis First Nation

Notes to Consolidated Financial Statements

March 31, 2017

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. Details 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

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

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

Kwikwasut'inuxw Haxwa'mis First Nation

Notes to Consolidated Financial Statements

March 31, 2017

1. Basis of Presentation and Significant Accounting Policies (continued)

(e) Use of Estimates

In preparing the consolidated financial statements for the Council, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimates include accounts receivable, allowance for doubtful accounts, tangible capital assets (amortization), accounts payable and accrued liabilities. Actual results could differ from these estimates.

2. Accounts Receivable

Accounts receivable are shown net of allowance for doubtful accounts of nil (2016 - \$96,576).

3. Long Term Investments

	2017	2016
	\$	\$
T'Se'Kame' Forestry Ltd.	(996)	(987)
T'Se'Kame' Forestry Limited Partnership	108,832	153,093
	107,836	152,106

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 \$996 (2015 - \$987). The company had assets of \$6 (2015 - \$15) and liabilities of \$1,502 (2015 - \$1,502) as at December 31, 2016; revenues of \$(9) (2015 - \$(6)) and expenses of nil (2015 - \$250) 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 investment is recorded on the modified equity basis and is comprised of units of \$9,999 and partnership surplus(deficit) of \$(9,258) (2015 - \$84,336). The limited partnership had assets of \$290,320 (2015 - \$335,356) and liabilities of \$289,574 (2015 - \$241,007) as at December 31, 2016; revenues of \$139,249 (2015 - \$87,165) and expenses of \$232,852 (2015 - \$143,123) for the year then ended.

- The First Nation is the sole beneficiary of the Trust.

Kwikwasut'inuxw Haxwa'mis First Nation

Notes to Consolidated Financial Statements

March 31, 2017

4. Restricted Cash

	2017	2016
	\$	\$
Ottawa Trust Funds - Revenue	6,679	5,741
Ottawa Trust Funds - Capital	5,714	5,714
	12,393	11,455

5. Committed Funds

The First Nation received nil (2016 - \$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

	2017	2016
	\$	\$
Peace Hills Trust housing mortgage, repayable at \$1,340 per month including interest at 4.84%; secured by guarantee of AANDC; renewal date February, 2018.	207,295	213,451
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>222,677</u>	<u>230,645</u>
	429,972	444,096

Principal portion of long-term debt due within the next four years:

2018	213,385
2019	6,336
2020	6,569
2021	203,682
	429,972

Kwikwasut'inuxw Haxwa'mis First Nation

Notes to Consolidated Financial Statements

March 31, 2017

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	2017 Net book value	2016 Net book value
		\$	\$	\$	\$
Buildings	4 %	6,827,015	1,987,532	4,839,483	5,041,127
Computer equipment	30 %	49,460	41,564	7,896	11,282
Construction in progress		1,412,680	-	1,412,680	1,090,336
General equipment	20 %	1,573,838	1,361,817	212,021	265,026
Infrastructure	10 %	6,756,947	3,924,278	2,832,669	3,147,410
Office equipment	20 %	75,887	73,594	2,293	2,867
Vehicles	30 %	8,390	8,356	34	48
		16,704,217	7,397,141	9,307,076	9,558,096

Construction in progress primarily consists of subdivision development costs including engineering, design and contracting that are incomplete at year end and are therefore not being amortized.

8. Changes in Tangible Capital Assets

	Additions/ Transfers	Disposals/ Transfers	Amortization	Accumulated amortization on disposals
	\$	\$	\$	\$
Buildings	-	-	201,644	-
Computer equipment	-	-	3,386	-
Construction in progress	322,344	-	-	-
General equipment	-	-	53,005	-
Infrastructure	-	-	314,741	-
Office equipment	-	-	574	-
Vehicles	-	-	14	-
Total - 2017	322,344	-	573,364	-
Total - 2016	58,091	-	625,800	-

Kwikwasut'inuxw Haxwa'mis First Nation

Notes to Consolidated Financial Statements

March 31, 2017

9. Accumulated Surplus

Accumulated surplus is comprised of:

	2017	2016
	\$	\$
Restricted		
Trust Fund	12,392	11,455
Unrestricted		
Operating Fund	10,742,238	11,396,745
Enterprise Fund	32,695	126,298
Committed funds	-	153,129
	10,774,933	11,676,172
	10,787,325	11,687,627

Kwikwasut'inuxw Haxwa'mis First Nation

Notes to Consolidated Financial Statements

March 31, 2017

10. Expenditures

For the year ended March 31	2017 Budget (Unaudited)	2017 Actual	2016 Actual
	\$	\$	\$
Amortization	-	573,364	625,800
Advertising	400	664	-
Bad debts	-	13,483	7,127
Basic needs	65,897	84,894	81,831
Child nutrition	4,198	3,642	4,198
Community activities	4,500	4,974	5,011
Computer equipment	4,000	-	1,443
Consultation	-	27,440	2,500
Contract fees	102,634	237,780	254,702
Council travel	20,200	55,075	32,347
Cultural enrichment	24,284	20,783	29,135
Elder costs	23,240	25,737	21,817
Election costs	-	3,500	6,998
Equipment	-	-	110
First Responders	9,200	5,350	3,725
Fuel	216,000	234,589	215,137
Healthy families	44,160	77,030	28,780
Home and community care	19,379	10,618	16,974
Honoraria	56,952	56,024	54,206
Housing Policy-Staff costs	-	-	4,928
Insurance	26,961	20,735	20,623
Interest and bank charges	1,800	7,639	6,772
Interest on long-term debt	-	16,760	21,467
Licenses, dues and fees	63	511	596
Materials and supplies	38,325	49,670	14,797
Meetings	-	4,115	3,472
Members assistance	-	500	500
Office expenses	19,790	26,133	20,214
Payroll costs	-	-	1,723
Post secondary costs	99,142	84,979	115,473
Professional fees	52,895	116,521	154,755
Rent	10,800	7,200	9,124
Repairs and maintenance	31,240	39,132	51,525
Sports and recreation	3,032	3,200	3,200
Student living allowance and tuition	5,450	-	-
Student transportation	2,520	2,730	2,000
Subcontract expenses	18,200	27,610	-
Training	-	32,434	52,571
Travel	68,231	54,254	88,197
Tsunami Preparedness	-	-	25,775
Utilities and telephone	21,228	31,261	28,017
Wages and benefits	295,280	319,789	286,168
Workshops and meeting costs	51,292	24,518	18,794

Kwikwasut'inuxw Haxwa'mis First Nation

Notes to Consolidated Financial Statements

March 31, 2017

1,414,830	2,304,633	2,318,200
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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. Subsequent Events

The resignation of the band manager was accepted and a severance agreement negotiated subsequent to the year end.

14. Correction of Prior Period Income

The prior year has been adjusted to correct for the reversal of outstanding cheques and effects the following balances:

	2016
	\$
Cash and bank	15,750
Accounts receivable	(701)
Expenditures	(15,050)

15. Budgeted Figures

The budget reported in the financial statements was reported by management and is unaudited.

16. 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 \$18,000 (2016 -\$27,000) for administration fees.