

Sts'ailes
Consolidated Financial Statements
March 31, 2018

Sts'ailes Contents

For the year ended March 31, 2018

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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 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 23, 2018



Chief Administrative Officer



Finance Director

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, 2018, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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, 2018 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.

Chilliwack, British Columbia

July 23, 2018

MNP LLP

Chartered Professional Accountants

Sts'ailes
Consolidated Statement of Financial Position
As at March 31, 2018

	2018	2017
Financial assets		
Cash and cash equivalents	1,738,663	3,844,112
Restricted cash (Note 3)	578,269	417,003
Accounts receivable (Note 5)	2,381,173	2,338,379
Inventory for resale	131,553	122,903
Investment in Nation business entities (Note 6)	3,695,031	320,038
Long-term investments (Note 7)	1,000	1,000
Funds held in trust (Note 8)	596,862	581,444
Long-term loans (Note 9)	5,000,000	5,000,000
Total of financial assets	14,122,551	12,624,879
Liabilities		
Bank indebtedness (Note 10)	592,732	510,206
Accounts payable and accruals (Note 11)	1,834,448	1,284,853
Deferred revenue (Note 12)	1,558,588	105,239
Long-term debt (Note 13)	12,918,447	12,744,268
Term loans due on demand (Note 14)	3,061,116	3,414,036
Reforestation obligation	407,839	441,931
Total of financial liabilities	20,373,170	18,500,533
Net debt	(6,250,619)	(5,875,654)
Contingencies (Note 15)		
Non-financial assets		
Tangible capital assets (Schedule 1)	13,069,968	12,751,894
Prepaid expenses	882,992	637,720
Total non-financial assets	13,952,960	13,389,614
Accumulated surplus (Note 16)	7,702,341	7,513,960

Approved on behalf of the Council



Chief



Councillor

Sts'ailes
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2018

	<i>Schedules</i>	<i>2018 Budget</i>	<i>2018</i>	<i>2017</i>
Revenue				
Indigenous Services Canada		6,193,356	6,472,901	6,989,442
Economic Activity		1,443,901	6,360,198	6,697,059
Province of British Columbia		2,706,442	2,639,919	3,146,179
Sts'ailes Contracts		1,236,343	1,430,686	1,600,968
First Nation Health Authority		2,012,336	1,911,585	1,698,292
Canada Mortgage and Housing Corporation		318,040	32,343	173,330
Other revenue		31,445	97,357	94,165
Sto:lo Nation		540,576	516,023	492,809
Rental income		667,109	435,101	445,772
Income (loss) from investment in Nation business entities		-	257,701	(65,001)
Interest income		11,400	22,424	11,519
Ottawa trust income		-	15,419	271,179
New Relationship Trust		-	7,760	-
Gain (loss) on disposal of tangible capital assets		-	(80,335)	3,942
Funding reimbursement (recovery)		-	(48,852)	(49,146)
		15,160,948	20,070,230	21,510,509
Program expenses				
Governance	3	1,464,265	1,551,888	980,342
Sts'ailes Administration	4	1,493,367	1,389,001	1,452,456
Employment and Social Development	5	1,413,812	1,529,017	1,451,449
Community Development	6	521,260	1,097,855	1,270,099
Housing	7	280,499	418,800	450,671
Health	8	1,663,682	1,508,906	1,250,279
Snowoyelh	9	938,461	969,416	896,599
Education	10	5,331,722	5,750,424	5,629,522
Economic Development - Sts'ailes Operations	11	747,146	751,294	702,876
Economic Development - Controlled Entities	12	-	4,915,248	5,713,224
Total expenditures		13,854,214	19,881,849	19,797,517
Annual surplus		1,306,734	188,381	1,712,992
Accumulated surplus, beginning of year		7,513,960	7,513,960	5,800,968
Accumulated surplus, end of year		8,820,694	7,702,341	7,513,960

Sts'ailes
Consolidated Statement of Changes in Net Debt
For the year ended March 31, 2018

	2018 Budget	2018	2017
Annual surplus	1,306,734	188,381	1,712,992
Purchases of tangible capital assets	-	(1,591,233)	(1,448,374)
Amortization of tangible capital assets	893,732	1,185,317	1,165,252
Proceeds on disposal of tangible capital assets	-	7,505	5,000
Gain (loss) on disposal of tangible capital assets	-	80,337	(13,791)
	893,732	(318,074)	(291,913)
Acquisition of prepaid expenses	-	(882,992)	(636,385)
Use of prepaid expenses	-	637,720	620,381
	-	(245,272)	(16,004)
Increase (decrease) in net financial assets	2,200,466	(374,965)	1,405,075
Net debt, beginning of year	(5,875,654)	(5,875,654)	(7,280,729)
Net debt, end of year	(3,675,188)	(6,250,619)	(5,875,654)

Sts'ailes
Consolidated Statement of Cash Flows
For the year ended March 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	188,381	1,712,992
Non-cash items		
Amortization	1,185,317	1,165,252
Change in funds held in trust	(15,418)	(256,179)
Gain/loss on disposal of tangible capital assets	80,337	(13,791)
Income (loss) from investment in Nation business entities and economic activity	(257,701)	65,001
	1,180,916	2,673,275
Changes in working capital accounts		
Restricted cash	(161,266)	(335,086)
Accounts receivable	(42,794)	(558,814)
Inventory for resale	(8,650)	(4,556)
Accounts payable and accruals	549,595	143,567
Deferred revenue	1,453,349	70,963
Reforestation obligation	(34,092)	(21,703)
Prepaid expenses	(245,272)	(16,004)
	2,691,786	1,951,642
Financing activities		
Advances of long-term debt	343,473	9,209,458
Repayment of long-term debt	(169,294)	(143,735)
Advances of operating line of credit	82,526	-
Repayment of operating line of credit	-	(293,835)
Repayment of term loans due on demand	(352,920)	(370,368)
	(96,215)	8,401,520
Capital activities		
Purchases of tangible capital assets	(1,591,233)	(1,448,374)
Proceeds on disposal of tangible capital assets	7,505	5,000
	(1,583,728)	(1,443,374)
Investing activities		
Advances to Nation business entities	(3,117,292)	(65,676)
Advances of long-term loans	-	(5,000,000)
	(3,117,292)	(5,065,676)
Increase (decrease) in cash resources	(2,105,449)	3,844,112
Cash resources, beginning of year	3,844,112	-
Cash resources, end of year	1,738,663	3,844,112
Supplementary cash flow information		
Interest paid	568,543	336,336

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

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. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include 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 and Post-1997 Programs
- 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 consolidated 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 (Sakwi) Limited Partnership
- Sts'ailes Eco Energy Development (Bremner Trio) 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.

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.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

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

Net debt

The First Nation's consolidated financial statements are presented so as to highlight net debt as the measurement of consolidated 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 - 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 consolidated 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

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.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

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

Investments

Sts'ailes uses the modified equity method to account for its investment in Harrison Salmon Producers Limited Partnership, Sts'ailes Eco Energy Development (Sakwi) Limited Partnership and Sts'ailes Eco Energy Development (Bremner Trio) 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 judgments 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

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.

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 totaled \$300,777 (2017 - \$273,458)

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

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

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, 2018.

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. Management has determined that no liability exists as at March 31, 2018.

3. Restricted cash

	2018	2017
Replacement Reserve Fund	22,987	15,868
Subsidy Surplus Fund	-	1,425
Secured Revenues Trust Account	529,121	373,549
Term Deposit - Bank of Montreal	26,161	26,161
Total	578,269	417,003

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 \$6,555 (2017 - \$6,380), to ensure replacement of buildings financed by CMHC. At March 31, 2018, \$22,987 (2017 - \$15,868) has been set aside to fund this reserve. The reserve was under funded at March 31, 2018 by \$5,806 (2017 - underfunded \$6,370).

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.

Operating reserve

Under agreements with Canada Mortgage and Housing Corporation (CMHC) 1997 On-Reserve Program requirements, the First Nation must establish an operating reserve resulting from annual surplus after the payment of all costs and expenses including allocation to the replacement reserve. These funds along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as otherwise mutually agreed to by Sts'ailes and CMHC.

These funds must only be used for the ongoing operating costs of the housing projects committed under the 1997 On-Reserve Program. Accordingly, future years' deficits may be recovered from the Operating Reserve fund. At March 31, 2018, no funds have been set aside to fund this reserve.

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.

Term 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, 2018

4. Change in accounting policy

Effective April 1, 2017, the First Nation adopted the recommendations relating to the following Sections, as set out in the CPA Canada Public Sector Accounting Handbook:

- PS 2200 *Related Party Disclosures*
- PS 3420 *Inter-entity Transactions*
- PS 3210 *Assets*
- PS 3320 *Contingent Assets*
- PS 3380 *Contractual Rights*

Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statements of adopting the new Sections.

5. Accounts receivable

Accounts receivable consist of the following:

	2018	2017
Sts'ailes Band receivables	2,100,255	1,380,742
Less: allowance for doubtful accounts	(82,068)	(82,068)
	<hr/>	<hr/>
Sts'ailes controlled entities	272,344	896,341
	<hr/>	<hr/>
Due from Sts'ailes members (net of allowances)	90,642	143,364
	<hr/>	<hr/>
	2,381,173	2,338,379

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.

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

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

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

6. Investment in Nation business entities *(Continued from previous page)*

	2018	2017
Partnership interest - Harrison Salmon Producers Limited Partnership	939,542	482,136
Amount due to Harrison Salmon Producers Limited Partnership	<u>(129,272)</u>	<u>(55,130)</u>
	810,270	427,006
Venturers Capital - Seabird-Sts'ailes-Cheam ILM Joint Venture	-	13,278
Partnership interest - Sts'ailes Eco Energy Development (Sakwi) Limited Partnership	(675,835)	(479,557)
Amount due from Sts'ailes Eco Energy Development (Sakwi) Limited Partnership	<u>344,558</u>	<u>110,957</u>
	(331,277)	(368,600)
Partnership interest - Sts'ailes Eco Energy Development (Bremner Trio) Limited Partnership	(19,881)	(16,454)
Amount due from Sts'ailes Eco Energy Development (Bremner Trio) Limited Partnership	<u>3,235,919</u>	<u>264,808</u>
	3,216,038	248,354
	3,695,031	320,038

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

	2018	2017
Current assets	849,543	342,857
Capital assets	1,676,211	817,513
Advances to related parties	<u>154,864</u>	<u>122,748</u>
	2,680,618	1,283,118
Current liabilities	776,370	252,564
Advances from related parties	<u>26,410</u>	<u>67,617</u>
	802,780	320,181
Partners' capital	<u>1,877,838</u>	<u>962,937</u>
	2,680,618	1,283,118

	2018	2017
Revenue	1,480,852	1,344,889
Expenses	<u>565,950</u>	<u>1,040,425</u>
Net Income	914,902	304,464

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

	2018	2017
Current assets	43,519	46,239
Long-term investment	<u>931,981</u>	<u>965,707</u>
	975,500	1,011,946
Long-term debt	1,308,568	1,412,115
Advances from related parties	<u>342,835</u>	<u>79,436</u>
	1,651,403	1,491,551
Partners' Deficiency	<u>(675,903)</u>	<u>(479,605)</u>
	975,500	1,011,946

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

6. Investment in Nation business entities *(Continued from previous page)*

	2018	2017
Loss from investment in partnership	(85,709)	(88,176)
Expenses	<u>110,589</u>	<u>110,194</u>
Net loss	(196,298)	(198,370)

Financial information for Sts'ailes Eco Energy Development (Bremner Trio) Limited Partnership is as follows:

	2018	2017
Investments	3,200,000	-
Advances to Bremner Trio Hydro Corporation	<u>5,000,000</u>	<u>5,000,000</u>
	<u>8,200,000</u>	<u>5,000,000</u>
Advances from Sts'ailes	5,260,000	5,000,000
Advances from Sts'ailes Development Corporation	<u>2,959,883</u>	<u>16,456</u>
	<u>8,219,883</u>	<u>5,016,456</u>
Partners' Deficiency	(19,883)	(16,456)
	<u>8,200,000</u>	<u>5,000,000</u>

	2018	2017
Expenses	3,427	16,556
Net loss	3,427	16,556

7. Long term investments

	2018	2017
Uplands Resources Inc.		
285,714 common shares, approximately 1.69% ownership	100,000	100,000
Allowance for impairment	(99,000)	(99,000)
	<u>1,000</u>	<u>1,000</u>

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

8. Funds held in trust

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

	2018	2017
Capital Trust		
Balance, beginning of year	530,706	289,294
Timber royalties	-	256,412
Subtotal	530,706	545,706
Less: Transfers to Sts'ailes	-	15,000
Balance, end of year	530,706	530,706
Revenue Trust		
Balance, beginning of year	50,738	35,971
Interest	12,935	12,236
Provincial grants	2,483	2,531
Balance, end of year	66,156	50,738
	596,862	581,444

9. Long-term loans

Long-term loans receivable consists of a \$5,000,000 promissory note issued to Sts'ailes Eco Energy Development (Bremner Trio) Limited Partnership, a partnership owned 99% by the Sts'ailes. Repayment terms are 13% interest per annum until the principal amount and all accrued interest has been paid, commencing six months after the Bremner Trio Hydro Corporation commences production. As of March 31, 2018, production had not begun and interest has not begun accruing.

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 0.50%. The prime rate at March 31, 2018 was 3.45% (2017 - 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.

11. Accounts payable and accruals

Included in accounts payable and accruals are government remittances payable of \$70,904 (2017 - \$27,747).

12. Deferred revenue

	2018	2017
Deferred forestry revenue	66,405	78,750
Deferred Indigenous Services Canada capital funding	1,408,000	-
Bank deposits and deferred revenue	84,183	26,489
	1,558,588	105,239

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

13. Long-term debt

	2018	2017
First Nations Finance Authority promissory note, bearing monthly interest only payments at the interim financing rate of 3.35%, until the promissory note is commissioned.	9,400,000	9,400,000
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 1.10%.	(475,759)	(471,149)
First Nations Finance Authority promissory note, bearing interest at 3.79%, with blended monthly payments of \$21,445, due June 2024.	3,120,624	3,255,306
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 1.10%.	(190,151)	(185,861)
All Nation's Trust Company mortgage, payments of \$2,917 per month including interest at 2.13%, commencing in November 2017, secured by the constructed homes.	616,993	280,607
All Nation's Trust Company mortgage, payments of \$1,843 per month including interest at 1.21%, commencing in June 2016, secured by the constructed homes.	446,740	463,354
Bank of Montreal mortgage, payments of \$979 per month including interest at 5.4%, repaid May 2017, secured by Ministerial guarantees of the Minister of Indigenous Services Canada.	-	2,011
	12,918,447	12,744,268

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:

2019	159,745
2020	160,454
2021	161,146
2022	161,851
2023	162,569

The following specified revenue streams are pledged as security in favour of the First Nation Finance Authority:

- Harrison Hydro Limited Partnership
- Stooke Creek Project Limited Partnership
- Forest & Range Consult and Revenue Sharing Agreement
- Sts'ailes Development Limited Partnership- Fisheries
- Sts'ailes Development Limited Partnership- Forestry

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

14. Term loans due on demand

	2018	2017
Bank of Montreal, Lhawathet Lalem mortgage bearing interest at prime plus 0.75%, payable in blended monthly instalments of \$14,535.	1,220,419	1,349,990
Bank of Montreal, trailer loan bearing interest at prime plus 0.75%, payable in blended monthly instalments of \$1,399.	136,522	148,342
Bank of Montreal, Stonewater loan bearing interest at prime plus 0.75%, payable in blended monthly instalments of \$12,814.	748,805	874,151
Bank of Montreal, band housing loan bearing interest at prime plus 0.75%, payable in blended monthly instalments of \$3,290.	488,177	510,297
Bank of Montreal, Telmexw Awtxew loan bearing interest at prime plus 0.75%, payable in monthly instalments of \$3,562.	346,935	377,066
Bank of Montreal, Snowoyelh loan bearing interest at prime plus 0.75%, payable in blended monthly instalments of \$1,681.	119,633	135,383
Bank of Montreal, elders' centre loan bearing interest at prime plus 0.75%, payable in monthly instalments of \$208 principal plus interest.	625	3,125
Bank of Montreal, administration building loan bearing interest at prime plus 0.75%.	-	15,051
Bank of Montreal, store loan bearing interest at prime plus 0.75%.	-	631
	3,061,116	3,414,036

Principal repayments on long-term debt in each of the next five years, assuming the loans are paid in accordance with the terms and not called, are estimated as follows:

2019	463,228
2020	482,411
2021	500,062
2022	346,663
2023	361,507

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

- Department of Indigenous Services 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)
- 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 Sts'ailes Development Limited Partnership (a related entity)
- First Nations Market Housing Fund credit enhancement facility approved to \$2,700,000

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

15. Contingent liabilities

- a) As of March 31, 2018, Sts'ailes was contingently liable in respect of four guaranteed individual Band Member mortgages with a total outstanding principal balance of \$38,763 (2017 - \$42,925).
- 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.
- c) Sts'ailes has provided a limited guarantee on a commercial loan to one of its business entities, Sts'ailes Eco Energy Development (Sakwi) 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 consolidated financial statements. The outstanding balance of the commercial loan at March 31, 2018 is \$1,333,570 (2017 - \$1,368,704).

16. Accumulated surplus

Accumulated surplus consists of the following:

	2018	2017
Equity in Tangible Capital Assets	8,945,118	8,594,884
Internally Restricted Equity (Note 17)	636,822	642,670
Operating Deficit	(2,505,254)	(2,328,747)
Equity in Ottawa Trust Funds	596,862	581,444
CMHC Replacement Reserve	28,793	22,238
CMHC Subsidy Surplus Reserve Fund	-	1,471
	7,702,341	7,513,960

17. Internally Restricted Equity

The First Nation maintains reserve funds for certain tangible capital assets. These balances at March 31, 2018 are as follows:

	2018	2017
Sts'ailes Housing	56,624	56,624
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	92,234	98,082
Sts'ailes School	393,230	393,230
	636,822	642,670

18. Budget information

The disclosed budget information has been approved by the Chief and Council of the Sts'ailes at the Chief and Council meeting held on March 21, 2017. The budget information is projected based on operating expenses to be incurred during the year on a program by program basis.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

19. Economic dependence

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

20. Comparative figures

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

21. 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
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2018

	<i>Buildings</i>	<i>Housing</i>	<i>Equipment</i>	<i>Infrastructure</i>	<i>Land</i>	<i>2018</i>	<i>2017</i>
Cost							
Balance, beginning of year	12,941,856	3,965,814	2,669,993	7,285,898	2,332,343	29,195,904	27,741,861
Acquisition of tangible capital assets	702,033	399,213	489,987	-	-	1,591,233	1,448,374
Disposal of tangible capital assets	(418,369)	-	(71,300)	-	-	(489,669)	(21,600)
Adjustment for housing sale	-	-	-	-	-	-	27,269
Balance, end of year	13,225,520	4,365,027	3,088,680	7,285,898	2,332,343	30,297,468	29,195,904
Accumulated amortization							
Balance, beginning of year	8,316,282	1,855,000	2,118,789	4,153,939	-	16,444,010	15,281,873
Annual amortization	467,140	213,019	191,962	313,196	-	1,185,317	1,164,266
Accumulated amortization on disposals	(332,973)	-	(68,854)	-	-	(401,827)	(20,542)
Adjustment for housing sale	-	-	-	-	-	-	18,413
Balance, end of year	8,450,449	2,068,019	2,241,897	4,467,135	-	17,227,500	16,444,010
Net book value of tangible capital assets	4,775,071	2,297,008	846,783	2,818,763	2,332,343	13,069,968	12,751,894
Net book value of tangible capital assets 2017	4,625,574	2,110,814	551,204	3,131,959	2,332,343	12,751,894	

Sts'ailes
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2018

	2018	2017
Consolidated expenses by object		
Administration	594,697	441,910
Advertising	10,554	10,434
Amortization	1,185,317	1,165,252
Automotive	192,862	180,167
Bad debts	92,079	56,867
Bank charges and interest	568,543	336,336
Basic needs	721,770	783,595
Child nutrition	-	10,000
Community donations	14,656	2,485
Community events	56,022	46,101
Contracted services	782,775	935,798
Cost of Sales	3,067,031	4,195,661
Health	4,414	2,307
Home to work transition	-	37,262
Honoraria	210,254	204,022
Insurance	70,321	114,008
Office supplies	125,081	76,463
Parent necessities	41,015	12,860
Professional fees	657,639	574,232
Program expense	106,536	21,491
Property tax	7,063	7,844
Rent	22,298	75
Repairs and maintenance	683,396	402,560
Salaries and benefits	8,533,272	7,935,283
Special needs	21,994	895
Special projects (recovery)	27,700	(5,402)
Student expenses	342,561	381,961
Supplies	1,066,376	1,199,045
Telephone	10,164	16,246
Training	80,855	121,063
Transportation	48,631	24,868
Travel	162,631	126,480
Tuition	585,434	579,738
Utilities	379,307	354,447
Vehicle	616	897
Recovery of administration costs	(592,015)	(555,734)
	19,881,849	19,797,517

Sts'ailes
Governance
Schedule 3 - Schedule of Revenue and Expenses and Surplus (Deficit)
For the year ended March 31, 2018

	2018	2017
Revenue		
Economic Activity	1,052,526	612,028
Indigenous Services Canada	530,569	196,381
Sts'ailes Contracts	259,292	203,829
Province of British Columbia	52,333	434,674
Grants and donations	23,145	10,779
First Nation Health Authority	-	250
Ottawa trust distributions	15,419	271,179
Interest income	10,992	8,845
New Relationship Trust	7,760	-
Gain (loss) on disposal of tangible capital assets	(80,335)	3,942
Loss from investment in Nation business entities	(199,705)	(214,904)
	1,671,996	1,527,003
Expenses		
Administration	-	11,665
Advertising	135	-
Bank charges and interest	482,441	225,998
Community events	14,192	-
Honoraria	202,230	192,018
Insurance	420	1,000
Office supplies	15,252	5,494
Professional fees	418,280	248,356
Repairs and maintenance	3,021	-
Salaries and benefits	337,572	187,255
Student expenses	3,096	-
Supplies	39,246	84,778
Telephone	1,752	1,359
Training	15,207	10,861
Travel	14,788	9,388
Utilities	4,256	2,170
	1,551,888	980,342
Surplus before transfers	120,108	546,661
Transfers between programs	(465,063)	(3,125)
Surplus (deficit)	(344,955)	543,536

Sts'ailes
Sts'ailes Administration
Schedule 4 - Schedule of Revenue and Expenses and Surplus
For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous Services Canada	691,140	633,269
Other revenue	13,615	13,220
Sts'ailes Contracts	-	37,800
Interest income	11,427	2,673
Sto:lo Nation	7,702	-
Rental income	-	11,917
Funding reimbursement (recovery)	-	7,493
	723,884	706,372
Expenses		
Administration	-	4,667
Amortization	1,132,141	1,112,385
Automotive	10,940	5,275
Bank charges and interest	13,570	26,971
Community events	301	-
Contracted services	38,151	16,041
Honoraria	5,800	1,050
Insurance	1,454	4,835
Office supplies	16,812	29,544
Professional fees	38,599	7,052
Rent	4,728	-
Repairs and maintenance	6,700	8,414
Salaries and benefits	609,731	686,485
Supplies	70,763	74,220
Training	4,428	17,895
Travel	16,155	(153)
Utilities	10,743	13,509
Recovery of administration costs	(592,015)	(555,734)
	1,389,001	1,452,456
Deficit before transfers	(665,117)	(746,084)
Transfers between programs	844,132	1,663,114
Surplus	179,015	917,030

Sts'ailes
Employment and Social Development
Schedule 5 - Schedule of Revenue and Expenses and Deficit
For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous Services Canada	962,338	917,797
Funding reimbursement (recovery)	(48,852)	(56,639)
Sto:lo Nation	467,311	461,032
	1,380,797	1,322,190
Expenses		
Administration	61,371	63,841
Automotive	183	504
Basic needs	721,770	783,595
Child nutrition	-	10,000
Home to work transition	-	37,262
Office supplies	22,411	3,446
Parent necessities	40,248	7,239
Professional fees	10,000	5,700
Rent	7,880	-
Repairs and maintenance	5,696	5,400
Salaries and benefits	521,454	465,186
Special needs	21,688	-
Student expenses	23,150	6,022
Supplies	40,709	31,962
Training	18,162	15,576
Transportation	23,178	-
Travel	7,265	10,165
Utilities	3,852	5,551
	1,529,017	1,451,449
Deficit	(148,220)	(129,259)

Sts'ailes
Community Development
Schedule 6 - Schedule of Revenue and Expenses and Deficit
For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous Services Canada	1,063,714	1,959,329
Sts'ailes Contracts	184,176	232,882
Rental income	-	20,118
	1,247,890	2,212,329
Expenses		
Administration	5,719	5,719
Automotive	18,375	20,916
Bank charges and interest	9,699	32,405
Contracted services	317,337	510,577
Community events	27	-
Honoraria	400	975
Insurance	11,227	24,254
Office supplies	205	38
Professional fees	105,000	167,648
Repairs and maintenance	254,536	147,122
Salaries and benefits	182,660	162,064
Special projects	27,360	-
Supplies	45,770	70,259
Training	8,825	13,460
Travel	11,004	11,673
Utilities	99,711	102,989
	1,097,855	1,270,099
Surplus before transfers	150,035	942,230
Transfers between programs	(192,434)	(967,735)
Deficit	(42,399)	(25,505)

Sts'ailes
Housing
Schedule 7 - Schedule of Revenue and Expenses and Surplus (Deficit)
For the year ended March 31, 2018

	2018	2017
Revenue		
Canada Mortgage and Housing Corporation	32,343	173,330
Sts'ailes Contracts	62,900	-
Rental income	363,483	357,430
	458,726	530,760
Expenses		
Administration	30,900	12,567
Bad debts	97,183	10,000
Bank charges and interest	31,249	26,070
Community events	162	46
Contracted services	-	163,955
Insurance	20,182	40,421
Office supplies	63	186
Professional fees	3,433	4,200
Repairs and maintenance	111,289	59,201
Salaries and benefits	91,567	95,219
Supplies	24,892	29,675
Training	-	859
Travel	3,675	3,662
Utilities	4,205	4,610
	418,800	450,671
Surplus before transfers	39,926	80,089
Transfers between programs	(51,655)	(2,330)
Surplus (deficit)	(11,729)	77,759

Sts'ailes
Health
Schedule 8 - Schedule of Revenue and Expenses and Surplus
For the year ended March 31, 2018

	2018	2017
Revenue		
First Nation Health Authority	1,580,314	1,459,726
Sts'ailes Contracts	27,078	20,218
Other revenue	21,997	15,705
Indigenous Services Canada	-	10,000
Economic Activity	-	1,000
	1,629,389	1,506,649
Expenses		
Administration	164,323	86,386
Advertising	440	5,089
Automotive	9,833	12,845
Bank charges and interest	90	69
Community donations	14,656	2,004
Community events	30,379	17,718
Contracted services	1,240	5,550
Health	4,414	1,606
Honoraria	1,824	1,175
Insurance	3,074	3,163
Office supplies	21,998	23,798
Parent necessities	201	2,167
Professional fees	45,366	55,823
Program expense	19,391	10,494
Repairs and maintenance	5,069	7,114
Salaries and benefits	983,323	841,523
Special needs	306	895
Student expenses	27,791	19,924
Supplies	86,783	74,417
Training	17,155	16,599
Transportation	23,531	24,868
Travel	20,654	15,962
Utilities	27,065	21,090
	1,508,906	1,250,279
Surplus before transfers	120,483	256,370
Transfers between programs	(1,000)	(46,474)
Surplus	119,483	209,896

Sts'ailes
Snowoyelh
Schedule 9 - Schedule of Revenue and Expenses and Surplus
For the year ended March 31, 2018

	2018	2017
Revenue		
Province of British Columbia	1,030,474	963,611
Sts'ailes Contracts	32,198	4,327
	1,062,672	967,938
Expenses		
Administration	80,401	81,753
Automotive	13,706	10,939
Bank charges and interest	54	63
Community donations	-	481
Community events	7,084	5,569
Honoraria	-	250
Office supplies	-	5,409
Parent necessities	566	3,453
Professional fees	14,959	5,813
Program expense	87,146	10,998
Repairs and maintenance	2,333	7,887
Salaries and benefits	688,676	627,185
Student expenses	3,767	11,528
Supplies	34,280	78,423
Training	1,752	12,795
Transportation	1,922	-
Travel	4,865	9,211
Utilities	27,905	24,842
	969,416	896,599
Surplus before transfers	93,256	71,339
Transfers between programs	(37,230)	(18,257)
Surplus	56,026	53,082

Sts'ailes
Education
Schedule 10 - Schedule of Revenue and Expenses and Deficit
For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous Services Canada	3,084,791	3,044,371
Province of British Columbia	1,557,112	1,747,894
Sts'ailes Contracts	772,586	909,666
First Nation Health Authority	331,271	238,316
Other revenue	38,600	54,461
Sto:lo Nation	41,010	31,776
	5,825,370	6,026,484
Expenses		
Administration	158,444	82,097
Advertising	1,597	1,152
Automotive	94,409	87,876
Bank charges and interest	76	57
Community events	3,633	4,772
Contracted services	1,167	2,960
Health	-	702
Insurance	10,938	17,149
Office supplies	4,926	2,078
Rent	290	-
Repairs and maintenance	63,137	73,256
Salaries and benefits	3,771,966	3,569,450
Student expenses	284,757	344,487
Supplies	587,493	678,140
Training	21,106	33,017
Travel	39,434	37,565
Tuition	585,434	579,738
Utilities	121,617	115,026
	5,750,424	5,629,522
Surplus before transfers	74,946	396,962
Transfers between programs	(812,317)	(813,713)
Deficit	(737,371)	(416,751)

Sts'ailes
Economic Development - Sts'ailes Operations
Schedule 11 - Schedule of Revenue and Expenses and Surplus
For the year ended March 31, 2018

	2018	2017
Revenue		
Department of Fisheries and Oceans	380,356	376,728
Indigenous Services Canada	140,349	50,205
Sts'ailes Contracts	92,455	192,245
Earnings from investment in Nation business entities	457,406	149,903
	1,070,566	769,081
Expenses		
Administration	43,539	43,616
Automotive	45,416	41,812
Bank charges and interest	63	57
Community events	243	247
Contracted services	100,824	106,102
Office supplies	122	995
Professional fees	7,170	28,130
Rent	1,779	-
Repairs and maintenance	5,960	-
Salaries and benefits	508,436	450,353
Special projects (recovery)	340	(5,402)
Supplies	24,437	24,047
Training (recovery)	(5,779)	-
Travel	15,079	8,451
Utilities	3,665	4,352
Vehicle	-	116
	751,294	702,876
Surplus before transfers	319,272	66,205
Transfers between programs	715,568	188,518
Surplus	1,034,840	254,723

Sts'ailes
Economic Development - Controlled Entities
Schedule 12 - Schedule of Revenue and Expenses and Surplus
For the year ended March 31, 2018

	2018	2017
Revenue		
Economic Activity	4,927,318	5,707,302
Indigenous Services Canada	-	178,090
Rental income	71,619	56,306
Interest income	5	-
	4,998,942	5,941,698
Expenses		
Administration	50,000	49,600
Advertising	8,382	4,193
Amortization	53,177	52,867
Bad debts (recovery)	(5,104)	46,867
Bank charges and interest	31,301	24,645
Community events	-	17,749
Contracted services	324,056	130,613
Cost of Sales	3,067,031	4,195,661
Food and beverage	-	16
Honoraria	-	8,553
Insurance	23,027	23,186
Office supplies	43,294	5,475
Professional fees	14,831	51,509
Property tax	7,063	7,844
Rent	7,622	75
Repairs and maintenance	225,657	94,167
Salaries and benefits	837,889	850,564
Supplies	112,003	53,123
Telephone	8,412	14,887
Travel	29,711	20,557
Utilities	76,287	60,306
Vehicle	609	767
	4,915,248	5,713,224
Surplus	83,694	228,474