

**SKATIN NATIONS
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017**

SKATIN NATIONS
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March 31, 2017

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Skatin Nations are the responsibility of management and have been approved by Chief and Executive Director on behalf of Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The First Nation Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, Lee & Company, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Skatin Nations and meet when required.

On behalf of Skatin Nations:

Chief

Councillor

Councillor

Recipient Appointed Advisor

October 26, 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SKATIN NATIONS

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of SKATIN NATIONS which comprise the consolidated statement of financial position as at March 31, 2017 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Basis of Qualified Opinion

The First Nation operations has not maintained records and supporting documentation that is adequate to provide sufficient evidence regarding existence and completeness of accounts payable and accounts receivable. Consequently, we were not able to determine whether any adjustments might be necessary to accounts receivable, accounts payable, consolidated revenue and expenditures and operating deficit.

(continues)

Independent Auditor's Report to the Members of Skatin Nations (*continued*)

In addition, the First Nation was unable to provide a listing of tangible capital assets at historical cost. We were unable to verify the existence, completeness and valuation of the tangible capital assets. We were also unable to verify the existence, completeness and valuation of the opening accumulated surplus as a result of this matter.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Skatin Nations as at March 31, 2017 and the results of its operations, net debt and cash flow for the year then ended, in accordance with Canadian public sector accounting standards.

Emphasis of Matter

We draw attention to Note 17 in the financial statements which indicates that the First Nation has an unfunded financial commitment of \$800,000 under a contract for the completion of a building. These conditions, along with the matter as set forth in Note 16, indicate the existence of material uncertainty that may cast a significant doubt about Skatin Nation's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

The logo consists of the words "Lee & Company" written in a flowing, cursive script font.

CHARTERED PROFESSIONAL ACCOUNTANTS

Victoria, BC
October 26, 2017

SKATIN NATIONS
Consolidated Statement of Financial Position
March 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash (<i>Note 2</i>)	238,008	212,845
Ottawa Trust (<i>Note 4</i>)	102,215	376,093
Accounts receivable (<i>Note 3</i>)	654,468	226,887
Due from St'at'imc Government Services	-	9,725
Investment	500	500
	995,191	826,050
FINANCIAL LIABILITIES		
Accounts payable (<i>Note 5</i>)	1,573,770	197,834
Deferred revenue (<i>Note 6</i>)	-	208,008
Deferred capital contributions (<i>Note 7</i>)	2,173,891	1,871,031
Long-term debts (<i>Note 9</i>)	672,457	737,639
	4,420,118	3,014,512
NET FINANCIAL ASSETS (NET DEBT)	(3,424,927)	(2,188,462)
NON-FINANCIAL ASSETS		
Prepaid expenses	31,211	77,726
Tangible capital assets (<i>Note 10</i>)	8,178,328	7,007,923
	8,209,539	7,085,649
ACCUMULATED SURPLUS (DEFICIT) (<i>Note 8</i>)	4,784,612	4,897,187
Contingent liabilities (<i>Note 16</i>)		

Approved by Chief and Council

Chief

Councillor

Councillor

Recipient Appointed Advisor

SKATIN NATIONS
Consolidated Statement of Operations
For the year ended March 31, 2017

	<i>Budget</i>	2017	2016
REVENUE			
Indigenous and Northern Affairs Canada	-	1,028,531	1,195,155
Canada Mortgage and Housing Corporation Subsidy	-	44,130	48,421
Provincial funding	-	118,710	74,539
Rental income	-	74,136	74,136
Other income	-	663,618	680,239
Interest income	-	150	220
Ottawa Trust	-	6,123	8,594
	<hr/>	<hr/>	<hr/>
	-	1,935,398	2,081,304
EXPENSES			
Band	-	739,854	782,299
Education	-	69,007	102,913
Social development	-	226,504	230,217
Health	-	17,015	31,507
Social Housing	-	36,618	48,394
Head-of-the Lake School	-	599,868	538,397
Amortization	-	359,106	392,280
	<hr/>	<hr/>	<hr/>
	-	2,047,972	2,126,007
ANNUAL SURPLUS (DEFICIT)	<hr/>	(112,574)	(44,703)
ACCUMULATED SURPLUS (DEFICIT), at beginning of year		4,897,187	4,941,890
Transfers	<hr/>	<hr/>	<hr/>
ACCUMULATED SURPLUS (DEFICIT), at end of year (Note 8)	<hr/>	4,784,612	4,897,187

SKATIN NATIONS
Consolidated Statement of Changes in Net Financial Assets (Net Debt)
For the year ended March 31, 2017

	<i>Budget</i>	2017	2016
ANNUAL SURPLUS (DEFICIT)	-	(112,574)	(44,703)
Tangible capital assets			
Acquisition of tangible capital assets	-	(14,975)	(13,542)
Proceeds on disposal of tangible capital assets	-	7,685	-
Amortization of tangible capital assets	-	359,106	392,280
Write-downs on tangible capital assets	-	-	-
(Gain) loss on disposal of tangible capital assets	-	(3,206)	-
	-	348,610	378,738
Assets under construction	-	(1,519,014)	(11,794)
Acquisition of prepaid expense	-	(31,211)	(77,726)
Use of prepaid expense	-	77,724	44,693
	-	(1,472,501)	(44,827)
CHANGE IN NET FINANCIAL ASSETS (NET DEBT)	-	(1,236,465)	289,208
NET FINANCIAL ASSETS (NET DEBT), at beginning of year		(2,188,462)	(2,477,670)
Transfers from Reserves		-	-
NET FINANCIAL ASSETS (NET DEBT), at end of year		(3,424,927)	(2,188,462)

SKATIN NATIONS
Consolidated Statement of Cash Flows
For the year ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Annual surplus (deficit)	(112,574)	(44,703)
Items not affecting cash		
Amortization of tangible capital assets	359,106	392,280
(Gain) loss on disposal of tangible capital assets	-	-
Prior period adjustments	-	-
Change in non-cash charges to operations		
Ottawa Trust	273,878	(8,594)
Accounts receivable	(427,583)	24,439
Due from St'at'imc Government Services	9,725	12,500
Investments	-	(500)
Prepaid expenses	46,514	(33,033)
Accounts payable	1,375,937	(124,947)
Deferred revenue	(208,008)	(337,370)
Deferred capital contributions	302,860	11,795
	1,619,855	(108,133)
CAPITAL TRANSACTIONS		
Proceeds on disposal of tangible capital assets	7,685	-
(Gain) loss on disposal of tangible capital assets	(3,206)	-
Acquisition of tangible capital assets	(14,975)	(13,542)
Assets under construction	(1,519,014)	(11,794)
	(1,529,510)	(25,336)
INVESTING TRANSACTIONS		
Long term Investments	-	-
FINANCING TRANSACTIONS		
Mortgages payable	(65,182)	(68,741)
Transfers from Reserves	-	-
	(65,182)	(68,741)
INCREASE (DECREASE) IN CASH DURING YEAR	25,163	(202,210)
CASH, at beginning of year	212,845	415,055
CASH, at end of year	238,008	212,845

SKATIN NATIONS
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

b. Reporting Entity and Principles of Financial Reporting

These financial statements consolidate the assets, liabilities and results of operations for the following entities, which use accounting principles, which lend themselves to consolidation:

- Skatin Nations Government Administration
- Skatin Nations Trusts Fund
- Skatin Nations CMHC Housing Program Fund
- Head-of-the-Lake School Fund

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not.

The financial information for Nation-owned companies and partnerships was unavailable during the completion of the engagement, and accordingly we were unable to verify the balances or transactions with these entities, nor were we able to assess the valuation of amounts due to these entities. As a result, the investment in First Nation partnerships and business entities and accumulated surplus for the years ended March 31, 2016 and March 31, 2017 may be understated or overstated.

c. Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short term cash commitments.

d. Financial Instruments

The carrying amounts for accounts receivable, grants receivable and accounts payable and accrued liabilities approximate fair value because of the short-term nature of these instruments.

e. Investments

Investments are recorded at cost. Investments are written down where there has been a loss in value that is other than a temporary decline.

f. Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. The cost, less residual value, of the tangible capital assets, excluding land, is amortized over their estimated useful lives as follows:

Building	10% declining method
Power and water systems	4% declining method
Equipment	30% declining method
Canoes	30% declining method
Social Housing	Equal to loan principal payment
Computer equipment	3 years straight line
Motor vehicles	5 years straight line

In the year of acquisition, 50% of the normal amortization is recorded.

SKATIN NATIONS
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Reserve funds

Reserve funds represent the replacement and operating reserve funds required under the terms of the agreement with Canada Mortgage and Housing Corporation.

h. Revenue Recognition

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing that the transfers are authorized, all eligibility criteria have been met by the Nation, and reasonable estimates of the amounts can be made. Government transfers received for which the Nation has not met all eligibility requirements are recorded as revenue. Government transfers include financial transfer agreement payments, band trust revenue payments, contribution arrangements, and other federal and provincial grants.

Grant revenue is recognized in the financial statements as the related expenditures are incurred and when the terms and conditions of the funding are satisfied. Other income is recorded as revenue when earned.

i. Use of Estimates

The preparation of 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 disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumption used in estimating provisions for accrued liabilities and estimating the useful lives of tangible capital assets. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Skatin Nations must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Replacement and Operating Fund. Cash and cash equivalents is comprised of the following:

	2017	2016
Unrestricted - Operating	(31,885)	47,064
Unrestricted - CMHC Operating	78,868	21,652
Restricted - CMHC Replacement reserve	77,924	53,924
Restricted - CMHC Operating reserve	11,060	-
Restricted - St'at'imc (PC) 2011 Trust funds		
Cash	249	211
Cashable GIC	90,019	90,015
Restricted - Head-of-the-Lake School	11,773	(21)
	<hr/>	<hr/>
	238,008	212,845

SKATIN NATIONS
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

3. ACCOUNTS RECEIVABLE

	2017	2016
Federal government		
Indigenous and Northern Affairs Canada	145,367	-
Other government organizations	33,994	26,502
Canada Mortgage and Housing Corporation	3,626	77,014
	<hr/> 182,987	<hr/> 103,516
Other		
Employees	2,573	1
Members	28,141	33,477
Head-of-the-Lake School amounts	2,841	591
Other agencies	437,926	89,302
	<hr/> 471,481	<hr/> 123,371
	<hr/> <hr/> 654,468	<hr/> <hr/> 226,887

4. OTTAWA TRUST FUNDS

	March 31, 2016	Additions	Withdrawals	March 31, 2017
Capital	85,826	-	-	85,826
Revenue	290,267	6,122	(280,000)	16,389
	<hr/> 376,093	<hr/> 6,122	<hr/> (280,000)	<hr/> 102,215

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

SKATIN NATIONS
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Indigenous and Northern Affairs Canada	-	27,300
Accrued salaries and benefits payable	39,938	20,807
Other accrued liabilities	<u>1,533,832</u>	<u>149,727</u>
<i>(Also see Note 17)</i>	<u>1,573,770</u>	<u>197,834</u>

6. DEFERRED REVENUE

The changes in the deferred contributions balance for the year are as follows:

	Balance March 31, 2016	Funding Received 2017	Revenue Recognized 2017	Loan Repayment	Balance March 31, 2017
St'at'imc (PC) 2011 Trust	<u>208,008</u>	<u>303,505</u>	<u>(501,788)</u>	<u>(9,725)</u>	-

7. DEFERRED CONTRIBUTIONS

Deferred contributions represent the contributions from the St'at'imc (PC) 2011 Trust, INAC, and BC Hydro that have been designated for the construction of the Administration building. The contributions will be recognized as revenue on the same basis as the building amortization is recognized as expense.

8. ACCUMULATED SURPLUS (DEFICIT)

	Operating	Trust	Housing	School	2017 Total	2016
Accumulated Surplus (Deficit), at the beginning of year	3,689,666	376,093	772,001	59,427	4,897,187	4,941,890
Annual Surplus (Deficit)	312,231	6,122	16,471	(447,400)	(112,575)	(44,703)
Prior Period Adjustments	-	-	-	-	-	-
Transfers	<u>(248,724)</u>	<u>(280,000)</u>	-	528,724	-	-
Accumulated Surplus (Deficit), at the end of year	<u>3,753,173</u>	<u>102,215</u>	<u>788,472</u>	<u>140,751</u>	<u>4,784,612</u>	<u>4,897,187</u>

SKATIN NATIONS
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

9. LONG TERM DEBT

	2017	2016
CMHC - mortgage repayable at \$2,432 per month including interest @ 1.30%, maturing September 1, 2025. Secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on Phases 1 housing units.	234,783	260,750
CMHC - mortgage repayable at \$3,772 per month including interest @ 1.14%, maturing June 1, 2027. Secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on Phases 3 housing units.	437,674	476,889
	672,457	737,639

Anticipated annual principal repayments over the next five years and thereafter are as follows:

2018	66,789
2019	67,593
2020	68,420
2021	69,235
2022	70,071
Thereafter	330,349

	2017	2016
Interest expense for the year on long-term debt	9,532	18,876

SKATIN NATIONS
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

10. TANGIBLE CAPITAL ASSETS

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE			
	Balance March 31, 2016	Additions	Disposals	Balance March 31, 2017	Balance March 31, 2016	Disposals	Amortization	Balance March 31, 2017	March 31, 2017	March 31, 2016
Land development costs	643,243	-	-	643,243	-	-	-	-	643,243	643,243
Buildings	6,262,021	-	-	6,262,021	3,599,706	-	266,232	3,865,938	2,396,083	2,662,315
Building under construction	1,871,030	1,519,014	-	3,390,044	-	-	-	-	3,390,044	1,871,030
Equipment	11,686	-	-	11,686	8,775	-	876	9,651	2,035	2,911
Canoes	13,000	-	-	13,000	12,970	-	30	13,000	-	30
Dyking	364,618	-	-	364,618	296,469	-	6,815	303,284	61,334	68,149
Power systems	491,572	-	-	491,572	167,844	-	12,949	180,793	310,779	323,728
Water systems	164,300	-	-	164,300	75,637	-	3,546	79,183	85,117	88,663
Housing	1,889,402	-	-	1,889,402	550,861	-	65,182	616,043	1,273,359	1,338,541
Computer equipment	9,909	13,580	(9,909)	13,580	5,430	(5,430)	2,263	2,263	11,317	4,479
Motor vehicles	5,371	1,395	-	6,766	537	-	1,213	1,750	5,016	4,834
TOTAL	11,726,152	1,533,989	(9,909)	13,250,232	4,718,229	(5,430)	359,106	5,071,905	8,178,328	7,007,923

SKATIN NATIONS
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

11. SEGMENT DISCLOSURE

Skatin Nations provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by function. For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The segment results for the period are as follows:

	Band Government		Education		Social Development		Health	
	2017	2016	2017	2016	2017	2016	2017	2016
REVENUES								
Indigenous and Northern Affairs								
Canada	283,703	357,604	546,806	609,696	198,022	227,855	-	-
Rental	-	-	-	-	-	-	-	-
Other	632,343	688,949	155,944	69,664	-	-	309	4,979
	916,046	1,046,553	702,750	679,360	198,022	227,855	309	4,979
EXPENSES								
Salaries and benefits	106,237	118,076	331,851	334,314	18,955	6,890	6,469	15,203
Consultants and Professional fees	323,723	377,653	6,105	15,100	-	-	-	-
Interest and bank charges	2,280	8,514	2,424	1,790	-	-	-	-
Amortization	290,448	321,145	3,476	2,393	-	-	-	-
Other	307,614	278,056	328,495	290,106	207,549	223,327	10,546	16,304
	1,030,302	1,103,444	672,351	643,703	226,504	230,217	17,015	31,507
ANNUAL SURPLUS (DEFICIT)	(114,256)	(56,891)	30,399	35,657	(28,482)	(2,362)	(16,706)	(26,528)

SKATIN NATIONS
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

11. SEGMENT DISCLOSURE (Continued)

	Capital Project		Social Housing	
	2017	2016	2017	2016
REVENUES				
Indigenous and Northern Affairs Canada	-	-	-	-
Rental	-	-	74,136	74,136
Other	-	-	44,135	48,421
	-	-	118,271	122,557
EXPENSES				
Salaries and benefits	-	-	9,540	9,540
Consultants and Professional fees	-	-	2,000	2,000
Debt servicing	-	-	9,798	19,664
Amortization	-	-	65,182	68,742
Other	-	-	15,280	17,190
	-	-	101,800	117,136
ANNUAL SURPLUS (DEFICIT)			16,471	5,421

SKATIN NATIONS
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

12. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2017	2016
Depreciation	359,106	392,280
Interest and bank charges	4,970	11,092
Materials and supplies	20,028	23,549
Professional fees	331,828	394,753
Wages and benefits	473,050	484,023
Other	858,990	820,310
	<hr/> 2,047,972	<hr/> 2,126,007

13. ST'AT'IMC (PC) 2011 TRUST

The St'at'imc Authority reached a comprehensive settlement with the Province of British Columbia and BC Hydro on May 10, 2011. The Settlement Agreement provides compensation for impacts to St'at'imc lands and people in respect of past, present and future hydro development in the St'at'imc territory; as a result, the St'at'imc (PC) 2011 Trust was established to receive the settlement funds.

Skatin Nations is a beneficiary of the Trust and in accordance with the Settlement Agreement and Trust Indenture, the Nation is entitled to receive certain sums of monies from the trust each year to be used for specific purposes as outlined in a Band Council Resolution

Available Trust Revenues shall consist of funding received in a fiscal year and unused funding received in previous fiscal years. Expenditures shall consist only of expenses incurred for the purposes stated in the Band Council Resolution which shall be consistent with the purposes specified in the Indenture. The Nation is permitted to expend Trust monies on a basis other than as specified in the Band Council Resolution provided that the expenditures are consistent with the purposes specified in the Indenture.

\$1,000,000 - Signing Bonus (2012) from BC Hydro

- Voted by Band membership for distribution to band members registered on Band list as at October 25, 2011. The payments were \$1,000 per band member. The balance of the bonus payment has been restricted for development and construction of a new administration building on the reserve.

\$864,000 (2012) from BC Hydro

- Restricted for development and construction of a new administration building on reserve.

\$421,924 - One Time Payment (2013) from St'at'imc (PC) 2011 Trust

- Restricted to additional costs associated with the new administration building.

\$410,000 - Annual Payment (2015) from St'at'imc (PC) 2011 Trust

- Restricted to additional costs associated with the new administration building.

\$303,505 - Annual Payment (2017) from St'at'imc (PC) 2011 Trust

- Restricted to additional costs associated with the new administration building and Recipient Appointed Advisor fees.

SKATIN NATIONS
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

14. RELATED PARTY TRANSACTIONS

Skatin Nations paid \$95,740 during the year for legal fees to Rex Grant & Company, a related party through the Recipient Appointed Advisor (RAA).

Skatin Nations paid accounting and bookkeeping fees to Tyhee Financial Services Ltd., a related party through the Recipient Appointed Advisor (RAA). The accounting and bookkeeping fees have been lumped with RAA fees so we are unable to determine the actual amount paid for these services rendered.

15. CONTINGENT LIABILITIES

Skatin Nations has a contingent liability of \$661,267 for various on-reserve housing loan guarantees.

16. ECONOMIC DEPENDENCE

Skatin Nations receives a majority portion of its revenue pursuant to a funding arrangement with Indigenous and Northern Affairs Canada.

17. GOING CONCERN

The costs of the administration building under construction are \$3,390,044 up to March 31, 2017. Skatin Nations had an agreement dated September 16, 2013 with Freeport Industries Ltd. for the design and construction of an administration building. The original cost estimate was \$1.844 million. A subsequent agreement dated February 23, 2017 has been signed with Freeport Industries Ltd. reducing the balance owing on the administration building contract to \$1.5 million. During the current year, \$100,000 was paid against this debt. A second payment of \$600,000 was paid subsequent to the year end per the agreement. The remaining \$800,000 is payable no later than June 30, 2018. Skatin Nations is currently exploring their options on how to finance the remaining balance owing. As a result, there is material uncertainty related to these conditions that cast doubt on the Nation's ability to continue as a going concern and, therefore, may be unable to realize its assets and discharge its liabilities in the normal course of business.

18. BUDGET FIGURES

Budget figures have not been presented as information was not available from management.

19. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.