

**Xaxli'p First Nation
Consolidated Financial Statements**
March 31, 2018

Xaxli'p First Nation Contents

For the year ended March 31, 2018

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Management's Responsibility

To the Members of Xaxli'p First Nation

The accompanying consolidated financial statements of Xaxli'p 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 Xaxli'p 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 financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP is appointed by the Members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

July 30, 2018

Colleen Jacob
Chief

Pauline Mitchell
Councillor

Independent Auditors' Report

To the Members of Xaxli'p First Nation:

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

Xaxli'p First Nation does not recognize Investment in Treaty nor Treaty Loans outstanding from the treaty negotiation. As a result, long-term debt and investment in treaty loan are both understated by approximately \$2,800,000. Prior year's audit opinions were modified due to this same exception.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Xaxli'p First Nation as at March 31, 2018 and the results of its operations, changes in net financial assets (net debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The consolidated financial statements of Xaxli'p First Nation for the year ended March 31, 2017 were audited by Anton, Bryson & Schindler Chartered Professional Accountants LLP of Nanaimo, Canada, prior to its merger with MNP LLP. Anton, Bryson & Schindler Chartered Professional Accountants LLP expressed a modified opinion on those statements on July 27, 2017.

Nanaimo, British Columbia

July 30, 2018

MNP LLP

Chartered Professional Accountants

Xaxli'p First Nation
Consolidated Statement of Financial Position
As at March 31, 2018

| | 2018 | 2017 |
|--|------------------|------------------|
| Financial assets | | |
| Cash and cash equivalents | 651,496 | 992,180 |
| Accounts receivable (Note 3) | 418,266 | 436,537 |
| Portfolio investments | 327,894 | 322,596 |
| Investment in Nation business entity (Note 14) | 707,000 | - |
| Funds held in trust (Note 5) | 355,965 | 345,576 |
| Restricted cash (Note 4) | 112,012 | 78,420 |
| Total financial assets | 2,572,633 | 2,175,309 |
| Liabilities | | |
| Accounts payable and accruals | 206,153 | 400,085 |
| Deferred revenue (Note 6) | 263,360 | 679,409 |
| Long-term debt (Note 7) | 1,103,308 | 1,223,871 |
| Total of financial liabilities | 1,572,821 | 2,303,365 |
| Net financial assets (net debt) | 999,812 | (128,056) |
| Contingencies (Note 8) | | |
| Non-financial assets | | |
| Tangible capital assets (Schedule 1) | 3,818,676 | 3,912,439 |
| Prepaid expenses | 18,111 | 8,716 |
| Total non-financial assets | 3,836,787 | 3,921,155 |
| Accumulated surplus | 4,836,599 | 3,793,099 |

Approved on behalf of the Council

Colleen Jacobs

Chief

Pauline Mitchell

Councillor

Xaxli'p First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2018

| | <i>Schedules</i> | <i>2018</i> | <i>2018</i> | <i>2017</i> |
|--|------------------|----------------------|------------------|-------------|
| | | <i>Budget - Note</i> | <i>10</i> | |
| Revenue | | | | |
| Indigenous Services Canada | | | | |
| Elementary/secondary education | | - | 201,161 | 177,811 |
| Post-secondary education | | 601,811 | 470,502 | 427,273 |
| Indian government support | | 653,189 | 555,207 | 448,515 |
| Community infrastructure | | 458,092 | 845,407 | 431,774 |
| Social assistance | | 697,465 | 527,195 | 517,339 |
| Canada Mortgage and Housing Corporation | | | | |
| Canada Mortgage and Housing Corporation | | - | 78,169 | 48,772 |
| Non-profit on-reserve housing | | 75,188 | 75,186 | 75,362 |
| RRAP conversions | | - | 110,736 | 17,850 |
| Housing internship initiative for First Nation and Inuit youth | | - | 22,671 | 13,489 |
| First Nations Health Authority | | 831,209 | 940,393 | 875,262 |
| Other revenue | | 276,081 | 1,509,529 | 1,046,771 |
| Xaxli'p Settlement Funds | | 10,486 | 343,755 | 154,310 |
| Work Opportunity Program | | 39,744 | 60,488 | 10,980 |
| FNESC | | - | 49,698 | 36,551 |
| Rental income | | 188,656 | 210,681 | 190,713 |
| Interest income | | - | 21,242 | 18,789 |
| ASETS | | - | 13,346 | 37,033 |
| Province of BC | | - | 404,313 | 466,568 |
| Allocation to RRF | | - | 27,093 | 27,093 |
| Total revenue | | 3,831,921 | 6,466,772 | 5,022,255 |
| Program expenses | | | | |
| Administration | 3 | 1,033,098 | 1,239,078 | 1,175,341 |
| Public Works | 4 | 478,807 | 477,337 | 872,062 |
| Housing | 5 | 256,844 | 522,584 | 422,075 |
| Community and Human Services | 6 | 1,701,594 | 2,119,600 | 1,779,012 |
| Education | 7 | 562,928 | 695,368 | 576,233 |
| Resources | 8 | 26,400 | 330,712 | 280,692 |
| Economic Development | 9 | - | 38,593 | 119,917 |
| Total expenses | | 4,059,671 | 5,423,272 | 5,225,332 |
| Annual Surplus (deficit) | | (227,750) | 1,043,500 | (203,077) |
| Accumulated surplus, beginning of year | | 3,793,099 | 3,793,099 | 3,996,176 |
| Accumulated surplus, end of year | | 3,565,349 | 4,836,599 | 3,793,099 |

Xaxli'p First Nation
Consolidated Statement of Change in Net Financial Assets (Net Debt)
For the year ended March 31, 2018

| | 2018 <i>Budget - Note</i> 10 | 2018 | 2017 |
|--|--|------------------|-----------|
| Annual surplus (deficit) | (227,750) | 1,043,500 | (203,077) |
| Purchases of tangible capital assets | - | (142,578) | (98,721) |
| Amortization of tangible capital assets | - | 236,340 | 222,509 |
| Acquisition of prepaid expenses | - | 93,762 | 123,788 |
| | - | (9,395) | (8,721) |
| Increase in net financial assets (increase in net debt) | (227,750) | 1,127,867 | (88,010) |
| Net debt, beginning of year | (128,057) | (128,055) | (40,046) |
| Net financial assets (net debt), end of year | (355,807) | 999,812 | (128,056) |

Xaxli'p 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) | 1,043,500 | (203,077) |
| Non-cash items | | |
| Amortization | 236,340 | 222,509 |
| | 1,279,840 | 19,432 |
| Changes in working capital accounts | | |
| Accounts receivable | 18,271 | (24,235) |
| Prepaid expenses | (9,395) | (8,721) |
| Accounts payable and accruals | (193,933) | 271,211 |
| Deferred revenue | (416,049) | (164,830) |
| Trust assets | (10,389) | (9,148) |
| Restricted cash | (33,590) | (28,500) |
| | 634,755 | 55,209 |
| Financing activities | | |
| Repayment of long-term debt | (120,563) | (131,302) |
| Capital activities | | |
| Purchases of tangible capital assets | (142,578) | (98,721) |
| Investing activities | | |
| Reinvested in portfolio | (5,298) | - |
| Proceeds on disposal of portfolio | - | 67,293 |
| Investment in First Nation business entity | (707,000) | - |
| | (712,298) | 67,293 |
| Decrease in cash resources | (340,684) | (107,521) |
| Cash resources, beginning of year | 992,180 | 1,099,701 |
| Cash resources, end of year | 651,496 | 992,180 |

Xaxli'p First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

1. Operations

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

2. Significant accounting policies

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

Reporting entity consolidated

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Operating Fund
- Trust Fund
- Social Housing Fund
- Capital Fund

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Xaxli'p First Nation business entities, owned or controlled by the First Nation's Council but not dependent on the First Nation for their continuing operations, are included in the financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- Xaxli'p Development Corporation.

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Cash and cash equivalents

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Tangible capital assets

Tangible capital assets are initially recorded at cost less accumulated amortization. Contributed tangible assets are recorded at their fair value at the date of contribution.

All intangible assets and items inherited by the right of the First Nation, such as reserve land, forests, water and mineral resources, are not recognized in the First Nation's consolidated financial statements.

Amortization

Amortization for tangible capital assets is provided using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

| | Method | Rate |
|------------------|-------------------|-------------|
| Buildings | declining balance | 5 % |
| Office equipment | declining balance | 20 % |
| Infrastructure | declining balance | 4 |

Xaxli'p First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

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

| | | |
|----------------------|-------------------|------|
| Automotive equipment | declining balance | 10 % |
|----------------------|-------------------|------|

Portfolio investments

Portfolio investments in entities that are not owned, controlled or influenced by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in accumulated surplus. Trust monies consist of:

- Capital trust monies derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust monies generated primarily through land leasing transactions or interest earned on deposits held in trust.

Long-lived assets

Long-lived assets consist of tangible capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when asset's service potential is reduced. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Any impairment is included in surplus for the year. Prices for similar items are used to measure fair value of long-lived assets. The First Nation does not perform impairment testing on its long-lived assets that are held for public administration and situated on its reserve land as it is not possible to determine their fair market value.

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.

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2018.

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

Net financial assets (net debt)

The First Nation's financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation 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).

Xaxli'p 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

- i) Government Funding
The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.
- ii) First Nation Capital and Revenue Trust Funds
The First Nation recognizes revenue of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.
- iii) Canada Mortgage and Housing Corporation ("CMHC")
CMHC revenue is recognized as it becomes receivable under the terms of the applicable funding agreements. 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.
- iv) Housing rental income
Rental revenue is recorded in the year it is earned. At the end of each year management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.
- v) Own source and other revenue
Own source and other revenue is recognized when performance is completed, amounts are measurable and collection is reasonably assured.
- vi) Investment income
Investment income is recognized by the First Nation when investment income is earned.

Measurement uncertainty

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 expenses during the reporting period.

Accounts receivable 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. Liabilities for contaminated sites are based on the best information available regarding potentially contaminated sites that the First Nation is responsible for.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in surplus (deficit) in the periods in which they become known.

Segments

The First Nation conducts its business through a number of reportable segments as described in note 9. These operating segments are established by senior management to facilitate the achievement of the First 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.

Xaxli'p First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

3. Accounts receivable

| | 2018 | 2017 |
|---------------------------------------|----------------|---------|
| Accounts receivable | 449,131 | 473,398 |
| CMHC subsidy assistance receivable | 5,491 | 5,491 |
| Rent receivable | 199,652 | 193,656 |
| | 654,274 | 672,545 |
| Less: Allowance for doubtful accounts | 236,008 | 236,008 |
| | 418,266 | 436,537 |

4. Restricted cash

Under the terms of the agreement with Canada Mortgage and Housing Corporation ("CMHC"), the replacement reserve account is to be credited annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. At year end, these reserves were under-funded

Restricted cash is comprised of the following:

| | 2018 | 2017 |
|---------------------|-------------|--------|
| Replacement reserve | 112,012 | 78,420 |

5. Funds held in trust

Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Aboriginal Affairs and Northern Development Canada, with the consent of the First Nation's Chief and Council.

| | 2018 | 2017 |
|------------------------------|----------------|---------|
| Capital Trust | | |
| Balance, beginning of year | 18,690 | 18,690 |
| Balance, end of year | 18,690 | 18,690 |
| Revenue Trust | | |
| Balance, beginning of year | 321,331 | 323,293 |
| Interest | 15,944 | 3,593 |
| Balance, end of year | 337,275 | 326,886 |
| Combined balance end of year | 355,965 | 345,576 |

6. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

| | <i>Balance, beginning of year</i> | <i>Contributions received</i> | <i>Recognized as revenue</i> | <i>Balance, end of year</i> |
|----------------------|---|-----------------------------------|----------------------------------|---------------------------------|
| Capital projects ISC | 257,294 | - | 257,294 | - |
| St'a'imc Trust | 422,115 | - | 158,755 | 263,360 |
| | 679,409 | - | 416,049 | 263,360 |

Xaxli'p First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

7. Long-term debt

| | 2018 | 2017 |
|---|------------------|-------------|
| RBC loan | - | 3,363 |
| RBC loan repayable on demand, unsecured and bearing interest at 3.42% per annum | 136,523 | 141,261 |
| RBC loan repayable in monthly installments of \$600 including interest at 3.78% per annum, maturing July 15, 2019 - secured by a vehicle | 12,132 | 16,059 |
| All Nations Trust mortgage repayable in monthly installments of \$2,344 including interest at 1.43% per annum, maturing March 1, 2024 - secured by ministerial guarantee | 161,675 | 187,283 |
| All Nations Trust mortgage repayable in monthly installments of \$2,698 including interest at 1.12% per annum, maturing January 1, 2025 - secured by ministerial guarantee | 212,884 | 242,700 |
| All Nations Trust mortgage repayable in monthly installments of \$3,178 including interest at 1.84% per annum, maturing August 1, 2032 | 482,854 | 512,007 |
| All Nations Trust mortgage repayable in monthly installments of \$2,129 including interest at 1.43% per annum, maturing February 1, 2022 - secured by ministerial guarantee | 97,240 | 121,197 |
| | 1,103,308 | 1,223,870 |

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

| | Principal |
|------------|-----------|
| 2019 | 127,184 |
| 2020 | 116,804 |
| 2021 | 118,655 |
| 2022 | 118,343 |
| 2023 | 112,413 |
| | <hr/> |
| | 593,399 |
| | <hr/> |
| Thereafter | 509,909 |

8. Contingencies

The financial results of the CMHC Social Housing program are subject to review by CMHC. It is possible that adjustments could be made based on the results of their review.

9. Segments

The First Nation receives revenue and incurs expenses from many different projects and sources. For management and reporting purposes, the revenue, expenses and surplus or deficits are organized by the following segments:

Administration:

Includes general operations, support, and financial management of the Nation.

Education:

Includes revenue and expenses related to primary, secondary and post secondary education of the members of the First Nation.

Public Works:

Includes revenue and expenditures related to capital projects.

Xaxli'p First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

9. Segments (Continued from previous page)

Community and Human Services:

Includes revenue and expenditures related to the social assistance and health services to the members of the First Nation.

Housing:

Includes revenue and expenses related to band owned and social housing of the members of the First Nation.

Resources:

Includes revenue and expenses related to conservation and stewardship of the First Nation's land and resources.

Economic Development

Includes revenue and expenses related to economic endeavours of the First Nation.

10. Budget information

The disclosed budget information has been approved by the Chief and Council of the Xaxli'p First Nation on May 15, 2017. Budget information was not prepared for the full scope of activities performed by the First Nation for the year ended March 31, 2018. Budget information was not prepared, available or approved for several departments.

11. Economic dependence

Xaxli'p First Nation receives a significant portion of its revenue from Indigenous Services Canada (ISC) as a result of Treaties entered into with the Government of Canada. These treaties are administered by ISC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

12. Comparative figures

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

13. Change in accounting policy

PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions

Effective April 1, 2017, the First Nation adopted the recommendations relating to PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

These new Sections define a related party and establish disclosures required for related party transactions. Disclosure is required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, a material financial effect on the financial statements. They also establish standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

There was no material impact on the consolidated financial statements of adopting the new Sections.

PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights

Effective April 1, 2017, the First Nation adopted the recommendations relating to PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

PS 3210 Assets provides additional guidance to clarify the definition of assets set out in PS 1000 Financial Statement Concepts.

PS 3320 Contingent Assets establishes disclosure standards on contingent assets.

Xaxli'p First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

13. Change in accounting policy (Continued from previous page)

PS 3380 Contractual Rights establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Section are as follows:

- Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.
- Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.
- Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

There was no material impact on the consolidated financial statements of adopting the new Sections.

14. Investments in First Nation business entities

The First Nation has investments in the following entities:

| | <i>Investment cost</i> | <i>Loans / advances</i> | <i>Cumulative share of earnings (loss)</i> | <i>Total investment</i> | <i>2018</i> |
|---------------------------------|------------------------|-------------------------|--|-------------------------|-------------|
| Wholly-owned Businesses: | | | | | |
| Xaxli'p Development Corp | - | 707,000 | - | 707,000 | |

Summary unaudited financial information for each First Nation business enterprise, accounted for using the modified equity method, for the respective year-end is as follows:

| <i>Xaxli'p Development Corporation As at March 31, 2018</i> | |
|---|----------------|
| Assets | |
| Cash | 186,807 |
| Accounts receivable | 626,750 |
| Prepaid expenses | 3,818 |
| Property, plant and equipment | 2,880 |
| Total assets | 820,255 |
| Liabilities | |
| Accounts payable and accruals | 820,733 |
| Total liabilities | 820,733 |
| | (478) |
| Total revenue | 916,986 |
| Total expenses | 916,891 |
| | 95 |
| | 95 |

Xaxli'p First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2018

| | <i>Land</i> | <i>Buildings</i> | <i>Infrastructure</i> | <i>Office equipment</i> | <i>Automotive equipment</i> | 2018 | 2017 |
|--|----------------|------------------|-----------------------|-------------------------|-----------------------------|-------------------|-------------------|
| Cost | | | | | | | |
| Balance, beginning of year | 496,445 | 6,810,095 | 2,361,000 | 584,510 | 850,134 | 11,102,184 | 11,003,463 |
| Acquisition of tangible capital assets | 9,721 | - | - | - | 132,857 | 142,578 | 98,721 |
| Balance, end of year | 506,166 | 6,810,095 | 2,361,000 | 584,510 | 982,991 | 11,244,762 | 11,102,184 |
| Accumulated amortization | | | | | | | |
| Balance, beginning of year | - | 4,284,586 | 1,604,946 | 501,566 | 798,647 | 7,189,745 | 6,967,237 |
| Annual amortization | - | 154,135 | 30,242 | 16,589 | 35,375 | 236,341 | 222,508 |
| Balance, end of year | - | 4,438,721 | 1,635,188 | 518,155 | 834,022 | 7,426,086 | 7,189,745 |
| Net book value of tangible capital assets | 506,166 | 2,371,374 | 725,812 | 66,355 | 148,969 | 3,818,676 | 3,912,439 |
| 2017 Net book value of tangible capital assets | 496,445 | 2,525,509 | 756,054 | 82,944 | 51,487 | 3,912,439 | |

Xaxli'p First Nation
Schedule 2 - Consolidated Schedule of Expenses by Object
For the year ended March 31, 2018

| | 2018 <i>Budget - Note</i> 10 | 2018 | 2017 |
|--|--|---------------|---------------|
| Consolidated expenses by object | | | |
| Administration | 189,691 | 144,439 | 120,712 |
| Advertising | 8,823 | 2,146 | 17,065 |
| Amortization | - | 236,340 | 222,509 |
| Bank charges and interest | 10,400 | 13,607 | 13,684 |
| Contracted services | 180,224 | 49,527 | 59,813 |
| Elders fees | - | 28,050 | 29,719 |
| Equipment lease | - | 38,738 | 36,569 |
| Fuel | - | 18,966 | 26,328 |
| Furniture and equipment | 49,678 | 51,699 | 22,839 |
| Honoraria | 87,800 | 122,495 | 158,446 |
| Insurance | 42,718 | 76,985 | 78,868 |
| Interest on long-term debt | 124,047 | 24,687 | 22,199 |
| Meeting | - | 5,280 | 4,169 |
| Miscellaneous | 38,450 | 28,474 | 12,519 |
| National child benefit - projects | 50,450 | 54,317 | 52,881 |
| Postage | - | 2,303 | 4,164 |
| Professional fees | 79,450 | 306,617 | 493,036 |
| Program expense | 302,692 | 754,579 | 641,105 |
| Property tax | - | 2,243 | 1,426 |
| Rent | - | 3,125 | 556 |
| Repairs and maintenance | 306,330 | 397,722 | 308,875 |
| Replacement reserve transfers | 27,093 | 27,093 | 27,093 |
| Salaries and benefits | 1,338,332 | 1,431,317 | 1,492,303 |
| Social assistance | 583,889 | 605,792 | 510,037 |
| Student expenses | 317,370 | 300,636 | 233,029 |
| Supplies | 31,013 | 138,029 | 115,597 |
| Telephone | 28,600 | 37,176 | 45,705 |
| Training | 27,990 | 83,200 | 46,853 |
| Travel | 87,650 | 200,270 | 251,986 |
| Tuition costs | 121,823 | 156,795 | 119,936 |
| Utilities | 25,158 | 80,625 | 55,311 |
| Total expenses | 4,059,671 | 5,423,272 | 5,225,332 |

Xaxli'p First Nation
Administration

Schedule 3 - Schedule of Revenue and Expenses and Accumulated Surplus (Deficit)

For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 |
|---|------------------------|------------------|------------------|
| Revenue | | | |
| Indigenous Services Canada | | | |
| Indian government support | 653,189 | 550,427 | 435,810 |
| Community infrastructure | - | 2,235 | - |
| Other revenue | 194,526 | 1,066,696 | 421,899 |
| Work Opportunity Program | 14,640 | 34,564 | 4,270 |
| Interest income | - | 21,242 | 18,789 |
| Province of BC | - | 129,000 | 100,000 |
| FNESC | - | 13,610 | - |
| Total revenue | 862,355 | 1,817,774 | 980,768 |
| Expenses | | | |
| Administration | - | 750 | - |
| Advertising | 8,823 | 1,846 | 16,765 |
| Amortization | - | 119,160 | 104,177 |
| Bank charges and interest | 10,000 | 11,053 | 11,051 |
| Elders fees | - | 20,540 | 29,719 |
| Equipment lease | - | 18,458 | 19,851 |
| Furniture and equipment | 31,450 | 6,086 | - |
| Honoraria | 84,000 | 84,827 | 94,131 |
| Insurance | 25,300 | 31,540 | 27,510 |
| Miscellaneous | 31,450 | 15,243 | 7,617 |
| Postage | - | 2,262 | 2,287 |
| Professional fees | 64,500 | 184,346 | 204,973 |
| Program expense | 127,299 | 102,241 | 85,881 |
| Rent | - | 125 | - |
| Repairs and maintenance | 137,863 | 13,720 | 504 |
| Salaries and benefits | 408,213 | 490,004 | 411,314 |
| Supplies | 200 | 27,084 | 25,668 |
| Telephone | 27,500 | 25,679 | 26,523 |
| Training | 6,000 | 5,230 | 4,625 |
| Travel | 61,000 | 73,072 | 97,208 |
| Utilities | 9,500 | 5,812 | 5,537 |
| Total expenses | 1,033,098 | 1,239,078 | 1,175,341 |
| Annual surplus (deficit) | (170,743) | 578,696 | (194,573) |
| Accumulated surplus, beginning of year | 1,350,719 | 1,350,719 | 1,529,525 |
| Transfer between departments | - | - | 10,311 |
| Transfer to fund depreciation | - | 119,160 | 104,177 |
| Acquisition of capital assets | - | (9,721) | (98,721) |
| Accumulated surplus, end of year | 1,179,976 | 2,038,854 | 1,350,719 |

Xaxli'p First Nation
Public Works

Schedule 4 - Schedule of Revenue and Expenses and Accumulated Surplus (Deficit)

For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 |
|---|------------------------|------------------|------------------|
| Revenue | | | |
| Indigenous Services Canada | | | |
| Indian government support | - | - | 12,705 |
| Community infrastructure | 458,092 | 532,619 | 341,555 |
| Other revenue | 30,000 | 75,415 | 354,513 |
| Work Opportunity Program | - | - | 1,830 |
| Rental income | 7,000 | 9,805 | 8,785 |
| Province of BC | - | 69,092 | 125,976 |
| Total revenue | 495,092 | 686,931 | 845,364 |
| Expenses | | | |
| Administration | - | - | 1,722 |
| Contracted services | 41,361 | 24,647 | 34,703 |
| Equipment lease | - | 483 | 1,728 |
| Furniture and equipment | 14,000 | 12,089 | 3,459 |
| Honoraria | - | 24,121 | 47,706 |
| Insurance | - | 11,853 | 14,560 |
| Meeting | - | 4,214 | 378 |
| Miscellaneous | 1,600 | 2,270 | 2,729 |
| Postage | - | 42 | 1,877 |
| Professional fees | - | 52,715 | 180,472 |
| Program expense | - | 6,419 | 7,004 |
| Property tax | - | - | 1,426 |
| Repairs and maintenance | 255,904 | 83,663 | 127,481 |
| Salaries and benefits | 138,402 | 146,795 | 341,190 |
| Supplies | 8,000 | 26,359 | 15,240 |
| Telephone | 1,100 | 5,761 | 6,002 |
| Training | 7,440 | 2,837 | 2,000 |
| Travel | - | 23,452 | 49,439 |
| Utilities | 11,000 | 49,617 | 32,946 |
| Total expenses | 478,807 | 477,337 | 872,062 |
| Annual surplus (deficit) | 16,285 | 209,594 | (26,698) |
| Accumulated surplus, beginning of year | 2,494,292 | 2,494,292 | 2,513,476 |
| Transfer to fund depreciation | - | (127,807) | (115,708) |
| Acquisition of capital assets | - | 142,578 | 98,721 |
| Principal payments on long-term debt | - | 12,029 | 24,501 |
| Accumulated surplus, end of year | 2,510,577 | 2,730,686 | 2,494,292 |

Xaxli'p First Nation

Housing

Schedule 5 - Schedule of Revenue and Expenses and Accumulated Surplus (Deficit)

For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 |
|--|----------------|----------------|----------|
| Revenue | | | |
| Indigenous Services Canada | | | |
| Community infrastructure | - | 257,294 | 36,358 |
| Canada Mortgage and Housing Corporation | | | |
| Canada Mortgage and Housing Corporation | 75,188 | 78,169 | 48,772 |
| Non-profit on-reserve housing | - | 75,186 | 75,362 |
| RRAP conversions | - | 110,736 | 17,850 |
| Housing internship initiative for First Nation and Inuit youth | - | 22,671 | 13,489 |
| Rental income | 181,656 | 200,876 | 181,928 |
| Allocation to RRF | - | 27,093 | 27,093 |
| Other revenue | - | 30,863 | - |
| Work Opportunity Program | - | 11,360 | - |
| Total revenue | 256,844 | 814,248 | 400,852 |
| Expenses | | | |
| Amortization | - | 108,534 | 106,801 |
| Bank charges and interest | 400 | 374 | 706 |
| Contracted services | - | 4,800 | - |
| Elders fees | - | 7,510 | - |
| Furniture and equipment | - | 14,839 | 488 |
| Honoraria | - | 500 | 2,525 |
| Insurance | 8,544 | 11,149 | 12,256 |
| Interest on long-term debt | 124,047 | 24,687 | 22,199 |
| Miscellaneous | - | - | 138 |
| Professional fees | 2,870 | 35,940 | 7,210 |
| Program expense | - | 207 | 691 |
| Repairs and maintenance | 39,926 | 168,261 | 161,174 |
| Replacement reserve transfers | 27,093 | 27,093 | 27,093 |
| Salaries and benefits | 53,964 | 84,542 | 58,494 |
| Supplies | - | 16,193 | 3,384 |
| Training | - | 13,385 | 3,021 |
| Travel | - | 3,921 | 9,267 |
| Utilities | - | 649 | 6,628 |
| Total expenses | 256,844 | 522,584 | 422,075 |
| Annual surplus (deficit) | - | 291,664 | (21,223) |
| Accumulated surplus, beginning of year | 272,222 | 272,222 | 311,487 |
| Principal payments on long-term debt | - | (3,363) | (18,042) |
| Accumulated surplus, end of year | 272,222 | 560,523 | 272,222 |

Xaxli'p First Nation
Community and Human Services
Schedule 6 - Schedule of Revenue and Expenses and Accumulated Surplus (Deficit)
For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 |
|---|------------------------|------------------|------------------|
| Revenue | | | |
| Indigenous Services Canada | | | |
| Social assistance | 697,465 | 527,195 | 514,829 |
| First Nations Health Authority | 831,209 | 940,393 | 875,262 |
| Other revenue | 50,259 | 177,949 | 175,742 |
| Xaxli'p Settlement Funds | 10,486 | 343,755 | 154,310 |
| Total revenue | 1,589,419 | 1,989,292 | 1,720,143 |
| Expenses | | | |
| Administration | 189,691 | 99,118 | 74,763 |
| Advertising | - | 300 | 300 |
| Amortization | - | 5,385 | 7,631 |
| Bank charges and interest | - | 2,107 | 1,927 |
| Contracted services | 1,000 | 19,891 | 25,110 |
| Equipment lease | - | 19,797 | 14,745 |
| Fuel | - | 5,772 | 16,994 |
| Furniture and equipment | 4,228 | 16,094 | 18,844 |
| Honoraria | 3,800 | 13,047 | 13,960 |
| Insurance | 8,218 | 13,049 | 11,717 |
| Meeting | - | 1,066 | 3,791 |
| Miscellaneous | - | 42 | 361 |
| National child benefit - projects | 50,450 | 54,317 | 52,881 |
| Professional fees | 12,080 | 33,146 | 94,079 |
| Program expense | 175,393 | 350,036 | 283,626 |
| Rent | - | 3,000 | 556 |
| Repairs and maintenance | 10,500 | 132,079 | 18,527 |
| Salaries and benefits | 601,774 | 525,709 | 423,009 |
| Social assistance | 583,889 | 605,792 | 510,037 |
| Student expenses | - | 1,929 | 6,750 |
| Supplies | 20,313 | 39,162 | 55,736 |
| Telephone | - | 5,534 | 11,518 |
| Training | 14,550 | 61,749 | 37,207 |
| Travel | 23,450 | 97,255 | 88,216 |
| Utilities | 2,258 | 14,224 | 6,727 |
| Total expenses | 1,701,594 | 2,119,600 | 1,779,012 |
| Annual deficit | (112,175) | (130,308) | (58,869) |
| Accumulated surplus, beginning of year | 182,513 | 182,513 | 240,209 |
| Transfer to fund depreciation | - | 5,385 | 7,631 |
| Acquisition of capital assets | - | (132,857) | - |
| Principal payments on long-term debt | - | (8,666) | (6,458) |
| Accumulated surplus (deficit), end of year | 70,338 | (83,933) | 182,513 |

Xaxli'p First Nation
Education
Schedule 7 - Schedule of Revenue and Expenses and Accumulated Surplus
For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 |
|---|------------------------|----------------|-------------|
| Revenue | | | |
| Indigenous Services Canada | | | |
| Elementary/secondary education | - | 201,161 | 177,811 |
| Post-secondary education | 601,811 | 470,502 | 427,273 |
| Social assistance | - | - | 2,510 |
| Indian government support | - | 4,780 | - |
| Work Opportunity Program | - | 4,880 | 1,220 |
| FNESC | - | 36,088 | 36,551 |
| ASETS | - | 13,346 | 37,033 |
| Other revenue | - | 50,520 | - |
| Total revenue | 601,811 | 781,277 | 682,398 |
| Expenses | | | |
| Administration | 5,400 | 44,571 | 44,227 |
| Fuel | - | 13,195 | 9,334 |
| Furniture and equipment | - | 2,592 | - |
| Honoraria | - | - | 125 |
| Insurance | 356 | 3,115 | 2,163 |
| Program expense | - | 12,706 | 11,928 |
| Salaries and benefits | 113,579 | 148,767 | 147,330 |
| Student expenses | 317,370 | 298,629 | 223,379 |
| Supplies | - | 11,229 | 12,468 |
| Telephone | - | 43 | 1,179 |
| Travel | 3,200 | 2,256 | 3,402 |
| Tuition costs | 121,823 | 156,795 | 119,936 |
| Utilities | 1,200 | 1,470 | 762 |
| Total expenses | 562,928 | 695,368 | 576,233 |
| Annual surplus | 38,883 | 85,909 | 106,165 |
| Accumulated surplus, beginning of year | 316,310 | 316,310 | 210,145 |
| Accumulated surplus, end of year | 355,193 | 402,219 | 316,310 |

**Xaxli'p First Nation
Resources**

Schedule 8 - Schedule of Revenue and Expenses and Accumulated Surplus (Deficit)

For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 |
|---|------------------------|-----------------|-------------|
| Revenue | | | |
| Other revenue | 17,200 | 88,081 | 94,617 |
| Province of BC | - | 206,221 | 240,592 |
| Work Opportunity Program | 9,200 | 9,685 | - |
| Total revenue | 26,400 | 303,987 | 335,209 |
| Expenses | | | |
| Furniture and equipment | - | - | 49 |
| Insurance | 300 | 302 | 295 |
| Miscellaneous | - | 8,250 | - |
| Program expense | - | 282,971 | 251,910 |
| Salaries and benefits | 22,400 | 21,828 | 25,485 |
| Supplies | 2,500 | 15,680 | 1,840 |
| Travel | - | 193 | - |
| Utilities | 1,200 | 1,488 | 1,113 |
| Total expenses | 26,400 | 330,712 | 280,692 |
| Annual surplus (deficit) | - | (26,725) | 54,517 |
| Accumulated surplus, beginning of year | 78,654 | 78,654 | 34,448 |
| Transfer between departments | - | - | (10,311) |
| Accumulated surplus, end of year | 78,654 | 51,929 | 78,654 |

Xaxli'p First Nation
Economic Development
Schedule 9 - Schedule of Revenue and Expenses and Accumulated Surplus
For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 |
|---|------------------------|------------------|-------------|
| Revenue | | | |
| Indigenous Services Canada | | | |
| Community infrastructure | - | 53,259 | 53,861 |
| Work Opportunity Program | - | - | 3,660 |
| Other revenue | - | 20,006 | - |
| Total revenue | - | 73,265 | 57,521 |
| Expenses | | | |
| Amortization | - | 3,262 | 3,900 |
| Bank charges and interest | - | 72 | - |
| Contracted services | - | 190 | - |
| Equipment lease | - | - | 244 |
| Insurance | - | 5,977 | 10,367 |
| Miscellaneous | - | 2,670 | 1,674 |
| Professional fees | - | 469 | 6,301 |
| Program expense | - | - | 65 |
| Property tax | - | 2,243 | - |
| Repairs and maintenance | - | - | 1,188 |
| Salaries and benefits | - | 13,671 | 85,481 |
| Student expenses | - | 78 | 2,900 |
| Supplies | - | 2,323 | 1,262 |
| Telephone | - | 160 | 483 |
| Travel | - | 122 | 4,454 |
| Utilities | - | 7,356 | 1,598 |
| Total expenses | - | 38,593 | 119,917 |
| Annual surplus (deficit) | | 34,672 | (62,396) |
| Accumulated deficit, beginning of year | (901,610) | (901,610) | (843,114) |
| Transfer to fund depreciation | - | 3,262 | 3,900 |
| Accumulated deficit, end of year | (901,610) | (863,676) | (901,610) |