

**Quatsino First Nation
Consolidated Financial Statements**
March 31, 2015

Quatsino First Nation
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For the year ended March 31, 2015

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Management's Responsibility

To the Members of Quatsino First Nation:

The accompanying consolidated financial statements of Quatsino 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 Quatsino 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 Nation's external auditors.

MNP LLP is appointed by the 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 Council and management to discuss their audit findings.

July 27, 2015

"Signed by Helen Charlie"

Finance Manager

Independent Auditors' Report

To the Members of Quatsino First Nation:

We have audited the accompanying consolidated financial statements of Quatsino First Nation, which comprise the consolidated statement of financial position as at March 31, 2015, 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 audit opinion.

Audit Opinion

In our opinion the consolidated financial statements present fairly in all material respects the financial position of Quatsino First Nation as at March 31, 2015 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.

Nanaimo, British Columbia

July 27, 2015

MNP LLP
Chartered Accountants

Quatsino First Nation
Consolidated Statement of Financial Position
As at March 31, 2015

	2015	2014
Financial assets		
Cash - unrestricted	3,802,434	3,141,909
Cash - restricted (Note 4)	618,973	551,577
Accounts receivable (Note 5)	489,103	981,481
Funds held in trust (Note 6)	1,094,062	1,002,670
Inventory for resale	9,171	8,823
Advances to related Nation entities (Note 7)	40,713	38,040
Investment in Nation business entities (Note 8)	1,241,694	530,585
Total financial assets	7,296,150	6,255,085
Liabilities		
Accounts payable and accruals	379,992	258,541
Deferred revenue	18,399	17,695
Advances from related Nation entities (Note 7)	159,363	106,746
Long-term debt (Note 9)	4,304,884	4,442,286
Capital lease obligations (Note 10)	-	5,296
Total financial liabilities	4,862,638	4,830,564
Net financial assets	2,433,512	1,424,521
Contingencies (Note 11)		
Non-financial assets		
Tangible capital assets (Schedule 1)	9,141,751	8,990,071
Prepaid expenses	65,315	39,486
Total non-financial assets	9,207,066	9,029,557
Accumulated surplus (Note 13)	11,640,578	10,454,078

Approved on behalf of Chief and Council

"Signed by Richard Nelson"

Councillor

"Signed by James Nelson"

Councillor

Quatsino First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2015

	<i>Schedules</i>	<i>2015 Budget (Note 15)</i>	<i>2015</i>	<i>2014</i>
Revenue				
Aboriginal Affairs and Northern Development Canada (Note 14)		1,780,256	2,480,087	2,063,210
First Nations Health Authority		575,963	540,158	564,722
Canada Mortgage and Housing Corporation		-	136,234	159,716
Fisheries and Oceans Canada		106,810	103,376	21,206
Trust funds		-	91,392	130,935
Earnings (loss) from investment in Nation business entities		-	687,552	(1,944,888)
Wind farm		-	334,795	456,771
Province of British Columbia		174,866	324,866	177,519
Investment income		-	217,839	234,470
Miscellaneous		132,197	274,656	376,241
Forestry		-	64,576	58,023
North Vancouver Island Aboriginal Management Society		-	-	11,191
First Nations organizations		-	9,982	38,188
Arcade		-	143,291	116,487
Reversal of forgiveness of debt		-	-	855,402
		2,770,092	5,408,804	3,319,193
Expenses				
Administration	3	387,031	595,396	707,466
Community	4	-	34,438	53,995
Economic Development	5	-	170,567	162,657
Community Infrastructure	6	155,732	203,325	238,585
Housing	7	21,908	19,300	43,941
Social Housing - CMHC	8	-	284,035	318,829
Natural Resources	9	234,850	600,672	321,220
Income Assistance	10	392,932	332,345	382,625
Health	11	619,464	597,871	564,312
Education	12	960,102	1,013,410	999,492
Enterprise Fund	13	-	112,645	142,226
		2,772,019	3,964,004	3,935,348
Surplus (deficit) before other items		(1,927)	1,444,800	(616,155)
Loss on disposal of tangible capital assets		-	-	(9,310)
Surplus (deficit) before transfers		(1,927)	1,444,800	(625,465)
Transfer to Nation Members		-	(258,300)	(126,014)
Annual surplus (deficit)		(1,927)	1,186,500	(751,479)
Accumulated surplus, beginning of year		10,454,078	10,454,078	11,205,557
Accumulated surplus, end of year		10,452,151	11,640,578	10,454,078

The accompanying notes are an integral part of these financial statements

Quatsino First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2015

	2015 <i>Budget</i> <i>(Note 15)</i>	2015	2014
Annual surplus (deficit)	(1,927)	1,186,500	(751,479)
Purchases of tangible capital assets	-	(693,659)	(3,914)
Amortization of tangible capital assets	-	541,979	600,648
Loss on sale of tangible capital assets	-	-	9,310
Proceeds of disposal of tangible capital assets	-	-	8,512
Acquisition of prepaid expenses	-	(25,829)	(26,875)
 Increase (decrease) in net financial assets	 (1,927)	 1,008,991	 (163,798)
Net financial assets, beginning of year	1,424,521	1,424,521	1,588,319
 Net financial assets, end of year	 1,422,594	2,433,512	1,424,521

The accompanying notes are an integral part of these financial statements

Quatsino First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2015

	2015	2014
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus (deficit)	1,186,500	(751,479)
Add back: Transfers to Nation Members	258,300	126,014
Non-cash items		
Amortization	541,979	600,648
Bad debts	6,786	-
Loss on disposal of tangible capital assets	-	9,310
(Earnings) loss from investment in Nation business	(687,552)	1,944,888
Reversal of forgiveness of debt	-	(855,402)
Transfer of related party balance to partner capital in investment in Quatsino Economic Development Limited Partnership	-	236,386
Changes in working capital accounts		
Accounts receivable	492,378	74,649
Prepaid expenses	(25,829)	(26,875)
Inventory for resale	(348)	(332)
Accounts payable and accruals	121,451	(126,711)
Deferred revenue	704	4,819
	1,894,369	1,235,915
Financing activities		
Repayment of long-term debt	(137,402)	(156,702)
Repayment of capital lease obligations	(5,296)	(10,987)
Payments (withdrawals) to/from restricted cash funds	(67,396)	96,391
Advances from related Nation entities	19,601	-
Repayment of advances from related Nation entities	-	(107,720)
	(190,493)	(179,018)
Capital activities		
Purchases of tangible capital assets	(693,659)	(3,914)
Proceeds of disposal of tangible capital assets	-	8,512
	(693,659)	4,598
Investing activities		
Payment of funds to Nation members	(258,300)	(126,014)
Increase in trust funds	(91,392)	(130,935)
Investment in Nation business entities	-	(391,442)
	(349,692)	(648,391)
Increase in cash resources	660,525	413,104
Cash resources, beginning of year	3,141,909	2,728,805
Cash resources, end of year	3,802,434	3,141,909
Supplementary cash flow information		
Interest paid	48,166	53,922
Interest received	57,897	66,402

The accompanying notes are an integral part of these financial statements

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

1. Operations

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

2. Change in accounting policy

Effective April 1, 2014, the First Nation adopted the recommendations relating to PS 3260, *Liability for Contaminated Sites*, as set out in the Canadian public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

Previously, no accounting policy existed to account for a liability for contaminated sites. Under the new recommendations, the First Nation is required to recognize a liability for contaminated sites when economic benefits will be given up, as described in Note 3, *Significant Accounting Policies*.

There was no effect on the First Nation's financial statements of adopting the above-noted change in accounting policy.

3. 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

The consolidated financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for investment in First Nation business entities. Trusts administered on behalf of third parties by Quatsino 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:

- CMHC Housing
- Trust Funds
- Quatsino Community Society
- Quatsino Contracting Corporation Ltd.

All inter-entity balances have been eliminated on consolidation.

Quatsino First Nation business entities, owned or controlled by the First Nation's Council but 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:

- Quatsino Economic Development Limited Partnership
- Quatsino First Nation Economic Development Corporation

Quatsino First Nation government business partnerships are included in the consolidated financial statements using the proportionate consolidation method. Entities accounted for by the proportionate consolidation method include:

- Gwabal Fisheries Group

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

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

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 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 an asset's service potential is reduced. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Any impairment is included in earnings for the year. Prices for similar items are used to measure fair value of long-lived assets.

The 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.

Tangible capital assets

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

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

Amortization

Amortization for tangible capital assets is provided on both the straight-line basis and declining balance basis over the estimated useful life of the assets. In the year of acquisition, amortization is taken at one-half the rates. See below for amortization rates of specific asset categories.

Land, totem pole, and work-in-progress are not amortized.

	Method	Rate
Buildings and improvements	declining balance	4-10 %
CMHC housing	straight-line	25 years
Roads, streets and bridges	straight-line	38-100 years
Water, sanitary, and storm	straight-line	30-100 years
Boats	declining balance	15 %
Vehicles	declining balance	30 %
Equipment	declining balance	20-30 %
Computer hardware and software	declining balance	30-100 %
Equipment under capital lease	double declining balance	20 %

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 operating 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.

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

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

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 are determined by its financial assets less its liabilities. Net financial assets are comprised of two components, non-financial assets and accumulated surplus.

Revenue recognition

i) Government Funding

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.

ii) First Nation Capital and Revenue Trust Funds

The First Nation recognized revenues 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 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 Revenue

Own source revenue is recognized when performance is complete, collectibility is assured and an amount can be reasonably estimated.

Financial instruments

The First Nation's financial instruments consist of cash, funds held in trust, accounts receivable, accounts payable and accruals, advances to/from related Nation entities and long-term debt. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, credit, or currency risks arising from these financial instruments.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of selling.

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

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

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, 2015.

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.

Measurement uncertainty

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 expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the First Nation is responsible for.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in surplus (deficit), in the period in which they become known.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on the declining balance basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

An arrangement contains a lease where the arrangement conveys a right to use the underlying tangible assets, and whereby its fulfillment is dependent on the use of the specific tangible assets. After the inception of the arrangement, as reassessment of whether the arrangement contains a lease is made only in the event that:

- there is a change in contractual terms;
- a renewal option is exercised or an extension is agreed upon by the parties to the arrangement;
- there is a change in determination of whether the fulfillment of the arrangement is dependent on the use of the specific tangible assets; or
- there is a substantial physical change to the specified tangible assets.

Segments

The First Nation conducts its business through a number of reportable segments as described in Note 12. These operating segments are established by senior management to facilitate the achievement of the First 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. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

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

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

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

Recent accounting pronouncements

Financial instruments

In June 2011, the Public Sector Accounting Board (PSAB) issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2016. Earlier adoption is permitted.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. The First Nation does not expect the adoption of these new standards to have a material impact on its financial statements.

4. Cash - restricted

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the replacement reserve account is to be credited in the amount of \$38,800 (2014 - \$40,411) 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 March 31, 2015, \$265,149 has been set aside to fund these reserves. At year end, these reserves were under funded by \$144 (2014 - \$144).

Under the terms of the agreements with 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 March 31, 2015, \$353,824 has been set aside to fund this reserve. At year end, the operating reserve was underfunded by \$28,688 (2014 - \$35,468).

5. Accounts receivable

	2015	2014
Aboriginal Affairs and Northern Development Canada	35,582	264,912
Fishing entities	28,509	85,000
Department of Fisheries and Oceans	4,231	108,265
New Relationship Trust	1,000	1,000
Other First Nations and First Nation business entities	106,575	97,601
Members	112,568	107,480
Forestry companies	23,777	24,082
Province of British Columbia	4,787	12,697
Rent receivable	102,807	127,492
Canada Mortgage and Housing Corporation	10,427	10,505
Other receivables	58,840	142,447
	489,103	981,481

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

6. Funds held in trust

Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Aboriginal Affairs and Northern Development Canada, with the consent of the First Nation's Council.

	2015	2014
Capital Trust		
Balance, beginning of year	11,238	11,238
Balance, end of year	11,238	11,238
Revenue Trust		
Balance, beginning of year	991,432	860,497
Interest	24,666	31,467
Lease revenue	65,497	98,235
BC special distribution	1,229	1,233
Balance, end of year	1,082,824	991,432
	1,094,062	1,002,670

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.

7. Advances to (from) related Nation Entities

Advances to (from) 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 Quatsino First Nation.

	2015	2014
Advances to related Nation Entities		
688357 B.C. Ltd.	116	117
Quatsino First Nation Economic Development Corporation	455	53
Quatsino Forestry Limited Partnership	14,725	14,725
Quatsino Marine Limited Partnership	5,887	23,145
Gwabalis Fisheries Group	19,530	-
	40,713	38,040
Advances from related Nation Entities		
Quatsino Economic Development Limited Partnership	118,982	106,746
Quatsino Marine Limited Partnership	40,381	-
	159,363	106,746

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

8. Investments in First Nation business entities

The First Nation has investments in the following entities:

					2015
	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>	<i>Draws</i>	<i>Total investment</i>
Wholly-owned Businesses:					
Quatsino First Nation Economic Development Corporation Ltd.	10	-	(2,024,910)	-	(2,024,900)
Quatsino Economic Development Limited Partnership - 99.9%	999	3,910,699	(645,104)	-	3,266,594
	1,009	3,910,699	(2,670,014)	-	1,241,694

					2014
	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>	<i>Draws</i>	<i>Total investment</i>
Wholly-owned Businesses					
Quatsino First Nation Economic Development Corporation Ltd.	10	-	(1,921,784)	-	(1,921,774)
Quatsino Economic Development Limited Partnership - 99.9%	999	3,910,699	(1,459,339)	-	2,452,359
	1,009	3,910,699	(3,381,123)	-	530,585

Continued on next page

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

8. Investments in First Nation business entities *(Continued from previous page)*

The First Nation's investment in Quatsino First Nation Economic Development Corporation Ltd. was established for the purposes of running the economic activities of various business endeavours for the First Nation. It owns investments in 688357 B.C. Ltd., Quatsino Energy Corporation Ltd., Quatsino Forestry Company Ltd., Quatsino Marine GP Ltd. and Quattishe Forest Products Ltd.

Quatsino Economic Development Limited Partnership was established for the purposes of running the economic activities of various business endeavours for the First Nation. It owns investments in Quatsino Energy Limited Partnership, Quatsino Forestry Limited Partnership, Quatsino Marine Limited Partnership, and Quattishe Limited Partnership.

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

	<i>Quatsino First Nation Economic Development Corporation Ltd. As at March 31, 2015</i>	<i>Quatsino Economic Development Limited Partnership As at December 31, 2014</i>
Assets		
Cash	27,397	339,002
Accounts receivable	17,373	168,180
Inventory	-	22,654
Prepays	61,826	17,382
Advances to related parties	2,126,638	573,076
Property, plant and equipment	677,676	20,937
Investments	1,015	2,538,903
Total assets	2,911,925	3,680,134
Liabilities		
Accounts payable and accruals	11,049	57,409
Deferred revenue	-	29,774
Advances from related parties	2,982,461	326,357
Payable to shareholder	1,943,315	-
Total liabilities	4,936,825	413,540
Equity	(2,024,900)	3,266,594
Total revenue	69,437	3,052,113
Total expenses	171,509	2,381,089
Net income (loss)	(102,072)	671,024
Comprehensive income (loss)	(102,072)	671,024

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

9. Long-term debt

	2015	2014
All Nations Trust loan - Phase 2; fully repaid June 1, 2014	-	6,235
All Nations Trust loan - Phase 3; fully repaid March 1, 2015	-	14,416
All Nations Trust loan - Phase 6		
- Interest at 2.11%, compounded semi-annually		
- Monthly blended payments of \$1,790, maturing November 1, 2018		
- Secured by buildings and equipment with a net book value of \$34,907	75,753	95,422
All Nations Trust loan - Phase 7		
- Interest at 1.83% (2014 - 2.57%), compounded semi-annually		
- Monthly blended payments of \$2,185 (2014 - \$2,264), maturing November 1, 2024 and renewing December 1, 2019		
- Secured by buildings and equipment with a net book value of \$231,562	232,227	253,349
All Nations Trust loan - Phase 8		
- Interest at 2.26%, compounded semi-annually		
- Monthly blended payments of \$1,252, maturing June 1, 2026 and renewing on August 1, 2016		
- Secured by buildings and equipment with a net book value of \$168,669	149,238	160,767
All Nations Trust loan - Phase 9		
- Interest at 1.67%, compounded semi-annually		
- Monthly blended payments of \$2,488, maturing April 1, 2028 and renewing on June 1, 2018		
- Secured by buildings and equipment with a net book value of \$443,753	350,822	374,626
All Nations Trust loan - Phase 10		
- Interest at 2.65%, compounded semi-annually		
- Monthly blended payments of \$5,983, maturing April 1, 2036 and renewing on April 1, 2016		
- Secured by buildings and equipment with a net book value of \$1,441,991	1,160,176	1,200,803
Aboriginal Affairs and Northern Development Canada - BC Treaty loan		
- 0% interest		
- No current terms of repayment	2,236,672	2,236,672
Aboriginal Affairs and Northern Development Canada - Laich-Kwii-Tach		
- 0% interest		
- No current terms of repayment	99,996	99,996
	4,304,884	4,442,286

Quatsino First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2015

9. Long-term debt (Continued from previous page)

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	
2016	119,504
2017	122,299
2018	124,989
2019	120,942
<u>2020</u>	<u>108,712</u>
	<hr/>
	596,446
<hr/>	<hr/>
Thereafter	3,708,438

10. Capital lease obligations

2015 2014

De Large Landen Financial Services Canada Inc.; equipment lease, repayable monthly at \$915 including interest, fully repaid November 2014.

11. Contingencies

The First Nation is currently involved in legal proceedings. The legal proceedings are still subject to many uncertainties, thus it is not possible to determine if the First Nation will be required to pay any amounts or how much.

The First Nation may be contingently liable with respect to Ministerial guarantees for "On Reserve Housing Loans" to various financial institutions in the amount of \$611 (2014 - \$2,392). These loan guarantees are in addition to CMHC mortgages.

The First Nation may be contingently liable to School District #85 for \$80,000 (2014 - \$80,000).

The First Nation is contingently liable to the BC Treaty Commission for \$41,433 for unexpended negotiation support funding (2014 - \$41,433).

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

12. Segments

Quatsino First Nation receives revenues from many different projects and sources. For management and reporting purposes, the revenues, expenses and surplus or deficit are organized by segments. Schedules 3 to 13 discloses Quatsino First Nation's revenues, expenses and surpluses or deficit's for the following segments:

Administration:

This segment includes general operations, support, and financial management of the First Nation.

Community:

This segment includes revenues and expenses for programs which are of benefit to the entire community of the First Nation.

Economic Development:

This segment includes activities related to the growth of revenue producing projects within the First Nation.

Community Infrastructure:

This segment includes the revenues and expenses related to the acquisition, maintenance and repairs of the First Nation's infrastructure.

Housing:

This segment includes the activities related to the provision of housing within the First Nation, not subject to CMHC

Social Housing - CMHC:

This segment includes the activities related to the provision of housing within the First Nation, subject to CMHC.

Natural Resources:

This segment includes revenues and expenses from projects dealing with the natural resources of the First Nation.

Income Assistance:

This segment includes revenues and expenses relating to the social assistance of the members of the First Nation.

Health:

This segment includes activities related to the provision of health services within the First Nation.

Education:

This segment includes revenues and expenses relating to the primary, secondary and post secondary education of the members of the First Nation.

Enterprise Fund:

This segment includes activities related to the investment in First Nation business entities.

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

13. Accumulated surplus

Accumulated surplus consists of the following:

	2015	2014
Deficit in treaty	(2,336,667)	(2,336,667)
Equity in operating fund	4,069,484	4,058,548
Equity in tangible capital assets	6,074,420	5,704,062
Equity in operating and replacement reserves	629,805	551,577
Equity in enterprise fund	2,109,474	1,473,888
Equity in Ottawa Trust Funds	1,094,062	1,002,670
	11,640,578	10,454,078

14. AANDC revenue reconciliation

	2015	2014
AANDC revenue per confirmation	2,591,943	2,065,149
Social Assistance - anticipated reimbursement	2,486	-
Social Assistance - anticipated recovery	(46,724)	(1,939)
Community Infrastructure - anticipated reimbursement	4,530	-
Community Infrastructure - anticipated recovery	(55,320)	-
Administration - anticipated recovery	(38)	-
Community - anticipated recovery	(16,790)	-
	2,480,087	2,063,210

15. Budget information

The disclosed budget information has been approved by the Chief and Council of the Quatsino First Nation at the Chief and Council meeting held on April 7, 2015 as presented in September 2014.

16. Economic dependence

Quatsino First Nation receives a significant portion of its revenue from Aboriginal Affairs and Northern Development Canada (AANDC) as a result of agreements entered into with the Government of Canada. These agreements are administered by AANDC 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.

17. Comparative figures

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