

**LAKE COWICHAN FIRST NATION  
CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2018**

**LAKE COWICHAN FIRST NATION**  
**Index to Consolidated Financial Statements**  
**March 31, 2018**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

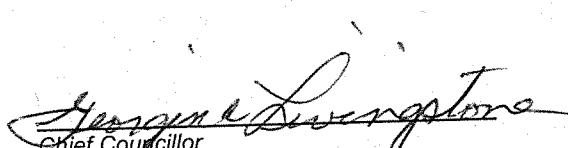
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate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

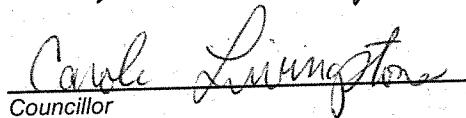
In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial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

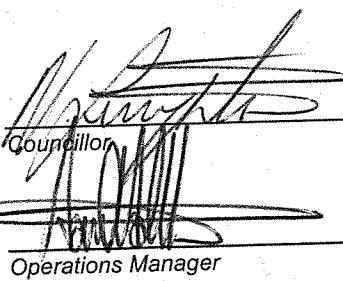
The Lake Cowichan First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management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

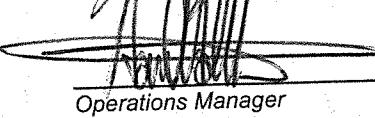
Lee & Company, an independent firm of Chartered Professional Accountants, is appointed by Council on behalf of the Members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with, both the Council and management to discuss their audit findings.

On behalf of Lake Cowichan First Nation:

  
George Livingston  
Chief Councillor

  
Carole Livingston  
Councillor

  
Mark Wright  
Councillor

  
Mark Wright  
Operations Manager

October 19, 2018



# LEE & COMPANY

CHARTERED PROFESSIONAL ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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### TO THE MEMBERS OF LAKE COWICHAN FIRST NATION

#### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of LAKE COWICHAN FIRST NATION which comprise the consolidated statement of financial position as at March 31, 2018 and the consolidated statements of operations, change 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 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 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 consolidated financial statements present fairly, in all material respects, the financial position of LAKE COWICHAN FIRST NATION as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

CHARTERED PROFESSIONAL ACCOUNTANTS

Victoria, BC  
October 19, 2018

**LAKE COWICHAN FIRST NATION**  
**Consolidated Statement of Financial Position**  
**March 31, 2018**

	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 3)	808,918	909,404
Accounts receivable (Note 4)	65,989	34,414
Ottawa Trust funds (Note 5)	1,890	3,612
Portfolio investments (Note 6)	5,000	5,000
	<u>881,797</u>	<u>952,430</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 7)	202,824	219,963
Deferred revenue (Note 8)	342,827	665,766
Obligations under capital lease (Note 9)	16,200	-
Long term debt (Note 10)	442,198	452,517
	<u>1,004,049</u>	<u>1,338,246</u>
	<u>(122,252)</u>	<u>(385,816)</u>
<b>NET FINANCIAL ASSETS (NET DEBT)</b>		
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 21)	2,048,775	511,324
Prepaid expenses	21,906	5,263
	<u>2,070,681</u>	<u>516,587</u>
	<u>1,948,429</u>	<u>130,771</u>
<b>ACCUMULATED SURPLUS (DEFICIT) (Note 12)</b>		
Contingent liabilities (Note 15)		

Approved by Chief and Council

*George Livingstone*  
 Chief Councillor

*W. Murphy*  
 Councillor

*Carole Livingstone*  
 Councillor

**LAKE COWICHAN FIRST NATION**  
**Consolidated Statement of Operations**  
**For the year ended March 31, 2018**

	Budget (unaudited)	2018	2017
<b>REVENUE</b>			
Federal funding - Indigenous & Northern Affairs Canada	1,284,792	1,558,865	309,998
Federal funding - Canada Mortgage and Housing Corporation	18,226	18,226	18,226
Federal funding - Other	185,984	263,348	239,560
Provincial funding	35,000	244,500	69,756
Ottawa Trust	- 109	109	114
Rent	36,024	35,789	35,524
Other	240,000	777,846	344,896
	<b>1,800,026</b>	<b>2,898,683</b>	<b>1,018,074</b>
<b>EXPENSES</b>			
Governance and administration	179,299	188,530	245,517
Social development	27,071	33,654	56,299
Health services	72,394	122,385	99,546
Education and training	80,900	116,539	87,659
Public works	30,646	12,928	12,301
Lands and treaty	283,085	396,101	248,597
Economic development	105,000	73,792	102,335
Capital projects	814,941	-	32,499
Band housing	10,794	21,772	12,395
Social housing	19,424	40,397	21,413
Depreciation	18,000	76,508	47,249
	<b>1,641,554</b>	<b>1,082,606</b>	<b>965,810</b>
<b>ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS</b>	<b>158,472</b>	<b>1,816,077</b>	<b>52,264</b>
<b>OTHER INCOME (EXPENSES)</b>			
Gain (loss) on disposal of tangible capital assets	1,581	-	-
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>1,817,658</b>	<b>52,264</b>	
<b>ACCUMULATED SURPLUS (DEFICIT), at beginning of year</b>	<b>130,771</b>	<b>78,507</b>	
<b>ACCUMULATED SURPLUS (DEFICIT), at end of year (Note 12)</b>	<b>1,948,429</b>	<b>130,771</b>	

**LAKE COWICHAN FIRST NATION**  
**Consolidated Statement of Changes in Net Financial Assets (Net Debt)**  
**For the year ended March 31, 2018**

	Budget (unaudited)	2018	2017
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>158,472</b>	<b>1,817,658</b>	<b>52,264</b>
Tangible capital assets			
Acquisition of tangible capital assets	(1,621,159)	(181,261)	
Proceeds on disposal of tangible capital assets	8,781	-	
Amortization of tangible capital assets	18,000	76,508	47,249
Write-downs on tangible capital assets	-	-	
(Gain) loss on disposal of tangible capital assets	(1,581)	-	
	<b>18,000</b>	<b>(1,537,451)</b>	<b>(134,012)</b>
Acquisition of supplies inventories			
Acquisition of prepaid expense	(21,906)	(3,990)	
Transfer from (to) reserves	-	-	
Consumption of supplies inventories	-	5,263	1,750
Use of prepaid expense	-	(16,643)	(2,240)
	<b>176,472</b>	<b>263,564</b>	<b>(83,988)</b>
<b>CHANGE IN NET FINANCIAL ASSETS (NET DEBT)</b>			
<b>NET FINANCIAL ASSETS (NET DEBT), at beginning of year</b>	<b>(385,816)</b>	<b>(301,828)</b>	
<b>NET FINANCIAL ASSETS (NET DEBT), at end of year</b>	<b>(122,252)</b>	<b>(385,816)</b>	

**LAKE COWICHAN FIRST NATION**  
**Consolidated Statement of Cash Flows**  
**For the year ended March 31, 2018**

	<b>2018</b>	<b>2017</b>
<b>OPERATING ACTIVITIES</b>		
Annual surplus (deficit)	1,817,658	52,264
Items not affecting cash		
Amortization of tangible capital assets	76,508	47,249
(Gain) loss on disposal of tangible capital assets	(1,581)	-
Change in non-cash charges to operations		
Accounts receivable	(31,575)	81,625
Ottawa Trust funds	1,722	(114)
Prepaid expenses	(16,643)	(2,240)
Accounts payable and accrued liabilities	(17,139)	(112,476)
Deferred revenue	<u>(322,939)</u>	<u>638,796</u>
	<u>1,506,011</u>	<u>705,104</u>
<b>CAPITAL TRANSACTIONS</b>		
Proceeds on disposal of tangible capital assets	8,781	-
Acquisition of tangible capital assets	<u>(1,621,159)</u>	<u>(181,261)</u>
	<u>(1,612,378)</u>	<u>(181,261)</u>
<b>FINANCING TRANSACTIONS</b>		
Advances of long-term debt	38,161	68,249
Advances of capital lease obligations	20,334	-
Repayment of long-term debt	(48,480)	(31,511)
Repayment of capital lease obligations	(4,134)	-
	<u>5,881</u>	<u>36,738</u>
<b>INCREASE (DECREASE) IN CASH DURING YEAR</b>	<b>(100,486)</b>	<b>560,581</b>
<b>CASH, at beginning of year</b>	<b>909,404</b>	<b>348,823</b>
<b>CASH, at end of year</b>	<b>808,918</b>	<b>909,404</b>
<b>REPRESENTED BY:</b>		
Cash (bank indebtedness)	808,918	909,404
Cash - restricted by CMHC	<u>-</u>	<u>-</u>
	<b>808,918</b>	<b>909,404</b>

**LAKE COWICHAN FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2018**

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**1. NATURE OF OPERATIONS**

Lake Cowichan First Nation (the "First Nation") is located in the province of British Columbia, and its principal purpose is to provide for the well-being of its band member. The First Nation operates under the Indian Act.

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**2. SUMMARY OF 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 and Principles of Financial Reporting

These financial statements consolidate the assets, liabilities and results of operations for the following entities, which use accounting principles, which lend themselves to consolidation:

- Lake Cowichan First Nation Government Administration
- Lake Cowichan First Nation Trusts Fund
- CMHC Housing Program

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

Incorporated business entities, which are owned or controlled by Lake Cowichan First Nation and which are dependent on the First Nation for their continuing operations, are consolidated in the consolidated financial statements. These include:

- Ts'uubaa-asatx Development Corporation - inactive

Incorporated business entities, which are owned or controlled by Lake Cowichan First Nation and which are not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method.

Investments in non-controlled entities and subject to significant influence are included in the consolidated financial statements using the modified equity method.

Investments in non-controlled entities and not subject to significant influence are recorded at cost. These include:

- Hul'q'umi'num Fisheries Limited Partnership - 20% interest

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts 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.

(continues)

**LAKE COWICHAN FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2018**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Portfolio Investments**

Portfolio investments are recorded at cost. Portfolio investments are written down where there has been a loss in value that is other than a temporary decline.

**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. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Lake Cowichan First Nation's incremental cost of borrowing.

Amortization is provided for on a straight-line basis over their estimated useful lives as follows:

Buildings	10-20 years
Infrastructure	10 years
Computer equipment	3 years
Equipment	3-5 years
Motor vehicles	5 years
Boats	3 years
Equipment under capital lease	3 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to Lake Cowichan 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.

(continues)

**LAKE COWICHAN FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2018**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**Measurement Uncertainty**

The preparation of consolidated financial statements in conformity with Canadian public sector accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates..

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**LAKE COWICHAN FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2018**

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**3. CASH AND CASH EQUIVALENTS**

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Lake Cowichan 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 and Operating Fund.

Cash and cash equivalents is comprised of the following:

	<b>2018</b>	<b>2017</b>
Unrestricted - Operating	\$ 787,917	\$ 909,404
Internally restricted	21,001	-
Restricted - CMHC	-	-
	<b>\$ 808,918</b>	<b>\$ 909,404</b>

**Cash - Internally Restricted**

During the year, Lake Cowichan Administration has decided to distribute funds from logging revenue to its members. For those members who were under the age of 18 at the date of the distribution, these monies are held in trust until such time as the member reaches the age of 18. These monies will be distributed to the members as they achieve the age of 18 at the principal amount plus interest calculated at the bank rate. The commitment is estimated to be \$21,000 for 2018 (\$nil for 2017).

**4. ACCOUNTS RECEIVABLE**

	<b>2018</b>	<b>2017</b>
<b>Federal government</b>		
Indigenous & Northern Affairs Canada	\$ -	\$ -
Other government organizations	20,765	25,345
Canada Mortgage and Housing Corporation	1,519	1,519
	<b>22,284</b>	<b>26,864</b>
<b>Members</b>		
Rent	2,218	2,154
Social housing	6,969	1,466
	<b>9,187</b>	<b>3,620</b>
Other	34,518	3,930
	<b>\$ 65,989</b>	<b>\$ 34,414</b>

**LAKE COWICHAN FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2018**

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**5. OTTAWA TRUST FUNDS**

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.

	March 31, 2017	Additions	Withdrawals	March 31, 2018
Revenue Capital	\$ 1,747 1,865	\$ 109 -	\$ (1,831) -	\$ 25 1,865
	<b>\$ 3,612</b>	<b>\$ 109</b>	<b>\$ (1,831)</b>	<b>\$ 1,890</b>

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**6. PORTFOLIO INVESTMENTS**

	2018	2017
Hul'Q'Umn Num Fisheries Limited Partnership - 20% interest	<b>\$ 5,000</b>	<b>\$ 5,000</b>

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

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**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2018	2017
Indigenous & Northern Affairs Canada	\$ 3,569	\$ 1,558
Trade payables	<b>176,922</b>	<b>194,036</b>
Accrued salaries and benefits payable	4,894	5,315
Canada Revenue Agency - Source deductions	4,333	5,916
Other accrued liabilities	<b>13,106</b>	<b>13,138</b>
	<b>\$ 202,824</b>	<b>\$ 219,963</b>

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**LAKE COWICHAN FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2018**

## 8. DEFERRED REVENUE

The changes in the deferred contributions balance for the year are as follows:

Balance March 31, 2017	Funding Received 2018	Revenue Recognized 2018	Balance March 31, 2018
\$ 634,884	\$ -	\$ (634,884)	\$ -
-	814,941	(482,783)	332,158
-	75,000	(64,331)	10,669
30,882	-	(30,882)	-
\$ 665,766	\$ 889,941	\$ (1,212,880)	\$ 342,827

#### 9. OBLIGATIONS UNDER CAPITAL LEASE

**2018** **2017**

These values are approximately:

2019	\$ 9,622
2020	<u>6,123</u>
Total minimum lease payments	15,745
Less: amount representing interest	<u>(378)</u>
	\$ 15,367

Interest on capital lease in the amount of \$240 (2017 - \$nil) was recorded in the statement of operations.

**LAKE COWICHAN FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2018**

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**10. LONG TERM DEBT**

**2018** **2017**

All Nations Trust - mortgage repayable at \$2,119 per month including interest @ 2.08%, maturing February 1, 2034. Secured by a ministerial guarantee from Indigenous & Northern Affairs Canada and a first mortgage on three housing units.	\$ 344,450	\$ 362,537
Ford Credit Canada Ltd. - auto loan repayable at \$789 per month including interest at 1.99% per annum. Secured by vehicle, maturing December 19, 2019.	16,569	26,039
Tale'awtxw Aboriginal Capital Corporation loan, payments of \$769 per month including interest at 12.0% per annum, matures July 5, 2019, secured by a general security agreement.	16,332	29,705
Tale'awtxw Aboriginal Capital Corporation loan, payments of \$701 per month including interest at 8.0% per annum, matures February 15, 2022, secured by a general security agreement.	28,330	34,236
Tale'awtxw Aboriginal Capital Corporation loan, payments of \$433 per month including interest at 12.0% per annum, matures November 20, 2020, secured by a general security agreement.	18,337	
Tale'awtxw Aboriginal Capital Corporation loan, payments of \$395 per month including interest at 8.0% per annum, matures Septemebr 20, 2022, secured by a general security agreement.	18,180	
	<b>\$ 442,198</b>	<b>\$ 452,517</b>

Principal repayment terms are approximately:

2019	\$ 49,298
2020	48,843
2021	35,070
2022	36,262
2023	24,547
Thereafter	248,178
	<b>\$ 442,198</b>

Interest expense for the year on long-term debt - \$15,523 (2018), \$12,646 (2017).

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**LAKE COWICHAN FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2018**

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**11. EXPENSES BY OBJECT**

The following is a summary of expenses by object.

	<b>2018</b>	<b>2017</b>
Amortization	\$ 76,508	\$ 47,249
Contract services	- 17,887	36,991 13,334
Debt servicing and interest	39,606	38,330
Education and training	49,750	41,605
Honoraria and distributions	15,174	15,567
Insurance	130,414	70,575
Materials, equipment and repairs	20,041	15,372
Office and other	364,582	302,216
Professional fees	5,346	4,447
Social assistance	29,010	31,397
Travel	307,994	325,773
Wages and benefits	26,294	22,954
	<hr/> <b>\$ 1,082,606</b>	<hr/> <b>\$ 965,810</b>

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**LAKE COWICHAN FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2018**

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**12. ACCUMULATED SURPLUS (DEFICIT)**

	Operating	Trust	CMHC Housing	2018	2017
Accumulated Surplus (Deficit), at the beginning of year	\$ 178,799	\$ 3,613	\$ (51,641)	\$ 130,771	\$ 78,507
Annual Surplus (Deficit) Transfers	1,837,896	109	(20,347)	1,817,658	52,264
	<u>1,832</u>	<u>(1,832)</u>			
Accumulated Surplus (Deficit), at the beginning of year	<u>2,018,527</u>	<u>1,890</u>	<u>(71,988)</u>	<u>1,948,429</u>	<u>130,771</u>
	<u>\$ 2,018,527</u>	<u>\$ 1,890</u>	<u>\$ (71,988)</u>	<u>\$ 1,948,429</u>	<u>\$ 130,771</u>

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**13. ANNUAL SURPLUS NET OF CAPITAL RELATED REVENUES AND AMORTIZATION**

	2018	2017
Annual surplus (deficit)	\$ 1,817,658	\$ 52,264
<u>Less capital related revenues included in annual surplus:</u>		
Federal government transfers for capital	(1,117,667)	-
Other funding agency transfers for capital	(95,406)	-
	<u>604,585</u>	<u>52,264</u>
Add amortization expense included in annual surplus	<u>76,508</u>	<u>47,249</u>
Annual surplus (deficit) net of capital related revenues and amortization	<u>\$ 681,093</u>	<u>\$ 99,513</u>

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**14. TREATY NEGOTIATIONS**

Treaty negotiations for Lake Cowichan First Nation are being carried on by the Hul'qumi'num Treaty Group. As at March 31, 2018, the Treaty Group is responsible to repay in excess of \$36,116,188 to the Federal Government for advances made under the treaty process.

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**LAKE COWICHAN FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2018**

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**15. CONTINGENT LIABILITY**

The First Nation has the following contingent liabilities

- a) The First Nation has a contingent liability of \$344,450 for various on-reserve housing loan guarantees.
- b) The First Nation entered into forgivable loan agreements with CMHC for the On-Reserve Residential Rehabilitation Assistance Program (RRAP). These loans are forgivable over three to four years if the First Nation comply with the terms and conditions of the RRAP loans. The loans become payable with interest rates varying between 3.125% to 3.750% should the First Nation fail to comply.

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**16. ECONOMIC DEPENDENCE**

The First Nation receives a majority portion of its revenue pursuant to a funding arrangement with Indigenous & Northern Affairs Canada.

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**17. FINANCIAL INSTRUMENTS**

Lake Cowichan First Nation's financial instruments consist of cash, investments, accounts receivable, bank indebtedness, accounts payable and accruals, and long-term debt. It is management's opinion that the First Nation is not exposed to significant currency or credit risk arising from these financial instruments. The fair value of the instruments approximates their carrying values, unless otherwise noted.

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the First Nation manages exposure through its normal operating and financing activities. The First Nation is exposed to interest rate price risk on its loans with fixed interest rates and on its investment portfolio consisting partially of fixed income securities.

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**LAKE COWICHAN FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2018**

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**18. SEGMENTS**

Lake Cowichan First 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.

Governance and administration - Includes government activities of Chief and Council and band support and membership. It oversees the delivery of all government services including ensuring that adequate policies and procedures are in place to safeguard assets and to properly report financial activities.

Social development - Contains activities that provide financial support or support by other means to the First Nation members that is aimed at developing both the individual as well as the community.

Health services - Contains activities that provide medical services to the First Nation members.

Education and training - Includes activities that provide education to the First Nation members for primary, secondary schooling and reimbursement of tuition costs and living and other allowances to students who are attending post-secondary institutions.

Public works - Contains all activities that relate to the maintenance of buildings, road, infrastructure, and land of the Lake Cowichan First Nation.

Lands and treaty - Includes revenue and expenditures related to the negotiation of treaty and specific claims.

Economic development - Reports the economic development activities of the First Nation, including programs such as feasibility studies of future development and waterfront development.

Capital projects - Includes major capital projects and activities occurring in the First Nation during the year.

Band housing - Includes activities related to the provision of Band owned housing to the members of the Nation.

Social housing - Includes activities related to the provision of CMHC program housing to the members of the Nation.

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**19. BUDGET FIGURES**

The budget figures were not audited nor reviewed but compiled from information provided by First Nation management.

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**20. COMPARATIVE FIGURES**

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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## LAKE COWICHAN FIRST NATION

### Notes to Consolidated Financial Statements

For the year ended March 31, 2018

#### 21. TANGIBLE CAPITAL ASSETS

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE	
	Balance March 31, 2017	Additions	Disposals	Balance March 31, 2018	Balance March 31, 2017	Adjustments	Amortization	
Buildings	686,411	101,607	-	788,018	358,789	-	30,943	389,732
Infrastructure	-	55,600	-	55,600	-	-	2,780	2,780
Computer Equipment	7,483	-	-	7,483	-	-	-	7,483
Equipment	54,714	37,163	-	91,877	3,000	-	14,059	17,059
Motor Vehicle	120,856	31,461	(8,000)	144,317	31,768	(800)	25,337	56,305
Boat	18,212	-	-	18,212	-	-	-	18,212
Equipment under capital lease	-	20,334	-	20,334	-	-	3,389	3,389
Construction in Progress	42,900	1,374,994	-	1,417,894	-	-	-	1,417,894
<b>TOTAL</b>	<b>930,576</b>	<b>1,621,159</b>	<b>(8,000)</b>	<b>2,543,735</b>	<b>419,252</b>	<b>(800)</b>	<b>76,508</b>	<b>494,960</b>
								<b>2,048,775</b>
						NET BOOK VALUE		
			ACCUMULATED AMORTIZATION			Balance March 31, 2017		
			Balance March 31, 2016	Adjustments	Amortization	March 31, 2017		
			Balance March 31, 2016	Disposals	24,600	358,789		
Band Housing	673,789	-	673,789	334,189	-	315,000		
Infrastructure	-	-	-	-	-	-		
Computer Equipment	7,483	-	7,483	7,483	-	7,483		
Equipment	3,000	64,336	-	67,336	3,000	-	3,000	64,336
Motor Vehicle	46,831	74,025	-	120,856	15,189	-	16,579	31,768
Boat	18,212	-	-	18,212	12,142	-	6,070	18,212
Equipment under capital lease	-	42,900	-	-	-	-	-	42,900
Construction in Progress	-	42,900	-	42,900	-	-	-	42,900
<b>TOTAL</b>	<b>749,315</b>	<b>181,261</b>	<b>-</b>	<b>930,576</b>	<b>372,003</b>	<b>-</b>	<b>47,249</b>	<b>419,252</b>
								<b>511,324</b>

Construction in Progress - Lake Cowichan First Nation is extending its water & sewer line and constructing walkway to support and promote development along its waterfront. Construction is budgeted at \$1,865,500 and is expected to be completed by August 2019.

## LAKE COWICHAN FIRST NATION

### Notes to Consolidated Financial Statements

For the year ended March 31, 2018

#### 22. SEGMENT DISCLOSURE

The segment results for the period are as follows:

	Governance and Administration		Social Development		Health Services		Education and Training		Public Works	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>										
Federal funding - Indigenous & Northern Affairs Canada	99,167	113,201	30,548	39,372	-	-	45,796	23,893	10,240	11,087
Federal funding - Canada Mortgage and Housing Corporation	25,000	21,500	-	-	163,372	133,217	61,808	63,773	-	-
Federal funding - Other	135,000	34,756	-	-	-	-	-	-	-	-
Provincial funding	-	-	-	-	-	-	-	-	-	-
Ottawa Trust	-	-	-	-	-	-	-	-	-	-
Rent	134,526	10,528	-	-	-	-	2,500	-	-	180
Other	393,693	179,985	30,548	39,372	163,372	135,717	107,604	87,666	10,240	11,267
<b>EXPENSES</b>										
Wages and benefits	64,224	71,401	21,225	34,470	51,185	56,291	35,468	41,176	-	-
Debt servicing	2,604	1,151	-	-	-	-	-	-	-	-
Amortization	51,908	22,459	-	-	-	-	-	-	-	-
Materials, equipment and repairs	12,562	17,991	6,597	6,907	34,798	3,965	14,691	14,786	6,687	1,168
Professional fees	59,927	65,421	-	-	32,882	12,440	17,500	-	135	-
Other Expenses	49,214	89,553	5,832	14,922	3,520	26,850	48,880	31,697	6,106	11,133
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>240,439</b>	<b>267,976</b>	<b>33,654</b>	<b>56,299</b>	<b>122,385</b>	<b>99,546</b>	<b>116,539</b>	<b>87,659</b>	<b>12,928</b>	<b>12,301</b>
	<b>153,254</b>	<b>(87,991)</b>	<b>(3,106)</b>	<b>(16,927)</b>	<b>40,987</b>	<b>36,171</b>	<b>(8,935)</b>	<b>7</b>	<b>(2,688)</b>	<b>(1,034)</b>

**LAKE COWICHAN FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**For the year ended March 31, 2018**

**22. SEGMENT DISCLOSURE (Continued)**

	Lands and Treaty	Economic Development	Capital Projects	Band Housing	Social Housing	
	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>						
Federal funding - Indigenous & Northern Affairs Canada	245,447	9,960	644,884	78,000	482,783	34,485
Federal funding - Canada Mortgage and Housing Corporation	13,168	21,070	-	-	-	-
Federal funding - Other	109,500	35,000	-	-	-	-
Provincial funding	109	114	-	-	-	-
Ottawa Trust	-	-	-	-	9,365	9,100
Rent	580,251	314,447	64,650	17,241	-	-
Other	948,475	380,591	709,534	95,241	482,783	34,485
					9,365	9,100
					44,650	44,650
<b>EXPENSES</b>						
Wages and benefits	114,195	107,152	11,305	11,576	-	6,992
Debt servicing	-	-	7,976	4,521	-	-
Amortization	-	190	-	-	-	-
Materials, equipment and repairs	9,461	18,265	25,060	3,264	-	1,788
Professional fees	221,629	111,426	26,404	79,430	32,499	5,738
Other Expenses	50,816	11,754	3,047	3,544	-	7,254
	396,101	248,787	73,792	102,335	32,499	21,772
					12,395	64,997
					46,013	
	552,374	131,804	635,742	(7,094)	482,783	1,986
					(12,407)	(3,295)
						(20,347)
						(1,363)
<b>ANNUAL SURPLUS (DEFICIT)</b>						