
NANOOSE FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

NANOOSE FIRST NATION

YEAR ENDED MARCH 31, 2016
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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

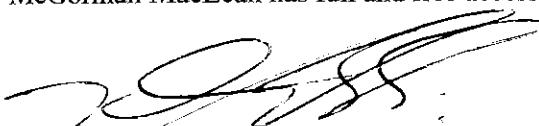
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

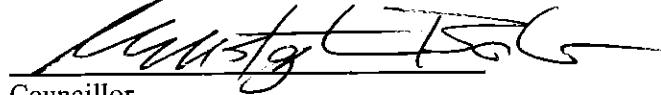
The First Nation maintains systems of internal accounting and administrative controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The First Nation Council reviews the First Nation's consolidated financial statements and management letter. 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 consolidated financial statements and the external auditors' report. The Council approves the consolidated financial statements for issuance to the members. The Council also considers, for review and approval by the members, the engagement of the external auditors.

The consolidated financial statements have been audited by McGorman MacLean, Chartered Professional Accountants in accordance with Canadian generally accepted auditing standards on behalf of the members. McGorman MacLean has full and free access to the Council.


Councillor


Councillor


Councillor

INDEPENDENT AUDITORS' REPORT

To the Members of Nanoose First Nation

We have audited the accompanying consolidated statement of financial position of Nanoose First Nation as at March 31, 2016 and the consolidated statements of operations, changes in net debt 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 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 consolidated 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.

Opinion

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

McGorman MacLean
CHARTERED PROFESSIONAL ACCOUNTANTS

Parksville, Canada
August 23, 2016

154 Memorial Ave., P.O. Box 760, Parksville, B.C. V9P 2G8

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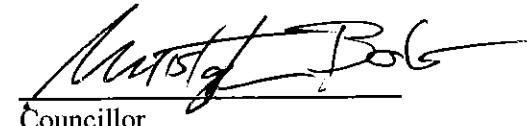
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED MARCH 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash (note 4 and 12)	\$ 1,815,754	\$ 418,771
Funds on deposit in Ottawa Trusts (notes 4 and 5)	52,431	76,835
Accounts receivable (note 6)	490,939	340,001
Receivable from affiliated entities (note 7)	-	41,934
Receivable from Indigenous and Northern Affairs Canada (note 8)	-	33,191
Investments (note 9)	2	1,103
Investment in Snaw-Naw-As Forest Services Limited		
Partnership (note 10)	228,777	-
Investment in Snaw-Naw-As Aquaculture Ventures Inc. (note 11)	17,634	-
	2,605,537	911,835
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	1,392,427	395,729
Payable to affiliated entities (note 7)	233,778	-
Payable to Indigenous and Northern Affairs Canada (note 8)	30,337	-
Deferred revenue (note 13)	635,969	142,539
Long term debt (note 14)	2,335,173	2,419,697
	4,627,684	2,957,965
NET DEBT	(2,022,147)	(2,046,130)
NON-FINANCIAL ASSETS		
Tangible capital assets (notes 1 and 15)	12,730,519	11,370,337
Prepaid expenses	41,732	65,790
	12,772,251	11,436,127
ACCUMULATED SURPLUS	\$ 10,750,104	\$ 9,389,997
ACCUMULATED SURPLUS AT END OF YEAR CONSISTS OF:		
Restricted (note 24)	\$ 452,139	\$ 620,173
Unrestricted	(319,255)	(354,244)
	132,884	265,929
Investment in tangible capital assets	10,617,220	9,124,068
	\$ 10,750,104	\$ 9,389,997
Commitments (note 16)		
Contingent liabilities (note 17)		

APPROVED BY THE COUNCIL:

Councillor


Councillor


Councillor

NANOOSE FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS YEAR ENDED MARCH 31, 2016

	Budget (unaudited)	2016	2015
REVENUE			
Indigenous and Northern Affairs Canada	\$ 2,592,501	\$ 2,223,013	\$ 1,760,117
Province of British Columbia	172,536	1,155,631	192,422
Inter Tribal Health Authority	464,278	478,833	429,077
Income from Snaw-Naw-As Forest Services Limited Partnership	-	229,005	-
Rental income - Social Housing	201,292	194,837	198,655
Sign rental income	162,882	158,006	191,250
Coast Salish Employment and Training Society	136,097	137,461	148,779
Canada Mortgage and Housing Corporation	218,044	125,713	118,481
Fisheries and Oceans Canada	91,410	91,410	91,410
Rental and lease income	83,200	79,450	22,000
Other income	75,664	72,779	113,014
First Nations Health Authority	59,033	59,033	58,955
Campground	50,000	50,269	72,988
Crab licence lease income	35,000	35,000	25,000
Te'Mexw Treaty Association	33,000	33,000	43,000
First Nation Education Steering Committee	18,045	18,045	11,300
Income from Snaw-Naw-As Aquaculture Ventures Inc.	10,000	8,357	38,000
Interest	900	4,911	1,695
Ottawa Trust Funds - interest and grant revenue	1,700	1,655	2,397
Land code income	-	500	-
Government of Canada	-	-	30,000
	4,405,582	5,156,908	3,548,540
TOTAL EXPENSES (note 18)	5,100,167	3,796,801	3,461,816
ANNUAL SURPLUS (DEFICIT)	\$ (694,585)	1,360,107	86,724
ACCUMULATED SURPLUS AT BEGINNING OF YEAR		9,389,997	9,303,273
ACCUMULATED SURPLUS AT END OF YEAR		\$ 10,750,104	\$ 9,389,997

NANOOSE FIRST NATION

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31, 2016

	2016	2015
ANNUAL SURPLUS	\$ 1,360,107	\$ 86,724
Acquisition of tangible capital assets	(1,064,692)	(213,552)
Crown grant of land	(985,000)	-
Amortization of tangible capital assets	689,510	687,696
	(75)	560,868
Acquisition of prepaid expenses	(41,732)	(65,790)
Use of inventory	-	1,603
Use of prepaid expenses	65,790	88,501
	24,058	24,314
CHANGE IN NET DEBT	23,983	585,182
NET DEBT AT BEGINNING OF YEAR	(2,046,130)	(2,631,312)
NET DEBT AT END OF YEAR	\$ (2,022,147)	\$ (2,046,130)

NANOOSE FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Annual surplus	\$ 1,360,107	\$ 86,724
Adjustment for items which do not involve cash:		
Amortization (page 19)	689,510	687,696
Crown grant of land	(985,000)	-
	1,064,617	774,420
Changes in non-cash working capital:		
Decrease (Increase)		
Accounts receivable	(150,938)	88,633
Receivable from affiliated entities	41,934	4,115
Receivable from Indigenous and Northern Affairs Canada	33,191	(33,191)
Inventory	-	1,603
Prepaid expenses	24,058	22,711
Increase (Decrease)		
Accounts payable and accrued liabilities	996,698	25,886
Payable to affiliated entities	233,778	-
Payable to Indigenous and Northern Affairs Canada	30,337	(60,166)
Deferred revenue	493,430	25,520
	1,702,488	75,111
CASH FLOWS FROM OPERATING ACTIVITIES	2,767,105	849,531
CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(1,064,692)	(213,552)
INVESTING ACTIVITIES		
Decrease (increase) in investments	1,101	(450)
Increase in investment in Snaw-Naw-As Forest Services Limited Partnership	(228,777)	-
Increase in investment in Snaw-Naw-As Forest Services Limited Partnership	(17,634)	-
FINANCING ACTIVITIES		
Principal reduction in long term debt	(84,524)	(171,690)
INCREASE IN CASH AND CASH EQUIVALENTS	1,372,579	463,839
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	495,606	31,767
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,868,185	\$ 495,606
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	\$ 1,815,754	\$ 418,771
Funds on deposit in Ottawa Trusts	52,431	76,835
	\$ 1,868,185	\$ 495,606

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as outlined by the Public Sector Accounting Board (PSAB) of the Organization of Chartered Professional Accountants of British Columbia, which encompass the following principles:

(a) Basis of consolidation

The consolidated financial statements reflect a combination of the First Nation's operating, capital, social housing and trust funds.

The Operating Fund reports the general activities of the First Nation including the operation of Snaw-Naw-As campground.

The Capital Fund reports the tangible capital assets of the First Nation, together with the related sources of financing.

The Social Housing Fund reports the activities within the First Nation sponsored Social Housing Program.

The Ottawa Trust Funds reports on trust funds owned by the First Nation and held by a third party.

All controlled entities are fully consolidated on a line-by-line basis except the commercial enterprises which meet the definition of government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

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

Organizations consolidated in the Nanoose First Nation's financial statements include:

Snaw-Naw-As Holdings Ltd.

Snaw-Naw-As Forest Services Ltd.

Organizations accounted for on a modified equity basis include:

Snaw-Naw-As Aquaculture Ventures Inc.

Snaw-Naw-As Forest Services Limited Partnership

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Reporting entity and principles of financial reporting

The Nanoose First Nation reporting entity includes all entities which are accountable to the First Nation, and are either owned, directly or indirectly, or controlled by the First Nation.

These consolidated financial statements include the assets, liabilities and results of operations for the following entities:

Nanoose First Nation government administration including special and commercial projects

Nanoose First Nation Social Housing Program

Nanoose First Nation Ottawa Trust Funds

Snaw-Naw-As Holdings Ltd.

Snaw-Naw-As Forest Services Ltd.

Snaw-Naw-As Aquaculture Ventures Inc.

Snaw-Naw-As Forest Services Limited Partnership

All inter-entity balances have been eliminated on consolidation.

(c) Cash

The First Nation's policy is to present bank balances under cash or cheques issued in excess of funds on deposit.

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Tangible capital assets

Tangible capital assets are stated at cost and are being amortized using the following annual rates and bases:

(i) Local Revenue Fund

Computer equipment	3 years straight line
Community buildings	3 - 25 years straight line
Automotive equipment	5 years straight line
Furniture and equipment	5 years straight line
Boat	8 years straight line
Marina	10 years straight line
School and daycare	15 - 25 years straight line
General housing	20 years straight line
Health building	25 years straight line
Infrastructure	25 years straight line

(ii) Snaw-Naw-As Campground

Campground buildings	4% diminishing balance
Equipment	20% diminishing balance
Billboard	20% diminishing balance

(iii) Social Housing

Furniture	5 years straight line
Buildings	21 - 44 years straight line
Septic field	25 years straight line

(e) Investments

The investment in Salish Strait Seafoods Ltd., representing a twenty-percent ownership interest, is recorded at cost.

Investment in Snaw-Naw-As Forest Services Limited Partnership

The investment in Snaw-Naw-As Forest Services Limited Partnership, representing a ninety-nine percent partnership interest, is accounted for using the modified equity method.

Investment in Snaw-Naw-As Aquaculture Ventures Inc.

The investment in Snaw-Naw-As Aquaculture Ventures Inc., representing one hundred percent ownership is accounted for using the modified equity method.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements.

Government transfers are recognized in the financial statements as revenue in the period the transfers are authorized and any eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient government. Transfers received which meet the definition of a liability are included in deferred revenue.

Deferred revenue consists of funding which is received, externally restricted, and will not be included in revenue until the related expenses are incurred.

Rental revenue is recognized on a monthly basis when services are provided. Campground revenues are recognized when the goods and services are provided.

(g) Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the current period. Significant items subject to estimates and assumptions include valuation of accounts receivable, estimated useful lives of tangible capital assets, accrued liabilities and liabilities for contaminated sites. Actual results may differ from these estimates.

(h) Liability for contaminated sites

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, 2016.

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.

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

2. FINANCIAL INSTRUMENTS

The First Nation's financial instruments consists of cash, accounts receivable, receivable from affiliated entities, investments, investment in Snaw-Naw-As Forest Services Limited Partnership, accounts payable and accrued liabilities, payable to Indigenous and Northern Affairs Canada and long term debt. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments, the fair value of which approximates their carrying value, except as explained in note 6.

Investments

The fair market values of the investments in Snaw-Naw-As Forest Services Ltd., Snaw-Naw-As Aquaculture Ventures Inc., Snaw-Naw-As Holdings Ltd., Snaw-Naw-As Forest Services Limited Partnership and Salish Strait Seafoods Ltd. have not been determined and accordingly may differ from the recorded values.

Interest risk

The First Nation has a line of credit and a demand loan with interest rates that fluctuate with the bank's prime lending rate.

3. ECONOMIC DEPENDENCE

Nanoose First Nation receives a major portion of its revenue pursuant to a funding arrangement with Indigenous and Northern Affairs Canada. The current agreement expires March 31, 2020.

4. RESTRICTED CASH

(a) Ottawa Trust Funds

The Ottawa 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 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.

(b) Replacement reserve

Under the terms of the operating agreements with Canada Mortgage and Housing Corporation (CMHC), the replacement reserve accounts are to be credited a specific amount annually as determined by CMHC. These funds, along with accumulated interest, must be held in a separate bank account by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. Expenses from this account must meet eligible capital item criteria per the operating agreement with CMHC.

Required transfers to the replacement reserve for 2016 totalled \$11,075 for the original Social Housing Phases VI and VII, and \$30,000 for the new Social Housing Phases I and II.

At March 31, 2016, the replacement reserve bank accounts were as follows:

Original Phase VI, VII	\$ 36,642	under-funded
New Phase I, II	\$ 50,530	under-funded

At March 31, 2015, the replacement reserve bank account for the original Social Housing Phases VI and VII was fully funded and the replacement reserve bank account for the new Social Housing Phases I and II was under-funded.

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

4. RESTRICTED CASH (continued)

At March 31, 2016, the Nanoose First Nation was not in compliance with the CMHC operating agreement for the original Social Housing Phases VI and VII and the new Social Housing Phases I and II.

At March 31, 2016, the replacement reserve for the original Social Housing Phases VI and VII totalled \$39,088 (2015: \$36,373). The balance held in a separate bank account for the replacement reserve totalled \$36,642 (2015: \$36,373) and \$2,446 was repayable to the original Social Housing operating account.

At March 31, 2016, the replacement reserve for the new Social Housing Phases I and II totalled \$211,487 (2015: \$185,726). The balance held in a separate bank account for the replacement reserve totalled \$50,530 (2015: \$50,183) and \$160,957 was repayable to the new Social Housing operating account.

(c) Subsidy surplus reserve - original Social Housing Phases VI and VII

Under the terms of the operating agreement with CMHC, excess federal assistance payments received may be retained in a subsidy surplus reserve up to a maximum of \$500 per unit plus interest. These funds, along with accumulated interest, must be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in this account may only be used to meet future subsidy requirements of income-tested occupants over and above the maximum federal assistance. Withdrawals are credited to interest first and then principal. When the principal amount in the fund has accumulated the maximum of \$500 per unit, the excess subsidy must be refunded to CMHC.

At year end, there were no subsidy surplus reserve funds held for the original Social Housing Phases VI and VII.

(d) Operating reserve - new Social Housing Phases I and II

Under the terms of the operating agreement with CMHC for the new Social Housing Phases I and II, surpluses from operations can be retained by the Social Housing program without any subsidy recovery by CMHC. If there is a deficit from operations, the excess expenses must be reimbursed to the Social Housing program by the First Nation.

Nanoose First Nation was unable to comply with the operating agreement. At March 31, 2016, the operating reserve fund balance was \$171,882 of which \$4,501 was held in a separate bank account for the new Social Housing and the remaining balance of \$167,381 was receivable from Nanoose First Nation's operating fund. The March 31, 2015 operating reserve fund balance was \$171,809 of which \$8,948 was held in a separate bank account and \$162,861 was receivable from Nanoose First Nation's operating fund.

(e) Indigenous and Northern Affairs Canada funding

Included in cash is \$1,236,133 received from Indigenous and Northern Affairs Canada. In accordance with the funding agreement, these funds must be used exclusively for the gas station development capital project.

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

5. OTTAWA TRUST FUNDS

	Opening Balance	Additions	Withdrawals	2016 Total	2015 Total
Revenue	\$ 24,922	\$ 1,655	\$ (26,059)	\$ 518	\$ 24,922
Capital	51,913	-	-	51,913	51,913
	\$ 76,835	\$ 1,655	\$ (26,059)	\$ 52,431	\$ 76,835

6. ACCOUNTS RECEIVABLE

	2016	2015
Fisheries and Oceans Canada	\$ 100,551	\$ 19,547
Canada Mortgage and Housing Corporation	54,017	8,893
Te'Mexw Treaty Association	43,000	13,000
Tsow Tun Lelum	35,867	35,867
Other receivables	30,955	13,960
Coast Salish Employment and Training Society	15,798	34,169
First Nations Education Steering Committee	8,587	2,500
Province of British Columbia	4,770	8,612
Health Canada	4,743	-
Inter Tribal Health Authority	-	4,495
Environment Canada	-	3,000
INAC - travel reimbursement	-	1,855
	298,288	145,898
Receivable from First Nation members - formerly Social Housing	261,561	262,951
Receivable from First Nation members and staff	40,624	34,832
Allowance for doubtful accounts - members	(150,684)	(149,059)
	151,501	148,724
Social Housing rent receivable from First Nation members	260,925	207,419
Allowance for doubtful accounts - rent receivable	(219,775)	(162,040)
	41,150	45,379
	\$ 490,939	\$ 340,001

Certain accounts receivable are subject to credit risk. A significant portion of the receivables are from First Nation members which are an unsecured source. Bad debts are recorded through the local revenue fund, including bad debts which result from recording an allowance for doubtful rent receivable for the Social Housing program.

Receivable from First Nation members - formerly Social Housing, represents receivables transferred from the Social Housing Fund to the Operating Fund for those Social Housing units where the related mortgages have been repaid in full.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

7. RECEIVABLE FROM (PAYABLE TO) AFFILIATED ENTITIES

	2016	2015
Snaw-Naw-As Aquaculture Ventures Inc.	\$ -	\$ 28,580
Snaw-Naw-As Forest Services Ltd.	- -	12,552
Snaw-Naw-As Holdings Ltd.	- -	804
Salish Strait Seafoods Ltd.	(2) -	(2) -
<u>Snaw-Naw-As Forest Services Limited Partnership</u>	<u>(233,776)</u>	<u>- -</u>
	<u>\$ (233,778)</u>	<u>\$ 41,934</u>

The amounts receivable from (payable to) the affiliated entities do not bear interest and have no specific terms of repayment.

8. RECEIVABLE FROM (PAYABLE TO) INDIGENOUS AND NORTHERN AFFAIRS CANADA

	2016	2015
Social Development		
Basic needs - 2016 surplus	\$ (21,126)	\$ -
Basic needs - 2015 surplus	(8,955)	(19,641)
Basic needs - 2014 deficit	- -	31,160
Basic needs - 2013 surplus	- -	(96,741)
Basic needs - 2012 surplus	- -	(12,137)
Child out of parental home - 2016 deficit	164	- -
Child out of parental home - 2015 surplus	- -	(670)
Child out of parental home - 2014 surplus	- -	(2,042)
Child out of parental home - 2013 surplus	- -	(4,127)
Child out of parental home - 2012 surplus	- -	(855)
Adult in-home care - 2015 surplus	- -	(3,801)
	<u>(29,917)</u>	<u>(108,854)</u>
Special Funding		
Band employee benefits - 2016 surplus	(420)	- -
Community economic development - 2015	- -	50,000
<u>FNLM operational funding - land code - 2015</u>	<u>- -</u>	<u>92,045</u>
	<u>(420)</u>	<u>142,045</u>
	<u>\$ (30,337)</u>	<u>\$ 33,191</u>

Surpluses in programs funded under a contribution agreement are recoverable by Indigenous and Northern Affairs Canada and some deficits are reimbursable.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

9. INVESTMENTS

	2016	2015
Snaw-Naw-As Aquaculture Ventures Inc. - shares, 100%	\$ -	\$ 550
Snaw-Naw-As Forest Services Ltd. - shares, 100%	- -	550
Snaw-Naw-As Holdings Ltd. - shares, 100%	- -	1
Salish Strait Seafoods Ltd. - shares, 20%	2	2
	<hr/>	<hr/>
	\$ 2	\$ 1,103

The investments are held in trust on behalf of the First Nation members. The share holdings have been eliminated in the current year upon consolidation with Snaw-Naw-As Aquaculture Ventures Inc., Snaw-Naw-As Forest Services Ltd. and Snaw-Naw-As Holdings Ltd.

10. INVESTMENT IN SNAW-NAW-AS FOREST SERVICES LIMITED PARTNERSHIP

Nanoose First Nation owns a 99.90% interest in Snaw-Naw-As Forest Services Limited Partnership. The following presents condensed financial information as of December 31, 2015 for the partnership.

	2016
Accounts receivable	\$ 250,000
Accounts payable and accrued liabilities	250,000
Partners' equity	20,995
Revenue	\$ 229,005
Expenses	20,995
Net income	\$ 229,005

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

11. INVESTMENT IN SNAW-NAW-AS AQUACULTURE VENTURES INC.

Nanoose First Nation owns 100% of the issued shares in Snav-Naw-As Aquaculture Ventures Inc. The following presents condensed financial information as of March 31, 2016 for the company.

	2016
Cash	\$ 3,537
Tangible capital assets	7,734
Accounts receivable	10,084
Prepaid expenses and deposits	7,723
	29,078
Accounts payable and accrued liabilities	11,444
Payable to Nanoose First Nation	19,727
Share capital	550
	31,721
Deficit	\$ (2,643)
Revenue	\$ 111,764
Expenses	111,403
Net income	\$ 361

12. BANK INDEBTEDNESS

Nanoose First Nation has available a line of credit to a maximum of \$300,000, which bears interest at prime plus 1.5%, with interest payable monthly. The line of credit balance was \$277,843 on March 31, 2016. The line of credit is secured by a Chief's Certificate.

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

13. DEFERRED REVENUE

	2016	2015
Operating Fund		
Indigenous and Northern Affairs Canada		
Land Code	\$ 243,038	\$ 92,045
Education	17,520	-
	260,558	92,045
Grants	7,778	40,109
Prepaid campsite fees	550	-
	268,886	132,154
Capital Fund		
Indigenous and Northern Affairs Canada		
Gas station development	346,214	-
Housing funds	14,240	-
Special Services ACRS	6,629	-
	367,083	-
Department of Fisheries guarantee	-	10,000
Prepaid rent - Social Housing Fund	-	385
	367,083	10,385
	\$ 635,969	\$ 142,539

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

14. LONG TERM DEBT

	2016	2015
Social Housing Fund - original Phases VI and VII Two mortgages held by All Nations Trust, guaranteed by CMHC, one bearing interest at 1.3% renewable on July 1, 2020 and the second bearing interest at 1.82% until maturity on June 1, 2019, repayable in monthly payments totalling \$3,666 including interest, secured by ministerial guarantees of the Minister of Indigenous and Northern Affairs Canada	\$ 163,198	\$ 203,834
Social Housing Fund - new Phases I and II Two mortgages held by All Nations Trust, guaranteed by CMHC, bearing interest at 1.44% and 2.04%, respectively, renewable on July 1, 2017 and March 1, 2019, respectively, repayable in monthly payments totalling \$10,932 including interest, secured by ministerial guarantees of the Minister of Indigenous and Northern Affairs Canada	1,950,101	2,042,435
	2,113,299	2,246,269
Bank of Montreal loan, bearing interest at prime plus 1.5%, repayable in monthly payments of \$2,500 plus interest, secured by a Chief's Certificate	100,000	130,000
Canada Mortgage and Housing Corporation Forgivable loan for residential rehabilitation assistance program, to be earned over four years from the interest adjustment date November 1, 2014 with interest at 4%	6,000	9,000
Forgivable loans for residential rehabilitation assistance program, to be earned over five years from the interest adjustment date November 1, 2014 with interest at 5.375% November 1, 2014 with interest at 5.375% November 1, 2014 with interest at 5.375%	6,621 9,600 9,600	8,828 12,800 12,800
Forgivable loans for residential rehabilitation assistance program, to be earned over five years from the estimated interest adjustment date November 1, 2016 with interest at 4.75% November 1, 2016 with interest at 4.75% November 1, 2016 with interest at 4.75% March 31, 2016 with interest at 6.125% March 31, 2016 with interest at 6.125%	15,964 13,829 16,000 20,260 24,000	- - - - -
	\$ 2,335,173	\$ 2,419,697

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

14. LONG TERM DEBT (continued)

Although the Bank of Montreal loan is due on demand, it is not expected that payments will exceed the monthly amounts for the coming year.

Based on the current payment schedule, principal due within each of the next five years is approximately as follows:

2017	\$ 165,886
2018	168,372
2019	170,904
2020	137,756
2021	109,322

Based on current renewal dates, principal due within each of the next four years is approximately as follows:

2017	\$ 235,886
2018	409,612
2019	1,532,026
2020	35,775

NANOOSÉ FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

15. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated amortization			Balance at end of 2016	Net book value at end of 2016
	Balance at end of 2015	Additions	Disposals	Balance at end of 2015	Disposals	Amortization		
Local Revenue Fund:								
Land (note 21)	\$ 44,000	\$ 985,000	\$ -	\$ 1,029,000	\$ -	\$ -	\$ -	\$ 1,029,000
Computer equipment	37,931	18,601	5	56,532	34,535	\$ 8,283	42,818	13,714
Automotive equipment	98,215	-	17,400	80,815	75,521	17,400	6,499	64,620
Furniture and equipment	119,133	18,770	-	137,903	92,401	-	13,962	106,363
Boat	66,677	-	-	66,677	44,071	-	7,097	51,168
Marina	53,000	-	-	53,000	47,800	-	5,200	53,000
School and daycare	462,772	-	-	462,772	335,759	-	22,858	358,617
General housing	900,031	-	-	900,031	436,237	-	32,426	468,663
Community buildings	206,458	-	-	206,458	157,962	-	7,549	165,511
Health building	2,288,937	-	-	2,288,937	309,242	-	108,143	417,385
Infrastructure	8,468,803	1,025,171	-	9,493,974	3,201,684	-	343,943	3,545,627
	12,745,957	2,047,542	17,400	14,776,099	4,735,212	17,400	555,960	5,273,772
Snaw-Naw-As Campground:								
Land improvements	81,023	-	-	81,023	-	-	-	81,023
Campground buildings	8,398	-	-	8,398	3,565	-	193	3,758
Equipment	8,649	2,150	-	10,799	8,125	-	321	8,446
Billboard	1,190	-	-	1,190	860	-	66	926
	99,260	2,150	-	101,410	12,550	-	580	13,130
First Nation Social Housing:								
Land	80,000	-	-	80,000	-	-	-	80,000
Buildings	4,038,581	-	-	4,038,581	860,778	-	130,458	991,236
Furniture	93,037	-	-	93,037	93,037	-	93,037	3,047,345
Septic field	62,808	-	-	62,808	47,729	-	2,512	50,241
	4,274,426	-	-	4,274,426	1,001,544	-	132,970	1,134,514
	\$17,119,643	\$ 2,049,692	\$ 17,400	\$19,151,935	\$ 5,749,306	\$ 17,400	\$ 689,510	\$ 12,730,519

NANOOSÉ FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

15. TANGIBLE CAPITAL ASSETS (continued)

	Cost			Accumulated amortization			Balance at end of 2015	Net book value at end of 2015
	Balance at end of 2014	Additions	Disposals	Balance at end of 2014	Disposals	Amortization		
Local Revenue Fund:								
Land	\$ 44,000	\$ -	\$ -	\$ 44,000	\$ -	\$ -	\$ 10,158	\$ 34,535
Computer equipment	50,349	3,995	16,413	37,931	40,790	16,413	13,359	3,396
Automotive equipment	96,476	24,993	23,254	98,215	85,416	23,254	75,521	22,694
Furniture and equipment	116,598	9,564	7,029	119,133	88,558	7,029	10,872	92,401
Boat	66,677	-	-	66,677	36,973	-	7,098	44,071
Marina	53,000	-	-	53,000	42,500	-	5,300	47,800
School and daycare	462,772	-	-	462,772	312,901	-	22,858	335,759
General housing	900,031	-	-	900,031	403,811	-	32,426	436,237
Community buildings	206,458	-	-	206,458	147,921	-	10,041	157,962
Health building	2,288,937	-	-	2,288,937	201,099	-	108,143	309,242
Infrastructure	8,293,803	175,000	-	8,468,803	2,864,740	-	336,944	3,201,684
	12,579,101	213,552	46,696	12,745,957	4,224,709	46,696	557,199	4,735,212
								8,010,745
Snaw-Neaw-As Campground:								
Land improvements	81,023	-	-	81,023	-	-	-	81,023
Campground buildings	8,398	-	-	8,398	3,364	-	201	3,565
Equipment	8,649	-	-	8,649	7,994	-	131	8,125
Billboard	1,190	-	-	1,190	778	-	82	860
	99,260	-	-	99,260	12,136	-	414	12,550
First Nation Social Housing:								
Land	80,000	-	-	80,000	-	-	-	80,000
Buildings	4,038,581	-	-	4,038,581	739,519	-	121,259	860,778
Furniture	93,037	-	-	93,037	86,725	-	6,312	93,037
Septic field	62,808	-	-	62,808	45,217	-	2,512	47,729
	4,274,426	-	-	4,274,426	871,461	-	130,083	1,001,544
	\$ 16,952,787	\$ 213,552	\$ 46,696	\$ 17,119,643	\$ 5,108,306	\$ 46,696	\$ 687,696	\$ 5,749,306
								\$ 11,370,337

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

16. COMMITMENTS

Nanoose First Nation is committed to two photocopier leases. The first lease is for 60 months and requires monthly payments of \$149 until March 2020. The second lease is for 60 months and requires monthly payments of \$185 until March 2018.

Nanoose First Nation is committed to a vehicle lease for 60 months which requires monthly payments of \$297 until March 2018.

Lease payments due in the next four years are as follows:

2017	\$ 7,569
2018	7,569
2019	1,788
2020	1,788

17. CONTINGENT LIABILITIES

(a) Legal dispute

Nanoose First Nation is presently involved in a dispute over the legal ownership of certain property. The effect of any contingent claims relating to this dispute has not been determined.

(b) CMHC mortgage guarantees

Nanoose First Nation is contingently liable with respect to ministerial guarantees for "On Reserve" social housing loans, included in long term debt, as follows:

	2016	2015
Nanoose First Nation Social Housing	\$ 2,113,299	\$ 2,250,018

(c) Bank of Montreal On Reserve Housing Loan Program

Under the On Reserve Housing Loan Program, in the current year and on behalf of two members, Nanoose First Nation has guaranteed \$346,135 for two residential mortgages. The maximum guarantee under this program is \$1,000,000.

(d) Contaminated sites

At the reporting date, the First Nation was undergoing environmental site assessments for contaminated sites on lands under their management. There is insufficient information available at this time to determine whether future costs and responsibility for remediation, if any, are applicable.

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

18. EXPENSES BY OBJECT

	2016	2015
Administration	\$ 116,339	\$ 77,870
Amortization	689,510	687,696
Audit	34,200	31,800
Bad debt	59,362	76,456
Bank charges	10,003	16,051
Contractors and consultants	442,679	239,203
Education	95,884	107,953
Electrification and utilities	50,736	55,481
Equipment lease	5,192	12,057
Honorarium	47,705	103,879
Insurance	82,750	90,267
Interest on long term debt	47,315	52,213
Office	120,822	113,812
Repairs and maintenance	334,886	126,898
Social development	337,477	386,830
Special events	62,290	51,066
Supplies	55,017	58,183
Telecommunications	28,536	28,797
Training	49,996	46,910
Travel and meetings	96,783	65,073
Wages and benefits	1,029,319	1,033,321
	<hr/>	<hr/>
	\$ 3,796,801	\$ 3,461,816

19. RESTRICTED SURPLUS

A portion of the surplus in financial assets is classified as restricted due to the surplus being committed to specific future expenses or recoverable by the relevant funding agencies. This restricted surplus is set out in note 24.

20. PENSION PLAN

Nanoose First Nation has a defined contribution pension plan for eligible employees. Under the terms of the plan, Nanoose First Nation provides 100% matching of employee contributions to the plan. Defined contributions expensed in 2016 total \$4,332 (2015 - \$5,613).

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

21. INCREMENTAL TREATY AGREEMENT

On February 23, 2013, the Nanoose First Nation entered into an Incremental Treaty Agreement with the Province of British Columbia. Pursuant to the agreement, in fiscal 2016 the Province transferred ownership of two adjacent lots to Snaw-Naw-As Holdings Ltd., the company designated by the First Nation to receive ownership of the lands. The two lots were transferred from the Province at a nominal value of one dollar. For accounting purposes, the lots have been recorded at their appraised worth on the date of transfer, being \$985,000.

22. BUDGET AMOUNTS

Unaudited budget figures have been provided for comparison purposes and have been derived from the estimates provided by Nanoose First Nation.

23. COMPARATIVE FIGURES

Certain 2015 comparative figures have been changed to reflect financial statement presentation adopted in the current year.

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

24. SEGMENTED REPORTING

Nanoose First Nation provides a wide variety of services and programs to its members. For segment disclosure, these services and programs are reported under various funds as disclosed in note 1(a), as follows:

PROGRAM	Revenue	Expenses	Current surplus (deficit)	Adjustments and program transfers	Program increase (decrease)	Surplus (deficit) at beginning of year	Surplus at end of year
Operating Fund							
Administration and Registration	\$ 227,493	\$ 232,220	\$ (4,727)	\$ 4,727	\$ -	\$ -	\$ -
Chief and Council	3,000	57,199	(54,199)	54,199	-	-	-
Band Employee Benefit Plans	28,830	28,830	-	-	-	-	-
Economic Development	11,667	11,667	-	-	-	-	-
Community Operations	161,954	242,119	(80,165)	80,165	-	-	-
Education	150,116	181,147	(31,031)	31,031	-	-	-
Social Development - Contribution	362,673	362,673	-	-	-	-	-
Social Development - Flexible Transfers	50,293	65,866	(15,573)	15,573	-	-	-
Community Health Services - Operations	425,121	554,069	(128,948)	(43,232)	(172,180)	188,264	16,084
Community Health Services -							
Home and Community Care	53,712	96,944	(43,232)	43,232	-	-	-
Health Grants	2,440	2,440	-	-	-	-	-
Uy'Sqwalawun Child Care Centre	165,701	201,520	(35,819)	35,819	-	-	-
Head Start Program	59,033	59,033	-	-	-	-	-
Daycare Grants	5,600	5,600	-	-	-	-	-
Youth Program	1,803	13,852	(12,049)	12,049	-	-	-
Training and Employment	137,461	137,461	-	-	-	-	-
Fisheries	91,410	96,000	(4,590)	4,590	-	-	-
Local Revenue Fund - Own Housing	-	97,258	(97,258)	97,258	-	-	-
Residential Rehabilitation Assistance							
Program	11,607	56,099	(44,492)	44,492	-	-	-
Environmental Site Assessment	121,845	121,845	-	-	-	-	-
Land Code - Operational	128,543	128,543	-	-	-	-	-
Other Funding	50,111	53,150	(3,039)	3,039	-	-	-
Local Revenue Fund (LRF)	73,207	177,821	(104,614)	139,603	34,989	(354,244)	(319,255)
LRF - Commercial Activities	1,527,531	29,413	1,498,118	(1,498,118)	-	-	-
Snaw-Naw-As Campground	50,269	47,083	3,186	(3,186)	-	-	-
Special Services ACRS	1,059	1,059	-	-	-	-	-
Housing Funds CPMS#11623	35,759	35,759	-	-	-	-	-
	3,938,238	3,096,670	841,568	(978,759)	(137,191)	(165,980)	(303,171)
Social Housing Fund							
Social Housing Operations	301,323	279,992	21,331	(21,257)	74	132,975	133,049
Replacement Reserves	616	13,215	(12,599)	41,075	28,476	222,099	250,575
	301,939	293,207	8,732	19,818	28,550	355,074	383,624
Capital Fund							
Ottawa Trust Funds	2,182,662	689,510	1,493,152	-	1,493,152	9,124,068	10,617,220
Less internal capital funding	(1,157,491)	(172,491)	(985,000)	985,000	-	-	-
Less internal program transfers	(110,095)	(110,095)	-	-	-	-	-
	\$ 5,156,908	\$ 3,796,801	\$ 1,360,107	\$ -	\$ 1,360,107	\$ 9,389,997	\$ 10,750,104
RESTRICTED SURPLUS:							
Trust Funds					\$ 76,835	\$ 52,431	
Social Housing Fund					355,074	383,624	
Community Health Services Fund - included in Operating Fund					188,264	16,084	
					\$ 620,173	\$ 452,139	

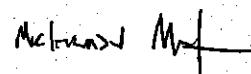
REVIEW ENGAGEMENT REPORT

To the members of Nanoose First Nation

At the request of Nanoose First Nation, we have reviewed the schedule of remuneration and expenses for the year ended March 31, 2016, prepared in accordance with the provisions of Section 7.3 of the Indigenous and Northern Affairs Canada financial reporting requirements covering fiscal year 2015-2016. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the First Nation.

A review does not constitute an audit and consequently we do not express an audit opinion on the schedule of remuneration and expenses.

Based on our review, nothing has come to our attention that causes us to believe that this schedule is not, in all material respects, in accordance with the provisions of Section 7.3 of the Indigenous and Northern Affairs Canada financial reporting requirements for fiscal year 2015-2016.



CHARTERED PROFESSIONAL ACCOUNTANTS

Parksville, Canada
July 28, 2016

NANOOSE FIRST NATION
Schedule of Remuneration and Expenses
Chief and Council
For the year ended March 31, 2016

Name of Individual	Position Title	Number of Months	Remuneration	Expenses
David Bob	Chief / Health Program Administrator	9 / 12	\$ 61,120	\$ 20,304
Brent Edwards	Chief / Councillor / Fisheries & Aquaculture	3 / 9 / 12	91,047	21,294
Gordon Edwards	Councillor	12	7,360	
Lawrence Mitchell	Councillor / Information Technology / Housing Policy Consultant	12 / 8 / 5	32,715	6,234
Natasha Bob	Councillor	9	5,963	969
Christopher Bob	Councillor	3	2,087	723