

**Consolidated Financial Statements of**

**LEQ'A MEL FIRST NATION**

**Year Ended March 31, 2017**

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**LEQ'A MEL FIRST NATION  
CONSOLIDATED FINANCIAL STATEMENTS  
Year Ended March 31, 2017**

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### Management's Responsibility for Consolidated Financial Reporting

The accompanying consolidated financial statements of the Leq'a:mel First Nation and related information contained in these consolidated financial statements are the responsibility of management and have been approved by the Chief and 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 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 consolidated financial information is produced.

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

The Council meets periodically with management, as well as the external auditor, 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 auditor, Teresa I. Klassen Inc. Chartered Professional Accountant, conducts an independent examination, in accordance with Canadian auditing standards, and expresses her opinion on the consolidated financial statements on behalf of the members. The external auditor has full and free access to financial management of Leq'a:mel First Nation and meet when required.

On behalf of Leq'a:mel First Nation



Name Barb Leggat

Title Interim General Manager

# **TERESA I. KLASSEN INC.\***

Chartered Professional Accountant

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To the Members  
Leq'a mel First Nation

## **INDEPENDENT AUDITOR'S REPORT**

I have audited the accompanying consolidated financial statements of Leq'a mel First Nation, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations and accumulated surplus, consolidated statement of change in net financial assets (net debt) and consolidated statement of cash flows for the year ended March 31, 2017, and a summary of significant accounting policies and other explanatory information

### **Management's responsibility for the consolidated financial statements**

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

### **Auditor's responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion

### **Opinion**

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Leq'a mel First Nation as at March 31, 2017, and the results of its operations, changes in net financial assets and its cash flows for the year ended in accordance with Canadian Public Sector Accounting Standards as amended and disclosed in Note 1(a) to the consolidated financial statements



CHARTERED PROFESSIONAL ACCOUNTANT

Salmon Arm, BC  
March 23, 2018

**LEQ'A MEL FIRST NATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
March 31, 2017

(Restated)  
2017      2016

**FINANCIAL ASSETS**

Cash and cash equivalents (Notes 1 & 2)	\$ 1,747,731	\$ 3,783,564
Accounts receivable (Note 3)	691,551	269,439
Inventory for resale (Note 4)	-	17,329
Due from government and other government organizations (Note 5)	533,037	142,369
Loans receivable (Note 6)	306,926	277,484
Advances to related parties (Note 7)	2,668,533	1,422
Investments in government business enterprises (Note 8)	77,362	2
Investment in government business partnerships (Note 9)	747,785	813,570
Trust funds held by federal government (Note 10)	197	197
	<u>6,773,122</u>	<u>5,305,376</u>

**FINANCIAL LIABILITIES**

Bank Indebtedness (Note 11)	-	2,500,000
Accounts payable and accrued liabilities (Note 12)	450,849	243,319
Due to government and other government organizations (Note 13)	222,687	95,083
Deferred revenue (Note 14)	416,352	52,540
Long-term debt (Note 15)	5,140,107	2,821,243
	<u>6,229,995</u>	<u>5,712,185</u>
Net Financial Assets (Net Debt)	<u>543,127</u>	<u>(406,809)</u>

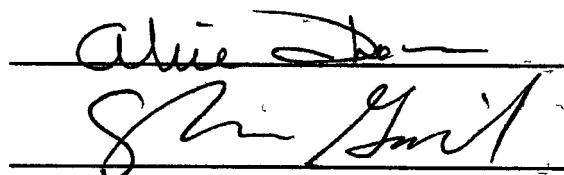
**NON-FINANCIAL ASSETS**

Tangible capital assets (Notes 1 & 16)	9,077,921	9,350,178
Prepaid expenses (Notes 1 & 17)	62,856	41,839
	<u>9,140,777</u>	<u>9,392,017</u>
Accumulated Surplus (Note 21)	<u>\$ 9,683,904</u>	<u>\$ 8,985,208</u>

Contingent liabilities (Note 18)

APPROVED BY

Daniel Kelly  


Alie D.  
Sheri G.  


**LEQ'A MEL FIRST NATION**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**  
Year Ended March 31, 2017

	<u>Budget</u> (Unaudited)	<u>2017</u>	<u>(Restated)</u> <u>2016</u>
<b>REVENUE</b>			
Indigenous and Northern Affairs Canada	\$ -	\$ 1,642,069	\$ 1,502,349
INAC reimbursements (recoveries)	- (130,326)	25,550	
INAC deferred revenue	- (311,650)	26,351	
Department of Fisheries and Oceans	- 98,610	-	
Rental / Land lease income	- 261,857	724,053	
Cigarette and confection sales	- -	307,011	
Property taxes and dyking fees	- -	147,222	
Sto lo Nation	- 67,697	103,777	
Province of British Columbia	- 168,398	99,441	
Canada Mortgage and Housing Corporation	- 21,277	69,421	
User fees	- 74,615	68,722	
Environment Canada	- 80,390	5,222	
First Nation Health Authority	- 1,420,865	154,310	
0812995 B C Ltd dba Czar Caviar	- 35,000	14,944	
BC Hydro	- 4,000	4,000	
First Nations Financial Management Board	- -	15,000	
Sto:lo Aboriginal Skills & Employment Training	- 25,929	48,127	
First Nations Education Steering Committee	- 51,774	-	
The SHAC Joint Venture	- -	220,000	
Tale:awtxw Aboriginal Capital Corporation	- 57,187	9,375	
Interest	- 2,429	21,525	
Gain (loss) on disposal of capital assets	- -	(1,140)	
Net income from trust funds held by federal government	- 960	948	
Net income (loss) from business enterprises and partnerships	- 11,576	(129,851)	
Other	- 45,534	57,218	
	<hr/>	<hr/>	<hr/>
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<b>EXPENDITURE</b>			
Administration	- 243,514	332,684	
Business and Investments	- 607,994	1,399,664	
Education and Employment	- 239,133	199,023	
Social Development	- 413,699	368,913	
Health Services	- 96,141	72,859	
Lands Management	- 553,179	533,774	
Capital Projects	- 26,038	71,862	
Maintenance	- 347,367	262,693	
Non-Profit Housing	- 41,997	36,970	
Amortization	- 199,477	225,611	
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<b>ANNUAL SURPLUS (DEFICIT)</b>		<b>859,652</b>	<b>(10,478)</b>
Opening surplus adjustment (Note 1 & 23)	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>
<b>ACCUMULATED SURPLUS, beginning of year</b>		<b>698,696</b>	<b>(10,478)</b>
	<hr/>	<hr/>	<hr/>
<b>ACCUMULATED SURPLUS, end of year</b>	<b>\$ 9,683,904</b>	<b>\$ 8,985,208</b>	

Segment Disclosure (Note 25)

**The accompanying notes are an integral part of these financial statements**

**LEQ'A MEL FIRST NATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (NET DEBT)**  
March 31, 2017

	<u>Budget</u> (Unaudited)	<u>2017</u>	<u>2016</u>
Excess of revenues over expenses	\$ -	\$ 698,696	\$ (10,478)
Acquisition of tangible capital assets	- -	(2,033,458)	(2,447,383)
Amortization of tangible capital assets	- -	199,477	225,611
Capital asset disposal	- -	2,106,238	1,140
	<u>970,953</u>	<u>(2,231,110)</u>	
Acquisition of prepaid expenses	- -	(62,856)	(41,839)
Use of prepaid expenses	- -	41,839	53,210
Change in net financial assets (Net debt)	- -	949,936	(2,219,739)
NET FINANCIAL ASSETS (NET DEBT), beginning of year	<u>(406,809)</u>	<u>(406,809)</u>	<u>1,812,930</u>
NET FINANCIAL ASSETS (NET DEBT), end of year	<u>\$ (406,809)</u>	<u>\$ 543,127</u>	<u>\$ (406,809)</u>

**The accompanying notes are an integral part of these consolidated financial statements**

**LEQ'A MEL FIRST NATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
March 31, 2017

	<u>2017</u>	<u>2016</u>
<b>OPERATING ACTIVITIES</b>		
Annual Surplus (deficit)	\$ 698,696	\$ (10,478)
Items not affecting cash		
Disposal of tangible capital assets	2,106,238	1,140
Amortization of tangible capital assets	199,477	225,611
Net loss (income) from government business enterprises and partnerships	(11,576)	129,851
Changes in non-cash items on Consolidated Statement of Financial Position	<u>2,992,835</u>	<u>346,124</u>
Accounts receivable	(422,112)	(90,139)
Inventory for resale	17,329	(767)
Due from Government and other government organizations	(390,668)	(92,977)
Loans receivable	(29,442)	107,574
Prepaid expenses	(21,017)	11,371
Accounts payable	207,530	87,893
Due to Government and other government organizations	127,604	(48,139)
Deferred revenue	363,812	(22,576)
Cash provided by (used for) operating activities	<u>2,845,871</u>	<u>298,364</u>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(2,033,458)	(2,447,383)
Cash provided by (used for) capital activities	<u>(2,033,458)</u>	<u>(2,447,383)</u>
<b>INVESTING ACTIVITIES</b>		
Advances from related parties	(2,667,111)	-
Cash provided by (used for) investing activities	<u>(2,667,111)</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>		
Debt issued	-	5,000,000
Debt repayment	(181,136)	(109,693)
Cash provided by (used for) financing activities	<u>(181,136)</u>	<u>4,890,307</u>
<b>INCREASE (DECREASE) IN CASH FOR THE YEAR</b>	<b>(2,035,834)</b>	<b>2,741,288</b>
CASH, beginning of year	<u>3,783,564</u>	<u>1,042,276</u>
CASH, end of year	<u><b>\$ 1,747,730</b></u>	<u><b>\$ 3,783,564</b></u>
<b>CONSISTING OF</b>		
Cash and cash equivalents	<u><b>\$ 1,747,731</b></u>	<u><b>\$ 3,783,564</b></u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest received	\$ 2,429	\$ 21,525
Interest paid	145,775	122,184

**The accompanying notes are an integral part of these financial statements**

**LEQ'A MEL FIRST NATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**NATURE OF OPERATIONS**

Leq'a mel First Nation (the "LFN") is located in the Province of British Columbia, and provides various services to its members. The Leq'a mel First Nation includes the LFN's government and all related entities that are accountable to the LFN and are either owned or controlled by the LFN.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of presentation**

These consolidated financial statements are the representations of management and have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board, amended as follows

- 1) a comparison of the actual and budgeted financial results is not presented on the consolidated statement of operations or the consolidated statement of changes in net financial assets.

**b) Basis of Accounting**

The LFN follows the accrual method of accounting for revenues and expenditures. 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.

**c) Basis of Consolidation**

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity, which is composed of all organizations, which are controlled by the LFN.

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the Consolidated Financial Statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only LFN's investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded.

No adjustment is made for accounting policies of the enterprises that are different from those of LFN.

Organizations accounted for on a modified equity basis include

- The SHAC Joint Venture
- Seven Generations Environmental Services Ltd
- Leq'a mel Forestry Limited Partnership
- 807656 B C Ltd
- Leq'a,mel Development Limited Partnership
- Leq'a mel Development Corporation

In the prior year the Leq'a mel Taxation Centre and the Leq'a mel Development Corporation were fully consolidated on a line-by-line basis in the LFN's consolidated financial statements.

Effective April 1, 2016 the Leq'a,mel Development Limited Partnership (the LDLP) commenced operations. At the same date, the activity in the Leq'a mel Taxation centre and the Leq'a mel Development Corporation became operational within the LDLP.

This effectively changed their status from controlled governmental organizations to government business enterprises. As a result they are accounted for in the LFN's consolidated financial statements under the modified equity method, effective April 1, 2016.

**LEQ'A MEL FIRST NATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d) 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

**e) Loans receivable**

Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. Loans are reviewed annually by Council. No interest is charged on loans receivable

**f) Inventories held for resale**

Inventories of cigarettes and confectionary available for resale are recorded at the lower of cost and net realizable value

**g) Revenue recognition**

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the consolidated statement of financial position in the year of receipt

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed

**h) Measurement Uncertainty**

The preparation of consolidated financial statements 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 the revenues and expenses during the period. Significant estimates

Amortization is based on the estimated useful life of capital assets. Accounts receivable, and amounts due from related LFN entities are stated after evaluation as to their collectibility, and an appropriate allowance for doubtful accounts is provided where considered necessary

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available

Actual results could differ from these estimates

**LEQ'A MEL FIRST NATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**i) 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 and prepaid expenses.

**j) Tangible Capital Assets**

As a non-financial asset, tangible capital assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

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. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and the Leq'a mel First Nation's incremental cost of borrowing.

The cost of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

**Community Infrastructure**

Water mains	100	years
Hydrants	75	years
Pumphouses	50	years
Reservoirs	75	years
Wells	25	years
Standpipes	75	years
Forcemains	50	years
Gravity sewers	100	years
Lift stations	50	years
Communal septic tanks	75	years
Communal disposal fields	50	years
Grinder pumps	15	years
Individual septic tanks and fields	25	years
Storm mains	100	years
Paved roads	20	years
Gravel roads	40	years
Land improvements	20	years
Buildings	40	years
Machinery and equipment	10	years
Automotive	5	years
Computer hardware and software	5	years
Office furniture and equipment	8	years

**LEQ'A MEL FIRST NATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**j) Tangible Capital Assets (continued)**

Assets under construction are not amortized until the asset is available for productive use

Annual amortization is charged in the year of disposal

Amortization is not charged in the year of acquisition

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets.

**k) Prepaid expenses**

Prepaid expenses include insurance, living allowances, social development and other prepaid expenses and are charged to expense over the periods expected to benefit from them.

**l) Financial instruments**

Fair value of Financial assets and financial liabilities

The carrying values of cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The carrying value of debt approximates its fair value as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for similar items. Credit risk

The LFN is exposed to credit risk by its funding agencies and suppliers. However, because the majority of funding is from government agencies and there is a large number of suppliers, credit risk concentration is reduced to the minimum.

**j) Liability for contaminated sites**

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard.

The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met.

- i) an environmental standard exists,
- ii) contamination exceeds the environmental standard,
- iii) the LFN is directly responsible, or accepts responsibility, and
- iv) a reasonable estimate of the amount can be made

Management has determined that no such liability exists at March 31, 2017.

**LEQ'A MEL FIRST NATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**k) Net financial assets (net debt)**

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

**l) Comparative figures**

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

**2 CASH AND EQUIVALENTS**

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Leq'a mel First Nation 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 Reserve Fund.

Cash is comprised of the following

	<u>2017</u>	<u>2016</u>
Externally restricted		
Replacement reserve	\$ 59,718	\$ 59,408
Debt reserve	<u>253,883</u>	<u>251,773</u>
	<u>313,601</u>	<u>311,181</u>
Internally restricted		
Due to Members for Christmas Distribution	11,408	9,058
Damage deposits	<u>1,340</u>	<u>32,322</u>
	<u>12,748</u>	<u>41,380</u>
Unrestricted		
Operating	1,421,382	3,035,056
Taxation	<u>-</u>	<u>395,947</u>
	<u>1,421,382</u>	<u>3,431,003</u>
Total cash	<u>\$ 1,747,731</u>	<u>\$ 3,783,564</u>

**3 ACCOUNTS RECEIVABLE**

	<u>2017</u>	<u>2016</u>
Due from members		
Rent - Non-Profit Housing	<u>\$ 42,614</u>	<u>\$ 18,212</u>
Due from others		
Property taxes	<u>-</u>	<u>70,098</u>
Trailer Park rents	<u>-</u>	<u>42,668</u>
Others	<u>648,937</u>	<u>138,461</u>
	<u>648,937</u>	<u>251,227</u>
	<u>\$ 691,551</u>	<u>\$ 269,439</u>

**LEQ'A MEL FIRST NATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
March 31, 2017

**4 INVENTORY FOR RESALE**

	<u>2017</u>	<u>2016</u>
Inventory consists of cigarette, tobacco and confectionary products	<u>\$ -</u>	<u>\$ 17,329</u>

**5 DUE FROM GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS**

	<u>2017</u>	<u>2016</u>
<b>Federal Government</b>		
INAC	\$ 419,010	\$ 101,847
Department of Fisheries and Oceans	43,047	-
Environment Canada	8,039	-
Canada Mortgage and Housing Corporation	1,773	10,848
Canada Revenue Agency	4,594	-
Other government organizations	<u>56,574</u>	<u>29,674</u>
	<u>\$ 533,037</u>	<u>\$ 142,369</u>

**6 LOANS RECEIVABLE**

Loans receivable consist of monies advanced to members. The amount are unsecured, non-interest bearing, with no specific terms of repayment

	<u>2017</u>	<u>2016</u>
Member loans	\$ 360,102	\$ 369,979
Allowance for doubtful accounts	<u>(53,176)</u>	<u>(92,495)</u>
	<u>\$ 306,926</u>	<u>\$ 277,484</u>

**7 ADVANCES TO RELATED PARTIES**

Amounts are due from LFN business enterprises as follows

	<u>2017</u>	<u>2016</u>
807656 B C Ltd	\$ 2,936	\$ 1,422
Leq'a mel Development Limited Partnership	<u>2,665,597</u>	-
	<u>\$ 2,668,533</u>	<u>\$ 1,422</u>

The amounts owing are unsecured, non-interest bearing and have no fixed terms of repayment

**LEQ'A MEL FIRST NATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
March 31, 2017

**8 INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES**

Leq'a mel First Nation's investments in government business enterprises consist of the following:

	<u>Ownership</u>	<u>2017</u>	<u>2016</u>
807656 B C Ltd	100%	\$ 1	\$ 1
Leq'a mel Development Corporation	100%	1	1
Seven Generations Environmental Services Ltd	17%	<u>77,360</u>	<u>-</u>
		<u>\$ 77,362</u>	<u>\$ 2</u>

807656 B C Ltd is the general partner for Leq'a mel Forestry Limited Partnership. Its financial information is consolidated into the financial information for Leq'a mel Forestry Limited Partnership in Note 9.

Leq'a mel Development Corporation is the general partner for Leq'a mel Development Limited Partnership. Its financial information is consolidated into the financial information for Leq'a mel Development Limited Partnership in Note 9.

Financial information for Seven Generations Environmental Services Ltd for the year ended March 31, 2017 is as follows:

	<u>2017</u>
Current assets	\$ 443,468
Property and equipment	<u>43,039</u>
Total Assets	<u>\$ 486,507</u>
Current liabilities	\$ 22,344
Due to shareholders	<u>353,258</u>
Total liabilities	375,602
Equity	<u>110,905</u>
Total liabilities and equity	<u>\$ 486,507</u>
Revenue	\$ 284,136
Expenses	<u>436,344</u>
Net Income	<u>\$ (152,208)</u>

Seven Generations Environmental Services Ltd was established for the purpose of providing environmental monitoring services.

**LEQ'A.MEL FIRST NATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**9 INVESTMENTS IN GOVERNMENT BUSINESS PARTNERSHIPS**

Leq'a mel First Nation's investments in government business partnerships consist of the following

	<u>Ownership</u>	<u>2017</u>	<u>2016</u>
Leq'a mel Forestry Limited Partnership	99%	\$ 685,546	\$ 710,310
Leq'a mel Development Limited Partnership	100%	62,239	-
The SHAC Joint Venture	17%	-	103,260
		<u>\$ 747,785</u>	<u>\$ 813,570</u>

The summary of the financial statements for the year ended March 31, 2017 is as follows:

	<u>Leq'a mel</u> <u>Development</u> <u>(Consolidated)</u>	<u>Leq'a mel</u> <u>Forestry</u> <u>(Consolidated)</u>	<u>Total</u> <u>2017</u>	<u>Total</u> <u>2016</u>
Current assets	\$ 800,101	\$ 705,762	\$ 1,505,863	\$ 1,446,797
Property, plant and equipment	2,036,253	-	2,036,253	57,861
<b>Total Assets</b>	<u>\$ 2,836,354</u>	<u>\$ 705,762</u>	<u>\$ 3,542,116</u>	<u>\$ 1,504,658</u>
Current liabilities	\$ 108,517	\$ 20,372	\$ 128,889	\$ 204,037
Due to (from) related parties	2,665,597	2,936	2,668,533	(41,739)
Debt	-	-	-	5,305
<b>Total liabilities</b>	<u>2,774,114</u>	<u>23,308</u>	<u>2,797,422</u>	<u>167,603</u>
Equity	62,240	682,454	744,694	1,337,055
<b>Total liabilities and equity</b>	<u>\$ 2,836,354</u>	<u>\$ 705,762</u>	<u>\$ 3,542,116</u>	<u>\$ 1,504,658</u>
Revenue	\$ 918,616	\$ 2,918	\$ 921,534	\$ 1,352,973
Expenses	1,017,331	30,594	1,047,925	1,248,973
<b>Net Income</b>	<u>\$ (98,715)</u>	<u>\$ (27,676)</u>	<u>\$ (126,391)</u>	<u>\$ 104,000</u>

The SHAC Joint Venture invests, manages and distributes the ILM funds for the benefit of the Joint Venturer's member communities. The SHAC Joint Venture was dissolved on October 31, 2016.

The Leq'a mel Forestry Limited Partnership operates a timber harvesting and log marketing business.

The Leq'a mel Development Limited Partnership carries out the business of developing real property, selling or leasing real property and operating businesses in connection with real property development, selling or leasing and all ancillary businesses in connection therewith.

**LEQ'A MEL FIRST NATION**  
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**10 TRUST FUNDS HELD BY FEDERAL GOVERNMENT**

Trust fund accounts arise from moneys 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.

	<u>March 31</u>	<u>2017</u>	<u>2017</u>	<u>March 31</u>
	<u>2016</u>	<u>Additions</u>	<u>Withdrawals</u>	<u>2017</u>
Revenue	\$ 2	\$ 960	\$ 960	\$ 2
Capital	195	-	-	195
	<u>\$ 197</u>	<u>\$ 960</u>	<u>\$ 960</u>	<u>\$ 197</u>

**11 BANK INDEBTEDNESS**

Bank indebtedness consists of a demand loan payable to First Nations Finance Authority, plus interest at 2 6% per annum. The demand loan is shown at its face amount.

	<u>2017</u>	<u>2016</u>
	\$ -	\$ 2,500,000

Interest rate payable on the principal amount of the demand loan is 2 6% per annum. Total interest paid in 2017 on the demand loan was \$12,109 (2016 - \$64,565).

Reserve for demand debt retirement at March 31, 2017 was \$NIL (2016 amounted to \$125,992 resulting in a net external debt of \$2,374,008).

**12 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2017</u>	<u>2016</u>
Trade payables	\$ 240,407	\$ 204,250
Accrued salaries and benefits payable	49,478	29,503
Accrued interest	433	508
Holdbacks	149,123	-
Due to members - Distribution	11,408	9,058
	<u>\$ 450,849</u>	<u>\$ 243,319</u>

**13 DUE TO GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS**

	<u>2017</u>	<u>2016</u>
Federal Government		
Indigenous and Northern Affairs Canada	\$ 198,551	\$ 90,237
Canada Revenue Agency	24,136	4,846
	<u>\$ 222,687</u>	<u>\$ 95,083</u>

Amounts due to government and other government organizations are due on demand.

**LEQ'A MEL FIRST NATION**  
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**14 DEFERRED REVENUE**

	<u>2017</u>	<u>2016</u>
INAC programs	\$ 348,760	\$ 18,555
Lease receipts	20,748	-
Health programs	45,421	-
Damage deposits	1,340	33,222
Other	<u>83</u>	<u>763</u>
	<u><u>\$ 416,352</u></u>	<u><u>\$ 52,540</u></u>

Deferred revenue is recognized as revenue in the year related expenses are incurred

**15 LONG-TERM DEBT**

	<u>2017</u>	<u>2016</u>
a) Mortgage Agreements		
Project VI - All Nations Trust Company - CMHC mortgage payable with payments of \$2,062 per month, including interest at 1 08% per annum, maturing June 1, 2020 Secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and six housing units	\$ 78,976	\$ 102,727
Project VII - All Nations Trust Company - CMHC mortgage payable with payments of \$1,408 per month, including interest at 1 3% per annum, maturing May 1, 2022 Secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and four housing units	84,333	99,849
Project VIII - All Nations Trust Company - CMHC mortgage payable with payments of \$1,950 per month, including interest at 1 92% per annum, maturing April 1, 2019 Secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and seven housing units	<u>149,765</u>	<u>170,094</u>
	<u><u>\$ 313,074</u></u>	<u><u>\$ 372,670</u></u>

Principal reduction in each of the next five years, assuming debt subject to  
refinancing is renewed at similar rates and terms, is estimated as follows

2018	\$ 60,563
2019	61,468
2020	62,351
2021	44,627
2022	39,240
Thereafter	<u>44,825</u>
	<u><u>\$ 313,074</u></u>

**LEQ'A MEL FIRST NATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**15 LONG-TERM DEBT (Continued)**

**b) Debenture**

Payable to First Nations Finance Authority  
 Debenture debt is shown at its face amount

	<u>2017</u>	<u>2016</u>
Interest rate payable on the principal amount of the debenture is 2.985% per annum. Total interest paid in 2017 was \$74,625 (2016 - \$50,551)		
Principal repayments are monthly installments of \$5,714 Reserve for debt retirement at March 31, 2017 amounted to \$127,523 (2016 - \$125,781) Resulting net external debt at March 31, 2017 was \$2,250,937 (2016 - \$2,322,792)		
Matures on June 26, 2024 Secured by Federal or Provincial transfer, band business revenue streams	\$ 2,378,460	\$ 2,448,573
Interest rate payable on the principal amount of the debenture is 2.9% per annum Total interest paid in 2017 was \$57,950 Principal repayments are monthly installments of \$5,714 Reserve for debt retirement at March 31, 2017 amounted to \$126,360 Resulting net external debt at March 31, 2017 was \$2,322,213		
Matures on June 26, 2024 Secured by Federal or Provincial transfer, band business revenue streams	<u>2,448,573</u>	<u>—</u>
	<u>\$ 4,827,033</u>	<u>\$ 2,448,573</u>

Principal reduction in each of the next five years on the debenture is estimated as follows

2018	\$ 137,136
2019	137,136
2020	137,136
2021	137,136
2022	137,136
Thereafter	<u>4,141,353</u>
	<u>\$ 4,827,033</u>

**SUMMARY**

a) Mortgage agreements	\$ 313,074	\$ 372,670
b) Debentures	<u>4,827,033</u>	<u>2,448,573</u>
	<u>\$ 5,140,107</u>	<u>\$ 2,821,243</u>

LEQ'A·MEL FIRST NATION  
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**16 TANGIBLE CAPITAL ASSETS**

	Cost			Accumulated Amortization			Net Book Value		
	Opening Balance	Additions	Disposals, Write offs & Other Adjustments	Closing Balance	Amortization	Disposals, Write offs & Other Adjustments	Closing Balance	Total 2017	Total 2016
<b>Leg'a·mel First Nation</b>									
Community Infrastructure	\$ 8 130 513	\$	\$	\$ 8 130 513	\$ 3 650 745	\$ 84,273	\$ 3 735 018	\$ 4 395 495	\$ 4 479 768
Land improvements	11 588	-	-	11 588	11 070	518	11 588	-	518
Buildings	3 608 027	-	-	3 608 027	1 291 144	109 142	1 400 286	2 207 741	2 316 883
Machinery and equipment	85 293	-	-	85 293	67 873	2 923	-	70 796	14 497
Automotive	131 243	-	-	131 243	131 243	-	-	131 243	17 420
Computer hardware/software	2 850	-	-	2 850	2 850	-	-	2 850	-
Office furniture/equipment	58 879	-	-	58 879	50 376	2 621	-	52 997	5 882
Assets under construction	418 348	2 033 458	-	2 451 806	-	-	-	2 451 806	8 503
	12 446 741	2 033 458	-	14 480 199	5 205 301	199 477	-	5 404 778	418 348
Land	2 500	-	-	2 500	-	-	-	2 500	2 500
	12 449 241	2 033 458	-	14 482 699	5 205 301	199 477	-	5 404 778	9,077,921
									7,243,940
<b>Leg'a·mel Development Corporation</b>									
Buildings	1 779 669	1 779 669	-	-	-	-	-	1 779 669	-
Furnishings	3 327	3 327	-	-	-	-	-	-	3 327
Machinery	59 321	59 321	-	-	-	-	-	-	59 321
Land	1 842 317	1 842 317	-	-	-	-	-	-	1,842 317
	263 921	263 921	-	-	-	-	-	-	263 921
	2 106 238	2 106 238	-	-	-	-	-	-	2 106 238
Total	\$ 12 449 241	\$ 4 139 696	\$ 2,106,238	\$ 14,482,699	\$ 5,205,301	\$ 199 477	\$ -	\$ 5 404 778	\$ 9 077,921
									\$ 9 350 178

**LEQ'A MEL FIRST NATION**  
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**17 PREPAID EXPENSES**

	<u>2017</u>	<u>2016</u>
Social development	\$ 27,631	\$ 22,824
Student allowance	10,367	6,963
Lease	20,748	-
Insurance	4,010	3,786
Other	100	8,266
	<u>\$ 62,856</u>	<u>\$ 41,839</u>

**18 CONTINGENT LIABILITIES**

Leq'a mel First Nation has entered into the First Nations On Reserve Loan Program with the Royal Bank of Canada. The total amount available under the program to qualified members of the First Nation is \$1,500,000. The maximum individual amount available under the program to each qualified member of the First Nation is \$150,000.

The aggregate amount outstanding under this loan program at March 31, 2017 was \$1,108,252. Two of the individual loans were in excess of \$150,000.

An employment claim matter was submitted to the Canada Labour Board on January 2, 2016. As at March 31, 2017, the matter was before the Canada Labour Board. It is not possible to determine the amount of any additional liability that may exist as a result of this matter. Additional liability, if any, of the amount due will be made in the period the decision has been made on the matter.

**19 GOVERNMENT TRANSFERS**

	<u>2017</u>	<u>2016</u>
Federal government transfers		
Indigenous and Northern Affairs Canada	\$ 1,642,069	\$ 1,502,349
Department of Fisheries and Oceans	98,610	-
Canada Mortgage and Housing Corporation	21,277	69,421
Environment Canada	80,390	5,222
Other	<u>113,117</u>	<u>151,904</u>
	<u>1,955,463</u>	<u>1,728,896</u>
Provincial government transfers	<u>168,398</u>	<u>99,441</u>
	<u><u>\$ 2,123,861</u></u>	<u><u>\$ 1,828,337</u></u>

**20 ECONOMIC DEPENDENCE**

The Leq'a mel First Nation receives a major portion of its revenue from Indigenous and Northern Affairs Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

**LEQ'A MEL FIRST NATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**21 ACCUMULATED SURPLUS**

Consists of	<u>2017</u>	<u>2016</u>
Operations Fund	\$ (233,828)	\$ 966,322
Tangible Capital Asset Fund	8,764,847	6,871,270
Ottawa Trust Fund	197	197
Investment in government business entities	825,147	813,572
Debt reserve	253,883	251,773
Replacement reserve	73,658	82,074
	<u><b>\$ 9,683,904</b></u>	<u><b>\$ 8,985,208</b></u>

**22 PRIOR YEAR RESTATED**

Prior year figures have been restated where necessary to reflect the recoveries as noted in the Indigenous and Northern Affairs Canada 2015/2016 financial statement review letter dated February 19, 2018. Accounts affected are as follows

	<u>March 31/16</u>	<u>Increase (Decrease)</u>	<u>As Restated March 31/16</u>
Due from government	\$ 113,399	\$ 28,970	\$ 142,369
Due to government	65,364	29,719	95,083
Accumulated surplus	8,985,957	(749)	8,985,208

**23 OPENING SURPLUS ADJUSTMENT**

Effective April 1, 2016 the Taxation Centre and the Leq'a mel Development Corporation became part of the Leq'a.mel Development Limited Partnership. This effectively changed their status from controlled governmental organizations to government business enterprises. As a result the LFN's investment in government business partnerships increased by \$160,956 and the accumulated surplus attributable to these organizations decreased by the same amount.

**LEQ'A MEL FIRST NATION**  
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## **24 EMPLOYEE BENEFIT OBLIGATIONS**

### **Pension Plan**

The Leq'a mel First Nation provides a defined contribution plan for eligible members of its staff. Members are required to contribute 5% of their salary. The First Nation contributes 5% which contributions are directed to the member's contribution account. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. The First Nation contributed during the year \$16,148 (2016 - \$14,287) for retirement benefits. The First Nation does not have any other obligations with regards to the pension plan as at March 31, 2017.

## **25. SEGMENTED INFORMATION**

Leq'a.mel First Nation provides a range of services to its members. For Management reporting purposes, operations and activities are organized and reported by department. Segments and services provided are as follows:

**Administration** - includes general operations, support, and financial management of the Society

**Business and Investments** - Includes activities related to generating additional revenues for the First Nation and employment opportunities for the First Nation members

**Education and Employment** - Includes activities related to education and employment opportunity programs to the First Nation members

**Social Programs** - includes the provision of social assistance, health programs, and education programs to the First Nation members

**Lands Management** - includes activities related to the development of reserve lands

**Capital Projects** - includes activities related to the development infrastructure

**Maintenance** - includes the maintenance and repair of the infrastructure

**Capital Fund** - includes activities related to the First Nation's tangible capital assets

**Non-Profit Housing** - includes the provision of housing to the First Nation members

## 25 SEGMENTED INFORMATION (continued)

**LEQ'A' MEL FIRST NATION**  
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LEO'A MEL FIRST NATION  
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**25 SEGMENTED INFORMATION (continued)**

	Lands Management			Capital Projects			Maintenance			Capital Fund		
	Budget	2017	2016	Budget	2017	2016	Budget	2017	2016	Budget	2017	2016
<b>REVENUE</b>												
Federal government	\$ 187,481	\$ 379,377	\$ 71,199	\$ 63,647	\$ -	\$ 263,294	\$ 174,830	\$ -	\$ -	\$ -	\$ -	\$ -
Provincial government	72,640	-	-	-	-	-	-	-	-	-	-	-
Other	143,041	133,714	-	-	-	-	74,615	68,827	-	-	-	(1,140)
	<u>403,162</u>	<u>513,091</u>	<u>-</u>	<u>7199</u>	<u>63,647</u>	<u>-</u>	<u>337,909</u>	<u>243,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,140)</u>
<b>EXPENDITURE</b>												
Amortization	-	-	-	-	-	-	46,213	103,082	-	-	-	199,477
Salaries and benefits	191,197	205,957	-	-	-	-	116,843	-	-	-	-	225,611
Debt servicing	-	-	-	-	-	-	184,311	159,611	-	-	-	-
Other	361,982	327,817	-	26,038	71,862	-	347,367	262,693	-	-	-	199,477
	<u>553,179</u>	<u>533,774</u>	<u>-</u>	<u>26,038</u>	<u>71,862</u>	<u>-</u>	<u>347,367</u>	<u>262,693</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,611</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>												
Transfers	(150,017)	(20,683)	-	(18,839)	(8,215)	-	(9,458)	(19,036)	-	(199,477)	-	(226,751)
Accumulated Surplus	-	29,648	(22,864)	-	(712,077)	(200,000)	-	-	-	-	2,093,054	399,411
Beginning of year	-	203,117	246,664	-	(283,819)	(75,604)	-	121,930	140,966	-	6,871,270	6,698,610
End of year	-	<u>82,748</u>	<u>203,117</u>	<u>-</u>	<u>(1,014,735)</u>	<u>(283,819)</u>	<u>-</u>	<u>112,472</u>	<u>121,930</u>	<u>-</u>	<u>8,764,847</u>	<u>6,871,270</u>

LEQ'A MEL FIRST NATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**25. SEGMENTED INFORMATION (continued)**

	Non-Profit Housing			Business Enterprises			Total	
	Budget	2017	2016	Budget	2017	2016	Budget	2017
<b>REVENUE</b>								
Federal government	\$ 21,277	\$ 21,602	\$ -	\$ -	\$ -	\$ -	\$ 1,400,370	\$ 1,628,893
Provincial government	99,460	99,720	-	-	11,576	(129,851)	168,398	99,441
Other	120,737	121,322	-	-	11,576	(129,851)	2,059,423	1,765,245
<b>EXPENDITURE</b>								
Amortization	-	-	-	-	-	-	-	199,477
Salaries and benefits	5,505	7,068	-	-	-	-	538,726	612,431
Debt servicing	36,492	29,902	-	-	-	-	122,348	122,184
Other	41,997	36,970	-	-	-	-	1,907,988	2,543,827
<b>ANNUAL SURPLUS (DEFICIT)</b>								
Transfers	(75,712)	(74,382)	-	-	-	-	(160,956)	
Accumulated Surplus								
Beginning of year	(80,650)	(90,620)	-	-	813,572	943,423		8,995,682
End of year	(77,622)	(80,650)	-	-	825,148	813,572		9,683,904
								8,985,208

**LEQ'A MEL FIRST NATION**  
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**26 EXPENSES BY OBJECT**

	<u>2017</u>	<u>2016</u>
Administration	\$ (15,448)	\$ 26,139
Advertising	-	2,832
Bad debts	(39,320)	137,911
Band functions	2,361	30,758
Bank charges	6,983	7,164
Distribution to members	38,714	39,150
Donations	7,471	3,376
Equipment rental/lease	25,224	40,876
Honorarium	183,968	156,712
Insurance	38,348	50,256
Interest on debt	5,505	122,184
Office	23,844	369
Municipal services	87,930	94,166
Professional development	2,960	15,933
Professional fees	137,536	130,051
Professional services	427,595	451,491
Property taxes	-	495
Purchases for resale	-	245,551
Rent / Leases	132,312	124,488
Repair and maintenance	63,446	172,323
Salaries and benefits	698,553	616,607
School taxes	-	41,459
Services agreements	-	52,666
Basic needs	307,005	293,780
Special needs	4,525	5,852
Subcontract	-	15,204
Supplies	59,493	82,568
Telecommunications	26,664	28,884
Travel	30,309	29,031
Tuition, allowances and incentives	175,011	188,413
Utilities	70,145	50,780
Workshops	62,543	16,942
Amortization	199,477	225,611
Other	<u>5,385</u>	<u>4,031</u>
	<u><b>\$ 2,768,539</b></u>	<u><b>\$ 3,504,053</b></u>