

**T'SOU-KE FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2016**

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LEE & COMPANY
CHARTERED PROFESSIONAL ACCOUNTANTS

T'SOU-KE FIRST NATION
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March 31, 2016

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of T'Sou-ke First Nation are the responsibility of management and have been approved by Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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

The Chief and Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, Lee & Company, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of T'Sou-ke First Nation and meet when required.

On behalf of T'Sou-ke First Nation:

 Chief

 Councillor

 Councillor

____ Councillor

August 16, 2016



LEE & COMPANY

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF T'SOU-KE FIRST NATION

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of T'SOU-KE FIRST NATION which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations, 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 Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of T'SOU-KE FIRST NATION as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lee & Company

CHARTERED PROFESSIONAL ACCOUNTANTS

Victoria, BC
August 16, 2016

T'SOU-KE FIRST NATION
Consolidated Statement of Financial Position
March 31, 2016

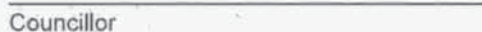
	2016	2015
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	2,308,864	2,434,931
Ottawa Trust (Note 4)	2,098	2,717
Accounts receivable (Note 3)	384,990	213,609
	<u>2,695,952</u>	<u>2,651,257</u>
FINANCIAL LIABILITIES		
Accounts payable (Note 5)	265,107	273,108
Deferred revenue (Note 6)	9,000	3,041
Long-term debts (Note 8)	1,008,566	1,124,178
	<u>1,282,673</u>	<u>1,400,327</u>
NET FINANCIAL ASSETS (NET DEBT)	<u>1,413,279</u>	<u>1,250,930</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	21,553	18,196
Tangible capital assets (Note 9)	2,710,193	2,982,028
	<u>2,731,746</u>	<u>3,000,224</u>
ACCUMULATED SURPLUS (DEFICIT) (Note 7)	<u>4,145,025</u>	<u>4,251,154</u>

Approved by Chief and Council


 Chief


 Councillor


 Councillor


 Councillor

T'SOU-KE FIRST NATION
Consolidated Statement of Operations
For the year ended March 31, 2016

	Budget (unaudited)	2016	2015
REVENUE			
Indigenous and Northern Affairs Canada	1,227,192	1,239,947	1,743,743
Canada Mortgage and Housing Corporation	91,513	88,833	96,716
Federal - Other	493,111	540,006	476,485
Provincial	-	-	432
Ottawa Trust	-	649	640
Rental	162,448	161,917	196,383
Other	1,453,017	1,423,389	1,629,590
	<u>3,427,281</u>	<u>3,454,741</u>	<u>4,143,989</u>
EXPENSES			
Band	1,585,442	1,595,414	1,552,333
Health and social services	670,347	516,532	613,106
Education and training	567,093	521,891	563,825
Public works	564,827	497,738	729,354
Capital projects	-	-	10,111
Housing	257,541	157,460	277,806
Depreciation	-	271,835	256,007
	<u>3,645,250</u>	<u>3,560,870</u>	<u>4,002,542</u>
ANNUAL SURPLUS (DEFICIT)	<u>(217,969)</u>	<u>(106,129)</u>	<u>141,447</u>
ACCUMULATED SURPLUS (DEFICIT), at beginning of year		<u>4,251,154</u>	<u>4,109,707</u>
ACCUMULATED SURPLUS (DEFICIT), at end of year (Note 8)		<u>4,145,025</u>	<u>4,251,154</u>

T'SOU-KE FIRST NATION

Consolidated Statement of Changes in Net Financial Assets (Net Debt)

For the year ended March 31, 2016

	2016	2015
ANNUAL SURPLUS (DEFICIT)	(106,129)	141,447
Tangible capital assets		
Acquisition of tangible capital assets	-	(660,000)
Proceeds on disposal of tangible capital assets	-	-
Amortization of tangible capital assets	271,835	256,007
Write-downs on tangible capital assets	-	-
(Gain) loss on disposal of tangible capital assets	-	-
	271,835	(403,993)
Assets under construction	-	440,545
Acquisition of prepaid expense	(21,553)	(18,196)
Use of prepaid expense	18,196	15,530
	(3,357)	437,879
CHANGE IN NET FINANCIAL ASSETS (NET DEBT)	162,349	175,333
NET FINANCIAL ASSETS (NET DEBT), at beginning of year	1,250,930	1,075,597
NET FINANCIAL ASSETS (NET DEBT), at end of year	1,413,279	1,250,930

T'SOU-KE FIRST NATION
Consolidated Statement of Cash Flows
For the year ended March 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Annual surplus (deficit)	(106,129)	141,447
Items not affecting cash		
Amortization of tangible capital assets	271,835	256,007
(Gain) loss on disposal of tangible capital assets	-	-
Change in non-cash charges to operations		
Ottawa Trust	619	30
Accounts receivable	(171,381)	226,595
Prepaid expenses	(3,357)	(2,665)
Accounts payable	(8,001)	4,732
Deferred revenue	5,959	(1,959)
Reserve	-	33,073
	<u>(10,455)</u>	<u>657,260</u>
CAPITAL TRANSACTIONS		
Proceeds on disposal of tangible capital assets	-	-
Acquisition of tangible capital assets	-	(660,000)
Assets under construction	-	440,545
	<u>-</u>	<u>(219,455)</u>
FINANCING TRANSACTIONS		
Repayment of short-term debt	-	(245,123)
Repayment of long-term debt	(115,612)	(134,436)
	<u>(115,612)</u>	<u>(379,559)</u>
INCREASE (DECREASE) IN CASH DURING YEAR	(126,067)	58,246
CASH, at beginning of year	2,434,931	2,376,685
CASH, at end of year	<u>2,308,864</u>	<u>2,434,931</u>

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

b. Reporting Entity and Principles of Financial Reporting

These financial statements consolidate the assets, liabilities and results of operations for the following entities, which use accounting principles, which lend themselves to consolidation:

- T'Sou-ke First Nation Government Administration
- T'Sou-ke First Nation Trusts Fund
- T'Sou-ke First Nation CMHC Housing Program Fund

c. Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short term cash commitments.

d. Financial Instruments

The carrying amounts for accounts receivable, grants receivable and accounts payable and accrued liabilities approximate fair value because of the short-term nature of these instruments.

e. Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Infrastructure	20 years
Computer equipment	5 years
Boats	10 years
Vehicles	5 years
Playground	10 years
Photovolt Systems	15 years
Band/Social Housing	20 years

In the year of acquisition, 50% of the normal amortization is recorded.

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

f. Reserve funds

Reserve funds represent the replacement and operating reserve funds required under the terms of the agreement with Canada Mortgage and Housing Corporation.

g. Revenue Recognition

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing that the transfers are authorized, all eligibility criteria have been met by the Nation, and reasonable estimates of the amounts can be made. Government transfers received for which the Nation has not met all eligibility requirements are recorded as revenue. Government transfers include financial transfer agreement payments, band trust revenue payments, contribution arrangements, and other federal and provincial grants.

Grant revenue is recognized in the financial statements as the related expenditures are incurred and when the terms and conditions of the funding are satisfied. Other income is recorded as revenue when earned.

h. 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 disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumption used in estimating provisions for accrued liabilities and estimating the useful lives of tangible capital assets. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

Under the terms of an agreement with Canada Mortgage and Housing Corporation, T'Sou-ke First Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Replacement and Operating Fund. Cash and cash equivalents is comprised of the following:

	2016	2015
Unrestricted - Operating	1,641,961	1,764,331
Restricted - CMHC Operating	309,829	315,918
Restricted - CMHC Replacement reserve	214,772	213,082
Restricted - CMHC Operating reserve	142,302	141,600
	<u>2,308,864</u>	<u>2,434,931</u>

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

3. ACCOUNTS RECEIVABLE

	2016	2015
Federal government		
Indigenous and Northern Affairs Canada	15,000	15,000
Other government organizations	15,998	66,672
Canada Mortgage and Housing Corporation	7,354	7,909
	<u>38,352</u>	<u>89,581</u>
Other		
Employees	-	-
Members	23,179	11,619
Other agencies	323,459	112,409
	<u>346,638</u>	<u>124,028</u>
	<u>384,990</u>	<u>213,609</u>

4. OTTAWA TRUST FUNDS

	March 31, 2015	Adjustment	Additions	Withdrawals	March 31, 2016
Capital	2,681	(604)	-	-	2,077
Revenue	36	(14)	649	(650)	21
	<u>2,717</u>	<u>(618)</u>	<u>649</u>	<u>(650)</u>	<u>2,098</u>

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Indigenous and Northern Affairs Canada	15,000	20,250
Accrued salaries and benefits payable	23,324	8,268
Other accrued liabilities	226,783	244,590
	<u>265,107</u>	<u>273,108</u>

6. DEFERRED REVENUE

The changes in the deferred contributions balance for the year are as follows:

	Balance March 31, 2015	Funding Received 2016	Revenue Recognized 2016	Balance March 31, 2016
Headwaters Foundation	3,041	-	3,041	-
Victoria Foundation	-	9,000	-	9,000
	<u>3,041</u>	<u>9,000</u>	<u>3,041</u>	<u>9,000</u>

7. ACCUMULATED SURPLUS (DEFICIT)

	Operating	Trust	Housing	2016 Total	2015
Accumulated Surplus (Deficit), at the beginning of year	3,051,141	2,717	1,197,296	4,251,154	4,109,707
Annual Surplus (Deficit)	(83,087)	649	(23,691)	(106,129)	141,447
Transfers	94,343	(1,268)	(93,075)	-	-
Accumulated Surplus (Deficit), at the beginning of year	<u>3,062,397</u>	<u>2,098</u>	<u>1,080,530</u>	<u>4,145,025</u>	<u>4,251,154</u>

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

8. LONG TERM DEBT

	2016	2015
CMHC (#16573172002) - Repayable at \$1,032 per month, including interest at 2.31% per annum, matures July 1, 2017.	16,251	28,116
CMHC (#16573172003) - Repayable at \$2,264 per month, including interest at 1.39% per annum, matures April 1, 2015.	-	2,261
CMHC (#19360056001) - Repayable at \$1,948 per month, including interest at 1.05% per annum, matures April 1, 2020.	198,931	219,941
CMHC (#19360056002) - Repayable at \$843 per month, including interest at 2.63% per annum, matures June 1, 2016.	90,259	97,903
CMHC (#19360056003) - Repayable at \$1,724 per month, including interest at 1.65% per annum, matures June 1, 2017.	212,305	229,338
CMHC (#19360056004) - Repayable at \$1,588 per month including interest at 2.35% per annum, matures September 1, 2018.	129,645	145,462
CMHC (#19360056005) - Repayable at \$2,969 per month including interest at 1.12% per annum, matures February 1, 2020.	234,291	267,097
CMHC (#19360056006) - Repayable at \$788 per month including interest at 1.30% per annum, matures December 1, 2020.	126,884	134,060
	<u>1,008,566</u>	<u>1,124,178</u>

Anticipated annual principal repayments over the next five years and thereafter are as follows:

2016	116,000
2017	120,000
2018	124,000
2019	130,000
2020	140,000
Thereafter	378,566

	2016	2015
Interest expense for the year on long-term debt	<u>18,251</u>	<u>27,598</u>

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

9. TANGIBLE CAPITAL ASSETS

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE
	Balance March 31, 2015	Additions	Transfers	Balance March 31, 2016	Balance March 31, 2015	Transfers	Amortization	Balance March 31, 2016	March 31, 2016
Photo-voltaic Systems	780,000	-	-	780,000	312,000	-	52,000	364,000	416,000
Fish Boat	133,700	-	-	133,700	133,700	-	-	133,700	-
Health Building	108,190	-	-	108,190	54,100	-	5,410	59,510	48,680
Automotive	109,681	-	-	109,681	91,617	-	18,064	109,681	-
Office Equipment	9,158	-	-	9,158	9,158	-	-	9,158	-
Band Hall	42,502	-	-	42,502	40,375	-	2,127	42,502	-
Fish Loft	59,905	-	-	59,905	56,905	-	3,000	59,905	-
Children's Centre	94,089	-	-	94,089	65,870	-	4,705	70,575	23,514
Playground Equipment	41,350	-	-	41,350	41,350	-	-	41,350	-
Wasabi Greenhouse	648,000	-	-	648,000	32,400	-	32,400	64,800	583,200
Band Housing	-	-	805,437	805,437	-	712,362	18,615	730,977	74,460
Social Housing	3,491,517	-	(805,437)	2,686,080	1,698,589	(712,362)	135,514	1,121,741	1,564,339
TOTAL	5,518,092	-	-	5,518,092	2,536,064	-	271,835	2,807,899	2,710,193

	COST			ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Balance March 31, 2014	Additions	Transfers	Balance March 31, 2015	Balance March 31, 2014	Transfers	Amortization	Balance March 31, 2015	March 31, 2015
Photo-voltaic Systems	780,000	-	-	780,000	260,000	-	52,000	312,000	468,000
Fish Boat	133,700	-	-	133,700	133,700	-	-	133,700	-
Health Building	108,190	-	-	108,190	48,690	-	5,410	54,100	54,090
Automotive	97,681	12,000	-	109,681	69,681	-	21,936	91,617	18,064
Office Equipment	9,158	-	-	9,158	9,158	-	-	9,158	-
Band Hall	42,502	-	-	42,502	38,250	-	2,125	40,375	2,127
Fish Loft	59,905	-	-	59,905	53,910	-	2,995	56,905	3,000
Children's Centre	94,089	-	-	94,089	61,165	-	4,705	65,870	28,219
Playground Equipment	41,350	-	-	41,350	41,350	-	-	41,350	-
Wasabi Greenhouse	-	648,000	-	648,000	-	-	32,400	32,400	615,600
Band Housing	-	-	-	-	-	-	-	-	-
Social Housing	3,491,517	-	-	3,491,517	1,564,153	-	134,436	1,698,589	1,792,928
TOTAL	4,858,092	660,000	-	5,518,092	2,280,057	-	256,007	2,536,064	2,982,028

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

10. SEGMENT DISCLOSURE

T'Sou-ke First Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by function. For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The segment results for the period are as follows:

	Band		Health		Education & Training	
	2016	2015	2016	2015	2016	2015
REVENUES						
Indigenous and Northern Affairs Canada	252,099	464,123	289,427	371,218	368,160	358,843
Canada Mortgage and Housing Corporation	-	-	-	-	-	-
Federal - Other	101,005	32,274	300,253	267,487	138,748	161,774
Rental	400	5,522	-	-	-	-
Other	1,193,131	1,263,734	5,427	6,314	49,734	97,493
	1,546,635	1,765,653	595,107	645,019	556,642	618,110
EXPENSES						
Salaries and benefits	316,341	334,428	111,227	124,806	176,594	203,382
Consultants and Professional fees	665,092	724,667	-	-	-	-
Interest and bank charges	679	-	-	-	-	-
Materials and program expenses	203,185	177,502	129,914	106,241	64,149	91,446
Depreciation	107,591	111,456	10,115	10,115	-	-
Other	410,116	315,735	275,391	382,059	281,148	268,997
	1,703,004	1,663,788	526,647	623,221	521,891	563,825
ANNUAL SURPLUS (DEFICIT)	(156,369)	101,865	68,460	21,798	34,751	54,285

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

10. SEGMENT DISCLOSURE (Continued)

	Public Works		Capital Projects		Housing	
	2016	2015	2016	2015	2016	2015
REVENUES						
Indigenous and Northern Affairs Canada	330,260	539,448	-	10,111	-	-
Canada Mortgage and Housing Corporation	-	-	-	-	88,833	96,716
Federal - Other	-	-	-	-	-	14,950
Rental	-	-	-	-	161,517	190,861
Other	170,912	183,277	-	-	4,834	79,844
	<u>501,172</u>	<u>722,725</u>	<u>-</u>	<u>10,111</u>	<u>255,184</u>	<u>382,371</u>
EXPENSES						
Salaries and benefits	107,622	82,766	-	-	-	-
Consultants and Professional fees	224,847	460,178	-	-	8,462	10,816
Interest and bank charges	-	-	-	-	17,571	27,796
Materials and program expenses	24,288	18,816	-	-	-	-
Depreciation	-	-	-	-	154,129	134,436
Other	140,981	167,594	-	10,111	131,428	239,195
	<u>497,738</u>	<u>729,354</u>	<u>-</u>	<u>10,111</u>	<u>311,590</u>	<u>412,243</u>
ANNUAL SURPLUS (DEFICIT)	<u>3,434</u>	<u>(6,629)</u>	<u>-</u>	<u>-</u>	<u>(56,406)</u>	<u>(29,872)</u>

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

11. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	<u>2016</u>	<u>2015</u>
Consultants and professional fees	898,401	1,195,661
Depreciation	271,835	256,007
Government transfer	501,552	549,805
Interest and bank charges	18,250	27,598
Materials and program expenses	421,536	394,005
Travel	23,583	38,197
Wages and benefits	711,784	745,382
Other	713,929	795,887
	<u>3,560,870</u>	<u>4,002,542</u>

12. CONTINGENT LIABILITY

T'Sou-ke First Nation has a contingent liability of \$2,164,796 for various on-reserve housing loan guarantees.

13. ECONOMIC DEPENDENCE

T'Sou-ke First Nation receives a majority portion of its revenue pursuant to a funding arrangement with Indigenous and Northern Affairs Canada.

14. BUDGET FIGURES

The budget figures were not audited nor reviewed but compiled from information provided by First Nation management.

15. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation, including an adjustment for depreciation.