# NAZKO FIRST NATION

## CONSOLIDATED FINANCIAL STATEMENTS

## YEAR ENDED MARCH 31, 2016

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Nazko First Nation
"Building Our Future"
P.O. Box 4129, Quesnel, British Columbia V2J 3J2 • Phone (250) 992-9085 Fax (250) 992-7982

## MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Nazko First Nation 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 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 control to provide reasonable assurance that reliable financial information is produced.

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

The Chief and Council meet 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 auditors' report.

The external auditors, Brent Bursey & Company Inc., Chartered Professional Accountants, 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 the financial management of Nazko First Nation and meet when required.

On behalf of Nazko First Nation:

Stuart D Alec
Chief

Delores Alec
Councillor

Councillor

**BRENT BURSEY & COMPANY INC.**
*Chartered Professional Accountants*

1888 Third Avenue
Prince George, BC V2M 1G4
Phone (250) 562-4411
Email admin@bbca.ca

# INDEPENDENT AUDITORS' REPORT

To the Members of Nazko First Nation:

We have audited the accompanying consolidated financial statements of Nazko First Nation, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations, changes in net debt, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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 auditors' judgement, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

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

Brent Bursey & Company Inc.

Chartered Professional Accountants
February 1, 2017
Prince George, British Columbia

# NAZKO FIRST NATION
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## MARCH 31, 2016

| | 2016 | 2015 |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| Cash | $ 73,458 | $ 94,006 |
| Accounts receivable (Note 2) | 394,639 | 113,805 |
| Restricted cash (Note 3) | 89,061 | 150,609 |
| Loan receivable (Note 4) | 100,350 | 100,350 |
| Investments in government business entities (Note 5) | 675,551 | - |
| Ottawa trust assets (Note 6) | 15,883 | 14,690 |
| | 1,348,942 | 473,460 |
| **LIABILITIES** | | |
| Bank indebtedness (Note 7) | 280,468 | 357,132 |
| Term demand loans (Note 8) | 1,682,380 | 642,264 |
| Accounts payable and accrued liabilities (Note 9) | 556,761 | 517,856 |
| Deferred revenue (Note 10) | 11,910 | 25,080 |
| Investments in government business entities (Note 5) | - | 251,856 |
| Long-term debt (Note 11) | 691,879 | 734,801 |
| Treaty loan (Note 12) | 6,295,884 | 6,295,884 |
| Obligations under capital leases (Note 13) | 10,361 | 13,157 |
| Fund reserves (Note 3) | 96,800 | 95,356 |
| | 9,626,443 | 8,933,386 |
| **NET DEBT** | (8,277,501) | (8,459,926) |
| **NON-FINANCIAL ASSETS** | | |
| Tangible capital assets (Note 14) | 8,338,337 | 8,711,812 |
| Prepaid expenditure | 57,618 | 85,150 |
| | 8,395,955 | 8,796,962 |
| **ACCUMULATED SURPLUS** | $ 118,454 | $ 337,036 |

**CONTINGENT LIABILITIES** (Note 15)

Approved on behalf of Nazko First Nation:

Delores Alec
Councillor

Stuart J Alec
Chief

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Councillor

The accompanying notes are an integral part of these consolidated financial statements.

# NAZKO FIRST NATION
## CONSOLIDATED STATEMENT OF OPERATIONS
## YEAR ENDED MARCH 31, 2016

| | Budget | 2016 | 2015 |
|---|---|---|---|
| **REVENUE** | | | |
| Indigenous and Northern Affairs Canada | $ 1,295,146 | $ **1,366,067** | $ 1,293,275 |
| First Nations Health Authority | 721,915 | **720,736** | 721,590 |
| Canada Mortgage and Housing Corporation | - | **31,050** | 31,050 |
| Other federal government | 4,500 | **5,000** | 4,500 |
| Province of British Columbia | 607,442 | **607,442** | 265,602 |
| Interest, rent and other | 208,705 | **508,989** | 373,772 |
| Ottawa trust funds | - | **1,193** | 1,227 |
| Income from investments in government business entities | - | **104,092** | 79,249 |
| | 2,837,708 | **3,344,569** | 2,770,265 |
| **EXPENDITURE** | | | |
| Economic development | 466,485 | **133,546** | 93,055 |
| Education | 235,533 | **270,734** | 316,937 |
| Employment and training | 31,372 | **33,055** | 31,655 |
| Government development and administration | 328,720 | **524,890** | 661,543 |
| Health services | 780,232 | **810,680** | 735,391 |
| Housing | - | **85,443** | 94,340 |
| Public works operations and maintenance | 304,779 | **298,579** | 131,533 |
| Social and community services | 540,153 | **417,195** | 557,588 |
| Treaty claims and negotiations | 187,877 | **147,272** | 580,035 |
| Loss from investments in government business entities | - | **350,856** | 1,952,613 |
| Loss on disposal of tangible capital assets | - | **-** | 1,772 |
| Interest on debt | 20,000 | **34,805** | 33,743 |
| Amortization | - | **443,820** | 344,190 |
| | 2,895,151 | **3,550,875** | 5,534,395 |
| **ANNUAL DEFICIT** | $ (57,443) | **(206,306)** | (2,764,130) |
| **ACCUMULATED SURPLUS, BEGINNING OF YEAR** | | **337,036** | 3,272,283 |
| **RECOVERIES BY GOVERNMENT OF CANADA** | | **(12,276)** | (171,117) |
| **ACCUMULATED SURPLUS, END OF YEAR** | | $ **118,454** | $ 337,036 |

The accompanying notes are an integral part of these consolidated financial statements.

## NAZKO FIRST NATION
### CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
### YEAR ENDED MARCH 31, 2016

| | Budget | **2016** | 2015 |
|---|---|---|---|
| Annual deficit | $ (57,443) | **$ (206,306)** | $ (2,764,130) |
| Recoveries by Government of Canada | - | **(12,276)** | (171,117) |
| | (57,443) | **(218,582)** | (2,935,247) |
| Acquisition of tangible capital assets | (35,000) | **(70,345)** | (313,162) |
| Amortization | - | **443,820** | 344,190 |
| Loss on disposal of tangible capital assets | - | **-** | 1,772 |
| Proceeds on disposal of tangible capital assets | - | **-** | 1,500 |
| | (35,000) | **373,475** | 34,300 |
| Net change in prepaid expenditure | - | **27,532** | (8,461) |
| **DECREASE (INCREASE) IN NET DEBT** | (92,443) | **182,425** | (2,909,408) |
| **NET DEBT, BEGINNING OF YEAR** | (8,459,926) | **(8,459,926)** | (5,550,518) |
| **NET DEBT, END OF YEAR** | $ (8,552,369) | **$ (8,277,501)** | $ (8,459,926) |

The accompanying notes are an integral part of these consolidated financial statements.

# NAZKO FIRST NATION
## CONSOLIDATED STATEMENT OF CASH FLOWS
## YEAR ENDED MARCH 31, 2016

| | 2016 | 2015 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Annual deficit | $ (206,306) | $ (2,764,130) |
| Items not involving cash | | |
| Recoveries by Government of Canada | (12,276) | (171,117) |
| Amortization | 443,820 | 344,190 |
| Loss on disposal of tangible capital assets | - | 1,772 |
| Allocation (from) to operations reserve | (3,199) | 3,233 |
| Allocation to replacement reserve | 8,000 | 8,000 |
| Income from government business entities | (104,092) | (79,249) |
| Loss from government business entities | 350,856 | 1,952,613 |
| | 476,803 | (704,688) |
| Cash provided by (used in) operating activities | | |
| Accounts receivable | (280,834) | (18,233) |
| Ottawa trust assets | (1,193) | (1,227) |
| Prepaid assets | 27,532 | (8,461) |
| Accounts payable and accrued liabilities | 38,905 | (306,574) |
| Deferred revenue | (13,170) | (12,075) |
| | 248,043 | (1,051,258) |
| **CAPITAL ACTIVITIES** | | |
| Purchase and construction of tangible capital assets | (70,345) | (313,162) |
| Proceeds on disposal of tangible capital assets | - | 1,500 |
| | (70,345) | (311,662) |
| **INVESTING ACTIVITIES** | | |
| Advances to related entities | (212,228) | (111,718) |
| Contributions to partnership equity | (1,275,000) | - |
| Withdrawals from partnership equity | 313,057 | - |
| | (1,174,171) | (111,718) |
| **FINANCING ACTIVITIES** | | |
| Proceeds of term demand loans | 1,275,000 | 656,000 |
| Repayment of term demand loans | (234,884) | (559,052) |
| Proceeds of long-term debt | - | 522,482 |
| Repayment of long-term debt | (42,922) | (34,273) |
| Obligations under capital leases | - | 14,401 |
| Repayment of obligations under capital leases | (2,796) | (1,244) |
| Withdrawals from fund reserves | (3,357) | (480) |
| | 991,041 | 597,834 |
| **DECREASE DURING YEAR** | (5,432) | (876,804) |
| **CASH, BEGINNING OF YEAR** | (112,517) | 764,287 |
| **CASH, END OF YEAR** | $ (117,949) | $ (112,517) |
| Cash consists of: | | |
| Cash | $ 73,458 | $ 94,006 |
| Restricted cash | 89,061 | 150,609 |
| Bank indebtedness | (280,468) | (357,132) |
| | $ (117,949) | $ (112,517) |

The accompanying notes are an integral part of these consolidated financial statements.

## 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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.

Reporting Entity and Principles of Financial Reporting

The Nazko First Nation reporting entity includes the Nazko First Nation government and all related entities which are either owned or controlled by the Nazko First Nation.

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprises or government business partnerships, which are included in these consolidated financial statements on a modified equity basis. Inter-entity balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only Nazko First Nation's investment in the government business enterprises or government business partnerships and their share of the entities' net income and other changes in equity are recorded. No adjustments are made for accounting policies of the entity that are different from those of Nazko First Nation.

Nazko First Nation CMHC Social Housing Program and Nazko First Nation Negotiation Support Agreement are consolidated in Nazko First Nation's consolidated financial statements.

Government business enterprises, which are wholly-owned by Nazko First Nation and which are not dependent on the Nation for their continuing operations, included in the consolidated financial statements using the modified equity method are as follows:

- Nazko Economic Development Corp.
- Nazko Resource Management Ltd.
- Ndazkhot'en Forest Management Ltd.
- Ndazkhot'en Holdings Ltd.
- Ndazkhot'en Properties Ltd.

Government business partnerships of which Nazko First Nation holds a limited partnership interest and which are not dependent on the Nation for their continuing operations, included in the consolidated financial statements using the modified equity method, are as follows:

- Besikoh Fuel Limited Partnership (99.99% interest)
- Nazko Logging Limited Partnership (99.99% interest)

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

### Cash

Cash includes cash on hand, cash on deposit net of cheques issued and outstanding at the reporting date, and short-term deposits with maturity dates of less than 90 days.

### 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. Transfers of tangible capital assets from related parties are recorded at carrying value.

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 the Nation's incremental cost of borrowing.

Tangible capital assets are amortized using the declining balance method at rates calculated to amortize the cost less salvage value as follows:

| | |
|---|---|
| Automotive and mobile equipment | 30% |
| Buildings | 4-10% |
| Computer equipment | 30% |
| Computer equipment under capital leases | 30% |
| Furniture and office equipment | 20% |
| Housing | 4-10% |
| Infrastructure | 4-20% |
| Recreational infrastructure | 10% |
| Site improvements | 20% |

Social Housing assets acquired under CMHC 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.

In the year of acquisition, 50% of the annual amortization is expensed. Assets under construction are not amortized until the asset is available to be put into service.

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

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. Net write-downs are accounted in the consolidated statement of operations when they occur.

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.

Revenue and Expenditure

Revenue and expenditure are recorded using the accrual basis of accounting. Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. Gains are recognized when realized. Items not practically measurable until cash is received are accounted for at that time.

Government transfers are recognized as revenue 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 and 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.

Funding Recoveries and Reimbursements

Funding received from federal government sources in the form of conditional transfer payments are subject to recovery, by the Crown, of unexpended balances or unallowable expenses. The Crown may also reimburse over expenditures upon determining adherence to the terms and conditions of payment for a specified purpose. Recoveries and reimbursements are accounted for when they are paid or payable or received or receivable.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the reporting period. Significant areas requiring the use of management estimates relate to the impairment of assets, rates for amortization and the collectability of accounts receivable. Actual results could differ from these estimates.

## 2. ACCOUNTS RECEIVABLE

| | 2016 | 2015 |
|---|---|---|
| Government: | | |
| Indigenous and Northern Affairs Canada | $ 161,310 | $ 500 |
| Canada Mortgage and Housing Corporation | 2,587 | 2,587 |
| Canada Revenue Agency - GST | 2,801 | 19,963 |
| Province of British Columbia | 147,997 | - |
| | 314,695 | 23,050 |
| Nazko First Nation members | 28,375 | 27,381 |
| Other | 51,569 | 63,374 |
| | $ 394,639 | $ 113,805 |

## 3. RESTRICTED CASH AND FUND RESERVES

| | 2016 | 2015 |
|---|---|---|
| Restricted cash consists of: | | |
| Replacement Reserve | $ 47,723 | $ 47,963 |
| Operations Reserve | 39,901 | 45,573 |
| Treaty Negotiations | 1,437 | 57,073 |
| | $ 89,061 | $ 150,609 |

Replacement Reserve

Under the terms of agreement # 22-217-384 with Canada Mortgage and Housing Corporation, the Nation must set aside funds in the amount of $8,000 (2015 - $8,000) annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as may otherwise be approved by CMHC from time to time. At year end the replacement reserve has unfunded reserves of $4,762 (2015 - NIL) and is in technical default with their agreement with CMHC.

## 3. RESTRICTED CASH AND FUND RESERVES, continued

Operations Reserve

Under the terms of agreement # 22-217-384 with Canada Mortgage and Housing Corporation, after the payment of all costs and expenditures including the allocation to the Replacement Reserve, any surplus revenue from operations will be retained by the Program within an Operating Reserve Fund. The Program's Operating Reserve Fund may only be used for the ongoing operating costs of Phases committed under the 1997 On-Reserve Program. Accordingly, future years' deficits may be recovered from the Operating Reserve Fund. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as may otherwise be mutually agreed to by Nazko First Nation and CMHC. At year end the program has unfunded reserves of $4,414 (2015 - $1,820) and is in technical default with their agreement with CMHC.

Treaty Negotiations

Treaty Negotiations cash is restricted for expenditures as related to Nazko First Nation Negotiations Support Agreement for carrying out treaty negotiations with Canada and British Columbia.

## 4. LOAN RECEIVABLE

Loan receivable from Blackwater Camp Services Ltd., a company wholly-owned by government business enterprise Nazko Economic Development Corp., is non-interest bearing, unsecured with no specific terms of repayment.

## 5. INVESTMENTS IN GOVERNMENT BUSINESS ENTITIES (APPENDIX A)

| | 2016 | 2015 |
|---|---|---|
| Nazko Economic Development Corp. | | |
| Advances | $ **210,149** | $ 149 |
| Deficit | **(174,601)** | (90,287) |
| Share | **1** | 1 |
| Balance forward | $ **35,549** | $ (90,137) |

## 5. INVESTMENTS IN GOVERNMENT BUSINESS ENTITIES (APPENDIX A), continued

| | 2016 | 2015 |
|---|---|---|
| Balance forward | $ 35,549 | $ (90,137) |
| Nazko Logging Limited Partnership | | |
| Advances | 1,823,824 | 1,838,460 |
| Contributions | 961,943 | - |
| Deficit | (2,534,422) | (2,311,461) |
| Partnership units | 10,000 | 10,000 |
| | 261,345 | (463,001) |
| Besikoh Fuel Limited Partnership | | |
| Advances | (3,406) | - |
| Contributions | 60,000 | 60,000 |
| Equity | 233,533 | 129,441 |
| Partnership units | 10,000 | 10,000 |
| | 300,127 | 199,441 |
| Nazko Resource Management Ltd. | | |
| Deficit | (3) | (3) |
| Shares | 3 | 3 |
| | - | - |
| Ndazkhot'en Forest Management Ltd. | | |
| Share | 1 | 1 |
| Ndazkhot'en Holdings Ltd. | | |
| Advances | 64,651 | 49,791 |
| (Deficit) Equity | (19,114) | 17,797 |
| Shares | 100 | 100 |
| | 45,637 | 67,688 |
| Ndazkhot'en Properties Ltd. | | |
| Advances | 70,540 | 65,130 |
| Deficit | (37,650) | (30,980) |
| Shares | 2 | 2 |
| | 32,892 | 34,152 |
| | $ 675,551 | $ (251,856) |

## 5. INVESTMENTS IN GOVERNMENT BUSINESS ENTITIES (APPENDIX A), continued

Shares and partnership units of the government business entities above are held by Nazko First Nation, as represented by Chief and Council, on behalf of and for the benefit of the Nazko First Nation membership.

Nazko Economic Development Corp. is the general partner in Besikoh Fuel Limited Partnership and Nazko Logging Limited Partnership and holds one partnership unit in each.

Advances due from Nazko Logging Limited Partnership are receivable on demand without interest in 180 days following notice of demand, or in the event a material adverse change is deemed to occur by the Nation, in 15 days of demand, secured by a general security agreement over the assets of the Limited Partnership. If payment is not received when due, interest at prime plus 1% (March 31, 2016 - 3.7%) is receivable from the date demanded until actual payment is received. The Nazko First Nation has agreed to a postponement of claim in favour of the Bank of Montreal.

Nazko Logging Limited Partnership is actively involved in logging operations in the central interior of British Columbia and employs 6 to 10 members of the First Nation on a regular basis.

Besikoh Fuel Limited Partnership is operating a cardlock fuel depot in the central interior region of British Columbia and has no employees in the current year.

Nazko Resource Management Ltd. is currently inactive.

Ndazkhot'en Forest Management Ltd. holds forest licences with annual cuts provided to Nazko Logging Limited Partnership for no consideration. All assets, liabilities, revenues, expenses and contingencies relating to the use of these licences are recognized in Nazko Logging Limited Partnership financial statements.

Ndazkhot'en Holdings Ltd. acts as a bare trustee on behalf of Nazko First Nation and its membership to hold title and related financing of the First Nation administrative building.

Advances due from Ndazkhot'en Holdings Ltd. are unsecured, non-interest bearing with no specific terms of repayment.

Ndazkhot'en Properties Ltd. acts as a bare trustee on behalf of Nazko First Nation and its membership to hold title to incremental treaty lands for economic development. Besikoh Fuel Limited Partnership and Blackwater Camp Services Ltd. are located on these lands. Nazko Economic Development Corp. is a 100% shareholder in Blackwater Camp Services Ltd.

Advances due from Ndazkhot'en Properties Ltd. are unsecured, non-interest bearing with no specific terms of repayment.

Condensed financial information for the government business entities is presented in Appendix A to the financial statements.

## 6. OTTAWA TRUST ASSETS

| | Revenue | Capital | Total 2016 | Total 2015 |
|---|---|---|---|---|
| Balance, beginning of year | $ 10,943 | $ 3,747 | $ 14,690 | $ 13,463 |
| Interest | 320 | - | 320 | 346 |
| BC Special | 873 | - | 873 | 881 |
| Balance, end of year | $ 12,136 | $ 3,747 | $ 15,883 | $ 14,690 |

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 primarily governed by Sections 63 to 69 of the "Indian Act".

## 7. BANK INDEBTEDNESS

| | 2016 | 2015 |
|---|---|---|
| Cheques issued in excess of funds on deposit | $ 11,267 | $ 104,489 |
| Operating line of credit | 269,201 | 252,643 |
| | $ 280,468 | $ 357,132 |

Bank indebtedness consists of cheques issued in excess of funds on deposit on a revolving line of credit authorized to $300,000, bearing interest at prime plus 0.50% (March 31, 2016 - 3.2%), secured by an assignment of fire insurance and a general security agreement. During the year the First Nation paid interest of $7,494 (2015 - $5,709) related to this credit facility which is included in government development and administration expenditure.

## 8. TERM DEMAND LOANS

| | 2016 | 2015 |
|---|---|---|
| Term demand loan, repayable in monthly instalments of $3,373 including interest at prime plus 0.75% (March 31, 2016 - 3.45%), secured by an assignment of fire insurance and a general security agreement, matures March 2038 | $ 623,986 | $ 642,264 |
| Balance forward | $ 623,986 | $ 642,264 |

## 8. TERM DEMAND LOANS, continued

| | 2016 | 2015 |
|---|---|---|
| Balance forward | $ 623,986 | $ 642,264 |
| Term demand loan repayable in monthly instalments of $23,252 including interest, with interest only payments in April, May and June, at prime plus 0.75% (March 31, 2016 - 3.45%), secured by an assignment of fire insurance and a general security agreement, matures September 2021 | 1,058,394 | - |
| | $ 1,682,380 | $ 642,264 |

Provided the lender does not demand repayment of the term demand loans in full, principal repayments due in each of the next five years are scheduled as follows:

| | |
|---|---|
| 2017 | $ 223,866 |
| 2018 | 209,262 |
| 2019 | 214,916 |
| 2020 | 220,725 |
| 2021 | 226,691 |
| | $ 1,095,461 |

## 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2016 | 2015 |
|---|---|---|
| Trade payables and accrued liabilities | $ 384,123 | $ 278,713 |
| INAC recoveries payable | 156,215 | 171,116 |
| Accrued wages and payroll deductions payable | 14,616 | 65,088 |
| Pension payable | 1,807 | 2,939 |
| | $ 556,761 | $ 517,856 |

The Nation has a defined contribution pension plan for eligible members of its staff. Members are required to contribute a minimum of 5% of their salary and the Nation contributes 5% of their basic salary, which contributions are directed to the member's contribution account. The amount of retirement benefit to be received by the members will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. During the year Nazko First Nation contributed $38,693 (2015 - $30,325) for retirement benefits.

### 10. DEFERRED REVENUE

| | 2016 | 2015 |
|---|---|---|
| ACRS 2007 - Project #8808 | $ 492 | $ 492 |
| Municipal Phone Services - Project #4465 | 11,418 | 11,418 |
| | 11,910 | 11,910 |
| BC Hydro | - | 13,170 |
| | $ 11,910 | $ 25,080 |

The Nation has recorded the above surpluses as deferred revenue to be used in the completion of projects.

### 11. LONG-TERM DEBT

| | 2016 | 2015 |
|---|---|---|
| Mortgage, repayable in monthly instalments of $2,942 including interest at 1.64% per annum, secured by a Government of Canada ministerial guarantee, due to mature December 2016 | $ 489,991 | $ 517,031 |
| Mortgage, repayable in monthly instalments of $945 including interest at 2.04% per annum, secured by a Government of Canada ministerial guarantee, due to mature March 2019 | 169,566 | 177,368 |
| Loan, non-interest bearing, repayable in monthly instalments of $673, secured by equipment with a net book value of $41,992, due to mature March 2020 | 32,322 | 40,402 |
| | $ 691,879 | $ 734,801 |

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

| | |
|---|---|
| 2017 | $ 43,515 |
| 2018 | 44,133 |
| 2019 | 44,762 |
| 2020 | 45,401 |
| 2021 | 37,971 |
| | $ 215,782 |

## 12. TREATY LOAN

Treaty loan is an Indigenous and Northern Affairs Canada promissory note representing advances for negotiations with the British Columbia Treaty Commission. Repayment provisions for these loans are outlined in the Negotiation Support Agreement. The loan is non-interest bearing and will be repayable over a 10 year period after the signing of the Final Agreement between Nazko First Nation, the Government of Canada and the Government of British Columbia.

## 13. OBLIGATIONS UNDER CAPITAL LEASES

| | 2016 | 2015 |
|---|---|---|
| Lease payable in monthly instalments of $219 including interest at 13.08%, secured by equipment with a net book value of $4,903, with a purchase option of $1 on September 2018 | $ 6,571 | $ 9,199 |
| Lease payable in monthly instalments of $121 including interest at 7.99%, secured by equipment with a net book value of $3,666, with a purchase option at fair market value on January 2020 | 5,569 | 7,021 |
| | 12,140 | 16,220 |
| Interest included in future minimum lease payments | (1,779) | (3,063) |
| | $ 10,361 | $ 13,157 |

Future minimum lease payments under capital leases due in each of the next four years are scheduled as follows:

| | |
|---|---|
| 2017 | $ 4,081 |
| 2018 | 4,081 |
| 2019 | 2,768 |
| 2020 | 1,210 |
| | $ 12,140 |

## 14. TANGIBLE CAPITAL ASSETS (APPENDIX B)

| | Cost | Accumulated Amortization | 2016 Net Book Value | 2015 Net Book Value |
|---|---|---|---|---|
| Automotive and mobile equipment | $ 265,451 | $ 212,742 | $ 52,709 | $ 75,184 |
| Buildings | 3,332,624 | 712,511 | 2,620,113 | 2,690,546 |
| Computer equipment | 199,211 | 156,973 | 42,238 | 60,703 |
| Furniture and office equipment | 93,048 | 80,501 | 12,547 | 15,684 |
| Housing | 2,275,129 | 1,143,960 | 1,131,169 | 1,198,165 |
| Infrastructure | 5,746,208 | 1,484,697 | 4,261,511 | 4,418,039 |
| Recreational infrastructure | 325,755 | 197,436 | 128,319 | 142,577 |
| Site improvements | 189,936 | 105,205 | 84,731 | 105,914 |
| Land | 5,000 | - | 5,000 | 5,000 |
| | $ 12,432,362 | $ 4,094,025 | $ 8,338,337 | $ 8,711,812 |

Included in amortization is $3,672 (2015 - $2,160) relating to tangible capital assets under capital leases.

## 15. CONTINGENT LIABILITIES

Nazko First Nation has entered into contribution agreements with various government agencies. Funding received under these contribution agreements is subject to repayment if the Nation fails to comply with the terms and conditions of the agreements. The amount of the liability related to current year funding, if any, of the Nation is not determinable at this time.

The Nation may have future silviculture commitments on government business entity owned forest licences if future costs exceed current estimates. The amount of the liability, if any, is not determinable at this time.

The Nation has guaranteed loans advanced to Nazko Logging Limited Partnership and its general partner, Nazko Economic Development Corp., to a maximum amount of $5,800,000, and provided guarantees for capital leases in the amount of $157,000.

The Nation has guaranteed loans advanced to Ndazkhot'en Holdings Ltd. to a maximum of $300,000.

## 15. CONTINGENT LIABILITIES, continued

In addition, in the normal course of its operations, Nazko First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements.

## 16. RECONCILIATION OF INAC FUNDING AGREEMENT REVENUE

Pursuant to the Indigenous and Northern Affairs Canada Financial Reporting Requirements for the fiscal period 2015-2016, the following reconciliation has been prepared:

| | |
|---|---|
| Recipient total as per 2015/2016 INAC funding confirmation | $ 1,205,257 |
| Variance - Retroactive O&M (NFR) for Water Treatment Plant | 160,810 |
| Recipient total as per consolidated statement of operations | $ 1,366,067 |

## 17. ECONOMIC DEPENDENCE

The Nation receives a major portion of its revenue pursuant to a funding arrangement with Indigenous and Northern Affairs Canada and First Nations Health Authority. Any disruption in this funding would have a negative effect on the Nation's operations.

## 18. RELATED PARTY TRANSACTIONS

During the year, the Nation paid rent in the amount of $63,372 (2015 - $117,600) to Ndazkhot'en Holdings Ltd., at fair market value in the normal course of operations.

The Nation purchased fuel during the year from Besikoh Fuel Limited Partnership in the amount of $12,840 (2015 - $13,342) at fair market value in the normal course of operations.

The Nation received consulting fees of $200,000 (2015 - NIL) from Nazko Economic Development Corp. in the normal course of operations. The amount is measured at the exchange amount which is determined and agreed to by the related party.

## 19. GOVERNMENT TRANSFERS

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | **Operating** | **Capital** | **Total** | Operating | Capital | Total |
| Federal government transfers: | | | | | | |
| Indigenous and Northern Affairs Canada | **$ 1,290,930** | **$ 75,137** | **$ 1,366,067** | $ 1,293,275 | $ - | $ 1,293,275 |
| First Nations Health Authority | **720,736** | **-** | **720,736** | 721,590 | - | 721,590 |
| Canada Mortgage and Housing Corporation | **31,050** | **-** | **31,050** | 31,050 | - | 31,050 |
| Other | **5,000** | **-** | **5,000** | 4,500 | - | 4,500 |
| | **2,047,716** | **75,137** | **2,122,853** | 2,050,415 | - | 2,050,415 |
| Provincial government transfers | **607,442** | **-** | **607,442** | 265,602 | - | 265,602 |
| | **$ 2,655,158** | **$ 75,137** | **$ 2,730,295** | $ 2,316,017 | $ - | $ 2,316,017 |

## 20. RISK MANAGEMENT

The Nation has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include the following:

Credit Risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Nation has a history of dealing with its funding agencies and customer base and does not believe it is exposed to an unusual level of credit risk with respect to its accounts receivable.

The Nation maintains its cash and deposits with a single federally regulated Canadian financial institution, and thus has not experienced any change in risk exposure.

## 20. RISK MANAGEMENT, continued

Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Nation's long-term debt is at fixed rates of interest therefore, a change in market interest rates has no impact to cash flows required to service this debt. The term demand loan and operating line of credit are subject to floating rates of interest, a change in the variable rate can impact cash flow to service the debt when such debt is outstanding. There has been no change to the risk exposure from 2015 and there is expected to be no substantive change in the next fiscal period.

## 21. MANAGEMENT ACTION PLAN

Based on the financial position of the Nation for fiscal year ended March 31, 2015, Indigenous and Northern Affairs Canada (INAC) initiated intervention requiring the Nation to implement a Management Action Plan (MAP). The MAP has been implemented by the Nation and covers the five year period ending March 31, 2020.

## 22. SEGMENT DISCLOSURE

Nazko First Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by function and department. For each segment separately reported, the segment revenue and expenditure 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 in Note 1. The segments and services provided are as follows:

Economic Development - manages the development of economic opportunities from the land and natural resources for the Nation and its entities;

Education - provides elementary and secondary education instructional services and provides financial support to post secondary students;

Employment and Training - provides training and work opportunities for Nation members to improve their job skills and participate effectively in the labour market;

Government Development and Administration - provides governance initiatives and training through the activities of Chief and Council and administration of other activities relating to program delivery, membership and finance;

## 22. SEGMENT DISCLOSURE, continued

Health Services - provides a variety of health care programs, services and support to Nation members;

Housing - provides housing and services to Nation members;

Public Works Operations and Maintenance - manages community and facilities operations and maintenance including capital projects, municipal services, water and waste water operations, roads, fire protection, and maintenance of community buildings;

Social and Community Services - provides programs and services for the social benefit and welfare of Nation members;

Treaty Claims and Negotiations - manages the land claim and negotiation process with Canada and the Province of British Columbia;

Other - Ottawa trust assets and government business entities provide programs and services for the social, economic and capital needs of Nation members;

Tangible Capital Assets - provides for capital infrastructure development for Nation members.

## 23. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been approved by the Chief and Council.

## NAZKO FIRST NATION
**SEGMENT DISCLOSURE**
**YEAR ENDED MARCH 31, 2016**

| | ECONOMIC DEVELOPMENT | | | EDUCATION | | | EMPLOYMENT AND TRAINING | | | GOVERNMENT DEVELOPMENT AND ADMINISTRATION | | | HEALTH SERVICES | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Budget | 2016 | 2015 | Budget | 2016 | 2015 | Budget | 2016 | 2015 | Budget | 2016 | 2015 | Budget | 2016 | 2015 |
| **REVENUE** | | | | | | | | | | | | | | | |
| Indigenous & Northern Affairs Canada | $ - | $ - | $ 19,803 | $ 242,973 | $ 242,973 | $ 244,815 | $ - | $ - | $ - | $ 227,611 | $ 227,062 | $ 404,938 | $ - | $ - | $ - |
| First Nations Health Authority | - | - | - | - | - | - | - | - | - | - | - | - | 721,915 | 720,736 | 721,590 |
| Canada Mortgage and Housing Corporation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other federal government | 4,500 | 5,000 | 4,500 | - | - | - | - | - | - | - | - | - | - | - | - |
| Province of British Columbia | 453,485 | 453,485 | 25,662 | - | - | - | - | - | - | - | - | - | 52,292 | 52,292 | 66,920 |
| Interest, rent and other | 10,500 | 83,917 | 28,238 | - | - | 3,875 | 34,284 | 35,610 | 37,388 | 122,896 | 304,022 | 150,194 | 6,025 | 6,025 | 7,345 |
| Ottawa trust funds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Income from investment in government business entities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **TOTAL REVENUE** | 468,485 | 542,402 | 78,203 | 242,973 | 242,973 | 248,690 | 34,284 | 35,610 | 37,388 | 350,507 | 531,084 | 555,132 | 780,232 | 779,053 | 795,855 |
| **EXPENDITURE** | | | | | | | | | | | | | | | |
| Consulting and contract services | 10,000 | 29,065 | 42,741 | - | - | - | - | - | 600 | 5,000 | 14,392 | 122,607 | 74,873 | 87,658 | 136,308 |
| Honoraria and donations | - | - | 1,625 | - | - | - | - | - | - | 3,000 | 123,982 | 137,542 | - | - | - |
| Insurance, licences and fees | - | - | - | - | - | - | - | - | - | 1,725 | 2,032 | 7,820 | 19,871 | 20,161 | 7,749 |
| Materials and supplies | 435,285 | 12,061 | 16,928 | 69,210 | 71,883 | 117,245 | 1,963 | 2,296 | 1,316 | 9,700 | 4,596 | 6,493 | 67,533 | 76,402 | 58,838 |
| Professional fees | 11,500 | 20,967 | 14,317 | - | - | - | - | - | - | 75,000 | 78,782 | 89,472 | 3,555 | 5,828 | 21,909 |
| Rent | - | 3,750 | 9,000 | 7,850 | 7,800 | 7,800 | 1,200 | 600 | 1,252 | - | - | - | 43,842 | 43,797 | 38,999 |
| Telephone and utilities | - | - | - | - | - | - | - | - | - | 1,500 | 1,853 | 3,015 | 9,070 | 12,134 | 10,384 |
| Travel and accommodations | 6,050 | 3,805 | 5,586 | 19,920 | 21,537 | 50,128 | 2,700 | 2,610 | 1,756 | 10,300 | 20,575 | 15,369 | 80,656 | 86,958 | 94,118 |
| Wages and benefits | 3,650 | 61,279 | 2,310 | 22,603 | 26,739 | 24,893 | 23,958 | 25,994 | 23,463 | 207,895 | 253,546 | 226,943 | 396,289 | 398,306 | 315,016 |
| Workshops, meetings and training | - | 2,619 | 548 | 1,100 | 3,445 | 15,992 | - | - | 1,036 | 2,100 | 5,905 | 9,407 | 20,704 | 19,354 | 6,951 |
| Loss from investment in government business entities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | 114,850 | 139,330 | 100,879 | 1,551 | 1,555 | 2,232 | 12,500 | 19,227 | 42,875 | 63,839 | 60,082 | 45,119 |
| | 466,485 | 133,546 | 93,055 | 235,533 | 270,734 | 316,937 | 31,372 | 33,055 | 31,655 | 328,720 | 524,890 | 661,543 | 780,232 | 810,680 | 735,391 |
| Amortization | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | 20,000 | 23,051 | 20,414 | - | - | - |
| **TOTAL EXPENDITURE** | 466,485 | 133,546 | 93,055 | 235,533 | 270,734 | 316,937 | 31,372 | 33,055 | 31,655 | 348,720 | 547,941 | 681,957 | 780,232 | 810,680 | 735,391 |
| **EXCESS (EXPENDITURE OVER REVENUE) REVENUE OVER EXPENDITURE** | 2,000 | 408,856 | (14,852) | 7,440 | (27,761) | (68,247) | 2,912 | 2,555 | 5,733 | 1,787 | (16,857) | (126,825) | - | (31,627) | 60,464 |
| **TRANSFER TO TANGIBLE CAPITAL ASSETS** | - | - | - | - | - | - | - | - | - | - | (1,770) | (891) | - | (8,080) | (27,615) |
| **ANNUAL (DEFICIT) SURPLUS** | $ 2,000 | $ 408,856 | $ (14,852) | $ 7,440 | $ (27,761) | $ (68,247) | $ 2,912 | $ 2,555 | $ 5,733 | $ 1,787 | $ (18,627) | $ (127,716) | $ - | $ (39,707) | $ 32,849 |

**NAZKO FIRST NATION**
**SEGMENT DISCLOSURE**
**YEAR ENDED MARCH 31, 2016**

| | HOUSING | | | PUBLIC WORKS OPERATIONS AND MAINTENANCE | | | SOCIAL AND COMMUNITY SERVICES | | | TREATY CLAIMS AND NEGOTIATIONS | | | OTHER | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Budget | 2016 | 2015 | Budget | 2016 | 2015 | Budget | 2016 | 2015 | Budget | 2016 | 2015 | Budget | 2016 | 2015 |
| **REVENUE** | | | | | | | | | | | | | | | |
| Indigenous & Northern Affairs Canada | $ - | $ - | $ - | $ 284,309 | $ 251,982 | $ 116,586 | $ 540,253 | $ 568,913 | $ 507,133 | $ - | $ - | $ - | $ - | $ - | $ - |
| First Nations Health Authority | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Canada Mortgage and Housing Corporation | - | 31,050 | 31,050 | - | - | - | - | - | - | - | - | - | - | - | - |
| Other federal government | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Province of British Columbia | - | - | - | - | - | - | - | - | - | 101,665 | 101,665 | 173,020 | - | - | - |
| Interest, rent and other | - | 44,415 | 140,341 | - | - | - | - | - | - | - | - | - | - | - | - |
| Ottawa trust funds | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,193 | 1,227 |
| Income from investment in government business entities | - | - | - | - | - | - | - | - | - | - | - | - | - | 104,092 | 79,249 |
| **TOTAL REVENUE** | - | 75,465 | 171,391 | 284,309 | 251,982 | 116,586 | 540,253 | 568,913 | 507,133 | 101,665 | 101,665 | 173,020 | - | 105,285 | 80,476 |
| **EXPENDITURE** | | | | | | | | | | | | | | | |
| Consulting and contract services | - | 1,604 | 3,283 | 127,731 | 113,500 | 32,180 | 21,000 | 18,813 | 25,361 | 11,731 | 14,570 | 70,000 | - | - | - |
| Honoraria and donations | - | - | - | 1,200 | 1,200 | 1,200 | - | - | - | 6,300 | 6,300 | 67,492 | - | - | - |
| Insurance, licences and fees | - | 38,165 | 38,155 | 12,050 | 12,036 | 1,432 | - | - | 215 | - | - | - | - | - | - |
| Materials and supplies | - | 907 | 12,997 | 109,831 | 113,771 | 50,659 | 7,706 | 11,649 | 6,585 | 3,995 | 3,905 | 9,895 | - | - | - |
| Professional fees | - | 4,500 | 4,500 | - | - | - | - | - | - | 27,190 | 26,961 | 13,455 | - | - | - |
| Rent | - | - | - | - | - | - | 7,800 | 7,800 | 7,800 | - | - | 36,000 | - | - | - |
| Telephone and utilities | - | - | - | 22,177 | 23,479 | 11,328 | - | - | - | - | - | - | - | - | - |
| Travel and accommodations | - | 86 | 86 | 1,270 | 1,347 | - | 21,300 | 13,094 | 18,005 | 1,600 | 1,905 | 53,203 | - | - | - |
| Wages and benefits | - | 4,784 | 19,256 | 20,300 | 26,315 | 14,777 | 57,720 | 103,666 | 59,286 | 119,171 | 77,139 | 257,202 | - | - | - |
| Workshops, meetings and training | - | - | - | 5,720 | 2,411 | 600 | 16,000 | 16,217 | 8,710 | 16,849 | 16,172 | 71,646 | - | - | - |
| Loss from investment in government business entities | - | - | - | - | - | - | - | - | - | - | - | - | - | 350,856 | 3,464,074 |
| Other | - | 35,397 | 16,063 | 4,500 | 4,520 | 19,357 | 408,627 | 245,956 | 431,626 | 1,041 | 320 | 1,142 | - | - | - |
| | - | 85,443 | 94,340 | 304,779 | 298,579 | 131,533 | 540,153 | 417,195 | 557,588 | 187,877 | 147,272 | 580,035 | - | 350,856 | 3,464,074 |
| Amortization | - | 34,842 | 34,274 | - | - | - | - | - | - | - | 1,308 | 2,188 | - | - | - |
| Interest | - | 11,754 | 13,329 | - | - | - | - | - | - | - | - | - | - | - | - |
| **TOTAL EXPENDITURE** | - | 132,039 | 141,943 | 304,779 | 298,579 | 131,533 | 540,153 | 417,195 | 557,588 | 187,877 | 148,580 | 582,223 | - | 350,856 | 3,464,074 |
| **EXCESS (EXPENDITURE OVER REVENUE) REVENUE OVER EXPENDITURE** | - | (56,574) | 29,448 | (20,470) | (46,597) | (14,947) | 100 | 151,718 | (50,455) | (86,212) | (46,915) | (409,203) | - | (245,571) | (3,383,598) |
| **TRANSFER TO TANGIBLE CAPITAL ASSETS** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **ANNUAL (DEFICIT) SURPLUS** | $ - | $ (56,574) | $ 29,448 | $ (20,470) | $ (46,597) | $ (14,947) | $ 100 | $ 151,718 | $ (50,455) | $ (86,212) | $ (46,915) | $ (409,203) | $ - | $ (245,571) | $ (3,383,598) |

## NAZKO FIRST NATION

**SEGMENT DISCLOSURE**

**YEAR ENDED MARCH 31, 2016**

| | TANGIBLE CAPITAL ASSETS | | | TOTAL BEFORE ADJUSTMENTS | | | CONSOLIDATION ADJUSTMENTS | | | CONSOLIDATED TOTALS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Budget | 2016 | 2015 | Budget | 2016 | 2015 | Budget | 2016 | 2015 | Budget | 2016 | 2015 |
| **REVENUE** | | | | | | | | | | | | |
| Indigenous & Northern Affairs Canada | $ - | $ 75,137 | $ - | $ 1,295,146 | $ 1,366,067 | $ 1,293,275 | $ - | $ - | $ - | $ 1,295,146 | $ 1,366,067 | $ 1,293,275 |
| First Nations Health Authority | - | - | - | 721,915 | 720,736 | 721,590 | - | - | - | 721,915 | 720,736 | 721,590 |
| Canada Mortgage and Housing Corporation | - | - | - | - | 31,050 | 31,050 | - | - | - | - | 31,050 | 31,050 |
| Other federal government | - | - | - | 4,500 | 5,000 | 4,500 | - | - | - | 4,500 | 5,000 | 4,500 |
| Province of British Columbia | - | - | - | 607,442 | 607,442 | 265,602 | - | - | - | 607,442 | 607,442 | 265,602 |
| Interest, rent and other | 35,000 | 35,000 | 6,391 | 208,705 | 508,989 | 373,772 | - | - | - | 208,705 | 508,989 | 373,772 |
| Ottawa trust funds | - | - | - | - | 1,193 | 1,227 | - | - | - | - | 1,193 | 1,227 |
| Income from investment in government business entities | - | - | - | - | 104,092 | 79,249 | - | - | - | - | 104,092 | 79,249 |
| **TOTAL REVENUE** | 35,000 | 110,137 | 6,391 | 2,837,708 | 3,344,569 | 2,770,265 | - | - | - | 2,837,708 | 3,344,569 | 2,770,265 |
| **EXPENDITURE** | | | | | | | | | | | | |
| Consulting and contract services | 32,500 | 42,650 | 16,317 | 282,835 | 322,252 | 449,397 | (32,500) | (42,650) | (16,317) | 250,335 | 279,602 | 433,080 |
| Honoraria and donations | - | - | - | 10,500 | 131,482 | 207,859 | - | - | - | 10,500 | 131,482 | 207,859 |
| Insurance, licences and fees | 2,500 | 3,966 | 9,006 | 36,146 | 76,360 | 64,377 | (2,500) | (3,966) | (9,006) | 33,646 | 72,394 | 55,371 |
| Materials and supplies | - | 20,921 | 190,453 | 705,223 | 318,391 | 471,409 | - | (20,921) | (190,453) | 705,223 | 297,470 | 280,956 |
| Professional fees | - | - | 5,834 | 117,245 | 137,038 | 149,487 | - | - | (5,834) | 117,245 | 137,038 | 143,653 |
| Rent | - | - | - | 60,692 | 63,747 | 100,851 | - | - | - | 60,692 | 63,747 | 100,851 |
| Telephone and utilities | - | 2,176 | 6,543 | 32,747 | 39,642 | 31,270 | - | (2,176) | (6,543) | 32,747 | 37,466 | 24,727 |
| Travel and accommodations | - | 500 | 2,944 | 143,796 | 152,417 | 241,195 | - | (500) | (2,944) | 143,796 | 151,917 | 238,251 |
| Wages and benefits | - | 132 | - | 851,586 | 977,900 | 943,146 | - | (132) | - | 851,586 | 977,768 | 943,146 |
| Workshops, meetings and training | - | - | - | 62,473 | 66,123 | 114,890 | - | - | - | 62,473 | 66,123 | 114,890 |
| Loss from investment in government business entities | - | - | - | - | 350,856 | 3,464,074 | - | - | (1,511,461) | - | 350,856 | 1,952,613 |
| Loss on disposal of tangible capital assets | - | - | - | - | - | - | - | - | 1,772 | - | - | 1,772 |
| Other | - | - | 28,506 | 606,908 | 506,387 | 687,799 | - | - | (28,506) | 606,908 | 506,387 | 659,293 |
| | 35,000 | 70,345 | 259,603 | 2,910,151 | 3,142,595 | 6,925,754 | (35,000) | (70,345) | (1,769,292) | 2,875,151 | 3,072,250 | 5,156,462 |
| Amortization | - | - | - | - | 36,150 | 36,462 | - | 407,670 | 307,728 | - | 443,820 | 344,190 |
| Interest | - | - | - | 20,000 | 34,805 | 33,743 | - | - | - | 20,000 | 34,805 | 33,743 |
| **TOTAL EXPENDITURE** | 35,000 | 70,345 | 259,603 | 2,930,151 | 3,213,550 | 6,995,959 | (35,000) | 337,325 | (1,461,564) | 2,895,151 | 3,550,875 | 5,534,395 |
| **EXCESS (EXPENDITURE OVER REVENUE) REVENUE OVER EXPENDITURE** | - | 39,792 | (253,212) | (92,443) | 131,019 | (4,225,694) | 35,000 | (337,325) | 1,461,564 | (57,443) | (206,306) | (2,764,130) |
| **TRANSFER TO TANGIBLE CAPITAL ASSETS** | - | 9,850 | 28,506 | - | - | - | - | - | - | - | - | - |
| **ANNUAL (DEFICIT) SURPLUS** | $ - | $ 49,642 | $ (224,706) | $ (92,443) | $ 131,019 | $ (4,225,694) | $ 35,000 | $ (337,325) | $ 1,461,564 | $ (57,443) | $ (206,306) | $ (2,764,130) |

## NAZKO FIRST NATION

**APPENDIX A**

**GOVERNMENT BUSINESS ENTITIES**
**CONDENSED FINANCIAL INFORMATION**
**YEAR ENDED MARCH 31, 2016**

| | Besikoh Fuel Limited Partnership | Nazko Economic Development Corp. | Nazko Logging Limited Partnership | Nazko Resource Management Ltd. | Ndazkhot'en Forest Management Ltd. | Ndazkhot'en Holdings Ltd. | Ndazkhot'en Properties Ltd. | Total 2016 | Total 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Assets | | | | | | | | | |
| Financial assets | $ 189,851 | $ 132,165 | $ 581,974 | $ - | $ 548,534 | $ 260 | $ - | $ **1,452,784** | $ 2,231,994 |
| Tangible capital assets | 274,889 | 21,706 | 1,782,680 | - | - | 319,946 | 147,763 | **2,546,984** | 3,264,274 |
| Other assets | 3,379 | 2,354 | 58,648 | - | - | 309 | 1,280 | **65,970** | 87,642 |
| Total Assets | $ 468,119 | $ 156,225 | $ 2,423,302 | $ - | $ 548,534 | $ 320,515 | $ 149,043 | $ **4,065,738** | $ 5,583,910 |
| Liabilities | $ 41,194 | $ 207,886 | $ 993,539 | $ - | $ 40 | $ 9,339 | $ 2,460 | $ **1,254,458** | $ 2,610,386 |
| Debt | 106,915 | - | 2,148,652 | - | - | 119,297 | - | **2,374,864** | 3,113,128 |
| Contributed surplus | - | - | - | - | - | - | 112,413 | **112,413** | 172,413 |
| (Deficit) Equity | 303,556 | (174,600) | (1,562,676) | - | 1 | (19,014) | (37,647) | **(1,490,380)** | (2,265,547) |
| Total liabilities and equity | $ 451,665 | $ 33,286 | $ 1,579,515 | $ - | $ 41 | $ 109,622 | $ 77,226 | $ **2,251,355** | $ 3,630,380 |
| Related party loans | $ 16,454 | $ 122,939 | $ 843,787 | $ - | $ 548,493 | $ 210,893 | $ 71,817 | $ **1,814,383** | $ 1,953,530 |
| External related party loans | $ (31,000) | $ (309,764) | $ (10,611) | $ - | $ - | $ - | $ - | $ **(351,375)** | $ - |
| Inter-entity loans | 50,859 | 222,554 | (969,426) | - | 548,493 | 146,242 | 1,278 | **-** | - |
| Nazko First Nation advances | (3,405) | 210,149 | 1,823,824 | - | - | 64,651 | 70,539 | **2,165,758** | 1,953,530 |
| Related party loans | $ 16,454 | $ 122,939 | $ 843,787 | $ - | $ 548,493 | $ 210,893 | $ 71,817 | $ **1,814,383** | $ 1,953,530 |
| Revenue | $ 1,347,363 | $ 312,561 | $ 11,814,012 | $ - | $ - | $ 113,174 | $ - | $ **13,587,110** | $ 9,601,676 |
| Expenses | 1,229,359 | 386,810 | 11,166,929 | - | - | 137,578 | 6,669 | **12,927,345** | 10,711,405 |
| Amortization | 13,902 | 7,582 | 741,458 | - | - | 12,507 | - | **775,449** | 766,726 |
| Interest | - | 7,500 | 128,609 | - | - | - | - | **136,109** | - |
| Impairment loss on goodwill | - | - | - | - | - | - | - | **-** | 1,511,461 |
| Corporate income tax | - | (5,017) | - | - | - | - | - | **(5,017)** | (2,764) |
| Total expenses | 1,243,261 | 396,875 | 12,036,996 | - | - | 150,085 | 6,669 | **13,833,886** | 12,986,828 |
| Net (loss) income | $ 104,102 | $ (84,314) | $ (222,984) | $ - | $ - | $ (36,911) | $ (6,669) | $ **(246,776)** | $ (3,385,152) |
| Nazko Economic Development Corp., General partner | $ 10 | $ - | $ (22) | $ - | $ - | $ - | $ - | $ **(12)** | $ (327) |
| Nazko First Nation, Limited partner | 104,092 | (84,314) | (222,962) | - | - | (36,911) | (6,669) | **(246,764)** | (3,384,825) |
| | $ 104,102 | $ (84,314) | $ (222,984) | $ - | $ - | $ (36,911) | $ (6,669) | $ **(246,776)** | $ (3,385,152) |

# NAZKO FIRST NATION
## TANGIBLE CAPITAL ASSETS
## YEAR ENDED MARCH 31, 2016

| | COST | | | | ACCUMULATED AMORTIZATION | | | | NET BOOK VALUE |
|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance | Additions | Disposals | Balance End of Year | Opening Balance | Amortization | Disposals | Balance End of Year | 2016 |
| Automotive and mobile equipment | $ 265,451 | $ - | $ - | $ 265,451 | $ 190,267 | $ 22,475 | $ - | $ 212,742 | $ 52,709 |
| Buildings | 3,287,328 | 45,296 | - | 3,332,624 | 596,782 | 115,729 | - | 712,511 | 2,620,113 |
| Computer equipment | 184,810 | - | - | 184,810 | 136,348 | 14,793 | - | 151,141 | 33,669 |
| Computer equipment under capital leases | 14,401 | - | - | 14,401 | 2,160 | 3,672 | - | 5,832 | 8,569 |
| Furniture and office equipment | 93,048 | - | - | 93,048 | 77,364 | 3,137 | - | 80,501 | 12,547 |
| Housing | 2,275,129 | - | - | 2,275,129 | 1,076,964 | 66,996 | - | 1,143,960 | 1,131,169 |
| Infrastructure | 5,721,159 | 25,049 | - | 5,746,208 | 1,303,120 | 181,577 | - | 1,484,697 | 4,261,511 |
| Recreational infrastructure | 325,755 | - | - | 325,755 | 183,178 | 14,258 | - | 197,436 | 128,319 |
| Site improvements | 189,936 | - | - | 189,936 | 84,022 | 21,183 | - | 105,205 | 84,731 |
| Land | 5,000 | - | - | 5,000 | - | - | - | - | 5,000 |
| | $ 12,362,017 | $ 70,345 | $ - | $ 12,432,362 | $ 3,650,205 | $ 443,820 | $ - | $ 4,094,025 | $ 8,338,337 |

| | COST | | | | ACCUMULATED AMORTIZATION | | | | NET BOOK VALUE |
|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance | Additions | Disposals | Balance End of Year | Opening Balance | Amortization | Disposals | Balance End of Year | 2015 |
| Automotive and mobile equipment | $ 221,548 | $ 49,403 | $ 5,500 | $ 265,451 | $ 171,001 | $ 21,494 | $ 2,228 | $ 190,267 | $ 75,184 |
| Buildings | 3,287,328 | - | - | 3,287,328 | 575,446 | 21,336 | - | 596,782 | 2,690,546 |
| Computer equipment | 188,089 | 18,261 | 21,540 | 184,810 | 140,700 | 17,188 | 21,540 | 136,348 | 48,462 |
| Computer equipment under capital leases | - | 14,401 | - | 14,401 | - | 2,160 | - | 2,160 | 12,241 |
| Furniture and office equipment | 93,048 | - | - | 93,048 | 73,443 | 3,921 | - | 77,364 | 15,684 |
| Housing | 2,275,129 | - | - | 2,275,129 | 1,008,023 | 68,941 | - | 1,076,964 | 1,198,165 |
| Infrastructure | 5,490,062 | 231,097 | - | 5,721,159 | 1,136,290 | 166,830 | - | 1,303,120 | 4,418,039 |
| Recreational infrastructure | 325,755 | - | - | 325,755 | 167,336 | 15,842 | - | 183,178 | 142,577 |
| Site improvements | 189,936 | - | - | 189,936 | 57,544 | 26,478 | - | 84,022 | 105,914 |
| Land | 5,000 | - | - | 5,000 | - | - | - | - | 5,000 |
| | $ 12,075,895 | $ 313,162 | $ 27,040 | $ 12,362,017 | $ 3,329,783 | $ 344,190 | $ 23,768 | $ 3,650,205 | $ 8,711,812 |