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SKAWAHLOOK FIRST NATION

Skawahlook First Nation

March 31, 2016

SKAWAHLOOK FIRST NATION

Financial Statements

Year Ended March 31, 2016

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SKAWAHLOOK FIRST NATION
Consolidated Financial Statements
Year Ended March 31, 2016

	Page
Consolidated Financial Statements	
Management's Report	1
Independent Auditor's Report	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 14

Management's Report

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Skawahlook First Nation for the year ended March 31, 2016 are the responsibility of management and have been approved by Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

Management maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate and Skawahlook First Nation's assets are appropriately accounted for and adequately safeguarded.

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

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, Loreen J. Falys, CPA-CGA, conducts an independent examination, in accordance with Canadian auditing standards, and express her opinion on the consolidated financial statements. The external auditor has full and free access to Council.

On behalf of Skawahlook First Nation:

 Chief Maureen Chapman
 Councillor Debra Schneider

July 25, 2016

Independent Auditor's Report

To the Members Skawahlook First Nation

I have audited the accompanying consolidated financial statements of Skawahlook First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the statement of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes comprising 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

My responsibility is to express an opinion on these 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 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 judgement, 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 controls 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.

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, these financial statements present fairly, in all material respects, the consolidated financial position of Skawahlook First Nation as at March 31, 2016, and the results of its operations and changes in net financial assets, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountant

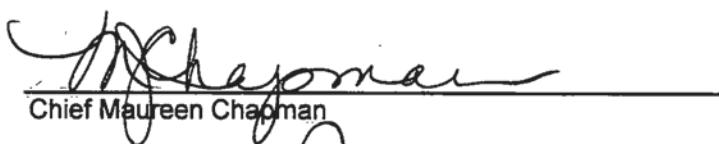
Chilliwack, BC
July 25, 2016

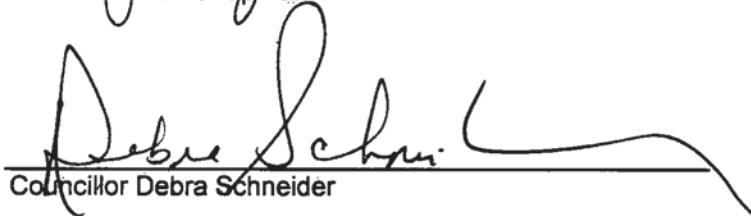
SKAWAHLOOK FIRST NATION
Consolidated Statement of Financial Position
Year Ended March 31, 2016

3

	2016	2015
Financial assets		
Cash, unrestricted	\$ 537,563	\$ 397,437
Accounts receivable (Note 2)	24,503	14,697
Inventory for resale	18,195	25,433
Investment in joint venture (Note 3 & 7)	<u>103,262</u>	<u>320,669</u>
	<u>683,523</u>	<u>758,236</u>
Liabilities		
Accounts payable and accrued liabilities (Note 4)	59,249	21,952
Long-term debt (Note 5)	510,117	576,672
Obligations under capital leases	-	22,283
	<u>569,366</u>	<u>620,907</u>
Net financial assets	<u>114,157</u>	<u>137,329</u>
Non-financial assets		
Tangible capital assets (Note 1 & 6)	1,623,535	1,683,110
Prepaid expense	896	827
	<u>1,624,431</u>	<u>1,683,937</u>
Accumulated surplus	<u>\$ 1,738,588</u>	<u>\$ 1,821,266</u>

APPROVED on behalf of the Council of Skawahlook First Nation:


 Chief Maureen Chapman


 Councillor Debra Schneider

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

SKAWAHLOOK FIRST NATION
Consolidated Statement of Operations and Accumulated Surplus
Year Ended March 31, 2016

4

	2016	2016	2015
	2016	Budget	2015
Revenues			
Government transfers:			
Indigenous and Northern Affairs Canada	\$ 524,265	\$ 536,714	\$ 518,828
Province of BC	36,089	36,089	36,089
First Nation Governments	4,145	5,000	4,145
Taxation revenue	159,631	152,362	409,728
Business revenue and catering	49,401	80,000	53,160
Investment income - joint venture (Note 3 & 7)	2,593	33,750	16,993
Other income	14,228	6,000	10,392
Interest	203	-	1,735
	<u>790,555</u>	<u>849,915</u>	<u>1,051,070</u>
Expenses			
Government	582,661	522,688	532,997
Self-Generated	226,161	248,356	379,330
Capital asset	-	-	20,395
Amortization	64,411	-	65,422
	<u>873,233</u>	<u>771,044</u>	<u>998,144</u>
Annual surplus (deficit)	(82,678)	78,871	52,926
Accumulated surplus, beginning of year	1,821,266	1,751,401	1,768,340
Accumulated surplus, end of year	<u>\$ 1,738,588</u>	<u>\$ 1,830,272</u>	<u>\$ 1,821,266</u>
Segment disclosure (Note 7)			

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

SKAWAHLOOK FIRST NATION
Consolidated Statement of Changes in Net Financial Assets
Year Ended March 31, 2016

5

	2016	2015
Annual surplus (deficit)	\$ (82,678)	\$ 52,926
Acquisition of tangible capital assets	(4,836)	(71,045)
Loss on disposal of assets	-	20,395
Amortization of tangible capital assets	64,411	65,422
Acquisition of prepaid expense	<u>(69)</u>	<u>11,718</u>
Change in net financial assets (debt)	(23,172)	79,416
Net financial asset, beginning of year	<u>137,329</u>	<u>57,913</u>
Net financial asset, end of year	<u>\$ 114,157</u>	<u>\$ 137,329</u>

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

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SKAWAHLOOK FIRST NATION
Consolidated Statement of Cash Flows
Year Ended March 31, 2016

6

	2016	2015
Cash provided by (used for) the following activities		
Operating activities		
Annual Surplus (Deficit)	\$ (82,678)	\$ 52,926
Items not affecting cash:		
Amortization of tangible capital assets	64,411	65,422
Loss from removal of obsolete assets	-	20,395
Net income/loss from government business enterprises	(2,593)	(16,993)
Change in non-cash charges to operations:		
Accounts receivable	(9,806)	(2,232)
Inventory	7,238	(7,473)
Prepaid	(69)	11,718
Accounts payable and accrued liabilities	37,297	3,987
Net change in cash from operating activities	<u>13,800</u>	<u>127,750</u>
Capital activities		
Acquisition of tangible capital assets	(4,836)	(71,045)
Financing activities		
Distribution from investment in government business enterprise	220,000	-
Repayment of long-term debt	<u>(88,838)</u>	<u>(67,299)</u>
Net change in cash and cash equivalents	140,126	(10,594)
Cash and cash equivalents, beginning of year	397,437	408,031
Cash and cash equivalents, end of year	<u>\$ 537,563</u>	<u>\$ 397,437</u>
Supplementary cash flow information		
Interest paid	<u>\$ 24,870</u>	<u>\$ 25,699</u>

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

SKAWAHLOOK FIRST NATION
Notes to the Financial Statements
Year Ended March 31, 2016

7

Skawahlook First Nation is part of the Sto:lo Nation, a tribal organization that encompasses 11 communities between Langley and Boston Bar. Formerly part of the "Tait" band, the Skawahlook First Nation was established on June 13th, 1879. Skawahlook is made up of 60 members residing both in and outside the community. Governance consists of one Chief and one Councilor who are selected through a hereditary process. Skawahlook First Nation is located on the Lougheed Highway between Hope and Agassiz in BC.

1. Significant Accounting Policies

a) Basis of Accounting

These consolidated financial statements of Skawahlook First Nation are prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Skawahlook First Nation are as follows:

b) Reporting Entity

The Skawahlook First Nation reporting entity includes the Skawahlook First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

c) Principles of Consolidation

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific program, transactions amongst programs have not necessarily been eliminated on the individual schedules.

Organizations consolidated in Skawahlook First Nation financial statements include:

- Ruby Creek Art Gallery & Framing Shop

Organization accounted for on a modified equity basis include:

- The SHAC Joint Venture

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

1. Significant Accounting Policies Cont'd

e) Cash

Cash includes cash on hand and balances with banks net of bank overdraft.

f) Inventory

Inventory, which consists of supplies and goods available for resale, is recorded at the lower of cost and net realizable value.

g) Tangible Capital Assets

Tangible capital assets include acquired, built developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Tangible capital assets received as contributions are recorded at their fair market value at the date of contribution.

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. If costs could not be determined the asset was set up at the nominal cost of \$1. The cost, less residual value, of the tangible capital assets are amortized on a straight line basis, over the expected useful life of the assets in the following table:

Computer Equipment	4 Years
Furniture, Fixture & Equipment	10 Years
Water Infrastructure - Pumps & Generators	20 Years
Dyking and Drainage Infrastructure	25 Years
Roads Infrastructure & Buildings	15 & 40 Years
Water Infrastructure - Wells	60 Years
Water Infrastructure - Mains	80 Years

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

h) Revenue

Revenues are accounted for in the period in which the transactions or events occur that give rise to the revenues. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purposes specified.

Government transfers from the federal and provincial governments are recognized as revenue when the transfers have been authorized, eligibility criteria have been met and a reasonable estimate of the amount can be made.

Property taxation revenue is recognized when it meets the definition of an asset; are authorized by a legislature, council, or legislative convention; and the taxable event has occurred.

1. Significant Accounting Policies Cont'd

i) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements as well as the reported amounts of revenue and expenses during each period. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent.

j) 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, Skawahlook 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 expensed net recoveries based on information available at March 31, 2016.

At each financial reporting date, Skawahlook reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. Skawahlook 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.

k) Net financial assets

The financial statements are presented to highlight net financial assets as the measurement of financial position. The net financial assets of Skawahlook First Nation is determined by its financial assets less its liabilities. Accumulated surplus is comprised of two components, net financial assets and non-financial assets.

SKAWAHLOOK FIRST NATION
Notes to the Financial Statements
Year Ended March 31, 2016

10

2. Accounts Receivable

	2016	2015
Sales receivable	\$ 1,122	\$ 2,452
Due from Governments	21,285	11,922
Taxation	696	323
Receivables - employees	<u>1,400</u>	-
	<u>\$ 24,503</u>	<u>\$ 14,697</u>

3. Investment in Government Business Enterprise

The SHAC Joint Venture was formed on November 23, 2010 for the purpose of managing the Interior to Lower Mainland (ILM) funds received under the terms of the IBA Agreement with BC Hydro. The general nature of the Joint Venture is to invest, manage and distribute the ILM funds for the benefits of the Joint Venture members communities in a manner contemplated in the Joint Venture Agreement.

	2016	2015
The SHAC Joint Venture - 1/6th ownership	<u>\$ 103,262</u>	<u>\$ 320,669</u>

The following table presents condensed financial information for this enterprise:

	2016	2015
Cash	\$ 562,763	\$ 1,692,235
Accounts receivable	198,607	200,579
Interest receivable	4,263	4,257
Property and equipment	<u>57,861</u>	<u>66,493</u>
	<u>\$ 823,494</u>	<u>\$ 1,963,564</u>
 Liabilities	 <u>\$ 203,918</u>	 <u>\$ 39,548</u>
 Venturers' capital, beginning of year	 1,924,016	 1,822,056
Net income	15,560	101,960
Withdrawals	<u>(1,320,000)</u>	-
	<u>619,576</u>	<u>1,924,016</u>
 Total Liabilities and Equity	 <u>\$ 823,494</u>	 <u>\$ 1,963,564</u>
 Revenue	 \$ 1,257,379	 \$ 839,005
Expenses	1,241,819	737,045
 Net Income	 <u>\$ 15,560</u>	 <u>\$ 101,960</u>

SKAWAHLOOK FIRST NATION
Notes to the Financial Statements
Year Ended March 31, 2016

11

4. Accounts Payable & Accrued Liabilities

	<u>2016</u>	<u>2015</u>
Trade payables	\$ 49,602	\$ 13,443
Payroll payable	6,240	4,740
Accrued interest	3,407	3,769
	<u>\$ 59,249</u>	<u>\$ 21,952</u>

5. Long-Term Debt and obligations under Capital Leases

	<u>2016</u>	<u>2015</u>
Royal Bank of Canada:		
Term loan, repayable by quarterly blended payments of \$19,020 including interest at 4.03% per annum; secured by general security agreement, assignment of receivables and taxation revenue. Loan renews on July 30, 2017.	\$ 510,117	\$ 564,341
Building loan, repayable in monthly payments of \$500 including interest at RB Prime rate plus 0.33%; secured by general security agreement and assignment of accounts receivable, taxation revenue.		
Loan renews June 21, 2015	<u>\$ 510,117</u>	<u>12,331</u>
	<u>\$ 576,672</u>	
Principal payments due in the next five years are approximately as follows:		
2017	\$ 56,366	
2018	58,673	
2019	61,073	
2020	63,571	
2021	66,173	

SKAWAHLOOK FIRST NATION
Notes to the Financial Statements
Year Ended March 31, 2016

12

6. Tangible Capital Assets

	<u>Land</u>	<u>Buildings</u>	<u>Housing</u>	<u>structure</u>	<u>Equip.</u>	<u>2016</u>	<u>2015</u>
Cost							
Opening costs	\$ 76,000	\$ 1,796,655	\$ 52,848	\$ 249,744	\$ 123,953	\$ 2,299,200	\$ 2,288,441
Additions during the year	-	-	-	-	4,836	4,836	71,045
Disposals and write downs	-	-	-	-	(1,300)	(1,300)	(60,285)
Closing balance	<u>76,000</u>	<u>1,796,655</u>	<u>52,848</u>	<u>249,744</u>	<u>127,489</u>	<u>2,302,736</u>	<u>2,299,201</u>
Accumulated Amortization							
Opening accum'd amortization	-	439,576	33,030	87,204	56,279	616,089	590,558
Amortization	-	45,594	1,321	4,725	12,771	64,411	65,422
Disposals and write downs	-	-	-	-	(1,300)	(1,300)	(39,890)
Closing accum'd amortization	-	<u>485,170</u>	<u>34,351</u>	<u>91,929</u>	<u>67,750</u>	<u>679,200</u>	<u>616,090</u>
Net Book Value	<u>\$ 76,000</u>	<u>\$ 1,311,485</u>	<u>\$ 18,497</u>	<u>\$ 157,815</u>	<u>\$ 59,739</u>	<u>\$ 1,623,535</u>	<u>\$ 1,683,110</u>

SKAWAHLOOK FIRST NATION
 Notes to Consolidated Financial Statements
 Year Ended March 31, 2016

7. Segmented Information

Skawahlook receives revenues and incurs expenses from various projects and sources. For management and reporting purposes, the revenues, expenses and surplus or deficits are organized by segments as follows:

	Government			Self-Generated Funds			Capital Asset Fund		Government Business Enterprise SHAC Joint Venture		Consolidated Total		
	2016	Budget	2015	2016	Budget	2015	2016	2015	2016	2015	2016	Budget	2015
Revenue													
Federal transfers:													
I.N.A.C.	\$ 524,265	\$ 536,714	\$ 517,638	\$ -	\$ -	\$ 1,190	\$ -	\$ -	\$ -	\$ -	\$ 524,265	\$ 536,714	\$ 518,828
Province of BC	-	-	-	36,089	36,089	36,089	-	-	-	-	36,089	36,089	36,089
Other First Nations	4,145	5,000	4,145	-	-	-	-	-	-	-	4,145	5,000	4,145
Property taxation	-	-	-	159,631	152,362	409,728	-	-	-	-	159,631	152,362	409,728
Business revenue	-	-	-	49,401	80,000	53,160	-	-	-	-	49,401	80,000	53,160
Investment income	-	-	-	-	-	-	-	-	2,593	16,993	2,593	33,750	16,993
Other income	14,228	6,000	10,392	-	-	-	-	-	-	-	14,228	6,000	10,392
Interest income	-	-	-	203	-	1,735	-	-	-	-	203	-	1,735
	542,638	547,714	532,175	245,324	268,451	501,902	-	-	2,593	16,993	790,555	849,915	1,051,070
Expenses													
Amortization	-	-	-	-	-	-	64,411	65,422	-	-	64,411	-	65,422
Debt servicing	-	-	15,393	21,493	76,079	23,927	-	-	-	-	21,493	76,079	39,320
Program & other expenses	381,279	318,688	338,446	120,298	88,277	243,385	-	20,395	-	-	501,577	406,965	602,226
Wages and benefits	201,382	204,000	179,158	84,370	84,000	112,018	-	-	-	-	285,752	288,000	291,176
	582,661	522,688	532,997	226,161	248,356	379,330	64,411	85,817	-	-	873,233	771,044	998,144
Surplus (deficit) before transfers	(40,023)	25,026	(822)	19,163	20,095	122,572	(64,411)	(85,817)	2,593	16,993	(82,678)	78,871	52,926
Transfer between funds	43,011	34,800	(25,606)	82,953	(34,800)	(112,983)	94,036	138,589	(220,000)	-	-	-	-
Accum. Surplus - start of year	(15,628)	(15,728)	10,800	435,840	435,840	426,251	1,080,385	1,027,613	320,669	303,676	1,821,266	1,751,401	1,768,340
Accum. Surplus - end of year	\$ (12,640)	\$ 44,098	\$ (15,628)	\$ 537,956	\$ 421,135	\$ 435,840	\$ 1,110,010	\$ 1,080,385	\$ 103,262	\$ 320,669	\$ 1,738,588	\$ 1,830,272	\$ 1,821,266

SKAWAHLOOK FIRST NATION
Notes to the Financial Statements
Year Ended March 31, 2016

14

8. Expenses by object

	<u>2016</u>	<u>Budget</u>	<u>2015</u>
Advertising	\$ 6,471	\$ 1,267	\$ 1,566
Amortization	64,411	-	65,422
Obsolete assets	-	-	20,395
Band functions/donations and catering	21,931	15,000	19,587
Donations	4,650	-	20,000
Consulting fees	217,230	88,463	230,725
Debt servicing costs	24,870	77,509	25,699
Honoraria	48,250	54,000	49,995
Insurance	14,358	13,149	13,149
Janitorial	5,999	6,462	6,462
Bank charges	2,527	3,036	3,088
Legal fees	4,587	25,000	29,906
Materials and supplies	52,499	81,700	77,552
Office and general	4,089	3,110	3,731
Professional development	4,690	7,575	7,575
Professional fees	8,500	6,550	8,550
Repairs and maintenance	1,654	8,842	39,605
Security	2,084	1,637	13,183
Telephone	15,870	10,000	11,966
Travel	21,198	20,000	22,834
Utilities	22,447	20,578	20,579
Wages and benefits	299,186	299,866	285,914
Website and computer support	20,046	19,481	17,780
Other	5,686	7,819	2,881
	<hr/> \$ 873,233	<hr/> \$ 771,044	<hr/> \$ 998,144