
NANOOSE FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

NANOOSE FIRST NATION

YEAR ENDED MARCH 31, 2017
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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.

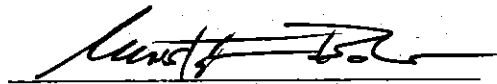
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen 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.

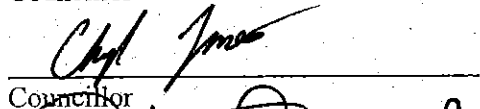
The First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

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.

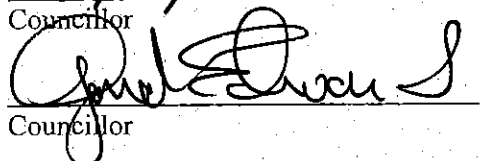
The consolidated financial statements have been audited by McGorman MacLean, Chartered Professional Accountants in accordance with Canadian generally accepted auditing standards on behalf of the members. McGorman MacLean has full and free access to the Council.



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, 2017 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

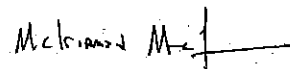
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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, we consider 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 consolidated financial position of Nanoose First Nation as at March 31, 2017 and the results of its consolidated operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.



CHARTERED PROFESSIONAL ACCOUNTANTS

Parksville, Canada
September 25, 2017

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


NANOOSE FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION YEAR ENDED MARCH 31, 2017

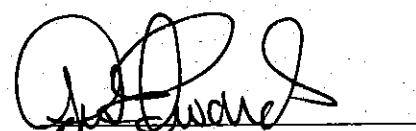
	2017	2016
FINANCIAL ASSETS		
Cash (note 4 and 5)	\$ 500,148	\$ 1,815,754
Funds on deposit in Ottawa Trusts (notes 4 and 6)	52,458	52,431
Accounts receivable (note 7)	442,784	490,939
Investments in First Nation business partnerships and enterprises (note 8)	366,129	246,413
	1,361,519	2,605,537
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	603,473	1,392,427
Payable to affiliated entities (note 9)	47,675	233,778
Payable to Indigenous and Northern Affairs Canada (note 10)	57,016	30,337
Deferred revenue (note 11)	295,255	635,969
Long term debt (note 12)	2,891,093	2,335,173
	3,894,512	4,627,684
NET DEBT	(2,532,993)	(2,022,147)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 13)	13,067,255	12,730,519
Prepaid expenses	43,142	41,732
	13,110,397	12,772,251
ACCUMULATED SURPLUS	\$ 10,577,404	\$ 10,750,104
ACCUMULATED SURPLUS AT END OF YEAR CONSISTS OF:		
Restricted (note 22)	\$ 509,467	\$ 452,139
Unrestricted	(403,224)	(319,255)
	106,243	132,884
Investment in tangible capital assets	10,471,161	10,617,220
	\$ 10,577,404	\$ 10,750,104

Commitments (note 14)
Contingent liabilities (note 15)
Subsequent event (note 16)

APPROVED BY THE COUNCIL:


Councillor


Councillor


Councillor

NANOOSE FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS YEAR ENDED MARCH 31, 2017

	Budget (unaudited)	2017	2016
REVENUE			
Indigenous and Northern Affairs Canada	\$ 1,713,111	\$ 1,691,554	\$ 2,223,013
Inter Tribal Health Authority	521,234	512,442	478,833
Rental income - Social Housing	195,292	193,450	194,837
Province of British Columbia	159,143	170,323	1,155,631
Income from Snaw-Naw-As Forest Services Limited Partnership	-	144,302	229,005
Canada Mortgage and Housing Corporation	135,655	135,655	125,713
Other income	116,379	114,748	72,779
Coast Salish Employment and Training Society	113,994	113,994	137,461
First Nations Health Authority	106,585	106,585	59,033
Fisheries and Oceans Canada	91,410	91,410	91,410
Sign rental income	60,345	58,909	158,006
Campground	50,000	54,713	50,269
First Nation Education Steering Committee	43,682	43,682	18,045
Income from Snaw-Naw-As Aquaculture Ventures Inc.	-	43,671	8,357
Crab licence lease income	35,000	39,000	35,000
Land code income	30,000	27,626	500
Rental and lease income	57,000	12,648	79,450
Dividend income from Salish Strait Seafoods Ltd.	-	10,000	-
Naut'sa mawt Tribal Council	6,000	6,000	-
Interest	4,800	6,637	4,911
Te'Mexw Treaty Association	3,000	3,000	33,000
Ottawa Trust Funds - interest and grant revenue	1,700	1,575	1,655
Loss from Nanoose Economic Development Corporation	-	(756)	-
Loss from Nanoose Economic Development Master Limited Partnership	-	(6,424)	-
	3,444,330	3,574,744	5,156,908
TOTAL EXPENSES (note 17)	3,741,949	3,747,444	3,796,801
ANNUAL SURPLUS (DEFICIT)	\$ (297,619)	(172,700)	1,360,107
ACCUMULATED SURPLUS AT BEGINNING OF YEAR		10,750,104	9,389,997
ACCUMULATED SURPLUS AT END OF YEAR		\$ 10,577,404	\$ 10,750,104

NANOOSE FIRST NATION

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT YEAR ENDED MARCH 31, 2017

	2017	2016
ANNUAL SURPLUS (DEFICIT)	\$ (172,700)	\$ 1,360,107
Acquisition of tangible capital assets	(1,091,943)	(1,064,692)
Crown grant of land	-	(985,000)
Transfer of tangible capital assets - campground	87,571	-
Amortization of tangible capital assets	667,636	689,510
	(509,436)	(75)
Acquisition of prepaid expenses	(43,142)	(41,732)
Use of prepaid expenses	41,732	65,790
	(1,410)	24,058
CHANGE IN NET DEBT	(510,846)	23,983
NET DEBT AT BEGINNING OF YEAR	(2,022,147)	(2,046,130)
NET DEBT AT END OF YEAR	\$ (2,532,993)	\$ (2,022,147)

NANOOSE FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED MARCH 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (172,700)	\$ 1,360,107
Adjustment for items which do not involve cash:		
Amortization (page 18)	667,636	689,510
Crown grant of land	-	(985,000)
	494,936	1,064,617
Changes in non-cash working capital:		
Decrease (Increase)		
Accounts receivable	48,155	(150,938)
Receivable from affiliated entities	-	41,934
Receivable from Indigenous and Northern Affairs Canada	-	33,191
Prepaid expenses	(1,410)	24,058
Increase (Decrease)		
Accounts payable and accrued liabilities	(788,954)	996,698
Payable to affiliated entities	(186,103)	233,778
Payable to Indigenous and Northern Affairs Canada	26,679	30,337
Deferred revenue	(340,714)	493,430
	(1,242,347)	1,702,488
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	(747,411)	2,767,105
CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(1,091,943)	(1,064,692)
Transfer of tangible capital assets - campground	87,571	-
	(1,004,372)	(1,064,692)
INVESTING ACTIVITIES		
Increase in investments in First Nation business partnerships and enterprises	(119,716)	(245,310)
FINANCING ACTIVITIES		
Principal increase (decrease) in long term debt	555,920	(84,524)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,315,579)	1,372,579
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,868,185	495,606
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 552,606	\$ 1,868,185
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	\$ 500,148	\$ 1,815,754
Funds on deposit in Ottawa Trusts	52,458	52,431
	\$ 552,606	\$ 1,868,185

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

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.

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 those commercial enterprises which meet the definition of a 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.

(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.

These consolidated financial statements also include the investment and results of operations, based on modified equity method, for the following entities:

- Snaw-Naw-As Forest Services Limited Partnership
- Nanoose Economic Development Corporation
- Nanoose Economic Development Master Limited Partnership

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

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

(b) Reporting entity and principles of financial reporting (continued)

All inter-entity balances have been eliminated on consolidation.

The First Nation indirectly owns the following entities through its investment in Nanoose Economic Development Master Limited Partnership and Nanoose Economic Development Corporation:

Snaw-Naw-As Market Limited Partnership and its General Partner, Snaw-Naw-As Market Ltd.

Snaw-Naw-As Investments Limited Partnership and its General Partner, Snaw-Naw-As Investments Ltd.

Snaw-Naw-As Forest Services Limited Partnership (effective January 1, 2017) and its General Partner, Snaw-Naw-As Forest Services Ltd.

Snaw-Naw-As Aquaculture Ventures Limited Partnership and its General Partner, Snaw-Naw-As Aquaculture Ventures Inc.

Snaw-Naw-As Campsite Limited Partnership and its General Partner, Snaw-Naw-As Campsite Ltd.

(c) Cash

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

(d) Tangible capital assets

Tangible capital assets are stated at cost and are being amortized on the straight line basis using the following annual rates:

(i) Local Revenue Fund

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

(ii) Social Housing

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

(e) Investments in First Nation business partnerships and enterprises

Snaw-Naw-As Forest Services Limited Partnership - a 99.90% partnership interest

Nanoose Economic Development Corporation - a 100% ownership interest

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

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

(e) Investments in First Nation business partnerships and enterprises (continued)

Nanoose Economic Development Master Limited Partnership - a 99.99% partnership interest

Snaw-Naw-As Forest Services Ltd. - a 100% ownership interest through the Nanoose Economic Development Corporation

Snaw-Naw-As Aquaculture Ventures Inc. - a 100% ownership interest through the Nanoose Economic Development Corporation

Snaw-Naw-As Holdings Ltd. - a 100% ownership interest

Salish Strait Seafoods Ltd. - a 20% ownership interest, recorded at cost

(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.

(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, 2017.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized are 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, 2017

2. FINANCIAL INSTRUMENTS

The First Nation's financial instruments consists of cash, accounts receivable, investments in First Nation business partnerships and enterprises, accounts payable and accrued liabilities, payable to affiliated entities, 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 7.

Investments in First Nation business partnerships and enterprises

The fair market values of the investments in Snaw-Naw-As Forest Services Limited Partnership, Nanoose Economic Development Corporation, Nanoose Economic Development Master 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 2017 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, 2017, 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, 2017, the replacement reserve for the original Social Housing Phases VI and VII totalled \$49,618 (2016: \$39,088). The balance held in a separate bank account for the replacement reserve totalled \$629 (2016: \$36,642) and \$48,989 was receivable from the original Social Housing operating account.

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

4. RESTRICTED CASH (continued)

(b) Replacement reserve (continued)

At March 31, 2017, the replacement reserve for the new Social Housing Phases I and II totalled \$233,969 (2016: \$211,487). The balance held in a separate bank account for the replacement reserve totalled \$629 (2016: \$50,530) and \$233,340 was receivable from 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, 2017, the operating reserve fund balance was \$191,577 of which \$19,285 was held in a separate bank account for the new Social Housing and the remaining balance of \$172,292 was receivable from Nanoose First Nation's operating fund. The March 31, 2016 operating reserve fund balance was \$171,882 of which \$4,501 was held in a separate bank account and \$162,381 was receivable from Nanoose First Nation's operating fund.

5. BANK INDEBTEDNESS

Nanoose First Nation has a line of credit available to a maximum of \$400,000, which bears interest at prime plus 1.5%, with interest payable monthly. The line of credit balance was \$188,933 on March 31, 2017. The line of credit is secured by a Chief's Certificate.

6. OTTAWA TRUST FUNDS

	Opening Balance	Additions	Withdrawals	2017 Total	2016 Total
Revenue	\$ 518	\$ 1,575	\$ (1,548)	\$ 545	\$ 518
Capital	51,913	-	-	51,913	51,913
	\$ 52,431	\$ 1,575	\$ (1,548)	\$ 52,458	\$ 52,431

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

7. ACCOUNTS RECEIVABLE

	2017	2016
Fisheries and Oceans Canada	\$ 100,551	\$ 100,551
Te'Mexw Treaty Association	30,000	43,000
Province of British Columbia	19,851	4,770
Other receivables	31,075	30,955
Coast Salish Employment and Training Society	13,399	15,798
Inter Tribal Health Authority	10,006	-
First Nations Education Steering Committee	9,976	8,587
Canada Mortgage and Housing Corporation	8,999	54,017
Tsow Tun Lelum	-	35,867
Health Canada	-	4,743
	223,857	298,288
Receivable from First Nation members - formerly Social Housing	258,665	261,561
Receivable from First Nation members and staff	43,326	40,624
Allowance for doubtful accounts - members	(151,877)	(150,684)
	150,114	151,501
Social Housing rent receivable from First Nation members	323,327	260,925
Allowance for doubtful accounts - rent receivable	(254,514)	(219,775)
	68,813	41,150
	\$ 442,784	\$ 490,939

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.

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

8. INVESTMENTS IN FIRST NATION BUSINESS PARTNERSHIPS AND ENTERPRISES

	2017	2016
First Nation Business Partnerships and Enterprises - modified equity		
Snaw-Naw-As Forest Services Limited Partnership	\$ 373,307	\$ 228,777
Snaw-Naw-As Aquaculture Ventures Inc.	-	17,634
Nanoose Economic Development Corporation	(756)	-
Nanoose Economic Development Master Limited Partnership	(6,424)	-
	366,127	246,411
First Nation Business Enterprises - cost		
Salish Strait Seafoods Ltd.	2	2
	\$ 366,129	\$ 246,413

The investment in Snaw-Naw-As Forest Services Limited Partnership includes net income of \$229,481 earned for the period January 1, 2017 to March 31, 2017

All investments in First Nation business partnerships and enterprises are held in trust on behalf of the First Nation members.

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 at December 31, 2016 and 2015 for the partnership.

	2016	2015
Cash	\$ 11,299	\$ -
Accounts receivable	-	250,000
GST receivable	2,577	-
Due from related parties	105,898	-
Due from partners	34,651	-
	154,425	250,000
Accounts payable and accrued liabilities	10,499	20,995
Partners' equity	\$ 143,926	\$ 229,005
Revenue	\$ 11	\$ 250,000
Expenses	85,190	20,995
Net income (loss)	\$ (85,179)	\$ 229,005

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

8. INVESTMENTS IN FIRST NATION BUSINESS PARTNERSHIPS AND ENTERPRISES (continued)

Investment in Nanoose Economic Development Corporation

Nanoose First Nation owns 100% of the issued shares in Nanoose Economic Development Corporation. The following presents condensed financial information as at December 31, 2016 for the company.

	2016
Investments in subsidiaries	\$ 230
Accounts payable and accrued liabilities	750
Payable to related parties	226
Deficit	\$ (746)
Revenue	\$ (6)
Expenses	750
Net loss	\$ (756)

Investment in Nanoose Economic Development Master Limited Partnership

Nanoose First Nation owns a 99.99% interest in Nanoose Economic Development Master Limited Partnership. The following presents condensed financial information as at December 31, 2016 for the partnership.

	2016
Cash	\$ 90,027
Tangible capital assets	100,449
Accounts receivable	1,120
Prepaid expenses and deposits	12,002
	203,598
Accounts payable and accrued liabilities	20,063
Notes payable	88,280
Deferred revenue	850
Payable to related parties	107,382
	216,575
Deficit	\$ (12,977)
Revenue	\$ 58,035
Expenses	64,465
Net loss	\$ (6,430)

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

9. PAYABLE TO (RECEIVABLE FROM) AFFILIATED ENTITIES

	2017	2016
Nanoose Economic Development Master Limited Partnership	\$ 118,004	\$ -
Snaw-Naw-As Forest Services Limited Partnership	34,551	233,776
Snaw-Naw-As Aquaculture Limited Partnership	14,165	-
Snaw-Naw-As Campsite Ltd.	(87,099)	-
Nanoose Economic Development Corporation	(21,948)	-
Salish Strait Seafoods Ltd.	(9,998)	2
	<u>\$ 47,675</u>	<u>\$ 233,778</u>

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

10. PAYABLE TO INDIGENOUS AND NORTHERN AFFAIRS CANADA

	2017	2016
Social Development		
Basic needs - 2017 surplus	\$ (51,777)	\$ -
Basic needs - 2016 surplus	(21,126)	(21,126)
Basic needs - 2015 surplus	-	(8,955)
Child out of parental home - 2016 deficit	164	164
	<u>(72,739)</u>	<u>(29,917)</u>
Special Funding		
Band employee benefits - 2017 surplus	(2,383)	-
Band employee benefits - 2016 surplus	(420)	(420)
Lands and Economic Development Services Program	2,926	-
Waste water treatment plant - operator wage enhancement	15,600	-
	<u>15,723</u>	<u>(420)</u>
	<u>\$ (57,016)</u>	<u>\$ (30,337)</u>

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

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

11. DEFERRED REVENUE

	2017	2016
Operating Fund		
Indigenous and Northern Affairs Canada		
Land Code	\$ 248,693	\$ 243,038
Education	16,740	17,520
	265,433	260,558
Employment and Social Development Canada		
New Horizons for Seniors Program	25,000	-
Grants	4,437	7,778
Prepaid campsite fees	-	550
	294,870	268,886
Capital Fund		
Indigenous and Northern Affairs Canada		
Gas station development	-	346,214
Housing funds	-	14,240
Special Services ACRS	-	6,629
	-	367,083
Social Housing Fund		
Prepaid rent	385	-
	\$ 295,255	\$ 635,969

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

12. LONG TERM DEBT

	2017	2016
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	\$ 121,368	\$ 163,198
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	1,855,803	1,950,101
	1,977,171	2,113,299
Bank of Montreal loan, bearing interest at prime plus 1%, repayable in monthly payments of \$4,722 plus interest, secured by a Chief's Certificate, Band Council Resolution, promissory note, confirmation of INAC approval funding and assignment of contract relating to construction of a retaining wall for gas station development	821,666	100,000
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%	3,000	6,000
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%	4,414	6,621
November 1, 2014 with interest at 5.375%	6,400	9,600
November 1, 2014 with interest at 5.375%	6,400	9,600
November 1, 2016 with interest at 4.75%	12,771	15,964
November 1, 2016 with interest at 4.75%	11,063	13,829
November 1, 2016 with interest at 4.75%	12,800	16,000
March 31, 2016 with interest at 6.125%	16,208	20,260
March 31, 2016 with interest at 6.125%	19,200	24,000
	\$ 2,891,093	\$ 2,335,173

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

12. LONG TERM DEBT (continued)

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

2018	\$ 195,043
2019	197,577
2020	184,421
2021	165,983
2022	160,279

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

2018	\$ 466,261
2019	1,588,479
2020	84,738
2021	64,359
2022	56,667

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

13. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated amortization				Balance at at end of 2017	Net book value at end of 2017
	Balance at end of 2016	Additions	Disposals	Balance at end of 2017	Balance at end of 2016	Disposals	Amortization		
Local Revenue Fund:									
Land	\$ 1,029,000	\$ -	\$ -	\$ 1,029,000	\$ -	\$ -	\$ -	\$ -	\$ 1,029,000
Computer equipment	56,532	6,847	-	63,379	42,818	-	9,796	52,614	10,765
Automotive equipment	80,815	6,631	-	87,446	64,620	-	6,926	71,546	15,900
Furniture and equipment	137,903	2,000	-	139,903	106,363	-	14,629	120,992	18,911
Boat	66,677	-	-	66,677	51,168	-	7,097	58,265	8,412
Marina	53,000	-	53,000	-	53,000	53,000	-	-	-
School and daycare	462,772	24,000	-	486,772	358,617	-	22,858	381,475	105,297
General housing	900,031	-	-	900,031	468,663	-	32,430	501,093	398,938
Community buildings	206,458	-	-	206,458	165,511	-	7,045	172,556	33,902
Health building	2,288,937	-	-	2,288,937	417,385	-	108,149	525,534	1,763,403
Infrastructure	9,493,974	1,052,465	-	10,546,439	3,545,627	-	343,943	3,889,570	6,656,869
	14,776,099	1,091,943	53,000	15,815,042	5,273,772	53,000	552,873	5,773,645	10,041,397
Snaw-Naw-As Campground:									
Land improvements	81,023	-	81,023	-	-	-	-	-	-
Campground buildings	8,398	-	8,398	-	3,758	3,944	186	-	-
Equipment	10,799	-	10,799	-	8,446	8,916	470	-	-
Billboard	1,190	-	1,190	-	926	979	53	-	-
	101,410	-	101,410	-	13,130	13,839	709	-	-
Social Housing Fund:									
Land	80,000	-	-	80,000	-	-	-	-	80,000
Buildings	4,038,581	-	-	4,038,581	991,236	-	111,542	1,102,778	2,935,803
Furniture	93,037	-	-	93,037	93,037	-	-	93,037	-
Septic field	62,808	-	-	62,808	50,241	-	2,512	52,753	10,055
	4,274,426	-	-	4,274,426	1,134,514	-	114,054	1,248,568	3,025,858
	\$19,151,935	\$ 1,091,943	\$ 154,410	\$20,089,468	\$ 6,421,416	\$ 66,839	\$ 667,636	\$ 7,022,213	\$13,067,255

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

13. TANGIBLE CAPITAL ASSETS (continued)

	Cost			Accumulated amortization				Balance at at end of 2016	Net book value at end of 2016
	Balance at end of 2015	Additions	Disposals	Balance at end of 2016	Balance at end of 2015	Disposals	Amortization		
Local Revenue Fund:									
Land	\$ 44,000	\$ 985,000	\$ -	\$ 1,029,000	\$ -	\$ -	\$ -	\$ -	\$ 1,029,000
Computer equipment	37,931	18,601	-	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	16,195
Furniture and equipment	119,133	18,770	-	137,903	92,401	-	13,962	106,363	31,540
Boat	66,677	-	-	66,677	44,071	-	7,097	51,168	15,509
Marina	53,000	-	-	53,000	47,800	-	5,200	53,000	-
School and daycare	462,772	-	-	462,772	335,759	-	22,858	358,617	104,155
General housing	900,031	-	-	900,031	436,237	-	32,426	468,663	431,368
Community buildings	206,458	-	-	206,458	157,962	-	7,549	165,511	40,947
Health building	2,288,937	-	-	2,288,937	309,242	-	108,143	417,385	1,871,552
Infrastructure	8,468,803	1,025,171	-	9,493,974	3,201,684	-	343,943	3,545,627	5,948,347
	12,745,957	2,047,542	17,400	14,776,099	4,735,212	17,400	555,960	5,273,772	9,502,327
Snow-Naw-As Campground:									
Land improvements	81,023	-	-	81,023	-	-	-	-	81,023
Campground buildings	8,398	-	-	8,398	3,565	-	193	3,758	4,640
Equipment	8,649	2,150	-	10,799	8,125	-	321	8,446	2,353
Billboard	1,190	-	-	1,190	860	-	66	926	264
	99,260	2,150	-	101,410	12,550	-	580	13,130	88,280
Social Housing Fund:									
Land	80,000	-	-	80,000	-	-	-	-	80,000
Buildings	4,038,581	-	-	4,038,581	860,778	-	130,458	991,236	3,047,345
Furniture	93,037	-	-	93,037	93,037	-	-	93,037	-
Septic field	62,808	-	-	62,808	47,729	-	2,512	50,241	12,567
	4,274,426	-	-	4,274,426	1,001,544	-	132,970	1,134,514	3,139,912
	\$17,119,643	\$ 2,049,692	\$ 17,400	\$19,151,935	\$ 5,749,306	\$ 17,400	\$ 689,510	\$ 6,421,416	\$12,730,519

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

14. 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 three years are as follows:

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

15. 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:

	2017	2016
Nanoose First Nation Social Housing	\$ 1,951,336	\$ 2,113,299

(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 \$335,242 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 reviewing an environmental site assessment report 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.

16. SUBSEQUENT EVENT

In August 2017, Nanoose First Nation lost their community hall to fire. The net book value of this asset was \$12,306. As at August 28, 2017, there is an insurance claim in process which is expected to cover the costs of rebuilding the community hall.

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

17. EXPENSES BY OBJECT

	2017	2016
Administration	\$ 146,577	\$ 116,339
Amortization	667,636	689,510
Audit	48,370	34,200
Bad debt	37,287	59,362
Bank charges	9,525	10,003
Contractors and consultants	422,062	442,679
Education	92,543	95,884
Electrification and utilities	53,174	50,736
Equipment lease	4,008	5,192
Honorarium	61,855	47,705
Insurance	86,564	82,750
Interest on long term debt	58,422	47,315
Office	91,680	120,822
Repairs and maintenance	246,093	334,886
Social development	350,384	337,477
Special events	40,412	62,290
Supplies	103,626	55,017
Telecommunications	38,058	28,536
Training	49,933	49,996
Travel and meetings	102,859	96,783
Wages and benefits	1,036,376	1,029,319
	\$ 3,747,444	\$ 3,796,801

18. 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 22.

19. 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 2017 total \$7,466 (2016 - \$5,268).

20. BUDGET AMOUNTS

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

NANOOSE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

21. COMPARATIVE FIGURES

Certain 2016 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, 2017

22. 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 (deficit) at end of year
Operating Fund							
Administration and Registration	\$ 267,563	\$ 236,775	\$ 30,788	\$ (30,788)	\$ -	\$ -	\$ -
Chief and Council	3,000	68,176	(65,176)	65,176	-	-	-
Band Employee Benefit Plans	25,447	25,447	-	-	-	-	-
Economic Development	11,702	11,702	-	-	-	-	-
Community Operations	171,307	241,713	(70,406)	70,406	-	-	-
Education	200,713	222,651	(21,938)	21,938	-	-	-
Social Development - Set Contribution	374,375	374,420	(45)	45	-	-	-
Social Development - Flexible Transfers	50,045	57,339	(7,294)	7,294	-	-	-
Community Health Services - Operations	463,748	488,897	(25,149)	9,477	(15,672)	16,084	412
Community Health Services -							
Home and Community Care	56,666	88,776	(32,110)	32,110	-	-	-
Uy'Sqwalawun Child Care Centre	187,095	205,046	(17,951)	17,951	-	-	-
Head Start Program	106,585	106,585	-	-	-	-	-
Youth Program	-	3,717	(3,717)	3,717	-	-	-
Training and Employment	108,995	108,995	-	-	-	-	-
Fisheries	91,410	96,000	(4,590)	4,590	-	-	-
Local Revenue Fund - Own Housing	-	55,486	(55,486)	55,486	-	-	-
Residential Rehabilitation Assistance							
Program	29,618	45,539	(15,921)	15,921	-	-	-
Environmental Site Assessment	106,469	106,469	-	-	-	-	-
Land Use Planning	2,100	2,100	-	-	-	-	-
Property Taxation	27,206	27,206	-	-	-	-	-
Land Code - Operational	273,881	273,881	-	-	-	-	-
Local Revenue Fund (LRF)	176,685	241,466	(64,781)	(19,188)	(83,969)	(319,255)	(403,224)
LRF - Commercial Activities	339,793	83,951	255,842	(255,842)	-	-	-
Snaw-Naw-As Campground	54,713	33,977	20,736	(20,736)	-	-	-
Special Services ACRS	6,629	6,629	-	-	-	-	-
Housing Funds CPMS#11623	14,241	32,741	(18,500)	18,500	-	-	-
	3,149,986	3,245,684	(95,698)	(3,943)	(99,641)	(303,171)	(402,812)
Social Housing Fund							
Social Housing Operations	299,487	223,942	75,545	(35,584)	39,961	133,049	173,010
Replacement Reserves	186	8,249	(8,063)	41,075	33,012	250,575	283,587
	299,673	232,191	67,482	5,491	72,973	383,624	456,597
Capital Fund	1,228,071	1,374,130	(146,059)	-	(146,059)	10,617,220	10,471,161
Ottawa Trust Funds	1,575	-	1,575	(1,548)	27	52,431	52,458
Less internal capital funding	(881,855)	(881,855)	-	-	-	-	-
Less internal program transfers	(222,706)	(222,706)	-	-	-	-	-
	\$ 3,574,744	\$ 3,747,444	\$ (172,700)	\$ -	\$ (172,700)	\$ 10,750,104	\$ 10,577,404
RESTRICTED SURPLUS:							
Ottawa Trust Funds						\$ 52,431	\$ 52,458
Social Housing Fund						383,624	456,597
Community Health Services - Operations						16,084	412
						\$ 452,139	\$ 509,467