

Consolidated Financial Statements of

AKISQ'NUK FIRST NATION

Year ended March 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Akisq'nuk First Nation and all the information in this report are the responsibility of management and have been approved by Chief and Council.

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

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

Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The elections for the positions of Chief and Council occur every two years. Individuals are elected for a term of four years, with elections staggered every two years.

Chief and Council review Akisq'nuk's consolidated financial statements and recommend their approval. Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditors' report. Chief and Council takes this information into consideration when approving the consolidated financial statements for issuance to the First Nation's Members. In addition, Chief and Council also consider the engagement of Akisq'nuk's external auditors.

The consolidated financial statements have been audited by KPMG LLP in accordance with Canadian generally accepted auditing standards on behalf of the First Nation's Members. KPMG LLP have full access to Chief and Council.



Chief



Councillor



Councillor

July 25, 2018



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INDEPENDENT AUDITORS' REPORT

To Chief and Council and Members of Akisq'nuk First Nation

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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 an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider internal control relevant to an 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.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.



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 audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Akisq'nuk First Nation as at March 31, 2018, and the results of its consolidated operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

The consolidated financial statements of Akisq'nuk First Nation as at and for the year ended March 31, 2017, were audited by other auditors who expressed an unmodified opinion on those financial statements on July 24, 2017.

A handwritten signature in black ink that reads 'KPMG LLP' in a stylized, cursive font.

Chartered Professional Accountants

Kelowna, Canada

July 25, 2018

AKISQ'NUK FIRST NATION

Consolidated Statement of Financial Position

March 31, 2018, with comparative information for 2017

| | 2018 | 2017 |
|---|----------------------|----------------------|
| Financial Assets | | |
| Cash and cash equivalents (note 2) | \$ 6,956,171 | \$ 6,416,585 |
| Restricted cash and cash equivalents (note 2) | 5,905,855 | 5,361,559 |
| Accounts receivable (note 3) | 1,199,209 | 507,090 |
| Investments (note 4) | 187,652 | 187,652 |
| Investments in business enterprises (note 5) | 432,900 | 341,851 |
| | <u>14,681,787</u> | <u>12,814,737</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | 645,917 | 581,571 |
| Deferred revenue (note 6) | 1,199,832 | 645,839 |
| Term debt (note 7) | 1,672,814 | - |
| | <u>3,518,563</u> | <u>1,227,410</u> |
| Net financial assets | 11,163,224 | 11,587,327 |
| Non-Financial Assets | | |
| Tangible capital assets (note 8) | 7,334,088 | 4,467,471 |
| Prepaid expenses and deposits | 83,428 | 47,295 |
| | <u>7,417,516</u> | <u>4,514,766</u> |
| Accumulated surplus (note 9) | \$ 18,580,740 | \$ 16,102,093 |

Commitments (note 12)

See accompanying notes to consolidated financial statements.

On behalf of the Chief and Council:



Chief



Councillor



Councillor

AKISQ'NUK FIRST NATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2018, with comparative information for 2017

| | 2018 Budget | 2018 | 2017 |
|---|----------------------|----------------------|----------------|
| | (note 1(h)) | | |
| Revenue: | | | |
| Transfers from other governments: | | | |
| Department of Indigenous Services Canada | \$ 1,438,947 | \$ 1,540,360 | \$ 1,122,194 |
| Province of British Columbia | 103,285 | 217,698 | 144,524 |
| Ktunaxa Nation Council | 753,499 | 763,453 | 807,772 |
| First Nations Health Authority | 46,960 | 109,601 | 44,545 |
| Other First Nation funding agencies | 84,000 | 74,724 | 180,356 |
| Grants | 1,032,025 | 394,276 | 125,151 |
| Canada Mortgage and Housing Corporation | - | 20,249 | 12,764 |
| First Nations Goods and Services Tax | 361,877 | 379,052 | 394,486 |
| Property taxation | 349,100 | 460,387 | 331,512 |
| Leases and rentals | 874,215 | 869,552 | 839,768 |
| Interest and other | 186,500 | 269,564 | 316,344 |
| Housing tenants - rent | 36,900 | 44,500 | 42,880 |
| Impact Management and Benefit Agreement | 1,167,787 | 1,309,266 | 19,790 |
| Eva Joseph Learning and Cultural Society | - | 331,649 | 328,212 |
| Equity in earnings of business enterprises (note 5) | - | 48,030 | - |
| | 6,435,095 | 6,832,361 | 4,710,298 |
| Expenses (Schedule 1): | | | |
| Administration | 436,859 | 183,845 | 250,112 |
| Business | 58,462 | 66,817 | 60,092 |
| Campground | 448,358 | 407,595 | 398,214 |
| Community facilities and maintenance | 1,104,889 | 892,692 | 864,851 |
| Culture and language | 75,294 | 51,395 | 58,554 |
| Economic development | 114,143 | 181,073 | 135,701 |
| Education | 421,496 | 387,337 | 409,595 |
| Governance | 228,030 | 206,616 | 306,588 |
| Health | 350,747 | 435,465 | 351,331 |
| Housing | 145,268 | 270,356 | 358,784 |
| Indian registry and estates | 65,798 | 32,206 | 3,495 |
| Land management | 308,345 | 183,479 | 510,411 |
| Rights and title | 132,613 | 207,293 | 34,567 |
| Social development | 216,538 | 257,020 | 209,294 |
| Taxation | 226,247 | 246,208 | 170,079 |
| Eva Joseph Learning and Cultural Society | - | 344,317 | 334,901 |
| | 4,333,087 | 4,353,714 | 4,456,569 |
| Surplus | \$ 2,102,008 | 2,478,647 | 253,729 |
| Accumulated surplus, beginning of the year | | 16,102,093 | 15,848,364 |
| Accumulated surplus, end of year | \$ 18,580,740 | \$ 16,102,093 | |

See accompanying notes to consolidated financial statements.

AKISQ'NUK FIRST NATION

Consolidated Statement of Change in Net Financial Assets

Year ended March 31, 2018, with comparative information for 2017

| | 2018 Budget | 2018 | 2017 |
|--|----------------|---------------|------------|
| | (note 1(h)) | | |
| Surplus | \$ 2,102,008 | \$ 2,478,647 | \$ 253,729 |
| Changes to non-financial assets: | | | |
| Acquisition of tangible capital assets | (2,350,567) | (3,189,100) | (39,508) |
| Amortization of tangible capital assets | 378,426 | 322,483 | 325,934 |
| Net book value of tangible capital assets disposed of | - | - | 114,207 |
| | (1,972,141) | (2,866,617) | 400,633 |
| Net (acquisition) use of prepaid expenses and deposits | - | (36,133) | 5,517 |
| | - | (36,133) | 5,517 |
| Increase (decrease) in net financial assets | \$ 129,867 | (424,103) | 659,879 |
| Net financial assets, beginning of year | | 11,587,327 | 10,927,448 |
| Net financial assets, end of year | \$ 11,163,224 | \$ 11,587,327 | |

See accompanying notes to consolidated financial statements.

AKISQ'NUK FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

| | 2018 | 2017 |
|--|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Surplus | \$ 2,478,647 | \$ 253,729 |
| Adjustments for: | | |
| Equity in earnings of business enterprises | (48,030) | - |
| Amortization | 322,483 | 325,934 |
| Loss on disposal of tangible capital assets | - | 114,207 |
| Change in non-cash operating items: | | |
| Accounts receivable | (692,118) | (127,531) |
| Accounts payable and accrued liabilities | 64,345 | 219,657 |
| Deferred revenue | 553,993 | 18,899 |
| Prepaid expenses | (36,133) | 5,518 |
| | 2,643,187 | 810,413 |
| Financing activities: | | |
| Proceeds from term debt | 1,685,000 | - |
| Repayment of term debt | (12,186) | - |
| | 1,672,814 | - |
| Capital activities: | | |
| Acquisition of tangible capital assets | (3,189,100) | (39,508) |
| Investing activities: | | |
| Increase in restricted cash and cash equivalents | (544,296) | (506,182) |
| Net purchase of investments | - | (49,406) |
| Net distribution (to) from business enterprises | (43,019) | 17,589 |
| | (587,315) | (537,999) |
| Increase in cash and cash equivalents | 539,586 | 232,906 |
| Cash and cash equivalents, beginning of year | 6,416,585 | 6,183,679 |
| Cash and cash equivalents, end of year | \$ 6,956,171 | \$ 6,416,585 |
| Supplemental cash flow information: | | |
| Interest paid | \$ 23,884 | \$ - |

See accompanying notes to consolidated financial statements.

AKISQ'NUK FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2018

Akisq'nuk First Nation ("Akisq'nuk" or the "First Nation") is a Ktunaxa Nation Aboriginal Community located near Windermere, British Columbia. Akisq'nuk is organized under the Indian Act of Canada and provides local government, education, and social development services to its members.

1. Basis of presentation and significant accounting policies:

These consolidated financial statements include the assets, liabilities, and results of operations of Akisq'nuk and all related entities and organizations subject to control by Akisq'nuk's Chief and Council. No inclusion has been made of assets, liabilities, revenue or expenses of Akisq'nuk members, individually or collectively, incorporated or unincorporated, that are not controlled by or the responsibility of Akisq'nuk's Chief and Council.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments, as established by the Public Sector Accounting Board ("PSAB"), which encompasses the following principles:

(a) Fund accounting:

Akisq'nuk 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 combined for the purpose of presentation in the consolidated financial statements.

(b) Reporting entity and basis of consolidation:

Akisq'nuk's reporting entity includes Akisq'nuk community government and all related entities and organizations which are accountable for the administration of their financial affairs and resources to Akisq'nuk and are either owned or controlled by Akisq'nuk.

i) Consolidated entities:

These financial statements consolidate the assets, liabilities and results of operations of the following government not-for-profit organizations have been consolidated:

Eva Joseph Early Learning and Cultural Society

AKISQ'NUK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Basis of presentation and significant accounting policies (continued):

(b) Reporting entity and basis of consolidation (continued):

ii) Investment in government business enterprises:

Akisq'nuk accounts for its investments in government business enterprises (GBE) on a modified equity basis. Under the modified equity basis, the GBE's accounting policies are not adjusted to conform with those of Akisq'nuk and inter-organizational transactions and balances are not eliminated. Akisq'nuk recognizes its equity interest in the annual earnings or loss of the GBE's in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any distributions that Akisq'nuk may receive from the GBE's will be reflected as deductions in the investment asset account.

Akisq'nuk's government business enterprises investments consist of the following:

Akisq'nuk Natural Resources Corporation - 100% interest
0910003 BC Ltd. - 100% interest

iii) Investments:

Investments in entities in which Akisq'nuk does not control individually or jointly are recorded at acquisition cost. If there has been an other than temporary decline in the value of an investment, the investment is written down to its net realizable value. Investments in entities in which Akisq'nuk does not control but has joint control or significant influence in operations are accounted for using the modified equity method.

(c) Cash and cash equivalents:

Cash and cash equivalents includes, cash and investments in highly liquid money market funds, and which are readily convertible to cash.

AKISQ'NUK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Basis of presentation and significant accounting policies (continued):

(d) Revenue recognition:

Government transfers, grants and subsidy revenue are recognized as Akisq'nuk becomes entitled to the funding under the terms of applicable funding agreements and is recorded in the period in which the resources are used for the purpose specified in the agreements. Restricted funding received which relates to a subsequent fiscal period or which stipulations that give rise to an obligation are reported as deferred revenue until the resources are used for the purpose or purposes specified and/or the stipulations giving rise to an obligation have been met.

Lease and rental revenue is recognized on a monthly basis as income is earned and when collection is reasonably assured. Property and First Nation Goods and Service tax revenues are recognized at the time the taxes are levied and collected.

Other revenue, including sales of goods, provision of services, or other contributions are recognized in the period the goods or services are provided, any contribution stipulations have been met, and the related proceeds are received or receivable.

(e) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation with a corresponding amount recorded as revenue. Tangible capital assets under construction are not amortized until the asset is available for use.

Tangible capital assets are amortized, on a straight line basis, over their expected useful lives as follows:

| | |
|-------------------------|--------|
| Buildings | 4% |
| Infrastructure | 4% |
| Equipment, Computer and | |
| Automotive | 20-55% |

When management determines that a tangible capital asset no longer contributes to Akisq'nuk's ability to provide goods and services or that the value of future benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is written down to its net recoverable amount.

AKISQ'NUK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Basis of presentation and significant accounting policies (continued):

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of financial and non-financial assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Significant areas requiring management estimates include the recoverable amount of accounts receivable and investments and the useful lives of and net future economic benefits associated with tangible capital assets. Management reviews these estimates on a periodic basis and at least annually. Where necessary, management makes adjustments to these benefits prospectively.

(g) Financial instruments:

Financial instruments are initially classified upon initial recognition as a fair value or an amortized cost instrument. Instruments classified as fair value instruments include investments in equity instruments that are quoted in an active market, and any other items elected by Akisq'nuk to be recorded at fair value. All other financial instruments are recorded at amortized cost. Transaction costs directly attributable to the acquisition or issue of a financial instrument are added to the amortized cost or expensed if related to instruments recorded on a fair value basis. The effective interest rate method is used to measure interest for financial instruments recorded at amortized cost.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations. For instruments measured at fair value, unrealized gains or losses are adjusted through the statement of remeasurement gains and losses. When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations. As at March 31, 2018, Akisq'nuk does not have any significant financial instruments that required or were elected to be recorded at fair value. Accordingly a statement of remeasurement gain (loss) has not been presented.

AKISQ'NUK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

1. Basis of presentation and significant accounting policies (continued):

(h) Budget data:

The budget data presented in these consolidated financial statements have been derived from the budget approved by Akisq'nuk's Chief and Council on March 29, 2017 and the budget amendments approved by Akisq'nuk's Chief and Council on December 6, 2017.

| | Initial budget | Adjustments | Amended budget |
|-------------------|----------------|--------------|----------------|
| Revenue | \$ 6,435,095 | \$ 256,543 | \$ 6,691,638 |
| Expenses | 4,333,087 | 378,583 | 4,711,670 |
| Surplus (deficit) | \$ 2,102,008 | \$ (122,040) | \$ 1,979,968 |

Adjustments to the initial budget consists of significant adjustments to revenue related to capital funding postponement, other minor adjustments in revenue and expenses, and the refinement of allocation between accounts.

(i) Segmented disclosure:

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. Akisq'nuk has determined the most appropriate basis for classifying segments is by program. Segmented disclosures are provided in note 16 and Schedule 2 to the consolidated financial statements.

AKISQ'NUK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

2. Unrestricted and restricted cash and cash equivalents:

Akisq'nuk maintains its cash balance in two financial institutions in British Columbia. The majority of funds are held in a credit union. The Credit Union Deposit Insurance Corporation of British Columbia provides a guarantee on all money on deposit with a BC Credit Union.

| | 2018 | 2017 |
|--|-----------------------|-----------------------|
| Internally restricted: | | |
| Amounts due to members | \$ 17,965 | \$ 17,801 |
| Externally restricted: | | |
| Trust Funds on deposit with Indigenous and Northern Affairs Canada (note 11) | 5,887,890 | 5,343,758 |
| | <hr/> \$ 5,905,855 | <hr/> \$ 5,361,559 |

Amounts due to members relates to amounts held by the First Nation in respect of a 2011 signing bonus distributed equally to each of Akisq'nuk's members. The balance as at March 31, 2018, in restricted cash and accounts payable and accrued liabilities, represents amounts held by the First Nation for members under the age of 18.

3. Accounts receivable:

| | 2018 | 2017 |
|--|-----------------------|---------------------|
| Department of Indigenous Services Canada ("DISC") | \$ 306,524 | \$ 49,223 |
| Province of British Columbia | 137,620 | 48,104 |
| Columbia Basin Trust | 315,000 | 3,657 |
| Other aboriginal funding agencies | 121,103 | 135,625 |
| First Nations Goods and Services Tax | 123,985 | 32,430 |
| Canada Mortgage and Housing Corporation | 4,323 | - |
| First Nations Finance Authority, debt reserve fund | 84,250 | - |
| Band members | 118,574 | 136,417 |
| Other | 29,235 | 141,525 |
| | <hr/> 1,240,614 | <hr/> 546,981 |
| Less allowance for doubtful accounts | (41,405) | (39,891) |
| | <hr/> \$ 1,199,209 | <hr/> \$ 507,090 |

Akisq'nuk's allowance for doubtful accounts is based on an assessment of the nature of the outstanding balance, the debtor circumstances and the number days the respective account has been receivable.

AKISQ'NUK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

4. Investments:

| | 2018 | 2017 |
|---|---------------------|---------------------|
| Ktunaxa Holdings Ltd. ("KHL"), shares, at cost | \$ 1 | \$ 1 |
| Ktunaxa Holdings Limited Partnership ("KHLP"), limited partnership interest | 148,555 | 148,555 |
| SEM Holdings Ltd. ("SHL"), shares, at cost | 20 | 20 |
| St. Eugene Mission Development Corporation ("SDC"), shares, at cost | 1 | 1 |
| St. Eugene Mission Holdings Ltd. ("SEMHL"), shares, at cost | 1 | 1 |
| All Nations Trust Company, 38,510 Class A common shares | 38,510 | 38,510 |
| Sun Life Financial Inc., shares, at cost | 564 | 564 |
| | <hr/> \$ 187,652 | <hr/> \$ 187,652 |

Akisq'nuk's investment in KHL consists of 20% beneficial interest in one common share. KHL's primary asset is an investment in KHLP, which holds a 99.99% interest in Nupqu Development Limited Partnership ("NDLP"). NDLP's general partner is Nupqu Development Corporation, in which KHL holds a 100% interest. As Akisq'nuk, through its investment, does not control or jointly control KHL, the investment has been recorded using the cost method.

Akisq'nuk holds 20% limited partnership interest in KHLP, in which KHL is the general partner. Akisq'nuk's investment is recorded at cost as Akisq'nuk does not control or jointly control KHLP's operations or assets. Akisq'nuk records earnings from its investment in KHLP based on cash distributions of limited partnership earnings received. To March 31, 2018, Akisq'nuk has not received any limited partnership distributions from KHLP.

Akisq'nuk's investment in SHL consists of 20% beneficial interest in one common share. SHL's assets, at March 31, 2018, include a 33% share of the SEM Resort Limited Partnership. As Akisq'nuk, through its investment, does not control or jointly control SHL, the investment has been recorded using the cost method.

Akisq'nuk's investment in SDC consists of 20% beneficial interest in one common share. SDC's primary asset is the headlease for the SEM Resort Limited Partnership. As Akisq'nuk, through its investment, does not control or jointly control SDC, the investment has been recorded using the cost method.

Akisq'nuk's investment in SEMHL consists of 20% beneficial interest in one common share. SEMHL's primary assets, at March 31, 2018, include a 100% share of the SHL. As Akisq'nuk assets, through its investment, does not control or jointly control SHL, the investment has been recorded using the cost method.

AKISQ'NUK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

5. Investments in business enterprises:

Akisq'nuk's investments in its wholly-owned incorporated entities is summarized as follows:

| | 2018 | 2017 |
|---|-------------------------|-------------------------|
| Akisq'nuk Natural Resource Corporation: | | |
| Investment in shares, at cost | \$ 3 | \$ 3 |
| Advances | 383,866 | 340,847 |
| Accumulated equity in earnings | 48,030 | - |
| | <u>431,899</u> | <u>340,850</u> |
| 091003 BC Ltd.: | | |
| Investment in shares, at cost | 1 | 1 |
| Advances | 1,000 | 1,000 |
| | <u>1,001</u> | <u>1,001</u> |
| | <hr/> <u>\$ 432,900</u> | <hr/> <u>\$ 341,851</u> |

Amounts advanced to business enterprises are unsecured, non-interest bearing and have no stated terms of repayment.

The change in Akisq'nuk's investment in business enterprises consists of the following:

| | 2018 | 2017 |
|---|------------------|--------------------|
| Equity in earnings of business enterprises | \$ 48,030 | \$ - |
| Net advances to (from) business enterprises | 43,019 | (17,589) |
| | <u>\$ 91,049</u> | <u>\$ (17,589)</u> |

Akisq'nuk Natural Resource Corporation:

Akisq'nuk Natural Resource Corporation operates forestry and other resource-related business operations on behalf of the First Nation. The fiscal year end of the GBE's is March 31 and the financial information provided below is as at and for the periods ended March 31, 2018, with comparative information for the periods ended March 31, 2017.

0910003 BC Ltd.:

As at March 31, 2018, 0910003 BC Ltd. had not commenced operations. Accordingly, these consolidated financial statements do not include any assets or transactions related to this entity.

AKISQ'NUK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

5. Investments in business enterprises (continued):

(ii) Financial information for wholly-owned incorporated entities is summarized as follows:

| 2018 | Akisq'nuk Natural Resource Corporation | 0910003 BC Ltd. |
|----------------------------|---|--------------------|
| Balance sheet information: | | |
| Assets | \$ 431,896 | \$ 1,001 |
| Liabilities | 383,866 | - |
| Shareholder's equity | 48,030 | 1,001 |
| Results of operations: | | |
| Revenue | 271,385 | - |
| Expenses | 113,838 | - |
| Net earnings | 157,547 | - |
| 2017 | Akisq'nuk Natural Resource Corporation | 0910003 BC Ltd. |
| Balance sheet information: | | |
| Assets | \$ 231,330 | \$ 1,001 |
| Liabilities | 340,847 | - |
| Shareholder's equity | (109,517) | 1,001 |
| Results of operations: | | |
| Revenues | 413,400 | - |
| Expenses | 273,653 | - |
| Net earnings | 139,747 | - |

AKISQ'NUK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

6. Deferred revenue:

Deferred revenue represents monies received of which the funds are restricted for specific projects or programs and of which the expenses have not yet been incurred.

| | 2018 | 2017 |
|----------------------|---------------------------|-------------------------|
| DISC | \$ 291,205 | \$ 48,162 |
| Columbia Basin Trust | 354,203 | - |
| Lease and rental | 517,265 | 557,594 |
| Grants and other | 37,159 | 40,083 |
| | <hr/> \$ 1,199,832 | <hr/> \$ 645,839 |

The net change in deferred revenue for the year was as follows:

| | 2018 | 2017 |
|------------------------------------|---------------------------|-------------------------|
| Balance beginning of year | \$ 663,439 | \$ 641,038 |
| Contributions received in the year | 1,282,408 | 771,610 |
| Amounts recorded in revenue | (746,015) | (766,809) |
| <hr/> Balance, end of year | <hr/> \$ 1,199,832 | <hr/> \$ 645,839 |

AKISQ'NUK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

7. Term debt:

| | 2018 | 2017 |
|--|---------------------|-------------|
| Promissory note loan, repayable in monthly installments of \$5,454, including interest at 3.41% | \$ 1,087,814 | \$ - |
| Interim financing loan, with interest at 3.35%, repayable the earlier of September 2023, date of completion of related Akisq'nuk capital project and date the lender issues debt securities related to the interim financing | 585,000 | - |
| | <u>\$ 1,672,814</u> | <u>\$ -</u> |

Interest on term debt for the year totaled \$23,884 (2017 - \$nil) and is included in the Taxation program expense and interest and bank charges (Schedule 1)

The promissory note payable and interim financing loan were borrowed from the First Nations Finance Authority ("FNFA") and are secured by a council resolution on August 24, 2017. Under the terms of the borrowing arrangements with FNFA, secured revenues supporting principal and interest payments are first deposited into a secured revenue trust account and then distributed to FNFA and Akisq'nuk. In connection with the borrowing arrangement, FNFA retains and holds cash and investments, on behalf of Akisq'nuk, in a debt reserve fund as security for future loan repayments. The balance in the debt reserve fund is paid to Akisq'nuk on settlement of the outstanding loans. As at March 31, 2018, Akisq'nuk's debt reserve fund balance was \$84,250 (note 3).

Scheduled principal payments and maturity on term debt for the next five years as follows:

| | |
|------|----------------|
| 2019 | \$ 28,800 |
| 2020 | 29,797 |
| 2021 | 30,829 |
| 2022 | 31,897 |
| 2023 | <u>618,002</u> |

AKISQ'NUK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

8. Tangible capital assets:

| March 31, 2018 | Land and Buildings | Infrastructure | Equipment, Computer & Automotive | Construction in Progress | Total |
|--------------------------------|--------------------|----------------|----------------------------------|--------------------------|--------------|
| Cost: | | | | | |
| Beginning of year | \$ 4,523,318 | \$ 4,998,658 | \$ 459,770 | \$ - | \$ 9,981,746 |
| Acquisitions | 158,236 | 372,361 | 21,086 | 2,637,417 | 3,189,100 |
| Disposals | - | - | - | - | - |
| Balance, end of year | 4,681,554 | 5,371,019 | 480,856 | 2,637,417 | 13,170,846 |
| Accumulated amortization: | | | | | |
| Balance, beginning of year | 2,927,089 | 2,161,615 | 425,571 | - | 5,514,275 |
| Amortization | 107,807 | 197,922 | 16,754 | - | 322,483 |
| Disposals | - | - | - | - | - |
| Balance, end of year | 3,034,896 | 2,359,537 | 442,325 | - | 5,836,758 |
| Net book value, end of year | \$ 1,646,658 | \$ 3,011,482 | \$ 38,531 | \$ 2,637,417 | \$ 7,334,088 |

Construction in progress includes \$1,016,124 for a water infrastructure project, \$1,252,202 for a recreation centre, and \$369,091 for housing.

| March 31, 2017 | Land and Buildings | Infrastructure | Equipment, Computer & Automotive | Construction in Progress | Total |
|--------------------------------|--------------------|----------------|----------------------------------|--------------------------|---------------|
| Cost: | | | | | |
| Balance, beginning of year | \$ 4,791,970 | \$ 4,974,458 | \$ 448,844 | \$ - | \$ 10,215,272 |
| Acquisitions | 4,382 | 24,200 | 10,926 | - | 39,508 |
| Disposals | (273,034) | - | - | - | (273,034) |
| Balance, end of year | 4,523,318 | 4,998,658 | 459,770 | - | 9,981,746 |
| Accumulated amortization: | | | | | |
| Balance, beginning of year | 2,970,463 | 1,971,624 | 405,081 | - | 5,347,168 |
| Amortization | 115,453 | 189,991 | 20,490 | - | 325,934 |
| Disposals | (158,827) | - | - | - | (158,827) |
| Balance, end of year | 2,927,089 | 2,161,615 | 425,571 | - | 5,514,275 |
| Net book value, end of year | \$ 1,596,229 | \$ 2,837,043 | \$ 34,199 | \$ - | \$ 4,467,471 |

AKISQ'NUK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

9. Accumulated surplus:

| | 2018 | 2017 |
|---|----------------------|----------------------|
| Financial surplus: | | |
| Unrestricted operating surplus | \$ 7,031,576 | \$ 6,290,864 |
| Invested in tangible capital assets (note 10) | 5,661,274 | 4,467,471 |
| Externally restricted surplus (note 11) | 5,887,890 | 5,343,758 |
| | <u>\$ 18,580,740</u> | <u>\$ 16,102,093</u> |

10. Invested in tangible capital assets:

(a) Investment in tangible capital assets:

| | 2018 | 2017 |
|-------------------------|---------------------|---------------------|
| Tangible capital assets | \$ 7,334,088 | \$ 4,467,471 |
| Less financed by: | | |
| Term debt | (1,672,814) | - |
| | <u>\$ 5,661,274</u> | <u>\$ 4,467,471</u> |

(b) Change in invested in tangible capital assets:

| | 2018 | 2017 |
|---|---------------------|---------------------|
| Balance, beginning of year | \$ 4,467,471 | \$ 4,868,104 |
| Acquisition of tangible capital assets | 3,189,100 | 39,508 |
| Amortization of tangible capital assets | (322,483) | (325,934) |
| Net book value of tangible capital assets disposed of | - | (114,207) |
| Proceeds from term debt | (1,685,000) | - |
| Repayment of term debt | 12,186 | - |
| | <u>\$ 5,661,274</u> | <u>\$ 4,467,471</u> |
| Balance, end of year | | |

AKISQ'NUK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

11. Externally restricted surplus:

Trust funds on deposit with DISC consist of the following:

| | Beginning balance | Contributions | Interest | Approved Transfers | Ending Balance |
|---------|----------------------|---------------|------------|-----------------------|-------------------|
| Capital | \$ 34,544 | \$ - | \$ - | \$ - | \$ 34,544 |
| Revenue | 5,309,214 | 423,879 | 120,253 | - | 5,853,346 |
| | \$ 5,343,758 | \$ 423,879 | \$ 120,253 | \$ - | \$ 5,887,890 |

The 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. These funds are restricted in their use, of which Akisq'nuk is generally permitted to use for a purpose that will promote the general progress and welfare of Akisq'nuk and Akisq'nuk members. The management of the funds is primarily governed by the sections of the Indian Act.

12. Commitments:

In January 2018, Akisq'nuk entered into an agreement with the other Ktunaxa Nation communities to agree to share in the legal costs in relation to the opposition of the Jumbo Glacier Resort development project that is being proposed in the Qat'muk land region with a remaining commitment of \$130,154 as at March 31, 2018.

The total expenditure commitment for the next three years is as follows:

| | |
|------|------------|
| 2019 | \$ 50,000 |
| 2020 | 50,000 |
| 2021 | 30,154 |
| 2022 | \$ 130,154 |

AKISQ'NUK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

13. Related party transactions:

Akisq'nuk is one of four communities that comprise the Ktunaxa Nation. Transactions with the Ktunaxa Nation Council during the year included revenue received of \$763,453 (2017 \$807,772), of which \$262,358 (2017 - \$304,612) relates to Health funding received through Ktunaxa Nation Council and \$18,824 (2017 - \$14,413) relates to lease revenue from Ktunaxa Kinbasket Child and Family Services Society.

These transactions are in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

14. Employee future benefits:

Akisq'nuk matches employee contributions to a defined contribution plan, which is administered by the Great West Life Assurance Company. The total pension expense, representing employer contributions to the plan, for the year was \$47,017 (2017 \$32,751).

15. Financial risks and concentration of risks:

(a) Credit risk:

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in a financial loss. As disclosed in note 2, Akisq'nuk holds its cash with financial institutions who are insured by the Canadian Deposit Insurance Corporation. Cash equivalents are held in interest bearing cash accounts or money market funds readily convertible to cash.

(b) Interest rate and cash flow risk:

Interest rate risk relates to the impact of changes in interest rates on Akisq'nuk's future cash inflows from its investments and future cash outflows on its term debt. Akisq'nuk's cash and cash equivalents are held in cash or short term money market instruments, accordingly, Akisq'nuk is not subject to significant interest rate risk in regards to these financial assets.

For the year ended March 31, 2018, Akisq'nuk's interest on its term debt was not subject to significant interest rate risk. Akisq'nuk manages interest rate risk through negotiations with lenders at origination or renewal of loan agreements.

AKISQ'NUK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

15. Financial risks and concentration of risks (continued):

(c) Liquidity risk:

Liquidity risk is the risk that Akisq'nuk will not be able to meet its financial obligations as they become due. Akisq'nuk monitors the maturity of its financial liabilities and assesses whether it has sufficient cash to settle these financial obligations when due.

Akisq'nuk is subject to non-financial covenants and restrictions in relation to its term debt. As at March 31, 2018, Akisq'nuk was in compliance with these covenants and restrictions.

The following table summarizes the contractual maturities of Akisq'nuk's financial liabilities:

| | 2018 | | | |
|--|------------|--------------|--------------|--------------|
| | On demand | Up to 1 year | Over 1 year | Total |
| Accounts payable and accrued liabilities | \$ 645,917 | \$ - | \$ - | \$ 645,917 |
| Term debt | - | 28,800 | 1,644,014 | 1,672,814 |
| | \$ 645,917 | \$ 28,800 | \$ 1,644,014 | \$ 2,318,731 |
| | 2017 | | | |
| | On demand | Up to 1 year | Over 1 year | Total |
| Accounts payable and accrued liabilities | \$ 563,971 | \$ - | \$ - | \$ 563,971 |
| | \$ 563,971 | \$ - | \$ - | \$ 563,971 |

(d) Economic dependence:

Akisq'nuk receives a major portion of its revenues pursuant to funding agreements with DISC. Any disruption in this funding could have a negative effect on Akisq'nuk's operations.

AKISQ'NUK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

16. Segmented information:

Akisq'nuk First Nation is a First Nation community located in the Windermere Valley of British Columbia. Akisq'nuk First Nation provides a variety of services to community members and receives funding from various federal and provincial government agencies to support the delivery of these services. Segmented reporting by program is used to account for the scope and significance of each service. Certain lines of service that have been separately disclosed and are summarized below, with activity for the year ended March 31, 2018 summarized in schedule 2.

(a) Administration

Administration is responsible for overall governance and delivery of core operations, such as daily office procedures, as well as for advisory services and professional and institutional development.

(b) Business

Business includes various business projects and endeavours undertaken by the First Nation.

(c) Campground

Campground consists of the operation of the Lakeshore Resort campground.

(d) Community facilities and maintenance

Community facilities and maintenance is responsible for the construction, acquisition, operations and maintenance of community infrastructure. This includes water supply, wastewater treatment and community buildings.

(e) Culture and language

Culture and language includes programs, learning resources and events to celebrate, raise awareness of, and preserve Aboriginal arts, culture and heritage.

(f) Economic development

Economic development is a policy intervention endeavour with aims of economic and social well being of people. Economic development includes the includes Akisq'nuk's campground and other business operations not assigned to a business enterprise.

(g) Education

Education assists students with receiving secondary and post secondary quality education that provides them with the opportunity to acquire the skills needed to enter the labour market and be full participants in a strong Canadian economy.

(h) Governance

Governance includes costs related to Chief and Council's governance of the First Nation's operations, including operating, structure and other related costs.

AKISQ'NUK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

16. Segmented information (continued):

(i) Health

Health's focus is assisting Akisq'nuk's members to improve their health and social well being. The First Nation is responsible for safe water supplies on reserve and providing a range of Health programs including education, early childhood development, elder care, nutrition, diabetes, drug and alcohol support, and help for persons with disabilities.

(j) Housing

Housing includes the First Nations activities to increase the supply of safe and affordable housing through repairs of current homes and the development of new housing.

(k) Indian registry and estates

Indian registry and estates is responsible for the maintenance of Akisq'nuk's member list and issuance of status cards.

(l) Land management

Lands management provides a variety of program support, service and advice to Akisq'nuk's members with respect to a range of lands related matters.

(m) Rights and title

Rights and title includes seeking opportunities to expand economic opportunities for the community.

(n) Social development

Akisq'nuk supports five social programs. With the goal of assisting members to become more self-sufficient; protect individuals and families at the risk of violence; provide prevention supports that allow individuals and families to better care for their children; and support greater participation in the labour market.

(o) Taxation

Akisq'nuk collects property taxes related to their community land. Taxation includes operations and expenses related to the collection of property and other taxes.

(p) Eva Joseph Learning and Cultural Society

The program consists of the operations of the Eva Joseph Learning and Cultural Society.

17. Comparative figures:

Certain 2017 comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted for the current year.

AKISQ'NUK FIRST NATION

Schedule 1 - Consolidated Expenses by Object

Year ended March 31, 2018, with comparative information for 2017

| | 2018 | 2017 |
|---|-----------------------|-----------------------|
| Amortization (note 8) | \$ 322,483 | 325,934 |
| Bad debts | 1,914 | 20,448 |
| Donations and culture | 95,266 | 96,203 |
| Honouraria | 108,206 | 106,533 |
| Insurance | 48,539 | 55,128 |
| Interest and bank charges | 32,924 | 7,315 |
| Loss on disposal of tangible capital assets | - | 114,207 |
| Materials and supplies | 115,851 | 101,066 |
| Office and general | 236,406 | 167,119 |
| Program costs | 167,919 | 210,451 |
| Professional development | 20,202 | 16,005 |
| Professional fees | 382,918 | 613,470 |
| Repairs and maintenance | 240,757 | 300,121 |
| Social programs | 163,427 | 241,571 |
| Telephone and utilities | 74,794 | 69,457 |
| Travel | 73,492 | 84,282 |
| Tuition and education | 308,605 | 337,482 |
| Salaries and benefits | 1,960,011 | 1,589,777 |
| | <hr/> \$ 4,353,714 | <hr/> \$ 4,456,569 |

Akisq'nuk First Nation

Schedule 2 - Segmented Information

Year ended March 31, 2018, with comparative information for 2017

Year ended March 31, 2018

| | Revenue | | | | Surplus (deficit) | Financial Surplus March 31, 2017 | Amortization | Transfers | Financial Surplus March 31, 2018 |
|--|--------------|--------------|--------------|--------------|----------------------|--|--------------|----------------|--|
| | DISC | Other | Total | Expenses | | | | | |
| Administration | \$ 252,561 | \$ 16,461 | \$ 269,022 | \$ 183,845 | \$ 85,177 | \$ 125,387 | \$ - | \$ (685,052) | \$ (474,488) |
| Business | - | 627,182 | 627,182 | 66,817 | 560,365 | 265,956 | - | (544,132) | 282,189 |
| Campground | - | 473,115 | 473,115 | 407,595 | 65,520 | (88,917) | - | - | (23,397) |
| Community facilities and maintenance | 141,906 | 218,824 | 360,730 | 892,692 | (531,962) | (543,727) | 317,565 | (724,900) | (1,483,024) |
| Culture and language | - | 27,251 | 27,251 | 51,395 | (24,144) | 35,465 | - | - | 11,321 |
| Economic development | 229,087 | 157,195 | 386,282 | 181,073 | 205,209 | (132,587) | - | - | 72,622 |
| Education | 259,677 | 27,009 | 286,686 | 387,337 | (100,651) | (26,028) | - | - | (126,679) |
| Governance | 50,225 | 4,950 | 55,175 | 206,616 | (151,441) | (289,147) | - | - | (440,588) |
| Health | - | 382,459 | 382,459 | 435,465 | (53,006) | 67,987 | - | - | 14,981 |
| Housing | 321,214 | 160,749 | 481,963 | 270,356 | 211,607 | (57,364) | - | (100,000) | 54,243 |
| Indian registry and estates | 30,000 | 325 | 30,325 | 32,206 | (1,881) | (665) | - | - | (2,546) |
| Land management | 121,100 | 80,716 | 201,816 | 183,479 | 18,337 | 57,954 | - | - | 76,291 |
| Rights and title | - | 1,824,997 | 1,824,997 | 207,293 | 1,617,704 | 4,153,881 | - | - | 5,771,585 |
| Social development | 134,590 | 38,070 | 172,660 | 257,020 | (84,360) | (94,665) | - | - | (179,025) |
| Taxation | - | 921,049 | 921,049 | 246,208 | 674,841 | 2,879,511 | - | - | 3,554,352 |
| Eva Joseph Learning and Cultural Society | - | 331,649 | 331,649 | 344,317 | (12,668) | (62,177) | 4,918 | (6,334) | (76,261) |
| | \$ 1,540,360 | \$ 5,292,001 | \$ 6,832,361 | \$ 4,353,714 | \$ 2,478,647 | \$ 6,290,864 | \$ 322,483 | \$ (2,060,418) | \$ 7,031,576 |

Akisq'nuk First Nation

Schedule 2 - Segmented Information

Year ended March 31, 2018, with comparative information for 2017

Year ended March 31, 2017

| | Revenue | | | | Surplus (deficit) | Financial Surplus March 31, 2016 | Amortization | Transfers | Financial Surplus March 31, 2017 |
|--|--------------|--------------|--------------|--------------|----------------------|--|--------------|--------------|--|
| | DISC | Other | Total | Expenses | | | | | |
| Administration | \$ 245,042 | \$ 41,004 | \$ 286,046 | \$ 250,112 | \$ 35,934 | \$ 126,008 | \$ - | \$ (36,555) | \$ 125,387 |
| Business | - | 596,836 | 596,836 | 60,092 | 536,744 | 238,009 | - | (508,797) | 265,956 |
| Campground | - | 429,102 | 429,102 | 398,214 | 30,888 | (119,805) | - | - | (88,917) |
| Community facilities and maintenance | 115,007 | 25,933 | 140,940 | 864,851 | (723,911) | (255,892) | 321,869 | 114,207 | (543,727) |
| Culture and language | - | 53,763 | 53,763 | 58,554 | (4,791) | 40,256 | - | - | 35,465 |
| Economic development | 35,766 | - | 35,766 | 135,701 | (99,935) | (32,652) | - | - | (132,587) |
| Education | 294,344 | 24,727 | 319,071 | 409,595 | (90,524) | 64,496 | - | - | (26,028) |
| Governance | - | 24,750 | 24,750 | 306,588 | (281,838) | (7,309) | - | - | (289,147) |
| Health | - | 349,157 | 349,157 | 351,331 | (2,174) | 70,161 | - | - | 67,987 |
| Housing | 117,674 | 70,644 | 188,318 | 358,784 | (170,466) | 113,102 | - | - | (57,364) |
| Indian registry and estates | 2,021 | 355 | 2,376 | 3,495 | (1,119) | 454 | - | - | (665) |
| Land management | 167,189 | 365,439 | 532,628 | 510,411 | 22,217 | 35,737 | - | - | 57,954 |
| Rights and title | - | 518,696 | 518,696 | 34,567 | 484,129 | 3,669,752 | - | - | 4,153,881 |
| Social development | 145,151 | 11,253 | 156,404 | 209,294 | (52,890) | (41,775) | - | - | (94,665) |
| Taxation | - | 748,233 | 748,233 | 170,079 | 578,154 | 2,301,357 | - | - | 2,879,511 |
| Eva Joseph Learning and Cultural Society | - | 328,212 | 328,212 | 334,901 | (6,689) | (56,600) | 4,065 | (2,953) | (62,177) |
| | \$ 1,122,194 | \$ 3,588,104 | \$ 4,710,298 | \$ 4,456,569 | \$ 253,729 | \$ 6,145,299 | \$ 325,934 | \$ (434,098) | \$ 6,290,864 |