

Sts'ailes
Consolidated Financial Statements
March 31, 2016

Sts'ailes Contents

For the year ended March 31, 2016

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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 Council is responsible for overseeing management in the performance of its financial reporting responsibilities. Council fulfils 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.

June 28, 2016

(original signed by Cheryl Charlie)

Councillor

(original 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, 2016, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the period 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, 2016 and the results of its operations, changes in net debt and its cash flows for the period then ended in accordance with Canadian public sector accounting standards.

Chilliwack, British Columbia

June 28, 2016

MNP LLP

Chartered Professional Accountants

Sts'ailes
Consolidated Statement of Financial Position
As at March 31, 2016

	2016	2015
Financial assets		
Restricted cash (Note 4)	81,917	182,581
Accounts receivable (Note 5)	1,806,389	1,431,421
Inventory for resale	118,349	140,925
Investment in Nation business entities (Note 6)	59,363	254,862
Long-term investments (Note 7)	261,000	261,000
Funds held in trust (Note 8)	325,265	38,501
Total of financial assets	2,652,283	2,309,290
Liabilities		
Bank indebtedness (Note 9)	804,041	1,148,281
Accounts payable and accruals (Note 10)	1,168,102	1,100,335
Deferred revenue	34,278	15,476
Long-term debt (Note 11)	3,691,858	3,351,803
Term loans due on demand (Note 12)	3,771,091	3,600,894
Reforestation obligation	463,634	364,710
Total of financial liabilities	9,933,004	9,581,499
Net debt	(7,280,721)	(7,272,209)
Contingencies (Note 13)		
Non-financial assets		
Tangible capital assets (Schedule 1)	12,459,988	12,628,609
Prepaid expenses	621,710	219,499
Total non-financial assets	13,081,698	12,848,108
Accumulated surplus (Note 14)	5,800,977	5,575,899
Approved on behalf of the Council		
(original signed by Harvey Paul)	Chief	(Original signed by Cheryl Charlie) Councillor

Sts'ailes

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2016

	<i>Schedules</i>	<i>2016 Budget</i>	<i>2016</i>	<i>2015</i>
Revenue				
Economic Activity		4,021,000	6,393,641	4,792,097
Indigenous and Northern Affairs Canada		4,715,569	5,219,451	5,557,903
Province of BC		3,102,107	2,654,356	2,839,580
Sts'ailes Contracts		2,780,648	1,612,446	1,478,150
First Nation Health Authority		1,060,883	1,498,634	1,411,222
Other revenue		-	73,089	249,173
Canada Mortgage and Housing Corporation		6,293	6,293	110,958
Rental income		481,324	410,800	361,430
Ottawa trust distributions		-	285,074	5,709
Vancity grant		-	50,000	-
Interest income		-	8,594	15,387
Earnings (loss) from investment in Nation partnerships		-	(189,408)	11,482
Repayment of funding		-	(133,324)	-
		16,167,824	17,889,646	16,833,091
Program expenses				
Governance	3	518,858	606,237	649,428
Sts'ailes Administration	4	2,776,880	1,703,179	1,765,219
Employment and Social Development	5	366,656	1,228,702	1,300,567
Community Development	6	385,824	718,322	665,727
Housing	7	827,245	273,030	503,472
Health	8	953,176	1,353,519	1,615,326
Snowoyelh	9	1,537,422	861,646	841,017
Education	10	4,579,372	5,291,914	5,039,209
Economic Development - Sts'ailes Operations	11	-	784,497	770,886
Economic Development - Controlled Entities	12	4,221,448	4,843,522	3,721,092
Total expenditures		16,166,881	17,664,568	16,871,943
Operating surplus (deficit)		943	225,078	(38,852)
Accumulated surplus, beginning of year ended		5,575,899	5,575,899	5,614,751
Accumulated surplus, end of year ended		5,576,842	5,800,977	5,575,899

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, 2016

	2016 Budget	2016	2015
Operating surplus (deficit)	943	225,078	(38,852)
Purchases of tangible capital assets	-	(1,059,782)	(1,317,580)
Amortization of tangible capital assets	-	1,185,993	1,120,566
Proceeds on disposal of tangible capital assets	-	119,626	-
Gain on disposal of tangible capital assets	-	(77,216)	-
	-	168,621	(197,014)
Acquisition of prepaid expenses	-	(621,710)	(206,326)
Use of prepaid expenses	-	219,499	81,674
	-	(402,211)	(124,652)
Increase in net debt	943	(8,512)	(360,518)
Net debt, beginning of year	(7,272,209)	(7,272,209)	(6,911,691)
Net debt, end of year	(7,271,266)	(7,280,721)	(7,272,209)

Sts'ailes
Consolidated Statement of Cash Flows
For the year ended March 31, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating activities		
Operating surplus (deficit)	225,078	(38,852)
Non-cash items		
Amortization	1,185,993	1,120,566
Change in funds held in trust	(286,764)	(6,544)
Gain on disposal of capital assets	(77,217)	-
Loss (earnings) from investment in Nation partnerships and economic activity	195,497	321,136
	1,242,587	1,396,306
Changes in working capital accounts		
Accounts receivable	(374,971)	(195)
Inventory	22,577	4,583
Prepaid expenses	(402,211)	(124,652)
Restricted cash	100,664	(47,149)
Accounts payable and accruals	67,772	(405,383)
Deferred revenue	18,802	1,600
Reforestation obligation	98,924	(67,400)
	774,144	757,710
Financing activities		
Advances of long-term debt	477,060	-
Repayment of long-term debt	(137,005)	(101,983)
Advances of operating line of credit	-	1,148,281
Repayment of operating line of credit	(344,240)	-
Advances of term loans due on demand	531,802	-
Repayment of term loans due on demand	(361,605)	(324,054)
	166,012	722,244
Capital activities		
Purchases of tangible capital assets	(1,059,782)	(1,317,580)
Proceeds on disposal of tangible capital assets	119,626	-
	(940,156)	(1,317,580)
Investing activities		
Investment in Nation business entities	-	(260,000)
Decrease in cash resources	-	(97,626)
Cash resources, beginning of year	-	97,626
Cash resources, end of year	-	-
Supplementary cash flow information		
Interest paid	202,514	266,798

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 First Nation and are either owned or controlled by the First 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
- Sts'ailes Eco Energy Development 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.

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.

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.

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

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 and Sts'ailes Eco Energy Development 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.

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'ailes 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.

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

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 based on the percentage of participants' contributions, up to a maximum. Sts'ailes contributions totalled \$249,658.

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2016.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

4. Restricted cash

	2016	2015
Replacement Reserve Fund	10,126	10,146
Subsidy Surplus Fund	953	10,903
Secured Revenues Trust Account	44,677	135,371
Term Deposit - Bank of Montreal	26,161	26,161

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 (2015 - \$2,846), to ensure replacement of buildings financed by CMHC. At March 31, 2016, \$10,126 (2015 - \$10,146) has been set aside to fund this reserve. The unfunded portion at March 31, 2016 was \$5,732 (2015 - \$2,866).

In accordance with terms of the agreement, CHMC reserve moneys must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CHMC. 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, 2016, \$953 (2015 - \$10,903) 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.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

5. Accounts receivable

Accounts receivable consist of the following:

	2016	2015
Sts'ailes Band receivables	921,543	1,175,710
Less: allowance for doubtful accounts	(82,068)	(295,939)
	<u>839,475</u>	<u>879,771</u>
Sts'ailes controlled entities	818,796	399,207
Due from Sts'ailes members (net of allowances)	148,118	152,443
	<u>1,806,389</u>	<u>1,431,421</u>

6. 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.

Sts'ailes Eco Energy Development Limited Partnership, 99% interest, unsecured, non-interest bearing, no stated terms of repayment. No amounts are due within the year.

	2016	2015
Partnership interest - Harrison Salmon Producers Limited Partnership	332,234	240,434
Amount due to Harrison Salmon Producers Limited Partnership - consolidated entity	143,821	184,118
	<u>188,413</u>	<u>56,316</u>
Venturers Capital - Seabird-Sts'ailes-Cheam ILM Joint Venture	13,278	198,546
Partnership interest - Sts'ailes Eco Energy Development Limited Partnership	(281,207)	-
Amount due from Sts'ailes Eco Energy Development Limited Partnership - consolidated entity	138,879	-
	<u>(142,328)</u>	<u>-</u>
	<u>59,363</u>	<u>254,862</u>

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

	2016	2015
Current assets	319,539	100,899
Capital assets	557,493	293,128
Advances to related parties	210,013	245,291
	<u>1,087,045</u>	<u>639,318</u>
Current liabilities	357,602	98,511
Advances from related parties	66,192	61,173
	<u>423,794</u>	<u>159,684</u>
Partners' capital	663,251	479,634
	<u>1,087,045</u>	<u>639,318</u>

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

	2016	2015
Revenue	510,848	310,088
Expenses	327,232	287,125
Net Income	183,616	22,963

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

	2016	2015
Current assets	39,833	1,139,593
Current liabilities	-	543,954
Venturers' equity	39,833	595,639
	39,833	1,139,593

	2016	2015
Revenue	-	1,064,896
Direct costs	-	1,616,159
Gross margin	-	(551,263)
General expenses	395	21,051
Net income (loss)	(395)	(572,314)

Financial information for Sts'ailes Eco Energy Development Limited Partnership is as follows:

	2016	2015
Current assets	48,960	51,680
Long-term investment	1,182,665	1,332,418
Advances to related parties	-	100
	1,231,625	1,384,198
Long-term debt	1,443,520	1,401,995
Advances from related parties	69,339	-
	1,512,859	1,401,995
Partners' Capital	(281,234)	(17,797)
	1,231,625	1,384,198

	2016	2015
Income (loss) from investment in partnership	(149,753)	12,418
Expenses	113,684	30,315
Net loss	(263,437)	(17,897)

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

7. Long term investments

	2016	2015
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, 2016.	260,000	260,000
	261,000	261,000

8. Funds held in trust

Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous and Northern Affairs Canada, with the consent of the First Nation's Council.

	2016	2015
Capital Trust		
Balance, beginning of year	6,741	3,550
Timber royalties	282,553	3,191
Balance, end of year	289,294	6,741
Revenue Trust		
Balance, beginning of year	31,760	28,407
Interest	1,690	835
Provincial grants	2,521	2,518
Balance, end of year	35,971	31,760
	325,265	38,501

9. 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 0.50%. The prime rate at March 31, 2016 was 2.70%. 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.

10. Accounts payable and accruals

Included in accounts payable and accruals are government remittances payable of \$33,621 (2015 - \$31,941), and \$56,639 in accrued funding recoveries payable to Indigenous and Northern Affairs Canada.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

11. Long-term debt

	2016	2015
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 Indigenous and Northern Affairs Canada.	13,314	24,081
All Nation's Trust Company mortgage, payments of \$1,843 per month including interest at 1.2%, commencing in June 2016, secured by the constructed homes	477,060	-
First Nations Finance Authority promissory note, bearing interest at 3.79%, with blended monthly payments of \$21,445, due June 2024.	3,384,808	3,509,329
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%.	(183,323)	(181,607)
	3,691,859	3,351,803

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:

2017	148,634
2018	149,465
2019	127,803
2020	137,935
2021	138,143

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

12. Term loans due on demand

	2016	2015
Bank of Montreal, administration building loan bearing interest at prime plus 0.75%, payable in monthly instalments of \$2,511 principal plus interest	45,177	75,303
Bank of Montreal, trailer loan bearing interest at prime plus 0.75%, payable in blended monthly instalments of \$1,399	159,807	170,477
Bank of Montreal, elders' centre loan bearing interest at prime plus 0.75%, payable in monthly instalments of \$208 principal plus interest	5,625	8,125
Bank of Montreal, apartment complex loan	-	480
Bank of Montreal, store loan bearing interest at prime plus 0.75%, payable in monthly instalments of \$4,993 principal plus interest	631	60,543
Bank of Montreal, Telmexw Awtextw loan bearing interest at prime plus 0.75%, payable in monthly instalments of \$3,562	406,286	427,921
Bank of Montreal, Stonewater loan bearing interest at prime plus 0.75%, payable in blended monthly instalments of \$12,814	995,557	1,106,281
Bank of Montreal, Snowoyelh loan bearing interest at prime plus 0.75%, payable in blended monthly instalments of \$1,681	150,615	164,350
Bank of Montreal, Lhawathet Lalem mortgage bearing interest at prime plus 0.75%, payable in blended monthly instalments of \$14,535	1,475,591	1,587,414
Bank of Montreal, band housing loan bearing interest at prime plus 0.75%, payable in blended monthly instalments of \$3,290	531,802	-
	3,771,091	3,600,894

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

2017	493,223
2018	495,971
2019	494,983
2020	374,862
2021	347,381

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

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

- Indigenous and Northern Affairs 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. and Interpac Resources Ltd.

13. Contingent liabilities

a) A criminal action has been brought against the former Chief of Sts'ailes and a former Fisheries Manager by the Department of Fisheries and Oceans Canada for alleged counselling and or abetting unauthorized fishing. The First Nation is only involved by way of supporting the legal costs related to this action. The effects of any contingent costs relating to this action are not determinable at the date of this report.

b) The First Nation has been named as defendant in a lawsuit on behalf of First Class Waste Disposal Ltd., seeking to recover damage allegedly sustained by them by the cessation of a contract for services in the amount of \$25,000. This lawsuit remains at an early stage, and as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of this lawsuit or to estimate the loss, if any, which may result. Any amount awarded as a result of this action will be recorded when reasonably estimable.

c) As of March 31, 2016, the Band was contingently liable in respect of four guaranteed individual Band Member mortgages with a total outstanding principal balance of \$628,043 (2015 - \$251,881).

d) 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.

e) Sts'ailes has provided a limited guarantee on a commercial loan to one of its business entities, Sts'ailes Eco Energy Development Limited Partnership. The guarantee is limited to the royalties received by Sts'ailes under the terms of the Impact Benefit Agreement with Sakwi Creek Power Corp. and BC Hydro. The amount of the royalties is undetermined as of the date of the financial statements. The outstanding balance of the commercial loan at March 31, 2016 is \$1,401,030.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

14. Accumulated surplus

Accumulated surplus consists of the following:

	2016	2015
Equity in Tangible Capital Assets	7,009,125	7,657,682
Internally Restricted Equity (Note 15)	256,745	256,745
Operating deficit	(1,807,487)	(2,391,512)
Equity in Ottawa Trust Funds	325,265	38,501
CMHC Replacement Reserve	15,858	13,012
CMHC Subsidy Surplus Reserve Fund	1,471	1,471
	5,800,977	5,575,899

15. Internally Restricted Equity

The Band maintains reserve funds for certain tangible capital assets. These balances at March 31, 2016 are as follows:

	2016	2015
Sts'ailes Housing	63,929	63,929
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	256,745

16. 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.

17. Economic dependence

Sts'ailes receives a significant portion of its revenue from Indigenous and Northern Affairs Canada (INAC) as a result of funding agreements entered into with the Government of Canada. These funding agreements are administered by INAC 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.

18. Comparative figures

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

Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended March 31, 2016

	<i>Buildings</i>	<i>Housing</i>	<i>Equipment</i>	<i>Infrastructure</i>	<i>Computers</i>	<i>Subtotal</i>
Cost						
Balance, beginning of year	12,012,442	3,096,315	1,998,152	7,285,898	74,460	24,467,267
Acquisition of tangible capital assets	157,750	578,417	323,617	-	-	1,059,784
Disposal of tangible capital assets	-	(117,533)	-	-	-	(117,533)
Balance, end of year	12,170,192	3,557,199	2,321,769	7,285,898	74,460	25,409,518
Accumulated amortization						
Balance, beginning of year	7,420,266	1,507,015	1,768,993	3,419,282	55,445	14,171,001
Annual amortization	450,640	212,531	132,358	386,662	3,803	1,185,994
Accumulated amortization on disposals	-	(75,122)	-	-	-	(75,122)
Balance, end of year	7,870,906	1,644,424	1,901,351	3,805,944	59,248	15,281,873
Net book value of tangible capital assets	4,299,286	1,912,775	420,418	3,479,954	15,212	10,127,645
Net book value of tangible capital assets 2015	4,592,176	1,589,300	229,159	3,866,616	19,015	10,296,266

Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended March 31, 2016

	<i>Subtotal</i>	<i>Land</i>	<i>2016</i>	<i>2015</i>
Cost				
Balance, beginning of year	24,467,267	2,332,343	26,799,610	25,482,030
Acquisition of tangible capital assets	1,059,784	-	1,059,784	1,317,580
Disposal of tangible capital assets	(117,533)	-	(117,533)	-
Balance, end of year	25,409,518	2,332,343	27,741,861	26,799,610
Accumulated amortization				
Balance, beginning of year	14,171,001	-	14,171,001	13,050,435
Annual amortization	1,185,994	-	1,185,994	1,120,566
Accumulated amortization on disposals	(75,122)	-	(75,122)	-
Balance, end of year	15,281,873	-	15,281,873	14,171,001
Net book value of tangible capital assets	10,127,645	2,332,343	12,459,988	12,628,609
Net book value of tangible capital assets 2015	10,296,266	2,332,343	12,628,609	

Sts'ailes

Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2016

	2016	2015
Consolidated expenses by object		
Administration	436,167	529,536
Advertising	6,647	5,714
Amortization	1,185,993	1,120,566
Automotive	154,739	163,160
Bad debts	27,000	50,508
Band support	-	5,100
Bank charges and interest	346,412	428,141
Basic needs	703,939	737,834
Child necessities	2,696	-
Community donations	1,803	1,203
Community events	25,211	18,939
Contracted services	571,191	736,170
Cost of Sales	3,510,965	2,378,855
Elders fees	1,066	-
Food and beverage	837	2,035
Health	1,619	2,783
Honoraria	173,430	104,070
Insurance	91,846	80,919
Office supplies	55,391	29,913
Parent necessities	2,202	-
Professional fees	175,453	245,036
Program expense	18,836	76,394
Property tax	8,425	7,251
Renovation materials	7,120	2,846
Rent	7,103	-
Repairs and maintenance	265,426	478,800
Replacement reserve	276	-
Salaries and benefits	7,765,450	7,611,094
Special projects	5,115	-
Student expenses	385,827	247,710
Supplies	1,019,531	1,150,381
Telephone	13,837	12,635
Training	53,200	73,365
Transportation	20,170	20,914
Travel	119,919	129,687
Tuition	567,366	581,369
Utilities	316,936	240,153
Vehicle	3,279	4,576
Intersegmental Allocation of Administration	(387,855)	(405,715)
	17,664,568	16,871,942

Schedule 3 - Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2016

	2016	2015
Revenue		
Economic Activity	416,928	862,021
Sts'ailes Contracts	225,546	175,260
Grants and Donations	3,250	59,782
Indigenous and Northern Affairs Canada	8,048	7,624
Province of BC	-	262,455
Ottawa trust distributions	285,074	5,709
Vancity	50,000	-
Interest income	5,841	4,985
Loss from investment in Nation partnerships	(281,207)	-
	713,480	1,377,836
Expenses		
Bad debts	-	15,508
Bank charges and interest	241,323	352,742
Community events	1,240	-
Contracted services	51,174	-
Honoraria	162,828	99,897
Insurance	840	840
Office supplies	1,763	1,130
Professional fees	32,232	19,130
Salaries and benefits	70,049	127,214
Special projects	5,115	-
Supplies	15,667	27,848
Travel	631	2,999
Utilities	1,740	2,120
	584,602	649,428
Operating surplus before transfers	128,878	728,408
Transfers between segments	191,592	(90,977)
Operating surplus	320,470	637,431
Accumulated surplus, beginning of year	1,791,378	1,153,947
Accumulated surplus, end of year	2,111,848	1,791,378

Sts'ailes
Sts'ailes Administration

Schedule 4 - Schedule of Revenue and Expenses and Accumulated Surplus
For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada	632,226	593,009
Sts'ailes Contracts	11,575	75,674
Other revenue		
Financial management board	10,000	30,000
Taxation	7,443	6,876
Donations	2,700	3,947
Interest income	2,544	10,259
	666,488	719,765
Expenses		
Amortization	1,139,695	1,086,109
Automotive	4,440	5,915
Band support	-	5,100
Bank charges and interest	33,522	23,709
Contracted services	16,080	15,132
Honoraria	1,300	900
Office supplies	15,429	12,812
Professional fees	32,985	51,477
Repairs and maintenance	5,089	15,702
Salaries and benefits	752,908	793,407
Supplies	48,672	137,777
Travel	10,992	13,056
Utilities	29,922	9,838
Intersegmental Allocation of Administration	(387,855)	(405,715)
	1,703,179	1,765,219
Operating deficit before transfers	(1,036,691)	(1,045,454)
Transfers between segments	386,733	473,574
Operating deficit	(649,958)	(571,880)
Accumulated surplus, beginning of year	6,976,459	7,548,339
Accumulated surplus, end of year	6,326,501	6,976,459

Sts'ailes

Employment and Social Development

Schedule 5 - Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada	905,561	978,465
Sts'ailes Contracts	397,086	434,200
Repayment of funding	(133,324)	-
	1,169,323	1,412,665
Expenses		
Administration	38,767	37,468
Advertising	142	-
Automotive	825	1,148
Basic needs	703,939	737,834
Office supplies	3,801	1,143
Professional fees	-	39,493
Rent	4,950	-
Repairs and maintenance	5,460	6,000
Salaries and benefits	430,814	425,749
Supplies	15,424	34,404
Training	5,524	5,888
Travel	12,319	6,574
Utilities	6,737	4,866
	1,228,702	1,300,567
Operating surplus (deficit) before transfers	(59,379)	112,098
Transfers between segments	-	21,205
Operating surplus (deficit)	(59,379)	133,303
Accumulated surplus, beginning of year	138,394	5,091
Accumulated surplus, end of year	79,015	138,394

Sts'ailes
Community Development

Schedule 6 - Schedule of Revenue and Expenses and Accumulated Deficit
For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada	655,487	715,118
Sts'ailes Contracts	47,763	110,533
Rental income	15,770	-
	719,020	825,651
Expenses		
Administration	5,719	32,419
Automotive	9,732	10,740
Bank charges and interest	13,583	60
Contracted services	330,764	100,561
Honoraria	2,100	1,480
Insurance	14,388	13,891
Office supplies	24	4,353
Professional fees	10,754	4,984
Repairs and maintenance	73,132	162,181
Salaries and benefits	157,911	217,979
Supplies	15,323	19,455
Training	14,515	13,428
Travel	11,781	8,371
Utilities	58,596	75,825
	718,322	665,727
Operating surplus before transfers	698	159,924
Transfers between segments	(193,052)	(512,907)
Operating deficit	(192,354)	(352,983)
Accumulated deficit, beginning of year	(1,116,987)	(764,004)
Accumulated deficit, end of year	(1,309,341)	(1,116,987)

Schedule 7 - Schedule of Revenue and Expenses and Accumulated Surplus (Deficit)

For the year ended March 31, 2016

	2016	2015
Revenue		
Band Home Sales	177,589	50,001
Canada Mortgage and Housing Corporation	6,293	110,958
Indigenous and Northern Affairs Canada	-	192,342
Rental income	345,336	307,391
	529,218	660,692
Expenses		
Administration	11,216	5,900
Automotive	-	413
Bad debts	27,000	35,000
Bank charges and interest	24,937	7,950
Community events	95	-
Contracted services	6,161	296,417
Insurance	35,013	22,261
Office supplies	62	70
Professional fees	3,195	3,000
Renovation materials	7,120	2,846
Repairs and maintenance	53,727	62,725
Replacement reserve	276	-
Salaries and benefits	87,074	55,567
Supplies	10,728	5,664
Travel	2,676	2,476
Utilities	3,750	3,183
	273,030	503,472
Operating surplus before transfers	256,188	157,220
Transfers between segments	(195,846)	(53,260)
Surplus	60,342	103,960
Accumulated deficit, beginning of year	(37,586)	(141,546)
Accumulated surplus (deficit), end of year	22,756	(37,586)

Schedule 8 - Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2016

	2016	2015
Revenue		
First Nation Health Authority	1,388,366	1,306,703
Sts'ailes Contracts	46,271	43,027
Other revenue	11,481	17,069
Economic Activity	1,000	-
	1,447,118	1,366,799
Expenses		
Administration	79,563	79,563
Advertising	255	2,037
Automotive	9,813	16,029
Bank charges and interest	129	140
Community donations	1,803	1,158
Community events	3,788	-
Contracted services	39,315	34,979
Elders fees	1,066	-
Health	1,619	2,783
Honoraria	3,402	-
Insurance	3,052	-
Office supplies	24,910	812
Professional fees	28,685	32,657
Program expense	14,871	29,372
Repairs and maintenance	10,939	6,246
Salaries and benefits	983,999	1,181,863
Student expenses	3,942	8,732
Supplies	86,256	129,522
Training	9,648	27,167
Transportation	17,170	19,914
Travel	16,841	16,216
Utilities	34,088	26,136
	1,375,154	1,615,326
Operating surplus (deficit) before transfers	71,964	(248,527)
Transfers between segments	(23,057)	(21,857)
Operating surplus(deficit)	48,907	(270,384)
Accumulated surplus, beginning of year	411,680	682,064
Accumulated surplus, end of year	460,587	411,680

Schedule 9 - Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2016

	2016	2015
Revenue		
Province of BC	924,465	885,293
Other revenue	-	26,700
	924,465	911,993
Expenses		
Administration	80,528	75,724
Automotive	11,437	10,953
Bank charges and interest	66	63
Child necessities	2,696	-
Honoraria	-	300
Office supplies	32	133
Parent necessities	2,202	-
Professional fees	18,447	8,970
Program expense	3,965	47,022
Repairs and maintenance	1,637	8,427
Salaries and benefits	654,128	618,704
Student expenses	13,397	1,875
Supplies	42,008	28,146
Training	5,782	3,256
Travel	2,000	12,047
Utilities	23,321	25,397
	861,646	841,017
Operating surplus before transfers	62,819	70,976
Transfers between segments	(18,257)	(18,257)
Operating surplus	44,562	52,719
Accumulated surplus, beginning of year	95,945	43,226
Accumulated surplus, end of year	140,507	95,945

Schedule 10 - Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada	2,893,594	2,956,498
Province of BC	1,729,892	1,688,982
Sts'ailes Contracts	496,924	473,284
First Nation Health Authority	110,268	104,519
Other revenue	38,214	104,799
	5,268,892	5,328,082
Expenses		
Administration	135,127	165,640
Advertising	2,012	1,689
Automotive	78,402	78,681
Bank charges and interest	1,148	84
Community events	3,947	-
Contracted services	6,492	146,320
Insurance	17,055	17,723
Office supplies	1,248	1,540
Professional fees	-	280
Repairs and maintenance	71,017	185,596
Salaries and benefits	3,285,637	2,872,361
Student expenses	368,488	237,103
Supplies	616,651	659,922
Training	17,731	23,627
Transportation	3,000	1,000
Travel	27,228	37,019
Tuition	567,366	581,369
Utilities	89,365	29,255
	5,291,914	5,039,209
Operating surplus (deficit) before transfers	(23,022)	288,873
Transfers between segments	(329,800)	(51,053)
Operating surplus (deficit)	(352,822)	237,820
Accumulated surplus, beginning of year	526,087	288,267
Accumulated surplus, end of year	173,265	526,087

Sts'ailes

Economic Development - Sts'ailes Operations

Schedule 11 - Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2016

	2016	2015
Revenue		
Department of Fisheries and Oceans	371,432	376,944
Sts'ailes Contracts	209,692	116,171
Indigenous and Northern Affairs Canada	124,535	114,847
Province of BC	-	2,850
Earnings from investment in Nation partnerships	91,799	11,482
	797,458	622,294
Expenses		
Administration	35,246	32,821
Automotive	40,090	39,281
Bank charges and interest	63	72
Contracted services	101,867	140,061
Honoraria	3,800	1,494
Insurance	-	73
Office supplies	50	1,107
Professional fees	11,753	5,405
Rent	1,760	-
Salaries and benefits	523,120	487,223
Supplies	49,157	51,346
Travel	13,915	9,688
Utilities	3,543	2,315
Vehicle	133	-
	784,497	770,886
Operating surplus (deficit) before transfers	12,961	(148,592)
Transfers between segments	131,020	253,535
Operating surplus	143,981	104,943
Accumulated surplus (deficit), beginning of year	8,540	(96,403)
Accumulated surplus, end of year	152,521	8,540

Sts'ailes

Economic Development - Controlled Entities

Schedule 12 - Schedule of Revenue and Expenses and Accumulated Deficit

For the year ended March 31, 2016

	2016	2015
Revenue		
Economic Activity	5,604,282	3,553,132
Rental income	49,694	54,039
Interest income	209	143
	5,654,185	3,607,314
Expenses		
Administration	50,000	100,001
Advertising	4,238	1,989
Amortization	46,298	34,456
Bank charges and interest	31,641	43,320
Community donations	-	45
Community events	16,142	18,939
Contracted services	19,338	2,699
Cost of Sales	3,510,965	2,378,855
Food and beverage	837	2,035
Insurance	21,498	26,132
Office supplies	8,070	6,814
Professional fees	37,403	79,641
Property tax	8,425	7,251
Rent	393	-
Repairs and maintenance	44,426	31,923
Salaries and benefits	819,810	831,026
Supplies	119,645	56,295
Telephone	13,837	12,635
Travel	21,535	21,241
Utilities	65,875	61,219
Vehicle	3,146	4,576
	4,843,522	3,721,092
Operating surplus (deficit)	810,663	(113,778)
Accumulated deficit, beginning of year	(3,218,007)	(3,104,229)
Accumulated deficit, end of year	(2,407,344)	(3,218,007)