

**Pauquachin First Nation
Consolidated Financial Statements
*March 31, 2019***

Pauquachin First Nation

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For the year ended March 31, 2019

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Management's Responsibility

To the Members of Pauquachin First Nation

The accompanying financial statements of Pauquachin 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 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 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 financial statements.

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

MNP LLP is appointed by the Chief and Council to audit the 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 Chief and Council and management to discuss their audit findings.

July 18, 2019



Administrator

**Pauquachin First Nation
Consolidated Financial Statements**

March 31, 2019

Independent Auditor's Report

To the Members of Pauquachin First Nation:

Opinion

We have audited the consolidated financial statements of Pauquachin First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated surplus and related schedules, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Pauquachin First Nation did not prepare an approved budget for the year ended March 31, 2019. Canadian public sector accounting standards requires the approved budget to be presented in the consolidated statement of operations and accumulated surplus and changes in net financial assets. Our audit opinion on the consolidated financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

Other Matter

The consolidated financial statements for Pauquachin First Nation for the year ended March 31, 2018 were audited by another firm of public accountants who issued an unmodified opinion on September 28, 2018.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nanaimo, British Columbia

July 18, 2019

MNP LLP
Chartered Professional Accountants

MNP

Pauquachin First Nation
Consolidated Statement of Financial Position
As at March 31, 2019

	2019	2018
	<i>Restated (Note 12)</i>	
Financial assets		
Cash and cash equivalents	1,214,711	1,798,794
Accounts receivable (Note 3)	380,820	576,429
Due from related party (Note 4)	351,309	
Marketable securities (Note 5)	223,100	223,100
Restricted cash (Note 6)	142,329	38,239
Funds held in trust (Note 7)	90,827	88,878
Total of financial assets	2,403,096	2,725,440
Liabilities		
Accounts payable and accruals	336,220	301,845
Long-term debt (Note 8)	1,801,676	1,860,336
Total of financial liabilities	2,137,896	2,162,181
Net financial assets	265,200	563,259
Non-financial assets		
Tangible capital assets (Note 15) (Schedule 1)	9,069,651	9,026,164
Prepaid expenses	58,710	64,770
Total non-financial assets	9,128,361	9,090,934
Accumulated surplus (Note 13)	9,393,561	9,654,193

Approved on behalf of the Chief and Council



Chief
Councillor



Councillor

Pauquachin First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2019

	Schedules	2019	2018 Restated (Note 12)
Revenue			
Indigenous Services Canada (Note 9)		1,602,707	1,318,244
First Nations Health Authority		662,971	585,228
Trust Income (Note 4)		351,309	369,082
Province of BC		244,170	294,352
Canada Mortgage and Housing Corporation		208,132	268,584
Rental income		165,061	204,879
Other revenue		129,228	898,080
Fisheries and Oceans Canada		55,000	30,000
Island Health		33,018	15,000
Interest income		20,263	15,059
		3,471,859	3,998,508
Expenses (Schedule 2)			
Administration and Governance	3	723,707	593,067
Health	4	721,009	857,662
Social Development	5	560,523	591,423
Public Works	6	468,692	226,745
Education and Employment Training	7	341,722	388,889
Band Housing	8	313,400	359,836
Social Housing	9	292,761	319,620
Treaty and Lands	10	154,071	152,406
Economic Development	11	83,817	141,543
Fisheries	12	49,115	33,886
Band Funds and Other	13	23,674	48,057
		3,732,491	3,713,134
Annual surplus (deficit)		(260,632)	285,374
Accumulated surplus, beginning of year, as previously stated		9,689,829	9,219,145
Correction of error (Note 12)		(35,636)	149,674
Accumulated surplus, beginning of year, as restated		9,654,193	9,368,819
Accumulated surplus, end of year (Note 13)		9,393,561	9,654,193

The accompanying notes are an integral part of these financial statements

Pauquachin First Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2019

	2019	2018 Restated (Note 12)
Annual surplus (deficit)	(260,632)	285,374
Purchases of tangible capital assets	(329,299)	(1,364,120)
Amortization of tangible capital assets	285,812	266,089
Correction of error (Note 12)	-	149,876
Acquisition of prepaid expenses	(58,710)	(64,770)
Use of prepaid expenses	64,770	145,987
 Decrease in net financial assets	 (298,059)	 (581,784)
Net financial assets, beginning of year	563,259	1,145,043
 Net financial assets, end of year	 285,200	563,259

Pauquachin First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2019

	2019	2018
		<i>Restated (Note 12)</i>
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus (deficit)	(260,632)	285,374
Non-cash items		
Amortization	265,812	266,068
Transfer to replacement reserve	-	20,754
	26,180	572,197
Changes in working capital accounts		
Accounts receivable	195,609	82,329
Due from related parties	(351,309)	-
Marketable securities	-	(223,100)
Restricted cash	(104,090)	45,817
Funds held in trust	(1,949)	(2,845)
Accounts payable and accruals	34,375	27,852
Prepaid expenses	8,060	81,217
	(196,124)	583,287
Financing activities		
Repayment of long-term debt	(113,461)	(125,058)
Advances of long-term debt	54,801	61,953
	(58,660)	(63,103)
Capital activities		
Purchases of tangible capital assets	(329,290)	(1,364,120)
Decrease in cash and cash equivalents	(584,083)	(843,956)
Cash and cash equivalents, beginning of year	1,798,794	2,642,750
Cash and cash equivalents, end of year	1,214,711	1,798,794

Pauquachin First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

1. Operations

Pauquachin First Nation (the "First Nation") is located in the province of British Columbia, and provides various services to its members. Pauquachin 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 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

The 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 Pauquachin 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:

- Social Housing
- Bokecen Xaxe (Sacred) Society

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.

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.

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.

Cash and cash equivalents

Cash and cash equivalents include balances with banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

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.

Pauquachin First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

2. Significant accounting policies (Continued from previous page)

Tangible capital assets

Tangible capital assets are initially recorded at cost less accumulated amortization. Contributed tangible assets are recorded at their fair value at the date of contribution.

All intangible assets and items inherited by the right of the First Nation, such as reserved land, forests, water and mineral resources, are not recognized in the First Nation's consolidated financial statements.

Amortization

Amortization for tangible capital assets is provided on a straight-line basis over the estimated useful life of the assets. In the year of acquisition, amortization is taken at one-half the rates. See below for amortization rates of specific asset categories.

	Method	Rate
Buildings	straight-line	11-60 years
Social housing	straight-line	41-50 years
Band housing	straight-line	42-44 years
Infrastructure	straight-line	10-50 years
Equipment	straight-line	2-30 years
Vehicles	straight-line	5 years
Boat	straight-line	5 years
Mobile homes	straight-line	7-13 years

Long-lived assets

Long-lived assets consist of tangible capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using quoted market prices. Any impairment is included in surplus for the year.

Use of estimates

The preparation of 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 financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in surplus in the periods in which they become known.

Net financial assets

The First Nation's 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 combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

Pauquachin First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

2. Significant accounting policies (Continued from previous page)

Revenue recognition

Government Transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

First Nation Capital and Revenue Trust Funds

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

Canada Mortgage and Housing Corporation ("CMHC")

CMHC revenue is recognized as it becomes receivable under the terms of the applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal year are reflected as deferred revenue on the consolidated statement of financial position in the year of receipt.

Housing rental income

Rental revenue 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.

Own source and other revenue

Own source and other revenue is recognized when performance is completed, amounts are measurable and collection is reasonably assured.

Investment income

Investment income is recognized by the First Nation when investment income is earned.

Segments

The First Nation conducts its business through a number of reportable segments as described in Note 10. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives, to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements.

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, 2019.

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, 2019, no liability for contaminated site exists.

Pauquachin First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

3. Accounts receivable

	2019	2018 <i>Restated (Note 12)</i>
Canada Mortgage and Housing Corporation	5,039	62,221
First Nations Health Authority	-	90,500
Fisheries and Oceans Canada	25,000	-
Indigenous Services Canada	257,775	70,953
Insurance claim	-	230,173
Other	93,006	122,582
	380,820	576,429

4. Due from related party

Amount due from related party is as follows:

	2019	2018
Annual income due from Pauquachin Legacy Trust. The receivable bears no interest and was received subsequent to the year-end.	351,309	-

The First Nation is the sole beneficiary of Pauquachin Legacy Trust (the "Trust"), an independently administered trust established by the First Nation pursuant to the settlement of a specific claim. The purpose of the Trust is to hold, protect, and nurture the settlement and trust assets for the benefit of the First Nation. At year-end, the market value of investments held in the Trust was \$10,536,098.

5. Marketable securities

The investment in marketable securities are held with RBC Dominion Securities Inc. This investment was established in a prior fiscal year from settlement proceeds of specific land claims and held for the purpose of earning interest income and future use.

The investment is held at cost. At year-end, the fair market value of the investment was \$229,331.

Pauquachin First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

6. Restricted cash

	2019	2018
Social housing replacement reserve	142,329	38,239

Under the terms of the agreement with CMHC, the replacement reserve account is to be credited in the amount of \$18,204 (2018 - \$21,385) annually. These funds, along with accumulated interest, must be held in a separate bank account and/or 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 the account may only be used as approved by CMHC.

At year-end, the Post 1996 replacement reserve was adequately funded (2018 - \$39,843 underfunded).

At year-end, the Pre 1997 replacement reserve was underfunded by \$27,654 (2018 - adequately funded).

Under the terms of the agreement with CMHC, excess revenues over expenditures for the Post 1996 phases may be retained in the operating reserve. These funds, along with accumulated interest, must be held in a separate bank account and/or 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. At year end, the operating reserve was underfunded by \$153,745 (2018 - \$112,252).

7. 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.

	2019	2018
Capital Trust		
Balance, beginning and end of year	436	436
Revenue Trust		
Balance, beginning of year	88,442	85,597
Interest	1,037	1,926
British Columbia special distribution	912	919
Balance, end of year	90,391	88,442
	90,827	88,878

Ottawa Trust Funds

The Ottawa Trust accounts 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 89 of the *Indian Act*.

Pauquachin First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

8. Long-term debt

	2019	2018 Restated (Note 12)
All Nations Trust Company Loan, repayable in blended monthly instalments of \$3,541 bearing interest at 1.05%, secured by buildings with a net book value of \$973,112 (2018 - \$815,399), maturing August 1, 2041 and renewing on August 1, 2021.	848,303	881,715
All Nations Trust Company Loan, repayable in blended monthly instalments of \$2,939 bearing interest at 2.06%, secured by buildings with a net book value of \$805,826 (2018 - \$619,751), maturing November 1, 2037 and renewing on November 1, 2022.	546,509	570,299
All Nations Trust Company Loan, repayable in blended monthly instalments of \$290 bearing interest at 1.82%, secured by buildings with a net book value of \$106,340 (2018 - \$109,058), maturing May 1, 2019.	579	4,015
All Nations Trust Company Loan, repaid during the year.	-	22,085
Royal Bank of Canada loan, repayable in blended monthly instalments of \$1,412 bearing interest at 2.71%, secured by a general security agreement, maturing April 1, 2036.	231,065	241,585
Royal Bank of Canada loan, repayable in blended monthly instalments of \$463 bearing interest at 4.20%, secured by a general security agreement, maturing March 1, 2020.	5,433	10,637
Royal Bank of Canada loan, repayable in blended monthly instalments of \$836 bearing interest at 3.55%, secured by a general security agreement, maturing June 15, 2019.	2,493	12,244
Royal Bank of Canada loan, repaid during the year.	-	5,263
Interest-free loan from Indigenous Services Canada's specific claims branch to facilitate the negotiation of the First Nation's specific land claims. Payment of these amounts is expected to be remitted after the settlement of the corresponding land claims.	<u>167,294</u>	<u>112,493</u>
	1,801,676	1,860,336

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

	Principal
2020	77,317
2021	69,978
2022	71,158
2023	72,361
2024	73,588
Thereafter	1,437,274
Total	1,801,676

Interest on long-term debt amounted to \$29,480 (2018 - \$30,179).

Pauquachin First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

9. Indigenous Services Canada funding reconciliation

	2019	2018
Revenue per confirmation	1,654,393	1,318,244
ISC amounts recovered in the year	(25,848)	-
ISC future recoveries	(25,838)	-
	1,602,707	1,318,244

10. Segments

The First Nation receives revenue and incurs expenses from many different projects and sources. For management and reporting purposes, the revenue, expenses and surplus or deficits are organized by the following segments:

Administration and Governance:

Includes general operations, support, and financial management of the First Nation.

Health:

Funding and expenses related to facilitating various health programs for members of the First Nation.

Social Development:

Includes funding and expenses related to social assistance provided to members of the First Nation.

Public Works:

Operations related to public infrastructure, such as water systems, roads and bridges, and community buildings.

Education and Employment Training:

Includes funding and expenses related to the education and training of members of the First Nation, including post secondary education funding, workshops and seminars, and community events.

Band Housing:

Includes revenue and expenses related to band owned housing of the members of the First Nation.

Social Housing:

Includes revenue and expenses related to social housing of the members of the First Nation.

Treaty and Lands:

Funding and expenses related to various specific land claims filed by the First Nation with Canada.

Economic Development:

Includes revenue and expenditures related to the development of economic opportunities to members, as well as the activities related to the growth of revenue producing projects with the First Nation.

Fisheries:

Economic development operations related specifically to the development of the First Nation's fisheries department.

Band Funds and Other

All other revenues and expenses generated from the First Nation's operations.

Pauquachin First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

11. Economic dependence

Pauquachin First Nation receives substantially all 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.

12. Correction of an error

During the year, the First Nation determined that:

- \$185,310 included in the accounts receivable balance at the prior year end were unlikely to be collected. For 2018, the impact of this correction was a decrease in accounts receivable of \$185,310, an increase in bad debts of \$185,310, and a decrease in annual surplus of \$185,310 - \$76,123 from social housing, and \$109,187 from band housing. The overall impact to the opening net financial assets of the First Nation was a decrease of \$185,310.
- \$149,674 in social housing reserves were incorrectly classified as a liability in 2018, and have been reclassified as equity in 2019. For 2018, the impact of this correction is an increase in opening accumulated surplus and a decrease in total opening liabilities of \$149,674.

13. Accumulated surplus

Accumulated surplus consists of the following:

	2019	2018
		<i>Restated (Note 12)</i>
Equity in tangible capital assets	7,435,289	7,278,323
Equity in operating fund	1,624,853	2,096,201
Replacement and operating reserves	242,612	190,791
<u>Equity in Ottawa Trust Fund</u>	<u>90,827</u>	<u>88,878</u>
	<hr/> 9,393,561	<hr/> 9,654,193

14. Comparative figures

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

15. Tangible capital assets

During the year, the First Nation purchased a boat for a total of \$144,900 for its fisheries operations. These costs included \$34,899 paid for the boat's motor, of which \$25,000 was funded by the Department of Fisheries and Oceans Canada.

The tangible capital assets reconciliation is included in Schedule 1.

Pauquachin First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2019

	Buildings	Social Housing	Band Housing	Infrastructure	Equipment	Vehicles	Subtotal
Cost							
Balance, beginning of year	2,199,591	2,657,827	2,292,394	2,553,872	152,975	28,496	9,885,155
Acquisition of tangible capital assets	-	178,149	-	-	6,250	-	184,399
Balance, end of year	2,199,591	2,835,976	2,292,394	2,553,872	159,225	28,496	10,069,554
Accumulated amortization							
Balance, beginning of year	719,430	338,470	474,755	482,860	78,851	11,398	2,103,764
Annual amortization	83,256	58,786	52,861	54,108	10,915	5,699	265,825
Balance, end of year	802,686	397,256	527,916	536,968	87,766	17,097	2,369,389
Net book value of tangible capital assets	1,396,905	2,438,720	1,764,778	2,016,904	71,459	11,399	7,700,165
2018 Net book value of tangible capital assets restated	1,480,161	2,319,357	1,817,840	2,071,012	78,124	17,098	7,781,392

Pauquachin First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2019

	Subtotal	Boat	Mobile Homes	Sacred Land	2019	2018
						<i>Restated (Note 12)</i>
Cost						
Balance, beginning of year	9,885,155	-	450,000	1,222,000	11,557,155	10,193,035
Acquisition of tangible capital assets	184,399	144,900	-	-	329,299	1,364,120
Balance, end of year	10,069,554	144,900	450,000	1,222,000	11,886,454	11,557,155
Accumulated amortization						
Balance, beginning of year	2,103,784	-	427,227	-	2,530,991	2,264,922
Annual amortization	265,625	14,491	5,696	-	285,812	266,069
Balance, end of year	2,369,389	14,491	432,923	-	2,816,803	2,530,991
Net book value of tangible capital assets	7,700,165	130,409	17,077	1,222,000	9,069,651	9,026,164
2018 Net book value of tangible capital assets restated	7,781,392	-	22,772	1,222,000	9,026,164	

Pauquachin First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2019

	2019	2018
		<i>Restated (Note 12)</i>
Consolidated expenses by object		
Administration	2,467	367
Amortization	285,812	266,069
Bad debts	6,393	185,310
Bank charges and interest	34,758	35,105
Community events	4,975	10,195
Contract and consulting services	439,239	475,434
Council expenses	31,048	20,061
Distribution to members	13,800	22,998
Donations	900	2,250
Dues, fees and licenses	47	960
Election expenses	17,820	3,385
Food fish	5,400	4,180
Funeral	1,920	1,130
Health services to members	179,708	240,387
Honourarium - Chief and Council	128,797	127,285
Honourarium - other	24,182	31,859
Insurance	73,009	64,897
Legal fees	105,882	117,054
Materials and supplies	54,156	78,718
Meeting expense	6,977	16,941
Municipal services	48,561	129,734
Office	28,742	42,315
Post secondary education - student	200,311	164,838
Professional fees	45,500	35,830
Rentals and leases	31,137	43,175
Repairs and maintenance	89,125	56,524
Repairs to housing	165,175	22,054
Small equipment purchases	83,274	35,579
Social assistance to members	520,164	512,511
Staff travel	19,917	24,457
Subcontract	254,575	-
Transfer to replacement reserve	-	21,385
Utilities	42,055	36,535
Wages and benefits	750,139	783,647
Workshops and training	45,526	99,985
	3,732,491	3,713,134

Pauquachin First Nation
Administration and Governance
Schedule 3 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous Services Canada	247,531	216,943
Other revenue	7,109	21,802
Interest income	1,771	825
	256,411	239,570
Expenses		
Administration recovery	(113,308)	(122,104)
Amortization	159,674	159,045
Bank charges and interest	2,248	1,176
Capital purchases	38,542	12,140
Contract and consulting services	114,628	111,644
Council expenses	26,576	16,799
Donations	900	2,100
Dues, fees and licenses	47	980
Election expenses	17,820	3,385
Funeral	1,920	1,130
Honourarium - Chief and Council	122,984	120,440
Honourarium - other	19,529	21,204
Insurance	7,454	2,716
Legal fees	31,556	52,089
Materials and supplies	953	76
Meeting expense	5,476	3,590
Office	21,019	5,813
Professional fees	22,545	18,230
Rentals and leases	7,078	3,385
Repairs and maintenance	28,232	11,188
Staff travel	5,441	2,468
Utilities	16,987	10,705
Wages and benefits	177,261	152,470
Workshops and training	8,145	2,440
	723,707	593,067
Annual deficit before transfers	(467,296)	(353,497)
Transfers between programs	19,907	80,225
Annual deficit	(447,389)	(273,272)

Pauquachin First Nation
Health
Schedule 4 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
First Nations Health Authority	662,971	585,228
Province of BC	155,691	169,669
Indigenous Services Canada	55,681	55,681
Other revenue	2,690	47,750
	877,033	858,328
Expenses		
Administration	80,071	76,772
Building healthy communities solvent abuse	15,135	279
Bank charges and interest	2,331	2,892
Brighter futures	19,434	23,065
Capital purchases	13,714	1,403
Community events	800	-
Community health nurse	45,107	45,201
Contract and consulting services	-	1,134
Diabetes initiative	32,326	34,817
First Nations and Inuit home and community care	43,828	47,871
Honourarium - other	1,643	3,365
Insurance	5,847	4,389
Materials and supplies	5,980	28,911
Meeting expense	-	40
Municipal services	1,693	1,332
Non-insured health benefits - medical transportation	6,416	7,372
Office	6,147	21,862
Other health services to members	6,423	63,258
Prenatal nutrition	11,040	8,073
Professional fees	13,975	6,200
Rentals and leases	17,383	38,218
Repairs and maintenance	13,120	19,584
Social assistance to members	20,927	13,095
Staff travel	9,059	15,108
Utilities	11,766	14,195
Wages and benefits	333,484	359,281
Workshops and training	3,560	20,345
	721,009	857,662
Annual surplus	158,024	666

Pauquachin First Nation
Social Development
Schedule 5 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous Services Canada	574,640	547,448
Expenses		
Administration	60	4,450
Bank charges and interest	135	117
Capital purchases	584	923
Contract and consulting services	-	4,824
Honourarium - other	-	3,200
Materials and supplies	1,519	13,090
Meeting expense	-	6
Office	507	766
Other health services to members	-	10,851
Professional fees	2,330	1,000
Rentals and leases	-	312
Repairs and maintenance	180	1,488
Social assistance to members	499,237	499,415
Staff travel	-	124
Utilities	120	583
Wages and benefits	54,876	48,074
Workshops and training	975	2,200
	560,523	591,423
Annual surplus (deficit)	14,117	(43,975)

Pauquachin First Nation
Public Works
Schedule 6 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	<u>2019</u>	<u>2018</u>
Revenue		
Indigenous Services Canada	452,585	207,302
Expenses		
Administration	735	1,271
Capital purchases	943	-
Contract and consulting services	101,399	28,047
Insurance	4,145	2,018
Materials and supplies	1,352	4,131
Municipal services	46,868	128,402
Rentals and leases	1,363	296
Repairs and maintenance	19,438	19,539
Staff travel	224	1,745
Subcontract	254,575	-
Utilities	11,796	9,802
Wages and benefits	25,710	31,134
Workshops and training	144	380
	468,692	226,745
Annual deficit	(16,107)	(19,443)

Pauquachin First Nation
Education and Employment Training
Schedule 7 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous Services Canada	213,098	206,719
Coast Salish Education Training Society	85,479	124,683
Island Health	33,918	15,000
Other revenue	11,614	71,517
	343,209	417,919
Expenses		
Administration	28,363	38,049
Capital purchases	600	-
Community events	775	1,767
Materials and supplies	16,026	28,050
Meeting expense	-	4,603
Office	116	-
Post secondary education	200,311	164,838
Rentals and leases	-	412
Staff travel	-	3,490
Wages and benefits	78,159	102,453
Workshops and training	19,372	45,227
	341,722	388,889
Annual surplus (deficit) before transfers	1,487	29,030
Transfers between programs	(19,882)	-
Annual surplus (deficit)	(18,395)	29,030

Pauquachin First Nation
Band Housing
Schedule 8 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
		<i>Restated (Note 12)</i>
Revenue		
Indigenous Services Canada	59,172	21,868
Rental income	52,348	54,618
Other revenue	-	8,141
	111,520	84,627
Expenses		
Administration recovery	(1,454)	(11,017)
Amortization	52,861	52,861
Bad debts	6,863	109,187
Bank charges and interest	6,929	7,558
Capital purchases	96	328
Contract and consulting services	110,222	74,060
Insurance	28,003	32,689
Materials and supplies	16,774	410
Meeting expense	-	3
Office	798	10,429
Professional fees	2,150	2,400
Rentals and leases	438	553
Repairs and maintenance	17,162	3,861
Repairs to housing	11,911	19,206
Staff travel	3,968	1,522
Utilities	1,386	1,250
Wages and benefits	55,084	54,317
Workshops and training	199	219
	313,400	359,836
Annual deficit	(201,880)	(275,209)

Pauquachin First Nation
Social Housing
Schedule 9 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
		<i>Restated (Note 12)</i>
Revenue		
Canada Mortgage and Housing Corporation	208,132	268,584
Rental Income	105,738	120,100
	313,870	388,684
Expenses		
Administration	10,000	12,967
Amortization	58,786	54,162
Bad debts (recovery)	(470)	76,123
Bank charges and interest	22,502	22,411
Capital purchases	20,545	801
Contract and consulting services	-	107,449
Insurance	23,308	18,272
Office	-	702
Professional fees	4,500	2,500
Repairs and maintenance	326	-
Repairs to housing	153,264	2,848
Transfer to replacement reserve	-	21,385
	292,761	319,620
Annual surplus	21,109	69,064

Pauquachin First Nation
Treaty and Lands
Schedule 10 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
Other revenue	-	22,853
Interest income	28	1,079
	28	23,932
Expenses		
Administration	-	2,000
Bank charges and interest	27	362
Contract and consulting services	92,188	56,596
Council expenses	1,885	358
Honourarium - Chief and Council	3,313	4,900
Honourarium - other	2,500	1,290
Legal fees	36,249	43,685
Materials and supplies	-	423
Meeting expense	404	1,781
Office	-	58
Professional fees	-	1,500
Wages and benefits	2,205	16,457
Workshops and training	1,500	-
Distribution to members	13,800	22,998
	154,071	152,406
Annual deficit	(154,043)	(128,474)

Pauquachin First Nation
Economic Development
Schedule 11 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
Other revenue	29,636	658,181
Indigenous Services Canada	-	59,283
	29,636	717,444
Expenses		
Administration	-	6,794
Contract and consulting services	19,650	88,980
Council expenses	580	2,709
Honourarium - Chief and Council	1,225	900
Honourarium - other	330	625
Legal fees	36,999	19,628
Meeting expense	1,096	6,918
Wages and benefits	12,376	6,912
Workshops and training	11,481	6,241
Office	80	1,836
	83,817	141,543
Annual surplus (deficit) before transfers	(54,181)	575,901
Transfers between programs	(300)	-
Annual surplus (deficit)	(54,481)	575,901

Pauquachin First Nation
Fisheries
Schedule 12 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
Fisheries and Oceans Canada	30,000	30,000
Other revenue	21,170	-
Indigenous Services Canada	-	3,000
	51,170	33,000
Expenses		
Administration	-	1,400
Amortization	14,490	-
Capital purchases	6,508	-
Contract and consulting services	-	2,000
Council expenses	2,007	196
Honourarium - Chief and Council	1,275	1,025
Honourarium - other	-	1,125
Legal fees	1,078	1,852
Materials and supplies	10,341	-
Office	75	849
Rentals and leases	4,876	-
Repairs and maintenance	600	-
Staff travel	1,226	-
Wages and benefits	6,489	2,887
Workshops and training	150	22,952
	49,115	33,886
Annual surplus (deficit)	2,055	(886)

Pauquachin First Nation
Band Funds and Other
Schedule 13 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
Trust income	351,309	369,082
Other revenue	57,009	57,845
Fisheries and Oceans Canada	25,000	-
Rental income	6,975	30,161
Province of BC	3,000	-
Interest income	18,464	13,154
	461,757	470,242
Expenses		
Administration recovery	-	(10,215)
Bank charges and interest	586	589
Capital purchases	1,741	19,984
Community events	3,400	8,428
Contract and consulting services	1,152	700
Donations	-	150
Food fish	5,400	4,180
Honourarium - other	180	1,050
Insurance	4,452	4,813
Materials and supplies	1,212	3,829
Professional fees	-	4,000
Repairs and maintenance	1,066	887
Wages and benefits	4,485	9,862
	23,674	48,057
Annual surplus before transfers	438,083	422,185
Transfers between programs	275	(80,225)
Annual surplus	438,358	341,960