

TLOWITSIS FIRST NATION

FINANCIAL STATEMENTS

MARCH 31, 2016

**TLOWITSIS FIRST NATION
FINANCIAL STATEMENTS
MARCH 31, 2016**

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TLOWITSIS FIRST NATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
MARCH 31, 2016

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

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

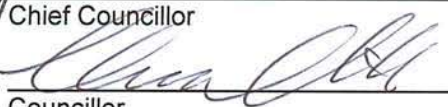
The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the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

The external auditors, Moeller Matthews, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Tlowitsis First Nation and meet when required.

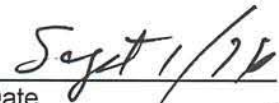
On behalf of Tlowitsis First Nation:




Chief Councillor



Councillor



Date



Date

Independent Auditors' Report

To the Members of Tlowitsis First Nation

We have audited the accompanying financial statements of Tlowitsis First Nation, which comprise the statement of financial position as at March 31, 2016, and the statements of revenue, expenditures and accumulated surplus, change in net financial assets (debt), cash flows and the related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, 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 First Nation'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 First Nation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 Tlowitsis First Nation as at March 31, 2016, and the results of its operations, the changes in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Campbell River, British Columbia
August 22, 2016





Chartered Professional Accountants

TLOWITSIS FIRST NATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016

	2016	2015
	\$	\$
Financial Assets		
Cash	6,270,438	3,191,870
Accounts receivable (Note 2)	51,573	33,735
Loans receivable (Note 3)	730,315	683,184
Investments in government business enterprises (Note 4)	197,342	197,342
Investments in government business partnerships (Note 5)	464,395	294,846
Federal trust funds (Note 6)	184,891	180,214
	7,898,954	4,581,191
Liabilities		
Accounts payable (Note 7)	44,288	96,350
Long-term debt (Note 8)	5,574,198	5,263,318
	5,618,486	5,359,668
Net financial assets (debt)	2,280,468	(778,477)
Non-financial Assets		
Tangible capital assets (Note 9)	571,905	394,147
Prepaid expenses (Note 10)	103,210	14,532
	675,115	408,679
Accumulated Surplus (Deficit)	2,955,583	(369,798)

Approved on behalf of the Tlowitsis First Nation

 , Chief Councillor
 , Councillor

The accompanying notes are an integral part of these financial statements.

TLOWITSIS FIRST NATION
STATEMENT OF REVENUE, EXPENDITURES AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2016

	2016 Budget (unaudited)	2016 Actual	2015 Actual
	\$	\$	\$
Revenue			
Federal Government:			
Aboriginal Affairs and Northern Development Canada	164,000	376,141	191,838
Ottawa Trust revenue	-	4,677	5,181
Province of British Columbia	-	156,677	168,035
British Columbia Treaty Commission	77,720	77,720	79,110
Income from government business partnerships	-	266,747	457,476
Rental Income	-	41,300	45,425
Interest income	-	52	198
Other	-	3,656,478	562,271
	241,720	4,579,792	1,509,534
Expenditures			
Education	268,137	212,480	182,960
Economic Development	-	306,068	146,161
Housing	-	36,225	53,381
Community Services	104,929	364,613	240,204
Band Government	468,757	335,025	428,053
	841,823	1,254,411	1,050,759
Annual surplus	(600,103)	3,325,381	458,775
Deficit at beginning of year	(369,798)	(369,798)	(828,573)
Accumulated surplus (deficit) at end of year	(969,901)	2,955,583	(369,798)

The accompanying notes are an integral part of these financial statements.

TLOWITSIS FIRST NATION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED MARCH 31, 2016

	2016 Budget (unaudited)	2016 Actual	2015
	\$	\$	\$
Annual surplus	(600,103)	3,325,381	458,775
Acquisition of tangible capital assets	-	(229,996)	(4,443)
Amortization of tangible capital assets	-	49,322	36,614
Loss on disposal of property and equipment	-	2,716	-
Proceeds on disposal of property and equipment	-	200	-
	-	(177,758)	32,171
Acquisition of prepaid asset	-	(103,210)	(14,532)
Use of prepaid asset	-	14,532	8,607
	-	(88,678)	(5,925)
(Decrease) increase in net financial assets	(600,103)	3,058,945	485,021
Net debt at beginning of year	(778,477)	(778,477)	(1,263,498)
Net debt at end of year	(1,378,580)	2,280,468	(778,477)

The accompanying notes are an integral part of these financial statements.

**TLOWITSIS FIRST NATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016**

	2016	2015
	\$	\$
Cash flows from		
Operating activities		
Annual surplus	3,325,381	458,775
Items not affecting cash		
Amortization of tangible capital assets	49,322	36,613
Income from government business partnerships	(266,747)	(457,476)
Loss on disposal of property and equipment	2,716	-
	3,110,672	37,912
Change in non-cash operating working capital		
Accounts receivable	(17,838)	28,708
Loans receivable	(47,131)	85,157
Prepaid expenses	(88,678)	(5,925)
Accounts payable	(52,063)	49,109
Trust funds held by federal government	(4,677)	(5,181)
	2,900,285	189,780
Capital activities		
Purchase of tangible capital assets	(229,996)	(4,443)
Proceeds on disposal of property and equipment	200	-
	(229,796)	(4,443)
Financing activities		
Advances of long-term debt	310,880	316,440
Investing activities		
Distributions from government business partnerships	97,199	558,736
Increase in cash and cash equivalents	3,078,568	1,060,513
Cash and cash equivalents, beginning of year	3,191,870	2,131,357
Cash and cash equivalents, end of year	6,270,438	3,191,870

The accompanying notes are an integral part of these financial statements.

**TLOWITSIS FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

1. Basis of Presentation and Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of CPA Canada.

(a) Principles of consolidation

The following investments in government business partnerships and government business enterprises are included in the financial statements using the modified equity basis of accounting.

Under the modified equity method of accounting, only the investment in the government business entities and the entity's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the entity that are different from those of the Tlowitsis First Nation.

Government business enterprises accounted for on a modified equity basis include:

1. Nanwakolas Business Corporation (20.00%)
2. Chief's Pride Aquaculture Corporation (100.00%)
3. Chief's Pride Seafoods Inc. (100.00%)
4. Happy as a Clam Shellfish Ltd. (100.00%)

Government business partnerships accounted for on a modified equity basis include:

5. A-Tlegay Fisheries Limited Partnership (18.00%)
6. Nanwakolas Forestry Limited Partnership (17.91%)
7. Nanwakolas Carbon Credit Limited Partnership (8.98%)

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and term deposits having a maturity of one year or less at acquisition which are held for the purpose of meeting short-term cash commitments.

(c) Loans receivable

Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. Loans are reviewed on an annual basis by management. Interest income is accrued on loans receivable to the extent it is deemed collectable.

**TLOWITSIS FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

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

(d) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets

Amortization is provided for at the following rates and methods:

Buildings	4% Declining balance
Automotive equipment	30% Declining balance
Computer equipment	30-55% Declining balance
Equipment	20% Declining balance
Boat	15% Declining balance

Tangible capital assets are written down when conditions indicate that they no longer contribute to Tlowitsis First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

(e) 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.

(f) Measurement uncertainty

In preparing the financial statements for the First 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 financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

TLOWITSIS FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

2. Accounts receivable

	2016	2015
	\$	\$
Band members	7,050	11,778
Rent	21,840	11,059
Other	22,683	10,898
	51,573	33,735

3. Loans receivable

	2016	2015
	\$	\$
Chief's Pride Seafoods Inc., loan, no specified terms of repayment or stated interest rate.	37,762	32,273
Happy as a Clam Shellfish Ltd., loan, no specified terms of repayment or stated interest rate.	142,553	100,911
K & S Schoenfelder, no specified terms of repayment, interest at 9%.	550,000	550,000
	730,315	683,184

TLOWITSIS FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

4. Investments in government business enterprises

	2016 \$	2015 \$
Nanwakolas Business Corporation	1	1
Chief's Pride Aquaculture Corporation	1	1
Chief's Pride Seafoods Inc.	1	1
Happy as a Clam Shellfish Ltd	197,339	197,339
	197,342	197,342

Nanwakolas Business Corporation has no business activities.

Chief's Pride Aquaculture Corporation operates a shellfish farm.

Chief's Pride Seafoods Inc owns rental property.

Happy as a Clam Shellfish Ltd operates a shellfish farm.

	Nanwakolas Business Corporation	Chief's Pride Aquaculture Corporation	Chief's Pride Seafoods Inc.	Happy as a Clam Shellfish Ltd
	\$	\$	\$	\$
Total Assets	25	164,049	11,102	85,970
Total Liabilities	20	562,767	39,276	235,952
Equity	5	(398,718)	(28,174)	(149,982)
Total liabilities and equity	25	164,049	11,102	85,970

	Nanwakolas Business Corporation	Chief's Pride Aquaculture Corporation	Chief's Pride Seafoods Inc.	Happy as a Clam Shellfish Ltd
	\$	\$	\$	\$
Revenue	-	114,179	1,920	21,016
Expenses	-	89,585	7,072	100,556
Net income (loss)	-	24,594	(5,152)	(79,540)

TLOWITSIS FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

5. Investments in government business partnerships

	2016	2015
	\$	\$
A-Tlegay Fisheries Limited Partnership	371,639	187,063
Nanwakolas Forestry Limited Partnership	76,353	62,854
Nanwakolas Carbon Credit Limited Partnership	16,403	44,929
	464,395	294,846

A-Tlegay Fisheries Limited Partnership acquires and manages various fishing licenses and quota made available through negotiations with the federal government under the Pacific Integrated Commercial Fisheries Initiative by the Department of Fisheries and Oceans and acquires and leases fishing vessels and equipment.

Nanwakolas Forestry Limited Partnership harvests and manages timber.

Nanwakolas Carbon Credit Limited Partnership verifies and sells carbon credits on the open market.

The following table presents condensed financial information for these commercial enterprises:

	A-Tlegay Fisheries Limited Partnership	Nanwakolas Forestry Limited Partnership	Nanwakolas Carbon Credit Limited Partnership
	\$	\$	\$
Total Assets	2,164,379	431,901	189,559
	\$	\$	\$
Total Liabilities	99,507	2,500	4,001
Equity	2,064,872	429,401	185,558
Total liabilities and equity	2,164,379	431,901	189,559

	A-Tlegay Fisheries Limited Partnership	Nanwakolas Forestry Limited Partnership	Nanwakolas Carbon Credit Limited Partnership
	\$	\$	\$
Revenue	1,221,377	85,766	1,150,813
Expenses	195,854	18,906	386,075
Net income	1,025,523	66,860	764,738

TLOWITSIS FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

6. Trust funds held by federal government

	March 31, 2015	Additions, 2016	March 31, 2016
	\$	\$	\$
Revenue	80,591	4,677	85,268
Capital	99,623	-	99,623
	180,214	4,677	184,891

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

7. Accounts payable

	2016	2015
	\$	\$
Trade payables	42,882	93,996
Government remittances payable	1,406	2,354
	44,288	96,350

8. Long-term debt

	2016	2015
	\$	\$
Aboriginal Affairs and Northern Development Canada, repayable as outlined in Sections 13.0 and 14.0 of the First Nations Negotiation Support Agreement	5,573,846	5,262,966
Due to John Smith, unsecured, no specified term of repayment or stated interest rate.	352	352
	5,574,198	5,263,318

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

2021 and thereafter	5,574,198
	5,574,198

TLOWITSIS FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

9. Tangible Capital Assets

	Cost				Accumulated amortization				
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year	2016 net book value
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Buildings	797,543	-	-	797,543	510,350	11,488	-	521,838	275,705
Automotive equipment	69,892	15,487	(10,000)	75,379	51,307	7,024	(7,085)	51,246	24,133
Computer equipment	31,603	834	-	32,437	27,278	1,657	-	28,935	3,502
Equipment	60,952	6,158	-	67,110	53,609	2,084	-	55,693	11,417
Boat	181,074	207,516	-	388,590	104,373	27,069	-	131,442	257,148
	1,141,064	229,995	(10,000)	1,361,059	746,917	49,322	(7,085)	789,154	571,905

	Cost				Accumulated amortization				
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year	2015 Net book value
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Buildings	797,543	-	-	797,543	498,384	11,966	-	510,350	287,193
Automotive equipment	65,449	4,443	-	69,892	44,294	7,013	-	51,307	18,585
Computer equipment	31,603	-	-	31,603	25,016	2,262	-	27,278	4,325
Equipment	60,952	-	-	60,952	51,773	1,836	-	53,609	7,343
Boat	181,074	-	-	181,074	90,837	13,536	-	104,373	76,701
	1,136,621	4,443	-	1,141,064	710,304	36,613	-	746,917	394,147

TLOWITSIS FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

10. Prepaid expenses

	2016	2015
	\$	\$
Rent	1,333	1,333
Post Secondary Allowances	11,400	12,000
Vehicle Extended Warranty	1,513	674
Other	1,464	525
Land purchase deposit	87,500	-
	<u>103,210</u>	<u>14,532</u>

11. Contingent Liabilities

Tlowitsis First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

12. Economic Dependence

Tlowitsis First Nation receives a significant portion of its revenue pursuant to a funding agreement with Aboriginal Affairs and Northern Development Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependant on this source of revenue.

13. Budgeted Figures

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

14. Segmented information

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 following table presents the expenses incurred and the revenue generated by main object of expense and by major revenue type. The segment results for the year are as follows:

TLOWITSIS FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

14. Segmented information, continued

	2016 Budget	Education 2016 Actual	2015 Actual	2016 Budget	Economic Development 2016 Actual	2015 Actual
	\$	\$	\$	\$	\$	\$
Revenues						
Aboriginal Affairs and Northern Development Canada	164,000	152,619	93,866	-	25,894	25,992
Income from government business partnerships	-	-	-	-	266,747	457,476
Province of British Columbia	-	-	-	-	156,677	168,035
Ottawa Trust revenue	-	-	-	-	4,677	5,181
Other revenue	-	-	-	-	3,634,729	448,909
Total revenue	164,000	152,619	93,866	-	4,088,724	1,105,593
Expenses						
Wages and benefits	14,929	14,929	-	-	72,896	71,430
Amortization	-	-	-	-	41,842	28,810
Honorariums	-	-	-	-	-	300
Other expenses	253,208	197,551	182,960	-	191,330	45,621
Total expenses	268,137	212,480	182,960	-	306,068	146,161
Annual surplus (deficit)	(104,137)	(59,861)	(89,094)	-	3,782,656	959,432

	2016 Budget	Housing 2016 Actual	2015 Actual	2016 Budget	Community Services 2016 Actual	2015 Actual
	\$	\$	\$	\$	\$	\$
Revenues						
Aboriginal Affairs and Northern Development Canada	-	-	-	-	147,885	146,364
Rental Income	-	41,300	45,425	-	-	-
Other revenue	-	51	198	-	20,010	113,751
Total revenue	-	41,351	45,623	-	167,895	260,115
Expenses						
Wages and benefits	-	-	-	-	133,484	61,425
Amortization	-	7,480	7,803	-	-	-
Honorariums	-	-	500	-	87,100	90,350
Other expenses	-	28,745	45,078	104,929	144,029	88,429
Total expenses	-	36,225	53,381	104,929	364,613	240,204
Annual surplus (deficit)	-	5,126	(7,758)	(104,929)	(196,718)	19,911

TLOWITSIS FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

14. Segmented information, continued

	Band Government			Employment Programs		
	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual
	\$	\$	\$	\$	\$	\$
Revenues						
Aboriginal Affairs and Northern Development Canada	-	49,743	(74,384)	-	-	-
British Columbia Treaty Commission	77,720	77,720	79,110	-	-	-
Other revenue	-	-	-	-	1,740	(389)
Total revenue	77,720	127,463	4,726	-	1,740	(389)
Expenses						
Wages and benefits	-	5,283	2,706	-	-	-
Honorariums	189,189	144,540	224,861	-	-	-
Other expenses	279,568	185,202	200,486	-	-	-
Total expenses	468,757	335,025	428,053	-	-	-
Annual surplus (deficit)	(391,037)	(207,562)	(423,327)	-	1,740	(389)

	Consolidated totals		
	2016 Budget	2016 Actual	2015 Actual
	\$	\$	\$
Revenues			
Aboriginal Affairs and Northern Development Canada	164,000	376,141	191,838
Income from government business partnerships	-	266,747	457,476
Rental Income	-	41,300	45,425
British Columbia Treaty Commission	77,720	77,720	79,110
Province of British Columbia	-	156,677	168,035
Ottawa Trust revenue	-	4,677	5,181
Other revenue	-	3,656,530	562,469
Total revenue	241,720	4,579,792	1,509,534
Expenses			
Wages and benefits	14,929	226,592	135,561
Amortization	-	49,322	36,613
Honorariums	189,189	231,640	316,011
Other expenses	637,705	746,857	562,574
Total expenses	841,823	1,254,411	1,050,759
Annual surplus (deficit)	(600,103)	3,325,381	458,775