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**NANOOSE FIRST NATION**

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**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2018**

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# NANOOSE FIRST NATION

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YEAR ENDED MARCH 31, 2018  
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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

*Natasha D.*

## 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, 2018 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.

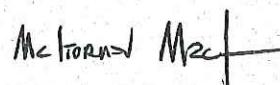
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis for Qualified Opinion

The Nanoose First Nation holds an investment in Nanoose Economic Development Master Limited Partnership and we were unable to obtain sufficient appropriate audit evidence to support the completeness and occurrence of aquaculture revenue that were consolidated into these financial statements under the modified equity method. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

### Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nanoose First Nation as at March 31, 2018 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  
July 16, 2018

**NANOOSE FIRST NATION**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**YEAR ENDED MARCH 31, 2018**

	<b>2018</b>	<b>2017</b>
<b>FINANCIAL ASSETS</b>		
Cash (note 4 and 5)	\$ -	\$ 500,148
Funds on deposit in Ottawa Trusts (notes 4 and 6)	52,509	52,458
Accounts receivable (note 7)	621,417	442,784
Promissory notes receivable (note 8)	711,280	88,280
Investments in First Nation business partnerships and enterprises (note 10)	- 366,129	
	1,385,206	1,449,799
<b>FINANCIAL LIABILITIES</b>		
Cheques issued in excess of funds on deposit (note 5)	23,301	-
Accounts payable and accrued liabilities	501,266	603,473
Payable to affiliated entities (note 9)	170,142	135,955
Payable to Indigenous and Northern Affairs Canada (note 11)	33,774	57,016
Deferred revenue (note 12)	474,709	295,255
Deficits in First Nation business partnerships and enterprises (note 10)	230,598	-
Long term debt (note 13)	2,666,341	2,891,093
	4,100,131	3,982,792
<b>NET DEBT</b>	(2,714,925)	(2,532,993)
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 14)	12,440,299	13,067,255
Prepaid expenses	14,858	43,142
	12,455,157	13,110,397
<b>ACCUMULATED SURPLUS</b>	<b>\$ 9,740,232</b>	<b>\$ 10,577,404</b>
<b>ACCUMULATED SURPLUS AT END OF YEAR CONSISTS OF:</b>		
Restricted (note 24)	\$ 594,162	\$ 509,467
Unrestricted	(893,270)	(403,224)
	(299,108)	106,243
Investment in tangible capital assets	10,039,340	10,471,161
	\$ 9,740,232	\$ 10,577,404
Commitments (note 15)		
Contingent liabilities (note 16)		
Subsequent event (note 17)		

**APPROVED BY THE COUNCIL:**

Councillor

Councillor

Councillor

# NANOOSE FIRST NATION

## CONSOLIDATED STATEMENT OF OPERATIONS YEAR ENDED MARCH 31, 2018

	<b>Budget (unaudited)</b>	<b>2018</b>	<b>2017</b>
<b>REVENUE</b>			
Indigenous and Northern Affairs Canada	\$ 1,331,634	\$ 1,280,005	\$ 1,691,554
Inter Tribal Health Authority	491,958	489,274	512,442
Province of British Columbia	347,570	338,685	170,323
Canada Mortgage and Housing Corporation	214,069	214,136	135,655
First Nations Health Authority	238,591	203,004	106,585
Rental income - Social Housing	194,292	193,075	193,450
Coast Salish Employment and Training Society	116,998	116,998	113,994
Fisheries and Oceans Canada	91,410	91,410	91,410
Te'Mexw Treaty Association	80,000	83,000	3,000
Other income	77,423	63,359	114,748
Daycare	50,000	58,086	-
Government of Canada	37,608	37,608	-
First Nation Education Steering Committee	30,650	30,650	43,682
Income (loss) from Nanoose Economic Development Master Limited Partnership	-	25,242	(6,424)
Land code income	30,000	25,119	27,626
Interest	6,000	6,274	6,637
Naut'sa mawt Tribal Council	4,500	4,500	6,000
Ottawa Trust Funds - interest revenue	1,585	1,726	1,575
Income from Snaw-Naw-As Aquaculture Ventures Inc.	-	74	43,671
Loss from Nanoose Economic Development Corporation	-	(552)	(756)
Rental and lease income	-	-	12,648
Dividend income from Salish Strait Seafoods Ltd.	-	-	10,000
Sign rental income	-	-	58,909
Campground	-	-	54,713
Crab licence lease income	-	-	39,000
Income from Snaw-Naw-As Forest Services Limited Partnership	-	-	144,302
	3,344,288	3,261,673	3,574,744
<b>TOTAL EXPENSES (note 18)</b>	<b>3,873,216</b>	<b>4,098,845</b>	<b>3,747,444</b>
<b>ANNUAL DEFICIT</b>	<b>\$ (528,928)</b>	<b>(837,172)</b>	<b>(172,700)</b>
<b>ACCUMULATED SURPLUS AT BEGINNING OF YEAR</b>		<b>10,577,404</b>	<b>10,750,104</b>
<b>ACCUMULATED SURPLUS AT END OF YEAR</b>		<b>\$ 9,740,232</b>	<b>\$ 10,577,404</b>

**NANOOSE FIRST NATION**

**CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT**  
**YEAR ENDED MARCH 31, 2018**

	<b>2018</b>	<b>2017</b>
<b>ANNUAL DEFICIT</b>	\$ (837,172)	\$ (172,700)
Acquisition of tangible capital assets	(57,017)	(1,091,943)
Transfer of tangible capital assets - campground	-	87,571
Amortization of tangible capital assets	671,667	667,636
Loss on write-off of tangible capital assets	12,306	-
	(210,216)	(509,436)
Acquisition of prepaid expenses	(14,858)	(43,142)
Use of prepaid expenses	43,142	41,732
	28,284	(1,410)
<b>CHANGE IN NET DEBT</b>	(181,932)	(510,846)
<b>NET DEBT AT BEGINNING OF YEAR</b>	(2,532,993)	(2,022,147)
<b>NET DEBT AT END OF YEAR</b>	\$ (2,714,925)	\$ (2,532,993)

**NANOOSE FIRST NATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2018**

	<b>2018</b>	<b>2017</b>
<b>OPERATING ACTIVITIES</b>		
Annual deficit	\$ (837,172)	\$ (172,700)
Adjustment for items which do not involve cash:		
Amortization (page 17)	671,667	667,636
Loss on write-off of tangible capital assets	12,306	-
	(153,199)	494,936
Changes in non-cash working capital:		
Decrease (Increase)		
Accounts receivable	(178,633)	48,155
Promissory notes receivable	(623,000)	88,280
Prepaid expenses	28,284	(1,410)
Increase (Decrease)		
Accounts payable and accrued liabilities	(102,207)	(788,954)
Payable to affiliated entities	34,187	(274,383)
Payable to Indigenous and Northern Affairs Canada	(23,242)	26,679
Deferred revenue	179,454	(340,714)
	(685,157)	(1,242,347)
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(838,356)</b>	<b>(747,411)</b>
<b>CAPITAL TRANSACTIONS</b>		
Purchase of tangible capital assets	(57,017)	(1,091,943)
Transfer of tangible capital assets - campground	-	87,571
	(57,017)	(1,004,372)
<b>INVESTING ACTIVITIES</b>		
Decrease (increase) in investments in First Nation business partnerships and enterprises	596,727	(119,716)
<b>FINANCING ACTIVITIES</b>		
Principal increase (decrease) in long term debt	(224,752)	555,920
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(523,398)</b>	<b>(1,315,579)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>552,606</b>	<b>1,868,185</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 29,208</b>	<b>\$ 552,606</b>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>		
Cash	\$ -	\$ 500,148
Cheques issued in excess of funds on deposit	(23,301)	-
Funds on deposit in Ottawa Trusts	52,509	52,458
	\$ 29,208	\$ 552,606

# NANOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018

### 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 principles 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:

Nanoose Economic Development Corporation  
Nanoose Economic Development Master Limited Partnership

# NANOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018

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

##### (ii) Social Housing

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

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

Nanoose Economic Development Master Limited Partnership - a 99.90% partnership interest

Nanoose Economic Development Corporation - a 100% ownership interest

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## NANOOSE FIRST NATION

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018

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

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

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, prepaid expenses, 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, 2018.

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, 2018**

### **2. FINANCIAL INSTRUMENTS**

The First Nation's financial instruments consists of accounts receivable, promisory notes receivable, cheques issued in excess of funds on deposit, accounts payable and accrued liabilities, payable to affiliated entities, payable to Indigenous and Northern Affairs Canada, deficits in First Nation business partnerships and enterprises 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 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 2018 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, 2018, 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, 2018, the replacement reserve for the original Social Housing Phases VI and VII totalled \$55,725 (2017: \$49,618). The balance held in a separate bank account for the replacement reserve totalled \$6,743 (2017: \$629) and \$48,982 was receivable from the original Social Housing operating account.

# NANOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018

### 4. RESTRICTED CASH (continued)

#### (b) Replacement reserve (continued)

At March 31, 2018, the replacement reserve for the new Social Housing Phases I and II totalled \$224,077 (2017: \$233,969). The balance held in a separate bank account for the replacement reserve totalled \$27,202 (2017: \$629) and \$196,875 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, 2018, the operating reserve fund balance was \$254,552 of which \$8,095 was held in a separate bank account for the new Social Housing and the remaining balance of \$246,457 was receivable from Nanoose First Nation's operating fund. The March 31, 2017 operating reserve fund balance was \$191,577 of which \$19,285 was held in a separate bank account and \$172,292 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 is secured by a Chief's Certificate.

### 6. OTTAWA TRUST FUNDS

	Opening Balance	Additions	Withdrawals	2018 Total	2017 Total
Revenue Capital	\$ 545 51,913	\$ 1,726 -	\$ (1,675) -	\$ 596 51,913	\$ 545 51,913
	\$ 52,458	\$ 1,726	\$ (1,675)	\$ 52,509	\$ 52,458

# NANOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018

### 7. ACCOUNTS RECEIVABLE

	2018	2017
Fisheries and Oceans Canada	\$ 100,551	\$ 100,551
Te'Mexw Treaty Association	83,000	30,000
Canada Mortgage and Housing Corporation	53,844	8,999
Other receivables	45,905	31,075
First Nation Health Authority	24,420	-
Province of British Columbia	17,534	19,851
Coast Salish Employment and Training Society	16,885	13,399
United Way	15,000	-
First Nations Education Steering Committee	6,141	9,976
Inter Tribal Health Authority	5,003	10,006
New Relationship Trust	5,000	-
	373,283	223,857
Receivable from First Nation members - formerly Social Housing	257,365	258,665
Receivable from First Nation members and staff	28,141	43,326
Allowance for doubtful accounts - members	(170,473)	(151,877)
	115,033	150,114
Social Housing rent receivable from First Nation members	396,522	323,327
Allowance for doubtful accounts - rent receivable	(263,421)	(254,514)
	133,101	68,813
	\$ 621,417	\$ 442,784

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, 2018

### 8. PROMISSORY NOTES RECEIVABLE

	2018	2017
Nanoose Economic Development Master Limited Partnership	\$ 623,000	\$ -
Snaw-Naw-As Campsite Limited Partnership	88,280	88,280
	<hr/> \$ 711,280	<hr/> \$ 88,280

The promissory notes receivable are unsecured, bear no interest and are payable within 90 days of demand.

### 9. PAYABLE TO (RECEIVABLE FROM) AFFILIATED ENTITIES

	2018	2017
Nanoose Economic Development Corporation	\$ 109,553	\$ 21,948
Snaw-Naw-As Investments Limited Partnership	33,898	-
Snaw-Naw-As Forest Services Limited Partnership	22,890	(34,551)
Snaw-Naw-As Aquaculture Limited Partnership	12,005	(14,165)
Snaw-Naw-As Campsite Limited Partnership	627	1,181
Snaw-Naw-As Market Limited Partnership	100	-
Salish Strait Seafoods Ltd.	2	9,998
Nanoose Economic Development Master Limited Partnership	(8,933)	(118,004)
	<hr/> \$ 170,142	<hr/> \$ 135,955

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

### 10. INVESTMENTS (DEFICITS) IN FIRST NATION BUSINESS PARTNERSHIPS AND ENTERPRISES

	2018	2017
First Nation Business Partnerships and Enterprises - modified equity		
Nanoose Economic Development Master Limited Partnership	\$ (230,292)	\$ (6,424)
Nanoose Economic Development Corporation	(308)	(756)
Snaw-Naw-As Forest Services Limited Partnership	-	373,307
	<hr/> (230,600)	<hr/> 366,127
First Nation Business Enterprises - cost		
Salish Strait Seafoods Ltd.	2	2
	<hr/> \$ (230,598)	<hr/> \$ 366,129

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

# NANOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018

### 10. INVESTMENTS (DEFICIT) 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, 2017 for the company.

	2017	2016
Investment in Nanoose Economic Development Master		
Limited Partnership	\$ 412	\$ -
Investments in subsidiaries	230	230
	642	230
Accounts payable and accrued liabilities	749	750
Payable to related parties	1,191	226
Deficit	\$ (1,308)	\$ (756)
Revenue	\$ 275	\$ (6)
Expenses	827	750
Net loss	\$ (552)	\$ (756)

#### Investment in Nanoose Economic Development Master Limited Partnership

Nanoose First Nation owns a 99.90% interest in Nanoose Economic Development Master Limited Partnership. The following presents condensed financial information as at December 31, 2017 for the partnership.

	2017	2016
Cash	\$ 61,304	\$ 90,027
Tangible capital assets	325,902	100,449
Accounts receivable	78,574	1,120
Prepaid expenses and deposits	14,002	12,002
Due from related parties	160,855	6,299
	640,637	209,897
Accounts payable and accrued liabilities	72,234	20,063
Notes payable	711,280	88,280
Deferred revenue		850
Payable to related parties	87,528	113,681
	871,042	222,874
Deficit	\$ (230,405)	\$ (12,977)
Revenue	\$ 802,240	\$ 58,035
Expenses	(527,677)	(64,465)
Net income (loss)	\$ 274,563	\$ (6,430)

# NANOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018

### 11. PAYABLE TO INDIGENOUS AND NORTHERN AFFAIRS CANADA

	2018	2017
<b>Social Development</b>		
Basic needs - 2018 deficit	\$ (22,072)	\$ -
Basic needs - 2017 surplus	51,777	51,777
Basic needs - 2016 surplus	-	21,126
Child out of parental home - 2017 deficit	(414)	-
Child out of parental home - 2016 deficit	-	(164)
	<b>29,291</b>	<b>72,739</b>
<b>Special Funding</b>		
Band employee benefits - 2017 surplus	2,383	2,383
Band employee benefits - 2016 surplus	-	420
Lands and Economic Development Services Program	-	(2,926)
Survey funding	2,100	-
Waste water treatment plant - operator wage enhancement	-	(15,600)
	<b>4,483</b>	<b>(15,723)</b>
	<b>\$ 33,774</b>	<b>\$ 57,016</b>

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

### 12. DEFERRED REVENUE

	2018	2017
<b>Operating Fund</b>		
Indigenous and Northern Affairs Canada		
Land Code	\$ 280,333	\$ 248,693
Education	32,374	16,740
CPMS #11748	7,100	-
	<b>319,807</b>	<b>265,433</b>
First Nation Health Authority	35,587	-
Employment and Social Development Canada		
New Horizons for Seniors Program	-	25,000
Grants	28,741	4,437
Insurance proceeds Community Hall	90,574	-
	<b>474,709</b>	<b>294,870</b>
<b>Social Housing Fund</b>		
Prepaid rent	-	385
	<b>\$ 474,709</b>	<b>\$ 295,255</b>

# NANOOSE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018

### 13. LONG TERM DEBT

	2018	2017
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	\$ 78,894	\$ 121,368
Social Housing Fund - new Phases I and II Two mortgages held by All Nations Trust, guaranteed by CMHC, bearing interest at 1.5% and 2.04%, respectively, renewable on July 1, 2022 and March 1, 2019, respectively, repayable in monthly payments totalling \$10,340 including interest, secured by ministerial guarantees of the Minister of Indigenous and Northern Affairs Canada	1,759,809	1,855,803
	1,838,703	1,977,171
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 Indigenous and Northern Affairs Canada approval funding and assignment of contract relating to construction of a retaining wall for gas station development	765,000	821,666
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	
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% 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%	2,207 3,200 3,200 9,578 8,297 9,600 12,156 14,400	4,414 6,400 6,400 12,771 11,063 12,800 16,208 19,200
	\$ 2,666,341	\$ 2,891,093

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## NANOOSE FIRST NATION

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018

#### 13. LONG TERM DEBT (continued)

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

2019	\$ 197,842
2020	184,369
2021	165,945
2022	160,248
2023	162,282

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

2019	\$ 1,605,993
2020	102,312
2021	82,199
2022	74,777
2023	256,756

# NANOOSÉ FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018

### 14. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated amortization			Balance at end of 2018	Net book value at end of 2018
	Balance at end of 2017	Additions	Disposals	Balance at end of 2017	Disposals	Amortization		
<b>Local Revenue Fund:</b>								
Land	\$ 1,029,000	\$ 2,950	\$ 41,326	\$ 1,029,000	\$ 52,614	\$ 41,326	\$ 10,471	\$ 21,759
Computer equipment	63,379	-	3,000	84,446	71,546	3,000	6,925	75,471
Automotive equipment	87,446	-	10,998	147,082	120,992	10,998	11,360	121,354
Furniture and equipment	139,903	18,177	-	-	-	-	-	25,728
Boat	66,677	21,505	-	88,182	58,265	-	9,505	67,770
School and daycare	486,772	8,000	-	494,772	381,475	-	32,192	413,667
General housing	900,031	-	-	900,031	501,093	-	32,430	533,523
Community buildings	206,458	6,385	95,348	117,495	172,556	83,042	2,637	92,151
Health building	2,288,937	-	-	2,288,937	525,534	-	108,149	633,683
Infrastructure	10,546,439	-	-	10,546,439	3,889,570	-	343,944	4,233,514
	15,815,042	57,017	150,672	15,721,387	5,773,645	138,366	557,613	6,192,892
<b>Social Housing Fund:</b>								
Land	80,000	-	-	80,000	-	-	-	80,000
Buildings	4,038,581	-	-	4,038,581	1,102,778	-	111,542	1,214,320
Furniture	93,037	-	-	93,037	93,037	-	-	93,037
Septic field	62,808	-	-	62,808	52,753	-	2,512	55,265
	4,274,426	-	-	4,274,426	1,248,568	-	114,054	1,362,622
	\$20,089,468	\$ 57,017	\$ 150,672	\$ 19,995,813	\$ 7,022,213	\$ 138,366	\$ 671,667	\$ 7,555,514
								\$12,440,299

# NANOOSÉ FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018

### 14. TANGIBLE CAPITAL ASSETS (continued)

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

## NANOOSE FIRST NATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018

#### 15. COMMITMENTS

Nanoose First Nation is committed to three 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 quarterly payments of \$525 until March 2023. The third lease is for 66 months and requires quarterly payments of \$354 until March 2023.

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

2019	\$ 5,304
2020	5,304
2021	3,516
2022	3,516
2023	3,516

#### 16. 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:

	2018	2017
Nanoose First Nation Social Housing	\$ 1,838,703	\$ 1,951,336

##### (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 \$324,541 for two residential mortgages. The maximum guarantee under this program is \$1,000,000.

##### (d) Royal Bank of Canada Guarantee and Postponement of Claim

The Nanoose First Nation signed a Band Council Resolution March 5, 2018 to approve the Guarantee and Postponement of claim in the amount of \$250,000 for the Snaw-naw-as Forest Services Limited Partnership to secure bridge financing for forestry activities in the coming year.

##### (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.

## NANOOSE FIRST NATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018

#### 16. CONTINGENT LIABILITIES (continued)

##### (e) Aquaculture operations

Management has identified a potential liability for penalties which may be incurred during the course of aquaculture operations. These penalties are subject to many uncertainties, and the outcome is not predictable with reasonable assurance. In the opinion of management, final determination of these penalties will not materially affect these consolidated financial statements.

#### 17. SUBSEQUENT EVENT

On March 28, 2018, Nanoose First Nation executed a Band Council Resolution to guarantee a Bank of Montreal loan for the Snaw-naw-as Market Limited Partnership to finance the construction of a gas station. The maximum amount for which Nanoose First Nation will be liable under this financing agreement is \$4,600,000. The financing agreement was signed subsequent to March 31, 2018.

#### 18. EXPENSES BY OBJECT

	2018	2017
Administration	\$ 38,984	\$ 146,577
Amortization	671,667	667,636
Audit	51,523	48,370
Bad debt	40,553	37,287
Bank charges	13,901	9,525
Contractors and consultants	344,573	422,062
Education	84,289	92,543
Equipment lease	4,193	4,008
Honoraria	76,860	61,855
Insurance	98,401	86,564
Interest on long term debt	68,907	58,422
Office	56,055	91,680
Repairs and maintenance	454,483	246,093
Social development	390,209	350,384
Special events	64,553	40,412
Supplies	223,347	103,626
Telecommunications	32,266	38,058
Training	41,509	49,933
Travel and meetings	111,646	102,859
Wages and benefits	1,162,397	1,036,376
Utilities	68,529	53,174
	<hr/> \$ 4,098,845	<hr/> \$ 3,747,444

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## NANOOSE FIRST NATION

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018

#### **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 2018 total \$8,818 (2017 - \$7,466).

#### **21. CONTRACTUAL RIGHT**

The First Nation's Forest and Range Consultation and Revenue Sharing Agreement with the Province of British Columbia expires in March 2019. Revenue for the next fiscal year to be received from the Province of British Columbia is \$35,000.

#### **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 2017 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, 2018

#### 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 (deficit) at end of year
<b>Operating Fund</b>							
Administration and Registration	\$ 326,637	\$ 291,878	\$ 34,759	\$ (34,759)	\$ -	\$ -	\$ -
Chief and Council	15,000	97,622	(82,622)	82,622	-	-	-
Band Employee Benefit Plans	24,661	33,971	(9,310)	9,310	-	-	-
Economic Development	131,585	131,585	-	-	-	-	-
Community Operations	201,689	223,534	(21,845)	21,845	-	-	-
Education	173,683	191,169	(17,486)	17,486	-	-	-
Social Development - Set Contribution	399,750	403,683	(3,933)	3,933	-	-	-
Social Development - Flexible Transfers	57,280	60,300	(3,020)	3,020	-	-	-
Community Health Services							
- Operations	434,812	406,444	28,368	(24,875)	3,493	412	3,905
- Home and Community Care	56,667	81,542	(24,875)	24,875	-	-	-
- Nurse Practitioner	86,513	86,513	-	-	-	-	-
Community and Health Grants	191,621	186,621	5,000	(5,000)	-	-	-
Uy'Sqwalawun Child Care Centre	249,487	246,834	2,653	(2,653)	-	-	-
Head Start Program	98,686	98,686	-	-	-	-	-
Tribal Journeys	21,005	94,947	(73,942)	73,942	-	-	-
Youth Program	900	2,292	(1,392)	1,392	-	-	-
Training and Employment	129,606	129,606	-	-	-	-	-
Fisheries	91,410	98,183	(6,773)	6,773	-	-	-
Local Revenue Fund - Own Housing							
Residential Rehabilitation Assistance Program	108,032	79,179	28,853	(28,853)	-	-	-
Land Use Planning	(2,100)	(2,100)	-	-	-	-	-
Property Taxation	25,119	25,119	-	-	-	-	-
Land Code - Operational	172,896	172,896	-	-	-	-	-
Local Revenue Fund (LRF)	56,346	180,414	(124,068)	(365,978)	(490,046)	(403,224)	(893,270)
LRF - Commercial Activities	70,073	48,977	21,096	(21,096)	-	-	-
Major Renovations CPMS#11748	50,661	50,661	-	-	-	-	-
	3,172,019	3,558,351	(386,332)	(100,221)	(486,553)	(402,812)	(889,365)
<b>Social Housing Fund</b>							
Social Housing Operations	299,179	230,442	68,737	(20,260)	48,477	173,010	221,487
Replacement Reserves	13	8,414	(8,401)	41,075	32,674	283,587	316,261
	299,192	238,856	60,336	20,815	81,151	456,597	537,748
<b>Capital Fund</b>							
Ottawa Trust Funds	57,017	569,919	(512,902)	81,081	(431,821)	10,471,161	10,039,340
Less internal capital funding	(57,017)	(57,017)	-	-	-	-	-
Less internal program transfers	(211,264)	(211,264)	-	-	-	-	-
	\$ 3,261,673	\$ 4,098,845	\$ (837,172)	\$ -	\$ (837,172)	\$ 10,577,404	\$ 9,740,232

#### RESTRICTED SURPLUS:

Ottawa Trust Funds	\$ 52,458	\$ 52,509
Social Housing Fund	456,597	537,748
Community Health Services - Operations	412	3,905
	\$ 509,467	\$ 594,162