

# **LOWER NICOLA INDIAN BAND**

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**CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

# **LOWER NICOLA INDIAN BAND**

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## **CONSOLIDATED FINANCIAL STATEMENTS** **MARCH 31, 2016**

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## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

### **MARCH 31, 2016**

The accompanying consolidated financial statements of Lower Nicola Indian Band and all the information in this annual report for the year ended March 31, 2016 are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgement. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Lower Nicola Indian Band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and assets are appropriately accounted for and adequately safeguarded.

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

The Council reviews the financial statements and recommends their approval. The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report. The Council approves the financial statements for issuance to the Members. The Council also considers, for review and approval by the Members, the engagement of the external auditors.

The consolidated financial statements have been audited by Reid Hurst Nagy Inc., Chartered Professional Accountants in accordance with Canadian generally accepted auditing standards on behalf of the Members. Reid Hurst Nagy Inc. has full access to the books and records of the Nation. Reid Hurst Nagy Inc. has full and free access to the Council for information purposes.

Wesley Bouter  
Executive Director

July 19, 2016  
Date

## Independent Auditor's Report

To the Members of  
**Lower Nicola Indian Band**

We have audited the accompanying consolidated financial statements of Lower Nicola Indian Band, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus, change in net financial assets, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 First Nation'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 First Nation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lower Nicola Indian Band as at March 31, 2016, and the results of its operations, the changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



REID HURST NAGY INC.  
 CHARTERED PROFESSIONAL ACCOUNTANTS

KELOWNA, B.C.  
 JULY 19, 2016

## LOWER NICOLA INDIAN BAND

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2016**

	2016	2015 (Note 2)
<b>FINANCIAL ASSETS</b>		
Cash		
Restricted cash (Note 3)	\$ 7,064,293	\$ 7,055,767
Accounts receivable (Note 4)	1,620,145	1,517,380
Loans receivable (Note 5)	992,150	512,579
Rents receivables	1,530,251	1,364,519
Long-term investments in First Nation controlled entities (Note 6)	323,956	474,661
	1,075,244	909,202
	<hr/> 12,606,039	<hr/> 11,834,108
<b>LIABILITIES</b>		
Accounts payable (Note 8)		
Deferred revenue (Note 9)	1,629,901	1,670,505
Damage deposits payable and rent paid in advance	74,174	72,126
Long-term debt (Note 10)	22,816	26,649
	3,033,119	4,285,999
	<hr/> 4,760,010	<hr/> 6,055,279
<b>NET FINANCIAL ASSETS</b>		
	<hr/> 7,846,029	<hr/> 5,778,829
<b>NON-FINANCIAL ASSETS</b>		
Capital assets (Note 11)		
Prepaid expenses	20,493,953	20,294,401
	50,700	77,500
	<hr/> 20,544,653	<hr/> 20,371,901
<b>ACCUMULATED SURPLUS (Note 12)</b>		
	<hr/> \$ 28,390,682	<hr/> \$ 26,150,730
<b>MEMBERS' EQUITY</b>		
Equity in Operating Fund		
Equity in Social Housing	\$ 8,204,902	\$ 7,701,131
Equity in Capital Fund	2,992,536	2,889,648
Equity in Enterprise Fund	15,524,822	14,072,388
Equity in Ottawa Trust Fund	1,075,243	909,202
	593,179	578,361
<b>ACCUMULATED SURPLUS</b>		
	<hr/> \$ 28,390,682	<hr/> \$ 26,150,730

APPROVED ON BEHALF OF THE LOWER NICOLA INDIAN BAND

Wledge Park, Executive Director

 , Council

The accompanying notes are an integral part of the financial statements.

# LOWER NICOLA INDIAN BAND

## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED MARCH 31, 2016

	2016 Budget	2016 Actual	2015 (Note 2)
<b>ANNUAL SURPLUS</b>	\$ 1,344,338	\$ 2,239,952	\$ 4,345,235
Acquisition of tangible capital assets	-	(1,720,568)	(2,646,681)
Amortization of tangible capital assets	-	1,492,753	1,397,804
Transfer of capital assets to related entities	-	-	348,154
Disposition of tangible capital assets	-	28,263	-
	-	(199,552)	(900,723)
Acquisition of prepaid asset	-	(50,700)	(77,500)
Use of prepaid asset	-	77,500	159,923
Use of inventory	-	-	17,787
	-	26,800	100,210
<b>INCREASE IN NET FINANCIAL ASSETS</b>	1,344,338	<b>2,067,200</b>	3,544,722
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	-	<b>5,778,829</b>	2,234,107
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	\$ -	<b>\$ 7,846,029</b>	\$ 5,778,829

# LOWER NICOLA INDIAN BAND

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS FOR THE YEAR ENDED MARCH 31, 2016

	2016 Budget	2016 Actual	2015 Actual
<b>REVENUE</b>			
Indigenous and Northern Affairs Canada	\$ 5,453,547	\$ 5,343,829	\$ 5,214,890
Province of BC	1,345,649	1,810,984	477,661
Taxation	1,398,037	1,406,921	1,395,470
First Nations Health Authority	1,090,668	1,102,601	1,076,413
Royalties	1,276,939	1,100,000	1,200,000
Other	644,500	907,994	305,247
Rental	921,560	890,949	873,036
BC Hydro	850,000	850,000	1,450,883
Capacity and development	610,000	636,403	1,041,825
Administration fee	372,500	534,065	318,009
Canada Mortgage and Housing Corporation	219,771	212,332	266,155
First Nations Education Steering Committee	119,832	154,642	141,268
Interest	30,000	113,123	114,991
Thompson Nicola Regional District	83,500	85,659	83,900
Share of income (loss) from First Nation controlled entities	-	48,582	531,843
Referrals	63,839	57,383	11,708
Forestry	-	29,914	55,705
Interior Salish Employment Training Society	-	9,322	22,525
New Relationship Trust	-	-	25,000
	14,480,342	15,294,703	14,606,529
<b>EXPENSES</b>			
Band programs	3,551,522	4,018,945	2,732,240
Education	3,147,681	3,690,717	2,970,289
Social development	1,496,506	1,453,663	1,461,288
Health	829,805	871,477	766,872
Job creation	1,633,305	2,435,298	1,094,365
Capital	1,926,477	1,482,461	1,606,173
Social housing	550,708	817,322	805,318
Capital fund	-	1,258,318	1,492,637
	13,136,004	16,028,201	12,929,182
<b>ANNUAL SURPLUS (DEFICIT) BEFORE OTHER</b>	1,344,338	(733,498)	1,677,343
<b>OTHER</b>			
Tangible capital asset additions	-	1,720,564	2,646,678
Principal reduction of long-term debt	-	1,252,886	504,164
Proceeds from long-term debt	-	-	(482,950)
	-	2,973,450	2,667,892
<b>ANNUAL SURPLUS</b>	1,344,338	2,239,952	4,345,235
<b>FUND BALANCE, BEGINNING OF YEAR</b>	-	26,150,730	21,805,495
<b>FUND BALANCE, END OF YEAR</b>	\$ 1,344,338	\$ 28,390,682	\$ 26,150,730

# LOWER NICOLA INDIAN BAND

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015 (Note 2)
<b>OPERATING ACTIVITIES</b>		
ANNUAL SURPLUS	\$ 2,239,952	\$ 4,345,235
Items not affecting cash		
Amortization	1,492,753	1,161,264
Share of income (loss) of First Nation controlled entities	(48,582)	(531,843)
Transfer of capital assets to related entities	-	348,154
	<u>3,684,123</u>	<u>5,322,810</u>
Change in non-cash operating net assets	<u>(627,650)</u>	<u>(1,418,692)</u>
	<u>3,056,473</u>	<u>3,904,118</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of Social Housing long-term debt	(262,698)	(253,321)
Repayment of Capital Fund long-term debt	(990,183)	(250,843)
Mortgage proceeds	-	482,950
	<u>(1,252,881)</u>	<u>(21,214)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(1,720,564)	(2,293,422)
Proceeds from sale of capital assets	28,263	-
	<u>(1,692,301)</u>	<u>(2,293,422)</u>
<b>CHANGES IN CASH DURING THE YEAR</b>	<b>111,291</b>	<b>1,589,482</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>8,573,147</b>	<b>6,983,665</b>
<b>CASH, END OF YEAR</b>	<b>\$ 8,684,438</b>	<b>\$ 8,573,147</b>
<b>REPRESENTED BY:</b>		
Cash	\$ 7,064,293	\$ 7,055,767
Restricted cash	1,620,145	1,517,380
	<u>\$ 8,684,438</u>	<u>\$ 8,573,147</u>

# LOWER NICOLA INDIAN BAND

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

### 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of CPA Canada.

#### (a) Reporting Entity

The Lower Nicola Indian Band reporting entity includes the Lower Nicola Indian Band government and all related entities that are controlled by the First Nation.

#### (b) Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the Consolidated Statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only Lower Nicola Indian Band's investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Lower Nicola Indian Band.

Organizations consolidated in Lower Nicola Indian Band's financial statements include:

1. Lower Nicola Indian Band Operating Fund
2. Lower Nicola Indian Band Social Housing Fund
3. Lower Nicola Indian Band Capital Fund
4. Lower Nicola Indian Band Trust Fund
5. Lower Nicola Indian Band Enterprise Fund

Organizations accounted for on a modified equity basis include:

6. Lower Nicola Indian Band Development Corporation (100% owned by the Lower Nicola Indian Band)
7. Naik Development Limited Partnership (99.999% owned by the Lower Nicola Indian Band as the limited partner and 0.001% owned by Naik Development Corporation as the general partner)

#### (c) Fund Accounting

The Lower Nicola Indian Band maintains the following funds and reserves as part of its operations:

- The Operating Fund which reports the general activities of the First Nation administration.
- The Capital Fund which reports the capital assets of the First Nation not included in other funds, together with their related activities.
- The Trust Fund which reports on the trust funds of the First Nation and held by third parties.
- The Social Housing Fund which reports on the social housing assets of the First Nation together with their related activities.
- The Enterprise Fund which reports the First Nation's investment in self-supporting commercial entities.

# LOWER NICOLA INDIAN BAND

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

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

#### (d) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

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.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

#### (e) Segments

The First Nation conducts its business through reportable segments. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives, aid in resource allocation decisions, and to assess operational performance. For each reported segment, revenues and expenses represent both amounts that are directly attributed to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

#### (f) Cash

Cash and cash equivalents include cash on hand and short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

#### (g) Loans Receivable

Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. Loans are reviewed on an annual basis by management. Interest income is accrued on loans receivable to the extent it is deemed collectable.

#### (h) Long-term Debt

Proceeds from long-term debt are recorded as program revenue. Payments of principal and interest are treated as program expenditures. Long-term debt is recorded as a liability on the balance sheet. Reductions of long-term debt are offset with an increase to Equity in Capital Assets.

# LOWER NICOLA INDIAN BAND

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

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

#### (i) 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. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Lower Nicola Indian Band's incremental cost of borrowing.

Amortization is provided for on a straight-line basis over their estimated useful lives as follows:

Buildings*	25 years Straight line
Automotive equipment	5 years Straight line
Computer equipment	5 years Straight line
Equipment	5 years Straight line
Fire Truck	10 years Straight line
Logging equipment	5 years Straight line
Infrastructure	25 years Straight line

\*Social Housing assets acquired under C.M.H.C. sponsored housing programs are being depreciated at a rate equal to the principal reduction on the mortgage of the assets.

Tangible capital assets are written down when conditions indicate that they no longer contribute to Lower Nicola Indian Band's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

#### (j) Replacement Reserve

The Replacement Reserve is funded by an annual charge against earnings as opposed to an appropriation of surplus.

#### (k) Budget

The budget reported in the financial statements was provided by management and is unaudited.

#### (l) Surplus Recoveries and Deficit Funding

Under the terms of funding arrangements, remaining surpluses of certain programs may be recovered by the funding agency, and remaining deficits may be funded by the funding agency.

#### (m) Internal charges and transfers

The central administration office provides services to other program areas. To recognize the cost of these services a corresponding revenue and expense is recorded and referred to as "Administration fees."

# LOWER NICOLA INDIAN BAND

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

### 2. ECONOMIC DEPENDENCE

Lower Nicola Indian Band receives a significant portion of its revenue pursuant to an agreement referred to as "The Comprehensive Funding Arrangement". This agreement has been entered into by the Lower Nicola Indian Band and Indigenous and Northern Affairs Canada. It is expected that the agreement will be renewed on an annual basis.

The Band also receives major funding pursuant to an arrangement with the First Nations Health Authority and under which certain surpluses and deficits may be offset, but with the net balance repayable or refundable as the case may be.

### 3. RESTRICTED CASH

Replacement Reserve Fund:

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage & Housing Corporation, the Housing Program must set aside funds annually for the non-annual expenditures of the Program for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account with any interest earned to be credited as revenue to the Replacement Reserve Fund.

As at the year end date, the Fund is underfunded by \$64,259 (2015 - \$29,803).

Operating Reserve Fund:

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage & Housing Corporation, the Program is to set aside any surplus revenue to an operating reserve for the purpose of meeting future requirements of income listed occupants over and above the maximum federal assistance. The Fund may be replenished to its original limit from subsequent operating surpluses.

As at the year end date, the Fund is underfunded by \$21,239 (2015 - \$40,758).

Ottawa Trust Funds:

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.

	2016	2015
Replacement Reserve Fund - restricted cash	\$ 566,963	\$ 527,502
Operating Reserve Fund - restricted cash	460,004	411,517
Ottawa Trust Funds - restricted cash	593,178	578,361
	<hr/> \$ 1,620,145	<hr/> \$ 1,517,380

# LOWER NICOLA INDIAN BAND

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

### 4. ACCOUNTS RECEIVABLE

	2016	2015
Accounts receivable - general	\$ 1,128,181	\$ 273,051
Indigenous and Northern Affairs Canada	23,321	80,240
All Nations Trust Company	19,776	19,776
Canada Mortgage and Housing Corporation	17,196	17,794
First Nations Health Authority	-	177,166
Health Canada	-	12,112
	<b>1,188,474</b>	580,139
Allowance for doubtful accounts	<b>(196,324)</b>	(67,560)
	<b>\$ 992,150</b>	<b>\$ 512,579</b>

### 5. LOANS RECEIVABLE

	2016	2015
Due from Naik Development Limited Partnership	\$ -	\$ 79,873
Due from Lower Nicola Indian Band Development Corporation	250,000	20,284
Due from LNIB Real Estate Developments Ltd.	16,278	7,634
Due from LNIB Construction Ltd.	216,365	207,832
Due from LNIB Energy Ltd.	2,597	1,205
Due from Shulus Forest Enterprises Ltd.	935,518	958,290
Due from LNIB General Contracting Ltd.	16,764	6,451
Due from LNIB Aggregates Ltd.	26,815	-
Due from band member*	67,990	-
Due from Shulus Cattle Company Ltd.	(2,076)	82,950
	<b>\$ 1,530,251</b>	<b>\$ 1,364,519</b>

Loans to related entities have no specific terms of repayment and bear no interest.

\*The loan to a band member is repayable in monthly installments of \$482 including interest at 3.40%.

# LOWER NICOLA INDIAN BAND

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

### 6. LONG-TERM INVESTMENTS

	<b>2016</b>	<b>2015</b>
Investment in Non-Controlled Entities		
All Nations Trust Company - shares at cost	\$ 8,710	\$ 8,710
Nicola Valley Indian Services Association - net investment	153,072	153,072
Investment in Stuwix Resources*	501,304	-
	<b>663,086</b>	161,782
Investment in Naik Development Limited Partnership*	(238)	270,587
Accumulated equity in earnings	(238)	270,587
Investment in Lower Nicola Indian Band Development Corporation		
Shares	100	100
Contributed Surplus	129,670	129,670
Accumulated equity in earnings	282,626	347,063
	<b>412,396</b>	476,833
	<b>\$ 1,075,244</b>	<b>\$ 909,202</b>

\* In the prior year the investment in Stuwix Resources was held through Naik Development Limited Partnership and is thus reflected in the comparative investment in Naik Development Limited Partnership (\$270,587). During the fiscal 2016 year, the investment was transferred from Naik Development Limited Partnership to the Lower Nicola Indian Band. The net investment in Stuwix Resources at March 31, 2015, held by Naik Development Limited Partnership was \$386,831.

# LOWER NICOLA INDIAN BAND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

### 7. GOVERNMENT BUSINESS ENTERPRISES

Commercial enterprises are those organizations that meet the definition of government business enterprises as described by the Public Sector Accounting Board of CPA Canada. Government business enterprises have the power to contract in their own name, have the financial and operating authority to carry on a business, sell goods and services to customers outside the First Nation government as their principal activity, and that can, in the normal course of their operations, maintain operations and meet liabilities from revenues received from outside the First Nation government.

	Lower Nicola Indian Band Development Corporation	Naik Development Limited Partnership	2016 Total	2015 Total
Cash	\$ 66,904	\$ -	\$ 66,904	\$ 129,658
Accounts receivable	7,088	-	7,088	-
Investment in joint venture	-	-	-	386,831
Investment in subsidiaries	617,303	-	617,303	497,218
<b>Total assets</b>	<b>\$ 691,295</b>	<b>\$ -</b>	<b>\$ 691,295</b>	<b>\$ 1,013,707</b>
Accounts payable	\$ 28,699	\$ 238	\$ 28,937	\$ 2,905
Due from related parties	250,000	-	250,000	243,019
Due from subsidiaries	200	-	200	20,384
<b>Total liabilities</b>	<b>278,899</b>	<b>238</b>	<b>279,137</b>	<b>266,308</b>
Share capital	100	-	100	100
Accumulated surplus	412,296	(238)	412,058	747,299
<b>Total equity</b>	<b>412,396</b>	<b>(238)</b>	<b>412,158</b>	<b>747,399</b>
<b>Total liabilities and equity</b>	<b>\$ 691,295</b>	<b>\$ -</b>	<b>\$ 691,295</b>	<b>\$ 1,013,707</b>
	Lower Nicola Indian Band Development Corporation	Naik Development Limited Partnership	2016 Total	2015 Total
Revenue	\$ 10,375	\$ -	\$ 10,375	\$ 503,268
Net income from subsidiaries	119,986	-	119,986	-
	130,361	-	130,361	503,268
Expenses	194,798	586	195,384	89,824
Net income	\$ (64,437)	\$ (586)	\$ (65,023)	\$ 413,444

# LOWER NICOLA INDIAN BAND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

### 8. ACCOUNTS PAYABLE

	2016	2015
Accounts payable - general	\$ 765,389	\$ 451,276
Indigenous and Northern Affairs Canada	109,719	230,387
GST/HST payable (receivable)	(11,848)	(14,400)
Receiver General - payroll deductions	21,669	21,737
School District #58	470,912	695,761
Wages payable	274,060	285,744
	<b>\$ 1,629,901</b>	<b>\$ 1,670,505</b>

### 9. DEFERRED REVENUE

	March 31, 2015	Funding received, 2016	March 31, 2016
Highland Valley Copper	\$ 72,126	\$ 2,048	\$ 74,174

### 10. LONG-TERM DEBT

	2016	2015
Murray Chevrolet Buick GMC lease payable in monthly installments of \$637, including interest at 2.49% per annum; secured against the 2014 Sierra 1500 truck.	\$ -	\$ 31,352
Peace Hills Trust, payments of \$9,500 per month including interest at 5.0% per annum, maturing October 1, 2020, secured by assignment of taxation revenues.	-	444,099
Peace Hills Trust, payments of \$4,400 per month including interest at 5.0% per annum, maturing September 1, 2020, secured by assignment of taxation revenues.	-	203,602
Peace Hills Trust, payments of \$3,750 per month including interest at 5.0% per annum, maturing September 1, 2020, secured by assignment of taxation revenues.	-	172,482
All Nations Trust Company loans, due on demand and repayable in blended monthly installments of \$1,590 including interest at 9.3% per annum; secured by Kobelco Blade Runner; term due December 1, 2019.	59,125	91,916
GMC/Ally Credit loan, payment of \$953 per month including interest at 6.0% per annum, secured by the 2012 Dodge Ram.	-	28,134
GMC/Ally Credit loan, payment of \$528 per month including interest at 6.24% per annum, secured by the 2012 Chevy Traverse.	-	15,972
Royal Bank of Canada demand loan, payments of \$3,967 per month plus interest at 4.75% per annum, secured by the fire truck.	57,649	101,418

# LOWER NICOLA INDIAN BAND

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

### 10. LONG-TERM DEBT, continued

	2016 \$	2015 \$
GMC/Ally Credit loan, payment of \$499 per month including interest at 4.99% per annum, secured by a vehicle.	-	17,426
GMC/Ally Credit loan, payment of \$554 per month including interest at 2.55% per annum, secured by a vehicle.	-	555
All Nations Trust Company loan repayable in blended monthly installments of \$3,645.00 including interest at 1.65% per annum; secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada; term due April 1, 2017.	46,931	89,517
All Nations Trust Company loan repayable in blended monthly installments of \$2,196.00 including interest at 1.67% per annum; secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada; term due February 4, 2017.	23,961	49,684
All Nations Trust Company loan repayable in blended monthly installments of \$1,922.00 including interest at 2.11% per annum; secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada; term due September 1, 2023.	159,868	179,337
All Nations Trust Company loan repayable in blended monthly installments of \$2,133.00 including interest at 1.01% per annum; secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada; term due October 1, 2025.	233,768	254,961
All Nations Trust Company loan repayable in blended monthly installments of \$1,658.00 including interest at 2.11% per annum; secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada; term due November 1, 2023.	140,735	157,471
All Nations Trust Company loan repayable in blended monthly installments of \$1,326.00 including interest at 1.01% per annum; secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada; term due February 1, 2026.	150,151	163,246
All Nations Trust Company loan repayable in blended monthly installments of \$767.00 including interest at 1.01% per annum; secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada; term due November 1, 2025.	84,775	92,386
All Nations Trust Company loan repayable in blended monthly installments of \$967.00 including interest at 1.62% per annum; secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada; term due January 1, 2028.	124,894	134,390
All Nations Trust Company loan repayable in blended monthly installments of \$1,846.00 including interest at 1.67% per annum; secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada; term due April 1, 2028.	242,359	260,308
All Nations Trust Company loan repayable in blended monthly installments of \$2,651 including interest at 1.01% per annum; secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada; term due February 1, 2026.	300,041	326,209

# LOWER NICOLA INDIAN BAND

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

### 10. LONG-TERM DEBT, continued

	2016 \$	2015 \$
All Nations Trust Company loan repayable in blended monthly installments of \$2,684.00 including interest at 1.71% per annum; secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada; term due July 1, 2032.	<b>458,920</b>	483,067
All Nations Trust Company loan repayable in blended monthly installments of \$2,121.00 including interest at 1.98% per annum; secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada; term due May 1, 2039.	<b>454,833</b>	470,763
All Nations Trust Company loan repayable in blended monthly installments of \$2,664.00 including interest at 1.85% per annum; secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada; term due June 1, 2034.	<b>495,109</b>	517,704
	<b>\$ 3,033,119</b>	<b>\$ 4,285,999</b>

Principal portion of long-term debt due within the next five years:

2017	\$ 343,646
2018	225,960
2019	225,968
2020	229,688
2021 and thereafter	2,007,857
	<b>\$ 3,033,119</b>

# LOWER NICOLA INDIAN BAND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

### 11. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated amortization				2016 net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	
Buildings	\$ 14,312,002	\$ 950,748	\$ -	\$ 15,262,750	\$ 6,903,174	\$ 580,250	\$ -	\$ 7,779,326
Automotive equipment	1,319,843	321,036	28,263	1,669,142	837,359	84,583	28,263	950,205 718,937
Equipment	1,273,374	221,626	-	1,495,000	856,937	147,619	-	1,004,556 490,444
Fire Truck	505,321	-	-	505,321	364,129	23,532	-	387,661 117,660
Infrastructure	9,059,891	170,632	-	9,230,523	2,329,486	365,808	-	2,695,294 6,535,229
Social Housing	7,464,541	-	-	7,464,541	2,349,486	262,698	-	2,612,184 4,852,357
	\$ 33,934,972	\$ 1,664,042	\$ 28,263	\$ 35,627,277	\$ 13,640,571	\$ 1,464,490	\$ 28,263	\$ 15,133,324 \$ 20,493,953

	Cost			Accumulated amortization				2015 Net book value
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	
Buildings	\$ 14,143,120	\$ 168,882	\$ -	\$ 14,312,002	\$ 6,334,071	\$ 569,103	\$ -	\$ 7,408,828
Automotive equipment	1,394,312	701,133	(775,602)	1,319,843	965,713	100,229	(228,583)	837,359 482,484
Equipment	1,075,901	197,473	-	1,273,374	742,834	114,103	-	856,937 416,437
Fire Truck	505,321	-	-	505,321	340,596	23,533	-	364,129 141,192
Logging equipment	291,950	222,000	(513,950)	-	291,950	-	(291,950)	- -
Infrastructure	7,815,982	1,243,909	-	9,059,891	1,991,969	337,517	-	2,329,486 6,730,405
Social Housing	6,930,393	534,148	-	7,464,541	2,096,165	253,321	-	2,349,486 5,115,055
	\$ 32,156,979	\$ 3,067,545	\$ (1,289,552)	\$ 33,934,972	\$ 12,763,298	\$ 1,397,806	\$ (520,533)	\$ 13,640,571 \$ 20,294,401

# LOWER NICOLA INDIAN BAND

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

### 12. ACCUMULATED SURPLUS

	<b>2016</b>	<b>2015</b>
Unrestricted		
Operating Fund	\$ 8,204,902	\$ 7,701,131
Capital Fund	<u>15,524,822</u>	<u>14,072,388</u>
	<hr/> <b>23,729,724</b>	<hr/> <b>21,773,519</b>
Restricted		
Social Housing	2,992,536	2,889,648
Enterprise Fund	1,075,243	909,202
Ottawa Trust Fund	<u>593,179</u>	<u>578,361</u>
	<hr/> <b>4,660,958</b>	<hr/> <b>4,377,211</b>
	<hr/> <b>\$ 28,390,682</b>	<hr/> <b>\$ 26,150,730</b>

### 13. SEGMENTED INFORMATION

As previously discussed in note 1 (e) the First Nation conducts its business through reportable segments as follows:

The Band Programs department is responsible for administering projects the Band is involved in annually and on an on-going basis relating to the overall objectives of the First Nation and the development of stable, legitimate and accountable community governments. It also provides overall support of the First Nation including advisory services relating to financial management, band government, economic development, community services and technical services.

Education supports the members in expressing, preserving, developing and promoting its cultural heritage through the establishment and operation of First Nation education centres and programs, it also provides services for students at the elementary/secondary and post secondary level, including; instructional services both on and off reserve as well as support services such as transportation, accommodation, guidance and counselling.

Social Development provides assistance to community members unable to provide for themselves and their dependents. The services provided by this department include, but are not limited to, income assistance, child and family services, assisted living and early childhood development.

The Health department oversees the delivery of health programs and initiatives for the betterment of the lives of the members of the First Nation.

Job Creation supports the development of employment opportunities for members of the First Nation.

Capital Projects manages capital projects within the community undertaken to support the growth and/or maintenance of the First Nation's infrastructure.

Social Housing is responsible for the administration and management of Social Housing units.

Other operations include Capital Fund, Ottawa Trust Fund and Enterprise Fund transactions.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

# LOWER NICOLA INDIAN BAND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

### 13. SEGMENTED INFORMATION, continued

	Band Programs		Education		Social Development				
	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual
<b>Revenues</b>									
Indigenous and Northern Affairs Canada	\$ 705,822	\$ 706,808	\$ 676,139	\$ 2,615,783	\$ 2,643,146	\$ 2,618,635	\$ 1,384,260	\$ 1,247,178	\$ 1,409,300
Administration fee	257,000	279,054	245,207	-	7,718	15,395	-	-	-
First Nations Health Authority	-	-	-	110,268	110,268	104,517	-	-	-
Property tax assessed	1,398,037	1,406,921	1,395,470	-	-	-	-	-	-
Royalties	1,276,939	1,100,000	1,200,000	-	-	-	-	-	-
Rental	395,000	372,488	368,123	8,400	9,050	9,317	-	-	-
Other revenue	296,500	494,188	256,268	576,167	754,285	660,591	2,400	600	1,075
<b>Total revenue</b>	<b>4,329,298</b>	<b>4,359,459</b>	<b>4,141,207</b>	<b>3,310,618</b>	<b>3,524,467</b>	<b>3,408,455</b>	<b>1,386,660</b>	<b>1,247,778</b>	<b>1,410,375</b>
<b>Expenses</b>									
Contractors	138,000	108,174	24,709	12,000	46,571	19,454	57,697	1,351	9,934
Loan payments	892,542	893,118	266,030	-	-	-	-	-	-
Professional fees	622,515	591,675	577,533	10,500	5,236	9,479	-	-	-
Tangible capital asset acquisition	30,500	20,931	71,665	286,554	563,534	317,330	-	-	-
Travel	33,000	60,416	27,303	24,396	34,639	25,183	4,700	8,561	1,134
Utilities and telephone	102,900	137,912	114,186	69,350	75,413	72,064	123,283	114,380	140,769
Wages and benefits	874,020	932,267	728,218	902,255	935,881	835,387	291,276	208,618	257,002
Other expenses	858,045	1,274,452	922,596	1,842,626	2,029,443	1,691,392	1,019,550	1,120,753	1,052,449
<b>Total expenses</b>	<b>3,551,522</b>	<b>4,018,945</b>	<b>2,732,240</b>	<b>3,147,681</b>	<b>3,690,717</b>	<b>2,970,289</b>	<b>1,496,506</b>	<b>1,453,663</b>	<b>1,461,288</b>
<b>Annual surplus (deficit)</b>	<b>\$ 777,776</b>	<b>\$ 340,514</b>	<b>\$ 1,408,967</b>	<b>\$ 162,937</b>	<b>\$ (166,250)</b>	<b>\$ 438,166</b>	<b>\$ (109,846)</b>	<b>\$ (205,885)</b>	<b>\$ (50,913)</b>

# LOWER NICOLA INDIAN BAND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

### 13. SEGMENTED INFORMATION, continued

	2016 Budget	Health		2016 Budget	Job Creation		2016 Budget	Capital	
		2016 Actual	2015 Actual		2016 Actual	2015 Actual		2016 Actual	2015 Actual
<b>Revenues</b>									
Indigenous and Northern Affairs Canada	\$ -	\$ -	\$ -	\$ 277,969	\$ 277,969	\$ 74,936	\$ 469,713	\$ 468,728	\$ 435,881
Administration fee	-	31,114	-	-	61,105	-	115,000	155,074	57,407
BC Hydro	-	-	-	850,000	850,000	1,450,883	-	-	-
Canada Mortgage and Housing Corporation	-	-	-	-	-	-	-	-	54,380
First Nations Health Authority	980,400	992,333	971,896	-	-	-	-	-	-
Rental	-	-	-	8,500	-	-	80,000	81,616	84,816
Other revenue	-	-	-	2,022,253	2,524,078	730,920	-	70	577,328
<b>Total revenue</b>	<b>980,400</b>	<b>1,023,447</b>	<b>971,896</b>	<b>3,158,722</b>	<b>3,713,152</b>	<b>2,256,739</b>	<b>664,713</b>	<b>705,488</b>	<b>1,209,812</b>
<b>Expenses</b>									
Contractors	20,000	32,743	7,220	415,000	230,602	7,350	127,779	147,374	134,748
Loan payments	6,600	554	5,541	6,000	500	2,499	-	-	-
Professional fees	-	-	450	430,360	1,002,062	631,621	800	35,086	43,154
Tangible capital asset acquisition	28,400	19,745	27,926	28,000	470,810	11,151	910,000	73,468	400,116
Travel	70,211	72,578	74,563	45,000	72,618	77,571	10,000	10,959	17,664
Utilities and telephone	24,380	31,101	29,529	11,200	7,950	2,839	106,407	115,221	108,594
Wages and benefits	434,692	509,462	420,897	527,885	499,603	328,342	357,908	391,562	353,277
Other expenses	245,522	205,294	200,746	169,860	151,153	32,992	413,583	708,791	548,620
<b>Total expenses</b>	<b>829,805</b>	<b>871,477</b>	<b>766,872</b>	<b>1,633,305</b>	<b>2,435,298</b>	<b>1,094,365</b>	<b>1,926,477</b>	<b>1,482,461</b>	<b>1,606,173</b>
<b>Other items</b>	<b>150,595</b>	<b>151,970</b>	<b>205,024</b>	<b>1,525,417</b>	<b>1,277,854</b>	<b>1,162,374</b>	<b>(1,261,764)</b>	<b>(776,973)</b>	<b>(396,361)</b>
<b>Annual surplus (deficit)</b>	<b>\$ 150,595</b>	<b>\$ 151,970</b>	<b>\$ 205,024</b>	<b>\$ 1,525,417</b>	<b>\$ 1,277,854</b>	<b>\$ 1,162,374</b>	<b>\$ (1,261,764)</b>	<b>\$ (776,973)</b>	<b>\$ (262,340)</b>

# LOWER NICOLA INDIAN BAND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

### 13. SEGMENTED INFORMATION, continued

	Social Housing		Capital Fund		Enterprise Fund				
	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual
<b>Revenues</b>									
Administration fee	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Canada Mortgage and Housing Corporation	219,771	212,332	211,775	-	-	-	-	-	-
Rental	429,660	427,795	410,780	-	-	-	-	-	-
Other revenue	-	17,385	17,570	-	-	-	-	48,582	551,514
<b>Total revenue</b>	<b>649,931</b>	<b>657,512</b>	<b>640,125</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,582</b>	<b>551,514</b>
<b>Expenses</b>									
Amortization	-	262,698	253,321	-	1,258,318	1,144,482	-	-	-
Loan payments	267,630	262,698	253,321	-	-	-	-	-	-
Professional fees	6,500	5,000	8,215	-	-	-	-	-	-
Utilities and telephone	6,500	6,500	14,500	-	-	-	-	-	-
Other expenses	270,078	280,426	275,961	-	-	348,155	-	-	-
<b>Total expenses</b>	<b>550,708</b>	<b>817,322</b>	<b>805,318</b>	<b>-</b>	<b>1,258,318</b>	<b>1,492,637</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other items	99,223	(159,810)	(165,193)	-	(1,258,318)	(1,492,637)	-	48,582	551,514
<b>Annual surplus (deficit)</b>	<b>\$ 99,223</b>	<b>\$ 102,888</b>	<b>\$ 139,323</b>	<b>-</b>	<b>\$ 1,452,434</b>	<b>\$ 736,718</b>	<b>-</b>	<b>\$ 48,582</b>	<b>\$ 551,514</b>

# LOWER NICOLA INDIAN BAND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

### 13. SEGMENTED INFORMATION, continued

	Ottawa Trust Fund			Consolidated totals		
	2016 Budget	2016 Actual	2015 Actual	2016 Budget	2016 Actual	2015 Actual
<b>Revenues</b>						
Indigenous and Northern Affairs Canada	\$ -	\$ -	\$ -	\$ 5,453,547	\$ 5,343,829	\$ 5,214,890
Administration fee	-	-	-	372,500	534,065	318,009
BC Hydro	-	-	-	850,000	850,000	1,450,883
Canada Mortgage and Housing Corporation	-	-	-	219,771	212,332	266,155
First Nations Health Authority	-	-	-	1,090,668	1,102,601	1,076,413
Property tax assessed	-	-	-	1,398,037	1,406,921	1,395,470
Royalties	-	-	-	1,276,939	1,100,000	1,200,000
Rental	-	-	-	921,560	890,949	873,036
Other revenue	-	14,818	16,405	2,897,320	3,854,006	2,811,671
<b>Total revenue</b>	<b>-</b>	<b>14,818</b>	<b>16,405</b>	<b>14,480,342</b>	<b>15,294,703</b>	<b>14,606,527</b>
<b>Expenses</b>						
Amortization	-	-	-	-	1,521,016	1,397,803
Contractors	-	-	-	770,476	566,815	203,415
Loan payments	-	-	-	1,172,772	1,156,870	527,391
Professional fees	-	-	-	1,070,675	1,639,059	1,270,452
Tangible capital asset acquisition	-	-	-	1,283,454	1,148,488	828,188
Travel	-	-	-	187,307	259,771	223,418
Utilities and telephone	-	-	-	444,020	488,477	482,481
Wages and benefits	-	-	-	3,388,036	3,477,393	2,923,123
Other expenses	-	-	-	4,819,264	5,770,312	5,072,911
<b>Total expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,136,004</b>	<b>16,028,201</b>	<b>12,929,182</b>
<b>Other items</b>	<b>-</b>	<b>14,818</b>	<b>16,405</b>	<b>1,344,338</b>	<b>(733,498)</b>	<b>1,677,346</b>
<b>Annual surplus (deficit)</b>	<b>\$ -</b>	<b>\$ 14,818</b>	<b>\$ 16,405</b>	<b>\$ 1,344,338</b>	<b>\$ 2,239,952</b>	<b>\$ 4,345,235</b>

# **LOWER NICOLA INDIAN BAND**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** **MARCH 31, 2016**

### **14. CONTINGENT LIABILITIES**

#### **a) Indigenous and Northern Affairs Canada**

Under the terms of the contribution agreements with Indigenous and Northern Affairs Canada and other governmental departments, certain surpluses may be repayable to the government and certain deficits may be reimbursable to the Band.

#### **b) Loan Guarantee**

A Government of Canada Ministerial Guarantee has been obtained for loans to certain band members. If these loans default, the Minister may recover the outstanding amounts from the Lower Nicola Indian Band.

The band has guaranteed loans totalling \$80,651.

#### **c) Legal Claim**

The Lower Nicola Indian Band was named as a defendant in a legal suit brought by a third party. Contingent liabilities, if any, are undeterminable at this time and no provisions have been made in these financial statements for any costs related to the suit.

### **15. COMPARATIVE AMOUNTS**

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period.