

**Qualicum First Nation**  
**Consolidated Financial Statements**  
*March 31, 2017*

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**Qualicum First Nation**  
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*For the year ended March 31, 2017*

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## **Management's Responsibility**

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To the Members of Qualicum First Nation:

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

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

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

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

MNP LLP is appointed by the Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with, both the Council and management to discuss their audit findings.

June 6, 2017

  
Financial Controller

## Independent Auditors' Report

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To the Members of Qualicum First Nation:

We have audited the accompanying consolidated financial statements of Qualicum First Nation, which comprise the consolidated statement of financial position as at March 31, 2017 and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated 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 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 qualified audit opinion.

### *Basis for Qualified Opinion*

Qualicum First Nation did not prepare an approved budget for the year ending March 31, 2017. Canadian Public Sector Accounting Standards requires the approved budget to be presented in the consolidated statement of operations and accumulated surplus and change in net financial assets.

### *Qualified Opinion*

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Qualicum First Nation as at March 31, 2017 and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Nanaimo, British Columbia

June 6, 2017

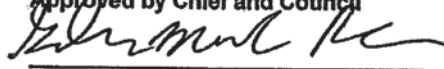
**MNP LLP**

Chartered Professional Accountants

**Qualicum First Nation**  
**Consolidated Statement of Financial Position**  
*As at March 31, 2017*

	2017	2016
<b>Financial assets</b>		
Cash (Note 3)	189,174	1,008,151
Term deposits (Note 4)	250,000	-
Accounts receivable (Note 5)	139,153	89,675
Inventory for resale	3,774	3,853
Funds held in trust (Note 6)	43,481	42,373
Advances to related First Nation entities (Note 7)	3,198	-
Portfolio investments (Note 8)	102	2
Investments in First Nation business entities (Note 8)	187,393	-
Loan receivable (Note 9)	743,510	-
<b>Total financial assets</b>	<b>1,559,785</b>	<b>1,144,054</b>
<b>Liabilities</b>		
Accounts payable and accruals	85,557	115,164
Deferred revenue (Note 10)	78,056	108,101
Damage deposits	3,115	3,115
Term loan (Note 11)	77,032	122,124
<b>Total liabilities</b>	<b>243,760</b>	<b>348,504</b>
<b>Net financial assets</b>	<b>1,316,025</b>	<b>795,550</b>
<b>Commitment (Note 13)</b>		
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	1,956,604	2,031,102
Prepaid expenses	27,196	25,095
<b>Total non-financial assets</b>	<b>1,983,800</b>	<b>2,056,197</b>
<b>Accumulated surplus (Note 14)</b>	<b>3,299,825</b>	<b>2,851,747</b>

Approved by Chief and Council



Chief



Councillor



**Qualicum First Nation**  
**Consolidated Statement of Operations and Accumulated Surplus**  
For the year ended March 31, 2017

	Schedule	2017	2016
<b>Revenue</b>			
Indigenous and Northern Affairs Canada (Note 16)		486,675	397,885
First Nations Health Authority		243,023	224,477
Fisheries and Oceans Canada		58,463	65,000
Province of British Columbia		35,000	32,083
Canada Mortgage and Housing Corporation		17,559	-
Campsite		311,382	271,192
Daycare		299,956	68,142
Earnings from investments in First Nation business entities		186,393	-
Fish revenue		104,010	23,713
Cigarette sales		83,262	95,985
Rental income		64,553	70,430
First Nation Education Steering Committee		36,952	3,058
Other revenue		36,540	64,990
New Relationship Trust		30,000	4,000
Coast Salish Employment and Training Society		21,652	18,064
Interest income		5,835	6,793
INAC Trust Fund interest revenue and contributions		1,108	1,462
		<b>2,022,363</b>	<b>1,347,274</b>
<b>Expenses</b>			
Administration	3	186,907	218,509
Community	4	316,012	212,951
Community Infrastructure	5	51,287	93,871
Economic Development	6	466,372	246,514
Education	7	79,197	58,362
Health	8	254,341	238,961
Housing	9	109,624	118,433
Social Services	10	110,545	102,043
		<b>1,574,285</b>	<b>1,287,644</b>
<b>Annual surplus</b>		<b>448,078</b>	<b>59,630</b>
<b>Accumulated surplus, beginning of year</b>		<b>2,851,747</b>	<b>2,792,117</b>
<b>Accumulated surplus, end of year</b>		<b>3,299,825</b>	<b>2,851,747</b>

The accompanying notes are an integral part of these financial statements

**Qualicum First Nation**  
**Consolidated Statement of Change in Net Financial Assets**  
*For the year ended March 31, 2017*

	2017	2016
<b>Annual surplus</b>	<b>448,078</b>	<b>59,630</b>
Purchases of tangible capital assets	(51,765)	(57,969)
Amortization of tangible capital assets	126,263	115,622
Acquisition of prepaid expenses	(2,101)	(9,029)
<b>Increase in net financial assets</b>	<b>520,475</b>	<b>108,254</b>
<b>Net financial assets, beginning of year</b>	<b>795,550</b>	<b>687,296</b>
<b>Net financial assets, end of year</b>	<b>1,316,025</b>	<b>795,550</b>

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

**Qualicum First Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2017*

	2017	2016
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Annual surplus	448,078	59,630
Non-cash items		
Amortization	126,263	115,622
Earnings from investment in First Nation business entities	(186,393)	-
Accrued interest on loan receivable	(4,298)	-
Changes in working capital accounts		
Accounts receivable	(49,478)	(58,375)
Inventory for resale	80	(2,261)
Accounts payable and accruals	(29,607)	(3,263)
Deferred revenue	(30,045)	22,814
Damage deposits	-	(400)
Prepaid expenses	(2,101)	(9,029)
	272,499	124,738
<b>Financing activities</b>		
Repayment of demand term loan	(45,093)	(43,256)
<b>Capital activities</b>		
Purchases of tangible capital assets	(51,765)	(57,969)
Increase in funds held in trust	(1,108)	(6,462)
	(52,873)	(64,431)
<b>Investing activities</b>		
Purchase of term deposits	(250,000)	-
Advance of loan receivable	(743,510)	-
	(993,510)	-
<b>Increase (decrease) in cash</b>	(818,977)	17,051
<b>Cash, beginning of year</b>	1,008,151	991,100
<b>Cash, end of year</b>	189,174	1,008,151
<b>Supplementary cash flow information</b>		
Interest paid	14,535	13,921

The accompanying notes are an integral part of these financial statements



**Qualicum First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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**1. Operations**

Qualicum First Nation (the "First Nation") is located in the province of British Columbia, and provides various services to its members. Qualicum First Nation includes the First Nation's members, government and all related entities that are accountable to the First Nation and are either owned or controlled by the First Nation.

**2. Significant accounting policies**

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

***Reporting entity***

These financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity. Trusts administered on behalf of third parties by Qualicum First Nation are excluded from the First Nation reporting entity.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Operating fund
- Business enterprise fund
- Capital fund
- Ottawa trust fund
- Settlement fund
- Subdivision reserve fund

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Qualicum First Nation business enterprises, owned or controlled by the First Nation's Chief and Council but not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities are recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include Saa'men Economic Development Limited Partnership and its general partner, Saa'men GP Ltd.

***Basis of presentation***

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

***Tangible capital assets***

Tangible capital assets are recorded at cost less accumulated amortization.

Contributed tangible capital assets are recorded at their fair market value at the time of acquisition.

Amortization is provided on a declining balance basis over the estimated useful life of the assets. In the year of acquisition amortization commences in the month following the purchase of the asset. See below for amortization rates of specific asset categories.

**Qualicum First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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**2. Significant accounting policies** *(Continued from previous page)*

**Amortization**

The First Nation's graveyard and fish carving are not subject to amortization as their estimated useful lives are indefinite. Amortization is not taken on assets which have been acquired but not put to use. Amortization for other tangible capital assets is provided using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	<b>Method</b>	<b>Rate</b>
Buildings and improvements	declining balance	4 - 5 %
Vehicles and equipment	declining balance	7 - 30 %
Band housing	declining balance	4 - 20 %
Computer hardware and software	declining balance	45 - 100 %
Roads and streets	declining balance	8 %
Water, sanitary and storm	declining balance	4 - 10 %

**Funds held in Ottawa Trust Fund**

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

**Net financial assets**

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets is comprised of two components, non-financial assets and accumulated surplus.

**Asset classification**

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

**Qualicum First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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**2. Significant accounting policies** *(Continued from previous page)*

***Portfolio investments***

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

***Measurement uncertainty***

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are based on the best information available regarding potentially contaminated sites that the First Nation is responsible for. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in surplus in the periods in which they become known.

***Financial instruments***

The First Nation's financial instruments consist of cash, term deposits, accounts receivable, funds held in trust, advances to related First Nation entities, loan receivable, accounts payable and accruals, damage deposits and term loan. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, credit, or currency risks, arising from these financial instruments.

***Liability for contaminated site***

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 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. As at March 31, 2017, no liability for contaminated sites exists.



**Qualicum First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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**2. Significant accounting policies** *(Continued from previous page)*

**Revenue recognition**

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

i) Indigenous and Northern Affairs Canada ("INAC")

INAC revenue is recognized as it becomes receivable under the terms of the "Comprehensive Funding Arrangement". Funding is based on an annual budget which is agreed to by the parties and consists of fixed contribution payments and set contribution payments. In the case of the fixed contribution payments, the First Nation is permitted to use surpluses at its own discretion provided the terms and conditions of the agreement are met but must take responsibility for any deficits. In the case of the set contribution payments, any surpluses must be returned to INAC and deficits are recoverable.

ii) Ottawa Trust Funds

The First Nation recognizes revenues of the Ottawa Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

iii) Rental Income

Rental income is recorded in the year it is earned. At the end of each year management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

iv) Fisheries and Oceans Canada

Fisheries and Oceans Canada revenue is recognized as it becomes receivable based upon the funding agreement. Certain funding arrangements with Fisheries and Oceans Canada can result in surpluses being repaid or deficits being funded depending upon year end position of the program.

v) First Nations Health Authority

First Nations Health Authority revenue is recognized as it becomes receivable under the terms of the funding arrangement. Funding is based on an annual budget which is agreed to by the parties. Surpluses are recoverable unless specific allowance to carryforward excess amounts has been granted by First Nations Health Authority.

vi) Own Source Revenues

Own source revenues are recognized as services are rendered or goods are sold, once amounts can be reasonably measured, and collectibility is reasonably assured, on an accrual basis.

**Qualicum First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

**2. Significant accounting policies** *(Continued from previous page)*

**Recent accounting pronouncements**

**PS 2200 Related Party Disclosures**

In March 2015, as part of the CPA Canada Public Sector Accounting Handbook Revisions Release No. 42, the Public Sector Accounting Board (PSAB) issued a new standard, PS 2200 Related Party Disclosures.

This new Section defines related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

This section is effective for fiscal years beginning on or after April 1, 2017. Early adoption is permitted. The application of the new Standard may have a material effect on the consolidated financial statements.

**3. Cash**

	2017	2016
Unrestricted cash	189,174	242,630
Internally restricted cash	-	765,521
	<b>189,174</b>	<b>1,008,151</b>

During the year, \$765,521 from the Cochrane Road settlement was transferred to Saa'men Economic Development Limited Partnership (see Note 8).

**4. Term deposits**

	2017	2016
Campground - guaranteed investment certificate maturing September 25, 2017 with an interest rate of 0.60% per annum	165,000	-
Excess Salmon to Spawning Requirements ("ESSR") - guaranteed investment certificate maturing September 25, 2017 with an interest rate of 0.60% per annum	85,000	-
	<b>250,000</b>	<b>-</b>

The amounts invested in term deposits during the year were based on profits, from this fiscal, from campground and ESSR until it is determined what to spend these funds on.

**Qualicum First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

**5. Accounts receivable**

	2017	2016
Department of Fisheries and Oceans Canada	60,000	18,000
Indigenous and Northern Affairs Canada	11,638	13,501
First Nations Education Steering Committee	8,658	-
Coast Salish Employment and Training Society	8,362	-
First Nations Health Authority	-	1,375
Other receivables	61,986	65,089
<b>Less: Allowance for doubtful accounts</b>	<b>11,491</b>	<b>8,290</b>
	<b>139,153</b>	<b>89,675</b>

**6. Funds held in trust**

Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous and Northern Affairs Canada, with the consent of the First Nation's Council.

	2017	2016
<b>Capital Trust</b>		
Balance, beginning and end of year	876	876
<b>Revenue Trust</b>		
Balance, beginning of year	41,497	35,034
Interest	813	1,174
Special (BC)	295	289
Fisheries and Oceans Canada	-	5,000
<b>Balance, end of year</b>	<b>42,605</b>	<b>41,497</b>
	<b>43,481</b>	<b>42,373</b>

**Ottawa Trust Funds**

The Ottawa Trust accounts arise from moneys 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.

**7. Advances to related First Nation entities**

Advances to related First Nation entities are unsecured, non-interest bearing and due on demand. These entities are related by virtue of common control or joint control by the First Nation.



**Qualicum First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

**8. Investments**

The First Nation has investments in the following entities:

			2017
	<i>Investment cost</i>	<i>Cumulative share of earnings (loss)</i>	<i>Total investment</i>
<b>Investments in First Nation business entities:</b>			
Saa'men Economic Development LP - 99.9%	999	187,705	188,704
Saa'men GP Ltd - 100%	1	(1,312)	(1,311)
	<b>1,000</b>	<b>186,393</b>	<b>187,393</b>
<b>Portfolio investments:</b>			
1005281 B.C. Ltd - 100%	2	-	2
Rosewall Forest Tenure Holdings Ltd - 50%	99	-	99
Rosewall Forest Tenure Management Ltd - 50%	1	-	1
	<b>102</b>	<b>-</b>	<b>102</b>
			2016
	<i>Investment cost</i>	<i>Cumulative share of earnings (loss)</i>	<i>Total investment</i>
<b>Portfolio investments:</b>			
1005281 B.C. Ltd - 100%	2	-	2
	<b>2</b>	<b>-</b>	<b>2</b>

*Continued on next page*

**Qualicum First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

**8. Investments** *(Continued from previous page)*

Summary financial information for each First Nation business partnership, accounted for using the modified equity method, for their respective year-end is as follows:

	<b>Saa'men Economic Development Limited Partnership As at December 31, 2016</b>	<b>Saa'men GP Ltd. As at December 31, 2016</b>
<b>Assets</b>		
Cash and cash equivalents	689,612	-
Trade and other receivables	250,589	1
Investments	120	189
Receivable from partners	1,000	-
<b>Total assets</b>	<b>941,321</b>	<b>190</b>
<b>Liabilities</b>		
Trade and other payables	8,898	1,500
Due to related parties	120	1
Loan from Qualicum First Nation	743,410	-
<b>Total liabilities</b>	<b>752,428</b>	<b>1,501</b>
<b>Partners' capital/ Shareholder's deficit</b>	<b>188,893</b>	<b>(1,311)</b>
<b>Total revenue</b>	<b>250,262</b>	<b>188</b>
<b>Total expenses</b>	<b>62,369</b>	<b>1,500</b>
<b>Comprehensive income (loss)</b>	<b>187,893</b>	<b>(1,312)</b>

The First Nation's investees have different year-ends than March 31, 2017. The First Nation uses the investees' year-end financial statements to account for its investment in these investees. The investees' year-ends are December 31, 2016. There were no significant transactions between December 31, 2016 and March 31, 2017.

**9. Loan receivable**

Qualicum First Nation advanced \$743,510 (2016 - nil) to Saa'men Economic Development Limited Partnership, a subsidiary of the First Nation, in the form of a promissory note. At year-end, the key terms of the promissory note are as follows:

*Interest:*

- Interest will accrue at a rate of 1% per annum to September 1, 2019 and thereafter at the greater of prime less 2%, or 1%
- Interest will be payable commencing on April 15, 2020 and semi-annually thereafter

*Principal repayments:*

- If proposed by Qualicum First Nation, the loan is repayable in full on demand pursuant to approval by referendum of Qualicum First Nation members
- Commencing January 1, 2020, Qualicum First Nation may demand repayment of up to \$50,000 per year pursuant to approval of their proposal by referendum of Qualicum First Nation members

The balance is comprised strictly of funds that were advances from the Cochrane Road Settlement Fund (\$708,747) along with any other legal and consultant fees that were paid by Qualicum First Nation on behalf of Saa'men Economic Development Limited Partnership (\$34,763). The balance is unsecured.

**Qualicum First Nation**  
**Notes to the Consolidated Financial Statements**  
For the year ended March 31, 2017

**10. Deferred revenue**

	2017	2016
<b>Deferred revenue</b>		
Campsite	13,860	59,622
Prepaid rents	12,650	1,500
	<b>26,510</b>	<b>61,122</b>
<b>Deferred funding contributions</b>		
Indigenous and Northern Affairs Canada	9,268	20,999
First Nations Health Authority	42,278	9,000
Coast Salish Employment and Training Society	-	2,141
Success By 6	-	14,839
	<b>51,546</b>	<b>46,979</b>
	<b>78,056</b>	<b>108,101</b>

**11. Term loan**

The First Nation holds a variable rate term loan with the Royal Bank of Canada bearing interest at Royal Bank Prime plus 0.75% per annum, repayable in monthly blended payments of \$4,045. The loan is secured by a general security agreement over all personal property of the First Nation. The loan term matures on November 17, 2017. The First Nation intends to refinance this demand term loan at maturity.

	2017	2016
Term loan	77,032	122,124

Principal repayments on long-term debt in each of the next five years, assuming the demand term loan subject to refinancing is renewed, are estimated as follows:

	Principal
2018	46,618
2019	30,414
	<b>77,032</b>

**12. Revolving credit facility**

The First Nation holds a revolving credit facility to a maximum of \$75,000 available with the Royal Bank of Canada bearing interest at Royal Bank of Canada Prime. There are no specified terms of repayment. The credit facility is secured by a general security agreement over all personal property of the First Nation. As at March 31, 2017 no amount is drawn on the credit facility.

**Qualicum First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

**January 2015**

**13. Commitment**

The First Nation has entered into an operating lease agreement with estimated minimum annual payments as follows:

2018	2,167
2019	2,167
2020	2,167
2021	1,264
	<u>7,765</u>

**14. Accumulated surplus**

Qualicum First Nation uses fund accounting procedures that result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The funds have been amalgamated for the purpose of presentation in the consolidated financial statements.

Qualicum First Nation maintains the following funds:

- Operating fund reports on the general activities of the First Nation administration
- Business enterprise fund reports on the investment activities of the First Nation
- Capital fund reports on the tangible capital assets of the First Nation, with any related capital financing
- Trust fund reports on trust monies owned by the First Nation and held by third parties
- Settlement fund reports the First Nation's settlement of the Cochrane Road lawsuit
- Subdivision reserve fund relates to prior capital funding received and held to develop future subdivisions as decided by Council

Accumulated surplus consists of the following:

	2017	2016
Equity in operating fund	433,319	111,902
Equity in business enterprise fund	934,203	2
Equity in capital fund	1,879,572	1,908,978
Equity in trust fund	43,481	42,373
Equity in settlement fund	-	779,242
Subdivision reserve fund	9,250	9,250
	<u>3,299,825</u>	<u>2,851,747</u>

**15. Economic dependence**

Qualicum First Nation receives a significant portion of its revenue from Indigenous and Northern Affairs Canada (INAC) as a result of funding agreements entered into with the Government of Canada. These agreements are administered by INAC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these agreements.

Qualicum First Nation also receives a significant portion of its revenue from First Nations Health Authority (FNHA) as a result of funding agreements entered into with FNHA. The ability of the First Nation to continue operations is dependent upon FNHA's continued financial commitments as guaranteed by these agreements.

**Qualicum First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2017*

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**16. Indigenous and Northern Affairs Canada funding reconciliation**

	<b>2017</b>	<b>2016</b>
INAC revenue per confirmation	<b>473,611</b>	383,341
Deferred funding recognized in the current year	<b>20,999</b>	31,658
Anticipated recovery in Special Needs	<b>(258)</b>	(1,863)
Anticipated recovery in Prevention Projects	<b>(1,672)</b>	-
Deferred funding in Housing Funds	<b>(6,005)</b>	(12,000)
Deferred funding in Roads and Bridges	-	(5,585)
Deferred funding in Municipal Services	-	(3,414)
Receivable to cover deficit in Basic Needs	-	8,791
Receivable to cover deficit in Municipal Services	-	4,710
Recoveries during year	-	(16,337)
Reconciliation of variances from prior years	-	8,584
	<b>486,675</b>	<b>397,885</b>

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**17. Segments**

During the year, the First Nation had 8 reportable segments. These segments are differentiated by factors such as major activities; service lines; accountability and control relationships. For management and reporting purposes, the revenues, expenses and surpluses or deficits are organized by the following segments:

**Administration:**

This segment includes general operations, support and financial management of the First Nation.

**Community:**

This segment includes revenues and expenses from dealing with the management of land, Fisheries and Oceans Canada, as well as other functions which benefit the community at large.

**Community infrastructure:**

This segment includes revenues and expenses associated with the maintenance of roads, water and waste.

**Economic development:**

This segment includes activities related to the growth of revenue producing projects within the First Nation.

**Education:**

This segment includes revenues and expenses relating to the primary, secondary and post-secondary education of the members of the First Nation.

**Health:**

This segment includes activities related to the provision of health services within the First Nation.

**Housing:**

This segment includes activities related to the provision of housing within the First Nation.

**Social services:**

This segment includes revenues and expenses relating to child care, foster care, other family services and social assistance of the members of the First Nation.