

**SAIK'UZ FIRST NATION  
FINANCIAL STATEMENTS**

**MARCH 31, 2017**

**SAIK'UZ FIRST NATION**  
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## SAIK'UZ FIRST NATION

YEAR ENDED MARCH 31, 2017

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

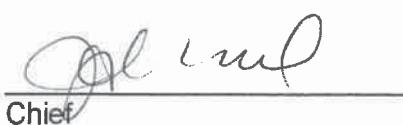
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include some amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems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

The Nation 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 that the Nation's assets are appropriately accounted for and adequately safeguarded.

The Nation's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

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

The financial statements have been audited by Carlyle Shepherd & Co. in accordance with Canadian generally accepted auditing standards on behalf of the Members. Carlyle Shepherd & Co. has full access to Chief and Council.

  
\_\_\_\_\_  
Chief

  
\_\_\_\_\_  
Councillor

**INDEPENDENT AUDITOR'S REPORT****TO THE SAIK'UZ FIRST NATION****Report on the Financial Statements**

We have audited the accompanying statement of financial position of the Saik'uz First Nation as at March 31, 2017 and the statements of financial activities, cash flows and changes in net financial assets (liabilities) and a summary of significant accounting policies.

**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 controls as management determines are necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Nation as at March 31, 2017 and the results of its operations, cash flows, and changes in net financial assets (liabilities) for the year then ended in accordance with Canadian public sector accounting standards.

Prince Rupert, BC  
July 5, 2017

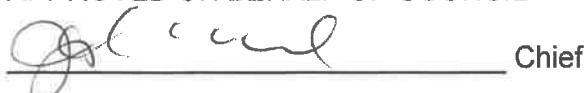
SAIK'UZ FIRST NATION

STATEMENT OF FINANCIAL POSITION

MARCH 31

	2017	2016
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash	914,018	391,018
Accounts receivable (note 2)	1,704,483	148,374
Note receivable (note 7)	-	100,000
Ottawa Trust funds (note 3)	<u>1,030,929</u>	<u>1,044,126</u>
	<u>3,649,430</u>	<u>1,683,518</u>
<b>LIABILITIES</b>		
Accounts payable and accruals (note 5)	805,494	1,356,785
Bank and other loans (note 6)	<u>2,658,725</u>	<u>2,897,002</u>
	<u>3,464,219</u>	<u>4,253,787</u>
<b>NET FINANCIAL ASSETS (LIABILITIES)</b>	<u>185,211</u>	<u>-2,570,269</u>
<b>NON-FINANCIAL ASSETS</b>		
Property and equipment (notes 1 and 4)	18,116,469	17,976,612
Prepaid expenses	-	7,800
Investments (notes 1 and 8)	<u>1,139,694</u>	<u>1,146,133</u>
	<u>19,256,163</u>	<u>19,130,545</u>
	<u>19,441,374</u>	<u>16,560,276</u>
<b>NATION POSITION</b>		
Operating surplus (deficit) (note 9)	1,062,982	-1,457,219
Equity in property and equipment (note 10)	17,347,463	16,973,369
Ottawa Trust funds (note 3)	<u>1,030,929</u>	<u>1,044,126</u>
<b>CONTINENT LIABILITY (note 11)</b>	<u>19,441,374</u>	<u>16,560,276</u>

APPROVED ON BEHALF OF COUNCIL

 Chief

 Councilor

**SAIK'UZ FIRST NATION**

**STATEMENT OF FINANCIAL ACTIVITIES**

**YEAR ENDED MARCH 31**

	<b>Budget (Unaudited)</b>	<b>2017</b>	<b>2016</b>
	\$	\$	\$
<b>REVENUE</b>			
CSFS	343,759	378,580	244,951
CSTC	1,601,054	2,145,307	227,854
Government of Canada	-	19,514	118,354
INAC	4,273,609	3,928,448	2,089,344
Ottawa Trust funds	35,000	21,803	19,299
PGNAETA	255,000	302,491	252,455
Province of BC	-	26,690	71,498
Other	<u>1,379,846</u>	<u>2,158,810</u>	<u>1,738,756</u>
	<u>7,888,268</u>	<u>8,981,643</u>	<u>4,762,511</u>
<b>EXPENDITURE</b>			
Administration	1,162,969	1,690,825	1,669,464
Amortization	1,000,000	970,917	1,256,347
Capital Development	1,941,807	326,545	46,869
Community Health	402,743	346,702	335,040
Economic Development	338,047	317,132	354,936
Education	959,502	448,466	354,092
Housing	205,000	187,604	249,202
Infrastructure	344,008	380,763	331,417
Other	36,500	42,804	29,000
Social Services	1,028,711	996,271	1,371,723
Training	<u>705,905</u>	<u>392,516</u>	<u>302,397</u>
	<u>8,125,192</u>	<u>6,100,545</u>	<u>6,300,487</u>
<b>REVENUE OVER EXPENDITURE</b>	<b>-236,924</b>	<b>2,881,098</b>	<b>-1,537,976</b>
<b>OPENING POSITION</b>	<b><u>16,560,276</u></b>	<b><u>16,560,276</u></b>	<b><u>18,098,252</u></b>
<b>CLOSING POSITION</b>	<b><u>16,323,352</u></b>	<b><u>19,441,374</u></b>	<b><u>16,560,276</u></b>

**CARLYLE SHEPHERD & CO.**

CHARTERED PROFESSIONAL ACCOUNTANTS



**SAIK'UZ FIRST NATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31**

	<b>2017</b>	<b>2016</b>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Revenue over expenditure	2,881,098	-1,537,976
Amortization	970,917	1,256,347
Accounts receivable	-1,556,109	1,611,992
Accounts payable and accruals	-551,291	-224,121
Note receivable	100,000	705,000
Ottawa Trust funds	13,197	-244,299
Prepaid expenses	<u>7,800</u>	<u>14,335</u>
	<u>1,865,612</u>	<u>1,581,278</u>
<b>FINANCING ACTIVITIES</b>		
Bank and other loans	<u>-238,277</u>	<u>-247,458</u>
<b>INVESTING ACTIVITIES</b>		
Investments	6,439	125,723
Property and equipment additions	<u>-1,110,774</u>	<u>-809,102</u>
	<u>-1,104,335</u>	<u>-683,379</u>
<b>CHANGE IN CASH</b>	<b>523,000</b>	<b>650,441</b>
<b>OPENING CASH BALANCE</b>	<u>391,018</u>	<u>-259,423</u>
<b>CLOSING CASH BALANCE</b>	<u>914,018</u>	<u>391,018</u>

**SAIK'UZ FIRST NATION**

**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (LIABILITIES)**

**YEAR ENDED MARCH 31**

	<b>Budget (Unaudited)</b>	<b>2017</b>	<b>2016</b>
	\$	\$	\$
Revenue over expenditure	-236,924	2,881,098	-1,537,976
Amortization/asset disposal	1,000,000	970,917	1,256,347
Property and equipment additions	-1,100,000	-1,110,774	-809,102
Prepaid expenses	7,800	7,800	14,335
Investments	<u>7,000</u>	<u>6,439</u>	<u>125,723</u>
Change in net financial assets (liabilities)	-322,124	2,755,480	-950,673
Opening net financial assets (liabilities)	<u>-2,570,269</u>	<u>-2,570,269</u>	<u>-1,619,596</u>
Closing net financial assets (liabilities)	<u>-2,892,393</u>	<u>185,211</u>	<u>-2,570,269</u>

# SAIK'UZ FIRST NATION

## NOTES

MARCH 31, 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### a) Fund Accounting

These financial statements have been prepared using the fund accounting method and guidelines issued by Indigenous and Northern Affairs Canada which include compliance with the Canadian public sector accounting standards.

The Nation maintains the following funds which are combined into the financial statements:

- Operating fund reports the general activities of the Nation.
- Capital fund reports the property and equipment of the Nation, together with related financing.
- Ottawa Trust fund reports the trust funds owned by the Nation and held by the federal government.

#### b) Reporting Entity and Principles of Financial Reporting

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

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

- Nation Government Administration
- Nation Trust Fund (comprising the Ottawa Trust Fund)
- Nation Treaty Process Fund

Incorporated business entities, which are accountable to and owned or controlled by the Nation are included in the summary financial statements using the modified equity method. These include:

- Saik'uz Development Corporation
- Tin Toh Forest Products Ltd.
- Tin Toh Forest Products LLP

# SAIK'UZ FIRST NATION

## NOTES

MARCH 31, 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in entities for which the Nation does not have significant influence are accounted for using the cost method. These include:

- Jaboon Holdings Ltd.
- SCC Contracting Ltd.
- Desti Holdings Ltd.

The investment in Four Rivers Co-operative is recorded at the equity value of the investment.

#### c) Property and Equipment

Property and equipment are capitalized when the purchase has benefits lasting beyond one year or result in the extension of the life of an asset.

Asset	Basis	Rate
Buildings and infrastructure	Declining balance	5%
Equipment	Declining balance	25%

#### d) Recognition of Revenue and Expenditures

Revenue is recorded in the period in which the transactions or events that give rise to the revenue occur. Funding from external parties restricted by agreement or legislation is reported as deferred revenue until used for the purposes specified. Other revenue is recognized when earned.

Expenditures are accounted for in the period when the goods and services are acquired and the liability is incurred.

#### e) 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amounts of accounts receivable, inventory and property, plant and equipment. Actual results could differ from these estimates.

# SAIK'UZ FIRST NATION

## NOTES

MARCH 31, 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### f) Financial Instruments

It is management's opinion that the Nation's financial instruments are not exposed to significant interest rate, liquidity, market or other price risks. Financial assets and liabilities are reported at market value at date of acquisition.

### 2. ACCOUNTS RECEIVABLE

	2017	2016
PGNAETA	\$ 202,893	\$ 45,500
Carrier Sekani Family Services Society	45,864	22,167
Member loans and staff advances	19,956	20,445
CSTC	1,012,000	-
Other	<u>443,626</u>	<u>80,707</u>
	1,724,339	168,819
Allowance for doubtful accounts	<u>19,856</u>	<u>20,445</u>
	<u><u>\$ 1,704,483</u></u>	<u><u>\$ 148,374</u></u>

### 3. OTTAWA TRUST FUNDS

Indigenous and Northern Affairs Canada (INAC) holds funds in trust for the Nation. These funds are designated as revenue or capital funds as is required by the Indian Act. The Nation is permitted to expend its revenue fund for any purpose that will promote the general progress and welfare of the Nation and its members. The expenditure of capital funds must be for projects of a capital nature and require the consent of the Minister of INAC.

	Capital	Revenue	Total 2017	Total 2016
Opening balance	\$ 777,179	\$ 266,947	\$ 1,044,126	\$ 799,827
Interest and				
per capital revenue	-	21,803	21,803	19,299
Kenny Dam Road Settlement (Net)	-	-	-	250,000
Withdrawals	<u>-</u>	<u>-35,000</u>	<u>-35,000</u>	<u>-25,000</u>
Closing balance	<u><u>\$ 777,179</u></u>	<u><u>\$ 253,750</u></u>	<u><u>\$ 1,030,929</u></u>	<u><u>\$ 1,044,126</u></u>

**SAIKUZ FIRST NATION**

**NOTES**

**MARCH 31, 2017**

**4. PROPERTY AND EQUIPMENT**

	<b>Property and Equipment</b>			<b>Accumulated Amortization</b>			<b>Net Book Value</b>		
	<b>Opening Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Closing Balance</b>	<b>Opening Balance</b>	<b>Annual Amortization</b>	<b>Closing Balance</b>	<b>2017</b>	<b>2016</b>
Land	67,000	-	-	67,000	-	-	-	67,000	67,000
Buildings	17,865,123	1,100,922	-	18,966,045	6,224,005	582,056	6,806,062	12,159,983	11,641,118
Engineering									
Structures	9,047,429	-	-	9,047,429	3,045,180	300,112	3,345,292	5,702,137	6,002,249
Equipment	1,436,869	9,852	-	1,446,721	1,170,624	88,749	1,259,372	187,349	266,245
	<u>28,416,421</u>	<u>1,110,774</u>	-	<u>29,527,195</u>	<u>10,439,809</u>	<u>970,917</u>	<u>11,410,726</u>	<u>18,116,469</u>	<u>17,976,612</u>

# SAIK'UZ FIRST NATION

## NOTES

MARCH 31, 2017

### 5. ACCOUNTS PAYABLE AND ACCRUALS

	2017	2016
Trade accounts and accruals	\$ 123,375	\$ 285,781
Due to School District No. 91	589,760	738,099
Wages and benefits	92,359	74,816
INAC	<u>-</u>	<u>258,089</u>
	<u>\$ 805,494</u>	<u>\$ 1,356,785</u>

### 6. BANK AND OTHER LOANS

Royal Bank of Canada loans are secured by a general security agreement covering all property, a guarantee and postponement of claim in the amount not less than \$975,000 provided by Saik'uz Development Corporation, and a general assignment of debt.

Demand loan, \$2,399/month including interest at 2.3% per annum	\$ 18,902
Demand loan, \$2,185/month including interest at 2.01% per annum	80,220
Demand loan, \$4,322/month including interest at 2.82% per annum	286,119
Demand loan, \$4,756/month including interest at 2.09% per annum	187,788
Term loan, \$3,850/month including interest at prime plus 2.65% per annum	108,790
Term loan, \$3,075/month including interest at prime plus 2.65% per annum	87,187
British Columbia Treaty Commission advances for the purpose of treaty negotiations with the governments of Canada and British Columbia. Repayment provisions are provided in Section 4.6.1 of the August, 1994 agreement. Repayment extension to November 3, 2021.	<u>1,889,719</u>
	<u>\$ 2,658,725</u>

Scheduled principal repayment during the next five years is as follows:

2018	\$ 216,187
2019	204,270
2020	171,731
2021	71,362
2022	<u>1,943,875</u>
	<u>\$ 2,607,425</u>

# SAIK'UZ FIRST NATION

## NOTES

MARCH 31, 2017

### 7. NOTE RECEIVABLE

The terms of the note receivable were not adhered to during the year and the amount owing has been allowed for.

### 8. INVESTMENTS

Investment in the following Nation entities is as follows:

	2017	2016
	\$	\$
Tin Toh Forest Products Ltd.		
Investment in shares, at cost	100	100
Net equity	<u>68,810</u>	<u>68,810</u>
	<u>68,910</u>	<u>68,910</u>
Tin Toh Forest Products LLP		
Advances	<u>960,816</u>	<u>967,873</u>
Saik'uz Development Corporation		
Investment in shares, at cost	<u>120</u>	<u>120</u>
Jaboon Holdings Ltd.		
Investment in shares, at cost	<u>120</u>	<u>120</u>
Advances	<u>31,000</u>	<u>31,000</u>
	<u>31,120</u>	<u>31,120</u>
Saik'uz Yun K Ut		
Investment in shares, at cost	<u>2</u>	<u>2</u>
Four Rivers Co-operative		
Investment in shares, at equity value	<u>78,726</u>	<u>78,108</u>
	<u>1,139,694</u>	<u>1,146,133</u>

**SAIK'UZ FIRST NATION**

**NOTES**

**MARCH 31, 2017**

**9. OPERATING SURPLUS (DEFICIT)**

	<b>2017</b>	<b>2016</b>
Administration	\$ 594,204	\$ 264,988
Capital Development	438,017	-77,397
Community Health	190,776	131,952
Education	610,365	70,577
Other	844,738	-160,668
Social Services	97,934	26,381
Treaty	<u>-1,713,052</u>	<u>-1,713,052</u>
	<u><b>\$ 1,062,982</b></u>	<u><b>\$ -1,457,219</b></u>

**10. EQUITY IN PROPERTY AND EQUIPMENT**

	<b>2017</b>	<b>2016</b>
Opening balance	\$ 16,973,369	\$ 17,184,895
Contributions from operations	1,110,774	809,102
Principal repayment	234,237	235,719
Disposal of assets	-	-239,000
Amortization	<u>-970,917</u>	<u>-1,017,347</u>
Closing balance	<u><b>\$ 17,347,463</b></u>	<u><b>\$ 16,973,369</b></u>

**11. CONTINGENT LIABILITY**

Guarantor on behalf of Tin Toh Forest Products LLP as follows:

Line of credit	\$ 240,000
Credit card facility	10,000
Lease facility	100,000

**SAIK'UZ FIRST NATION**

**NOTES**

**MARCH 31, 2017**

**12. COMMITMENTS**

Office equipment leases to June 2022, \$7,487 per annum.

**13. SEGMENT DISCLOSURE**

The presentation by segment is based on the same accounting policies as described in the summary of significant accounting policies as described in note one. The following table presents the expenses incurred and the revenue generated by main object of expense and by major revenue type. The segment results for the period are as follows: