

2:50 pm, Jul 29, 2015

Sts'ailes
Consolidated Financial Statements
March 31, 2015

Sts'ailes Contents

For the year ended March 31, 2015

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Management's Responsibility

To the Members of Sts'ailes:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

Sts'ailes is composed primarily of Council who are neither management nor employees of the First Nation. Council is responsible for overseeing management in the performance of its financial reporting responsibilities. Council fulfills this responsibility by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the First Nation's external auditors.

MNP LLP is appointed by the members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

July 28, 2015

(Originally signed by Sherry Point)

Councillor

(Originally signed by Paul Andrew)

Administrator

Independent Auditors' Report

To the Members of Sts'ailes:

We have audited the accompanying consolidated financial statements of Sts'ailes, which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 Sts'ailes as at March 31, 2015 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The previous year's comparative financial statements as at and for the year ended March 31, 2014 were audited and issued by another public accountant.

Chilliwack, British Columbia

July 28, 2015

MNP LLP

Chartered Professional Accountants

Sts'ailes
Consolidated Statement of Financial Position
As at March 31, 2015

	2015	2014
Financial assets		
Cash and cash equivalents	-	97,626
Restricted cash (Note 5)	182,581	135,432
Accounts receivable (Note 6)	1,431,461	1,431,276
Inventory for resale	140,925	145,510
Investment in Nation business entities (Note 7)	254,862	575,996
Long term investments (Note 8)	261,000	1,000
Funds held in trust (Note 9)	38,501	31,957
Total of assets	2,309,330	2,418,797
Liabilities		
Bank indebtedness (Note 10)	1,148,281	-
Accounts payable and accruals (Note 11)	1,100,375	1,505,767
Deferred revenue	15,476	13,876
Long-term debt (Note 12)	3,351,803	3,453,786
Term loans due on demand (Note 13)	3,600,894	3,924,948
Reforestation obligation	364,710	432,110
Total of financial liabilities	9,581,539	9,330,487
Net debt	(7,272,209)	(6,911,690)
Contingencies (Note 14)		
Subsequent events (Note 19)		
Non-financial assets		
Tangible capital assets (Schedule 1)	12,628,609	12,431,595
Prepaid expenses	219,499	94,847
Total non-financial assets	12,848,108	12,526,442
Accumulated surplus (Note 15)	5,575,899	5,614,752

Approved on behalf of the Council

(Originally signed by Harvey Paul)

Chief

(Originally signed by Sherry Point)

Councillor

Sts'ailes
Consolidated Statement of Operations and Accumulated Operating Surplus
For the year ended March 31, 2015

	<i>Schedules</i>	<i>2015 Budget</i>	<i>2015</i>	<i>2014</i>
Revenue				
Aboriginal Affairs and Northern Development Canada		4,489,988	5,557,903	4,807,246
Economic Activity		699,500	4,792,097	1,724,477
Province of BC		2,236,425	2,839,580	2,584,055
First Nations Health Authority		1,482,054	1,411,222	1,184,606
Sts'ailes Band Contracts		1,010,718	1,478,150	1,518,892
Other Revenue		115,997	260,267	136,204
Canada Mortgage and Housing Corporation		6,293	110,958	5,162
Health Canada		-	-	919,968
Rental income		399,968	361,430	234,830
Interest income		-	4,293	525
Earnings (loss) from investment in Nation partnerships		-	11,482	-
Provincial grants and distributions		-	5,709	2,527
		10,440,943	16,833,091	13,118,492
Program expenses				
Governance	3	850,704	649,428	543,073
Sts'ailes Administration	4	542,913	1,765,219	1,548,668
Employment and Social Development	5	953,818	1,300,567	1,301,713
Community Development	6	835,883	665,727	794,452
Housing	7	210,996	503,472	315,098
Health	8	1,947,498	1,615,326	1,703,343
Snowoyelh	9	796,527	841,017	808,099
Education	10	4,124,982	5,039,209	4,580,036
Economic Development - Sts'ailes Operations	11	352,393	770,886	721,530
Economic Development - Controlled Entities	12	-	3,721,093	935,704
Total expenditures		10,615,714	16,871,944	13,251,716
Operating deficit		(174,771)	(38,853)	(133,224)
Accumulated surplus, beginning of year		5,614,751	5,614,752	5,747,976
Accumulated surplus, end of year		5,439,980	5,575,899	5,614,752

The accompanying notes are an integral part of these financial statements

Sts'ailes
Consolidated Statement of Change in Net Debt
For the year ended March 31, 2015

	2015 Budget	2015	2014
Annual deficit	(174,771)	(38,853)	(133,224)
Purchases of tangible capital assets	-	(1,317,580)	(130,184)
Amortization of tangible capital assets	-	1,120,566	1,130,190
	-	(197,014)	1,000,006
Acquisition of prepaid expenses	-	(206,326)	(82,942)
Use of prepaid expenses	-	81,674	118,600
	-	(124,652)	35,658
Decrease (increase) in net debt	(174,771)	(360,519)	902,440
Net debt, beginning of year	(6,911,691)	(6,911,690)	(7,814,130)
Net debt, end of year	(7,086,462)	(7,272,209)	(6,911,690)

Sts'ailes
Consolidated Statement of Cash Flows
For the year ended March 31, 2015

	2015	2014
Cash provided by (used for) the following activities		
Operating activities		
Operating deficit	(38,853)	(133,224)
Non-cash items		
Amortization	1,120,566	1,130,190
Change in funds held in trust	(6,544)	(3,377)
Loss (earnings) from investment in Nation partnerships and economic activity	321,134	(559,862)
	1,396,303	433,727
Changes in working capital accounts		
Accounts receivable	(190)	1,329,005
Inventory	4,584	(29,128)
Prepaid expenses	(124,652)	35,658
Restricted cash	(47,148)	(116,656)
Accounts payable and accruals	(405,387)	(1,230,544)
Deferred revenue	1,600	2,313
Reforestation obligation	(67,400)	(21,690)
	757,710	402,685
Financing activities		
Advances of long-term debt	-	3,420,000
Repayment of long-term debt	(101,983)	(1,190,942)
Advances of operating line of credit	1,148,281	-
Repayment of operating line of credit	-	(2,177,612)
Repayment of term loans due on demand	(324,054)	(325,321)
	722,244	(273,875)
Capital activities		
Purchases of tangible capital assets	(1,317,580)	(130,184)
Investing activities		
Investment in Nation business entities	(260,000)	-
Impairment of investment	-	99,000
	(260,000)	99,000
Increase (decrease) in cash resources	(97,626)	97,626
Cash resources, beginning of year	97,626	-
Cash resources, end of year	-	97,626
Supplementary cash flow information		
Interest paid	270,809	183,007

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

1. Operations

Sts'ailes (the "First Nation") is located in the province of British Columbia, and provides various services to its members. Sts'ailes includes the Band's members, government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

2. Going concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of operations. Due to the significant overall amount of net debt of Sts'ailes there is some doubt regarding this assumption. Sts'ailes has developed a Management Action Plan to address its causes and prevent its recurrence. Should the First Nation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The continuation of the First Nation is dependent upon the continuing availability of Federal and Provincial funding, continued own source revenue and upon adherence to budgeted expenses. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the First Nation were unable to continue its operations.

3. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Reporting entity consolidated

The financial statements consolidate the financial activities of all entities and departments comprising Sts'ailes reporting entity, except for First Nation business entities. Trusts administered on behalf of third parties by Sts'ailes are excluded from the First Nation reporting entity.

First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Sts'ailes Development Limited Partnership
- Sts'ailes Development Corporation
- Chehalis Indian Band Economic Development Trust
- Sts'ailes Social Housing - Pre-1997 Program
- Sasquatch Crossing Eco Lodge Ltd.

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Sts'ailes business entities, owned or controlled by the First Nation's Council but not dependent on the First Nation for their continuing operations, are included in the financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- Harrison Salmon Producers Limited Partnership

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

3. Significant accounting policies *(Continued from previous page)*

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 normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets, prepaid expenses and inventories of supplies.

Net debt

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its financial assets less its liabilities. Net debt combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible assets are recorded at their fair value at the date of contribution.

Amortization

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	Method	Rate
Buildings	declining balance	10%
Housing	declining balance	10%
Infrastructure	declining balance	10%
Equipment	declining balance	20%
Automotive Equipment	declining balance	30%

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of the First Nation's members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

3. Significant accounting policies *(Continued from previous page)*

Revenue recognition

Funding

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the statement of financial position in the year of receipt.

Government Transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Housing Rental Income

Rental revenue is recorded in the year it is earned. At the end of each year, management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

Funds held in Ottawa Trust Fund

Due to measurement uncertainty, revenue related to the receipt of funds held in the Ottawa Trust Fund is recognized when it is received.

Own source revenue

Own source revenue derived from such sources as resource based revenues, interest income and other revenue are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investments

Sts'ailes uses the modified equity method to account for its investment in Harrison Salmon Producers Limited Partnership whereby the First Nation records its proportionate share of annual earnings as revenue.

Measurement uncertainty

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable, and amounts due from related First Nation entities and departments, are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Reforestation obligation is based upon various judgements and assumptions and is accrued and charged to earnings on the basis of the volume of timber cut.

Inventory

Management has estimated the value of the inventory based upon their assessment of the realizable amount less selling costs.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

3. Significant accounting policies *(Continued from previous page)*

Long-lived assets and discontinued operations

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

When Sts'ailes determines that a long-lived asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

Segments

Sts'ailes conducts its business through ten reportable segments: Governance, Sts'ailes Administration, Employment and Social Development, Community Development, Housing, Health, Snowoyelh, Education, Economic Development - Sts'ailes Operations, and Economic Development - Controlled Entities. These operating segments are established by senior management to facilitate the achievement of Sts'aile's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

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

Retirement benefits

Sts'ailes has a defined contribution pension plan covering substantially all full-time employees who have completed one year of service. There are no prior service costs. Contributions are discretionary, and are base on the percentage of participants' contributions, up to a maximum. Sts'ailes contributions totalled \$228,919 (2014 - \$258,865).

4. Recent accounting pronouncements

Financial instruments

In June 2011, the Public Sector Accounting Board (PSAB) issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2015. Earlier adoption is permitted.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. Sts'ailes has not yet determined the effect of these new standards on its financial statements.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

5. Restricted cash

	2015	2014
Replacement Reserve Fund	10,146	19,578
Subsidy Surplus Fund	10,903	-
Secured Revenues Trust Account	135,370	90,460
Term Deposit - Bank of Montreal	26,161	25,394

Notes to restricted assets

Replacement Reserve

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the Nation established a replacement reserve, funded by an annual allocation of \$2,846 (2014 - \$4,444), to ensure replacement of buildings financed by CMHC. At March 31, 2015, \$10,146 (2014 - \$19,578) has been set aside to fund this reserve. The unfunded portion at March 31, 2015 was \$2,866 (2014 - \$nil).

In accordance with terms of the agreement, CMHC reserve moneys must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal.

Subsidy Surplus Fund

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the Nation established a subsidy surplus fund, funded by unused federal assistance up to a maximum of \$500 per unit of social housing, to be used solely for the purposes of lowering the cost of housing for low-income households. At March 31, 2015, \$10,903 (2014 - \$nil) has been set aside in this fund.

Secured Revenues Trust Account

The secured revenues trust account arises from a financing agreement with the First Nations Finance Authority (FNFA). Other revenues of Sts'ailes are deposited into this account to secure funds FNFA has lent to Sts'ailes. The account is managed by a third party which is required to pay amounts to FNFA under the terms of the borrowing agreement before paying any remaining amount from the account to Sts'ailes.

Terms Deposit - Bank of Montreal

This term deposit is pledged as security in favour of the BC Assets and Land Commission.

6. Accounts receivable

Accounts receivable consist of the following:

	2015	2014
Sts'ailes band receivables	1,130,578	1,178,093
Less: allowance for doubtful accounts	(270,265)	(255,077)
	<u>860,313</u>	<u>923,016</u>
Sts'ailes controlled entities	404,171	336,810
Due from Sts'ailes members (net of allowances)	166,977	171,450
	<u>1,431,461</u>	<u>1,431,276</u>

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

7. Investment in Nation business entities

Harrison Salmon Producers Limited Partnership, 50% interest, unsecured, non-interest bearing, no stated terms of repayment. No amounts are due within the year.

Seabird-Sts'ailes-Cheam ILM Joint Venture, 33% interest, unsecured, non-interest bearing, no stated terms of repayment. No amounts are due within the year. Balance of venturers capital represents 33% proportion of net assets in the joint venture.

	2015	2014
Partnership interest - Harrison Salmon Producers Limited Partnership	240,434	228,952
Amount due to Harrison Salmon Producers Limited Partnership - consolidated entity	184,118	42,275
	56,316	186,677
Venturers Capital - Seabird-Sts'ailes-Cheam ILM Joint Venture	198,546	389,319
	254,862	575,996

Financial information for Harrison Salmon Producers Limited Partnership is as follows:

	2015	2014
Current assets	100,899	382,058
Capital assets	293,128	274,873
Advances to related parties	245,291	50,637
	639,318	707,568
Current liabilities	98,511	242,534
Advances from related parties	61,173	8,363
	159,684	250,897
Partners' capital	479,634	456,671
	639,318	707,568

	2015	2014
Revenue	310,088	591,137
Expenses	287,125	313,098
Net Income	22,963	278,039

Financial information for Seabird-Sts'ailes-Cheam ILM Joint Venture is as follows:

	2015	2014
Current assets	1,139,593	1,554,588
Current liabilities	543,954	386,635
Venturers' equity	595,639	1,167,953
	1,139,593	1,554,588

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

	2015	2014
Revenue	1,064,896	11,527,324
Direct costs	1,616,159	10,443,296
Gross margin	(551,263)	1,084,028
General expenses	21,051	192,331
Net income (loss)	(572,314)	891,697

8. Long term investments

	2015	2014
Uplands Resources Inc.		
285,714 common shares, approximately 1.69% ownership	100,000	100,000
Allowance for impairment	(99,000)	(99,000)
	1,000	1,000
Bremner Trio Hydro Corp		
Sts'ailes investment with the Bremner Trio Hydro Corp for the purposes of obtaining a partnership interest in a Limited Partnership to be formed subsequent to March 31, 2015.	260,000	-
	261,000	1,000

9. Funds held in trust

Capital and revenue trust monies are transferred to the Band on the authorization of the Minister of Aboriginal Affairs and Northern Development Canada, with the consent of the Band's Council.

	2015	2014
Capital Trust		
Balance, beginning of year	3,550	3,550
Timber royalties	3,191	-
Balance, end of year	6,741	3,550
Revenue Trust		
Balance, beginning of year	28,407	25,030
Interest	835	850
Provincial grants	2,518	2,527
Balance, end of year	31,760	28,407
	38,501	31,957

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

10. Bank indebtedness

Under a line of credit arrangement with the Bank of Montreal, Sts'ailes may borrow up to \$1,600,000. The line of credit bears interest at bank's prime rate plus 1.5%. The prime rate at March 31, 2015 was 2.85%. This arrangement does not have a termination date and can be withdrawn at the bank's option. The credit line is secured by a general security agreement covering all property of Sts'ailes.

11. Accounts payable and accruals

Included in accounts payable and accruals are government remittances payable of \$31,941.

12. Long-term debt

	2015	2014
Bank of Montreal mortgage, payments of \$979 per month including interest at 5.4%, due May 2017, secured by Ministerial guarantees of the Minister of Aboriginal Affairs and Northern Development Canada.	24,081	34,289
First Nations Finance Authority promissory note, bearing interest at 3.79%, with blended monthly payments of \$21,445, due June 2024.	3,509,329	3,600,000
Interim Financing Debt Reserve Fund Investment, the Authority holds a deposit of 5% of the loans advanced in the Debt Reserve Fund. Interest is paid daily at an annual rate of 1.2%.	(181,607)	(180,503)
	3,351,803	3,453,786

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

2016	131,599
2017	132,197
2018	122,968
2019	120,894
2020	120,894

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

13. Term loans due on demand

	2015	2014
Bank of Montreal, administration building loan bearing interest at prime plus 1%, payable in monthly instalments of \$2,511 principal plus interest	75,303	105,429
Bank of Montreal, trailer loan bearing interest at prime plus 1%, payable in blended monthly instalments of \$1,399	170,477	180,275
Bank of Montreal, elders' centre loan bearing interest at prime plus 1%, payable in monthly instalments of \$208 principal plus interest	8,125	10,625
Bank of Montreal, apartment complex loan bearing interest at prime plus 1%, payable in monthly instalments of \$481 principal plus interest	480	5,766
Bank of Montreal, equipment loan	-	1,185
Bank of Montreal, store loan bearing interest at prime plus 1%, payable in monthly instalments of \$4,993 principal plus interest	60,543	120,455
Bank of Montreal, Telmexw Awtxew loan bearing interest at prime plus 1.5%, payable in monthly interest only payments	427,921	427,921
Bank of Montreal, Stonewater loan bearing interest at prime plus 1.5%, payable in blended monthly instalments of \$12,814	1,106,281	1,208,070
Bank of Montreal, Snowoyelh loan bearing interest at prime plus 1.5%, payable in blended monthly instalments of \$1,681	164,350	176,869
Bank of Montreal, Lhawathet Lalem mortgage bearing interest at prime plus 1.5%, payable in blended monthly instalments of \$14,535	1,587,414	1,688,353
	3,600,894	3,924,948

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2016	323,354
2017	278,241
2018	277,761
2019	269,343
2020	280,398

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

13. Term loans due on demand *(Continued from previous page)*

Bank of Montreal demand loans are secured by the following guarantees:

- Aboriginal Affairs and Northern Development Canada guarantee in the amount of \$250,000
- Guarantee in the amount of \$1,675,000 signed by Sasquatch Crossing Eco Lodge Ltd. (a related entity)
- Guarantee in the amount of \$1,675,000 signed by Fenn Lodge Enterprises Ltd.
- All-Indebtedness Mortgage & Assignments of Rents over 15500 Morris Valley Rd, Harrison, BC
- Guarantee in the amount of \$1,900,000 signed by Sasquatch Crossing Eco Lodge Ltd. (a related entity)
- Guarantee in the amount of \$1,900,000 signed by Sts'ailes Development Corporation (a related entity)
- Guarantee in the amount of \$1,900,000 signed by Fenn Lodge Ltd.
- Guarantee in the amount of \$1,900,000 signed by Sts'ailes Developmental Limited Partnership (a related entity)
- Guarantee signed by Sts'ailes Natural Resources Inc. Interpac Resources Ltd.

14. Contingent liabilities

- a) As of March 31, 2015, the Band was contingently liable in respect of four guaranteed individual Band Member mortgages with a total outstanding principal balance of \$251,881 (2014 - \$283,552).
- b) Sts'ailes is the guarantor for \$3,000,000 in residential loans granted to Sts'ailes members under the Housing and Loan Program by the Bank of Montreal.

15. Accumulated surplus

Accumulated surplus consists of the following:

	2015	2014
Equity in Tangible Capital Assets	9,003,544	8,472,358
Internally Restricted Equity (Note 16)	256,745	274,620
Operating deficit	(3,737,374)	(3,175,821)
Equity in Ottawa Trust Funds	38,501	31,957
CMHC Replacement Reserve	13,012	10,166
CMHC Subsidy Surplus Reserve Fund	1,471	1,471
	<hr/> 5,575,899	<hr/> 5,614,751

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

16. Internally Restricted Equity

The Band maintains reserve funds for certain tangible capital assets. These balances at March 31, 2015 are as follows:

	2015	2014
Sts'ailes Housing	63,929	81,804
Church	171	171
Roads	1,916	1,916
Memorial Bench	1,783	1,783
Daycare Building	56,000	56,000
Fitup Facilities	10,459	10,459
Health Program	24,405	24,405
Legacy Fund	98,082	98,082
	256,745	274,620

17. Segments

The First Nation conducts its business through ten reportable segments: Governance, Sts'ailes Administration, Employment and Social Development, Community Development, Housing, Health, Snowoyelh, Education, Economic Development - Sts'ailes Operations, and Economic Development - Controlled Entities. These segments are differentiated by major activities; accountability and control relationships.

Governance - Includes activities related to the general governance, and leadership of the community and its members.

Sts'ailes Administration - Includes general operation, support, and financial management of the First Nation.

Employment and Social Development - Includes services offered to community members unable to provide for themselves or their dependents. Services include, but are not limited to, income assistance, child and family support, assisted living, and early childhood development.

Community Development - Includes services related to construction contracts, general community maintenance and public works.

Housing - Includes activities related to the provision of housing to the members of the First Nation.

Health - Includes activities related to the provision of health services for the community and its members.

Snowoyelh - Includes activities related to family healing and growth, ensuring the safety and well being of children, and providing healing and treatment for addiction.

Education - Includes activities related to education at all levels, including elementary, secondary and post-secondary. Additional services include transportation, accommodation, and guidance and counselling.

Economic Development - Sts'ailes Operations - Includes activities related to the growth of revenue producing projects within the First Nation.

Economic Development - Controlled Entities - Includes activities related to the growth of revenue producing projects of entities owned by the First Nation.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

18. Economic dependence

Sts'ailes receives a significant portion of its revenue from Aboriginal Affairs and Northern Development Canada (AANDC) as a result of funding agreements entered into with the Government of Canada. These funding agreements are administered by AANDC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these funding agreements.

19. Subsequent event

Subsequent to year end, with reference to note 8, under the terms of an agreement with Bremner Trio Hydro Corp., Sts'ailes invested a further \$240,000 toward a partnership interest in a newly formed Limited Partnership. Sts'ailes received \$240,000 from the First Nation Clean Energy Fund for the purpose of funding this investment.

20. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

Sts'ailes
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2015

	<i>Buildings</i>	<i>Housing</i>	<i>Equipment</i>	<i>Infrastructure</i>	<i>Computers</i>	<i>Subtotal</i>
Cost						
Balance, beginning of year	11,718,349	2,118,388	1,952,592	7,285,898	74,460	23,149,687
Acquisition of tangible capital assets	294,093	977,927	45,560	-	-	1,317,580
Balance, end of year	12,012,442	3,096,315	1,998,152	7,285,898	74,460	24,467,267
Accumulated amortization						
Balance, beginning of year	6,938,507	1,384,755	1,686,824	2,989,658	50,691	13,050,435
Annual amortization	481,759	122,260	82,169	429,624	4,754	1,120,566
Balance, end of year	7,420,266	1,507,015	1,768,993	3,419,282	55,445	14,171,001
Net book value of tangible capital assets	4,592,176	1,589,300	229,159	3,866,616	19,015	10,296,266
2014 Net book value of tangible capital assets	4,779,842	733,633	265,768	4,296,240	23,769	10,099,252

Sts'ailes
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2015

	<i>Subtotal</i>	<i>Land</i>	2015	2014
Cost				
Balance, beginning of year	23,149,687	2,332,343	25,482,030	25,352,141
Acquisition of tangible capital assets	1,317,580	-	1,317,580	130,183
Balance, end of year	24,467,267	2,332,343	26,799,610	25,482,324
Accumulated amortization				
Balance, beginning of year	13,050,435	-	13,050,435	11,890,569
Annual amortization	1,120,566	-	1,120,566	1,160,160
Balance, end of year	14,171,001	-	14,171,001	13,050,729
Net book value of tangible capital assets	10,296,266	2,332,343	12,628,609	12,431,595
2014 Net book value of tangible capital assets	10,099,252	2,332,343	12,431,595	

Sts'ailes
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2015

	2015 Budget	2015	2014
Consolidated expenses by object			
Administration	309,586	529,536	350,017
Advertising	-	5,421	3,567
Amortization	-	1,120,566	1,130,190
Automotive	193,112	163,160	170,667
Bad debts	-	50,508	203,575
Band support	-	5,100	-
Bank charges and interest	690,578	428,140	276,527
Basic needs	740,926	737,834	764,240
Community donations	10,000	1,158	6,192
Contracted services	400,955	736,170	455,160
Cost of sales	-	2,380,917	642,543
Dues and fees	-	1,060	444
Food and beverage	-	6,459	800
Health	8,500	2,783	3,352
Honoraria	151,700	106,786	118,712
Insurance	40,312	81,714	88,763
Office supplies	37,182	35,196	37,762
Professional fees	135,604	266,691	233,962
Program expense	46,504	76,394	24,975
Property tax	-	7,251	1,435
Repairs and maintenance	156,182	476,116	250,630
Replacement reserve	-	2,846	4,444
Salaries and benefits	6,177,048	7,609,693	6,688,608
Student expenses	176,465	252,191	163,174
Supplies	600,213	1,115,549	822,951
Telephone	-	17,237	-
Transportation	35,924	20,914	33,067
Travel	110,556	129,299	107,626
Tuition	668,325	581,369	659,696
Utilities	209,614	252,788	271,562
Workshops and training	93,628	76,813	105,852
Administration charged to other functions	(377,200)	(405,715)	(368,777)
	10,615,714	16,871,944	13,251,716

Schedule 3 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2015

	2015 Budget	2015	2014
Revenue			
Economic Activity	699,500	862,021	620,006
Province of BC	-	262,455	280,734
Sts'ailes Band Contracts	384,482	175,260	218,208
Other Revenue	4,000	60,618	3,655
Aboriginal Affairs and Northern Development Canada	86,148	7,624	7,814
Provincial grants and distributions	-	5,709	2,527
Interest income	-	4,150	503
	1,174,130	1,377,837	1,133,447
Expenses			
Automotive	-	-	4,198
Bad debts	-	15,508	99,000
Bank charges and interest	502,830	352,741	219,991
Honoraria	145,500	99,897	111,497
Insurance	1,680	840	1,971
Office supplies	-	1,130	1,316
Professional fees	8,200	19,130	2,875
Repairs and maintenance	-	-	50
Salaries and benefits	162,144	127,214	59,255
Supplies	4,650	27,849	12,592
Travel	21,200	2,999	9,534
Utilities	-	2,120	3,151
Workshops and training	4,500	-	17,643
	850,704	649,428	543,073
Operating surplus before transfers	323,426	728,409	590,374
Transfers between segments	(39,215)	(90,977)	(24,005)
Operating surplus	284,211	637,432	566,369
Accumulated surplus, beginning of year	1,153,946	1,153,946	587,577
Accumulated surplus, end of year	1,438,157	1,791,378	1,153,946

Sts'ailes

Sts'ailes Administration

Schedule 4 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2015

	2015 Budget	2015	2014
Revenue			
Aboriginal Affairs and Northern Development Canada	583,327	593,009	528,886
Sts'ailes Band Contracts	-	75,674	36,266
Other Revenue	31,816	51,082	27,038
	615,143	719,765	592,190
Expenses			
Amortization	-	1,086,109	1,121,272
Automotive	-	5,915	1,899
Band support	-	5,100	-
Bank charges and interest	4,680	23,709	174
Contracted services	16,463	15,132	7,541
Honoraria	-	900	-
Office supplies	2,500	18,812	26,827
Professional fees	51,091	51,477	66,449
Repairs and maintenance	5,000	9,702	4,889
Salaries and benefits	731,719	793,407	612,369
Supplies	90,000	137,777	59,478
Travel	12,000	13,056	7,271
Utilities	6,660	9,838	9,276
Administration charged to other functions	(377,200)	(405,715)	(368,777)
	542,913	1,765,219	1,548,668
Operating deficit before transfers	72,230	(1,045,454)	(956,478)
Transfers between segments	73,343	473,574	163,679
Operating deficit	145,573	(571,880)	(792,799)
Accumulated surplus, beginning of year	7,548,339	7,548,339	8,341,138
Accumulated surplus, end of year	7,693,912	6,976,459	7,548,339

Sts'ailes
Employment and Social Development
Schedule 5 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus
For the year ended March 31, 2015

	2015 Budget	2015	2014
Revenue			
Aboriginal Affairs and Northern Development Canada	740,926	978,465	826,509
Sts'ailes Band Contracts	212,705	434,200	376,677
	953,631	1,412,665	1,203,186
Expenses			
Administration	-	37,468	37,596
Automotive	-	1,148	1,918
Basic needs	740,926	737,834	763,491
Honoraria	-	-	1,950
Office supplies	-	1,143	1,592
Professional fees	-	39,493	-
Program expense	-	-	3,790
Repairs and maintenance	6,480	6,000	6,120
Salaries and benefits	181,212	425,749	423,660
Student expenses	-	-	3,018
Supplies	8,400	34,404	38,774
Travel	4,800	6,574	11,519
Utilities	12,000	4,866	4,984
Workshops and training	-	5,888	3,301
	953,818	1,300,567	1,301,713
Operating surplus (deficit) before transfers	(187)	112,098	(98,527)
Transfers between segments	-	21,205	-
Operating surplus (deficit)	(187)	133,303	(98,527)
Accumulated surplus, beginning of year	5,091	5,091	79,397
Accumulated surplus (deficit), end of year	4,904	138,394	(19,130)

Sts'ailes
Community Development
Schedule 6 - Consolidated Schedule of Revenue and Expenses and Accumulated Deficit
For the year ended March 31, 2015

	2015 Budget	2015	2014
Revenue			
Aboriginal Affairs and Northern Development Canada	211,003	715,118	367,102
Sts'ailes Band Contracts	94,800	110,533	116,252
	305,803	825,651	483,354
Expenses			
Administration	8,905	32,419	6,196
Automotive	51,613	10,740	6,107
Bank charges and interest	68,868	60	20,602
Contracted services	315,452	100,561	294,607
Honoria	1,200	1,480	755
Insurance	6,767	14,686	17,787
Office supplies	-	4,353	132
Professional fees	6,000	4,189	80,763
Repairs and maintenance	25,320	162,181	91,835
Salaries and benefits	262,734	217,979	179,756
Special projects	-	-	749
Supplies	7,200	19,455	9,985
Travel	3,600	8,371	3,836
Utilities	57,824	75,825	67,091
Workshops and training	20,400	13,428	14,251
	835,883	665,727	794,452
Operating surplus (deficit) before transfers	(530,080)	159,924	(311,098)
Transfers between segments	116,771	(512,907)	33,149
Operating surplus (deficit)	(413,309)	(352,983)	(277,949)
Accumulated deficit, beginning of year	(764,004)	(764,004)	(486,055)
Accumulated deficit, end of year	(1,177,313)	(1,116,987)	(764,004)

Schedule 7 - Consolidated Schedule of Revenue and Expenses and Accumulated Deficit

For the year ended March 31, 2015

	2015 Budget	2015	2014
Revenue			
Aboriginal Affairs and Northern Development Canada	-	192,342	-
Canada Mortgage and Housing Corporation	6,293	110,958	5,162
Band Home Sales	5,856	50,001	1
Rental income	212,400	307,391	228,588
	224,549	660,692	233,751
Expenses			
Administration	5,900	5,900	6,392
Automotive	-	413	-
Bad debts	-	35,000	104,575
Bank charges and interest	49,200	7,950	2,638
Contracted services	-	296,417	37,912
Insurance	23,971	22,261	26,211
Office supplies	-	70	145
Professional fees	1,000	3,000	-
Repairs and maintenance	69,840	62,725	58,579
Replacement reserve	-	2,846	4,444
Salaries and benefits	61,085	55,567	57,469
Supplies	-	5,664	8,642
Travel	-	2,476	3,473
Utilities	-	3,183	4,618
	210,996	503,472	315,098
Operating surplus (deficit) before transfers	13,553	157,220	(81,347)
Transfers between segments	14,272	(53,260)	(10,451)
Operating surplus (deficit)	27,825	103,960	(91,798)
Accumulated deficit, beginning of year	(141,546)	(141,546)	(49,748)
Accumulated deficit, end of year	(113,721)	(37,586)	(141,546)

Schedule 8 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2015

	2015 Budget	2015	2014
Revenue			
First Nations Health Authority	1,482,054	1,306,703	1,135,106
Sts'ailes Band Contracts	78,820	43,027	75,674
Other Revenue	18,000	17,069	20,158
Health Canada	-	-	870,467
Aboriginal Affairs and Northern Development Canada	-	-	11,100
	1,578,874	1,366,799	2,112,505
Expenses			
Administration	142,686	79,563	103,521
Advertising	-	2,037	1,475
Automotive	68,400	16,029	18,923
Bank charges and interest	5,000	140	19,537
Community donations	10,000	1,158	6,192
Contracted services	-	34,979	-
Dues and fees	-	900	444
Health	8,500	2,783	3,352
Insurance	6,050	-	16,950
Office supplies	4,800	812	520
Professional fees	26,600	32,657	51,694
Program expense	3,800	29,372	21,185
Repairs and maintenance	1,300	6,246	7,509
Salaries and benefits	1,399,583	1,181,863	1,227,405
Student expenses	-	13,213	12,593
Supplies	147,502	124,141	101,273
Transportation	33,724	19,914	28,123
Travel	28,660	16,216	31,981
Utilities	42,490	26,136	26,870
Workshops and training	18,403	27,167	23,796
	1,947,498	1,615,326	1,703,343
Operating surplus before transfers	(368,624)	(248,527)	409,162
Transfers between segments	53,949	(21,857)	(20,744)
Operating surplus (deficit)	(314,675)	(270,384)	388,418
Accumulated surplus, beginning of year	682,065	682,065	293,647
Accumulated surplus, end of year	367,390	411,681	682,065

**Sts'ailes
Snowoyelh**

Schedule 9 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2015

	2015 Budget	2015	2014
Revenue			
Province of BC	934,950	885,293	878,788
Other Revenue	-	26,700	-
Sts'ailes Band Contracts	-	-	14,500
	934,950	911,993	893,288
Expenses			
Administration	57,233	75,724	65,400
Automotive	6,287	10,953	11,653
Bank charges and interest	-	63	45
Honoraria	-	300	-
Office supplies	200	133	116
Professional fees	27,713	8,970	35,476
Program expense	42,704	47,022	-
Repairs and maintenance	12,667	8,427	11,866
Salaries and benefits	582,157	618,542	574,143
Student expenses	-	1,875	-
Supplies	31,196	28,146	65,818
Transportation	2,200	-	4,944
Travel	6,000	12,209	6,524
Utilities	16,845	25,397	23,249
Workshops and training	11,325	3,256	8,865
	796,527	841,017	808,099
Operating surplus before transfers	138,423	70,976	85,189
Transfers between segments	-	(18,257)	(9,365)
Operating surplus (deficit)	138,423	52,719	75,824
Accumulated surplus (deficit), beginning of year	43,227	43,227	(32,597)
Accumulated surplus, end of year	181,650	95,946	43,227

**Sts'ailes
Education
Surplus**

For the year ended March 31, 2015

	2015 Budget	2015	2014
Revenue			
Aboriginal Affairs and Northern Development Canada	2,853,584	2,956,498	2,944,520
Province of BC	1,301,475	1,688,982	1,374,533
Other Revenue	62,181	104,799	85,352
Sts'ailes Band Contracts	134,555	473,284	390,624
First Nations Health Authority	-	104,519	49,500
Health Canada	-	-	49,501
	4,351,795	5,328,082	4,894,030
Expenses			
Administration	81,853	165,640	80,226
Advertising	-	1,689	1,094
Automotive	66,812	78,681	82,006
Bank charges and interest	60,000	84	255
Contracted services	5,000	146,320	7,380
Insurance	1,844	17,723	16,409
Office supplies	29,682	1,540	1,946
Professional fees	-	280	-
Repairs and maintenance	35,575	185,596	37,128
Salaries and benefits	2,572,402	2,871,870	2,891,195
Student expenses	176,465	237,103	147,562
Supplies	308,365	660,413	494,508
Transportation	-	1,000	-
Travel	16,304	37,019	17,521
Tuition	668,325	581,369	659,696
Utilities	69,355	29,255	106,023
Workshops and training	33,000	23,627	37,087
	4,124,982	5,039,209	4,580,036
Operating surplus before transfers	226,813	288,873	313,994
Transfers between segments	271,661	(51,053)	(286,286)
Operating surplus	498,474	237,820	27,708
Accumulated surplus, beginning of year	288,268	288,268	260,560
Accumulated surplus, end of year	786,742	526,088	288,268

Sts'ailes
Economic Development - Sts'ailes Operations
Schedule 11 - Consolidated Schedule of Revenue and Expenses and Accumulated
Surplus (Deficit)
For the year ended March 31, 2015

	2015 Budget	2015	2014
Revenue			
Department of Fisheries and Oceans	-	376,944	371,742
Sts'ailes Band Contracts	99,500	116,171	266,468
Aboriginal Affairs and Northern Development Canada	15,000	114,847	121,315
Province of BC	-	2,850	50,000
Loss from investment in Nation partnerships	-	11,482	-
	114,500	622,294	809,525
Expenses			
Administration	13,009	32,821	38,188
Automotive	-	39,281	43,963
Bank charges and interest	-	72	167
Contracted services	64,040	140,061	107,119
Honoraria	5,000	1,494	3,200
Insurance	-	73	324
Office supplies	-	1,107	3,662
Professional fees	15,000	5,405	1,412
Salaries and benefits	224,012	487,224	472,754
Supplies	2,900	48,649	38,765
Travel	17,992	9,687	8,510
Utilities	4,440	2,315	3,241
Workshops and training	6,000	2,697	225
	352,393	770,886	721,530
Operating deficit before transfers	(237,893)	(148,592)	87,995
Transfers between segments	151,682	253,535	154,023
Operating surplus (deficit)	(86,211)	104,943	242,018
Accumulated deficit, beginning of year	(96,406)	(96,406)	(338,424)
Accumulated surplus (deficit), end of year	(182,617)	8,537	(96,406)

Sts'ailes

Economic Development - Controlled Entities

Schedule 12 - Consolidated Schedule of Revenue and Expenses and Accumulated Deficit

For the year ended March 31, 2015

	2015 Budget	2015	2014
			<i>For the three months ended March 31, 2014</i>
Revenue			
Economic Activity			
Store and Gas Station Sales	-	1,599,550	384,702
Royalties	-	854,663	28,959
ILM Project	-	661,687	159,117
Lhawathet Lalem Sales	-	272,022	57,426
Administration recovery	-	165,210	44,903
Sakwi Creek Project	-	-	57,623
Rental income	-	54,039	6,242
Interest income	-	143	22
		3,607,314	738,994
Expenses			
Administration	-	100,001	12,500
Advertising	-	1,696	999
Amortization	-	34,456	8,918
Bank charges and interest	-	43,320	13,118
Contracted services	-	2,699	600
Cost of sales	-	2,380,917	642,543
Dues and fees	-	160	-
Food and beverage	-	6,459	800
Honoraria	-	2,716	1,311
Insurance	-	26,132	9,111
Office supplies	-	6,097	1,504
Professional fees	-	102,090	(4,706)
Property tax	-	7,251	1,435
Repairs and maintenance	-	35,239	32,654
Salaries and benefits	-	830,276	190,601
Supplies	-	29,050	(6,884)
Telephone	-	17,237	-
Travel	-	20,693	7,458
Utilities	-	73,854	23,058
Workshops and training	-	750	684
		3,721,093	935,704
Operating deficit	-	(113,779)	(196,710)
Accumulated deficit, beginning of year	-	(3,104,229)	(2,907,519)
Accumulated deficit, end of year	-	(3,218,008)	(3,104,229)