

SPLATSIN
FINANCIAL STATEMENTS

March 31, 2016

EXHIBIT

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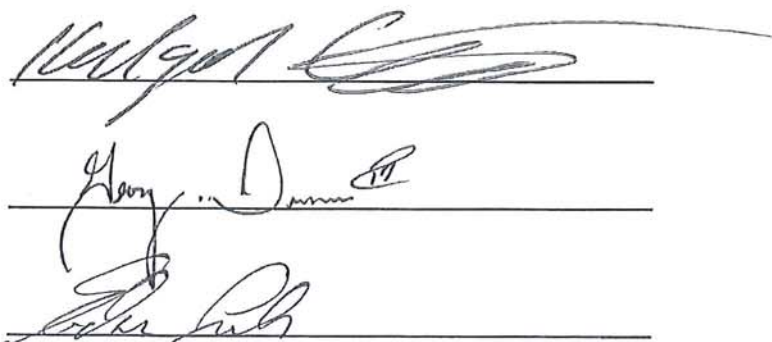
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of SPLATSIN have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgements. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of SPLATSIN's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Band Council is responsible for ensuring that management fulfils its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Council carries out this responsibility periodically through its Finance Committee. The Finance Committee is appointed by the Council and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Finance Committee reports to Council prior to its approval of the financial statements. The Committee also considers, for review by the Council and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by Daley & Company CPA LLP in accordance with Canadian generally accepted auditing standards.



Three handwritten signatures are present, each on a horizontal line. The top signature is a large, stylized cursive signature. The middle signature is a smaller, more legible cursive signature. The bottom signature is a cursive signature that appears to be 'Daley & Company'.



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INDEPENDENT AUDITORS' REPORT

To the Members,
SPLATSIN

EXHIBIT A1

Report on the Financial Statements

We have audited the accompanying financial statements of SPLATSIN, which comprise the summary statement of financial position as at March 31, 2016, and the summary statement of members' equity, summary statement of operations, summary statement of remeasurement gains and losses, summary statement of change in net financial assets and summary statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SPLATSIN as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The current year's supplementary information included in Exhibits B1 to B3, C1 to C2, D1 to D2 and schedules 1 to 39 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the summary financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Daley & Company LLP

Chartered Professional Accountants

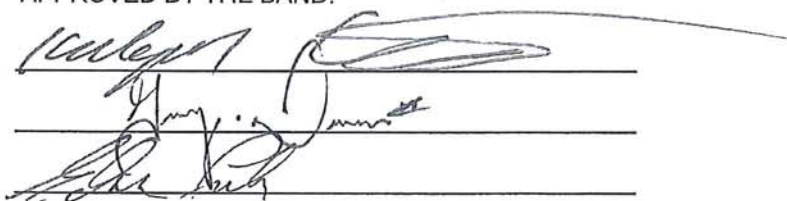
Kamloops, BC
July 19, 2016

SPLATSIN
SUMMARY STATEMENT OF FINANCIAL POSITION
March 31, 2016

FINANCIAL ASSETS	2016	2015
Cash	\$ 4,967,251	\$ 5,874,327
Restricted cash (Note A4)	2,176,285	2,034,277
Grants and accounts receivable (Note A5)	480,699	999,903
Loans receivable (Note A6)	380,859	638,084
Investments and advances (Note A7)	<u>2,401,044</u>	<u>1,841,347</u>
	<u>10,406,138</u>	<u>11,387,938</u>
LIABILITIES		
Accounts payable and accruals (Note A9)	1,791,030	2,388,502
Deferred revenue	68,217	5,685
Demand loans (Note A10)	666,958	911,072
Internally restricted funds payable (Note A4)	1,015,381	950,525
Mortgages payable (Note A11)	305,830	355,545
Long-term debt (Note A12)	<u>16,946,529</u>	<u>12,891,646</u>
	<u>20,793,945</u>	<u>17,502,975</u>
NET FINANCIAL DEBT	<u>(10,387,807)</u>	<u>(6,115,037)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note A13)	25,340,216	20,638,465
Prepaid expenses	<u>42,732</u>	<u>63,768</u>
	<u>25,382,948</u>	<u>20,702,233</u>
ACCUMULATED SURPLUS (Note A15)	<u>\$ 14,995,141</u>	<u>\$ 14,587,196</u>

COMMITMENTS AND CONTINGENCIES (Note A16)

APPROVED BY THE BAND:



See accompanying notes to financial statements.

SPLATSIN
SUMMARY STATEMENT OF MEMBERS' EQUITY
Year ended March 31, 2016

	2016	2015
ACCUMULATED SURPLUS, beginning of year	\$ 14,587,196	\$ 12,798,052
EXCESS OF REVENUE OVER EXPENSES	12,215	1,436,054
UNREALIZED GAINS (Exhibit A5)	<u>395,730</u>	<u>353,090</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 14,995,141</u>	<u>\$ 14,587,196</u>

See accompanying notes to financial statements.

SPLATSIN
SUMMARY STATEMENT OF OPERATIONS
Year ended March 31, 2016

	Budget	2016	2015
REVENUE:			
Indigenous and Northern Affairs Canada	\$ 4,035,014	\$ 4,407,683	\$ 5,069,573
First Nations Health Authority	999,711	1,173,229	891,295
Consulting and contract	1,183,362	1,693,759	2,061,339
Forest Consultation and Revenue Sharing Agreement	749,000	748,415	1,067,004
Income from investment in Splatsin business enterprises	330,000	492,054	235,868
Interest and dividend income	7,181	47,213	68,591
Canada Mortgage and Housing Corporation	10,653	10,643	90,340
Leases, rentals and grants in lieu	605,681	873,753	717,289
Miscellaneous	781,513	393,840	362,138
	<u>\$ 8,702,115</u>	<u>9,840,589</u>	<u>10,563,437</u>
EXPENSES:			
Administration	\$ 2,004,944	2,030,703	2,231,251
Child and Family Welfare	1,351,785	1,484,749	1,396,530
Infrastructure and Capital Improvements	-	53,750	168,333
Natural Resource and Title and Rights	1,022,547	1,293,571	1,086,922
Community Operations	584,120	1,212,143	409,151
Economic Development	41,638	76,640	66,269
Education	1,629,310	1,501,020	1,703,512
Social Development	825,930	758,044	754,006
Health	1,133,961	1,088,409	947,141
Housing	329,599	329,345	364,268
	<u>\$ 8,923,834</u>	<u>9,828,374</u>	<u>9,127,383</u>
EXCESS OF REVENUE OVER EXPENSES		\$ 12,215	\$ 1,436,054

See accompanying notes to financial statements.

SPLATSIN
SUMMARY STATEMENT OF REMEASUREMENT GAINS AND LOSSES
Year ended March 31, 2016

	2016	2015
ACCUMULATED REMEASUREMENT GAINS, beginning of year	<u>\$ 450,965</u>	<u>\$ 97,875</u>
UNREALIZED GAINS ATTRIBUTED TO:		
Equity in partnerships (Note A7)	547,842	490,166
Losses in partnerships (Note A7)	<u>(152,112)</u>	<u>(137,076)</u>
	<u>395,730</u>	<u>353,090</u>
ACCUMULATED REMEASUREMENT GAINS, end of year	<u><u>\$ 846,695</u></u>	<u><u>\$ 450,965</u></u>

See accompanying notes to financial statements.

SPLATSIN
SUMMARY STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
Year ended March 31, 2016

	2016	2015
EXCESS OF REVENUE OVER EXPENSES	\$ 12,215	\$ 1,436,054
Acquisition of tangible capital assets	(5,708,765)	(9,273,108)
Amortization of tangible capital assets	1,007,014	395,256
Unrealized gains (Exhibit A5)	395,730	353,090
Change in prepaid expenses	21,036	(25,481)
DECREASE IN NET FINANCIAL ASSETS	(4,272,770)	(7,114,189)
NET FINANCIAL ASSETS (DEBT), beginning of year	(6,115,037)	999,152
NET DEBT, end of year	\$ (10,387,807)	\$ (6,115,037)

See accompanying notes to financial statements.

SPLATSIN
SUMMARY STATEMENT OF CASH FLOWS
Year ended March 31, 2016

	2016	2015
OPERATING ACTIVITIES:		
Excess of revenue over expenses	\$ 12,215	\$ 1,436,054
Non-cash charges to operations		
Amortization	1,007,014	395,256
Adjustment for capital and investment transactions included in operations:		
Income from investment in Splatsin business enterprises	(492,054)	(235,868)
(Increase) decrease in:		
Accounts receivable	519,204	(255,687)
Loans receivable	257,225	262,828
Prepaid expenses	21,036	(25,481)
Increase (decrease) in:		
Accounts payable and accruals	(597,472)	888,788
Deferred revenue	62,532	1,508
Funds held in trust	64,856	(5,129)
Cash flows from operations	<u>854,556</u>	<u>2,462,269</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
New borrowings	4,307,348	9,084,294
Demand loans	(244,114)	(262,876)
Long-term debt reduction	(302,180)	(226,223)
Cash flows from financing	<u>3,761,054</u>	<u>8,595,195</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Purchase of property and equipment	(5,708,765)	(9,273,108)
Cash used in capital	<u>(5,708,765)</u>	<u>(9,273,108)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted cash	(142,008)	174,802
Equity in Partnerships	395,730	353,090
Long-term investments	(67,643)	50,763
Cash from investing	<u>186,079</u>	<u>578,655</u>
INCREASE IN CASH	(907,076)	2,363,011
CASH, beginning of year	<u>5,874,327</u>	<u>3,511,316</u>
CASH, end of year	<u>\$ 4,967,251</u>	<u>\$ 5,874,327</u>

See accompanying notes to financial statements.

SPLATSIN
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES:

These summary financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

a) Fund Accounting:

Splatsin uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the summary financial statements. Details of the operations of each fund are set out in the supplementary schedules. Splatsin maintains the following funds:

- The Band Operating Fund which reports the general activities of the First Nation Administration.
- The Trust Fund which reports on trust funds owned by the First Nation and held by third parties.
- The Capital Fund which reports the property, plant and equipment of the First Nation, together with their related financing.
- The Social Housing Program Fund which reports the social housing assets of the First Nation, together with related activities.

b) Reporting Entity and Principles of Financial Reporting:

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

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

- Splatsin Operating Fund
- Splatsin Trust Fund
- Splatsin Capital Fund
- Splatsin Social Housing Program Fund

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

Incorporated business entities, which are owned or controlled by Splatsin and which are not dependent on the First Nation for their continuing operations, are included in the summary financial statements using the modified equity method. This includes:

- Quilakwa Investments Ltd.
- Splatsin Development Corporation
- Yucwmenlucwu ("Caretakers of the Land") 2007 LLP

Investments in government partnerships are included in the summary financial statements using the proportionate consolidation method. These include:

- Secwépemc Reconciliation Framework Agreement (RFA)
- Séxqeltkemoc Lakes Division

Investments in non-controlled entities and subject to significant influence are included in the summary financial statements using the modified equity method. These include:

- Sexqeltkemoc Enterprises Inc.
- Sexqeltkemoc Limited Partnership

Long-term investments in non-controlled entities and not subject to significant influence are recorded at cost.

SPLATSIN
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued):

c) Accrual Method:

The accrual method is used in accounting for all funds.

d) Replacement Reserve:

The Replacement Reserve is funded by an annual charge against earnings as opposed to an appropriation of surplus.

e) Non-financial Assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

1) Tangible Capital Assets:

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Major Asset Category:

Roads and bridges	10 to 75 years
Buildings and housing	20 to 70 years
Water systems	50 to 80 years
Automotive and other equipment	10 to 15 years
Office equipment	5 to 10 years

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

The Band reviews the useful lives and the carrying values of its tangible capital assets at least annually or more frequently if events or changes in circumstances indicate that the assets might be impaired, by reference to the assets' contribution to the Band's ability to provide services. When assets no longer have any long-term service potential to the Band, the assets are considered to be impaired. An impairment loss is measured at the amount by which the carrying amount of the assets exceeds their fair value, which is estimated as the expected service potential of the assets.

2) Leases:

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

The Band's interest in reserve lands is not reflected in these financial statements, as no consideration was paid by the Band to acquire these lands.

f) Deferred Revenue:

Revenue is recorded in the period to which it relates.

SPLATSIN
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued):

g) Revenue Recognition:

Splatsin derives revenues from a number of sources.

Amounts received from Indigenous and Northern Affairs Canada (INAC) are reported in accordance with the terms of the funding arrangement. Amounts specified as set are reported as revenue as program terms and conditions are met and delivered. Any resulting surpluses are repayable to INAC and any deficits incurred are refundable by INAC. Amounts specified as fixed are recognized as revenue as program terms and conditions are met and delivered. Any resulting surpluses may be retained by the Band provided delivery of the program is complete at March 31. Any resulting deficits are the responsibility of the Band. Grants received from INAC are unconditional and are reported as revenue when received or receivable and collection is reasonably assured.

Amounts received from other government departments, both federal and provincial, are reported as revenue in accordance with the terms of the contract or agreement.

Own source revenues derived from such sources as housing rents, resource based revenues, interest income, etc. are reported when received or receivable and collection is reasonably assured.

h) Use of Estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

NOTE A2. ADOPTION OF NEW ACCOUNTING POLICY:

On April 1, 2015, the Band adopted PS 3260 Liability for Contaminated Sites. The Standard was applied on a retroactive basis to April 1, 2014 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the Band.

NOTE A3. FINANCIAL INSTRUMENTS:

Fair Value of Financial Assets and Financial Liabilities:

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

The carrying value of mortgages payable and long-term debt approximate fair value as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for similar items.

Credit Risk:

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

Interest Risk:

Mortgages payable have fixed interest rates on all mortgages. Therefore interest expense will decrease with the principal repayment of the mortgage and interest risk is reduced to the minimum.

SPLATSIN
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A4. RESTRICTED CASH:

	2016	2015
Internally restricted funds	\$ 1,015,381	\$ 950,525
Replacement reserve	122,210	121,199
Secured revenues trust account	55,703	3,305
Ottawa Trust Funds	982,991	959,248
	<u>\$ 2,176,285</u>	<u>\$ 2,034,277</u>

- a) Internally restricted funds:
The funds consist of children's special allowances received in respect of children under the care of the Band. By way of Band Council resolution these monies are payable to children in the care of the Band upon their nineteenth birthday.

	2016	2015
Balance, beginning of year	\$ 950,525	\$ 955,654
Amounts received, including interest	177,576	123,476
Payments	(112,720)	(128,605)
Balance, end of year	<u>\$ 1,015,381</u>	<u>\$ 950,525</u>

- b) Replacement Reserve Fund:
Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Replacement Reserve account is to be credited in the amount of \$5,703 annually plus interest. 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 Canada Mortgage and Housing Corporation from time to time. Withdrawals are credited to interest first and then principal.

	2016	2015
Balance, beginning of year	\$ 31,434	\$ 112,806
Allocation for the year	5,703	6,445
Interest earned	1,010	835
Adjustment due to matured units	-	(70,938)
Approved expenditures	-	(17,714)
Balance, end of year	<u>\$ 38,147</u>	<u>\$ 31,434</u>
The Replacement Reserve is represented by:		
Cash	<u>\$ 122,210</u>	<u>\$ 121,199</u>

- c) Secured revenues trust account:
The secured revenues trust account arises from a financing agreement with the First Nations Finance Authority (FNFA). Other revenues of Splatsin are deposited into this account to secure funds FNFA has lent to Splatsin. The account is managed by a third party which is required to pay amounts to FNFA under the terms of the borrowing agreement before paying any remaining amount from the account to Splatsin.

- d) Ottawa Trust Funds:
The Ottawa Trust Accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

SPLATSIN
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A5 . GRANTS AND ACCOUNTS RECEIVABLE:	2016	2015
Accounts Receivable:		
Amounts under \$50,000	\$ 508,913	\$ 496,573
Indigenous and Northern Affairs Canada	55,269	213,957
Sexqeltkenc Lakes Division	1,649	160,982
Canada Mortgage and Housing Corporation	-	78,594
BC Hydro	74,677	65,000
Secwepemc Fisheries Commission	4,801	60,537
	<u>645,309</u>	<u>1,075,643</u>
Rent Receivable	<u>903,424</u>	<u>937,470</u>
Band Members	<u>46,397</u>	<u>46,247</u>
	<u>1,595,130</u>	<u>2,059,360</u>
Less allowance for doubtful accounts	<u>(1,114,431)</u>	<u>(1,059,457)</u>
	<u>\$ 480,699</u>	<u>\$ 999,903</u>
NOTE A6. LOANS RECEIVABLE:	2016	2015
Band member, loan receivable, no set terms of repayment, secured by land and building	\$ 49,431	\$ 48,997
Band member, loan receivable, repayable in monthly installments of \$490 including interest at the Bank's prime plus 1.5%, secured by land and building, due November 2037	59,794	63,056
Band member, loan receivable, repayable in monthly installments of \$360 including interest at the Bank's prime plus 1.5%, secured by land and building, due November 2027	37,658	40,292
Band member, loan receivable, repayable in monthly installments of \$1,535 including interest at the Bank's prime plus 1.5%, secured by land and building, due November 2038	233,976	227,858
Councillor, loan receivable, repaid during the year	<u>-</u>	<u>257,881</u>
	<u>\$ 380,859</u>	<u>\$ 638,084</u>

SPLATSIN
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A7. INVESTMENTS AND ADVANCES:	2016	2015
Splatsin Development Corporation:		
Share capital - 100%	<u>\$ 1</u>	<u>\$ 1</u>
Yucwmenlucwu ("Caretakers of the Land") 2007 LLP:		
Partnership interest:		
Balance, beginning of year	1,274,925	1,152,430
Net income allocation	934,176	472,495
Drawings	<u>(333,589)</u>	<u>(350,000)</u>
Balance, end of year	1,875,512	1,274,925
Capital account - 99% interest	<u>99</u>	<u>99</u>
	<u>1,875,611</u>	<u>1,275,024</u>
Quilakwa Investments Ltd.:		
Share capital - 100%	80	80
Advances, noninterest bearing, unsecured, no stated terms of repayment	194,047	188,544
Retained earnings	<u>254,608</u>	<u>92,066</u>
	<u>448,735</u>	<u>280,690</u>
Secwepemc Economic Development Corporation:		
1 Common share, par value \$1	<u>1</u>	<u>1</u>
All Nations Trust Company:		
Class A common shares, par value \$1	<u>15,220</u>	<u>15,220</u>
Sexqeltkmc Enterprises Inc.:		
Share capital - 33%	<u>10</u>	<u>10</u>
Sexqeltkmc Limited Partnership:		
Capital account - 33% interest	10	10
Accumulated surplus (equity in losses)	<u>61,456</u>	<u>270,391</u>
	<u>61,466</u>	<u>270,401</u>
	<u><u>\$ 2,401,044</u></u>	<u><u>\$ 1,841,347</u></u>

Financial information for Yucwmenlucwu ("Caretakers of the Land") 2007 LLP:

	2016	2015
Cash	\$ 1,093,507	\$ 640,568
Current assets	609,702	773,675
Equipment	252,974	255,783
Non-current Assets	511,482	313,641
Current Liabilities	<u>(613,789)</u>	<u>(739,813)</u>
Partners' Capital	<u><u>\$ 1,853,876</u></u>	<u><u>\$ 1,243,854</u></u>
Revenues	\$ 6,970,034	\$ 5,074,957
Other Comprehensive Income	547,842	490,166
Expenses	<u>6,574,264</u>	<u>5,087,855</u>
Net Income	<u><u>\$ 943,612</u></u>	<u><u>\$ 477,268</u></u>

Yucwmenlucwu ("Caretakers of the Land") 2007 LLP is domiciled near Enderby, British Columbia. The Partnership is engaged primarily in logging operations.

SPLATSIN
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A7. INVESTMENTS AND ADVANCES (continued):

Financial information for Quilakwa Investments Ltd.:

	2016	2015
Cash	\$ 220,567	\$ 210,322
Current Assets	1,060,489	236,613
Property and equipment	343,568	168,316
Current Liabilities	(1,039,812)	(272,604)
Deferred revenue	(104,441)	-
Long-term debt	-	(24,818)
	<u>\$ 480,371</u>	<u>\$ 317,829</u>
Shareholders' equity		
Comprised of:		
Share capital	80	80
Contributed surplus	225,683	225,683
Retained earnings	254,608	92,066
	<u>\$ 480,371</u>	<u>\$ 317,829</u>
Revenues	\$ 7,249,382	\$ 6,711,134
Expenses	7,086,840	6,499,666
Net Income	<u>\$ 162,542</u>	<u>\$ 211,468</u>

Quilakwa Investments Ltd. is domiciled near Enderby, British Columbia. The primary business activity is the operation of a retail gas station.

Financial information for Sexqeltkemoc Limited Partnership:

	Total	Band's Share 2016	Band's Share 2015
Cash	\$ 52,119	\$ 17,371	\$ 138,188
Other current assets	1,018,412	339,437	157,883
Long-term Assets	147,417	49,134	40,684
Current Liabilities	(1,033,531)	(344,476)	(66,354)
Partner's Capital	<u>\$ 184,417</u>	<u>\$ 61,466</u>	<u>\$ 270,401</u>
Revenues	\$ 3,747,376	\$ 1,249,000	\$ 1,721,979
Other Comprehensive Loss	(456,382)	(152,112)	(137,076)
Expenses	3,917,857	1,305,822	1,560,507
Net Income	<u>\$ (626,863)</u>	<u>\$ (208,934)</u>	<u>\$ 24,396</u>

Sexqeltkemoc Limited Partnership is domiciled near Chase, British Columbia. The Partnership is a business entity comprised of representative members from the Adams Lake, Neskonlith and Splat sin people. The Partnership's object is to recognize, develop and secure business and employment opportunities within the traditional boundaries of the Sexqeltkemoc te Secwepemc. Net earnings of the Partnership are allocated to the respective Partners annually.

SPLATSIN
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A8. PROPORTIONATELY CONSOLIDATED INTERESTS:

2016

2015

The following are accounted for using the proportionate consolidation method:

Secwépemc Reconciliation Framework Agreement (RFA)

Secwépemc Reconciliation Framework Agreement (RFA) is an agreement signed between the Secwépemc and the Province of B.C. Under the agreement the Secwépemc is comprised of the Tk'emlups te Secwépemc, Skeetchestn Indian Band, Adams Lake Indian Band, Splat sin Indian Band and Shuswap Indian Band. The purpose of the agreement is to engage with the Province of B.C. in discussions associated with land and resource use within asserted traditional territories outside of the B.C. treaty process.

Financial information for Secwépemc Reconciliation Framework Agreement (RFA):

	Total	Band's Share 20%	Band's Share 20%
Cash	\$ 237,264	\$ 47,453	\$ 48,606
Prepaid expenses	4,894	979	1,200
Equipment	11,245	2,249	6,393
Intangible asset	220,415	44,083	-
Current Liabilities	(47,236)	(9,447)	(5,466)
	<u>\$ 426,582</u>	<u>\$ 85,317</u>	<u>\$ 50,733</u>
Revenues	\$ 864,003	\$ 172,801	\$ 183,844
Expenses	691,088	138,218	133,111
Net Income	<u>\$ 172,915</u>	<u>34,583</u>	<u>50,733</u>
Expenses of Secwépemc Reconciliation Framework Agreement (RFA) paid to Splat sin		<u>40,000</u>	<u>20,000</u>
Net income included in summary financial statements		<u>\$ 74,583</u>	<u>\$ 70,733</u>

Séxqeltkemoc Lakes Division

Séxqeltkemoc Lakes Division is a political body established to represent the Sexqeltkemoc te Secwepemc and the Chiefs and Councils of the Neskonlith Indian Band, the Adams Lake Indian Band and the Splat sin Indian Band to investigate rights and title issues and business opportunities and impact benefit agreements.

Financial information for Séxqeltkemoc Lakes Division:

	Total	Band's Share 33%	Band's Share 33%
Cash	\$ 839,378	\$ 279,793	\$ 449,887
Accounts receivable	63,017	21,005	1,167
Equipment	5,603	1,868	-
Current Liabilities	(62,396)	(20,798)	(5,618)
	<u>\$ 845,602</u>	<u>\$ 281,868</u>	<u>\$ 445,436</u>
Revenues	\$ 172,201	\$ 57,401	\$ 677,858
Expenses	662,907	220,969	414,322
Net Income (Deficit)	<u>\$ (490,706)</u>	<u>(163,568)</u>	<u>263,536</u>
Expenses of Séxqeltkemoc Lakes Division paid to Splat sin		<u>196,598</u>	<u>486,076</u>
Net income included in summary financial statements		<u>\$ 33,030</u>	<u>\$ 749,612</u>

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NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A9. ACCOUNTS PAYABLE AND ACCRUALS:

	2016	2015
Miscellaneous (under \$50,000)	\$ 569,014	\$ 476,476
Per capita distributions - BC Hydro: right of way lease	692,210	406,121
Payroll - accrual	125,093	106,415
Payroll - Vacation Payable	99,670	65,271
School District No. 83	81,587	-
Encan Construction Ltd.	53,958	1,228,015
Associated Engineering (BC) Ltd.	169,498	106,204
	<u>\$ 1,791,030</u>	<u>\$ 2,388,502</u>

NOTE A10. DEMAND LOANS:

Capital Fund:

	2016	2015
Bank of Montreal, demand loan, repayable in monthly installments of \$1,025 including interest at the bank's prime rate plus 1.5%, secured by Ministerial Guarantee of the Minister of Indigenous and Northern Affairs Canada	\$ 95,305	\$ 103,366
Bank of Montreal, demand loan, repayable in monthly installments of \$1,283 plus interest at the bank's prime rate plus 1.5%, secured by Ministerial Guarantee of the Minister of Indigenous and Northern Affairs Canada	53,900	69,300
Bank of Montreal, demand loan, repayable in monthly installments of \$1,109 including interest at 3.91%, secured by Ministerial Guarantee of the Minister of Indigenous and Northern Affairs Canada, due June 2017	121,695	130,057
Bank of Montreal, demand loan, repaid during the year	-	193
Bank of Montreal, demand loan, repaid during the year	-	473
RBC Royal Bank, equipment loan, repayable in monthly installments of \$825 including interest and 3.79%, secured by an excavator and a loader	32,370	40,863
	<u>303,270</u>	<u>344,252</u>

Band Operations:

Bank of Montreal, mortgage, repayable in monthly installments of \$490 including interest at the bank's prime rate plus 1.5%, secured by Ministerial Guarantee of the Minister of Indigenous and Northern Affairs Canada	59,794	63,056
Bank of Montreal, mortgage, repayable in monthly installments of \$360 including interest at the bank's prime rate plus 1.5%, secured by Ministerial Guarantee of the Minister of Indigenous and Northern Affairs Canada	38,212	40,846
Bank of Montreal, mortgage, repayable in monthly installments of \$1,390 including interest at the bank's prime rate plus 1.5%, secured by Ministerial Guarantee of the Minister of Indigenous and Northern Affairs Canada	234,745	241,286
Bank of Montreal, mortgage, repayable in monthly installments of \$185 including interest at the bank's prime rate plus 1.5% secured by Ministerial Guarantee of the Minister of Indigenous and Northern Affairs Canada	30,937	31,488
Bank of Montreal, mortgage, repaid during the year	-	190,144
	<u>363,688</u>	<u>566,820</u>
	<u>\$ 666,958</u>	<u>\$ 911,072</u>

SPLATSIN
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A11. MORTGAGES PAYABLE:

2016

2015

Band Operations:

Bank of Montreal, mortgage, repayable in monthly installments of \$407 including interest at 5.14%, secured by Ministerial Guarantee of the Minister of Indigenous and Northern Affairs Canada, due November 2018

	\$ 21,926	\$ 25,611
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Capital Fund:

Bank of Montreal, mortgage, repayable in monthly installments of \$764 including interest at 6.3%, secured by Ministerial Guarantee of the Minister of Indigenous and Northern Affairs Canada, due October 2016

	49,691	55,611
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Bank of Montreal, mortgage, repayable in monthly installments of \$769 including interest at 6.3%, secured by Ministerial Guarantee of the Minister of Indigenous and Northern Affairs Canada, due October 2016

	48,509	54,566
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Bank of Montreal, mortgage, repayable in monthly installments of \$771 including interest at 6.3%, secured by Ministerial Guarantee of the Minister of Indigenous and Northern Affairs Canada, due October 2016

	45,387	51,643
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Bank of Montreal, mortgage, repayable in monthly installments of \$417 including interest and the bank's prime rate plus 1.5%, secured by Ministerial Guarantee of the Minister of Indigenous and Northern Affairs Canada

	10,842	15,846
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	154,429	177,666
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Social Housing Program:

Canada Mortgage and Housing Corporation, repayable in monthly installments of \$720 including interest at 3.14% per annum, due May 2017

	9,891	18,094
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All Nations Trust Company, repayable in monthly installments of \$1,464 including interest at 2.35% per annum, due September 2018

	119,584	134,174
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	129,475	152,268
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	\$ 305,830	\$ 355,545
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Principal repayments of demand loans and mortgages due in the ensuing 5 years are approximately as follows:

2017	\$ 230,886
2018	186,622
2019	154,313
2020	38,149
2021	26,670

SPLATSIN
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A12. LONG-TERM DEBT:	2016	2015
<u>Capital Fund:</u>		
First Nations Finance Authority, Promissory Note, repayable in monthly payments of \$42,299 including interest at 3.79%. The debt is secured through a secured revenues trust account with a ratio value of 2.04. Due June 2024.	\$ 7,848,155	\$ 8,050,925
First Nations Finance Authority, interim long-term financing program, interest only payments at 2.6%, secured by a secured revenues trust account with a ratio value of 2.04. Due the earlier of March 2020, the date of completion of the Multi Purpose Community Facility, or the date upon which the First Nations Finance Authority issues debt securities to replace the interim long-term financing.	7,561,050	5,527,000
First Nations Finance Authority, Promissory Note, repayable in monthly payments of \$10,598 including interest at 2.985%. The debt is secured through a secured revenues trust account. Due June 2024	2,460,589	-
Debt Reserve Fund investment, the Authority holds a deposit of 5% of the loans advanced in the Debt Reserve Fund. Interest is paid daily at 1.2%.	(417,497)	(409,929)
Interim Financing Debt Reserve Fund investment, the Authority holds a deposit of 5% of the loans advanced in the Debt Reserve Fund. Interest is paid daily at 1.05%.	(379,987)	(276,350)
Debt Reserve Fund investment, the Authority holds a deposit of 5% of the loans advanced in the Debt Reserve Fund. Interest is paid daily at 0.9%.	(125,781)	-
	<u>\$ 16,946,529</u>	<u>\$ 12,891,646</u>

The Band has constructed a Multi Purpose Community Facility and a gas bar and convenience store located on Enderby Indian Reserve #2. Total financing from First Nations Finance Authority approved by council resolution for these projects is \$18,259,622 and the full amount has been received as at March 31, 2016 (less debt reserve balances of 5%). The estimated amount of annual debt servicing costs in connection with the total financing is \$1,032,243. Costs of \$18,051,545 have been incurred on the projects as of March 31, 2016. The Band has committed approximately \$1,558,000 of revenue per year to be paid into the Secured Revenues Trust Account. The Secured Revenues Trust Account is managed by a third party which is required to pay amounts to FNFA under the terms of the borrowing agreement before paying any remaining amount from the account to Splatsin.

NOTE A13. TANGIBLE CAPITAL ASSETS:	2016	2015
Tangible capital assets consist of the following:		
Land	\$ 60,325	\$ 60,325
Roads and bridges	1,293,031	1,318,130
Buildings and Housing	21,177,306	6,102,524
Water Systems	1,130,736	1,154,047
Automotive and Other Equipment	1,075,704	286,505
Office Equipment	137,049	57,876
Construction in-progress	466,065	11,659,058
	<u>\$ 25,340,216</u>	<u>\$ 20,638,465</u>

For additional information, see the Summary Schedule of Tangible Capital Assets (Appendix 1).

NOTE A14. CASH FLOW INFORMATION:

During the year \$507,227 of interest was paid. \$362,299 was capitalized to buildings as it related to interest paid on financing received while the building was under construction.

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NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A15. ACCUMULATED SURPLUS:

2016

2015

Accumulated surplus consists of individual fund surpluses and reserves as follows:

Surplus from operations:		
Unrestricted	\$ 5,788,315	\$ 6,209,109
Restricted capital surplus	124,366	222,505
	<u>5,912,681</u>	<u>6,431,614</u>
Invested in tangible capital assets	<u>7,806,513</u>	<u>7,072,633</u>
Investments	<u>254,809</u>	<u>92,267</u>
Funded Reserves:		
Replacement Reserve (CMHC) (Note A4)	38,147	31,434
Ottawa Trust Funds	982,991	959,248
	<u>1,021,138</u>	<u>990,682</u>
	<u>\$14,995,141</u>	<u>\$ 14,587,196</u>

NOTE A16. COMMITMENTS AND CONTINGENCIES:

- a) The Band receives a portion of its funding under a contribution authority with Indigenous and Northern Affairs Canada which, if unexpended, may be refundable to Indigenous and Northern Affairs Canada. Further, amounts which are overexpended may be reimbursed by Indigenous and Northern Affairs Canada to the Band.
- b) Housing Mortgages:
The Band is guarantor of various Housing mortgages, secured by Ministerial guarantees, totaling \$243,466.
- c) The Band is guarantor of various loans to Band members, secured by personal property of the individuals, totaling \$753,114.
- d) Pension Plan:
The Band and its employees contribute to a defined contribution pension plan. There is no obligation for past service or periods in which an employee was not employed. Total contributions to the plan during the year were \$34,135 (2015 - \$27,618).
- e) Under a line of credit arrangement with the Bank of Montreal, the Band may borrow up to \$500,000 on such terms as the Band and the bank may mutually agree upon. This arrangement does not have a termination date and can be withdrawn at the bank's option. At March 31, 2016, the unused portion of the credit line was \$275,185.
- f) Under a line of credit arrangement with the Royal Bank of Canada, the Band may borrow up to \$710,000 on such terms as the Band and the bank may mutually agree upon. This arrangement does not have a termination date and can be withdrawn at the bank's option. At March 31, 2016, the unused portion of the credit line was \$710,000.
- g) The Band has guaranteed a line of credit on behalf of Sexqeltkenc Limited Partnership, a significantly influenced partnership, to a maximum of \$100,000.
- h) The Band leases land and building to Quilakwa Investments Ltd. who operates a convenience store and gas station. The convenience store and gas station has operated for a number of years and it is possible that the site may have become contaminated. No environmental assessment has been performed to date or required to be performed to confirm a contamination. As no contamination has been confirmed and because it is unclear whether the Band would be required under an environmental standard to remediate the site itself no amount has been recorded for remediation costs in the financial statements.
- i) The Band leases office equipment under long-term agreements. Future minimum lease payments are as follows:

2016	\$	60,173
2017		60,173
2018		60,173
2019		60,173
2020		58,528
Thereafter		12,576
	\$	<u>311,796</u>

SPLATSIN
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A17. SEGMENTED INFORMATION:

Splatsin is a First Nations government institution that provides a range of programs and services to its members, including band revenue, administration, social development, education, community development, capital works and natural resources. For management reporting purposes the First Nation's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

First Nation services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Administration:

Administration supports the development of stable, legitimate and accountable community governments. It also provides overall support of the First Nation including advisory services relating to financial management, band government, economic development, community services and technical services.

Child and Family Welfare:

Child and Family Welfare supports culturally appropriate child and family services for children and families, notwithstanding residences of the child, in the best interest of the child, in accordance with the Bylaw #3 - 1980. Protecting children from neglect and abuse is the main objective of child and family services. It also provides services that increase the ability and capacity of families to remain together and to support the needs of the children in their parental homes and communities.

Infrastructure and Capital Improvements:

Infrastructure and Capital Improvements manages capital projects within the community undertaken to support the growth and/or maintenance of the First Nations infrastructure.

Natural Resource and Title and Rights:

Natural Resource and Title and Rights is responsible for the development of land and resources under community control, access to economic opportunities on land and resources beyond community control, investment promotion, as well as research and advocacy.

Community Operation:

Community Operation supports the construction, operation and basic maintenance of community facilities and services such as water and sewage, roads, electrification, schools and fire protection. It is also responsible for ensuring that the facilities and community services meet recognized standards and are comparable to the services provided to nearby communities by provincial and municipal governments.

Economic Development:

Economic Development manages economic development planning, proposal development, and planning and implementation of ongoing activities and one-time projects.

Education:

Education supports the members in expressing, preserving, developing and promoting its cultural heritage through the establishment and operation of First Nation education centres and programs. It also provides services for students at the elementary/secondary and post secondary level, including; instructional services both on and off reserve as well as support services such as transportation, accommodation, guidance and counselling.

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NOTES TO SUMMARY FINANCIAL STATEMENTS
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NOTE A17. SEGMENTED INFORMATION (continued):

Social Development:

Social Development provides assistance to community members unable to provide for themselves and their dependents. The services provided by this department include, but are not limited to, income assistance, child and family services, assisted living and early childhood development.

Health:

Health supports the concept of promoting holistic health, and the Community Health Plan, which is based on health needs identified by a community needs assessment. It provides services to the community with programs such as home and community care, addictions counselling and public health services, as well as children, adult and elder wellness prevention and education programs.

Housing:

Housing is responsible for the administration and management of Social Housing units, Band-owned housing units and renovation projects for private homeowners.

The accounting policies used in these segments are consistent with those followed in the preparation of the summary financial statements as disclosed in Note A1. For additional information see the Statement of Financial Activities - Segmented (Appendix 2).

NOTE A18. ECONOMIC DEPENDENCE:

Splatsin receives a major portion of its revenues pursuant to a funding arrangement with Indigenous and Northern Affairs Canada.

NOTE A19. COMPARATIVE FIGURES:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE A20. SUBSEQUENT EVENT:

Subsequent to the year-end the Band has committed to purchase leasehold improvements from Quilakwa Investments Ltd. (Quilakwa), which it is a 100% shareholder, for approximately \$790,572. For consideration the Band will assume a Royal Bank of Canada loan (balance at March 31, 2016 is \$693,885). The Band will also issue a promissory note payable to Quilakwa for the difference between the carrying value of the assets sold and the balance of the loan on the date of the transaction.