

LHTAKO DENE NATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

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CHARTERED PROFESSIONAL ACCOUNTANTS LLP

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Partner

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Partner

*Denotes incorporated professional

INDEPENDENT AUDITOR'S REPORT

To the Members,
Lhtako Dene Nation,

We have audited the accompanying financial statements of the **Lhtako Dene Nation**, which comprise the Statement of Financial Position as at March 31, 2016 and the Statements of Changes in Net Financial Assets, Operations, and Cash Flows for the year then ended, and notes comprising 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 risk 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, these financial statements present fairly, in all material respects, the financial position of the **Lhtako Dene Nation** as at March 31, 2016, and the results of its changes in net financial assets, operations, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

FBB Chartered Professional Accountants LLP
FBB Chartered Professional Accountants LLP

Quesnel, British Columbia
June 28, 2016

LHTAKO DENE NATION

2.

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash (note 4)	\$ 493,402	\$ 392,960
Cash restricted as to use (note 5)	126,010	115,953
Accounts receivable (note 6)	159,810	166,755
Trust funds held by Canada (note 7)	848,217	805,928
Investment in Castle Mountain Hydro Ltd. (note 8)	<u>250,000</u>	<u>250,000</u>
	<u>1,877,439</u>	<u>1,731,596</u>
LIABILITIES		
Bank advances (note 9)	250,000	250,000
Accounts payable and accrued liabilities (note 10)	162,215	104,176
Deferred revenue (note 11)	94,457	123,451
Forgivable loans (note 12)	11,108	23,000
Provision for silviculture responsibility	250,000	250,000
Long term debt (note 13)	<u>219,730</u>	<u>290,426</u>
	<u>987,510</u>	<u>1,041,053</u>
NET FINANCIAL ASSETS	<u>889,929</u>	<u>690,543</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 14)	1,837,904	1,977,785
Prepaid expenses	<u>9,149</u>	<u>23,104</u>
	<u>1,847,053</u>	<u>2,000,889</u>
MEMBERS' EQUITY	<u>\$ 2,736,982</u>	<u>\$ 2,691,432</u>
MEMBERS' EQUITY		
Unrestricted (note 15) - page 4.1	\$ 2,587,180	\$ 2,542,087
Replacement reserve (note 16)	<u>149,802</u>	<u>149,345</u>
	<u>\$ 2,736,982</u>	<u>\$ 2,691,432</u>

Approved on Behalf of the Lhtako Dene Nation



Chief



Councillor

See accompanying notes.

LHTAKO DENE NATION

3.

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED MARCH 31, 2016

		Budget				
		<u>2016</u>	<u>2016</u>		<u>2015</u>	
		(unaudited)				
NET REVENUE FOR THE YEAR	\$	(22,680)	\$	45,093	\$	66,161
Amortization		139,881		139,881		140,573
Net contribution by replacement reserve		-		457		7,258
Change in prepaid expenses		-		13,955		(5,652)
Tangible capital asset acquisitions		—		—		—
INCREASE IN NET FINANCIAL ASSETS		117,201		199,386		208,340
NET FINANCIAL ASSETS - Beginning of year		<u>690,543</u>		<u>690,543</u>		<u>624,572</u>
NET FINANCIAL ASSETS - End of year	\$	<u>807,744</u>	\$	<u>889,929</u>	\$	<u>690,543</u>

See accompanying notes.

LHTAKO DENE NATION

4.1

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2016

	Budget <u>2016</u> (unaudited)	<u>2016</u>	<u>2015</u>
REVENUES - page 4.2	\$ 1,527,349	\$ 1,743,881	\$ 1,600,503
DEFERRED REVENUE FROM PRIOR YEAR	-	123,451	95,193
DEFERRED REVENUE TO FOLLOWING YEAR	<u>-</u>	<u>(94,457)</u>	<u>(123,451)</u>
	1,527,349	1,772,875	1,572,245
EXPENSES - page 4.2	<u>1,550,029</u>	<u>1,703,370</u>	<u>1,460,005</u>
NET REVENUE BEFORE THE FOLLOWING	<u>(22,680)</u>	<u>69,505</u>	<u>112,240</u>
OTHER INCOME (EXPENSES)			
Recovery by INAC	-	(24,412)	(27,657)
Recovery by Health Canada	<u>-</u>	<u>-</u>	<u>(18,422)</u>
	<u>-</u>	<u>(24,412)</u>	<u>(46,079)</u>
NET REVENUE FOR THE YEAR	<u>(22,680)</u>	<u>45,093</u>	<u>66,161</u>
MEMBERS' EQUITY - Beginning of year	2,684,456	2,684,456	2,608,295
PRIOR YEAR ADJUSTMENT			
Silviculture responsibility (note 22)	(142,369)	(142,369)	(142,369)
Correction of bank advances misstatement	<u>-</u>	<u>-</u>	<u>10,000</u>
MEMBERS' EQUITY - As restated - Beginning of year	<u>2,542,087</u>	<u>2,542,087</u>	<u>2,475,926</u>
MEMBERS' EQUITY - End of year - to page 2	\$ <u>2,519,407</u>	\$ <u>2,587,180</u>	\$ <u>2,542,087</u>

See accompanying notes.

LHTAKO DENE NATION

4.2

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2016

		Budget		
		<u>2016</u>	<u>2016</u>	<u>2015</u>
		(unaudited)		
REVENUES				
Federal Government				
INAC - Operating	\$ 673,657	\$ 673,657	\$ 700,007	
INAC - Capital	104,503	104,503	35,374	
First Nations Health Authority	237,938	237,938	194,225	
CMHC	11,892	66,557	32,291	
CCATEC	30,000	27,280	38,748	
Government of Canada	-	24,300	-	
Fisheries	9,500	9,500	4,500	
Province of British Columbia	398,609	398,609	259,700	
Forestry	-	4,366	97,021	
Rentals	12,000	64,702	65,937	
CH2M Hill Energy	-	-	50,255	
Referral fees	-	36,350	-	
FNESC	5,000	4,143	2,840	
West Fraser Mills Ltd.	25,000	25,000	25,000	
Interest	8,000	24,528	27,925	
College of New Caledonia	-	-	18,463	
First Nations Tax Commission	-	5,000	-	
New Relationships Trust	-	1,600	9,000	
Other	<u>11,250</u>	<u>35,848</u>	<u>39,217</u>	
TOTAL REVENUES - to page 4.1	\$ 1,527,349	\$ 1,743,881	\$ 1,600,503	
EXPENSES				
Administration	\$ 453,853	\$ 417,282	\$ 408,209	
Amortization	-	139,881	140,573	
Capital projects	138,125	150,050	7,146	
Education	87,895	83,599	81,029	
Health and well-being	237,938	262,028	156,660	
Social housing	-	48,326	51,054	
Natural resources	135,932	97,416	116,817	
Public works	78,516	94,710	89,707	
Social development	<u>417,770</u>	<u>410,078</u>	<u>408,810</u>	
TOTAL EXPENSES - to page 4.1	\$ 1,550,029	\$ 1,703,370	\$ 1,460,005	

See accompanying notes.

LHTAKO DENE NATION

5.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net revenue for the year	\$ 45,093	\$ 66,161
Item not involving cash:		
Amortization	139,881	140,573
Changes in non-cash operating items:		
Increase in replacement reserve	457	7,258
(Increase) decrease in cash restricted as to use	(10,057)	22
(Increase) decrease in accounts receivable	6,945	(83,753)
Increase (decrease) in deferred revenue	(28,994)	28,258
Increase (decrease) in accounts payable and accrued liabilities	58,039	(24,163)
(Increase) decrease in prepaid expenses	<u>13,955</u>	<u>(5,652)</u>
	<u>225,319</u>	<u>128,704</u>
Cash flows from (used in) investing activities:		
Decrease (increase) in trust funds held by Canada	(42,289)	55,023
Purchase of Investment in Castle Mountain		
Hydro Ltd.	<u>—</u>	<u>(250,000)</u>
	<u>(42,289)</u>	<u>(194,977)</u>
Cash flows from (used in) financing activities:		
Increase in bank advances	—	185,305
Decrease in forgivable loans	(11,892)	(11,860)
Repayment of long term debt	<u>(70,696)</u>	<u>(66,101)</u>
	<u>(82,588)</u>	<u>107,344</u>
INCREASE IN CASH	100,442	41,071
CASH - Beginning of year	<u>392,960</u>	<u>351,889</u>
CASH - End of year	\$ <u>493,402</u>	\$ <u>392,960</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

1. PURPOSE

The Lhtako Dene Nation (the "Nation"), also known as the Red Bluff Indian Band, is an Indian Band of the Carrier Nation located in the Cariboo Region of British Columbia.

2. BASIS OF PRESENTATION

In order to satisfy the requirements of the year-end reporting handbook of Indigenous and Northern Affairs Canada (INAC) these financial statements have been prepared in accordance with Canadian public sector accounting standards, as defined in the Canadian Chartered Professional Accountants Public Sector Accounting Handbook, which encompasses the following:

- a. The focus of PSAB statements is on the financial position of the Lhtako Dene Nation and the changes thereto. The Statement of Financial Position includes all the assets and liabilities of the Nation. Financial assets are economic resources controlled by the Nation as a result of past transactions from which future economic benefits may be obtained. Liabilities are present obligations of the Nation to others arising from past transactions, the settlement of which is expected to result in the future sacrifice of economic benefits.
- b. Fund Accounting

The Lhtako Dene Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the financial statements. Details of the operation of each fund are set out in the supplementary schedules. The Nation maintains the following funds:

- The Operations Fund which reports the general activities of the Nation.
- The Capital Fund which reports the capital projects of the Nation together with their related financing, other than those capital projects funded by Canada Mortgage and Housing Canada (CMHC).
- The Trust Fund which reports on the trust funds owned by the Nation and held by third parties.
- The CMHC Housing Fund which reports assets, liabilities, revenues, expenses and reserves specifically related to housing funded by CMHC.

c. Reporting Entity and Principles of Financial Reporting

The Lhtako Dene Nation reporting entity includes the Nation Government and all related entities which are accountable to the Nation Chief and Council and are either owned or controlled by the Nation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

2. BASIS OF PRESENTATION (continued)

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

- Nation government administration (operating and capital funds)
- Nation Trust Fund (comprising the Trust Funds Held by Canada)
- Nation CMHC Housing Fund

3. SIGNIFICANT ACCOUNTING POLICIES

a. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand less outstanding cheques and deposits. When outstanding cheques are in excess of cash on hand, the excess is reported in bank indebtedness.

b. Investments

Investments are reflected at cost.

c. Tangible Capital Assets

Tangible capital assets are non-financial assets having physical substance that:

- Are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible assets;
- Have useful economic lives extending beyond an accounting period;
- Are to be used on a continuing basis; and
- Are not for sale in the ordinary course of operations.

Tangible capital assets purchased are recorded at cost. Tangible capital assets contributed are recorded at their fair market value as at the date of contribution.

Tangible capital assets are amortized over their expected useful life using the declining balance method at the following rates:

Buildings	4%
Community infrastructures	4%
Computer equipment	30%
Automotive equipment	30%
Office furniture and equipment	20%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Tangible Capital Assets (continued)

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Nation'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 statement of operations.

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.

d. Amortization - CMHC Social Housing

Social Housing assets acquired under Canada Mortgage and Housing Corporation sponsored housing programs are amortized at a rate equivalent to the annual principal reduction in related long-term debt, as required for CMHC reporting purposes.

e. Deferred Revenue

The Nation records committed surpluses in the capital fund to be used in the completion of ongoing capital projects as deferred revenue.

f. Surplus Recoveries and Deficit Funding

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

g. Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that give 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 impractical.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Revenue Recognition (continued)

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 in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

h. Measurement Uncertainty

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 revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the impairment of assets, and rates for depreciation and amortization. Actual results could differ from those estimates.

4. CASH 2016 2015

Cash includes the following:

Unrestricted operating accounts:

Operations	\$	444,844	\$	360,904
CMHC		<u>48,558</u>		<u>32,056</u>
	\$	<u>493,402</u>	\$	<u>392,960</u>

5. RESTRICTED CASH

CMHC Replacement Reserve	\$	10,898	\$	422
Silviculture responsibility deposits		<u>115,112</u>		<u>115,531</u>
	\$	<u>126,010</u>	\$	<u>115,953</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

5. RESTRICTED CASH (continued)

Under the terms of the Nation's Social Housing Agreement with CMHC, a separate replacement reserve account is maintained. The funds in this account may only be used for repairs and maintenance in accordance with the operating agreement.

6. ACCOUNTS RECEIVABLE		<u>2016</u>	<u>2015</u>
Nation members	\$ 22,607	\$ 22,527	
Geronimo Squinas	<u>64,186</u>	<u>64,186</u>	
	<u>86,793</u>	<u>86,713</u>	
Others:			
Federal Government:			
Government of Canada	24,300	-	
CMHC	625	5,684	
INAC	-	76,994	
CCATEC	6,706	6,500	
Craig Buchan	177,338	177,338	
Bruce Clement	30,000	30,000	
Dene Development	10,000	10,000	
All Other	<u>65,972</u>	<u>15,450</u>	
	<u>314,914</u>	<u>321,966</u>	
	401,734	408,679	
Allowance for doubtful accounts	<u>241,924</u>	<u>241,924</u>	
	\$ <u>159,810</u>	\$ <u>166,755</u>	

7. TRUST FUNDS HELD BY CANADA

Revenue	\$ 188,118	\$ 145,829
Capital	<u>660,099</u>	<u>660,099</u>
	\$ <u>848,217</u>	\$ <u>805,928</u>

The Ottawa Trust Accounts arise from monies 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 governed primarily by Sections 63 and 69 of the *Indian Act*.

Funds on deposit in the Ottawa Trust Accounts may be withdrawn by Nation Council Resolution.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

		<u>2016</u>	<u>2015</u>
8.	Investment in Castle Mountain Hydro Ltd.		
	Cost	\$ <u>250,000</u>	\$ <u>250,000</u>
<p>The Nation owns 25 Class A shares, 250 Class F share and 500 Class H shares in the share capital of Castle Mountain Hydro Ltd. This represents a 2.5 % equity interest.</p>			
<p>The Nation is a signatory to the shareholders' agreement in force.</p>			
9.	BANK ADVANCES	<u>2016</u>	<u>2015</u>
	Demand loan	\$ <u>250,000</u>	\$ <u>250,000</u>
<p>The Nation has a revolving line of credit with the Royal Bank of Canada with an authorized limit of \$100,000. Outstanding advances on the line of credit bear interest at prime plus 1.5%. The Nation has provided a general security agreement as security.</p>			
<p>The demand loan, used to acquire the Nation's investment in Castle Mountain Hydro Ltd., bears interest at 4.33%. The loan is secured by assignment of guaranteed investment certificates owned by the Nation.</p>			
10.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	<u>2016</u>	<u>2015</u>
	INAC	\$ <u>3,113</u>	\$ <u>33,392</u>
	Trade accounts	\$ <u>107,344</u>	\$ <u>9,718</u>
	Carrier Chilcotin Tribal Council	\$ <u>27,096</u>	\$ <u>27,096</u>
	Accrued payrolls	\$ <u>6,662</u>	\$ <u>15,970</u>
	Accrued accounts	\$ <u>18,000</u>	\$ <u>18,000</u>
		\$ <u>162,215</u>	\$ <u>104,176</u>

LHTAKO DENE NATION

6.7

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

	DEFERRED REVENUE		2016		2015
	Sewage collection Dragon Lake	\$	71,249	\$	71,249
	Housing approach		12,600		12,600
	Unearned rent - Band		4,478		4,478
	Category 2 mould renovation project		1,092		1,092
	Mould remediation, CPMS 10911		-		25,345
	Drainage and water systems		5,038		8,277
	ACRS Group 2		<u>-</u>		<u>410</u>
		\$	<u>94,457</u>	\$	<u>123,451</u>
12.	FORGIVABLE LOANS				
	CMHC RRAP	\$	<u>11,108</u>	\$	<u>23,000</u>
	In a previous year the Nation received loans under the CMHC Critical Repairs Program. The loans are forgivable over the remainder of their five year term.				
	Amounts forgivable are as follows:				
	2017		9,563		
	2018		<u>1,545</u>		
		\$	<u>11,108</u>		
13.	LONG-TERM DEBT			2016	
	Royal Bank of Canada				2015
	Mortgage repayable in monthly instalments of \$3,611 including interest at 2.28% per annum, secured by certain assets and a Government of Canada ministerial guarantee, due to renew December 1, 2017	\$	70,795	\$	112,006
	Mortgage repayable in monthly instalments of \$2,076 including interest at 2.57% per annum, secured by certain assets, due to renew February 1, 2018		<u>99,946</u>		<u>121,979</u>
	Carried forward	\$	<u>170,741</u>	\$	<u>223,985</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

13.	LONG-TERM DEBT (continued)		<u>2016</u>	<u>2015</u>
	Brought forward	\$ 170,741	\$ 223,985	
	Demand loan repayable in monthly instalments of \$546 including interest at 2.72%, due to renew December 1, 2017	46,683	51,898	
	Mortgage repayable in monthly instalments of \$196 including interest at 3.14% per annum, secured by certain assets and a Government of Canada ministerial guarantee	<u>2,306</u>	<u>4,543</u>	
		\$ <u>219,730</u>	\$ <u>290,426</u>	

Principal repayments due in each of the next five years are scheduled as follows:

2017	\$ 72,388
2018	57,372
2019	29,482
2020	30,227
2021	11,953
Thereafter	<u>18,308</u>
	\$ <u>219,730</u>

14. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			<u>2016</u>	<u>2015</u>
Buildings and infrastructure	\$ 3,038,509	\$ 1,404,594	\$ 1,633,915	\$ 1,701,995
Equipment	132,326	100,450	31,876	39,846
Computer equipment	31,241	29,869	1,372	1,959
CMHC housing	<u>893,453</u>	<u>722,712</u>	<u>170,741</u>	<u>233,985</u>
	\$ <u>4,095,529</u>	\$ <u>2,257,625</u>	\$ <u>1,837,904</u>	\$ <u>1,977,785</u>

During the year ended March 31, 2016 the Nation made no tangible capital asset purchases (2015 - NIL).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

14. TANGIBLE CAPITAL ASSETS (continued)

There were no write-downs of tangible capital assets during the year ended March 31, 2016 (2015 - NIL).

DETAILS OF ACCUMULATED AMORTIZATION:	Balance as at April 1, 2015	2016 Provision	Balance as at March 31, 2016
Buildings and infrastructure	\$ 1,336,513	\$ 68,081	\$ 1,404,594
Equipment	92,481	7,969	100,450
Computer equipment	29,282	587	29,869
CMHC housing	<u>659,468</u>	<u>63,244</u>	<u>722,712</u>
	<u>\$ 2,117,744</u>	<u>\$ 139,881</u>	<u>\$ 2,257,625</u>

15. MEMBERS' EQUITY

	2016	2015
Operations Fund	\$ 2,122,665	\$ 2,089,445
Capital Fund	(50,225)	(19,809)
Investment Fund	3,393	3,393
Trust Fund	848,217	805,928
CMHC Housing Fund	<u>(336,870)</u>	<u>(336,870)</u>
	<u>\$ 2,587,180</u>	<u>\$ 2,542,087</u>

16. REPLACEMENT RESERVE

Balance	\$ <u>149,802</u>	\$ <u>149,345</u>
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Under the terms of the Nation's Housing agreement with CMHC, a separate replacement reserve account is to be maintained. The funds in this account may only be used for repairs and maintenance as approved by CMHC. As at March 31, 2016, the Nation had unfunded reserves of \$138,904 (2015 - \$148,923), and is in technical default of its agreement with CMHC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

17. CONTINGENT LIABILITIES

Government Funded Programs

Under the terms of agreements with Indigenous and Northern Affairs Canada and other government agencies, certain surpluses may be recoverable and therefore repayable to the government. Other than funding repayable amounts already recorded in these financial statements, the amount of additional liability, if any, of the Nation is not determinable at this time.

Membership Loan Guarantee

The Nation has also guaranteed the housing program loans with CMHC, aggregating \$170,741 as at March 31, 2016.

18. ECONOMIC DEPENDENCE

The Nation receives a significant portion of its revenues pursuant to a funding arrangement with Indigenous and Northern Affairs Canada. The Nation's ability to continue operations would be severely hampered should this funding be discontinued.

19. RECONCILIATION OF INAC FUNDING AGREEMENT REVENUE

Pursuant to the requirements prescribed by the Indigenous and Northern Affairs Canada Year-End Reporting Handbook for First Nations, Tribal Councils and First Nation Political Organizations, the following reconciliation has been prepared:

Recipient total as per 2015/2016 INAC funding confirmation	\$	<u>778,160</u>
INAC revenue reported on Statement of Operations		
Operating	\$	673,657
Capital		<u>104,503</u>
	\$	<u>778,160</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Nation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Nation's risk exposure and concentration as of March 31, 2016.

The Nation's financial instruments consist of cash, cash restricted as to use, accounts receivable, trust funds held by Canada, bank advances, accounts payable and accrued liabilities and long term debt. Unless otherwise noted, it is management's opinion that the Nation is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The Nation is exposed to financial risk that arises from the credit quality of the entities to which it provides services and the potential that a counter party will fail to perform its obligation. The Nation is exposed to credit risk from tenants. An allowance for doubtful accounts is established based upon factors surrounding the credit of specific accounts, historical trends and other information. Credit risk arises from the possibility that the entities to which the Nation provided services may experience financial difficulty and be unable to fulfil their obligations. The Nation has a number of tenants which minimizes the concentration of credit risk.

21. EXPENSES BY OBJECT

		<u>2016</u>	<u>2015</u>
Salaries, wages and benefits	\$ 206,177	\$ 197,057	
Materials and supplies	108,207	94,794	
Contracted services	568,329	459,805	
Rent, maintenance and utilities	83,983	45,259	
Honoraria	102,400	96,950	
Insurance	27,515	19,668	
Tuition	78,142	51,090	
Interest	26,184	23,852	
Amortization	139,881	140,573	
Travel	74,479	51,009	
Social assistance	287,859	276,398	
All other service delivery costs	<u>214</u>	<u>3,550</u>	
	<u>\$ 1,703,370</u>	<u>\$ 1,460,005</u>	

22. Prior Year Adjustment

The Nation has retroactively increased its Provision for silviculture responsibility to reflect more accurately its estimated liability. The liability, estimated by an independent professional, was incurred well before the year ended March 31, 2014.