

**T'SOU-KE FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018**

T'SOU-KE FIRST NATION
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March 31, 2018

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of T'Sou-ke First Nation are the responsibility of management and have been approved by the Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

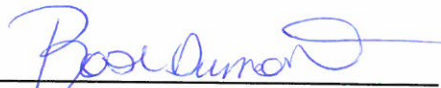
In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The T'Sou-ke First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for the appointment of the Nation's external auditors.

Lee & Company, an independent firm of Chartered Professional Accountants, is appointed by Council on behalf of the Members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with, both the Council and management to discuss their audit findings.

On behalf of T'Sou-ke First Nation:

X  _____ Chief

X  _____ Councillor

X _____ Councillor

X  _____ Councillor

November 8, 2018



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, 2018 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, 2018 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
November 8, 2018

T'SOU-KE FIRST NATION
Consolidated Statement of Financial Position
March 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2 & 3)	4,724,906	2,918,069
Ottawa Trust (Note 5)	2,102	2,745
Accounts receivable (Note 4)	320,340	305,887
	<u>5,047,348</u>	<u>3,226,701</u>
FINANCIAL LIABILITIES		
Accounts payable (Note 6)	497,845	242,941
Long-term debts (Note 8)	781,973	892,157
	<u>1,279,818</u>	<u>1,135,098</u>
NET FINANCIAL ASSETS (NET DEBT)	<u>3,767,530</u>	<u>2,091,603</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	20,813	19,953
Tangible capital assets (Note 9)	2,861,121	2,460,893
	<u>2,881,934</u>	<u>2,480,846</u>
ACCUMULATED SURPLUS (DEFICIT) (Note 7)	<u>6,649,464</u>	<u>4,572,449</u>

Approved by Chief and Council

X

Chief

X

Councillor

X

Councillor

X

Councillor

T'SOU-KE FIRST NATION
Consolidated Statement of Operations
For the year ended March 31, 2018

	Budget (unaudited)	2018	2017
REVENUE			
Indigenous and Northern Affairs Canada	2,288,027	2,418,268	1,672,263
Canada Mortgage and Housing Corporation	85,563	256,799	87,661
Federal - Other	561,188	587,648	625,717
Provincial	30,000	33,200	3,015
Ottawa Trust	650	650	648
Rental	165,860	170,855	190,931
Other	2,778,542	1,748,291	1,501,072
	5,909,830	5,215,711	4,081,307
EXPENSES			
Band	3,695,504	1,124,737	1,538,183
Health and social services	703,731	591,038	554,328
Education and training	551,406	555,147	537,703
Public works	644,433	482,293	641,251
Capital projects	-	-	10,139
Housing	279,586	125,762	122,978
Depreciation	-	259,719	249,301
	5,874,660	3,138,696	3,653,883
ANNUAL SURPLUS (DEFICIT)	35,170	2,077,015	427,424
ACCUMULATED SURPLUS (DEFICIT), at beginning of year		4,572,449	4,145,025
ACCUMULATED SURPLUS (DEFICIT), at end of year (Note 8)		6,649,464	4,572,449

T'SOU-KE FIRST NATION
Consolidated Statement of Changes in Net Financial Assets (Net Debt)
For the year ended March 31, 2018

	Budget (unaudited)	2018	2017
ANNUAL SURPLUS (DEFICIT)	35,170	2,077,015	427,424
Tangible capital assets			
Acquisition of tangible capital assets	(190,000)	(188,376)	-
Proceeds on disposal of tangible capital assets	-	-	-
Amortization of tangible capital assets	260,000	259,719	249,301
Write-downs on tangible capital assets	-	-	-
(Gain) loss on disposal of tangible capital assets	-	-	-
	70,000	71,343	249,301
Assets under construction	-	(471,572)	-
Acquisition of prepaid expense	(20,000)	(20,813)	(19,953)
Use of prepaid expense	19,953	19,953	21,553
	(47)	(472,432)	1,600
CHANGE IN NET FINANCIAL ASSETS (NET DEBT)	105,123	1,675,926	678,325
NET FINANCIAL ASSETS (NET DEBT), at beginning of year		2,091,603	1,413,279
NET FINANCIAL ASSETS (NET DEBT), at end of year		3,767,530	2,091,603

T'SOU-KE FIRST NATION
Consolidated Statement of Cash Flows
For the year ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Annual surplus (deficit)	2,077,015	427,424
Items not affecting cash		
Amortization of tangible capital assets	259,719	249,301
(Gain) loss on disposal of tangible capital assets	-	-
Change in non-cash charges to operations		
Ottawa Trust	642	(648)
Accounts receivable	(14,453)	79,103
Prepaid expenses	(860)	1,600
Accounts payable	254,904	(22,166)
Deferred revenue	-	(9,000)
	<u>2,576,967</u>	<u>725,614</u>
CAPITAL TRANSACTIONS		
Proceeds on disposal of tangible capital assets	-	-
Acquisition of tangible capital assets	(188,376)	-
Assets under construction	(471,572)	-
	<u>(659,948)</u>	<u>-</u>
FINANCING TRANSACTIONS		
Repayment of short-term debt	-	-
Repayment of long-term debt	(110,184)	(116,409)
	<u>(110,184)</u>	<u>(116,409)</u>
INCREASE (DECREASE) IN CASH DURING YEAR	1,806,835	609,205
CASH, at beginning of year	2,918,069	2,308,864
CASH, at end of year	<u>4,724,906</u>	<u>2,918,069</u>

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2018

1. NATURE OF OPERATIONS

T'Sou-ke First Nation (the "First Nation") is located in the province of British Columbia, and its principal purpose is to provide for the well-being of its band member. The First Nation operates under the Indian Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting

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

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

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

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.

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the assets.

Amortization is provided for 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
Housing Betterments	10 years
Gravel Pit (under construction)	NA

Tangible capital assets are written down when conditions indicate that they no longer contribute to T'Sou-ke First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

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.

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

g. Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

h. Measurement Uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. 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:

	2018	2017
Unrestricted - Operating	4,062,544	2,277,779
Restricted - CMHC Operating	281,255	267,974
Restricted - CMHC Replacement reserve	232,338	225,351
Restricted - CMHC Operating reserve	148,769	146,965
	<u>4,724,906</u>	<u>2,918,069</u>

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2018

4. ACCOUNTS RECEIVABLE

	2018	2017
Federal government		
Indigenous and Northern Affairs Canada	30,076	49,666
Other government organizations	21,298	47,169
Canada Mortgage and Housing Corporation	7,018	7,295
CMHC - Retrofit Initiative Project	170,776	-
	<u>229,168</u>	<u>104,130</u>
Other		
Members	22,464	23,511
Other agencies	68,708	178,246
	<u>91,172</u>	<u>201,757</u>
	<u>320,340</u>	<u>305,887</u>

5. OTTAWA TRUST FUNDS

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

	March 31, 2017	Adjustment	Additions	Withdrawals	March 31, 2018
Capital	2,077	-	-	-	2,077
Revenue	668	-	650	(1,293)	25
	<u>2,745</u>	<u>-</u>	<u>650</u>	<u>(1,293)</u>	<u>2,102</u>

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2018

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Indigenous and Northern Affairs Canada	29,944	15,000
Accrued salaries and benefits payable	17,669	10,656
Other accrued liabilities	450,232	217,285
	<u>497,845</u>	<u>242,941</u>

7. ACCUMULATED SURPLUS (DEFICIT)

	Operating	Trust	Housing	2018 Total	2017
Accumulated Surplus (Deficit), at the beginning of year	3,485,433	2,746	1,084,270	4,572,449	4,145,025
Annual Surplus (Deficit)	1,918,087	650	158,278	2,077,015	427,424
Transfers	78,341	(1,293)	(77,048)	-	-
Accumulated Surplus (Deficit), at the beginning of year	<u>5,481,861</u>	<u>2,103</u>	<u>1,165,500</u>	<u>6,649,464</u>	<u>4,572,449</u>

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2018

8. LONG TERM DEBT

	2018	2017
CMHC (#16573172002) - Repayable at \$1,032 per month, including interest at 2.31% per annum, matured July 1, 2017.	-	4,108
CMHC (#19360056001) - Repayable at \$1,948 per month, including interest at 1.05% per annum, matures April 1, 2020.	155,910	177,531
CMHC (#19360056002) - Repayable at \$785 per month, including interest at 1.14% per annum, matures June 1, 2021.	73,444	81,978
CMHC (#19360056003) - Repayable at \$1,694 per month, including interest at 1.3% per annum, matures June 1, 2022.	177,147	194,975
CMHC (#19360056004) - Repayable at \$1,588 per month including interest at 2.35% per annum, matures September 1, 2018.	96,859	113,440
CMHC (#19360056005) - Repayable at \$2,969 per month including interest at 1.12% per annum, matures February 1, 2020.	167,551	201,105
CMHC (#19360056006) - Repayable at \$788 per month including interest at 1.30% per annum, matures December 1, 2020.	111,061	119,020
	<u>781,972</u>	<u>892,157</u>

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

2019	107,590
2020	109,046
2021	110,522
2022	112,012
2023	107,584
Thereafter	235,218

	2018	2017
Interest expense for the year on long-term debt	<u>11,833</u>	<u>14,260</u>

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2018

9. TANGIBLE CAPITAL ASSETS

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE
	Balance March 31, 2017	Additions	Transfers	Balance March 31, 2018	Balance March 31, 2017	Transfers	Amortization	Balance March 31, 2018	March 31, 2018
Photo-voltaic Systems	780,000	-	-	780,000	416,000	-	52,000	468,000	312,000
Fish Boat	133,700	-	-	133,700	133,700	-	-	133,700	-
Health Building	108,190	-	-	108,190	64,920	-	5,410	70,330	37,860
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	75,280	-	4,705	79,985	14,104
Playground Equipment	41,350	17,600	-	58,950	41,350	-	1,760	43,110	15,840
Wasabi Greenhouse	648,000	-	-	648,000	97,200	-	32,400	129,600	518,400
Band Housing	805,437	-	213,162	1,018,599	749,592	132,006	22,724	904,322	114,277
Social Housing	2,686,080	-	(213,162)	2,472,918	1,257,912	(132,006)	123,642	1,249,548	1,223,370
Housing Betterments	-	170,776	-	170,776	-	-	17,078	17,078	153,698
Gravel Pit Development	-	471,572	-	471,572	-	-	-	-	471,572
TOTAL	5,518,092	659,948	-	6,178,040	3,057,200	-	259,719	3,316,919	2,861,121

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE		
	Balance March 31, 2016	Additions	Transfers	Balance March 31, 2017	Balance March 31, 2016	Transfers	Amortization	Balance March 31, 2017	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

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2018

10. SEGMENTS

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 program. Programs were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, restrictions or limitations.

Band - Includes government activities of Chief and Council and band support and membership. It oversees the delivery of all government services including ensuring that adequate policies and procedures are in place to safeguard assets and to properly report financial activities.

Health services - Contains activities that provide medical services to the First Nation members.

Education and training - Includes activities that provide education to the First Nation members for primary, secondary schooling and reimbursement of tuition costs and living and other allowances to students who are attending post-secondary institutions.

Public works - Contains all activities that relate to the maintenance of buildings, road, infrastructure, and land of the First Nation.

Capital projects - Includes major capital projects and activities occurring in the First Nation during the year.

Housing - Includes activities related to the provision of Band owned housing to the members of the Nation and CMHC program housing to the members of the Nation.

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2018

11. 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 2. The segment results for the period are as follows:

	Band		Health		Education & Training	
	2018	2017	2018	2017	2018	2017
REVENUES						
Indigenous and Northern Affairs Canada	1,234,017	532,427	323,085	362,164	487,385	386,000
Canada Mortgage and Housing Corporation	-	-	-	-	-	-
Federal - Other	135,762	149,359	315,262	334,818	136,624	141,540
Rental	8,327	400	-	-	-	-
Other	1,392,800	1,262,711	34,463	3,924	95,299	46,797
	2,770,906	1,944,895	672,810	700,906	719,308	574,337
EXPENSES						
Salaries and benefits	308,473	302,117	121,072	132,136	175,991	183,204
Consultants and Professional fees	397,792	791,516	-	-	-	-
Interest and bank charges	711	735	-	-	-	-
Materials and program expenses	163,750	192,197	147,596	119,562	64,005	67,106
Depreciation	84,400	84,400	10,115	10,115	1,760	-
Other	254,010	251,619	322,370	302,630	315,151	287,393
	1,209,136	1,622,583	601,153	564,443	556,907	537,703
ANNUAL SURPLUS (DEFICIT)	1,561,769	322,312	71,657	136,463	162,401	36,634

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2018

11. SEGMENT DISCLOSURE *(Continued)*

	Public Works		Capital Projects		Housing	
	2018	2017	2018	2017	2018	2017
REVENUES						
Indigenous and Northern Affairs Canada	373,781	381,533	-	10,139	-	-
Canada Mortgage and Housing Corporation	1,000	-	-	-	85,023	87,661
Federal - Other	-	-	-	-	-	-
Rental	-	-	-	-	162,528	190,531
Other	178,179	173,527	-	-	252,176	17,779
	552,960	555,060	-	10,139	499,727	295,970
EXPENSES						
Salaries and benefits	99,138	95,034	-	-	-	-
Consultants and Professional fees	148,466	344,341	-	-	9,550	7,000
Interest and bank charges	-	-	-	-	11,122	13,525
Materials and program expenses	7,384	1,293	-	-	-	-
Depreciation	-	-	-	-	163,444	154,786
Other	227,305	200,583	-	10,139	105,090	102,453
	482,293	641,251	-	10,139	289,206	277,764
ANNUAL SURPLUS (DEFICIT)	70,667	(86,191)	-	-	210,521	18,206

T'SOU-KE FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2018

12. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	<u>2018</u>	<u>2017</u>
Consultants and professional fees	558,542	1,142,858
Depreciation	259,719	249,301
Government transfer	538,429	524,554
Interest and bank charges	11,833	14,260
Materials and program expenses	382,736	380,158
Travel	13,819	10,474
Wages and benefits	704,674	712,490
Other	668,944	619,788
	<u>3,138,696</u>	<u>3,653,883</u>

13. ANNUAL SURPLUS NET OF CAPITAL RELATED REVENUE AND AMORTIZATION

	<u>2018</u>	<u>2017</u>
Annual surplus (deficit)	2,077,015	427,424
Less capital related revenue included in annual surplus:		
Federal government transfers for capital	(1,169,413)	-
	907,602	427,424
Add amortization expense included in annual surplus	259,719	249,301
Annual surplus (deficit) net of capital related revenues and amortization	<u>1,167,321</u>	<u>676,725</u>

14. CONTINGENT LIABILITY

T'Sou-ke First Nation has a contingent liability of \$1,898,550 for various on-reserve housing loan guarantees.

15. 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.

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16. FINANCIAL INSTRUMENTS

T'Sou-ke First Nation's financial instruments consist of cash, investments, accounts receivable, bank indebtedness, accounts payable and accruals, and long-term debt. It is management's opinion that the First Nation is not exposed to significant currency or credit risk arising from these financial instruments. The fair value of the instruments approximates their carrying values, unless otherwise noted.

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the First Nation manages exposure through its normal operating and financing activities. The First Nation is exposed to interest rate price risk on its loans with fixed interest rates and on its investment portfolio consisting partially of fixed income securities.

17. BUDGET FIGURES

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

18. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.