

Mamalilikulla First Nation
Consolidated Financial Statements
March 31, 2018

Mamalilikulla First Nation

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For the year ended March 31, 2018

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Management's Responsibility

To the Members of Mamalilikulla First Nation

The accompanying consolidated financial statements of Mamalilikulla First Nation are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Mamalilikulla First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the First Nation's external auditors.

MNP LLP is appointed by the Chief and Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with, both the Chief and Council and management to discuss their audit findings.

July 23, 2018

Signed by: Sonia Roberts

Band Administrator

Independent Auditors' Report

To the Members of Mamalilikulla First Nation:

We have audited the accompanying consolidated financial statements of Mamalilikulla First Nation, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations and accumulated surplus, 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 entity'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 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 consolidated financial statements.

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

Basis for Qualified Opinion

Mamalilikulla First Nation did not prepare an approved budget for the year ended March 31, 2018. Canadian public sector accounting standards requires the approved budget to be presented in the consolidated statement of operations and accumulated surplus and change in net financial assets. Our audit opinion on the consolidated financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Mamalilikulla First Nation as at March 31, 2018 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The consolidated financial statements for Mamalilikulla First Nation for the year ended March 31, 2017 were audited by another firm of public accountants who issued an unmodified opinion on February 13, 2018.

Nanaimo, British Columbia

July 23, 2018

MNP LLP

Chartered Professional Accountants

Mamalilikulla First Nation
Consolidated Statement of Financial Position
As at March 31, 2018

	2018	<i>2017 Restated (Note 13)</i>
Financial assets		
Cash resources	1,177,725	429,572
Accounts receivable (Note 3)	3,074	30,440
Short-term loans	-	25,835
Restricted cash (Note 4)	33,894	14,352
Funds held in trust (Note 5)	1,283,879	1,267,904
Advances to related parties (Note 6)	103,989	75,824
Investment in First Nation business enterprises (Note 7)	1,578,207	22,148
Investment in First Nation business partnerships (Note 7)	2,862,144	2,675,305
Total of financial assets	7,042,912	4,541,380
Liabilities		
Accounts payable and accruals	62,369	33,523
Deferred revenue	227,105	-
Long-term debt (Note 8)	161,992	174,114
Total of financial liabilities	451,466	207,637
Net financial assets	6,591,446	4,333,743
Contingent liabilities (Note 9)		
Non-financial assets		
Tangible capital assets (Schedule 1)	432,142	371,100
Prepaid expenses	5,998	8,665
Total non-financial assets	438,140	379,765
Accumulated surplus (Note 14)	7,029,586	4,713,508

Approved on behalf of the Chief and Council

Signed by: Richard Sumner

**Chief
Councillor**

Signed by: John Powell

Councillor

Mamalilikulla First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2018

	<i>Schedules</i>	2018	<i>2017 Restated (Note 13)</i>
Revenue			
Indigenous Services Canada		979,916	449,180
Other revenue		252,711	102,656
Province of BC		151,820	2,354,786
Canada Mortgage and Housing Corporation		1,661	1,757
Earnings (loss) from investment in Nation business entities <i>(Note 7)</i>		1,550,050	(170,555)
Earnings from investment in First Nation partnerships <i>(Note 7)</i>		448,268	476,574
Interest income		30,741	25,318
Rental income		-	13,800
First Nations Education Steering Committee		-	6,217
		3,415,167	3,259,733
Expenses <i>(Schedule 2)</i>			
Band Government	3	619,927	489,081
Economic Development	4	400,768	183,958
Social Housing	5	78,394	50,176
		1,099,089	723,215
Annual surplus		2,316,078	2,536,518
Accumulated surplus, beginning of year, as previously stated		4,884,063	2,176,990
Correction of error <i>(Note 13)</i>		(170,555)	-
Accumulated surplus, beginning of year, as restated		4,713,508	2,176,990
Accumulated surplus, end of year <i>(Note 14)</i>		7,029,586	4,713,508

The accompanying notes are an integral part of these financial statements

Mamalilikulla First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2018

	2018	<i>2017 Restated (Note 13)</i>
Annual surplus	2,316,078	2,536,518
Purchases of tangible capital assets	(135,243)	(25,156)
Amortization of tangible capital assets	74,201	32,720
Use of prepaid expenses	2,667	11,087
Increase in net financial assets	2,257,703	2,555,169
Net financial assets, beginning of year	4,333,743	1,778,574
Net financial assets, end of year	6,591,446	4,333,743

Mamalilikulla First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2018

	2018	<i>2017 Restated (Note 13)</i>
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	2,316,078	2,536,518
Non-cash items		
Amortization	74,201	32,720
Bad debts	55,080	-
Earnings from investment in First Nation partnerships	(448,268)	(476,574)
Earnings (loss) from investment in First Nation business enterprises	(1,550,050)	170,555
	447,041	2,263,219
Changes in working capital accounts		
Accounts receivable	27,366	1,929
Prepaid expenses	2,667	11,087
Accounts payable and accruals	29,295	(40,423)
Deferred revenue	227,105	-
Loans receivable	25,835	-
	759,309	2,235,812
Financing activities		
Repayment of long-term debt	(12,122)	(11,404)
Capital activities		
Purchases of tangible capital assets	(135,243)	(25,156)
Investing activities		
Distributions from First Nation partnerships	365,494	127,521
Contribution to First Nation partnerships	(104,515)	(2,208,024)
Increase in funds held in trust	(15,975)	-
Decrease in funds held in trust	-	85,804
Net advances from (to) related parties	(89,253)	60,150
Increase in restricted cash	(19,542)	-
	136,209	(1,934,549)
Increase in cash resources	748,153	264,703
Cash resources, beginning of year	429,572	164,869
Cash resources, end of year	1,177,725	429,572

1. Operations

Mamalilikulla First Nation (the "First Nation") is located in the province of British Columbia, and provides various services to its members. Mamalilikulla First Nation includes the First Nation's members, government and all related entities that are accountable to the Nation and are either owned or controlled by the First Nation.

2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Reporting entity consolidated

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities and First Nation business partnerships. Trusts administered on behalf of third parties by Mamalilikulla First Nation are excluded from the First Nation reporting entity.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Social Housing

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Mamalilikulla First Nation business entities, owned or controlled by the First Nation's Chief and Council but not dependent on the First Nation for their continuing operations, are included in the financial statements using the modified equity method.

First Nation business partnerships, jointly owned and controlled by the First Nation's Chief and Council are not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method.

Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- Nanwakolas Carbon Credit Limited Partnership (23% ownership)
- Nanwakolas Forestry Limited Partnership (18% ownership)
- Nanwakolas Offset Limited Partnership (26% ownership)
- Nanwakolas Timber Limited Partnership (21% ownership)
- Nanwakolas Business Corporation
- Mamalilikulla - Qwe'Qwa'Sot'Em Economic Development Corp (Wholly owned)
- Mamalilikulla - Qwe'Qwa'Sot'Em First Nation Business Trust (Wholly owned)

Cash resources

Cash resources includes balances with banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Contributed tangible assets are recorded at their fair value at the date of contribution.

All intangible assets and items inherited by the right of the Nation, such as reserve land, forests, water and mineral resources, are not recognized in the Nation's consolidated financial statements.

2. Significant accounting policies *(Continued from previous page)*

Amortization

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives. In the year of acquisition, amortization is taken at one-half the rates. Assets under construction are not amortized until completion.

	Method	Rate
Buildings	declining balance	5 %
Automotive equipment	declining balance	30 %
Equipment	declining balance	20 %
Boats	declining balance	15 %
Social Housing	declining balance	5 %

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes 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.

Long-lived assets

Long-lived assets consist of tangible capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when asset's service potential is reduced. Impairment is measured as the amount by which the assets' carrying amount exceeds its fair value. Any impairment is included in surplus for the year. Prices for similar items are used to measure fair value of long-lived assets.

The First Nation does not perform impairment testing on its long-lived assets that are held for public administration and situated on its reserve land as it is not possible to determine their fair market value.

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

Net financial assets

The First Nation's financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2018.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at March 31, 2018, no liability for contaminated sites exists.

2. Significant accounting policies *(Continued from previous page)*

Funds held in trust

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Revenue recognition

i) *Government Funding*

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

ii) *First Nation Capital and Revenue Trust Funds*

The First Nation recognizes revenue of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

iii) *Canada Mortgage and Housing Corporation ("CMHC")*

CMHC revenue is recognized as it becomes receivable under the terms of the applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the consolidated statement of financial position in the year of receipt.

iv) *Housing rental income*

Rental revenue is recorded in the year it is earned. At the end of each year management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

v) *Own source and other revenue*

Own source and other revenue is recognized when performance is completed, amounts are measurable and collection is reasonably assured.

vi) *Investment income*

Investment income is recognized by the First Nation when investment income is earned.

Segments

The First Nation conducts its business through a number of reportable segments as described in Note 10. These operating segments are established by senior management to facilitate the achievement of the Nation's long-term objectives, to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

2. Significant accounting policies *(Continued from previous page)*

Measurement uncertainty (Use of estimates)

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management 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 expenditures during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

Expenditures that relate to on-going environmental and remediation programs are charged against operations as incurred. A liability for a contaminated site reflects management's best estimate of the amount required to remediate the contaminated site. The best estimate of the liability is based upon assumptions and estimates related to the amount and timing of costs for future site remediation.

Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in surplus in the periods in which they become known.

Changes in Accounting Policy

PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions

Effective April 1, 2017, the First Nation adopted the recommendations relating to PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

These new Sections define a related party and establish disclosures required for related party transactions. Disclosure is required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, a material financial effect on the financial statements. They also establish standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

There was no material impact on the consolidated financial statements of adopting the new Sections.

PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights

Effective April 1, 2017, the First Nation adopted the recommendations relating to PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

PS 3210 Assets provides additional guidance to clarify the definition of assets set out in PS 1000 Financial Statement Concepts.

PS 3320 Contingent Assets establishes disclosure standards on contingent assets.

PS 3380 Contractual Rights establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Section are as follows:

- Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.
- Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.
- Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

There was no material impact on the financial statements of adopting the new Sections.

Mamalilikulla First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

3. Accounts receivable

	2018	2017
Accounts receivable	3,074	13,569
Rent receivable from members	-	16,871
	3,074	30,440

4. Restricted cash

	2018	2017
Social Housing Replacement Reserve	26,138	6,596
Social Housing Operating Reserve	7,756	7,756
	33,894	14,352

Social Housing Reserves

Under the terms of the agreement with Canada Mortgage and Housing Corporation ("CMHC"), the replacement reserve account is to be credited in the amount of \$2,000 (2017 - 2,000) annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. At year end, these reserves were under-funded by \$25,758 (2017 - \$23,737)

Under the terms of the agreement with Canada Mortgage and Housing Corporation ("CMHC"), excess revenues over expenditures for the Post 1996 phases may be retained in an operating reserve. These funds along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. At year end, the operating reserve was adequately funded (2017 - adequately funded)

5. Funds held in trust

Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the First Nation's Chief and Council.

	2018	2017
Capital Trust		
Balance, beginning of year	30,122	30,122
Revenue Trust		
Balance, beginning of year	1,237,782	1,323,586
Interest	28,008	25,196
British Columbia special distribution	967	-
	1,266,757	1,348,782
Less: Transfers to Nation (Band Council Resolution: 24-November-2017)	13,000	111,000
Balance, end of year	1,253,757	1,237,782
	1,283,879	1,267,904

Mamalilikulla First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

5. Fund held in trust *(Continued from previous page)*

Ottawa Trust Funds

The Ottawa Trust accounts 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 and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

6. Advances to related parties

Amounts due to related Nation entities are unsecured, non-interest bearing and due on demand. These entities are related by virtue of common control or joint control by the Nation.

	2018	2017
Mamalilikulla Qwe'Qwa'Sot'Em First Nation Business Trust	75,824	75,824
DMT Fisheries Society	28,165	-
	103,989	75,824

Mamalilikulla First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

7. Investment in First Nation business entities

Summary financial information for each First Nation business entity, accounted for using the modified equity method, for their respective year-ends are as follows:

The First Nation has investments in the following entities:

						2018
	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>	<i>Contributions / draws</i>	<i>Other adjustments</i>	<i>Total investment</i>
First Nation Business Enterprises:						
Mamalilikulla Qwe'Qwa'Sot'Em First Nation Business Trust - 100%	(170,555)	192,702	1,550,800	6,009	-	1,578,956
Mamalilikulla Qwe'Qwa'Sot'Em Economic Development Corporation - 100%	1	-	(750)	-	-	(749)
	(170,554)	192,702	1,550,050	6,009	-	1,578,207
First Nation Business Partnerships:						
Nanwakolas Carbon Credit LP - 23%	184,763	-	199,771	(365,494)	-	19,040
Nanwakolas Forestry LP - 18%	73,599	-	(1,301)	-	-	72,298
Nanwakolas Offset LP - 26%	(1,580)	-	(1,448)	104,515	(450)	101,037
Nanwakolas Timber LP - 21%	2,418,522	-	251,246	-	-	2,669,768
Nanwakolas Business Corporation - 25%	1	-	-	-	-	1
	2,675,305	-	448,268	(260,979)	(450)	2,862,144
	2,504,751	192,702	1,998,318	(254,970)	(450)	4,440,351

Mamalilikulla First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

7. Investment in First Nation business entities *(Continued from previous page)*

						2017
	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>	<i>Contributions / draws</i>	<i>Other adjustments</i>	<i>Total investment Restated (Note 13)</i>
First Nation Business Enterprises:						
Mamalilikulla Qwe'Qwa'Sot'Em First Nation Business Trust - 100%	-	192,702	(170,555)	-	-	22,147
Mamalilikulla Qwe'Qwa'Sot'Em Economic Development Corporation - 100%	1	-	-	-	-	1
	1	192,702	(170,555)	-	-	22,148
First Nation Business Partnerships:						
Nanwakolas Carbon Credit LP - 23%	42,737	-	142,027	-	-	184,764
Nanwakolas Forestry LP - 18%	75,491	-	(1,893)	-	-	73,598
Nanwakolas Offset LP - 26%	-	-	(1,580)	-	-	(1,580)
Nanwakolas Timber LP - 21%	-	-	338,020	2,080,502	-	2,418,522
Nanwakolas Business Corporation - 25%	1	-	-	-	-	1
	118,229	-	476,574	2,080,502	-	2,675,305
	118,230	192,702	306,019	2,080,502	-	2,697,453

Continued on next page

Mamalilikulla First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

7. Investment in First Nation business entities *(Continued from previous page)*

Summary financial information for each First Nation business partnerships, accounted for using the modified equity method, for their respective year-ends is provided below.

The below information is unaudited for the following entities: Nanwakolas Carbon Credit Limited Partnership, Nanwakolas Forestry Limited Partnership, Nanwakolas Offset Limited Partnership, Nanwakolas Timber Limited Partnership.

	<i>Nanwakolas Carbon Credit Limited Partnership As at March 31, 2018 (Unaudited)</i>	<i>Nanwakolas Forestry Limited Partnership As at March 31, 2018 (Unaudited)</i>	<i>Nanwakolas Offset Limited Partnership As at March 31, 2018 (Unaudited)</i>	<i>Nanwakolas Timber Limited Partnership As at March 31, 2018 (Unaudited)</i>
Assets				
Cash	126,245	346,646	288,754	5,685,558
Accounts receivable	10	2,908	996	10
Inventory	11,841	-	-	-
Due from related parties	-	-	-	-
Other	-	64,457	-	123,886
Investment	-	-	-	5,406,449
Due from related parties	-	-	-	1,486,963
Total assets	138,096	414,011	289,750	12,702,866
Liabilities				
Accounts payable and accruals	55,819	2,799	3,005	11,444
Due to related parties	-	-	-	-
Other	-	-	-	34,253
Total liabilities	55,819	2,799	3,005	45,697
Retained earnings	82,277	411,212	286,745	12,657,169
Total revenue	1,106,886	3,653	-	1,332,204
Total expenses	237,562	11,060	5,530	115,400
Net income (loss)	869,324	(7,407)	(5,530)	1,216,804
Comprehensive income (loss)	869,324	(7,407)	(5,530)	1,216,804

Mamalilikulla First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

7. Investment in First Nation business entities (Continued from previous page)

	<i>Nanwakolas Business Corporation As at March 31, 2017 (Unaudited)</i>	<i>Mamalilikulla Qwe'Qwa'Sot'Em First Nation Business Trust As at March 31, 2018 (Unaudited)</i>	<i>Mamalilikulla Qwe'Qwa'Sot'Em Economic Development Corporation As at March 31, 2018 (Unaudited)</i>
Assets			
Cash	6	320	1
Accounts receivable	-	-	-
Inventory	-	-	-
Due from related parties	-	1,577,887	101
Other	-	11,768	-
Investment	40	-	-
Due from related parties	-	-	-
Total assets	46	1,589,975	102
Liabilities			
Accounts payable and accruals	-	4,299	750
Due to related parties	-	198,712	101
Other	-	4,755	-
Total liabilities	-	207,766	851
Retained earnings	46	1,382,209	(749)
Total revenue	-	1,583,169	-
Total expenses	-	32,218	750
Net income (loss)	-	1,550,951	(750)
Comprehensive income (loss)	-	1,550,951	(750)

Mamalilikulla First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

8. Long-term debt

	2018	2017
RBC loan, repayable in blended monthly instalments of \$475 bearing interest at RBC prime rate plus 1.55% per annum, secured by a general security agreement, maturing November 2020. At March 31, 2018 RBC prime rate was 3.45%.	14,532	19,443
All Nations Trust Company loan, repayable in blended monthly instalments of \$688, bearing interest at 1.43% per annum, secured by buildings with a net book value of \$97,555 (2017 - \$146,608), renewal April 1, 2022.	69,129	76,340
Government of Canada, repayable when the claim is settled, interest free.	78,331	78,331
	161,992	174,114

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

	Principal
2019	12,405
2020	12,770
2021	11,621
2022	7,636
2023	7,746
	52,178
Thereafter	109,814
Total	161,992

9. Contingent liabilities

As at March 31, 2018 there existed outstanding claims against the Band. These claims have been referred to legal counsel. It is not possible to determine the Band's potential liability, if any, with respect to these matters.

10. Segments

The First Nation receives revenue and incurs expenses from many different projects and sources. For management and reporting purposes, the revenue, expenses and surplus or deficits are organized by the following segments:

Band Government:

Includes general operations, support, and financial management of the First Nation.

Economic Development:

Includes revenue and expenditures related to the development of economic opportunities to members, as well as the activities related to the growth of revenue producing projects with the First Nation.

Housing:

Includes revenue and expenses related to band owned and social housing of the members of the First Nation.

Mamalilikulla First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

11. Economic dependence

Mamalilikulla First Nation receives a significant portion of its revenue from Indigenous Services Canada (ISC) as a result of funding agreements entered into with the Government of Canada. These funding agreements are administered by ISC under the terms and conditions of the *Indian Act*. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these agreements.

12. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

13. Correction of an error

During the year, the First Nation determined that:

- Losses incurred by Mamalilikulla Qwe'Qwa'Sot'Em First Nation Business Trust were not recorded in the prior year. For 2017, the impact of this correction has resulted in a decrease in investment in First Nation business enterprises of \$170,555, a decrease in earnings from investment in First Nation business enterprises of \$170,555, a decrease in annual surplus of \$170,555 and a decrease in accumulated surplus of \$170,555.

14. Accumulated surplus

Accumulated surplus consists of the following:

	2018	<i>2017 Restated (Note 13)</i>
Equity in Ottawa Trust Funds	1,283,879	1,267,904
Equity in operating fund	890,448	423,058
Equity in tangible capital assets	363,013	294,760
Investment in First Nation business entities	4,440,351	2,697,453
Replacement and operating reserves	51,895	30,333
	7,029,586	4,713,508

15. Subsequent event

Mamalilikulla First Nation is in the process of removing "Qwe'Qwa'Sot'Em" from the legal name of its business trust and business enterprises.

Mamalilikulla First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2018

	<i>Buildings</i>	<i>Automotive equipment</i>	<i>Equipment</i>	<i>Boats</i>	<i>Social Housing</i>	<i>Subtotal</i>
Cost						
Balance, beginning of year	180,667	28,900	42,183	79,933	227,335	559,018
Acquisition of tangible capital assets	-	-	-	7,000	-	7,000
Write down of tangible capital assets	(27,219)	-	-	-	-	(27,219)
Balance, end of year	153,448	28,900	42,183	86,933	227,335	538,799
Accumulated amortization						
Balance, beginning of year	49,145	10,838	14,348	32,860	80,727	187,918
Annual amortization	6,576	5,419	5,567	7,586	49,053	74,201
Accumulated amortization on disposals	(27,219)	-	-	-	-	(27,219)
Balance, end of year	28,502	16,257	19,915	40,446	129,780	234,900
Net book value of tangible capital assets	124,946	12,643	22,268	46,487	97,555	303,899
2017 Net book value of tangible capital assets	131,522	18,062	27,835	47,073	146,608	371,100

Mamalilikulla First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2018

	<i>Subtotal</i>	<i>Docks</i>	<i>2018</i>	<i>2017</i>
Cost				
Balance, beginning of year	559,018	-	559,018	533,862
Acquisition of tangible capital assets	7,000	128,243	135,243	25,156
Write down of tangible capital assets	(27,219)	-	(27,219)	-
Balance, end of year	538,799	128,243	667,042	559,018
Accumulated amortization				
Balance, beginning of year	187,918	-	187,918	155,198
Annual amortization	74,201	-	74,201	32,720
Accumulated amortization on disposals	(27,219)	-	(27,219)	-
Balance, end of year	234,900	-	234,900	187,918
Net book value of tangible capital assets	303,899	128,243	432,142	371,100
2017 Net book value of tangible capital assets	371,100	-	371,100	

Mamalilikulla First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2018

	2018	2017
Consolidated expenses by object		
Administration	19,778	13,200
Amortization	74,201	32,720
Bad debts (recovery)	55,080	(3,685)
Bank charges and interest	3,901	3,599
Contracted services	116,510	58,333
Distribution to Members	35,900	34,400
Honouraria	30,155	19,975
Insurance	17,862	7,955
Living allowance	45,497	41,120
Materials and supplies	51,121	37,849
Meeting expenses	53,266	64,518
Miscellaneous	23,755	-
Office expense	16,650	11,935
Professional fees	150,704	90,141
Program expense	-	36,342
Promotion	-	643
Rent	13,643	15,344
Repairs and maintenance	9,828	30,265
Salaries and benefits	260,658	157,703
Training	23,982	14,653
Travel	65,273	32,595
Tuition	20,913	15,731
Utilities and telephone	10,412	7,879
	1,099,089	723,215

Mamalilikulla First Nation
Band Government
Schedule 3 - Schedule of Revenue and Expenses
For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous Services Canada	522,750	349,740
Other revenue	-	20,990
First Nations Education Steering Committee	-	6,217
	522,750	376,947
Expenses		
Administration	19,778	12,000
Bank charges and interest	2,840	2,267
Contracted services	34,132	8,640
Honouraria	30,155	9,975
Insurance	14,291	4,406
Living allowance	45,497	41,120
Materials and supplies	13,452	10,755
Meeting expenses	30,433	61,018
Miscellaneous	11,000	-
Office expense	12,240	11,935
Professional fees	48,142	88,766
Program expense	-	24,724
Rent	12,103	15,344
Repairs and maintenance	5,914	19,728
Salaries and benefits	257,027	134,819
Training	3,756	-
Travel	47,842	19,974
Tuition	20,913	15,731
Utilities and telephone	10,412	7,879
	619,927	489,081
Deficit before transfers	(97,177)	(112,134)
Transfers between programs	(31,160)	(111,000)
Annual Surplus	(128,337)	(223,134)

Mamalilikulla First Nation
Economic Development
Schedule 4 - Schedule of Revenue and Expenses
For the year ended March 31, 2018

	2018	2017 <i>Restated (Note 13)</i>
Revenue		
Indigenous Services Canada	457,166	99,440
Other revenue	233,149	70,047
Province of BC	151,820	2,354,786
Earnings (loss) from investment in First Nation business enterprises	1,550,050	(170,555)
Earnings from investment in First Nation partnerships	448,268	476,574
Interest income	30,741	25,318
	2,871,194	2,855,610
Expenses		
Amortization	25,148	25,695
Bad debts (recovery)	39,259	(3,685)
Contracted services	82,379	49,692
Distribution to Band Members	35,900	34,400
Honouraria	-	10,000
Materials and supplies	37,669	27,094
Meeting expenses	22,833	3,500
Miscellaneous	12,754	-
Office expense	4,410	-
Professional fees	95,263	-
Program expense	-	11,618
Promotion	-	643
Rent	1,540	-
Repairs and maintenance (recovery)	2,325	(25,157)
Salaries and benefits	3,631	22,884
Training	20,226	14,653
Travel	17,431	12,621
	400,768	183,958
Surplus before transfers	2,470,426	2,671,652
Transfers between programs	31,160	111,000
Annual Surplus	2,501,586	2,782,652

Mamalilikulla First Nation
Social Housing
Schedule 5 - Schedule of Revenue and Expenses
For the year ended March 31, 2018

	2018	2017
Revenue		
Other revenue	19,562	11,618
Canada Mortgage and Housing Corporation	1,661	1,757
Rental income	-	13,800
	21,223	27,175
Expenses		
Administration	-	1,200
Amortization	49,053	7,025
Bad debts	15,821	-
Bank charges and interest	1,060	1,332
Insurance	3,571	3,550
Professional fees	7,300	1,375
Repairs and maintenance	1,589	35,694
	78,394	50,176
Annual Deficit	(57,171)	(23,001)