



Qualicum First Nation
March 31, 2018



June 28, 2018

Qualicum First Nation
5850 River Road
Qualicum Beach, BC V9K 1Z5

PRIVATE AND CONFIDENTIAL

Dear Ms. Hollinger:

RE: Fiscal Year-end March 31, 2018

We have completed our audit of the consolidated financial statements of Qualicum First Nation ("the First Nation") for the year ended March 31, 2018 and enclose the following:

FINANCIAL STATEMENTS

1. One digital copy of the March 31, 2018 audited financial statements.
2. One digital copy of the Schedules of Remuneration and Expenses Elected Officials.
3. One digital copy of the unaudited Schedules of Revenue and Expenses.

OTHER ENCLOSURES

1. One copy of our Audit Findings report as previously provided to the Board of Directors.
2. One copy of our Independence Letter as previously provided to the Board of Directors.
3. One copy of our Representation Letter for your records.
4. One copy of the year-end journal entries as previously reviewed and approved by you and one copy of the closing trial balance for your records. Please ensure that these journal entries are posted to your general ledger, the general ledger is properly closed and your retained earnings balance agrees to the enclosed financial statements.

OTHER MATTERS FOR YOUR ATTENTION

All records and documents should be retained in safekeeping for a minimum of seven years in the event that the Canada Revenue Agency demands them for audit purposes. This seven-year period is by Statute and, even after this time, the Canada Revenue Agency's permission to destroy records should be obtained.

We thank you for appointing our Firm as your auditors. Please contact us at any time if you have questions on accounting, finance, tax or other general business concerns. We would also be pleased to discuss our suite of services with your friends and business associates. We appreciate your business and any referrals you may make to our Firm.

If you have any questions or comments, or if we can be of additional assistance, please feel free to contact our office at (250) 753-8251.

Sincerely,

MNP LLP

A handwritten signature in black ink, appearing to read 'J Sayani', with a stylized flourish at the end.

Jameel Sayani, CPA, CA, CAFM
Regional Leader, Aboriginal Services

/encls.

Qualicum First Nation
Consolidated Financial Statements
March 31, 2018

Qualicum First Nation

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Management's Responsibility

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 both the Council and management to discuss their audit findings.

June 28, 2018


Financial Controller

Independent Auditors' Report

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, 2018 and the consolidated statements of operations and related schedules 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 years ended March 31, 2018 or 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. Our audit opinion on the consolidated financial statements for the years ended March 31, 2018 and March 31, 2017 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, the consolidated financial statements present fairly, in all material respects, the financial position of Qualicum First Nation as at March 31, 2018 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 28, 2018

MNP LLP

Chartered Professional Accountants

Qualicum First Nation
Consolidated Statement of Financial Position
As at March 31, 2018

	2018	2017
Financial assets		
Cash	1,118,337	189,174
Term deposits (Note 4)	-	250,000
Accounts receivable (Note 5)	159,121	139,153
Inventory for resale	11,275	3,774
Funds held in trust (Note 6)	49,238	43,481
Advances to related First Nation entities (Note 7)	11,733	3,198
Portfolio investments (Note 8)	100	102
Investments in First Nation business entities (Note 8)	432,575	187,393
Loan receivable (Note 9)	743,510	743,510
Total financial assets	2,525,889	1,559,785
Liabilities		
Accounts payable and accruals	255,215	85,557
Deferred revenue (Note 10)	456,774	78,056
Damage deposits	1,200	3,115
Term loans (Note 11)	258,023	77,032
Total liabilities	971,212	243,760
Net financial assets	1,554,677	1,316,025
Commitment (Note 12)		
Contingent liability (Note 13)		
Non-financial assets		
Tangible capital assets (Schedule 1)	2,400,080	1,956,604
Prepaid expenses	54,760	27,196
Total non-financial assets	2,454,840	1,983,800
Accumulated surplus (Note 15)	4,009,517	3,299,825

Approved by Chief and Council



Chief



Councillor

Qualicum First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2018

	<i>Schedule</i>	2018	2017
Revenue			
Indigenous Services Canada (Note 17)		532,636	486,675
First Nations Health Authority		274,505	243,023
Province of British Columbia		139,634	35,000
Fisheries and Oceans Canada		60,000	58,463
Canada Mortgage and Housing Corporation		-	17,559
Daycare		402,683	299,956
Campsite		345,952	311,382
Earnings from investments in First Nation business entities		245,182	186,393
Cigarette sales		87,220	83,262
Other revenue		62,309	36,540
Rental income		56,828	64,553
Fish revenue		41,202	104,010
Coast Salish Employment and Training Society		27,177	21,652
Interest income		12,211	5,835
New Relationship Trust		7,000	30,000
First Nation Education Steering Committee		4,101	36,952
ISC Trust Fund interest revenue and contributions		757	1,108
		2,299,397	2,022,363
Expenses			
Administration	3	261,685	232,426
Community	4	97,250	209,664
Community Infrastructure	5	56,173	57,529
Economic Development	6	504,780	466,372
Education	7	96,429	137,165
Health	8	270,550	277,479
Housing	9	224,337	109,624
Social Services	10	78,501	84,026
		1,589,705	1,574,285
Annual surplus		709,692	448,078
Accumulated surplus, beginning of year		3,299,825	2,851,747
Accumulated surplus, end of year		4,009,517	3,299,825

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, 2018

	2018	2017
Annual surplus	709,692	448,078
Purchases of tangible capital assets	(570,112)	(51,765)
Amortization of tangible capital assets	126,636	126,263
Acquisition of prepaid expenses	(27,564)	(2,101)
Increase in net financial assets	238,652	520,475
Net financial assets, beginning of year	1,316,025	795,550
Net financial assets, end of year	1,554,677	1,316,025

Qualicum First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	709,692	448,078
Non-cash items		
Amortization	126,636	126,263
Earnings from investment in First Nation business entities	(245,182)	(186,393)
Accrued interest on loan receivable	(8,535)	(4,298)
Increase in funds held in trust	(5,757)	(1,108)
Changes in working capital accounts		
Accounts receivable	(19,968)	(49,478)
Inventory for resale	(7,501)	80
Accounts payable and accruals	169,660	(29,607)
Deferred revenue	378,718	(30,045)
Damage deposits	(1,915)	-
Prepaid expenses	(27,564)	(2,101)
	1,068,284	271,391
Financing activities		
Advance of term loan	227,500	-
Repayment of term loan	(46,509)	(45,093)
	180,991	(45,093)
Capital activities		
Purchases of tangible capital assets	(570,112)	(51,765)
Investing activities		
Advance of loan receivable	-	(743,510)
Redemption (purchase) of term deposits	250,000	(250,000)
	250,000	(993,510)
Increase (decrease) in cash	929,163	(818,977)
Cash, beginning of year	189,174	1,008,151
Cash, end of year	1,118,337	189,174
Supplementary cash flow information		
Interest paid	14,822	14,535

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
- 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, 2018

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

Amortization

The First Nation's land, 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:

	<i>Method</i>	<i>Rate</i>
Buildings and improvements	declining balance	4 - 5 %
Vehicles and equipment	declining balance	20 - 30 %
Band housing	declining balance	5 - 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.

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.

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

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 loans. 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.

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 Services Canada ("ISC")

ISC 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 ISC 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.

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

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, 2018.

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, 2018, no liability for contaminated sites exists.

3. Change in accounting policies

PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions

Effective April 1, 2017, the First Nation adopted the recommendations relating to PS 2200 *Related Party Disclosures* and PS 3420 *Inter-Entity Transactions*, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

These new Sections define a related party and establish disclosures required for related party transactions. Disclosure is required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, a material financial effect on the financial statements. They also establish standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

There was no material impact on the consolidated financial statements of adopting the new Sections.

PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights

Effective April 1, 2017, the First Nation adopted the recommendations relating to PS 3210 *Assets*, PS 3320 *Contingent Assets*, and PS 3380 *Contractual Rights*, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

PS 3210 *Assets* provides additional guidance to clarify the definition of assets set out in PS 1000 *Financial Statement Concepts*.

PS 3320 *Contingent Assets* establishes disclosure standards on contingent assets.

PS 3380 *Contractual Rights* establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Section are as follows:

- Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.
- Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.
- Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

There was no material impact on the consolidated financial statement of adopting the new Sections.

Qualicum First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

4. Term deposits

	2018	2017
Campground	-	165,000
- Guaranteed investment certificate with an interest rate of 0.60% per annum		
- Matured on September 25, 2017		
Excess Salmon to Spawning Requirements ("ESSR")	-	85,000
- Guaranteed investment certificate with an interest rate of 0.60% per annum		
- Matured on September 25, 2017		
	-	250,000

5. Accounts receivable

	2018	2017
Department of Fisheries and Oceans Canada	12,000	60,000
Indigenous Services Canada	7,434	11,638
Coast Salish Employment and Training Society	7,127	8,362
First Nations Education Steering Committee	5,038	8,658
Other receivables	161,699	61,986
	193,298	150,644
Less: allowance for doubtful accounts	34,177	11,491
	159,121	139,153

6. Funds held in trust

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

	2018	2017
Capital Trust		
Balance, beginning and end of year	876	876
Revenue Trust		
Balance, beginning of year	42,605	41,497
Interest	464	813
Special (BC)	293	295
Fisheries and Oceans Canada	5,000	-
Balance, end of year	48,362	42,605
	49,238	43,481

Qualicum First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

6. Funds held in trust *(Continued from previous page)*

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.

8. Investments

The First Nation has investments in the following entities:

		<i>2018</i>
	<i>Investment cost</i>	<i>Cumulative share of earnings (loss)</i>
		<i>Total investment</i>
Investments in First Nation business entities:		
Saa'men Economic Development LP - 99.9%	999	436,565
Saa'men GP Ltd - 100%	1	(4,990)
	1,000	432,575
Portfolio investments:		
Rosewall Forest Tenure Holdings Ltd - 50%	99	-
Rosewall Forest Tenure Management Ltd - 50%	1	-
	100	100
		<i>2017</i>
	<i>Investment cost</i>	<i>Cumulative share of earnings (loss)</i>
		<i>Total investment</i>
Investments in First Nation business entities:		
Saa'men Economic Development LP - 99.9%	999	187,705
Saa'men GP Ltd - 100%	1	(1,312)
	1,000	187,393
Portfolio investments:		
1005281 B.C. Ltd - 100%	2	-
Rosewall Forest Tenure Holdings Ltd - 50%	99	-
Rosewall Forest Tenure Management Ltd - 50%	1	-
	102	102
	1,102	187,495

Continued on next page

Qualicum First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

8. Investments (Continued from previous page)

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

	<i>Saa'men Economic Development Limited Partnership</i> As at December 31, 2017	<i>Saa'men GP Ltd.</i> As at December 31, 2017
Assets		
Cash and cash equivalents	32,869	-
Trade and other receivables	-	1
Term deposit	677,016	-
Investments	308,600	438
Receivable from partners	3,928	-
Loan to Rosewall Forest Tenure Management Limited Partnership	175,000	-
Total assets	1,197,413	439
Liabilities		
Trade and other payables	15,901	1,500
Due to related parties	-	3,928
Loan from Qualicum First Nation	743,510	-
Total liabilities	759,411	5,428
Partners' capital/ Shareholder's deficit	438,002	(4,989)
Total revenue	321,349	249
Total expenses	72,240	3,927
Comprehensive income (loss)	249,109	(3,678)

The First Nation's investees have different year-ends than March 31, 2018. 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, 2017. There were no significant transactions between December 31, 2017 and March 31, 2018.

9. Loan receivable

Qualicum First Nation advanced \$743,510 (2017 - \$743,510) 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

Qualicum First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

9. Loan receivable *(Continued from previous page)*

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.

10. Deferred revenue

	2018	2017
Deferred revenue		
Campsite	100	13,860
Prepaid rents	300	12,650
	400	26,510
Deferred funding contributions		
Indigenous Services Canada	3,711	9,268
First Nations Health Authority	37,397	42,278
Coast Salish Employment and Training Society	4,900	-
Success By 6	15,000	-
Province of British Columbia	395,366	-
	456,374	51,546
	456,774	78,056

Qualicum First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

11. Term loans

	2018	2017
Royal Bank of Canada term loan, repayable in monthly blended payments of \$4,045 bearing interest at Royal Bank prime of 3.45% plus 0.75% per annum, secured by a general security agreement, maturing November 17, 2018.	30,523	77,032
Royal Bank of Canada term loan, repayable in monthly blended payments of \$2,425 bearing interest at Royal Bank prime of 3.45% plus 0.75% per annum, secured by a general security agreement, maturing March 28, 2019.	227,500	-
	258,023	77,032

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

	Principal
2019	50,460
2020	20,779
2021	21,669
2022	22,597
2023	23,564
	139,069

12. Commitment

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

2019	2,167
2020	2,167
2021	1,264
	5,598

13. Contingent liability

The First Nation may be liable for repaying rent received from members. The First Nation is evaluating its responsibility for this liability. The outcome is not determinable at the date of this report. The estimated potential loss is \$33,500.

14. Credit facilities

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, 2018 no amount is drawn on the credit facility.

The First Nation holds a non-revolving credit facility to a maximum of \$500,000 available with the Royal Bank of Canada bearing interest at Royal Bank of Canada prime plus 0.75%, repayable in full on October 31, 2018. The credit facility is secured by a general security agreement over all personal property of the First Nation. As at March 31, 2018 no amount is drawn on the credit facility.

Qualicum First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

15. 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
- 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:

	2018	2017
Equity in operating fund	630,304	433,319
Equity in business enterprise fund	1,187,918	934,203
Equity in capital fund	2,142,057	1,879,572
Equity in trust fund	49,238	43,481
Subdivision reserve fund	-	9,250
	4,009,517	3,299,825

16. Economic dependence

Qualicum First Nation receives a significant portion of its revenue from Indigenous Services Canada ("ISC") as a result of funding agreements entered into with the Government of Canada. These agreements are administered by ISC 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, 2018

17. Indigenous Services Canada funding reconciliation

	2018	2017
Revenue per confirmation	531,283	473,611
Prior year deferral recognized in revenue for Water Systems	-	3,414
Prior year deferral recognized in revenue for Roads and Bridges	3,263	5,585
Prior year deferral recognized in revenue for NAHS	6,005	12,000
Anticipated clawback in Special Needs	-	(258)
Anticipated clawback in Prevention Projects	-	(1,672)
Deferred funding in Housing Funds	-	(6,005)
Reimbursement for 2015-2016 Basic Needs deficit	(6,929)	-
Deferred funding in Band Employee Benefits	(1,605)	-
Deferred funding in In-Home Care	(2,106)	-
Anticipated reimbursement in Basic Needs (2017-18)	2,354	-
Anticipated reimbursement in Special Needs (2017-18)	371	-
	532,636	486,675

18. 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.

19. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

Qualicum First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2018

	<i>Graveyard</i>	<i>Buildings and improvements</i>	<i>Vehicles and equipment</i>	<i>Band housing</i>	<i>Computer hardware and software</i>	<i>Roads and streets</i>	<i>Water, sanitary and storm</i>	<i>2018</i>	<i>2017</i>
Cost									
Balance, beginning of year	60,750	1,362,886	496,383	1,286,371	55,698	175,922	469,034	3,907,044	3,855,279
Acquisition of tangible capital assets	-	497,576	13,862	22,218	1,200	-	35,256	570,112	51,765
Disposal of tangible capital assets	-	-	-	(28,930)	-	-	-	(28,930)	-
Balance, end of year	60,750	1,860,462	510,245	1,279,659	56,898	175,922	504,290	4,448,226	3,907,044
Accumulated amortization									
Balance, beginning of year	-	655,453	429,767	439,568	23,274	89,262	313,116	1,950,440	1,824,177
Annual amortization	-	33,964	14,005	43,200	16,774	6,933	11,760	126,636	126,263
Accumulated amortization on disposals	-	-	-	(28,930)	-	-	-	(28,930)	-
Balance, end of year	-	689,417	443,772	453,838	40,048	96,195	324,876	2,048,146	1,950,440
Net book value of tangible capital assets	60,750	1,171,045	66,473	825,821	16,850	79,727	179,414	2,400,080	1,956,604
Net book value of tangible capital assets - 2017	60,750	707,415	66,616	846,803	32,424	86,660	155,936	1,956,604	

Qualicum First Nation
Schedule 2 - Consolidated Schedule of Expenses by Object
For the year ended March 31, 2018

	2018	2017
Consolidated expenses by object		
Administration	960	1,732
Advertising	1,418	7,663
Amortization	126,636	126,263
Bad debts	22,686	3,201
Bank charges and interest	14,819	14,535
Basic needs	19,155	15,009
CMHC subsidies	500	11,521
Community donations	900	350
Contracted services	150,069	204,640
Daycare	2,183	-
Distribution to membership	-	3,500
Education and living allowances	14,145	29,590
Election	-	6,600
Family support services	706	3,869
Food and beverage	25,283	12,985
Furniture and equipment	2,498	6,767
Home and community care	2,412	2,568
Honoraria	350	1,600
Insurance	30,455	32,001
Licences, dues and fees	2,121	1,361
Materials	92,290	78,681
Nursing	44,364	29,548
Office supplies and services	20,398	16,169
Professional fees	21,113	115,902
Recreation	31,123	21,783
Rent	15,052	27,313
Repairs and maintenance	140,439	55,052
Salaries and benefits	497,633	472,648
Shelter	3,825	5,237
Special needs	359	3,256
Student expenses	4,580	6,407
Supplies	138,728	104,392
Telephone	8,456	8,637
Training	394	10,301
Travel	45,231	35,533
Treatment facilities	20,660	7,500
Tuition	9,651	23,120
Utilities	78,113	67,051
	1,589,705	1,574,285

Qualicum First Nation
Administration
Schedule 3 - Schedule of Revenue and Expenses and Surplus
For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous Services Canada	133,260	120,926
Other revenue	23,504	16,982
Coast Salish Employment and Training Society	22,277	16,652
Interest income	12,211	5,835
Ottawa Trust Fund	5,000	-
ISC Trust Fund interest revenue and contributions	757	1,108
Rental income	611	400
Cigarette sales	87,220	83,262
	284,840	245,165
Expenses		
Advertising	-	57
Amortization	30,819	26,275
Bank charges and interest	2,130	1,375
Community donations	50	350
Contracted services	13,440	4,412
Education and living allowances	800	-
Elections	-	6,600
Food and beverage	1,137	1,589
Furniture and equipment	716	733
Honoraria	-	280
Insurance	11,115	13,003
Licences, dues and fees	412	438
Office supplies and services	5,100	3,828
Professional fees	7,810	31,989
Repairs and maintenance	658	372
Salaries and benefits	82,906	56,347
Student expenses	1,095	-
Supplies	5,082	2,910
Telephone	4,340	3,399
Training	86	1,009
Travel	14,266	4,501
Utilities	3,617	3,920
Materials	76,106	69,039
	261,685	232,426
Annual surplus	23,155	12,739

**Qualicum First Nation
Community**

Schedule 4 - Schedule of Revenue and Expenses and Surplus
For the year ended March 31, 2018

	2018	2017
Revenue		
Fisheries and Oceans Canada	60,000	58,463
Province of British Columbia	35,000	35,000
Indigenous Services Canada	-	111,500
Fish revenue	41,202	104,010
Other revenue	11,700	2,000
	147,902	310,973
Expenses		
Advertising	-	12
Amortization	1,362	7,807
Bank charges and interest	419	547
Contracted services	14,532	81,925
Distribution to membership	-	3,500
Food and beverage	6,177	1,910
Furniture and equipment	518	4,897
Honoraria	-	320
Insurance	4,671	3,360
Licences, dues and fees	113	132
Office supplies and services	1,057	2,107
Professional fees	1,695	13,005
Repairs and maintenance	11,721	5,402
Salaries and benefits	42,749	78,398
Supplies	5,808	754
Telephone	181	858
Training	32	-
Travel	3,444	1,704
Tuition	923	-
Utilities	1,848	3,026
	97,250	209,664
Annual surplus	50,652	101,309

Qualicum First Nation
Community Infrastructure
Schedule 5 - Schedule of Revenue and Expenses and Deficit
For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous Services Canada	37,895	42,083
Recovery of prior year funding	(4,000)	-
	33,895	42,083
Expenses		
Amortization	9,730	10,355
Bank charges and interest	10	2
Contracted services	5,185	-
Insurance	3,661	3,994
Repairs and maintenance	4,460	11,249
Salaries and benefits	3,188	3,997
Supplies	1,779	461
Training	-	1,258
Travel	186	565
Utilities	27,974	25,648
	56,173	57,529
Annual deficit	(22,278)	(15,446)

Qualicum First Nation
Economic Development
Schedule 6 - Schedule of Revenue and Expenses and Surplus
For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous Services Canada	10,000	10,000
Daycare	397,683	299,956
Campsite	345,952	311,382
Earnings from investment in First Nation business entities	245,182	186,393
Other revenue	8,800	15,058
Coast Salish Employment and Training Society	4,900	5,000
	1,012,517	827,789
Expenses		
Advertising	1,418	7,550
Amortization	25,142	19,378
Bad debts	-	3,201
Bank charges and interest	9,059	8,291
Contracted services	46,431	56,133
Daycare	2,183	-
Education and living allowances	20	2,040
Food and beverage	5,515	1,786
Furniture and equipment	775	633
Home and community care	20	-
Honoraria	200	400
Insurance	5,277	5,966
Licences, dues and fees	629	477
Materials	16,184	9,642
Office supplies and services	3,132	6,038
Professional fees	6,188	29,774
Recreation	12,186	6,561
Rent	14,842	27,313
Repairs and maintenance	13,460	9,082
Salaries and benefits	255,677	195,075
Supplies	48,420	43,229
Telephone	3,494	3,631
Training	188	145
Travel	12,165	7,381
Utilities	22,175	22,646
	504,780	466,372
Annual surplus	507,737	361,417

**Qualicum First Nation
Education**

Schedule 7 - Schedule of Revenue and Expenses and Surplus

For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous Services Canada	121,262	78,608
Other revenue	20,153	-
New Relationship Trust	7,000	30,000
First Nation Education Steering Committee	4,101	36,952
	152,516	145,560
Expenses		
Amortization	5,595	5,463
Contracted services	22,600	26,449
Education and living allowances	13,325	27,175
Food and beverage	769	363
Office supplies and services	8,652	2,242
Student expenses	3,125	5,202
Supplies	7,856	3,702
Training	-	2,765
Travel	2,378	6,996
Tuition	8,728	18,120
Administration	960	1,732
Professional fees	-	18,000
Salaries and benefits	17,626	18,200
Licences, dues and fees	15	-
Recreation	4,800	756
	96,429	137,165
Annual surplus	56,087	8,395

**Qualicum First Nation
Health**

Schedule 8 - Schedule of Revenue and Expenses and Surplus (Deficit)

For the year ended March 31, 2018

	2018	2017
Revenue		
First Nations Health Authority	274,505	243,023
Indigenous Services Canada	23,397	23,167
Other revenue	2,152	2,500
	300,054	268,690
Expenses		
Advertising	-	44
Amortization	7,664	8,410
Bank charges and interest	1,121	875
Community donations	100	-
Contracted services	26,750	21,691
Family support services	706	3,869
Food and beverage	11,685	7,287
Furniture and equipment	489	504
Home and community care	2,392	2,568
Honoraria	150	600
Licences, dues and fees	427	314
Nursing	44,364	29,548
Office supplies and services	2,457	1,954
Professional fees	5,420	19,480
Recreation	14,137	14,467
Rent	210	-
Repairs and maintenance	4,078	929
Salaries and benefits	72,556	85,651
Supplies	36,543	45,707
Telephone	442	748
Training	87	629
Travel	12,272	13,926
Treatment facilities	20,660	7,500
Tuition	-	5,000
Utilities	5,480	5,098
Student expenses	360	680
	270,550	277,479
Annual surplus (deficit)	29,504	(8,789)

Qualicum First Nation
Housing

Schedule 9 - Schedule of Revenue and Expenses and Deficit
For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous Services Canada	128,320	18,495
Canada Mortgage and Housing Corporation	-	17,559
Rental income	56,217	64,153
	184,537	100,207
Expenses		
Amortization	46,324	48,575
Bank charges and interest	2,031	3,447
CMHC subsidies	500	11,521
Contracted services	18,392	14,000
Insurance	5,073	5,678
Licences, dues and fees	525	-
Repairs and maintenance	101,996	12,247
Salaries and benefits	140	252
Supplies	21,488	4,978
Training	-	4,495
Utilities	5,182	4,431
Bad debts	22,686	-
	224,337	109,624
Annual deficit	(39,800)	(9,417)

Qualicum First Nation
Social Services
Schedule 10 - Schedule of Revenue and Expenses and Surplus (Deficit)
For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous Services Canada	78,502	81,896
Expenses		
Bank charges and interest	52	-
Basic needs	19,155	15,009
Community donations	750	-
Contracted services	2,738	30
Education and living allowances	-	375
Food and beverage	-	49
Insurance	658	-
Professional fees	-	3,654
Repairs and maintenance	4,066	15,771
Salaries and benefits	22,791	34,729
Shelter	3,825	5,237
Special needs	359	3,256
Student expenses	-	525
Supplies	11,750	2,650
Travel	520	460
Utilities	11,837	2,281
	78,501	84,026
Annual surplus (deficit)	1	(2,130)