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Skawahlook First Nation
Consolidated Financial Statements

March 31, 2018

Skawahlook First Nation

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For the Year Ended March 31, 2018

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Management's Responsibility

To the Members of Skawahlook First Nation

The accompanying consolidated financial statements of Skawahlook First Nation are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Skawahlook First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfills these responsibilities by reviewing the consolidated financial information prepared by management and discussing relevant matters with management and external auditors. The Directors are also responsible for recommending the appointment of the Nation's external auditor.

Stoltz Chartered Professional Accountant Inc. is appointed by the Members to audit the consolidated financial statements and report directly to them; his report follows. The external auditor has full and free access to, and meet periodically and separately with, both the Council and management to discuss his audit findings.

July 16, 2018



Shauon Young
Band Administrator



M. Chapman
Chief

Independent Auditor's Report

To the Members of Skawahlook First Nation

I have audited the accompanying consolidated financial statements of Skawahlook First Nation, which comprise the statement of financial position as at March 31, 2018 and the statements of operations and accumulated surplus, changes in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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 an 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 financial position of Skawahlook First Nation as at March 31, 2018 and the results of its operations, changes in net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountant

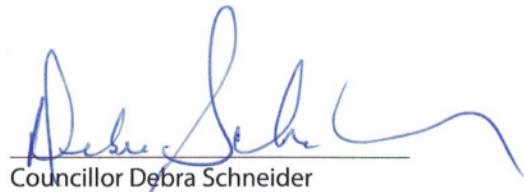
July 16, 2018
100 Mile House, British Columbia

Skawahlook First Nation
Consolidated Statement of Financial Position
As at March 31, 2018

	2018	2017
Financial assets		
Cash	244,064	381,483
Accounts receivable (Note 3)	17,773	10,642
Inventory for resale	31,552	23,487
Portfolio investments (Note 4)	101,324	100,672
Investment in Nation business entity (Note 5)	56,185	77,361
	450,898	593,645
Liabilities		
Accounts payable and accrued liabilities (Note 6)	78,231	111,415
Debt (Note 7)	393,026	453,748
	471,257	565,163
Net financial assets (debt)	(20,359)	28,482
Non-financial assets		
Tangible capital assets (Note 8)	1,724,093	1,575,510
Accumulated surplus (Note 9)	1,703,734	1,603,992

Approved on behalf of Chief and Council


 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
For the Year Ended March 31, 2018

	<i>Budget</i>	<i>2018</i>	<i>2017</i>
Revenue			
Government transfers			
Indigenous and Northern Affairs Canada	1,143,171	1,159,008	558,442
Province of British Columbia	36,089	36,089	36,089
Taxation	164,000	164,419	161,267
Business revenue and catering	35,000	27,340	40,706
New Relationship Trust	26,700	26,700	27,000
Other income	23,000	23,140	8,886
Sto:lo Nation	4,200	4,264	4,264
Interest income	-	3,285	3,471
Investment income (loss)	-	(21,176)	(25,901)
	1,432,160	1,423,069	814,224
Expenses			
Government	1,126,948	1,104,513	678,978
Self-Generated Funds	135,000	129,554	185,957
Capital	-	70,260	64,885
Taxation	19,000	19,000	19,000
	1,280,948	1,323,327	948,820
Annual surplus (deficit)	151,212	99,742	(134,596)
Accumulated surplus, beginning of year	1,603,992	1,603,992	1,738,588
Accumulated surplus, end of year	1,755,204	1,703,734	1,603,992

The accompanying notes are an integral part of these financial statements

Skawahlook First Nation
Consolidated Statement of Changes in Net Financial Assets (Debt)
For the Year Ended March 31, 2018

	<i>Budget</i>	<i>2018</i>	<i>2017</i>
Annual surplus (deficit)	151,212	99,742	(134,596)
Tangible capital assets			
Acquisition of tangible capital assets	-	(218,843)	(16,861)
Amortization	-	70,260	64,885
	-	(148,583)	48,024
Prepaid expenses			
Use of prepaid expenses	-	-	896
Change in net financial assets (debt)	151,212	(48,841)	(85,676)
Net financial assets, beginning of year	28,482	28,482	114,158
Net financial assets (debt), end of year	179,694	(20,359)	28,482

The accompanying notes are an integral part of these financial statements

Skawahlook First Nation
Consolidated Statement of Cash Flows
For the Year Ended March 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus (deficit)	99,742	(134,596)
Non-cash items		
Amortization	70,260	64,885
Net loss from Nation business entity	21,176	25,901
Revenue earned on portfolio investments	(652)	-
	190,526	(43,810)
Changes in working capital accounts		
Accounts receivable	(7,131)	13,862
Accounts payable and accrued liabilities	(33,184)	52,165
Inventory for resale	(8,065)	(5,292)
Prepaid expenses	-	896
	142,146	17,821
Financing activities		
Repayment of long-term debt	(60,722)	(56,369)
Investing activities		
Acquisition of tangible capital assets	(218,843)	(16,861)
Investment in portfolio investments	-	(100,671)
	(218,843)	(117,532)
Decrease in cash resources	(137,419)	(156,080)
Cash resources, beginning of year	381,483	537,563
Cash resources, end of year	244,064	381,483
Supplementary cash flow information:		
Interest received	3,285	3,471
Interest paid	16,818	19,333

The accompanying notes are an integral part of these financial statements

Skawahlook First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018

1. Operations

Skawahlook First Nation ("the 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" tribe, the Skawahlook First Nation was established on June 13th, 1879. The Nation is made up of 91 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.

2. Significant accounting policies

These consolidated financial statements of Skawahlook First Nation are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

Principles of consolidation

All controlled entities are fully consolidated on a line-by-line basis. Inter-entity balances and transactions have been eliminated on consolidation.

Organizations consolidated in Skawahlook First Nation's financial statements include:

- Ruby Creek Art Gallery & Framing Shop

In addition, the Nation's investment in the following non-controlled entity and subject to significant influence is recorded using the modified equity method:

- Seven Generations Environmental Services Ltd.

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 includes tangible capital assets.

Net financial assets (debt)

Skawahlook First Nation's financial statements are presented so as to highlight net financial assets (debt) as the measurement of financial position. The net financial assets (debt) of the Nation is determined by its financial assets less its liabilities. Net financial assets (debt) is comprised of two components, non-financial assets and accumulated surplus.

Inventory for resale

Inventory for resale are stated at the lower of average cost and net realizable value.

Portfolio investments

The Nation has investments in mutual funds that have no maturity dates. Investments not quoted in an active market are reported at cost or amortized cost. Investments in equity instruments that are quoted in an active market are recorded at fair value and the associated transaction costs are expensed upon initial recognition.

Skawahlook First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018

2. Significant accounting policies (continued from previous page)

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 Nation is directly responsible; or accepts responsibility; and
- iv) a reasonable estimate of the amount can be made.

At each financial reporting date, the Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. Management has determined that no such liability exists at March 31, 2018.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records.

Amortization

Tangible capital assets are amortized annually on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life
Housing	40 years
Buildings	40 years
Dyking and draining infrastructure	25 years
Road infrastructure	15 years
Water infrastructure	20 - 80 years
Equipment	4 - 10 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the 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 tangible capital assets are recorded at their fair value at the date of contribution.

Assets under construction are not amortized until the asset is available to be put into service.

Long-lived assets and discontinued operations

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies. When the Nation determines that a long-lived asset no longer has any long-term service potential to the Nation, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

Skawahlook First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018

2. Significant accounting policies (continued from previous page)

Revenue recognition

Government transfers

Skawahlook First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when receivable.

Own source revenue

Own source revenue is recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Property taxation

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.

Measurement uncertainty (use of estimates)

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenditures during the reporting period.

Accounts receivable and amounts due from Nation business entity are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

Segments

Skawahlook First Nation conducts its operations through various segments. These operating segments are established by management to facilitate the achievement of the Nation's long-term objectives, to aid in resource allocation decisions, and to assess operational performance. For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

Financial instruments

The Nation initially measures its financial instruments at fair value. The Nation subsequently measures all of its financial instruments at amortized cost, unless management has elected to carry the instruments at fair value. The Nation has not elected to carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Nation determines if there is a significant adverse change in the expected amount of timing of future cash flows, the carrying value of the financial asset is reduced to the highest present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Nation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Skawahlook First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018

3. Accounts receivable

	2018	2017
Sales and other receivables	10,514	3,171
Due from Governments	5,814	6,159
Taxation	1,445	1,312
	17,773	10,642

4. Portfolio investments

Portfolio investments consist of mutual funds held with BMO Investments Inc. and are recorded at cost. There were no impairments recognized during the year.

5. Investment in Nation business entity

The investment in Nation business entity is comprised of 1/6th ownership of Seven Generations Environmental Services Ltd. The following presents the condensed financial information for the business entity:

	2018	2017
Current assets	478,217	443,468
Property and equipment	32,401	43,039
	510,618	486,507
Current liabilities	173,511	22,344
Advances from shareholders	353,258	353,258
	526,769	375,602
Share capital	1,169,808	1,169,808
Equity	(1,185,959)	(1,058,903)
	(16,151)	110,905
	510,618	486,507
Revenues	326,726	284,136
Expenses	453,782	436,344
Net loss	(127,056)	(152,208)

Skawahlook First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018

6. Accounts payable and accrued liabilities

Included in accounts payable are government remittances totaling \$2,050 (2017 - \$2,111).

7. Long-term debt

	2018	2017
Royal Bank of Canada demand loan, payments of \$19,973 per quarter including interest at 3.97% per annum, matures July 30, 2022 (secured by a general security agreement, assignment of receivables and taxation revenue)	393,026	453,748
	393,026	453,748

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

2019	65,251
2020	67,880
2021	70,616
2022	73,461
2023	76,421
	<hr/>
	353,629

8. Tangible capital assets

Cost	Beginning of year	Acquisitions	Disposals	End of year
Land	76,000	-	-	76,000
Housing	52,848	-	-	52,848
Buildings	1,796,655	-	-	1,796,655
Infrastructure	249,744	214,552	-	464,296
Equipment	144,349	4,291	(1,446)	147,194
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	2,319,596	218,843	(1,446)	2,536,993

Accumulated amortization	Beginning of year	Amortization	Disposals	End of year
Housing	35,672	1,321	-	36,993
Buildings	530,765	45,594	-	576,359
Infrastructure	96,654	10,089	-	106,743
Equipment	80,995	13,256	(1,446)	92,805
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	744,086	70,260	(1,446)	812,900

Skawahlook First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018

8. Tangible capital assets (continued from previous page)

Net book value	2018	2017
Land	76,000	76,000
Housing	15,855	17,176
Buildings	1,220,296	1,265,890
Infrastructure	357,553	153,090
Equipment	54,389	63,354
	1,724,093	1,575,510

Amortization expense of \$70,260 (2017 - \$64,885) was recorded in the Capital Fund.

9. Accumulated surplus

	2018	2017
Unrestricted surplus	375,697	485,260
Equity in tangible capital assets	1,328,037	1,118,732
	1,703,734	1,603,992

10. Budget figures

The budget figures presented in these financial statements are based upon the operating and capital budgets prepared by management.

11. Financial instruments

As part of its operations, Skawahlook First Nation carries a number of financial instruments. It is management's opinion that the Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Nation manages exposure through its normal operating and financing activities. The Nation is exposed to interest rate price risk on its long-term debt as it is at a fixed interest rate.

Market risk

The Nation's equity investments are subject to market risk, which includes price risk arising from market volatility and the risk of loss of capital associated with those investments.

Skawahlook First Nation
Schedule 1 - Consolidated Statement of Expenses by Object
For the Year Ended March 31, 2018

	<i>Budget</i>	<i>2018</i>	<i>2017</i>
Expenses by Object			
Advertising	500	466	7,130
Amortization	-	70,260	64,885
Band functions/donations and catering	18,018	26,415	22,143
Consulting fees	603,804	617,318	216,713
Janitorial	5,500	5,699	7,484
Honoraria	60,275	59,685	59,035
Insurance	13,000	13,811	13,892
Interest and bank charges	2,350	2,529	2,833
Interest on long-term debt	17,000	16,818	19,333
Legal fees	17,500	23,263	23,008
Materials and supplies	38,131	27,806	38,162
Other	1,900	1,900	3,243
Office and general	79,915	21,663	4,589
Professional fees	3,000	13,075	10,150
Retirement allowances	20,000	20,000	20,000
Repairs and maintenance	2,700	2,067	29,246
Salaries, wages, and benefits	284,700	286,922	278,439
Security	2,500	2,447	37,849
Telephone and communications	12,800	12,687	16,071
Training and education	11,800	12,221	3,770
Travel	45,157	43,216	31,773
Utilities	23,398	24,544	21,904
Website and computer support	17,000	18,515	17,168
	1,280,948	1,323,327	948,820

Skawahlook First Nation
Schedule 2 - Consolidated Segmented Information
For the Year Ended March 31, 2018

	Government						Self-Generated Funds						Capital						Economic Development						Taxation						Consolidated Total					
	Budget		2017		Budget		2018		2017		Budget		2018		2017		Budget		2018		2017		Budget		2018		2017									
Revenue																																				
INAC	1,143,171	1,159,008	558,442	-	36,089	36,089	36,089	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,143,171	1,159,008	558,442						
Province of BC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36,089	36,089	36,089					
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	164,000	164,296	161,267					
Business revenue	-	-	-	-	35,000	27,340	40,706	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,000	27,340	40,706						
NRT	26,700	26,700	27,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,700	26,700	27,000						
Other income	23,000	23,140	8,886	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,000	23,140	8,886						
Stolo Nation	4,200	4,264	4,264	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,200	4,264	4,264						
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Investment loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
	1,197,071	1,213,112	598,592	71,089	66,837	80,266	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Expenses																																				
Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Debt servicing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Program & other expenses	905,848	879,286	445,906	73,400	70,041	140,257	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Wages and benefits	221,100	225,227	233,072	44,600	42,695	26,367	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
	1,126,948	1,104,513	678,978	135,000	129,554	185,957	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
	Surplus (deficit) before transfers	70,123	108,599	(80,386)	(63,911)	(62,717)	(105,691)	-	(70,260)	(64,885)	-	(21,176)	(25,901)	-	145,000	145,296	-	142,267	-	151,212	99,742	-	(134,596)	-	-	-	-	-	-	-	-	-				
Transfers	(214,552)	(131,398)	112,015	-	(2,872)	(43,355)	214,552	279,566	73,607	-	-	-	-	-	-	(145,296)	(142,267)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Surplus (deficit)	(144,429)	(22,799)	31,629	(63,911)	(65,589)	(149,046)	214,552	209,306	8,722	-	(21,176)	(25,901)	-	145,000	145,296	-	142,267	-	151,212	99,742	-	(134,596)	-	-	-	-	-	-	-	-	-	-	-		
Accumulated surplus (deficit), beginning of year	18,989	18,989	(12,641)	388,910	388,910	537,956	1,118,732	1,118,732	1,110,011	77,361	77,361	103,262	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Accumulated surplus (deficit), end of year	(125,440)	(3,810)	18,988	324,999	323,321	388,910	1,333,284	1,328,038	1,118,733	77,361	56,185	77,361	145,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	