

**T'SOU-KE FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017**



LEE & COMPANY
CHARTERED PROFESSIONAL ACCOUNTANTS

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March 31, 2017

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of T'Sou-ke First Nation 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 prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management

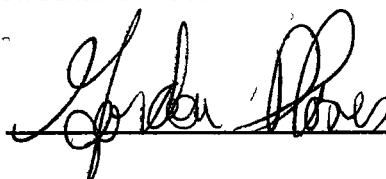
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced

The Chief and Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements

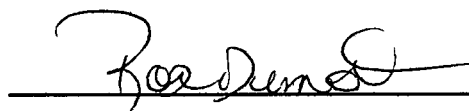
The Chief and Council meets periodically with management as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the consolidated financial statements and the external auditor's report

The external auditors, Lee & Company conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of T'Sou-ke First Nation and meet when required

On behalf of T'Sou-ke First Nation



Chief



Councillor



Councillor

Councillor

September 12, 2017



LEE & COMPANY

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF T'SOU-KE FIRST NATION

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of T'SOU-KE FIRST NATION which comprise the consolidated statement of financial position as at March 31, 2017 and the consolidated statements of operations, change in net financial assets and 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 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 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 consolidated financial statements present fairly, in all material respects, the financial position of T'SOU-KE FIRST NATION as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

CHARTERED PROFESSIONAL ACCOUNTANTS

Victoria, BC
September 12, 2017

T'SOU-KE FIRST NATION
Consolidated Statement of Financial Position
March 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	2,918,069	2 308,864
Ottawa Trust (Note 4)	2,745	2 098
Accounts receivable (Note 3)	305,887	384,990
	<u>3,226,701</u>	<u>2,695,952</u>
FINANCIAL LIABILITIES		
Accounts payable (Note 5)	242,941	265,107
Deferred revenue (Note 6)	-	9,000
Long-term debts (Note 8)	892,157	1,008 566
	<u>1,135,098</u>	<u>1,282,673</u>
NET FINANCIAL ASSETS (NET DEBT)	<u>2,091,603</u>	<u>1 413,279</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	19,953	21 553
Tangible capital assets (Note 9)	2,460,893	2,710,193
	<u>2,480,846</u>	<u>2,731,746</u>
ACCUMULATED SURPLUS (DEFICIT) (Note 7)	<u>4,572,449</u>	<u>4,145,025</u>

Approved by Chief and Council

Chief

Councillor

Councillor

Councillor

T'SOU-KE FIRST NATION
Consolidated Statement of Operations
For the year ended March 31, 2017

	Budget (unaudited)	2017	2016
REVENUE			
Indigenous and Northern Affairs Canada	1,642,248	1,672,263	1 239 947
Canada Mortgage and Housing Corporation	88,242	87,661	88 833
Federal - Other	592,626	625,717	540,006
Provincial	-	3,015	-
Ottawa Trust	649	648	649
Rental	175,860	190,931	161,917
Other	1,825,539	1,501,072	1,423,389
	<u>4,325,164</u>	<u>4,081,307</u>	<u>3,454,741</u>
EXPENSES			
Band	2,290,249	1,538,183	1,595 414
Health and social services	703,731	554,328	516,532
Education and training	551,406	537,703	521,891
Public works	1,047,867	641,251	497,738
Capital projects	-	10,139	-
Housing	279,586	122,978	157 460
Depreciation	-	249,301	271,835
	<u>4,872,839</u>	<u>3,653,883</u>	<u>3,560,870</u>
ANNUAL SURPLUS (DEFICIT)	<u>(547,675)</u>	<u>427,424</u>	<u>(106 129)</u>
ACCUMULATED SURPLUS (DEFICIT), at beginning of year		<u>4,145,025</u>	<u>4 251 154</u>
ACCUMULATED SURPLUS (DEFICIT), at end of year (Note 8)		<u>4,572,449</u>	<u>4 145 025</u>

T'SOU-KE FIRST NATION
Consolidated Statement of Changes in Net Financial Assets (Net Debt)
For the year ended March 31, 2017

	Budget (unaudited)	2017	2016
ANNUAL SURPLUS (DEFICIT)	(547,675)	427,424	(106 129)
Tangible capital assets			
Acquisition of tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	-	-
Amortization of tangible capital assets	260,000	249,301	271 835
Write-downs on tangible capital assets	-	-	-
(Gain) loss on disposal of tangible capital assets	-	-	-
	260,000	249,301	271,835
Assets under construction	-	-	-
Acquisition of prepaid expense	(20,000)	(19,953)	(21,553)
Use of prepaid expense	21,553	21,553	18 196
	1,553	1,600	(3,357)
CHANGE IN NET FINANCIAL ASSETS (NET DEBT)	(286,122)	678,325	162,349
NET FINANCIAL ASSETS (NET DEBT), at beginning of year		1,413,279	1 250 930
NET FINANCIAL ASSETS (NET DEBT), at end of year		2,091,604	1,413 279

T'SOU-KE FIRST NATION
Consolidated Statement of Cash Flows
For the year ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Annual surplus (deficit)	427,424	(106,129)
Items not affecting cash		
Amortization of tangible capital assets	249,301	271,835
(Gain) loss on disposal of tangible capital assets	-	-
Change in non-cash charges to operations		
Ottawa Trust	(648)	619
Accounts receivable	79,103	(171,381)
Prepaid expenses	1,600	(3 357)
Accounts payable	(22,166)	(8,001)
Deferred revenue	(9,000)	5,959
	<u>725,614</u>	<u>(10 455)</u>
CAPITAL TRANSACTIONS		
Proceeds on disposal of tangible capital assets	-	-
Acquisition of tangible capital assets	-	-
Assets under construction	-	-
	<u>-</u>	<u>-</u>
FINANCING TRANSACTIONS		
Repayment of short-term debt	-	-
Repayment of long-term debt	(116,409)	(115,612)
	<u>(116,409)</u>	<u>(115,612)</u>
INCREASE (DECREASE) IN CASH DURING YEAR	609,205	(126,067)
CASH, at beginning of year	<u>2,308,864</u>	<u>2,434,931</u>
CASH, at end of year	<u>2,918,069</u>	<u>2,308 864</u>

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a Basis of accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada

b Reporting Entity and Principles of Financial Reporting

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

- T'Sou-ke First Nation Government Administration
- T'Sou-ke First Nation Trusts Fund
- T'Sou-ke First Nation CMHC Housing Program Fund

c Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short term cash commitments

d Financial Instruments

The carrying amounts for accounts receivable, grants receivable and accounts payable and accrued liabilities approximate fair value because of the short-term nature of these instruments

e Tangible capital assets

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

Infrastructure	20 years
Computer equipment	5 years
Boats	10 years
Vehicles	5 years
Playground	10 years
Photovolt Systems	15 years
Band/Social Housing	20 years

In the year of acquisition, 50% of the normal amortization is recorded

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f Reserve funds

Reserve funds represent the replacement and operating reserve funds required under the terms of the agreement with Canada Mortgage and Housing Corporation

g Revenue Recognition

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing that the transfers are authorized, all eligibility criteria have been met by the Nation, and reasonable estimates of the amounts can be made. Government transfers received for which the Nation has not met all eligibility requirements are recorded as revenue. Government transfers include financial transfer agreement payments, band trust revenue payments, contribution arrangements, and other federal and provincial grants.

Grant revenue is recognized in the financial statements as the related expenditures are incurred and when the terms and conditions of the funding are satisfied. Other income is recorded as revenue when earned.

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 amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates include assumption used in estimating provisions for accrued liabilities and estimating the useful lives of tangible capital assets. Actual results could differ from those estimates.

2 CASH AND CASH EQUIVALENTS

Under the terms of an agreement with Canada Mortgage and Housing Corporation, T'Sou-ke First Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Replacement and Operating Fund. Cash and cash equivalents is comprised of the following:

	2017	2016
Unrestricted - Operating	2,277,779	1,641,961
Restricted - CMHC Operating	267,974	309,829
Restricted - CMHC Replacement reserve	225,351	214,772
Restricted - CMHC Operating reserve	146,965	142,302
	<u>2,918,069</u>	<u>2,308,864</u>

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

3 ACCOUNTS RECEIVABLE

	2017	2016
Federal government		
Indigenous and Northern Affairs Canada	49,666	15,000
Other government organizations	47,169	15,998
Canada Mortgage and Housing Corporation	7,295	7,354
	<u>104,130</u>	<u>38,352</u>
Other		
Employees	-	-
Members	23,511	23,179
Other agencies	178,246	323,459
	<u>201,757</u>	<u>346,638</u>
	<u>305,887</u>	<u>384,990</u>

4 OTTAWA TRUST FUNDS

	March 31, 2016	Adjustment	Additions	Withdrawals	March 31, 2017
Capital	2,077	-	-	-	2,077
Revenue	21	-	648	-	668
	<u>2,098</u>	<u>-</u>	<u>648</u>	<u>-</u>	<u>2,745</u>

The trust funds 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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Indigenous and Northern Affairs Canada	15,000	15,000
Accrued salaries and benefits payable	10,656	23,324
Other accrued liabilities	217,285	226,783
	<u>242,941</u>	<u>265,107</u>

6 DEFERRED REVENUE

The changes in the deferred contributions balance for the year are as follows

	Balance March 31, 2016	Funding Received 2017	Revenue Recognized 2017	Balance March 31, 2017
Victoria Foundation	9,000	-	9,000	-
	<u>9,000</u>	<u>-</u>	<u>9,000</u>	<u>-</u>

7 ACCUMULATED SURPLUS (DEFICIT)

	Operating	Trust	Housing	2017 Total	2016
Accumulated Surplus (Deficit) at the beginning of year	3,062,397	2,098	1 080 530	4,145,025	-4,251,154
Annual Surplus (Deficit)	423,086	648	3 690	427,423	(106,129)
Transfers	(50)	-	50	-	-
Accumulated Surplus (Deficit), at the beginning of year	<u>3,485 433</u>	<u>2 746</u>	<u>1,084 270</u>	<u>4,572,448</u>	<u>4 145 025</u>

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

8. LONG TERM DEBT

	<u>2017</u>	<u>2016</u>
CMHC (#16573172002) - Repayable at \$1 032 per month, including interest at 2 31% per annum, matures July 1, 2017	4,108	16,251
CMHC (#19360056001) - Repayable at \$1,948 per month, including interest at 1 05% per annum, matures April 1, 2020	177,531	198,931
CMHC (#19360056002) - Repayable at \$785 per month, including interest at 1 14% per annum, matures June 1, 2021	81,978	90,259
CMHC (#19360056003) - Repayable at \$1 724 per month, including interest at 1 65% per annum matures June 1, 2017	194,975	212 305
CMHC (#19360056004) - Repayable at \$1,588 per month including interest at 2 35% per annum, matures September 1, 2018	113,440	129 645
CMHC (#19360056005) - Repayable at \$2,969 per month including interest at 1 12% per annum, matures February 1, 2020	201,105	234,291
CMHC (#19360056006) - Repayable at \$788 per month including interest at 1 30% per annum, matures December 1, 2020	119,020	126,884
	<u>892,157</u>	<u>1 008,566</u>

Anticipated annual principal repayments over the next five years and thereafter are as follows

2018	109,973
2019	107,350
2020	108,861
2021	110,402
2022	111,963
Thereafter	343 608

	<u>2017</u>	<u>2016</u>
Interest expense for the year on long-term debt	14,260	18,251

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

9 TANGIBLE CAPITAL ASSETS

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE	
	Balance	Additions	Transfers	Balance	Balance	Amortization	Balance	March 31, 2017
	March 31, 2016			March 31, 2017	March 31, 2016		March 31, 2017	
Photo-voltaic Systems	780 000	-	-	780 000	364 000	52,000	416 000	364,000
Fish Boat	133 700	-	-	133 700	133 700	-	133,700	-
Health Building	108 190	-	-	108 190	59,510	5,410	64 920	43 270
Automotive	109 681	-	-	109 681	109,681	-	109,681	-
Office Equipment	9 158	-	-	9 158	9,158	-	9 158	-
Band Hall	42 502	-	-	42,502	42,502	-	42 502	-
Fish Loft	59 905	-	-	59 905	59 905	-	59,905	-
Children's Centre	94,089	-	-	94 089	70 575	4 705	75,280	18 809
Playground Equipment	41 350	-	-	41 350	41 350	-	41 350	-
Wasabi Greenhouse	648 000	-	-	648 000	64 800	32 400	97 200	550 800
Band Housing	805 437	-	-	805 437	730 977	18 615	749 592	55,845
Social Housing	2 686,080	-	-	2,686 080	1,121 741	136,171	1,257 912	1,428,168
TOTAL	5 518,092	-	-	5,518,092	2 807,899	249,301	3 057 200	2,460,893

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE	
	Balance	Additions	Transfers	Balance	Balance	Amortization	Balance	March 31, 2016
	March 31, 2015			March 31, 2016	March 31, 2015		March 31, 2016	
Photo-voltaic Systems	780 000	-	-	780,000	312 000	52 000	364 000	416,000
Fish Boat	133,700	-	-	133,700	133 700	-	133,700	-
Health Building	108,190	-	-	108 190	54 100	6 410	59,510	48,680
Automotive	109 681	-	-	109,681	91 617	18 064	109 681	-
Office Equipment	9 158	-	-	9,158	9 158	-	9 158	-
Band Hall	42,502	-	-	42 502	40 375	2 127	42 502	-
Fish Loft	59,905	-	-	59,905	56 905	3 000	59 905	-
Children's Centre	94 089	-	-	94,089	65 870	4 705	70,575	23,514
Playground Equipment	41 350	-	-	41,350	41 350	-	41,350	-
Wasabi Greenhouse	648 000	-	-	648,000	32 400	32 400	64 800	583 200
Band Housing	-	-	-	-	-	730 977	730 977	(730 977)
Social Housing	3 491 517	-	-	3,491,517	1,698 589	(576,848)	1,121,741	2,369 776
TOTAL	5,518,092	-	-	5,518,092	2,536,064	271,835	2,807 899	2,710,193

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

10 SEGMENT DISCLOSURE

T'Sou-ke First Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by function. For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The segment results for the period are as follows:

	Band		Health		Education & Training	
	2017	2016	2017	2016	2017	2016
REVENUES						
Indigenous and Northern Affairs Canada	532,427	252,099	362,164	289,427	386,000	368,160
Canada Mortgage and Housing Corporation	-	-	-	-	-	-
Federal - Other	149,359	101,005	334,818	300,253	141,540	138,748
Rental	400	400	-	-	-	-
Other	1,262,709	1,193,131	3,924	5,427	46,797	49,734
	1,944,895	1,546,635	700,906	595,107	574,337	556,642
EXPENSES						
Salaries and benefits	302,117	316,341	132,136	111,227	183,204	176,594
Consultants and Professional fees	791,516	665,092	-	-	-	-
Interest and bank charges	735	679	-	-	-	-
Materials and program expenses	192,197	203,185	119,562	129,914	67,106	64,149
Depreciation	84,400	107,591	10,115	10,115	-	-
Other	251,618	410,116	302,630	275,391	287,393	281,148
	1,622,583	1,703,004	564,443	526,647	537,703	521,891
ANNUAL SURPLUS (DEFICIT)	322,312	(156,369)	136,463	68,460	36,634	34,751

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

10 SEGMENT DISCLOSURE (Continued)

	Public Works		Capital Projects		Housing	
	2017	2016	2017	2016	2017	2016
REVENUES						
Indigenous and Northern Affairs Canada	381,533	330,260	10,139	-	-	-
Canada Mortgage and Housing Corporation	-	-	-	-	87,661	88,833
Federal - Other	-	-	-	-	-	-
Rental	-	-	-	-	190,531	161,517
Other	173,527	170,912	-	-	17,778	4,834
	<u>555,060</u>	<u>501,172</u>	<u>10,139</u>	<u>-</u>	<u>295,970</u>	<u>255,184</u>
EXPENSES						
Salaries and benefits	95,034	107,622	-	-	-	-
Consultants and Professional fees	344,341	224,847	-	-	7,000	8,462
Interest and bank charges	-	-	-	-	13,525	17,571
Materials and program expenses	1,293	24,288	-	-	-	-
Depreciation	-	-	-	-	154,786	154,129
Other	200,583	140,981	10,139	-	102,453	131,428
	<u>641,251</u>	<u>497,738</u>	<u>10,139</u>	<u>-</u>	<u>277,764</u>	<u>311,590</u>
ANNUAL SURPLUS (DEFICIT)	<u>(86,191)</u>	<u>3,434</u>	<u>-</u>	<u>-</u>	<u>18,206</u>	<u>(56,406)</u>

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

11 EXPENSES BY OBJECT

The following is a summary of expenses by object,

	<u>2017</u>	<u>2016</u>
Consultants and professional fees	1,142,858	898,401
Depreciation	249,301	271,835
Government transfer	524,554	501,552
Interest and bank charges	14,260	18,250
Materials and program expenses	380,158	421,536
Travel	10,474	23,583
Wages and benefits	712,490	711,784
Other	619,788	713,929
	<u>3,653,883</u>	<u>3,560,870</u>

12 CONTINGENT LIABILITY

T'Sou-ke First Nation has a contingent liability of \$2,246,808 for various on-reserve housing loan guarantees

13 ECONOMIC DEPENDENCE

T'Sou-ke First Nation receives a majority portion of its revenue pursuant to a funding arrangement with Indigenous and Northern Affairs Canada

14 BUDGET FIGURES

The budget figures were not audited nor reviewed but compiled from information provided by First Nation management

15 COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation including an adjustment for depreciation