

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

**Financial Statements**

**March 31, 2018**

---

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

## **Consolidated Financial Statements**

---

**March 31, 2018**

---

### **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 - 12

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

Operating Fund	13 - 50
Trust Fund	51
Enterprise Fund	52

#### **Mandatory reporting requirements**

Social Development Schedule Supplementary Information	53
Education Schedule Supplementary Information	54
Council and Administration Schedule Supplementary Information	55

---

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

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

---

**March 31, 2018**

---

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.

---



---

Councillor

---

Sept 26/18

Date

---



---

Councillor

---

Sept 26/18

Date



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, 2018, 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, 2018, 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

Qualicum Beach, British Columbia  
September 10, 2018

**QUALICUM BEACH**  
102-222 Second Ave. W.  
Qualicum Beach BC V9K 0A4  
T: (250) 752.6996 • F: (250) 752.1071  
TF: 1 877.752.6996

**PARKSVILLE**  
141 Alberni Hwy  
Parksville, BC  
T: (250) 586.7996  
[www.mnwca.com](http://www.mnwca.com) • [info@mnwca.com](mailto:info@mnwca.com)

**PORT ALBERNI**  
4757 Tebo Ave.  
Port Alberni, BC V9Y 8A9  
T: (250) 724.0185 • F: (250) 724.1774  
TF: 1 866 724.0185

---

**Kwikwasut'inuxw Haxwa'mis First Nation****Consolidated Statement of Financial Position**

---

March 31	2018 Actual	2017 Restated
	\$	\$
<b>Financial Assets</b>		
Cash	1,062,043	1,806,103
Accounts receivable	176,641	158,800
Long term investments (Note 3)	169,051	111,743
Restricted cash (Note 4)	13,233	12,393
	<b>1,420,968</b>	<b>2,089,039</b>
<b>Liabilities</b>		
Accounts payable	123,866	120,274
Wages and benefits payable	11,314	12,351
Deferred revenue	59,346	59,346
Long-term debt (Note 5)	417,383	429,972
	<b>611,909</b>	<b>621,943</b>
<b>Net financial assets - Page 2</b>	<b>809,059</b>	<b>1,467,096</b>
<b>Non-financial Assets</b>		
Prepaid expenses	21,856	17,060
Tangible capital assets (Note 6)	10,109,133	9,307,076
	<b>10,130,989</b>	<b>9,324,136</b>
<b>Accumulated Surplus (Note 7)</b>	<b>10,940,048</b>	<b>10,791,232</b>

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

BS Chamberlin, Councillor

Rich Johnson, Councillor

---

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

---

<b>For the year ended March 31</b>	<b>2018 Actual</b>	<b>2017 Restated</b>
	\$	\$
<b>Excess (deficiency) of revenue over expenditures - Page 3</b>	<b>148,816</b>	<b>(896,395)</b>
Acquisition of tangible capital assets	(1,324,592)	(322,347)
Amortization of tangible capital assets	522,535	573,364
	(802,057)	251,017
Acquisition of prepaid asset	(4,796)	506
Changes in committed funds	-	153,133
Decrease in net financial assets	(658,037)	(491,739)
Net financial assets at beginning of year	1,467,096	1,958,835
<b>Net financial assets at end of year - Page 1</b>	<b>809,059</b>	<b>1,467,096</b>

---

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	2018 Budget	2018 Actual	2017 Restated
	\$	\$	\$
<b>Revenue</b>			
Indigenous and Northern Affairs Canada	1,469,577	1,679,957	937,850
Inter Tribal Health Authority	219,120	219,126	242,466
International Forest Products	-	171,915	132,114
Net income (loss) from Musgamagw Fisheries Group Limited Partnership	-	115,448	-
Other revenue	10,200	93,970	32,116
Rental income	-	36,000	36,000
Province of B.C.	-	20,000	-
User fees	26,000	18,317	25,441
Musgamagw Dzawada'enuxw Tribal Council	18,367	18,265	18,367
T'Se'Kame' Forestry	18,000	18,000	31,915
Interest income	-	13,059	14,612
North Vancouver Island Aboriginal Training Society	3,038	3,043	27,052
Net income (loss) from T'Se'Kame' Forestry LP	-	(1,320)	(76,718)
Net income (loss) from T'Se'Kame' Forestry Ltd.	-	-	(8)
Loan proceeds	315,000	-	-
	2,079,302	2,405,780	1,421,207
<b>Expenditures (Note 8)</b>			
Operating Fund	1,257,153	2,256,964	2,317,602
<b>Excess (deficiency) of revenue over expenditures- Page 2</b>	<b>822,149</b>	<b>148,816</b>	<b>(896,395)</b>
<b>Surplus at beginning of year</b>	<b>10,787,325</b>	<b>10,791,232</b>	<b>11,687,627</b>
<b>Surplus at end of year</b>	<b>11,609,474</b>	<b>10,940,048</b>	<b>10,791,232</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, 2018	2018 Actual	2017 Restated
	\$	\$
<b>Cash flows from</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenditures	148,816	(896,395)
Items not affecting cash		
Amortization of tangible capital assets	522,535	573,364
	671,351	(323,031)
Change in non-cash operating working capital		
Accounts receivable	(17,841)	104,322
Prepaid expenses	(4,796)	506
Restricted cash	(840)	(938)
Accounts payable	3,594	67,333
Deferred revenue	-	1,000
Wages and benefits payable	(1,037)	6,719
	650,431	(144,089)
<b>Capital activities</b>		
Purchase of capital assets	(1,324,593)	(322,344)
<b>Financing activities</b>		
Repayment of long term debt	(12,590)	(14,121)
Long term investments	(57,308)	40,363
	(69,898)	26,242
(Decrease) increase in cash and cash equivalents	(744,060)	(440,191)
<b>Cash and cash equivalents, beginning of year</b>	<b>1,806,103</b>	<b>2,246,294</b>
<b>Cash and cash equivalents, end of year</b>	<b>1,062,043</b>	<b>1,806,103</b>

The accompanying notes are an integral part of the financial statements

---

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

## **Notes to Consolidated Financial Statements**

---

**March 31, 2018**

---

### **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 - reports the general activities and capital assets of the First Nation, together with their related financing
2. Trust Fund - reports on trust funds owned by the First Nation and held by the Government of Canada
3. Enterprise Fund - reports the income/loss and investment in entities that the First Nation is invested in

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) 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, 2018**

---

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

#### **(d) Cash**

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

#### **(e) 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 for resale. Non-financial assets include tangible capital assets and prepaid expenses.

#### **(f) Comparative Figures**

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

#### **(g) Budget**

The budgeted figures reported in the financial statements have been prepared for comparison purposes and have been derived from estimates prepared by management and council. Not all aspects of the financial statements and supporting schedules have budget figures and therefore the budget is incomplete and is unaudited.

#### **(h) 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. 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 (2017 -\$18,000) for administration fees.

T'se'kame' Forestry Limited Partnership charged the First Nation \$27,300 for garbage collection services and \$45,835 for water taxi services which are included in expenses in the current year financial statements

---

## Kwikwasut'inuxw Haxwa'mis First Nation

### Notes to Consolidated Financial Statements

---

March 31, 2018

---

#### 3. Long Term Investments

	2018	2017
		Restated
	\$	\$
T'Se'Kame' Forestry Ltd.	(995)	(995)
T'Se'Kame' Forestry Limited Partnership	54,598	112,738
Musgamagw Fisheries Group Limited Partnership	115,448	-
	<b>169,051</b>	<b>111,743</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 \$996 (2016 - \$996). The company had assets of \$6 (2016 - \$6) and liabilities of \$1,502 (2016 - \$1,502) as at December 31, 2017; revenues of \$0 (2016 - (\$)) and expenses of nil (2016 - 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 Kwikwasut'inuxw Haxwa'mis First Nation.

The investment is recorded on the modified equity basis and is comprised of units of \$9,999 and partnership surplus(deficit) of \$16,298 (2016 - (\$17,618)). The limited partnership had assets of \$282,130 (2016 - \$292,747) and liabilities of \$265,824 (2016 - \$275,124) as at December 31, 2017; revenues of \$175,278 (2016 - \$156,126) and expenses of \$176,598 (2016 - \$232,852) for the year then ended.

The First Nation owns 33.33% of the common shares of Musgamagw Fisheries Group GP Ltd. (MFGL). The investment is recorded on the modified equity basis and is comprised of common shares of \$100 and retained deficit of \$465 (2016 - nil). The company had assets of \$335 (2016 - nil) and liabilities of \$500 (2016 - nil) as at December 31, 2017; revenues of \$35 (2016 - nil) and expenses of \$500 (2016 - nil) for the year then ended.

Musgamagw Fisheries Group Limited Partnership (MFLP):

- The general partner of MFLP is MFGL owning 0.01% of the partnership units.
- The limited partner of MFLP, owning 33.33% of the partnership units, is Kwikwasut'inuxw Haxwa'mis First Nation. The remaining partnership units are owned by two other First Nations.

The investment is recorded on the modified equity basis and is comprised of units of \$33 and partnership surplus(deficit) of \$346,379. The limited partnership had assets of \$639,568 and liabilities of \$293,189 as at March 31, 2018; revenues of \$561,088 and expenses of \$214,709 for the year then ended

---

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

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

---

**March 31, 2018**

---

#### **4. Restricted Cash**

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

	<b>2018</b>	2017
	\$	\$
Ottawa Trust Funds - Revenue	<b>7,520</b>	6,679
Ottawa Trust Funds - Capital	<b>5,713</b>	5,714
	<b>13,233</b>	12,393

---

#### **5. Long-term Debt**

	<b>2018</b>	2017
	\$	\$
Peace Hills Trust housing mortgage, repayable at \$1,340 per month including interest at 3.95%; secured by guarantee of AANDC; renewal January 2021.	<b>200,949</b>	207,295
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.	<b>216,434</b>	222,677
	<b>417,383</b>	429,972

---

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

2019	<b>12,835</b>
2020	<b>216,918</b>
2021	<b>187,630</b>
	<b>417,383</b>

---

---

## Kwikwasut'inuxw Haxwa'mis First Nation

### Notes to Consolidated Financial Statements

---

March 31, 2018

---

#### 6. Tangible Capital Assets

Tangible capital assets are amortized over their useful lives on the declining balance method, at the annual rates indicated below. One-half of the amortization rates are applied to assets acquired during the year. Assets are not amortized in the year of disposition.

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.

	Rate	Balance, beginning of year	Accumulated amortization			Net book value				
			Additions	Disposals	Balance, end of year	Amortization	Balance, end of year	2018	2017	
					\$			\$	\$	
Buildings	4%	6,827,015	-	-	6,827,015	1,987,532	193,580	2,181,112	4,645,903	4,839,483
Computer equipment	30%	49,460	-	-	49,460	41,564	2,369	43,933	5,527	7,896
Construction in progress		1,412,680	1,324,592	(8,872)	2,728,400	-	-	-	2,728,400	1,412,680
General equipment	20%	1,573,838	-	-	1,573,838	1,361,817	42,404	1,404,221	169,617	212,021
Infrastructure	10%	6,756,947	8,872	-	6,765,819	3,924,278	283,713	4,207,991	2,557,828	2,832,669
Office equipment	20%	75,887	-	-	75,887	73,594	459	74,053	1,834	2,293
Vehicles	30%	8,390	-	-	8,390	8,356	10	8,366	24	34
		16,704,217	1,333,464	(8,872)	18,028,809	7,397,141	522,535	7,919,676	10,109,133	9,307,076

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

---

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

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

---

---

**March 31, 2018**

---

#### **7. Accumulated Surplus**

Accumulated surplus is comprised of:

	<b>2018</b>	2017 Restated
	\$	\$
Restricted		
Trust Fund	<b>13,233</b>	<b>12,392</b>
Unrestricted		
Operating Fund	<b>10,763,116</b>	10,729,268
Enterprise Fund	<b>163,700</b>	49,572
	<b>10,926,816</b>	10,778,840
	<b>10,940,049</b>	<b>10,791,232</b>

# Kwikwasut'inuxw Haxwa'mis First Nation

## Notes to Consolidated Financial Statements

March 31, 2018

### 8. Expenditures

For the year ended March 31	2018 Budget	2018 Actual	2017 Actual
	\$	\$	\$
Amortization	-	522,535	573,364
Advertising	600	460	664
Bad debts	-	10,983	13,483
Basic needs	83,882	131,491	84,894
Child nutrition	4,198	1,890	3,642
Community activities	4,800	4,868	5,934
Consultation	-	-	27,440
Contract fees	72,200	289,267	165,564
Council travel	30,000	61,929	55,075
Cultural enrichment	24,284	24,578	21,263
Elder costs	9,600	7,502	25,737
Election costs	-	5,210	3,500
Equipment	-	1,070	-
First Responders	4,550	7,050	5,350
Fuel	236,000	263,037	234,589
Healthy families	61,500	47,263	77,030
Home and community care	9,708	7,655	10,618
Honoraria	59,514	55,279	56,024
Insurance	10,800	20,907	20,735
Interest and bank charges	7,000	9,323	7,639
Interest on long-term debt	-	18,295	16,760
Licenses, dues and fees	500	285	511
Materials and supplies	15,200	23,816	121,886
Meetings	-	332	4,115
Members assistance	-	1,000	500
Office expenses	18,595	17,376	26,127
Post secondary costs	130,383	116,341	84,979
Professional fees	36,000	82,941	116,521
Rent	9,600	7,200	7,200
Repairs and maintenance	37,400	60,050	48,742
Sports and recreation	3,200	2,972	3,200
Student living allowance and tuition	1,033	1,000	-
Student transportation	1,920	1,920	2,730
Subcontract expenses	-	-	27,610
Training	-	-	32,434
Travel	13,700	36,501	56,174
Utilities and telephone	30,597	27,555	31,261
Wages and benefits	313,472	353,429	319,789
Workshops and meeting costs	26,917	33,655	24,518
	1,257,153	2,256,964	2,317,602

---

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

## **Notes to Consolidated Financial Statements**

---

**March 31, 2018**

---

### **9. Employment Retirement Plan**

The organization has a defined contribution plan for its employees. Participation in the pension plan is available to substantially all employees. Employees may contribute 5% of their gross pay with the organization making a matching contribution to the plan. Any voluntary amounts paid by the employee are not matched. Total employer contributions for 2018 were \$7,630.

### **10. Subsequent Events**

Subsequent to the year end, a new mortgage in the amount of \$320,000 was negotiated and received to provide additional financing for the housing project under construction.

### **11. Termination Benefits**

During the year an employee resigned and a severance package was negotiated and paid out. The amount is included in wages and benefits.

### **12. Economic Dependence**

Kwikwasut'inuxw Haxwa'mis First Nation receives the majority of its operating revenues in the form of grants and contributions from Indigenous and Northern Affairs Canada. The nature and extent of this revenue is of such significance that the First Nation is dependent on this source of revenue. The amount of funding for each fiscal period from this entity is uncertain as the grants and contributions are subject to annual review and negotiation.

### **13. Financial Instruments**

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

### **14. Correction of Prior Period Income**

The prior year has been adjusted to correct for payables to a related party not previously recorded and the share of income (loss) from related parties and effects the following balances:

	<b>2017</b>
	\$
Due to related parties	(3,907)
Net income (loss) from investments	16,877
Expenditures	12,970