

MOWACHAHT/MUCHALAHT FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017



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 31, 2017

ALLEMEKINDERS & COMPANY

CHARTERED PROFESSIONAL ACCOUNTANT

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, 2017, 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 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, 2017, 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.

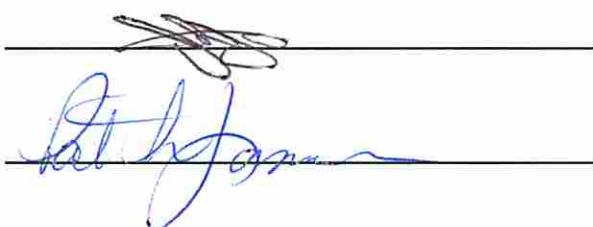
Allemeekinders & Company
Chartered Professional Accountant

Campbell River, BC
July 31, 2017

MOWACHAHT/MUCHALAHT FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED MARCH 31, 2017

	Notes	2017 \$	2016 \$
Financial Assets			
Cash and cash equivalents	3	2,570,611	3,464,976
Accounts receivable	4	181,880	310,515
Short term investments	5	2,012,784	0
Funds held in trust by government	6	4,753,425	2,197,463
Investment in government business entities	7	<u>5,712,991</u>	<u>2,634,983</u>
		<u>15,231,691</u>	<u>8,607,937</u>
Liabilities			
Accounts payable and accrued liabilities	8	819,197	307,639
Employee benefit obligations	9	53,620	52,314
Due to related entities	10	62,405	40,115
Deferred revenues	11	503,078	371,607
Long-term debt	12	<u>2,833,914</u>	<u>2,936,645</u>
		<u>4,272,214</u>	<u>3,708,320</u>
Net Financial Assets		<u>10,959,477</u>	<u>4,899,617</u>
Non-Financial Assets			
Deferred expenditures	13	67,708	26,605
Tangible capital assets	14	<u>9,206,346</u>	<u>8,732,303</u>
		<u>9,274,054</u>	<u>8,758,908</u>
Accumulated Surplus	15	<u>20,233,531</u>	<u>13,658,525</u>
Contingent liabilities (Note 16)			

APPROVED ON BEHALF OF THE COUNCIL OF CHIEFS



MOWACHAHT/MUCHALAHT FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2017

	2017 Budget (Note 20)	2017	2016
	\$	\$	\$
Revenues			
Nuu-chah-nulth Tribal Council	2,081,810	3,548,227	2,649,003
Province of British Columbia	289,150	304,281	271,927
CMHC	99,600	294,065	106,583
Nuu-chah-nulth Economic Development	0	28,261	7,716
First Nations Education Steering Committee	22,000	24,170	35,225
Canadian Food Inspection Agency	10,295	16,771	13,867
Employment and Social Development Cda	0	10,000	0
First People's Heritage, Language & Cultural	0	0	22,637
Other sources:			
Government business entities	0	3,374,756	1,517,920
Lease and lease settlement income	45,000	2,137,432	59,792
Interest and settlement interest	0	431,022	68,336
Rental income	62,632	171,307	174,033
Road use permits	30,000	149,120	194,120
Aquaculture Cooperation Agreement	170,000	135,926	123,769
Miscellaneous	24,000	51,007	58,507
Matchlee Limited Partnership	50,000	50,000	0
Marina & tourism revenue	29,000	43,687	29,903
BC fishery litigation settlement	0	45,722	276,537
User fees	45,000	39,286	46,022
CMT contracts and fees	0	38,762	59,015
	<u>2,958,487</u>	<u>10,893,802</u>	<u>5,714,912</u>
Expenses			
Administration	1,001,908	884,633	874,777
Public works	220,507	363,687	306,723
Health programs	709,172	734,122	768,973
Education programs	262,911	328,518	328,098
Community & economic development	562,936	652,715	664,845
Capital projects	92,521	622,856	258,906
Housing programs	259,232	221,241	226,596
Treaty negotiations	0	14,269	14,489
Government business entities	0	567	659
Amortization and loss on disposal of assets	0	496,188	494,968
	<u>3,109,187</u>	<u>4,318,796</u>	<u>3,939,034</u>
Annual Surplus (Deficit)	(150,700)	6,575,006	1,775,878
Surplus at Beginning of Year	13,658,525	13,658,525	11,882,647
Surplus at End of Year (Note 15)	13,507,825	20,233,531	13,658,525

Segment Disclosure (Note 21)

MOWACHAHT/MUCHALAHT FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2017

	2017 Budget (Note 19)	2017	2016
	\$	\$	\$
Annual Surplus (Deficit)	(150,700)	6,575,006	1,775,878
Tangible capital assets			
Acquisition of capital assets	0	(970,231)	(27,620)
Amortization of capital assets	0	496,188	494,968
Proceeds on disposal of capital assets	0	0	0
Loss (gain) on disposal of capital assets	0	0	0
	<hr/>	<hr/>	<hr/>
	0	(474,043)	467,348
Consumption (acquisition) of deferred expenses			
	<hr/>	<hr/>	<hr/>
	0	(41,103)	2,251
	<hr/>	<hr/>	<hr/>
	0	(41,103)	2,251
Change in Net Financial Assets	(150,700)	6,059,860	2,245,477
Net Financial Assets at Beginning of Year	4,899,617	4,899,617	2,654,140
Net Financial Assets at End of Year	4,748,917	10,959,477	4,899,617
	<hr/>	<hr/>	<hr/>

MOWACHAHT/MUCHALAHT FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2017

	2017	2016
	\$	\$
Operating Transactions		
Annual surplus (deficit) ¹	6,575,006	1,775,878
Non-cash items included in annual surplus (deficit)	(5,433,963)	(1,165,985)
Changes in working capital accounts	<u>754,157</u>	<u>102,959</u>
	<u><u>1,895,200</u></u>	<u><u>712,852</u></u>
Capital Transactions		
Purchase of capital assets	(970,231)	(27,620)
	<u><u>(970,231)</u></u>	<u><u>(27,620)</u></u>
Investing Transactions		
Investment in Nation business enterprises	(6,682)	(686)
Recovery from Nation business enterprises	<u>302,863</u>	<u>400,000</u>
	<u><u>296,181</u></u>	<u><u>399,314</u></u>
Financing Transactions		
Repayment of long term debt	(102,731)	(100,921)
	<u><u>(102,731)</u></u>	<u><u>(100,921)</u></u>
Increase (Decrease) in Cash and Equivalents	1,118,419	983,625
Cash and Equivalents at Beginning of Year	3,464,976	2,481,351
Cash and Equivalents at End of Year	<u>4,583,395</u>	<u>3,464,976</u>
Represented by:		
Cash and cash equivalents	2,570,611	3,464,976
Short term investments	<u>2,012,784</u>	<u>0</u>
	<u><u>4,583,395</u></u>	<u><u>3,464,976</u></u>

¹ Interest received outside of Ottawa Trust accounts during the year was \$34,272 (2016 - \$42,285). Interest paid during the year was \$18,775 (2016 - \$20,592). 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 \$18,632 (2016 - \$20,441) plus the change in the accrued interest payable in the amount of \$143 (2016 - \$151).

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

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
- Nuu-chah-nulth Seafood Limited Partnership

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

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 or use.

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

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, 2017

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, 2017

3. CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents is comprised of the following:

	2017 \$	2016 \$
Externally restricted		
Treaty account	127,727	126,772
Replacement reserve	84,313	74,788
Operating reserve	92,110	91,426
	<u>304,150</u>	<u>292,986</u>
Unrestricted		
General accounts	2,130,738	3,096,617
Cash and other accounts	135,723	75,373
	<u>2,266,461</u>	<u>3,171,990</u>
Total Cash and Cash Equivalents	<u>2,570,611</u>	<u>3,464,976</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2017 \$	2016 \$
Due from members:		
Member loans and advances	25,527	134,947
Member rent and utility arrears	118,550	119,291
	<u>144,077</u>	<u>254,238</u>
Less: Allowance for doubtful accounts	<u>(144,077)</u>	<u>(239,791)</u>
	<u>0</u>	<u>14,447</u>
Due from others:		
Nuu-chah-nulth Tribal Council	53,462	253,569
Government ministries and agencies	39,488	4,474
C.M.H.C.	8,295	9,040
Sales tax recoveries	20,062	12,794
General receivables	60,573	47,717
	<u>181,880</u>	<u>327,594</u>
Less: Allowance for doubtful accounts	<u>0</u>	<u>(31,526)</u>
	<u>181,880</u>	<u>296,068</u>
Net accounts receivable	<u>181,880</u>	<u>310,515</u>

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

5. SHORT TERM INVESTMENTS

	2017 \$	2016 \$
Term deposit - 60 month term to April 1, 2021 with interest at 1.00% and escalating annually.	504,986	0
Term deposit - 60 month term to June 20, 2021 with interest at 1.00% and escalating annually.	503,891	0
Term deposit - 36 month term to September 30, 2019 with interest at 1.00% and escalating annually.	502,493	0
Term deposit - 24 month term to January 4, 2019 with interest at 1.20 and escalating annually.	501,414	0
	<u>2,012,784</u>	<u>0</u>

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.

	2016 \$	Income \$	Received \$	Withdrawals \$	2017 \$
Revenue accounts:					
Cash account	1,816,522	0	2,449,123	0	4,265,645
Receivable	120,728	2,555,962	(2,449,123)	0	227,567
Capital accounts:					
Cash account	260,213	0	0	0	260,213
	<u>2,197,463</u>	<u>2,555,962</u>	<u>0</u>	<u>0</u>	<u>4,753,425</u>

**MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**

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:

	2017	2016
	\$	\$
447839 BC Ltd.	6	6
1008653 BC Ltd.	5	5
Nootka First Nation Forest Products Ltd.	70	70
Mowachaht/Muchalaht Shellfish Corporation Ltd.	0	0
Matchlee General Partner Ltd.	4,294	1,042
Matchlee Limited Partnership	5,433,515	2,483,923
Nuu-chah-nulth Seafood Development Corporation	21	21
Nuu-chah-nulth Seafood Limited Partnership	<u>275,080</u>	<u>149,916</u>
	<u><u>5,712,991</u></u>	<u><u>2,634,983</u></u>

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

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	8,270,005	30,720
Capital & Other	97,195	7,295
	<hr/>	<hr/>
	8,367,200	38,015
Liabilities		
Current	878,356	3,001
Long Term	397,141	1,397,501
	<hr/>	<hr/>
	1,275,497	1,400,502
Partner's Interest	<hr/>	<hr/>
	1,383,108	0
Net Assets (Liabilities)	<hr/>	<hr/>
	5,708,595	(1,362,487)
 Total Revenues	 12,691,230	 6,115
Total Expenses	8,662,524	6,688
	<hr/>	<hr/>
Net Income (Loss) for the Year	4,028,706	(573)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017 \$	2016 \$
Trade payables	648,585	82,610
Accrued salaries and benefits payable	58,634	48,223
Nuu-chah-nulth Tribal Council	58,636	104,100
Other accrued liabilities	53,342	72,706
	<hr/>	<hr/>
	819,197	307,639

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

9. EMPLOYEE BENEFIT OBLIGATIONS

	2017	2016
	\$	\$
Vacation and overtime	44,922	43,510
Pension plan contributions	8,698	8,804
	<u>53,620</u>	<u>52,314</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, 2017.

10. DUE TO RELATED ENTITIES

	2017	2016
	\$	\$
Current Operating Advances due to (from):		
Matchlee Limited Partnership	0	7,136
447839 BC Ltd.	1,589	(983)
Nootka First Nation Forest Products Ltd.	<u>60,816</u>	<u>33,962</u>
	<u>62,405</u>	<u>40,115</u>

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

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

11. DEFERRED REVENUES

	2016	Funding received	Revenue Recognized	2017
	\$	\$	\$	\$
Nuu-chah-nulth Tribal Council				
ACRS School Repairs	21,150	0	0	21,150
Water System Upgrade - Design	141,296	600,000	(615,450)	125,846
Daycare Capital Project	0	9,858	(953)	8,905
Capital Infrastructure	113,412	123,578	(89,293)	147,697
	275,858	733,436	(705,696)	303,598
Provincial Government				
Ministry of Agriculture and Lands	81,968	0	0	81,968
Forestry Funding	0	75,000	0	75,000
Other agencies	13,781	36,708	(7,977)	42,512
	95,749	111,708	(7,977)	199,480
	371,607	845,144	(713,673)	503,078

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

12. LONG-TERM DEBT

	2017	2016
	\$	\$
All Nations Trust Company		
Term Loan (CMHC Phase 1)	30,313	81,640
Term Loan (CMHC Phase 2)	137,509	149,374
Term Loan (CMHC Phase 3)	826,291	865,830
Nuu-chah-nulth Tribal Council (BC Treaty Commission)		
Treaty Negotiation Loan	<u>1,839,801</u>	<u>1,839,801</u>
	<u><u>2,833,914</u></u>	<u><u>2,936,645</u></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, 2017 is \$199,430

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, 2017 is \$416,507

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, 2017 is \$916,937

d) Nuu-chah-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 Nuu-chah-nulth Tribal Council which is repayable only from the earlier of September 2, 2021, 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.

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12. LONG-TERM DEBT (continued)

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

Year ended March 31, 2018	\$99,609
Year ended March 31, 2019	\$69,173
Year ended March 31, 2020	\$69,173
Year ended March 31, 2021	\$69,173
Year ended March 31, 2022	\$69,173

13. DEFERRED EXPENDITURES

Deferred expenditures represent payments made before March 31, 2017 which will be funded from future year's revenues.

	2017	2016
	\$	\$
Prepaid Social Assistance payments	9,937	12,756
Prepaid expenditures	<u>57,771</u>	<u>13,849</u>
	<u>67,708</u>	<u>26,605</u>

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14. TANGIBLE CAPITAL ASSETS

	Community Infrastructure Systems \$	Community Buildings \$	Housing \$	Vehicles, Vessels & Equipment \$	Total \$
Year ended March 31, 2017					
Cost					
Opening	5,347,010	6,603,734	3,513,956	502,340	15,967,040
Acquisitions	916,377	0	0	53,854	970,231
Disposals	0	0	0	0	0
Closing	6,263,387	6,603,734	3,513,956	556,194	16,937,271
 Accumulated amortization					
Opening	2,651,690	2,411,298	1,840,523	331,226	7,234,737
Amortization	143,231	168,479	140,559	43,919	496,188
Disposals	0	0	0	0	0
Closing	2,794,921	2,579,777	1,981,082	375,145	7,730,925
 Net book value	3,468,466	4,023,957	1,532,874	181,049	9,206,346
 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	5,347,010	6,603,734	3,513,956	502,340	15,967,040
 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	2,651,690	2,411,298	1,840,523	331,226	7,234,737
 Net book value	2,695,320	4,192,436	1,673,433	171,114	8,732,303

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15. ACCUMULATED SURPLUS

	2017	2016
	\$	\$
Externally Restricted:		
Funds held in trust by government	4,753,425	2,197,463
Housing replacement reserve	101,292	81,642
Housing operating reserve	22,212	23,658
Treaty negotiation funds	50,075	64,344
	4,927,004	2,367,107
Internally Restricted:		
Invested in tangible capital assets	6,372,432	5,795,658
Invested in government business entities	5,712,991	2,634,983
Other internally restricted:		
Health & Family Services	317,429	274,319
Education	238,181	277,961
Fisheries Litigation	46,075	0
Economic Opportunity Fund	254,100	233,564
Residential Housing	17,792	5,845
	12,959,000	9,222,330
Unrestricted surplus	2,347,527	2,069,088
Accumulated surplus at end of year	20,233,531	13,658,525

16. 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
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17. SCHEDULE OF EXPENDITURES BY OBJECT

The following is a summary of expenses by object:

	2017 \$	2016 \$
Wages and payroll costs	1,486,715	1,375,801
Consulting and professional fees	647,968	399,510
Contract and subcontract costs	284,480	233,893
Direct member benefits	263,744	309,567
Travel	210,554	223,055
Repairs and maintenance	148,951	72,614
Utilities	144,962	136,961
Medical travel	112,375	126,417
Residential construction costs	99,923	85,329
Insurance	91,307	91,003
Materials and supplies	91,032	75,188
Miscellaneous	46,671	23,191
Telecommunications	35,353	32,103
Meeting and workshop costs	30,623	21,828
Honoraria	24,844	39,252
Equipment costs	24,755	31,589
Training	24,291	20,633
Interest and bank charges	23,171	24,814
Social Program costs	19,762	31,012
Vehicle costs	10,560	19,043
Infrastructure work	0	70,604
Amortization	496,188	494,968
Investments - Share of net loss	567	659
	4,318,796	3,939,034

18. GOVERNMENT TRANSFERS

	2017 \$	2016 \$
Revenue		
Nuu-chah-nulth Tribal Council	3,548,227	2,649,003
Canada Mortgage and Housing Corporation	294,065	106,583
Canadian Food Inspection Agency	16,771	13,867
Employment and Social Development Canada	10,000	0
Province of British Columbia	304,281	271,927
	4,173,344	3,041,380

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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19. RELATED PARTY TRANSACTIONS

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

	2017	2016
	\$	\$
Revenue		
Contracts and fees		
Matchlee Limited Partnership	50,000	48,000

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.

20. BUDGET FIGURES

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

21. 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.

**MOWACHAHT/MUCHALAHT FIRST NATION
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21. 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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21. SEGMENT DISCLOSURE (continued)

Year ended March 31, 2017:

	General Administration	Public Works	Housing	Health & Social Development	Education	Community & Economic Development	Treaty	Elimination of inter segment transactions	Consolidated Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Tribal Council	751,048	1,332,710	92,521	812,213	309,282	250,454	0	0	3,548,228
Federal	0	0	294,065	10,000	0	16,771	0	0	320,836
Provincial	0	0	0	0	0	304,281	0	0	304,281
Other	261,329	142,319	176,549	9,219	68,987	6,389,695	0	(327,641)	6,720,457
	1,012,377	1,475,029	563,135	831,432	378,269	6,961,201	0	(327,641)	10,893,802
Expenses									
Salaries and benefits	655,551	105,293	81,062	236,859	247,436	185,275	0	0	1,511,476
Interest	0		18,632	0	0	0	0	0	18,632
Amortization	0	355,629	140,559	0	0	0	0	0	496,188
Other	229,032	631,136	443,030	551,463	168,069	583,142	14,269	(327,641)	2,292,500
	884,583	1,092,058	683,283	788,322	415,505	768,417	14,269	(327,641)	4,318,796
Transfers	(20,276)	217,093	112,471	0	0	(309,288)	0	0	0
Annual Surplus (Deficit)	107,518	600,064	(7,677)	43,110	(37,236)	5,883,496	(14,269)	0	6,575,006

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

21. 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
	720,035	475,025	406,931	801,381	444,645	3,172,057	0	(305,162)	5,714,912
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
	874,765	827,209	528,838	827,419	431,821	739,655	14,489	(305,162)	3,939,034
Transfers	326,449	26,034	90,214	0	15,000	(457,697)	0	0	0
Annual Surplus (Deficit)	171,719	(326,150)	(31,693)	(26,038)	27,824	1,974,705	(14,489)	0	1,775,878