

Saulteau First Nations
Consolidated Financial Statements
For the year ended March 31, 2018

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For the year ended March 31, 2018

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Saulteau First Nations are the responsibility of management and have been approved by the Chief and another Band Councilor on behalf of the Band Council.

These 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. Management is responsible 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.

The Chief and Council of Saulteau First Nations are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The external auditors, BDO Canada LLP, conduct an audit, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have access to financial management of Saulteau First Nations and meet when required.

On Behalf of Saulteau First Nations:

X  _____

Chief

X  _____

Band Councilor



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BDO Canada LLP
100 Front Street, Suite 102
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Independent Auditor's Report

To the Members of Saulteau First Nations

We have audited the accompanying consolidated financial statements of Saulteau First Nations, which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 consolidated financial position of Saulteau First Nations as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Penticton, British Columbia

October 22, 2018

Saulteau First Nations
Consolidated Statement of Financial Position

March 31	2018	2017
Financial assets		
Cash (Note 2)	\$ 5,548,062	\$ 3,929,739
Short-term investments (Note 2)	27,537,877	24,770,717
Accounts receivable (Note 3)	775,893	2,996,880
Long-term investments (Note 6)	12,551,731	14,037,901
Inventories for resale (Note 4)	41,523	23,573
	<u>46,455,086</u>	<u>45,758,810</u>
Liabilities		
Accounts payable and accrued liabilities (Note 9)	1,411,630	1,298,518
Deferred revenue (Note 10)	31,268	100,832
Demand loan (Note 11)	1,090,000	-
Long-term debt (Note 18)	1,814,672	2,083,599
	<u>4,347,570</u>	<u>3,482,949</u>
Net financial assets	<u>42,107,516</u>	<u>42,275,861</u>
Non-financial assets		
Prepaid expenses	105,222	114,999
Tangible capital assets (Note 8)	19,491,851	18,531,027
	<u>19,597,073</u>	<u>18,646,026</u>
Accumulated surplus	<u>\$ 61,704,589</u>	<u>\$ 60,921,887</u>

Approved on behalf of Chief & Council

X  _____

X  _____

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

Saulteau First Nations
Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31	Budget	2018	2017
Revenue			
Federal Government:			
Indigenous and Northern Affairs Canada	\$ 2,580,859	\$ 50,079,231	\$ 4,275,270
Canada Mortgage and Housing Corporation	-	72,093	26,920
Government of Canada	399,524	229,396	377,171
First Nations Health Authority	1,050,381	982,408	1,018,286
Provincial Government:			
Province of British Columbia	85,000	4,061,916	4,947,152
BC Hydro	505,000	711,458	513,532
Rental Income	290,730	412,430	444,460
Interest	-	280,858	172,957
National Energy Board	80,000	80,000	-
North East Native Advancing Society	-	46,609	103,591
BC Oil and Gas Commission	600,000	952,423	733,814
Other:			
Donations	-	111,651	197,050
First Nations Education Steering Committee	58,000	146,675	66,296
Industries	75,000	180,850	87,960
Reimbursements	-	34,293	244,837
Retail Operations	-	111,495	128,041
Capacity development and negotiation	-	554,672	13,030,976
Other land use and miscellaneous contracts	5,043,608	1,162,086	1,684,760
	\$ 10,768,102	\$ 60,210,544	\$ 28,053,073

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

Saulteau First Nations
Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31	Budget	2018	2017
Expenditures (Note 22)			
Administration	\$ 5,418,514	\$ 49,917,794	\$ 3,460,688
Economic development	300,601	2,046,585	1,804,269
Education	1,239,420	1,293,679	1,369,430
Enterprise Fund	-	1,747	27,737
Family and Social Development	473,584	567,905	563,294
Health services	1,095,023	1,003,247	988,149
Housing	682,100	1,008,361	1,020,248
Public works	559,787	1,331,640	924,968
Recreation and culture	-	992,596	586,682
	9,769,029	58,163,554	10,745,465
Excess of revenue for the year	999,073	2,046,990	17,307,608
Net income (loss) from government business entities		(1,264,288)	9,222,099
Annual surplus		782,702	26,529,707
Accumulated surplus, beginning of year		60,921,887	34,392,180
Accumulated surplus, end of year		\$ 61,704,589	\$ 60,921,887

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

Saulteau First Nations
Consolidated Statement of Change in Net Financial Assets

For the year ended March 31	Budget	2018	2017
Annual surplus	\$ 999,073	\$ 782,702	\$ 26,529,707
Tangible capital assets:			
Acquisition of tangible capital assets (Note 8)	-	(1,782,374)	(2,712,591)
Amortization of tangible capital assets (Note 8)	-	821,550	744,516
	999,073	(178,122)	24,561,632
Net use of prepaid expenses		9,777	299,233
Net change in net financial assets		(168,345)	24,860,865
Net financial assets, beginning of year		42,275,861	17,414,996
Net financial assets, end of year		\$ 42,107,516	\$ 42,275,861

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

Saulteau First Nations Consolidated Statement of Cash Flows

For the year ended March 31	2018	2017
Operating activities		
Annual surplus	\$ 782,702	\$ 26,529,707
Items not affecting cash:		
Amortization	821,550	744,516
Bad debts (recovery)	(42,588)	188,020
	<u>1,561,664</u>	<u>27,462,243</u>
Changes in operating balances		
Decrease (increase) in accounts receivable	2,263,575	(1,909,228)
Decrease (increase) in prepaid expenses	9,777	299,233
Increase (decrease) in accounts payable and accrued liabilities	113,112	(205,440)
Decrease (increase) in deferred revenue	(69,564)	1,760
Increase in inventory	(17,950)	(3,552)
	<u>3,860,614</u>	<u>25,645,016</u>
Capital activities		
Purchase of tangible capital assets	(1,782,374)	(2,712,591)
Investing activities		
Investments in short-term investments	(2,767,160)	(19,109,419)
Net increase in band owned investment	1,486,170	(5,233,154)
	<u>(1,280,990)</u>	<u>(24,342,573)</u>
Financing activities		
Issuance of short-term debt	1,090,000	-
Repayment of long-term debt	(268,927)	(289,176)
	<u>821,073</u>	<u>(289,176)</u>
Increase (decrease) in cash for the year	1,618,323	(1,699,324)
Cash, beginning of year	3,929,739	5,629,063
Cash, end of year	\$ 5,548,062	\$ 3,929,739

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

Saulteau First Nations Notes to Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies

Nature of Business	<p>Saulteau First Nations provides services and support to its band members.</p> <p>Saulteau First Nations is an Indian Band and, as such, is exempt from income tax under section 87 of the Indian Act.</p>
Basis of Accounting	<p>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.</p>
Reporting Entity	<p>The Saulteau First Nations reporting entity includes the Saulteau First Nations government and all related entities that are controlled by the First Nation.</p>
Principles of Consolidation	<p>All controlled entities are fully consolidated on a line-by-line basis except for commercial enterprises which meet the definition of a government business entities, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.</p> <p>Under the modified equity method of accounting, only Saulteau First Nations investment in the government business entities and the First Nation's portion of the entity's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the entities that are different from those of Saulteau First Nations and inter-organizational balances and transactions are not eliminated.</p>
Long-term Investments	<p>Long-term investments in entities which are not wholly owned or controlled by the First Nation are recorded at cost. The First Nation's investment in the following government business enterprises, are recorded on a modified equity basis:</p> <ul style="list-style-type: none">- 4 Evergreen Resources Limited Partnership- Six Nations Ventures Limited Partnership- Three Nations Ventures Limited Partnership- Saulteau Camp Services Limited Partnership- Saulteau Camp Services (GP) Limited- 4 Evergreen Harvesting Incorporated- Twin Sisters Native Plants Nursery Limited Partnership- Saulteau Resource Ventures Limited- Saulteau Ventures Limited Partnership- 1142616 B.C. Ltd

Saulteau First Nations Notes to Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Long-term investments (continued)

The modified equity method of reporting includes the investment, equity, and net income of the government business enterprise. The First Nation's investment in the following entities which are not controlled, are recorded at cost:

- First Nations Pipeline Limited Partnership
- Little Prairie Community Forest Incorporated

Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, inventories for resale and prepaid expenses.

Cash

Cash includes cash on hand and balances with various financial institutions.

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital assets including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Buildings and improvements	25-50 years
Automotive equipment	10 years
Engineering structures	15-25 years
Machinery and equipment	3-20 years

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Inventories for resale	Inventories of supplies and goods for resale are recorded at the lower of cost and net realizable value.
Revenue Recognition	<p>Revenue from band operations is recognized as it becomes receivable under the terms of applicable funding agreements. Revenue received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Consolidated Statement of Financial Position.</p> <p>Revenue from Government Business Enterprises is recognized when ownership of products are transferred to a third party or services are provided, and collection is reasonably assured.</p> <p>Revenue from rental and other income is recognized when services are provided, and collection is reasonably assured. When payments are received in advance of contracted services, the Band records this as deferred revenue.</p> <p>Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the consolidated statement of operations as the stipulation liabilities are settled.</p>
Financial Instruments	<p>The Band carries a number of financial instruments. Unless otherwise noted, it is management's opinion that the Band is not exposed to significant interest, currency or credit risks arising from these financial instruments.</p> <p>The fair values of these financial instruments approximate their carrying values, unless otherwise noted.</p>
Impairment of Long Lived Assets	In the event that facts and circumstances indicate that the First Nation's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. The First Nation considers that no circumstances exist that would require such an evaluation.

Saulteau First Nations Notes to Consolidated Financial Statements

March 31, 2018

2. Cash and Short-term Investments

	2018	2017
Cash	\$ 5,548,062	\$ 3,929,739
Term deposits	27,537,877	24,770,717
	\$ 33,085,939	\$ 28,700,456
Externally Restricted		
Ottawa Trust Funds - Revenue (Note 5)	\$ 42,787	\$ 42,787
Ottawa Trust Funds - Capital (Note 5)	395,732	386,228
Replacement reserve	521,185	521,329
Funds held in trust	-	67,805
	959,704	1,018,149
Internally Restricted		
Community Benefit Fund	218,919	217,144
Unrestricted		
Operating	31,907,316	27,465,163
	\$ 33,085,939	\$ 28,700,456

Term Deposits

Term deposits consist of 3, 9, 12, and 15 month cashable GICs at rates varying from 1.10% to 1.54% per annum, maturing between April 25, 2018 and January 21, 2019.

Replacement Reserves

Under the terms of the agreement with Canada Mortgage and Housing Corporation ("CMHC"), the Replacement Reserve account is to be credited annually by \$11,000 as specified by CMHC. 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. Withdrawals are credited to interest first and then principal.

Community Benefits Fund

This fund was established for the purpose of collecting monies for future projects which would benefit the members of the Saulteau First Nations. The Community Benefits Fund includes the Pemmican Days fund and Extended Care Fund. The Pemmican Days fund was established for the purpose of collecting monies for the annual Pemmican Days event. The Extended Care fund was established for the purpose of building a new elders' care home.

Trust Funds

These funds are held in trust with Donovan & Company for the purpose of supporting the negotiation of an impact benefit agreement with Peace River Coal related to mining activities.

Saulteau First Nations Notes to Financial Statements

March 31, 2018

3. Accounts Receivable

	2018	2017
Trade	\$ 251,756	\$ 298,061
Indigenous and Northern Affairs Canada	329,055	-
Oil and Gas Commission	-	72,997
Accrued receivables	200,422	2,302,600
Province of BC	2,098	300,000
First Nations Health Authority	4,018	4,018
CMHC Social housing rent	172,578	212,029
Band housing rent	1,075,267	1,414,365
Member receivables	-	18,364
	2,035,194	4,622,434
Less: Allowance for doubtful accounts	(45,036)	(17,207)
Less: Allowance for doubtful band member rent accounts	(1,049,389)	(1,385,895)
Less: Allowance for doubtful social housing rent accounts	(164,876)	(204,088)
Less: Allowance for doubtful band member receivables	-	(18,364)
Net accounts receivable	\$ 775,893	\$ 2,996,880

4. Inventories for Resale

	2018	2017
Smokes and snacks	\$ 41,523	\$ 23,573

5. Trust Funds Held by Federal Government

	March 31, 2017	Additions	Withdrawals	March 31, 2018
Revenue	\$ 42,787	\$ -	\$ -	\$ 42,787
Capital	386,228	9,504	-	395,732
	\$ 429,015	\$ 9,504	\$ -	\$ 438,519

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

Saulteau First Nations Notes to Consolidated Financial Statements

March 31, 2018

6. Long-term Investments

	2018	2017
4 Evergreen Resources Limited Partnership (99.99%)	\$ 7,504,272	\$ 12,168,294
Six Nations Ventures Limited Partnership (16.66%)	464,856	404,436
Three Nations Ventures Limited Partnership (33.33%)	6,642	56,647
Twin Sisters Native Plants Nursery Limited Partnership (49.99%)	547,555	498,961
Saulteau Camp Services Limited Partnership (99.99%)	382,765	381,677
Saulteau Camp Services GP Limited (100%)	490,182	278,331
4 Evergreen Harvesting Incorporated (100%)	947	947
Saulteau Ventures Limited Partnership (99.99%)	1,355,548	248,704
Saulteau Resource Ventures GP Limited (100%)	416	(1,099)
1142616 B.C. Ltd (100%)	1,797,545	-
First Nations Pipeline Limited Partnership (6.66%), at cost	1,000	1,000
Little Prairie Community Forest Inc. (33.33%), at cost	3	3
	\$ 12,551,731	\$ 14,037,901

4 Evergreen Resources Limited Partnership

The principal purpose of 4 Evergreen Resources Limited Partnership is providing contract services for the oil and gas, timber and road construction industries.

Six Nations Ventures Limited Partnership

Six Nations Ventures Limited Partnership is a partnership of Blueberry River First Nations, Doig River First Nation, Halfway River First Nation, Prophet River First Nation, Saulteau First Nations, West Moberly First Nations and Six Nations Ventures Inc. This partnership operates a log sort yard on a contract basis in Fort St. John, British Columbia.

Three Nations Ventures Limited Partnership

Three Nations Ventures Limited Partnership is a limited partnership of the Saulteau First Nations, Blueberry First Nations, West Moberly First Nations, and Three Nations Ventures Inc. This partnership operates predominantly in the forestry sector; as well, it operates a log sort yard.

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2018

6. Long-term Investments (continued)

Twin Sisters Native Plants Nursery Limited Partnership

Twin Sisters Native Plants Nursery Limited Partnership is a limited partnership of the Saulteau First Nations. The principal purpose is to provide plant growing and seed collecting services.

Saulteau Camp Services Limited Partnership

Saulteau Camp Services Limited Partnership is a limited partnership of the Saulteau First Nations. The principal purpose is administering the leasing of remote camps.

Saulteau Ventures Limited Partnership

Saulteau Ventures Limited Partnership is a limited partnership of the Saulteau First Nations. The principal purpose is identifying and participating in opportunities available to the Saulteau First Nations for the supply of goods and services.

Little Prairie Community Forest Incorporated

Little Prairie Community Forest Incorporated operates a community forest under a twenty-five year agreement with the Ministry of Forest, Lands and Natural Resource Operations, in accordance with Section 43.51 (1) (b) of the Forest Act and Section 6 of the Community Tenures Regulation. This entity was inactive during the fiscal period ended and as a result has not been included in the accompanying table below.

1142616 B.C. Ltd.

The principal purpose of 1142616 B.C. Ltd. is holding land and real estate investments on behalf of Saulteau First Nations. This entity was inactive during the fiscal period ended and as a result has not been included in the accompanying table below.

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2018

6. Long-term Investments (continued)

	2018								2017
	4 Evergreen Resources Limited Partnership	Six Nations Ventures Limited Partnership	Three Nations Ventures Limited Partnership	Saulteau Camp Services Limited Partnership	Twin Sisters Native Plants Nursery Limited Partnership	Saulteau Camp Services (GP) Limited	Saulteau Ventures Limited Partnership	Saulteau Resource Ventures Limited	
	As at Mar. 31 2018	As at Dec. 31 2017	As at Jun. 30 2017	As at Mar. 31 2018	As at Mar. 31 2018	As at Mar. 31 2018	As at Mar. 31 2018	As at Mar. 31 2018	Total
Assets									Total
Current	\$ 10,897,008	\$ 1,537,897	\$ 18,062	\$ 471,989	\$ 739,689	\$ 484,584	\$ 168,632	\$ 1,187,220	\$ 15,405,092
Non-current	4,415,337	1,320,168	-	-	653,872	153	1,187,111	306	7,576,747
	15,112,346	2,958,065	18,062	471,989	1,393,561	484,737	1,355,743	1,187,526	22,981,839
Liabilities									
Current	6,595,221	182,046	(1,863)	89,080	145,463	-	-	-	6,919,947
Non-current	1,101,987	-	-	143,125	544,381	490,181	300	1,187,609	3,467,583
	7,697,208	182,046	(1,863)	232,205	689,844	490,181	300	1,187,609	10,387,530
Equity	7,505,138	2,776,019	19,925	239,794	703,517	(5,444)	1,355,443	(83)	12,594,309
	15,112,346	2,958,065	18,062	471,989	1,393,561	484,737	1,355,743	1,187,526	22,981,839
Revenue	18,621,514	2,344,448	2,454	1,289	738,438	-	1,106,844	1,516	22,816,503
Expenditures	21,097,431	1,981,926	5,411	5,278	636,215	1,892	1,500	501	23,730,154
Total income (loss)	(2,475,917)	362,522	(2,957)	(3,989)	102,223	(1,892)	1,105,344	1,015	(913,651)
Allocation	\$ (2,475,669)	\$ 60,420	\$ (50,005)	\$ (3,989)	\$ 98,596	\$ -	\$ 1,105,344	\$ 1,015	\$ (1,264,288)
									\$ 9,222,089

Saulteau First Nations

Notes to Consolidated Financial Statements

March 31, 2018

7. Related Party Transactions

During the year, Saulteau First Nations paid a total of \$103,153 (2017 - \$58,973) in fees to 4 Evergreen Resources Limited Partnership for various contracted and consulting services. These transactions were conducted in the normal course of operations and were measured at the estimated carrying amount which approximates fair value. The Partnership also paid out a partnership draw of \$2,188,353 (2017 - \$Nil).

During the year, Saulteau First Nations paid for certain expenses on behalf of Saulteau Camp Services Limited Partnership in the amount of \$5,077 (2017 - \$11,857). The Partnership also paid out a partnership draw of \$Nil (2017 - \$1,276,379).

During the year, revenue pertaining to Saulteau First Nations in the amount of \$211,850 (2017 - \$195,986) was deposited into the Saulteau Camp Services GP Limited bank account in error.

During the year, Saulteau First Nations received dividend income of \$nil (2017 - \$35,000) and donations of \$3,000 from Little Prairie Community Forest Inc.

During the year, Saulteau First Nations received partnership draws of \$Nil (2017 - \$148,500) from Three Nations Ventures Limited Partnership. In addition, Saulteau First Nations received donations of \$Nil (2017 - \$4,000) from Three Nations Ventures Limited Partnership.

During the year, Saulteau First Nations received donations of \$8,000 (2017 - \$10,000) from Six Nations Ventures Limited Partnership.

During the year, Saulteau First Nations paid for capital assets on behalf of 1142616 B.C. Ltd. in the amount of \$1,797,545 (2017 - \$nil).

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2018

8. Tangible Capital Assets

	2018				
	Buildings	Machinery and Equipment	Engineering Structures	Automotive	Total
Cost, beginning of year	\$16,214,318	\$ 356,870	\$ 10,785,359	\$ 275,393	\$27,631,940
Additions	851,203	30,452	560,712	340,007	1,782,374
Cost, end of year	17,065,521	387,322	11,346,071	615,400	29,414,314
Accumulated amortization, beginning of year	5,101,514	202,660	3,630,990	165,749	9,100,913
Amortization	337,100	68,088	371,822	44,540	821,550
Accumulated amortization, end of year	5,438,614	270,748	4,002,812	210,289	9,922,463
Net carrying amount, end of year	\$11,626,907	\$ 116,574	\$ 7,343,259	\$ 405,111	\$19,491,851

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2018

8. Tangible Capital Assets (continued)

					2017
	Buildings	Machinery and Equipment	Engineering Structures	Automotive	Total
Cost, beginning of year	\$16,214,318	\$ 238,246	\$ 8,191,392	\$ 275,393	\$24,919,349
Additions		118,624	2,593,967	-	2,712,591
Cost, end of year	16,214,318	356,870	10,785,359	275,393	27,631,940
Accumulated amortization, beginning of year	4,767,308	85,111	3,365,768	138,210	8,356,397
Amortization	334,206	117,549	265,222	27,539	744,516
Accumulated amortization, end of year	5,101,514	202,660	3,630,990	165,749	9,100,913
Net carrying amount, end of year	\$11,112,804	\$ 154,210	\$ 7,154,369	\$ 109,644	\$18,531,027

9. Accounts Payable and Accrued Liabilities

	2018	2017
Trade payables	\$ 552,027	\$ 464,584
Accrued liabilities	124,945	526,590
GST payable	-	46,786
Accrued salaries and employee benefits payable	229,409	161,613
WCB payable	13,148	370
Vacation payable and overtime	113,431	84,532
Other accounts payable	378,670	14,043
	\$ 1,411,630	\$ 1,298,518

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2018

10. Deferred Revenue

Deferred revenue represents funding received for programs that were not completed during the year.

	Balance, beginning of the year	Contributed	Recognized	Balance, end of the year
Peace River Coal Agreement	\$ 67,804	\$ -	\$ (67,804)	\$ -
Elders Fund	14,793	-	-	14,793
Wildfire Protection	16,475	-	-	16,475
Prepaid rent	1,760	-	(1,760)	-
	<u>\$ 100,832</u>	<u>\$ -</u>	<u>\$ (69,564)</u>	<u>\$ 31,268</u>

11. Demand Loan

The First Nation has an authorized revolving loan with approval up to \$1,090,000, of which \$1,090,000 (2017 - \$nil) was drawn. These amounts bear interest at prime plus 1.25%. The First Nation also has a Visa credit card with approval up to \$25,000, of which \$4,877 (2017 - \$4,877) was drawn at year end. The loans are secured by the assets of the Band and authorized through Band Council Resolution.

12. Contingencies

The Saulteau First Nations has been named as a defendant in a lawsuit arising from the ordinary course of operations. Legal counsel for the Saulteau First Nations has advised it is premature to make an evaluation on the final settlement amount of this claim. Consequently, no provision has been made in the financial statements.

From time to time, there are potential claims against Saulteau First Nations for incidents which arise in the ordinary course of business. In the opinion of management and legal counsel, the outcomes of the claims are not determinable at this time and cannot be estimated. Should any loss result from the resolution of these claims, such a loss will be charged to operations in the year of resolution.

Saulteau First Nations

Notes to Consolidated Financial Statements

March 31, 2018

13. Pension Plan

The Band and certain of its employees contribute to the Saulteau First Nations Pension Plan (the "Plan"). The Plan is a defined contribution plan. The Band administers the Plan through Manulife, including the payment of pension benefits on behalf of the employer and employees in accordance with the federal legislation. Contributions to the plan are based on fixed percentages of a participant's contributions up to a maximum amount per participant.

During the year, the Band paid \$110,637 (2017 - \$104,586) to the Plan on behalf of its employees.

14. Loan Guarantees

Saulteau First Nations has guaranteed a line of credit for 4 Evergreen Resources Limited Partnership for up to \$1,000,000 with an interest rate of prime plus 1.25% per annum. At March 31, 2018, the balance owing was \$400,000 (2017 - \$212,101).

In addition, Saulteau First Nations has guaranteed a line of credit for Twin Sisters Native Plants Nursery Limited Partnership in the amount of \$250,000 with an interest rate of prime + 2.3% per annum.

15. Economic Dependence

Saulteau First Nations receives a major portion of its revenue from government funding resources. The nature and extent of this revenue is of such significance that the Band is economically dependent on this source of revenue.

16. Federal Assistance Payments

The Social Housing Fund receives federal assistance through CMHC, pursuant to Section 56.1 of the National Housing Act, to reduce mortgage interest expense to 2% to enable the project to provide housing to low income individuals. The amount of the assistance received for the year ended March 31, 2018 was \$23,320 (2017 - \$23,320).

17. Comparative Figures

Certain comparative amounts presented in these consolidated financial statements have been restated to conform to the current year's presentation.

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2018

18. Long-term Debt

Capital Fund

	<u>2018</u>	<u>2017</u>
Royal Bank of Canada demand loan payable, bearing interest at 2.21% per annum, payable in monthly instalments of \$3,713, maturing July 2020.	\$ 108,047	\$ 149,705
Royal Bank of Canada demand loan payable, bearing interest at 2.21% per annum payable in monthly instalments of \$4,065, maturing October 2019.	75,643	122,191
Royal Bank of Canada demand loan payable, bearing interest at 2.21% per annum, payable in monthly instalments of \$3,604, maturing July 2020.	111,675	151,962
Canadian Imperial Bank of Commerce loan payable, bearing interest at 6.95% per annum, payable in monthly instalments of \$339, maturing April 2019.	18,876	21,537
Royal Bank of Canada demand loan payable, bearing interest at 3.25% per annum, payable in monthly instalments of \$6,623, maturing December 2018.	1,198,388	1,238,195
Royal Bank of Canada loan repaid during the year.	-	38,870
Royal Bank of Canada demand loan payable, bearing interest at 2.94% per annum, repayable in monthly instalments of \$697, maturing November 2022.	93,991	99,540
Toyota credit loan payable, bearing interest at 1.99% per annum, payable in monthly instalments of \$593, maturing December 2019.	12,230	19,030
Toyota credit loan payable, bearing interest at 0.99% per annum payable in monthly instalments of \$663, maturing May 2018.	2,024	9,259
Royal Bank of Canada demand loan payable, bearing interest at 2.34% per annum, payable in monthly instalments of \$235, maturing September 2021.	30,345	32,429
	<u>1,651,219</u>	<u>1,882,718</u>

Saulteau First Nations Notes to Consolidated Financial Statements

March 31, 2018

18. Long-term Debt (continued)

Social Housing Fund

All Nations Trust Company loan payable, bearing interest at 1.92% per annum, payable in monthly instalments of \$1,897 maturing May 2019.

26,247 48,282

Royal Bank of Canada term loan payable, bearing interest at 2.67% per annum, payable in monthly instalments of \$1,607, maturing April 2021.

137,206 152,599

163,453 200,881

1,814,672 2,083,599

Less: current portion

(1,668,171) (1,887,676)

\$ 146,501 \$ 195,923

All mortgages are secured by a ministerial guarantee from Indigenous and Northern Affairs Canada. Principal repayments on long-term debt for the next five years and thereafter are as follows, assuming mortgages are renewed on similar terms:

2019	\$ 1,668,171
2020	28,379
2021	19,953
2022	20,639
2023	77,530
	1,814,672

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2018

19. Budget

The budget was adopted by Chief and Council on January 11, 2017. It was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of administration fee revenue billed between programs to reduce current year expenditures in excess of current year revenues. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the budget approved by Council on January 11, 2017 with adjustments as follows:

	<u>March 31, 2018</u>
Budget surplus for the year	\$ 2,014,830
Add:	
Capital expenditures	-
Admin expense	916,719
Less:	
Admin revenue	(1,932,476)
Net Transfers	-
	<hr/>
Budget surplus per statement of operations	<u>\$ 999,073</u>

20. Settlement Claims

Royal Trust Corporation of Canada ("Trustee") holds \$13,011,833 in trust for members of the Saulteau First Nations for the purpose of receiving and disbursing settlement funds to members not yet eligible to receive, or who have not yet come forward to receive their proportionate share of the settlement funds. These trust assets have not been included in these financial statements as the funds are held and administered by the Trustee for the members as primary beneficiaries.

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2018

21. Government Transfers

	Operating	Capital	2018 Total	Operating	Capital	2017 Total
Federal Government Transfers						
Indigenous and Northern Affairs Canada	49,740,976	338,255	50,079,231	2,436,318	1,838,952	4,275,270
First Nations Health Authority	982,408	-	982,408	1,018,286	-	1,018,286
Canada Mortgage and Housing Corporation	-	23,320	23,320	-	26,920	26,920
Treaty Land Entitlement	-	-	-	333,171	-	333,171
Other	-	-	-	44,000	-	44,000
	50,723,384	361,575	51,084,959	3,831,775	1,865,872	5,697,647
Provincial Government Transfers	836,592	-	836,592	4,947,152	-	4,947,152
Total	\$ 51,559,976	\$ 361,575	\$ 51,921,551	\$ 8,778,927	\$ 1,865,872	\$ 10,644,799

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2018

22. Statement of Expenditures by Object

	2018	2017
Expenditures		
Advertising and recruitment	\$ 11,319	\$ 18,459
Amortization	821,550	744,516
Appliances	1,010	6,188
Bad debts (recovery)	(42,588)	188,020
Bank charges	30,083	26,279
Community events	98,887	73,564
Contract services	2,294,955	1,914,021
Cost of retail operations	77,520	130,765
Direct social assistance	255,973	336,102
Settlement claim payout	46,624,014	-
Donations	159,049	64,383
Equipment rental	46,945	52,507
Equipment purchases	3,875	7,362
Garbage collections	33,559	28,415
Honoraria	555,678	106,174
Insurance	120,936	124,501
Interest on long term debt	58,138	68,129
Meetings	72,926	98,597
Office and miscellaneous	113,206	135,514
Professional fees	902,179	1,106,681
Program resources	588,742	776,452
Property tax	67	2,465
Renovations, repairs and maintenance	477,331	332,531
Salaries and benefits	3,446,813	3,023,764
Student allowance and transportation	499,344	552,777
Telephone	199,431	89,398
Travel and accommodation	316,200	278,883
Transportation	120,919	97,965
Utilities	146,144	58,099
Vehicles O&M	30,225	26,494
Workshops and training	99,124	276,460
Total expenditures for the year	\$ 58,163,554	\$ 10,745,465

Saulteau First Nations Notes to Consolidated Financial Statements

March 31, 2018

23. Segmented Information

Saulteau First Nations is a First Nation organization that provides a wide range of services to its members including social, education, health, housing, public works and economic activities. For management reporting purposes, the Band's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives with special regulations, restrictions or limitations. Services are provided by programs and their activities are reported in these funds. Certain programs have been separately disclosed in the segmented information, along with the services they provide, are detailed in the Schedule of Segmented Financial Activities.

Administration

The Administration Services program provides administration support to other band operated programs and services.

Economic Development

The Economic Development program includes various general projects as well as land use activities.

Education

The Education program provides services to eligible First Nations students enrolled in elementary/secondary education programs and eligible post-secondary education programs.

Family and Social Development

The Family and Social Development program provides financial benefits and services to individuals and families, resident on reserve, who are in need.

Housing

The Housing program provides on-reserve housing to eligible members under the CMHC housing programs for First Nations.

Public Works

The Public Works program is responsible for the construction and maintenance of public spaces within the community.

Health Services

The Band provides health programs and services under an agreement with Health Canada/First Nations Health Authority, and the Province of British Columbia.

Enterprise Fund

The Enterprise Fund includes the operations of the government business entities of Saulteau First Nations as well as camp operations and oil and gas projects.

Recreation and Culture

The Recreation and Culture program includes the organization of community activities and cultural events.

Saulteau First Nations
Notes to Consolidated Financial Statements
Schedule of Segmented Financial Activities

March 31, 2018

23. Segmented Information (continued)

2018

	Administration	Economic Development	Education	Housing	Public Works	Health Services	Enterprise Fund	Recreation & Culture	Family & Social Development	Total
Revenue										
INAC	\$ 47,741,829	\$ 271,691	\$ 942,441	\$ -	\$ 551,455	\$ -	\$ -	\$ -	\$ 571,815	\$ 50,079,231
BC Hydro	443,439	196,211	66,308	-	-	-	-	5,500	-	711,458
CMHC	-	-	-	72,093	-	-	-	-	-	72,093
Government of Canada	-	-	7,396	-	-	-	222,000	-	-	229,396
First Nations Health Authority	-	-	-	-	-	982,408	-	-	-	982,408
Rental income	-	-	-	412,230	-	-	-	-	-	412,230
Interest	280,805	-	-	53	-	-	-	-	-	280,858
NENAS	-	-	28,119	-	-	-	-	18,490	-	46,609
Other	1,460,421	229,308	227,359	24,532	1,071	25,870	259,850	115,261	38,250	2,381,922
Oil and gas commissions	-	-	-	-	-	-	952,423	-	-	952,423
Province of B.C.	3,305,324	341,803	189,122	-	-	25,498	-	-	200,169	4,061,916
	53,231,818	1,039,013	1,460,745	508,908	552,526	1,033,776	1,434,273	139,251	810,234	60,210,544
Expenditures										
Amortization	15,112	17,179	-	212,833	551,388	22,550	-	-	2,488	821,550
Direct assistance	46,624,014	-	495,774	-	-	-	-	-	255,973	47,375,761
Materials, supplies and utilities	275,764	81,468	176,010	38,027	146,144	193,309	283	193,342	42,032	1,146,379
Operations and maintenance	1,665,199	1,344,979	245,989	587,597	477,973	234,734	1,464	734,673	80,444	5,373,052
Salaries, wages and benefits	1,337,705	602,959	375,906	169,904	156,135	552,654	-	64,581	186,968	3,446,812
Investment loss	-	-	-	-	-	-	1,264,288	-	-	1,264,288
	49,917,794	2,046,585	1,293,679	1,008,361	1,331,640	1,003,247	1,266,035	992,596	567,905	59,427,842
Excess of revenue (expenditures) for the year	\$ 3,314,024	\$ (1,007,572)	\$ 167,066	\$ (499,453)	\$ (779,114)	\$ 30,529	\$ 168,238	\$ (853,345)	\$ 242,329	\$ 782,702

Saulteau First Nations
Notes to Consolidated Financial Statements
Schedule of Segmented Financial Activities

March 31, 2018

23. Segmented Information (continued)

2017

	Administration	Economic Development	Education	Housing	Public Works	Health Services	Enterprise Fund	Recreation & Culture	Family & Social Development	Total
Revenue										
INAC	\$ 524,448	\$ 313,776	\$ 842,821	\$ 24,159	\$ 2,079,984	\$ -	\$ -	\$ -	\$ 490,082	\$ 4,275,270
BC Hydro	-	513,532	-	-	-	-	-	-	-	513,532
CMHC	-	-	-	26,920	-	-	-	-	-	26,920
Government of Canada	377,171	-	-	-	-	-	-	-	-	377,171
First Nations Health Authority	-	-	-	-	-	1,018,286	-	-	-	1,018,286
Rental income	-	-	-	442,160	2,300	-	-	-	-	444,460
Interest	155,056	-	-	17,493	-	-	408	-	-	172,957
Investment income	-	-	-	-	-	-	9,222,099	-	-	9,222,099
NENAS	-	-	70,614	-	-	-	-	32,977	-	103,591
Other	13,722,432	916,728	364,714	24,630	8,939	9,919	211,004	171,284	10,270	15,439,920
Oil and gas commissions	-	-	-	-	-	-	733,814	-	-	733,814
Province of B.C.	4,353,025	197,500	270,707	-	-	17,247	-	-	108,673	4,947,152
	19,132,132	1,941,536	1,548,856	535,362	2,091,223	1,045,452	10,167,325	204,261	609,025	37,275,172
Expenditures										
Amortization	15,112	-	-	218,374	488,480	22,550	-	-	-	744,516
Direct assistance	-	-	486,875	-	-	-	-	-	336,102	822,977
Materials, supplies and utilities	168,431	109,963	281,295	52,164	79,515	174,895	-	209,155	57,089	1,132,507
Operations and maintenance	2,140,813	1,167,247	266,411	552,903	247,533	230,431	27,737	345,882	42,745	5,021,702
Salaries, wages and benefits	1,136,332	527,059	334,849	196,807	109,440	560,273	-	31,645	127,358	3,023,763
	3,460,688	1,804,269	1,369,430	1,020,248	924,968	988,149	27,737	586,682	563,294	10,745,465
Excess of revenue (expenditures) for the year	\$ 15,671,444	\$ 137,267	\$ 179,426	\$ (484,886)	\$ 1,166,255	\$ 57,303	\$ 10,139,588	\$ (382,421)	\$ 45,731	\$ 26,529,707