

Consolidated financial statements of

Nisga'a Lisims Government

March 31, 2016

Nisga'a Lisims Government

March 31, 2016

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Management's responsibility for financial reporting

The consolidated financial statements of the Nisga'a Lisims Government (the "Government") and related information contained in these consolidated financial statements is the responsibility of management.


The consolidated financial statements have been prepared in accordance with the accounting policies set out in Note 2 to the consolidated financial statements and comply with the recommendations of the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada and the Nisga'a Financial Administration Act of the Nisga'a Lisims Government. When alternative accounting methods exist, management has chosen those that are more appropriate. Where required, management's best estimates and judgments have been applied in the preparation of these financial statements.

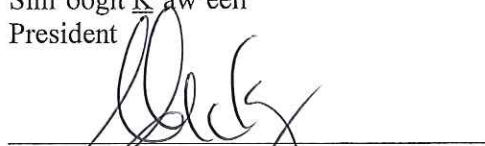
The Government fulfills its accounting and reporting responsibilities through the Office of the Secretary Treasurer and Chief Financial Officer by maintaining a system of financial management and internal control. The systems are continually enhanced and modified to provide reasonable assurance that transactions are appropriately authorized and accurately recorded, to safeguard and control the Government's assets, and to ensure all transactions are in accordance with the Nisga'a Financial Administration Act.

Wilp Si'ayuukhl Nisga'a ("WSN") (the Government's legislative assembly), the Executive and the Finance Committee are responsible for ensuring that management fulfills its responsibilities for financial reporting, and WSN is ultimately responsible for reviewing and approving the consolidated financial statements.

WSN, the Executive and the Finance Committee meet periodically with management, as well as the auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the independent auditor's report. They take this information into consideration when approving the consolidated financial statements for issuance to the citizens of Nisga'a Nation. WSN, the Executive and the Finance Committee also consider the engagement of the external auditors.

Deloitte LLP performs an annual audit on the consolidated financial statements in order to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position of the Government and the results of its operations, changes in its net financial assets and its cash flows for the year in accordance with Canadian public sector accounting standards for issuance to the citizens of the Nisga'a Nation.


Mr. H. Mitchell Stevens
Sim'oogit K'aw'een
President


Ms. Corinne McKay
Bilaam Neek'hl
Secretary Treasurer


Mr. Terry Holt
Chief Financial Officer

Independent Auditor's Report

To the Wilp Si'ayuukhl Nisga'a of
the Nisga'a Lisims Government

We have audited the accompanying consolidated financial statements of Nisga'a Lisims Government, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and the notes to the consolidated financial statements.

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.

Auditor's 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 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 Nisga'a Lisims Government as at March 31, 2016 and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
July 27, 2016
Vancouver, British Columbia

Nisga'a Lisims Government

Consolidated statement of operations and accumulated surplus year ended March 31, 2016

	Budget 2016	2016	2015
	\$	\$	\$
Revenue			
Fiscal Financing Agreement and related funding	63,696,884	63,230,432	60,103,740
Investment income	7,018,503	14,283,720	13,734,165
Tax revenue (Note 16)	7,131,591	9,544,384	6,770,586
Other revenue (Notes 17 and 20)	11,332,995	5,366,602	12,272,563
Share of commercial entities' revenue (Note 21)	3,103,954	3,074,991	2,130,832
Interest income on Final Agreement	-	-	126,891
Contribution from Lisims Fisheries Conservation Trust	550,000	550,000	550,000
Targeted funding - INAC	25,000	163,201	1,416,018
	92,858,927	96,213,330	97,104,795
Expenses (Note 18)			
Nass Area strategy	5,174,032	6,969,479	4,090,919
Own source revenue taxation	6,760,336	6,664,275	6,170,056
Administration	6,815,107	5,869,831	5,576,326
Programs and services	6,847,510	5,791,628	5,660,283
Share of commercial entities' expenses (Note 21)	2,292,135	5,336,275	3,004,791
Governance	4,458,538	3,628,788	4,008,628
Fish, wildlife and migratory birds	2,543,174	2,834,613	2,514,506
Lands and resources	2,732,684	1,786,440	1,372,950
Settlement Fund	2,266,630	1,401,799	1,261,315
Elders payments	1,200,000	1,290,000	1,200,000
Amortization	1,120,432	1,153,054	1,161,241
Commercial development	1,067,426	1,053,696	762,101
Share of business enterprise loss (Note 7)	-	-	63,367
	43,278,004	43,779,878	36,846,483
Transfers and operating grants			
Nisga'a Village Governments	24,299,614	25,612,786	24,771,491
Nisga'a Valley Health Authority	16,083,655	16,164,921	16,051,474
Nisga'a School Board #92	7,672,448	8,304,271	7,187,799
Nisga'a Urban Locals	2,008,715	2,008,712	2,018,442
Wilp Wilxo'oskwhl Nisga'a	1,015,603	794,802	1,138,385
	51,080,035	52,885,492	51,167,591
	94,358,039	96,665,370	88,014,074
(Deficiency) excess of revenue over expenses	(1,499,112)	(452,040)	9,090,721
Accumulated surplus, beginning of year	244,983,383	244,983,383	235,892,662
Accumulated surplus, end of year	243,484,271	244,531,343	244,983,383

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

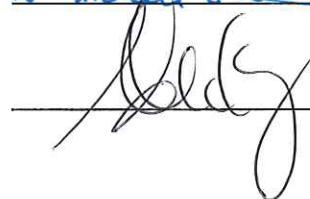
Nisga'a Lisims Government

Consolidated statement of financial position as at March 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash (Note 5(a))	2,244,962	6,759,314
Accounts and loans receivable (Notes 3 and 20)	2,532,410	3,145,333
Capital Finance Commission proceeds receivable (Note 4(a))	3,614,634	7,229,268
Designated cash (Note 5(b))	30,521,825	27,276,269
Designated trust funds (Note 6)	241,536,294	228,850,451
Investments in other entities (Note 7)	1,321,063	777,148
	281,771,188	274,037,783
Liabilities		
Bank indebtedness (Note 8)	140,824	-
Accounts payable and accrued liabilities (Note 9)	23,145,402	17,260,461
Deferred revenue and deposits received (Note 10)	3,074,034	1,252,978
Funds held for silviculture	1,629,767	1,624,455
Due to Lisims Forest Resource Limited Partnership	-	32,675
Capital Finance Commission deferred revenue (Note 4(b))	33,786,473	34,241,582
Long-term debt (Note 11)	2,434,414	2,920,427
	64,210,914	57,332,578
Net financial assets	217,560,274	216,705,205
Commitments and contingencies (Note 15)		
Capital Finance Commission contingent asset (Note 15(b)(i))		
Non-financial assets		
Tangible capital assets (Note 12 and Schedule 1)	26,360,437	27,558,611
Prepaid expenses (Note 13)	610,632	719,567
	26,971,069	28,278,178
Accumulated surplus (Schedule 2)	244,531,343	244,983,383

On behalf of Wilp Si'ayuukhl Nisga'a

 Member

 Member

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Nisga'a Lisims Government

Consolidated statement of changes in net financial assets year ended March 31, 2016

	Budget 2016	2016	2015
	\$	\$	\$
(Deficiency) excess of revenue over expenses	(1,449,112)	(452,040)	9,090,721
Amortization of tangible capital assets	1,120,432	1,240,415	1,161,241
Acquisition of tangible capital assets	(1,230,593)	(1,348,202)	(1,652,942)
Impairment of tangible capital assets	-	1,302,904	-
Disposal of tangible capital assets	-	3,057	-
Change in prepaid expenses	-	108,935	(687,756)
Increase in net financial assets	(1,559,273)	855,069	7,911,264
Net financial assets, beginning of the year	216,705,205	216,705,205	208,793,941
Net financial assets, end of the year	215,145,932	217,560,274	216,705,205

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Nisga'a Lisims Government

Consolidated statement of cash flows year ended March 31, 2016

	2016	2015
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses	(452,040)	9,090,721
Items not involving cash		
Amortization of tangible capital assets	1,240,415	1,161,241
Impairment of tangible capital assets	1,302,904	-
Loss on disposal of tangible capital assets	3,057	-
Share of business enterprise (income) loss	(536,592)	63,367
Publicly traded equities received as consideration	-	(681,450)
	1,557,744	9,633,879
Changes in non cash working capital		
Accounts and loans receivable	612,923	303,846
Accounts payable and accrued liabilities	5,884,941	6,346,002
Deferred revenue and deposits received	1,821,056	874,939
Silviculture liability	5,312	78,341
Capital Finance Commission deferred revenue	(455,109)	(892,539)
Prepaid expenses	108,935	(687,756)
	9,535,802	15,656,712
Capital activity		
Acquisition of tangible capital assets	(1,348,202)	(1,652,942)
Investing activities		
Increase in designated cash	(3,245,556)	(2,277,141)
Increase in designated trust funds	(12,685,843)	(20,762,589)
Investments in other entities	(7,323)	2,527,755
	(15,938,722)	(20,511,975)
Financing activities		
Nisga'a Final Agreement proceeds	-	22,510,937
Capital Finance Commission receivable	3,614,634	3,614,634
Repayment of long-term debt	(486,013)	(10,312,132)
Advances from other entities	(32,675)	(2,441,158)
	3,095,946	13,372,281
Net cash (outflow) inflow	(4,655,176)	6,864,076
Cash (bank indebtedness, net of cash), beginning of year	6,759,314	(104,762)
Cash, net of bank indebtedness, end of year	2,104,138	6,759,314
Supplemental cash flow information		
Interest paid	427,423	404,761
Interest received	3,230,398	3,311,271

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Nisga'a Lisims Government

Notes to the consolidated financial statements

March 31, 2016

1. Operating authority

The Nisga'a Lisims Government (the "Government") operates under the authority of the Constitution of the Nisga'a Nation and under the Nisga'a Final Agreement Act in Canada. The members of the Nisga'a Nation ratified a Final Agreement ("Agreement") on November 9, 1998. The Government of Canada and the Province of British Columbia ratified the Agreement through the Legislature and the House of Commons enacting their respective Acts to give effect to the Agreement. The Agreement came into effect on May 11, 2000 in the area of the Nass Valley in British Columbia, Canada.

The Government comprises:

- (a) an elected Legislative House known as Wilp Si'ayuukhi Nisga'a through which the Nisga'a Nation enacts legislation and performs the duties, functions and obligations of Government;
- (b) an Executive which receives delegated authority from Wilp Si'ayuukhi Nisga'a and authority from the Constitution of the Nisga'a Nation to conduct the duties, functions, and obligations of Government; and
- (c) a Council of Elders which may advise the Government on traditional matters.

2. Summary of significant accounting policies

The consolidated financial statements of the Government are prepared by management in accordance with Canadian public sector accounting standards, and in accordance with the Nisga'a Financial Administration Act of the Nisga'a Nation. The significant accounting policies are as follows:

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Government and organizations controlled by the Government. Organizations considered to be Government business enterprises are accounted for using the modified equity method. Under this method, the Government only reports its investment in and advances to and the net income or loss of the organization. Other Government organizations are consolidated in the financial statements after eliminating any intercompany transactions and balances.

Trust funds under the Government's control are incorporated directly into the Government's accounts while those not under the Government's control, or trusts administered on behalf of other parties, are excluded from the consolidated Government reporting entity.

Nisga'a Government is comprised of the Nisga'a Lisims Government, which represents the Nisga'a Nation, and the four Nisga'a Village Governments, which represent the four Nisga'a Villages. The Nisga'a Nation and the Nisga'a Villages are separate and distinct legal entities. In addition, there are three Nisga'a Urban Locals, which provide liaison and contact between Nisga'a Government and Nisga'a citizens ordinarily residing within the Nisga'a Urban Local Areas. These financial statements include the consolidated financial affairs of the Government and do not include the financial affairs of the Nisga'a Village Governments and Nisga'a Urban Locals. The following are the organizations included in the Government reporting entity and how they are accounted for in the consolidated financial statements:

Consolidated

1014068 B.C. Ltd. (i)	Lisims Communications Limited Partnership (i)
1014069 B.C. Ltd. (i)	Nass Area Properties Ltd. (i)
1014071 B.C. Ltd. (i)	Nass Area Properties Limited Partnership (i)
1014075 B.C. Ltd. (i)	Nisga'a Interim Settlement Trust
enTel Communications Limited Partnership (i)	Nisga'a Fisheries Ltd. (i)
K'alii Aks Construction Ltd. (formerly Nass Area Enterprises Ltd.) (i)	Nisga'a Fisheries Limited Partnership (i)
Lisims Backcountry Adventures Inc. (i)	Nisga'a Pacific Ventures Ltd. (i)
Lisims Backcountry Adventures Limited Partnership (i)	Nisga'a Pacific Ventures Limited Partnership (i)
Lisims Communications Inc. (i)	Nisga'a Guide Outfitting Ltd. (i)
	Nisga'a Guide Outfitting Limited Partnership (i)

Nisga'a Lisims Government

Notes to the consolidated financial statements

March 31, 2016

2. Summary of significant accounting policies (continued)

(a) Principles of consolidation (continued)

Modified equity

K'alii Aks Construction Limited Partnership (formerly Nass Area Enterprises Limited Partnership) (i)
Lisims Forest Resource Limited Partnership (i)

(i) These entities are included in the Nisga'a Pacific Ventures Group.

(b) Recognition of revenues and expenses

Government transfers from the federal and provincial governments that do not include stipulations are recognized as revenue when the transfers have been authorized, eligibility criteria have been met and a reasonable estimate of the amount can be made. Government transfers with stipulations are recognized as revenue in the period the transfers are authorized, and eligibility criteria and stipulations are met.

Taxation revenues are recognized when authorized by the Government, the taxable event has occurred, and the definition of an asset is met.

Other revenues are accounted for in the period in which the transactions or events occur that give rise to the revenues. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purposes specified. Investment income is recognized on an accrual basis when earned.

Publicly traded equities received as consideration are recognized at the fair value when received or receivable.

Expenditures are accounted for in the period the goods and services are acquired and a liability is incurred or transfers are due.

Transfers to other governments are recognized as an expense in the period the transfer is authorized by the Government and all eligibility criteria, if any, have been met by the recipient.

(c) Accumulated surplus

Funds within the accumulated surplus include the following as provided for under Section 44(1) of the Nisga'a Financial Administration Act. These funds are not presented separately and are presented on a consolidated basis with any inter-fund balances and transactions eliminated, but are separated for the purposes of segmented reporting in Schedule 2.

(i) Government and Administration Fund

This fund consists of the operations and administration of general Government.

(ii) Commercial Fisheries Fund

This fund consists of the operations of the commercial fisheries programs under Schedule G of the Nisga'a Final Agreement.

(iii) Business Development Fund

This fund consists of the operations conducted under the Nisga'a Business Development Fund Act.

(iv) Capital Transfer Fund

This fund consists of the receipts and transfers of the capital transfer monies under the Nisga'a Final Agreement.

(v) Investment Fund

This fund consists of the Government's investments in various business and non-business ventures.

Nisga'a Lisims Government

Notes to the consolidated financial statements

March 31, 2016

2. Summary of significant accounting policies (continued)

(c) *Accumulated surplus (continued)*

(vi) *Tangible Capital Asset Fund*

This fund consists of the tangible capital assets under the management of the Government. This includes tangible capital assets received as part of settlement and tangible capital assets constructed and acquired.

(vii) *Capital Finance Commission Fund*

This fund consists of the operations of the Capital Finance Commission under the Nisga'a Capital Finance Commission Act.

(viii) *Land Title Assurance Fund*

This fund is required under a Torrens title system and guarantees title in cases of fraud or error. The fund is used to compensate individuals who are deprived of their title.

(d) *Cash, designated cash and designated trust funds*

Cash and portfolio investments are recorded at cost, less any provision for impairment where investments are considered to be other-than-temporarily impaired.

(e) *Foreign currency translation*

Amounts denominated in foreign currencies are translated into Canadian dollars at the prevailing exchange rate at year end and transactions are translated into Canadian dollars at the prevailing rate at the transaction date. Gains and losses arising from translation of foreign currency balances are recognized in the statement of operations in the period incurred.

(f) *Loans receivable*

Loans receivable are stated at the lower of cost and management's best estimate of net recoverable value. Valuation allowances, which are recorded to reduce loans receivable, are based on past events, current conditions and all circumstances known at the date of the preparation of the financial statements. Interest revenue is recognized when earned. Interest revenue is not accrued when the collectability of either principal or interest is not reasonably assured.

(g) *Tangible capital assets*

Tangible capital assets are recorded at cost, except for contributed lands, natural resources and cultural resources which are recorded at a nominal value of \$1 each.

Tangible capital assets are amortized at the following rates and methods:

Buildings and mobile homes	4% and 5%	declining balance
Boats and vessels	7%	declining balance
Automotive	30%	declining balance
Machinery and equipment	20%	declining balance
Furniture, fixtures and office equipment	20%	declining balance
Computer equipment	30%	declining balance
Communications infrastructure	12%	declining balance
Fibre optic network	25 years	straight line

Assets under construction are not amortized until they are brought into use.

When conditions indicate that a tangible capital asset no longer contributes to the ability to provide goods or services, or that the value of future economic benefits is less than its book value, the carrying value of the asset is reduced to reflect the decline in value.

Nisga'a Lisims Government

Notes to the consolidated financial statements

March 31, 2016

2. Summary of significant accounting policies (continued)

(h) *Income taxes*

The fully consolidated entities of the Nisga'a Pacific Ventures Group (Note 2(a)) use the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities and are calculated using tax rates anticipated to be in effect in the periods that the temporary differences are expected to reverse. The effect of a change in the income tax rates on deferred income tax assets and liabilities is recognized in operations in the period the change becomes substantively enacted. Deferred income tax assets are recognized to the extent that such benefits are likely to be realized.

(i) *Employee benefits*

Under the terms and conditions of employment, Government employees may qualify and earn benefits for annual leave, elective leave, severance and other benefits. The estimated liability for these benefits is recorded as the benefits are earned by employees. Severance liabilities are recorded when employees are identified for lay-off.

(j) *Budgets*

The budget figures are the appropriations approved by Wilp Si'ayuukhl Nisga'a and the approved budgets for the consolidated entities, adjusted to eliminate transfers within inter-entity funds of the consolidated Government reporting entities. The budget figures represent the Government's budget for the year as approved by Wilp Si'ayuukhl Nisga'a.

(k) *Liability for contaminated sites*

The Government recognizes and measures a liability for remediation of contaminated sites where:

- An environmental standard exists;
- Contaminated levels exceed the environmental standard;
- The Government is directly responsible or accepts responsibility;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability is based on the present value of the estimated costs directly attributable to the remediation and post-remediation activities.

(l) *Use of estimates*

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities for the reporting period. Significant estimates used in the preparation of these financial statements include the estimate of own source revenue liability and tax revenues. Where uncertainty exists under the terms of the Own Source Revenue Agreement, the government has based its estimates on interpretations that it considers to be reasonable in the circumstances. Actual results could differ from those estimates, and the differences could be material.

Nisga'a Lisims Government

Notes to the consolidated financial statements

March 31, 2016

3. Accounts and loans receivable

	2016	2015
	\$	\$
Government funding and grants	277,655	1,491,838
Goods and Services Tax and PST	732,283	576,068
Other accounts receivable	1,268,598	711,451
Accounts receivable - Government business	233,204	6,531
Business loans - various terms	456,410	455,383
Fishers loans - various terms	247,877	262,949
Gitlaxt'aamiks Village Government	282,078	277,199
	<u>3,498,105</u>	<u>3,781,419</u>
Allowance for doubtful accounts	<u>(965,695)</u>	<u>(636,086)</u>
	<u>2,532,410</u>	<u>3,145,333</u>

The loan to Gitlaxt'aamiks Village Government is unsecured and bears interest at a rate equivalent to the Government's line of credit from a commercial bank.

4. Capital Finance Commission

(a) Capital Finance Commission receivable

The Government entered into a five year fiscal financing agreement ("Agreement") with the Government of Canada and the Province of British Columbia on March 9, 2010. The Agreement has been extended for a further two-year term. As a result, the Government will receive \$3,614,634, before inflation adjustments, for the year ending March 31, 2017 (Note 15(b)(i)).

(b) Capital Finance Commission deferred revenue

	2016	2015
	\$	\$
Deferred revenue, beginning of year	34,241,582	27,904,853
Recognized in current year	-	7,229,268
Interest and inflation adjustment earned	660,731	597,415
Eligible expenditures	<u>(1,115,840)</u>	<u>(1,489,954)</u>
Deferred revenue, end of year	<u>33,786,473</u>	<u>34,241,582</u>

Revenue is recognized when expenditures incurred meet the criteria under the terms of the fiscal financing agreement.

5. Cash and designated cash

(a) Cash

During the year ended March 31, 2016, the Government's Executive approved funding in the amount of \$848,403 for each of the Village governments as an additional program under section 6 of the Nisga'a Capital (New Asset) Finance Commission Act to support existing and new housing programs on Nisga'a lands. Cash as at March 31, 2016 includes \$2,044,365 of the approved funding that had not yet been disbursed.

Nisga'a Lisims Government

Notes to the consolidated financial statements

March 31, 2016

5 Cash and designated cash (continued)

(b) Capital Finance Commission receivable

	2016	2015
	\$	\$
Capital Finance Commission Fund	30,204,161	26,976,808
Business Development Fund	317,664	299,461
	<u>30,521,825</u>	<u>27,276,269</u>

6. Designated trust funds

Nisga'a Settlement Trust

The Trust comprises:

	2016	2015
	\$	\$
(a) Interest bearing cash account with RBC Investor Services Trust	542,453	421,986
(b) Portfolio investments held by RBC Investor Services Trust at cost (market value \$276,493,902 (2015 - \$277,248,220))	240,993,841	228,428,465
	<u>241,536,294</u>	<u>228,850,451</u>

The Government has contributed funds to this Trust to hold, protect and grow a portion of Nisga'a Final Agreement proceeds for the future benefit of the Nisga'a Nation.

Total appropriations from the Nisga'a Settlement Trust to the Government and Administration Fund were as follows:

	\$
2007	5,506,421
2008	7,815,414
2009	7,040,000
2010	-
2011	3,699,288
2012	5,578,714
2013	5,245,217
2014	5,295,678
2015	6,277,156
2016	4,677,249
	<u>51,135,137</u>

These Funds have been appropriated by the WSN as a result of approved cash management strategies. The Government may draw down these Funds at a future point in time, consistent with best practices related to strategic cash management. During the year ended March 31, 2016, a distribution of \$Nil (2015 - \$4,300,000) was made out of the Trust monies.

Nisga'a Lisims Government

Notes to the consolidated financial statements
March 31, 2016

6. Designated trust funds (continued)

Total distributions from the Nisga'a Settlement Trust are as follows:

	\$
2012	3,005,479
2013	6,845,000
2014	6,350,000
2015	4,300,000
2016	-
	<hr/> 20,500,479

Nisga'a Lisims Government

Notes to the consolidated financial statements
March 31, 2016

7. Investments in other entities

	2016					2015	
	Shares/ units	Advances	Investment	Total	Shares/ units	Investment	Total
	\$	\$	\$	\$	\$	\$	\$
Lisims Forest Resource Limited Partnership	10,000	-	(6,889)	(6,889)	10,000	95,678	95,678
K'Alii Aks Construction Limited Partnership	1,000	-	646,482	646,482	1,000	-	-
Nisga'a West Coast Stevedoring (1999) Ltd.	1	-	-	-	1	-	-
Sim Gan Forest Corporation	19	-	19	19	19	19	19
Northern Native Fishing Corporation	1	-	1	1	1	1	1
Publicly traded equities	82,500	-	681,450	681,450	82,500	681,450	681,450
	93,521	-	1,321,063	1,321,063	93,521	777,148	777,148

Financial information for Government business enterprises is as follows:

	2016				2015	
	Assets	Liabilities	Net assets (deficiency)	Revenue	Expenses	Net income (loss)
	\$	\$	\$	\$	\$	\$
K'Alii Aks Construction Limited Partnership	1,384,828	738,346	646,482	4,888,125	4,131,808	756,317
Lisims Forest Resource Limited Partnership	665,093	671,982	(6,889)	3,784,891	3,894,961	(110,070)
	Assets	Liabilities	Net assets (deficiency)	Revenue	Expenses	Net income (loss)
	\$	\$	\$	\$	\$	\$
K'Alii Aks Construction Limited Partnership	2,199,055	2,308,890	(109,835)	6,232,697	4,621,451	1,611,246
Lisims Forest Resource Limited Partnership	503,065	399,884	103,181	2,653,918	2,717,285	(63,367)

Nisga'a Lisims Government

Notes to the consolidated financial statements

March 31, 2016

8. Bank indebtedness

	2016	2015
	\$	\$
Bank indebtedness	125,000	-
Cheques issued in excess of cash on hand	15,824	-
	<u>140,824</u>	<u>-</u>

The Government has a \$5 million credit facility available at the bank prime rate, secured by a general security agreement. The Government also has a \$3.3 million non-revolving term facility and a \$9 million revolving facility available by way of a series of term loans at bank prime rate.

Nisga'a Pacific Ventures Limited Partnership has a demand operating line of credit facility available of \$100,000 with a floating interest rate at prime. The line of credit facility is secured by a general security agreement.

9. Accounts payable and accrued liabilities

	2016	2015
	\$	\$
Own source revenue liability	19,996,091	13,331,816
Accounts payable and accrued liabilities	1,242,435	2,536,313
Nisga'a Village Governments and Institutions	53,404	103,505
Elective leave and vacation liability	1,041,961	908,681
Accounts payable and accrued liabilities - Government businesses	359,304	-
Payroll liabilities	452,207	380,146
	<u>23,145,402</u>	<u>17,260,461</u>

10. Deferred revenue and deposits received

Deferred revenue and deposits received consists of proceeds received for specific projects to be completed in the future and forestry bid deposits held. These amounts will be recognized in the period monies are used for the purpose specified.

	2016	2015
	\$	\$
Deferred revenue and deposits received	3,056,547	1,244,212
Deferred revenue - Government businesses	17,487	8,766
	<u>3,074,034</u>	<u>1,252,978</u>

11. Long-term debt

	2016	2015
	\$	\$
Demand loan at bank prime rate, repayable at \$46,750 per month including interest, secured by a general security agreement	2,434,414	2,920,427

Nisga'a Lisims Government

Notes to the consolidated financial statements

March 31, 2016

11. Long-term debt (continued)

Scheduled principal repayments required in the next five years and thereafter, if otherwise not demanded, are as follows:

	\$
2017	500,617
2018	514,475
2019	528,717
2020	543,353
2021	347,252
	<u>2,434,414</u>

12. Tangible capital assets (Schedule 1)

	2016	2015
	Net book value	Net book value
	\$	\$
Contributed land, natural resources and cultural resources	3	3
Land	634,931	634,931
Buildings and mobile homes	21,938,677	23,244,781
Boats and vessels	409,338	460,402
Automotive	375,076	269,942
Machinery and equipment	124,981	234,461
Furniture, fixtures and office equipment	256,875	162,899
Computer equipment	139,724	103,622
Communications infrastructure	168,159	175,146
Fibre optic network	1,981,171	-
Construction in progress	331,502	2,272,424
	<u>26,360,437</u>	<u>27,558,611</u>

Contributed land, natural resources and cultural resources are contributions from the Nisga'a Final Agreement that were recorded at \$1 each as a reasonable valuation of these assets was not available. This is a departure from the accounting required under Section 42 of the Nisga'a Financial Administration Act which requires that these assets be recorded at fair value. These assets include the following:

- Lands - Approximately 2,020 square kilometres of land comprising of 1,993 of Nisga'a lands in the lower Nass Valley and 27 of Category A and B lands held outside of Nisga'a lands
A commercial recreation tenure
- Natural resources - Timber, subsurface minerals, limited water, fish and wildlife
- Cultural resources - Heritage sites, artwork and artifacts

Nisga'a Lisims Government

Notes to the consolidated financial statements

March 31, 2016

13. Prepaid expenses

	2016	2015
	\$	\$
Prepaid expenses	577,920	700,679
Prepaid expenses - Government businesses	32,712	18,888
	<u>610,632</u>	<u>719,567</u>

14. Tax losses carried forward

The Nisga'a Pacific Ventures Group has incurred non-capital losses of \$3,725,912 (2015 - \$4,152,378) for tax purposes which are available to reduce future taxable income. Such benefits will be recognized in the period it is determined that they are more likely than not to be realized. These losses expire as follows:

	\$
2026	576,765
2027	613,990
2028	560,506
2029	761,981
2030	403,521
2031	286,766
2032	161,268
2033	110,791
2034	7,458
2035	241,528
2036	1,338
	<u>3,725,912</u>

The Government has losses available for own source revenue purposes of approximately \$1,894,000 (2015 - \$ 265,000) which are available to reduce future own source revenue liabilities arising from commercial and investment activities. Such benefits will be recognized in the period it is determined that they are more likely than not to be realized.

15. Commitments and contingencies

(a) Commitments

- (i) The Government enters into various contracts and agreements and is committed to various expenditures in the normal course of business.
- (ii) The Government is committed to provide various programs and services and to conduct various activities under the Nisga'a Final Agreement. The cost of completing all of these activities is substantial, although the cost cannot be readily determined.
- (iii) The nature of the Government's activities requires negotiation of contracts that are significant in relation to its current financial position and that may materially affect the level of future expenditures. These include contractual commitments pertaining to funding agreements with Nisga'a Village Governments, various Nisga'a institutions and various capital projects.

Nisga'a Lisims Government

Notes to the consolidated financial statements

March 31, 2016

15. Commitments and contingencies (continued)

(b) Contingencies

- (i) Effective May 11, 2000, the Government entered into the first Nisga'a Nation Fiscal Financing Agreement (the "Agreement") with the Government of Canada and the Province of British Columbia for a five year period. A second Agreement was entered into on March 9, 2010 for a further five year period. The terms of the Agreement provide that every five years, or at longer intervals as agreed upon by the parties, the parties will negotiate and attempt to reach agreement on a fiscal financing agreement by which funding will be provided to the Nisga'a Nation to provide agreed-upon public programs and services to Nisga'a citizens. Funding provided under the first and second Agreements include amounts for the replacement and maintenance of certain agreed-upon tangible capital assets. The Government expects to receive approximately \$86.4 million, plus inflationary adjustments, for these tangible capital assets under future Agreements, of which approximately \$14.3 million, plus inflationary adjustments, relates to Government owned assets.
- (ii) The Government of Canada and the Government have set up the Lisims Fisheries Conservation Trust ("Trust") which is under the control of trustees independent from the Nisga'a Nation and the Government. The objectives of the trust are to promote conservation and protection of, to facilitate sustainable management of, and to promote and support Nisga'a participation in the stewardship of the Nass area fish species and stocks and the Nass area fisheries for the benefit of all Canadians. The trust financial results are not included in these financial statements. The Government received \$550,000 (2015 - \$550,000) from the Trust during the year.
- (iii) The Government is contingently liable to banks for housing loan guarantees provided in the amount of \$1,908,653 (2015 - \$1,491,593) under housing programs.
- (iv) Certain legal actions have been commenced against the Government in connection with various matters arising during the normal course of business activities. Management is of the opinion that the cost of settling and defending such actions will not be significant and, accordingly, no provision for losses has been reflected in these financial statements.

16. Tax revenue

	2016	2015
	\$	\$
Goods and Services Tax	1,616,571	1,544,602
Federal personal income tax	6,185,199	3,824,205
Provincial sales tax	561,369	530,904
Provincial personal income tax	872,910	773,875
Property taxes	308,335	97,000
	<u>9,544,384</u>	<u>6,770,586</u>

Nisga'a Lisims Government

Notes to the consolidated financial statements

March 31, 2016

17. Other revenues

	2016	2015
	\$	\$
Contract revenue	3,376,436	11,367,657
Other grants and contributions	763,212	596,284
Share of business enterprise income	536,592	-
Other	397,041	145,344
Rental income	101,491	113,385
Stumpage and silviculture levies	166,849	30,140
Levies, fees, permits and leases	24,981	19,242
Fish revenue	-	511
	<u>5,366,602</u>	<u>12,272,563</u>

18. Expenses by object

	2016	2015
	\$	\$
Purchased goods and services	16,472,848	15,279,764
Compensation and training	10,851,582	10,741,015
Own source revenue taxation	6,664,275	6,170,056
Acquisition of guide outfitting certificate	4,000,000	-
Impairment of tangible capital assets	1,302,904	-
Travel, accommodation and related costs	1,256,842	1,496,337
Elders payments	1,290,000	1,200,000
Amortization	1,240,415	1,161,241
Other interest and bank charges	70,639	156,816
Urban housing and renovation grants	191,950	188,959
Other grants and contributions	438,423	258,932
Income tax expense	-	129,996
Share of business enterprise loss	-	63,367
	<u>43,779,878</u>	<u>36,846,483</u>

Nass area strategy expenses in the consolidated statement of operations, and purchased goods and services in the table above, include the acquisition of a Guide Outfitting Certificate at a cost of \$4 million.

19. Defined contribution plan

The Government participates in an individual defined contribution plan for its permanent employees. Permanent employees are required to contribute 5% of their earnings. An additional voluntary contribution up to 8% of earnings is permitted. The Government contributes amounts equal to the employee's required contribution of 5%. The Government contributed \$280,091 (2015 - \$262,067) to the plan during the year.

Nisga'a Lisims Government

Notes to the consolidated financial statements

March 31, 2016

20. Related party transactions and balances

During the year ended March 31, 2016, the Government:

- (a) Charged Lisims Forest Resource Limited Partnership ("LFRLP") \$268,869 (2015 - \$44,343) for stumpage fees related to logging rights given to LFRLP and silviculture levies;
- (b) Had an outstanding balance due from LFRLP of \$208,207 (2015 - due to LFRLP of \$25,102) in relation to silviculture levies.
- (c) Recognized a credit for Lisims Forest Resource Limited Partnership ("LFRLP") of \$35,680 (2015 - \$9,550) in respect of own-source revenue related to LFRLP's net loss for the year;
- (d) Charged K'alli Aks Construction Limited Partnership ("KACLPL") \$325,053 (2015 - \$Nil) in respect of own-source revenue related to KACLPL's net income for the year;
- (e) As at March 31, 2016, KACLPL has an accounts payable and accrued liabilities balance due to the Government of \$267,782 (2015 - \$267,782).
- (f) As at March 31, 2016, KACLPL had an amount due from a partnership under common control of \$28,873 (2015 - \$Nil).

The advances due from other entities are unsecured, interest free and have no fixed terms or repayment.

Amounts paid to and received from related parties were incurred in the normal course of business and are measured at the exchange amount, which is the amount agreed upon by the transacting parties.

21. Commercial entities' income and expenses

						2016
	Fisheries	Nass Area Properties	Telecom	Tourism	Nisga'a Pacific Ventures Limited Partnership	Total
	\$	\$	\$	\$		\$
Revenue	2,327,894	8,500	372,853	147	365,597	3,074,991
Expenses	2,398,211	1,442,624	646,992	26,700	821,748	5,336,275
	(70,317)	(1,434,124)	(274,139)	(26,553)	(456,151)	(2,261,284)
						2015
	Fisheries	Nass Area Properties	Telecom	Tourism	Nisga'a Pacific Ventures Limited Partnership	Total
	\$	\$	\$	\$		\$
Revenue	1,777,129	64,000	289,557	146	-	2,130,832
Expenses	2,115,334	78,871	715,831	(2,545)	97,300	3,004,791
	(338,205)	(14,871)	(426,274)	2,691	(97,300)	(873,959)

Nisga'a Lisims Government

Notes to the consolidated financial statements

March 31, 2016

22. Funds held for silviculture

Under the Nisga'a Public Lands License ("License"), the Government receives a silviculture levy of \$3 per cubic metre in respect of timber harvested under the License or a Forest Development Plan or a road permit, including avoidable waste. The silviculture levies are maintained in interest bearing accounts in respect of each timbermark under which timber is harvested by Lisims Forest Resource Limited Partnership. As Lisims Forest Resource Limited Partnership performs its silviculture obligations under the Nisga'a Forest Act, it claims reimbursement from the applicable silviculture account.

23. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

Nisga'a Lisims Government

Consolidated schedule of tangible capital assets - Schedule 1 year ended March 31, 2016

	Contributed land, natural resources and cultural resources	Land	Buildings and mobile homes	Boats and vessels	Automotive	Machinery and equipment	Furniture, fixtures and office equipment	Computer equipment	Communications infrastructure	Fibre optic network	Construction in progress	Total
Cost												
As at April 1, 2015	3	634,931	30,524,096	938,355	1,179,545	384,336	679,614	773,363	698,135	-	2,272,424	38,084,802
Additions	-	-	900	-	119,739	19,981	118,708	98,981	11,000	-	978,893	1,348,202
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(47,004)	-	-	-	-	2,063,717	(2,063,717)	-
	3	634,931	30,524,996	938,355	1,252,280	404,317	798,322	872,344	709,135	2,063,717	1,187,600	39,386,000
Accumulated amortization												
As at April 1, 2015	-	-	7,279,315	477,953	909,603	149,875	516,715	669,741	522,989	-	-	10,526,191
Additions	-	-	860,198	51,064	11,548	129,461	24,732	62,879	17,987	82,546	-	1,240,415
Disposals	-	-	-	-	(43,947)	-	-	-	-	-	-	(43,947)
Impairment	-	-	446,806	-	-	-	-	-	-	-	856,098	1,302,904
	-	-	8,586,319	529,017	877,204	279,336	541,447	732,620	540,976	82,546	856,098	13,025,563
Net book value, March 31, 2016	3	634,931	21,938,677	409,338	375,076	124,981	256,875	139,724	168,159	1,981,171	331,502	26,360,437
Cost												
As at April 1, 2014	3	634,931	30,431,651	831,856	1,065,962	343,858	628,780	718,252	698,135	-	1,078,432	36,431,860
Additions	-	-	92,445	106,499	113,583	40,478	50,834	55,111	-	-	1,193,992	1,652,942
	3	634,931	30,524,096	938,355	1,179,545	384,336	679,614	773,363	698,135	-	2,272,424	38,084,802
Accumulated amortization												
As at April 1, 2014	-	-	6,361,041	431,251	809,252	136,291	500,938	632,426	493,751	-	-	9,364,950
Additions	-	-	918,274	46,702	100,351	13,584	15,777	37,315	29,238	-	-	1,161,241
	-	-	7,279,315	477,953	909,603	149,875	516,715	669,741	522,989	-	-	10,526,191
Net book value, March 31, 2015	3	634,931	23,244,781	460,402	269,942	234,461	162,899	103,622	175,146	-	2,272,424	27,558,611

Nisga'a Lisims Government

Consolidated schedule of segment disclosure - Schedule 2 year ended March 31, 2016

	Government and Administration Fund	Commercial Fisheries Fund	Business Development Fund	Capital Transfer Fund	Investment Fund	Tangible Capital Asset Fund	Capital Finance Commission Fund	Land Title Assurance Fund	Interfund eliminations on consolidation	2016 Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
Fiscal Financing Agreement and related funding	63,004,887	-	225,545	-	-	-	-	-	-	63,230,432
Investment income	14,271,353	366,000	12,367	-	-	-	-	(366,000)	-	14,283,720
Tax revenue	9,544,384	-	-	-	-	-	-	-	-	9,544,384
Other revenue	5,366,602	-	-	-	-	-	-	-	-	5,366,602
Share of commercial entities' income	-	-	-	-	3,074,991	-	-	-	-	3,074,991
Interest income on Final Agreement	-	-	-	-	-	-	-	-	-	-
Contribution from Lisims Fisheries Conservation Trust	550,000	-	-	-	-	-	-	-	-	550,000
Targeted funding - INAC	199,266	-	-	-	-	-	(36,065)	-	-	163,201
	92,936,492	366,000	237,912	-	3,074,991	-	(36,065)	(366,000)	-	96,213,330
Expenses										
Nass Area strategy	6,969,479	-	-	-	-	-	-	-	-	6,969,479
Own source revenue taxation	6,664,275	-	-	-	-	-	-	-	-	6,664,275
Administration	6,235,831	-	-	-	-	-	-	(366,000)	-	5,869,831
Programs and services	5,791,628	-	-	-	-	-	-	-	-	5,791,628
Share of commercial entities' expenses	-	-	-	-	5,248,914	-	-	-	-	5,248,914
Governance	3,628,788	-	-	-	-	-	-	-	-	3,628,788
Fish, wildlife and migratory birds	2,834,613	-	-	-	-	-	-	-	-	2,834,613
Lands and resources	1,786,440	-	-	-	-	-	-	-	-	1,786,440
Settlement Fund	1,401,799	-	-	-	-	-	-	-	-	1,401,799
Elders payment	1,290,000	-	-	-	-	1,240,415	-	-	-	1,290,000
Amortization	-	275,103	778,593	-	-	-	-	-	-	1,240,415
Commercial development	36,602,853	275,103	778,593	-	5,248,914	1,240,415	-	(366,000)	-	43,779,878
Transfers and operating grants										
Nisga'a Village Governments	25,648,851	-	-	-	-	-	(36,065)	-	-	25,612,786
Nisga'a Valley Health Authority	16,164,921	-	-	-	-	-	-	-	-	16,164,921
Nisga'a School Board #92	8,304,271	-	-	-	-	-	-	-	-	8,304,271
Nisga'a Urban Locals	2,008,712	-	-	-	-	-	-	-	-	2,008,712
Wlilp Wilko'oskwhl Nisga'a	794,802	-	-	-	-	-	(36,065)	-	-	794,802
	52,921,557	-	-	-	-	-	(36,065)	-	-	52,885,492
	89,524,410	275,103	778,593	-	5,248,914	1,240,415	(36,065)	(366,000)	-	96,665,370
Deficiency of revenue over expenses	3,412,082	90,897	(540,681)	-	(2,173,923)	(1,240,415)	-	-	-	(452,040)
Accumulated surplus, beginning of year	232,259,765	12,361,099	1,945,047	-	(9,606,930)	6,276,412	1,697,990	50,000	-	244,983,383
Accumulated surplus, end of year	235,671,847	12,451,996	1,404,366	-	(11,780,863)	5,035,997	1,697,990	50,000	-	244,531,343

Nisga'a Lisims Government

Consolidated schedule of segment disclosure - Schedule 2 (continued) year ended March 31, 2015

	Government Administration Fund	Commercial Fisheries Fund	Business Development Fund	Capital Transfer Fund	Investment Fund	Tangible Capital Asset Fund	Capital Finance Commission Fund	Land Title Assurance Fund	Interfund eliminations on consolidation	2015 Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
Fiscal Financing Agreement and related funding	59,878,740	-	225,000	-	-	-	-	-	-	60,103,740
Investment income	13,697,037	365,449	37,128	-	-	-	-	(365,449)	-	13,734,165
Tax revenue	6,770,586	-	-	-	-	-	-	-	-	6,770,586
Other revenue	12,272,563	-	-	-	2,130,832	-	-	-	-	12,272,563
Share of commercial entities' income	-	-	-	-	-	-	-	-	-	2,130,832
Interest income on Final Agreement	126,891	-	-	-	-	-	-	-	-	126,891
Contribution from Lisims Fisheries Conservation Trust	550,000	-	-	-	-	-	-	-	-	550,000
Targeted funding - INAC	792,292	-	-	-	-	-	623,726	-	-	1,416,018
	94,088,109	365,449	262,128	-	2,130,832	-	623,726	(365,449)	-	97,104,795
Expenses										
Own source revenue taxation	6,170,056	-	-	-	-	-	-	-	-	6,170,056
Administration	5,941,775	-	-	-	-	-	-	(365,449)	-	5,576,326
Programs and services	5,660,283	-	-	-	-	-	-	-	-	5,660,283
Nass Area strategy	4,090,919	-	-	-	-	-	-	-	-	4,090,919
Governance	4,008,628	-	-	-	-	-	-	-	-	4,008,628
Share of commercial entities' expenses	-	-	-	-	3,004,791	-	-	-	-	3,004,791
Fish, wildlife and migratory birds	2,514,506	-	-	-	-	-	-	-	-	2,514,506
Lands and resources	1,372,950	-	-	-	-	-	-	-	-	1,372,950
Settlement Fund	1,261,315	-	-	-	-	-	-	-	-	1,261,315
Elders payment	1,200,000	-	-	-	-	1,161,241	-	-	-	1,200,000
Amortization	-	-	-	-	-	-	-	-	-	1,161,241
Commercial development	-	589,345	172,756	-	-	-	-	-	-	762,101
Share of business enterprise loss	-	-	-	-	63,367	-	-	-	-	63,367
	32,220,432	589,345	172,756	-	3,068,158	1,161,241	-	(365,449)	-	36,846,483
Transfers and operating grants										
Nisga'a Village Governments	24,530,018	-	-	-	-	-	241,473	-	-	24,771,491
Nisga'a Valley Health Authority	16,051,474	-	-	-	-	-	-	-	-	16,051,474
Nisga'a School Board #92	7,187,799	-	-	-	-	-	-	-	-	7,187,799
Nisga'a Urban Locals	2,018,442	-	-	-	-	-	-	-	-	2,018,442
Wip' Wilix' oskw'hi Nisga'a	1,138,385	-	-	-	-	-	-	-	-	1,138,385
	50,926,118	-	-	-	-	-	241,473	-	-	51,167,591
	83,146,550	589,345	172,756	-	3,068,158	1,161,241	241,473	(365,449)	-	88,014,074
Excess of revenue over expenses	10,941,559	(223,896)	89,372	-	(937,326)	(1,161,241)	382,253	-	-	9,090,721
Transfer between funds	(1,300,000)	-	-	-	-	-	1,300,000	-	-	-
Accumulated surplus, beginning of year	222,618,206	12,584,995	1,855,675	-	(8,689,604)	7,437,653	15,737	50,000	-	235,892,662
Accumulated surplus, end of year	232,259,765	12,361,099	1,945,047	-	(9,606,930)	6,276,412	1,637,990	50,000	-	244,983,383