

MOWACHAHT/MUCHALAHT FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016



Mowachaht/Muchalaht First Nation

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Mowachaht/Muchalaht First Nation are the responsibility of management and have been approved by the Council of Chiefs.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council of Chiefs is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council of Chiefs meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, Allemekinders & Company, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Mowachaht/Muchalaht First Nation and meet when required.

On behalf of Mowachaht/Muchalaht First Nation :

July 28, 2016

INDEPENDENT AUDITOR'S REPORT

To the Members, Mowachaht/Muchalaht First Nation

We have audited the accompanying financial statements of Mowachaht/Muchalaht First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statement of operations, changes in net financial assets and cash flows for the year then ended, and the notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mowachaht/Muchalaht First Nation as at March 31, 2016, and of the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards for governments.



Chartered Professional Accountant



Campbell River, BC
July 28, 2016

MOWACHAHT/MUCHALAHT FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED MARCH 31, 2016

	Notes	2016 \$	2015 \$
Financial Assets			
Cash and cash equivalents	3	3,464,976	2,481,351
Accounts receivable	4	310,515	483,816
Due from related entities	5	0	5,214
Funds held in trust by government	6	2,197,463	2,053,771
Investment in government business entities	7	2,634,983	1,517,036
		<u>8,607,937</u>	<u>6,541,188</u>
Liabilities			
Accounts payable and accrued liabilities	8	307,639	593,478
Employee benefit obligations	9	52,314	47,600
Due to related entities	5	40,115	0
Deferred revenues	10	371,607	208,404
Long-term debt	11	2,936,645	3,037,566
		<u>3,708,320</u>	<u>3,887,048</u>
Net Financial Assets		<u>4,899,617</u>	<u>2,654,140</u>
Non-Financial Assets			
Deferred expenditures	12	26,605	28,856
Tangible capital assets	13	8,732,303	9,199,651
		<u>8,758,908</u>	<u>9,228,507</u>
Accumulated Surplus	14	<u>13,658,525</u>	<u>11,882,647</u>

Contingent liabilities (Note 15)

APPROVED ON BEHALF OF THE COUNCIL OF CHIEFS

MOWACHAHT/MUCHALAHT FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2016

	2016 Budget (Note 19) \$	2016 \$	2015 \$
Revenues			
Nuu-chah-nulth Tribal Council	2,051,952	2,649,003	2,265,475
Province of British Columbia	271,000	271,927	276,131
CMHC	99,600	106,583	102,098
First Nations Education Steering Committee	22,000	35,225	27,683
First People's Heritage, Language & Cultural Council	0	22,637	0
Canadian Food Inspection Agency	3,550	13,867	13,490
Nuu-chah-nulth Economic Development	0	7,716	0
Vancouver Island Health Authority	0	0	10,000
Other sources:			
Government business entities	300,000	1,517,920	775,787
BC fishery litigation settlement	296,000	276,537	0
Road use permits	0	194,120	33,978
Rental income	197,000	174,033	164,785
Aquaculture Cooperation Agreement	130,000	123,769	127,194
Interest	0	68,336	73,639
Lease income	45,000	59,792	483,272
CMT contracts and fees	0	59,015	38,000
Miscellaneous	7,200	58,507	51,689
User fees	22,600	46,022	37,107
Marina & tourism revenue	30,000	29,903	30,218
	<u>3,475,902</u>	<u>5,714,912</u>	<u>4,510,546</u>
Expenses			
Administration	1,020,126	874,777	871,611
Public works	455,572	306,723	345,609
Health programs	859,379	768,973	660,257
Education programs	319,235	328,098	221,127
Community & economic development	469,854	664,845	346,452
Capital projects	91,174	258,906	108,309
Housing programs	298,300	226,596	203,296
Treaty negotiations	0	14,489	0
Government business entities	0	659	0
Amortization and loss on disposal of assets	0	494,968	529,108
	<u>3,513,640</u>	<u>3,939,034</u>	<u>3,285,769</u>
Annual Surplus (Deficit)	<u>(37,738)</u>	<u>1,775,878</u>	<u>1,224,777</u>
Surplus at Beginning of Year	<u>11,882,647</u>	<u>11,882,647</u>	<u>10,657,870</u>
Surplus at End of Year (Note 14)	<u><u>11,844,909</u></u>	<u><u>13,658,525</u></u>	<u><u>11,882,647</u></u>

Segment Disclosure (Note 20)

MOWACHAHT/MUCHALAHT FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2016

	2016 Budget (Note 19) \$	2016 \$	2015 \$
Annual Surplus (Deficit)	<u>(37,738)</u>	<u>1,775,878</u>	<u>1,224,777</u>
Tangible capital assets			
Acquisition of capital assets	0	(27,620)	(116,254)
Amortization of capital assets	0	494,968	496,329
Proceeds on disposal of capital assets	0	0	0
Loss (gain) on disposal of capital assets	<u>0</u>	<u>0</u>	<u>32,780</u>
	<u>0</u>	<u>467,348</u>	<u>412,855</u>
 Consumption (acquisition) of deferred expenses	 <u>0</u>	 <u>2,251</u>	 <u>(503)</u>
	0	2,251	(503)
 Change in Net Financial Assets	 (37,738)	 2,245,477	 1,637,129
 Net Financial Assets at Beginning of Year	 <u>2,654,140</u>	 <u>2,654,140</u>	 <u>1,017,011</u>
Net Financial Assets at End of Year	<u><u>2,616,402</u></u>	<u><u>4,899,617</u></u>	<u><u>2,654,140</u></u>

MOWACHAHT/MUCHALAHT FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2016

	2016	2015
	\$	\$
Operating Transactions		
Annual surplus (deficit) ¹	1,775,878	1,224,777
Non-cash items included in annual surplus (deficit)	(1,165,985)	(768,883)
Changes in working capital accounts	<u>102,959</u>	<u>(125,290)</u>
	<u>712,852</u>	<u>330,604</u>
Capital Transactions		
Purchase of capital assets	<u>(27,620)</u>	<u>(116,253)</u>
	<u>(27,620)</u>	<u>(116,253)</u>
Investing Transactions		
Investment in band business enterprises	(686)	0
Recovery from band business enterprises	<u>400,000</u>	<u>300,000</u>
	<u>399,314</u>	<u>300,000</u>
Financing Transactions		
Repayment of long term debt	<u>(100,921)</u>	<u>(97,616)</u>
	<u>(100,921)</u>	<u>(97,616)</u>
Increase (Decrease) in Cash and Equivalents	983,625	416,735
Cash and Equivalents at Beginning of Year	<u>2,481,351</u>	<u>2,064,616</u>
Cash and Equivalents at End of Year	<u><u>3,464,976</u></u>	<u><u>2,481,351</u></u>
Represented by:		
Cash and short term investments	<u>3,464,976</u>	<u>2,481,351</u>
	<u><u>3,464,976</u></u>	<u><u>2,481,351</u></u>

¹ Interest received during the year was \$68,336 (2015 - \$73,639). Interest paid during the year was \$20,592 (2015 - \$27,351). Interest received is made up of the interest income from the Statement of Operations. Interest paid is made up of the interest on long term debt portion of the interest expense from the Statement of Operations in the amount of \$20,441 (2015 - \$26,627) plus the change in the accrued interest payable in the amount of \$151 (2015 - \$724).

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, which encompass the following principles:

a) Reporting Entity

The Mowachaht/Muchalaht First Nation reporting entity includes the Mowachaht/Muchalaht First Nation government and all related entities that are either owned or controlled by the Nation. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. Control exists regardless of whether the government chooses not to exercise its power to govern so long as it has the ability to govern. Control must exist at the financial statement date, without the need to amend agreements.

b) Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise. These enterprises are included in the Consolidated Financial Statements on a modified equity basis.

Consolidation Method

This method combines the accounts of distinct organizations. It requires uniform accounting policies for the organizations. Inter-organizational balances and transactions are eliminated under this method. The method reports the organizations as if they were one organization. The organizations included through the consolidation method are:

- Mowachaht/Muchalaht First Nation government administration
- Mowachaht/Muchalaht First Nation housing programs

Modified Equity Method

This method reports only a Government's investment in and the net income or loss of the organization. No adjustment is made for accounting policies of the enterprise that are different from those of the Nation. In addition, any amounts receivable or payable are consolidated in the financial statements after eliminating any intercompany transactions and balances. The organizations included through the modified equity method are:

- 447839 BC Ltd.
- 1008653 BC Ltd.
- Nootka First Nation Forest Products Ltd.
- Mowachaht/Muchalaht Shellfish Corporation Ltd.
- Matchlee General Partner Ltd.
- Matchlee Limited Partnership
- Nu-u-chah-nulth Seafood Limited Partnership

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include capital assets and prepaid expenses.

d) Cash

Cash and cash equivalents include cash on hand, balances with banks net of bank overdraft 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. Cash and cash equivalents are recorded at cost.

e) Portfolio investments

Long-term investments in entities that are not majority owned or controlled by the Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment and include:

- Nuu-chah-nulth Seafood Development Corp.

f) Financial Instruments

The First Nation's financial instruments consist of cash, accounts receivable, temporary and long-term investments, accounts payable, amounts due to (from) related parties and long-term debt. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant currency or credit risks arising from these financial instruments. The First Nation is exposed to interest rate risk on its long term debt which is based on fluctuations in prime interest rates. The First Nation does not use any hedges or contracts to manage the exposure to interest rate fluctuations. A 1% change in interest rates would not have significantly impacted the cash flows during the year.

g) Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation with a corresponding amount recorded as revenue. Tangible capital assets under construction are not amortized until the asset is available for use.

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets are amortized annually over their expected useful lives using the straight-line method at the following rates:

Community buildings	40 years
Housing and minor buildings	15-25 years
Community infrastructure	20-40 years
Equipment and furnishings	5-15 years
Computer and technology equipment	5 years
Automotive & vessels	5-10 years

When management determines that a tangible capital asset no longer contributes to the Nation's ability to provide goods and services or that the value of future benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is written down.

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

h) Employee Benefit Obligations

The Nation maintains a defined contribution pension plan for its staff. Expenses for this plan are equal to the Nation's required contribution for the year.

i) Net Debt

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

j) 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.

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Comparative Figures

Prior year's comparative figures have been reclassified where necessary to conform with the current year's presentation.

l) Measurement Uncertainty

In preparing the consolidated financial statements for the Nation, 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 valuation allowances for accounts receivable and amortization of capital assets. Actual results could differ from these estimates.

2. ECONOMIC DEPENDENCE

The First Nation receives the major portion of its operating revenues pursuant to an agreement referred to as "Canada First Nation Funding Agreement" (CFNFA) which continues to March 31, 2020.

3. CASH AND CASH EQUIVALENTS

Replacement Reserve - Under the terms of agreements with Canada Mortgage and Housing Corporation, Mowachaht/Muchalaht First Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Replacement Reserve Fund.

Operating Reserve - Under the terms of the agreements with Canada Mortgage and Housing Corporation, excess federal assistance payments received are to be retained in subsidy surplus and operating reserve accounts. The reserves are to be comprised of monies deposited 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 this account may only be used to meet future program requirements.

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

3. CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents is comprised of the following:

	2016	2015
	\$	\$
Externally restricted		
Treaty account	126,772	125,749
Replacement reserve	74,788	74,257
Operating reserve	91,426	90,692
	<u>292,986</u>	<u>290,698</u>
Unrestricted		
General accounts	3,096,617	2,093,696
Cash and other accounts	75,373	96,957
	<u>3,171,990</u>	<u>2,190,653</u>
Total Cash and Cash Equivalents	<u>3,464,976</u>	<u>2,481,351</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2016	2015
	\$	\$
Due from members:		
Member loans and advances	134,947	139,639
Member rent and utility arrears	119,291	119,494
	254,238	259,133
Less: Allowance for doubtful accounts	(239,791)	(240,266)
	14,447	18,867
Due from others:		
Nuu-chah-nulth Tribal Council	253,569	433,327
Government ministries and agencies	4,474	7,583
C.M.H.C.	9,040	8,295
Sales tax recoveries	12,794	11,759
General receivables	47,717	35,511
	327,594	496,475
Less: Allowance for doubtful accounts	(31,526)	(31,526)
	296,068	464,949
Net accounts receivable	<u>310,515</u>	<u>483,816</u>

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

5. DUE FROM (TO) RELATED ENTITIES

	2016	2015
	\$	\$
Current Operating Advances due from (to):		
Matchlee Limited Partnership	(7,136)	38,193
447839 BC Ltd.	983	983
Nootka First Nation Forest Products Ltd.	(33,962)	(33,962)
	<u>(40,115)</u>	<u>5,214</u>

Current operating advances to related entities have been funded from working capital and are unsecured, non-interest bearing and due on demand.

6. FUNDS HELD IN TRUST BY GOVERNMENT

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

	2015	Additions	Withdrawals	2016
	\$	\$	\$	\$
Revenue accounts	1,793,558	143,692	0	1,937,250
Capital accounts	260,213	0	0	260,213
	<u>2,053,771</u>	<u>143,692</u>	<u>0</u>	<u>2,197,463</u>

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

7. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES & PARTNERSHIPS

The Nation owns 16.67% of the shares of Nuu-chah-nulth Seafood Development Corporation.

The Nation owns 100% of the shares of 447839 BC Ltd., 1008653 BC Ltd., Nootka First Nation Forest Products Ltd., Mowachaht/Muchalaht Shellfish Corporation Ltd. and Matchlee General Partner Ltd..

The Nation has limited partner interests of 99.9% in the Matchlee Limited Partnership and 16.67% in the Nuu-chah-nulth Seafood Limited Partnership.

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

	2016	2015
	\$	\$
447839 BC Ltd.	6	6
1008653 BC Ltd.	5	0
Nootka First Nation Forest Products Ltd.	70	70
Mowachaht/Muchalaht Shellfish Corporation Ltd.	0	0
Matchlee General Partner Ltd.	1,042	0
Matchlee Limited Partnership	2,483,923	1,111,488
Nuu-chah-nulth Seafood Development Corporation	21	0
Nuu-chah-nulth Seafood Limited Partnership	149,916	405,472
	<u><u>2,634,983</u></u>	<u><u>1,517,036</u></u>

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

7. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES & PARTNERSHIPS (continued)

The following table presents condensed and summarized financial information for the most recent year ends for these commercial enterprises:

DESCRIPTION	Government Business Enterprises	Government Business Partnerships
Assets		
Current	60,153	4,611,378
Capital & Other	4,043	287,664
	64,196	4,899,042
Liabilities		
Current	60,022	1,160,701
Long Term	1,365,760	375,344
	1,425,782	1,536,045
Partner's Interest	0	733,291
Net Assets (Liabilities)	(1,361,586)	2,629,706
 Total Revenues	1,374	10,154,829
Total Expenses	1,162	7,914,270
Net Income (Loss) for the Year	212	2,240,559

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016 \$	2015 \$
Trade payables	82,610	140,250
Accrued salaries and benefits payable	48,223	55,014
Nuu-chah-nulth Tribal Council	104,100	307,256
Other accrued liabilities	72,706	90,958
	307,639	593,478

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

9. EMPLOYEE BENEFIT OBLIGATIONS

	2016	2015
	\$	\$
Vacation and overtime	43,510	34,909
Pension plan contributions	8,804	12,691
	<u>52,314</u>	<u>47,600</u>

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

Pension plan

The Nation provides a defined contribution plan for eligible members of its staff. Members are required to contribute 5% of their salary. The Nation contributes 5% which contributions are directed to the member's contribution account. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. The Nation contributed during the year \$46,141 (2015- \$26,155) for retirement benefits. The Nation does not have any other obligations with regards to the pension plan as at March 31, 2016.

10. DEFERRED REVENUES

	2015	Funding	Revenue	2016
	\$	received	Recognized	\$
		\$	\$	
Nuu-chah-nulth Tribal Council				
ACRS School Repairs	3,643	0	17,507	21,150
Water System Upgrade - Design	0	156,775	(15,479)	141,296
Capital Infrastructure	113,412	0	0	113,412
	<u>117,055</u>	<u>156,775</u>	<u>2,028</u>	<u>275,858</u>
Provincial Government				
Ministry of Agriculture and Lands	81,968	0	0	81,968
Other agencies	9,381	6,400	(2,000)	13,781
	<u>91,349</u>	<u>6,400</u>	<u>(2,000)</u>	<u>95,749</u>
	<u>208,404</u>	<u>163,175</u>	<u>28</u>	<u>371,607</u>

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

11. LONG-TERM DEBT

	2016	2015
	\$	\$
All Nations Trust Company		
Term Loan (CMHC Phase 1)	81,640	132,145
Term Loan (CMHC Phase 2)	149,374	161,028
Term Loan (CMHC Phase 3)	865,830	904,592
Nuu-chah-nulth Tribal Council (BC Treaty Commission)		
Treaty Negotiation Loan	1,839,801	1,839,801
	<u>2,936,645</u>	<u>3,037,566</u>

a) All Nations Trust Company - Term Loan (CMHC Phase 1)

The Nation has entered into a loan for the construction of 12 housing units referred to as CMHC Phase 1 with the All Nations Trust Company which is repayable in monthly blended payments of \$4,349, including interest based on 59 month amortization with an interest rate of 1.61% per annum. The loan matures on October 1, 2017. The net book value of the housing units at March 31, 2016 is \$243,749

b) All Nations Trust Company - Term Loan (CMHC Phase 2)

The Nation has entered into a loan for the construction of 6 housing units referred to as CMHC Phase 2 with the All Nations Trust Company which is repayable in monthly blended payments of \$1,191, including interest based on 180 month amortization with an interest rate of 1.71% per annum. The loan matures on September 1, 2017. The net book value of the housing units at March 31, 2016 is \$460,350

c) All Nations Trust Company - Term Loan (CMHC Phase 3)

The Nation has entered into a loan for the construction of 9 housing units referred to as CMHC Phase 3 with the All Nations Trust Company which is repayable in monthly blended payments of \$4,573, including interest based on 238 month amortization with an interest rate of 1.83% per annum. The loan matures on December 1, 2019. The net book value of the housing units at March 31, 2016 is \$969,334

d) Nuuchah-nulth Tribal Council (BC Treaty Commission)- Treaty Negotiation Loan

The Nation has entered into a loan for funding of treaty negotiations with the BC Treaty Commission through the Nuuchah-nulth Tribal Council which is repayable only from the earlier of September 2, 2016, the date of signing a treaty, seven years from the date of signing an Agreement-in-Principal or on the date the loan agreement is terminated. The loan remains interest free until it becomes due and payable. Once the loan is due and payable interest will be charged at a rate equal to that charged by the Consolidated Revenue Fund to provincial crown corporations.

MOWACHAHT/MUCHALAHT FIRST NATION
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11. LONG-TERM DEBT (continued)

Anticipated annual principal and interest repayments over the next five years are as follows:

Year ended March 31, 2017	\$121,362
Year ended March 31, 2018	\$99,608
Year ended March 31, 2019	\$69,173
Year ended March 31, 2020	\$69,173
Year ended March 31, 2021	\$69,173

12. DEFERRED EXPENDITURES

Deferred expenditures represent payments made before March 31, 2016 which will be funded from future year's revenues.

	2016	2015
	\$	\$
Prepaid Social Assistance payments	12,756	11,422
Prepaid expenditures	13,849	17,434
	<u>26,605</u>	<u>28,856</u>

MOWACHAHT/MUCHALAHT FIRST NATION
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13. TANGIBLE CAPITAL ASSETS

	Community Infrastructure Systems \$	Community Buildings \$	Housing \$	Vehicles, Vessels & Equipment \$	Total \$
Year ended March 31, 2016					
Cost					
Opening	5,347,010	6,603,734	3,513,956	474,720	15,939,420
Acquisitions	0	0	0	27,620	27,620
Disposals	0	0	0	0	0
Closing	<u>5,347,010</u>	<u>6,603,734</u>	<u>3,513,956</u>	<u>502,340</u>	<u>15,967,040</u>
Accumulated amortization					
Opening	2,508,460	2,242,819	1,699,964	288,526	6,739,769
Amortization	143,230	168,479	140,559	42,700	494,968
Disposals	0	0	0	0	0
Closing	<u>2,651,690</u>	<u>2,411,298</u>	<u>1,840,523</u>	<u>331,226</u>	<u>7,234,737</u>
Net book value	<u>2,695,320</u>	<u>4,192,436</u>	<u>1,673,433</u>	<u>171,114</u>	<u>8,732,303</u>
Year ended March 31, 2015					
Cost					
Opening	5,276,201	6,603,204	3,513,956	521,958	15,915,319
Acquisitions	70,809	12,462	0	32,983	116,254
Disposals	0	(11,932)	0	(80,221)	(92,153)
Closing	<u>5,347,010</u>	<u>6,603,734</u>	<u>3,513,956</u>	<u>474,720</u>	<u>15,939,420</u>
Accumulated amortization					
Opening	2,366,114	2,086,428	1,559,405	290,866	6,302,813
Amortization	142,346	168,323	140,559	45,101	496,329
Disposals	0	(11,932)	0	(47,441)	(59,373)
Closing	<u>2,508,460</u>	<u>2,242,819</u>	<u>1,699,964</u>	<u>288,526</u>	<u>6,739,769</u>
Net book value	<u>2,838,550</u>	<u>4,360,915</u>	<u>1,813,992</u>	<u>186,194</u>	<u>9,199,651</u>

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

14. ACCUMULATED SURPLUS

	2016	2015
	\$	\$
Externally Restricted:		
Capital projects	0	17,507
Funds held in trust by government	2,197,463	2,053,771
Housing replacement reserve	81,642	54,734
Housing operating reserve	23,658	48,466
Treaty negotiation funds	64,344	78,833
	<u>2,367,107</u>	<u>2,253,311</u>
Internally Restricted:		
Invested in tangible capital assets	5,795,658	6,162,085
Invested in government business entities	2,634,983	1,517,036
Other internally restricted:		
Health & Family Services	274,319	303,430
Education	277,961	263,771
Economic Opportunity Fund	233,564	200,495
	<u>9,216,485</u>	<u>8,446,817</u>
Unrestricted surplus	2,074,933	1,182,519
Accumulated surplus at end of year	<u><u>13,658,525</u></u>	<u><u>11,882,647</u></u>

15. CONTINGENT LIABILITIES

The Nation has entered into contribution agreements with the Nuu-chah-nulth Tribal Council and various federal and provincial government departments. Funding received under these contribution agreements is subject to repayment if the Nation fails to comply with the terms and conditions of the agreements.

In addition, in the normal course of its operations, the Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on Nation's financial statements.

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

16. SCHEDULE OF EXPENDITURES BY OBJECT

The following is a summary of expenses by object:

	2016	2015
	\$	\$
Wages and payroll costs	1,375,801	1,168,736
Direct member benefits	309,567	271,005
Travel	223,055	231,963
Contract and subcontract costs	233,893	135,507
Consulting and professional fees	399,510	95,014
Utilities	136,961	131,149
Medical travel	126,417	90,969
Insurance	91,003	89,481
Residential construction costs	85,329	10,731
Materials and supplies	75,188	57,529
Repairs and maintenance	72,614	95,107
Infrastructure work	70,604	105,267
Honoraria	39,252	89,280
Telecommunications	32,103	52,056
Equipment costs	31,589	12,159
Social Program costs	31,012	24,899
Interest and bank charges	24,814	30,124
Miscellaneous	23,191	14,054
Meeting and workshop costs	21,828	19,669
Training	20,633	20,036
Vehicle costs	19,043	11,925
Amortization	494,968	496,329
Loss on disposal of assets	0	32,780
Investments - Share of net loss	659	0
	<u>3,939,034</u>	<u>3,285,769</u>

17. GOVERNMENT TRANSFERS

	2016	2015
	\$	\$
Revenue		
Nuu-chah-nulth Tribal Council	2,649,003	2,265,475
Canada Mortgage and Housing Corporation	106,583	102,098
Canadian Food Inspection Agency	13,867	13,490
Province of British Columbia	271,927	276,131
	<u>3,041,380</u>	<u>2,657,194</u>

MOWACHAHT/MUCHALAHT FIRST NATION
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18. RELATED PARTY TRANSACTIONS

The following summarizes the Nation's related party transactions for the year:

	2016	2015
	\$	\$
Revenue		
Contracts and fees		
Matchlee Limited Partnership	48,000	38,000

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for sales of services or supply of product or services.

19. BUDGET FIGURES

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Council of Chiefs

20. SEGMENT DISCLOSURE

The Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by program. Programs were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, restrictions or limitations. These activities can also be categorized into segments. The following segments have been identified and as such are separately disclosed:

General Administration

General Administration contains activities that are needed to manage and administer the Nation's organization.

Public Works

Public Works contains all activities that relate to the operations, maintenance, development, construction and financing of buildings, infrastructure and land of the Nation.

Housing

Housing contains activities that relate to on reserve housing.

Health & Social Development

Health & Social Development contains activities that provide health services, medical services, financial support or support by other means to members that is aimed at developing both the individual as well as the community.

Education

Education contains activities that provide education and facilitate educational opportunities to members for primary, secondary schooling and adult vocational training.

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20. SEGMENT DISCLOSURE (continued)

Community & Economic Development

Community & Economic Development contains activities that are involved in the development of the community and the development and operation of economic opportunities.

Treaty

Treaty contains activities associated with the treaty negotiations between the Nation, the province and the federal government.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The segment results for the period are as follows:

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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20. SEGMENT DISCLOSURE (continued)

Year ended March 31, 2016:

	General Administration	Public Works	Housing	Health & Social Development	Education	Community & Economic Development	Treaty	Elimination of inter segment transactions	Consolidated Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Tribal Council	514,606	365,086	101,784	793,104	318,307	556,117	0	0	2,649,004
Federal	0	0	106,583	0	0	13,867	0	0	120,450
Provincial	0	0	0	0	0	271,928	0	0	271,928
Other	205,429	109,939	198,564	8,277	126,338	2,330,145	0	(305,162)	2,673,530
	<u>720,035</u>	<u>475,025</u>	<u>406,931</u>	<u>801,381</u>	<u>444,645</u>	<u>3,172,057</u>	<u>0</u>	<u>(305,162)</u>	<u>5,714,912</u>
Expenses									
Salaries and benefits	630,894	99,788	81,411	156,031	246,665	161,012	0	0	1,375,801
Interest	0	0	20,441	0	0	0	0	0	20,441
Amortization	0	354,409	140,559	0	0	0	0	0	494,968
Other	243,871	373,012	286,427	671,388	185,156	578,643	14,489	(305,162)	2,047,824
	<u>874,765</u>	<u>827,209</u>	<u>528,838</u>	<u>827,419</u>	<u>431,821</u>	<u>739,655</u>	<u>14,489</u>	<u>(305,162)</u>	<u>3,939,034</u>
Transfers	326,449	26,034	90,214	0	15,000	(457,697)	0	0	0
Annual Surplus (Deficit)	<u>171,719</u>	<u>(326,150)</u>	<u>(31,693)</u>	<u>(26,038)</u>	<u>27,824</u>	<u>1,974,705</u>	<u>(14,489)</u>	<u>0</u>	<u>1,775,878</u>

MOWACHAHT/MUCHALAHT FIRST NATION
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MARCH 31, 2016

20. SEGMENT DISCLOSURE (continued)

Year ended March 31, 2015:

	General Administration	Public Works	Housing	Health & Social Development	Education	Community & Economic Development	Treaty	Elimination of inter segment transactions	Consolidated Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Tribal Council	412,381	371,624	102,265	714,297	257,916	406,992	0	0	2,265,475
Federal	0	0	102,098	0	0	13,490	0	0	115,588
Provincial	0	0	0	0	0	276,131	0	0	276,131
Other	198,040	75,468	189,977	15,652	71,638	1,577,001	0	(274,424)	1,853,352
	<u>610,421</u>	<u>447,092</u>	<u>394,340</u>	<u>729,949</u>	<u>329,554</u>	<u>2,273,614</u>	<u>0</u>	<u>(274,424)</u>	<u>4,510,546</u>
Expenses									
Salaries and benefits	511,202	137,861	65,051	128,062	159,585	170,423	0	0	1,172,184
Interest	0	0	26,627	0	0	0	0	0	26,627
Amortization	0	388,550	140,558	0	0	0	0	0	529,108
Other	360,409	313,014	194,643	605,509	110,216	248,483	0	(274,424)	1,557,850
	<u>871,611</u>	<u>839,425</u>	<u>426,879</u>	<u>733,571</u>	<u>269,801</u>	<u>418,906</u>	<u>0</u>	<u>(274,424)</u>	<u>3,285,769</u>
Transfers	<u>347,773</u>	<u>21,400</u>	<u>72,430</u>	<u>19,728</u>	<u>0</u>	<u>(461,331)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Annual Surplus (Deficit)	<u>86,583</u>	<u>(370,933)</u>	<u>39,891</u>	<u>16,106</u>	<u>59,753</u>	<u>1,393,377</u>	<u>0</u>	<u>0</u>	<u>1,224,777</u>