

ADAMS LAKE INDIAN BAND
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

Paul F. Michel
Chief, Kinkipit, ADAMS LAKE BAND.

Shuley Kie
Manager



DALEY & COMPANY LLP

Chartered Professional Accountants

900-235 1st Ave.
Kamloops, BC V2C 3J4
p. 250.374.5577
f. 250.374.5573
toll free. 1.877.374.5577
email. admin@daleyllp.ca
www.daleyllp.ca

Norman Daley, FCPA, FCA
Paul Mumford, CPA, CA
Michael Parker, CPA, CA
Maureen McCurdy, CPA, CA
Sandra Blair, CPA, CA
Shawn Birkenhead, CPA, CA
Kevin Cooper, CPA, CA
Incorporated Professionals

INDEPENDENT AUDITORS' REPORT

To the Members,
ADAMS LAKE INDIAN BAND

EXHIBIT A1

Report on the Financial Statements

We have audited the accompanying financial statements of ADAMS LAKE INDIAN BAND, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statement of accumulated surplus, consolidated statement of operations, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ADAMS LAKE INDIAN BAND as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The current year's supplementary information included in Exhibits B1 to B3, C1 to C2, D1 to D2 and schedules 1 to 56 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Daley & Company LLP

Chartered Professional Accountants


Kamloops, BC
July 4, 2017

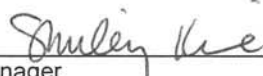
ADAMS LAKE INDIAN BAND
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
March 31, 2017

FINANCIAL ASSETS	2017	2016
Cash (Note A3)	\$ 8,446,952	\$ 6,000,881
Marketable securities (Note A4)	623,315	604,669
Grants and accounts receivable (Note A5)	2,072,194	1,695,248
Restricted cash (Note A6)	3,942,475	3,237,047
Deferred lease costs (Note A7)	1,100,913	1,119,841
Investments (Note A8)	66,299	114,496
	<u>16,252,148</u>	<u>12,772,182</u>
LIABILITIES		
Accounts payable and accruals	2,395,767	2,166,339
Deferred revenue (Note A10)	5,433,113	4,191,454
Demand loans (Note A11)	267,441	484,945
Silviculture liability (Note A12)	2,006,715	1,845,185
Mortgages payable (Note A13)	1,771,615	1,934,640
	<u>11,874,651</u>	<u>10,622,563</u>
NET FINANCIAL ASSETS	<u>4,377,497</u>	<u>2,149,619</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	113,285	98,165
Property held for resale (Note A14)	1,087,902	1,083,957
Tangible capital assets (Note A15)	13,638,408	14,432,638
	<u>14,839,595</u>	<u>15,614,760</u>
ACCUMULATED SURPLUS (Note A16)	<u>\$ 19,217,092</u>	<u>\$ 17,764,379</u>

COMMITMENTS AND CONTINGENCIES (Note A17)

APPROVED BY THE BAND:


 Chief Kulopit, ADAMS LAKE BAND


 Manager

ADAMS LAKE INDIAN BAND
CONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS
Year ended March 31, 2017

	2017	2016
ACCUMULATED SURPLUS, beginning of year	\$ 17,764,379	\$ 18,896,657
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>1,452,713</u>	<u>(1,132,278)</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 19,217,092</u>	<u>\$ 17,764,379</u>

See accompanying notes to financial statements.

ADAMS LAKE INDIAN BAND
CONSOLIDATED STATEMENT OF OPERATIONS
Year ended March 31, 2017

	Budget	2017	2016
REVENUE:			
Indigenous and Northern Affairs Canada	\$ 5,749,164	\$ 3,578,985	\$ 3,362,002
Leases and rentals	1,897,837	1,880,315	1,908,491
Canada Mortgage and Housing Corporation	108,403	118,793	125,726
Province of British Columbia	1,346,187	2,087,169	513,670
Consulting and contract	1,233,405	5,305,786	4,151,661
Interest and tax penalties	117,700	139,911	145,092
Timber harvesting	1,819,770	1,319,937	3,472,186
First Nations Health Authority	1,127,164	1,100,618	960,347
Property taxes	1,000,000	1,003,071	926,813
Other	1,272,428	1,486,613	1,230,710
	<u>15,672,058</u>	<u>18,021,198</u>	<u>16,796,698</u>
EXPENSES:			
Administration fees	4,788	9,091	26,226
Amortization	-	912,602	944,577
Assistance	255,872	337,014	274,386
Automotive	37,000	58,731	53,975
Bad debts and write downs	-	72,824	71,868
Contract services	1,850,885	4,264,795	2,914,849
Education	1,039,500	967,712	957,828
Honorarium	472,003	358,084	388,093
Insurance	112,482	115,460	110,894
Interest and bank charges	77,915	15,326	15,198
Interest on demand loans and mortgages	75,293	45,025	70,587
Leases	165,310	214,769	219,567
Licences, dues and fees	27,984	67,054	27,817
Logging	896,000	442,129	2,946,244
Materials and supplies	278,365	508,584	419,754
Office and other	708,900	446,718	717,488
Professional fees	302,700	511,065	205,711
Repairs and maintenance	231,450	262,055	394,321
Training	203,486	138,187	124,962
Travel	359,214	364,252	372,388
Utilities	336,688	528,226	497,283
Wages and benefits	5,440,440	5,928,782	5,614,083
	<u>12,876,275</u>	<u>16,568,485</u>	<u>17,368,099</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER MATTER	2,795,783	1,452,713	(571,401)
OTHER MATTER:			
Equity transfer to Band Members on payout of Phase 10 and 12	-	-	(560,877)
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ 2,795,783	\$ 1,452,713	\$(1,132,278)

See accompanying notes to financial statements.

ADAMS LAKE INDIAN BAND
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
Year ended March 31, 2017

	Budget	2017	2016
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ 2,795,783	\$ 1,452,713	\$(1,132,278)
Acquisition of tangible capital assets	-	(118,372)	(533,034)
Change in property held for resale	-	(3,945)	(165,128)
Amortization of tangible capital assets	-	912,602	944,577
Change in prepaid expenses	-	(15,120)	154,902
Equity transfer to Band Members on payout of of Phase 10 & 12	-	-	560,877
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	2,795,783	2,227,878	(170,084)
NET FINANCIAL ASSETS, beginning of year	2,149,619	2,149,619	2,319,703
NET FINANCIAL ASSETS, end of year	\$ 4,945,402	\$ 4,377,497	\$ 2,149,619

See accompanying notes to financial statements.

ADAMS LAKE INDIAN BAND
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended March 31, 2017

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess (shortfall) of revenue over expenses	\$ 1,452,713	\$ (1,132,278)
Non-operating items:		
Amortization	912,602	944,577
Equity transfer to Band Members on payout of of Phase 10 & 12	-	560,877
(Increase) decrease in:		
Grants and accounts receivable	(376,946)	(597,068)
Property held for resale	(3,945)	(165,128)
Prepaid expenses	(15,120)	154,902
Increase in:		
Accounts payable and accruals	229,428	357,994
Deferred revenue	1,241,659	2,659,546
Silviculture liability	161,530	556,656
Cash flows from operations	<u>3,601,921</u>	<u>3,340,078</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in restricted cash	(705,428)	56,600
Debt reduction	(380,529)	(365,214)
Cash flows used in financing	<u>(1,085,957)</u>	<u>(308,614)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments	48,197	208,936
Cash flows from investing	<u>48,197</u>	<u>208,936</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Deferred costs	18,928	(116,674)
Purchase of tangible capital assets	(118,372)	(533,034)
Cash flows used in capital	<u>(99,444)</u>	<u>(649,708)</u>
INCREASE IN CASH RESOURCES	2,464,717	2,590,692
CASH RESOURCES, beginning of year	<u>6,605,550</u>	<u>4,014,858</u>
CASH RESOURCES, end of year	\$ 9,070,267	\$ 6,605,550
CASH RESOURCES CONSISTS OF:		
Cash	\$ 8,446,952	\$ 6,000,881
Marketable securities	<u>623,315</u>	<u>604,669</u>
	\$ 9,070,267	\$ 6,605,550

See accompanying notes to financial statements.

ADAMS LAKE BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

NOTE A1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES:

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

a) Fund Accounting:

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

- The Band Operating Fund which reports the general activities of the First Nation Administration.
- The Trust Fund which reports on trust funds owned by the First Nation and held by third parties.
- The Capital Fund which reports the property and equipment of the First Nation, together with their related financing.
- The Social Housing Funds Pre-1997 and Post-1996 which reports the social housing assets of the First Nation, together with related activities.

b) Reporting Entity and Principles of Financial Reporting:

The Adams Lake Indian Band reporting entity includes the Adams Lake Indian Band government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

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

- Adams Lake Indian Band Operating Fund
- Adams Lake Indian Band Trust Fund
- Adams Lake Indian Band Capital Fund
- Adams Lake Indian Band Social Housing Fund - Pre-1997 Program
- Adams Lake Indian Band Social Housing Fund - Post-1996 Program

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

Incorporated business entities, which are owned or controlled by the Adams Lake Indian Band and which are dependent on the First Nation for their continuing operations, are consolidated in the consolidated financial statements. These include:

- Adams Lake Development Corporation

Incorporated business entities, which are owned or controlled by the Adams Lake Indian Band and which are not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method.

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

- Sexqeltkmc Enterprises Inc.
- Sexqeltkmc Limited Partnership

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

- Sexqeltkmc Lakes Division
- Secwepemc Reconciliation Framework Agreement

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

Notes that provide additional information regarding the entities are disclosed with each entity and form an integral part of these financial statements.

ADAMS LAKE BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

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

Non-financial Assets:

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

a) Tangible Capital Assets:

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

Major Asset Category:

Buildings	20 to 70 years
Water systems	50 to 80 years
Roads	10 to 75 years
Automotive equipment	10 years
Computer equipment	5 years
Sewer systems	80 years
Furniture and equipment	5 years

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

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

The Band's policies regarding the thresholds for capitalization of assets are as follows:

- buildings and infrastructure that exceed \$10,000,
- vehicles, equipment and furniture and fixtures that exceed \$3,000 and,
- computers and other data processing equipment that exceed \$2,000.

These policies are applied on an individual item basis.

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

b) Contributions of Tangible Capital Assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

c) Leases:

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

d) Marketable Securities:

Marketable securities are recorded at the lower of cost and fair market value.

ADAMS LAKE BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

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

e) **Property Held for Resale:**

Property held for resale includes developed homes and lease lots available for sale and/or lease and are recorded at the lower of cost and net realizable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the property held for resale to its present location and condition.

f) **Investments:**

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

g) **Accrual Method:**

The Band utilizes accrual accounting.

h) **Deferred Revenue:**

Revenue is recorded in the period to which it relates.

i) **Deferred Lease Costs:**

Deferred lease costs represent the portion of leased property development costs directly related to property transferred under prepaid and monthly leases. Deferred costs are expensed proportionately over the term of the lease.

j) **Revenue Recognition:**

The Adams Lake Indian Band derives revenues from a number of sources.

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

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

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

Home sales revenue is recognized when title passes to the purchaser.

Prepaid sublease revenue is recognized when title passes to the purchaser. Deferred sublease revenue is recognized in accordance with the terms of the sublease. The payment schedule is noted in Note A19.

Timber processing revenue is recognized on a completed-project basis.

k) **Silviculture Liability:**

Silviculture liability is charged to earnings on the basis of the volume of timber cut. The estimate is based on various judgements and assumptions. Both the provision and reliability of such estimates are subject to uncertainties and, as additional information becomes known, these estimates are subject to change. Actual silviculture expenditures are recorded as a reduction of silviculture liability in the year they are paid.

l) **Replacement Reserve:**

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

ADAMS LAKE BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

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

m) Operating Reserve:

The Operating Reserve account is funded by an allocation of the excess or shortfall of annual minimum revenue contribution and CMHC subsidies over current eligible expenditures.

n) Uses of Estimates:

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

NOTE A2. FINANCIAL INSTRUMENTS:

Fair Value of Financial Assets and Financial Liabilities:

The carrying values of cash (including internally and externally restricted amounts), marketable securities, grants and accounts receivable, accounts payable and accrued liabilities and demand loans approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The carrying value of mortgages payable approximates its fair value as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for similar items.

It is not practicable to determine the fair value of investments due to the limited amount of comparable market information available.

Credit Risk:

The Band is exposed to a credit risk by its customers. However, because the majority of revenues is from government agencies, credit risk concentration is reduced to the minimum.

Interest Rate Risk:

Demand loans have both fixed and variable interest rates based on the bank's prime rate, therefore the interest expense will vary with changes in the bank's prime rate. Mortgages payable has fixed rates; therefore interest expense will decrease with principal repayment of the mortgage and interest risk is reduced to the minimum.

ADAMS LAKE BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

NOTE A3. CASH:	2017	2016
Band operations:		
RBC - General account	\$ 4,347,262	\$ 2,142,810
RBC - Lease	2,020,759	2,005,908
Peace Hills Trust	1,972,956	1,650,856
Petty cash and other	1,127	1,327
	<u>8,342,104</u>	<u>5,800,901</u>
Adams Lake Development Corporation:		
General account	28,905	124,037
Social Housing Operations:		
Social Housing Operation - Pre-1997 Program	<u>75,943</u>	<u>75,943</u>
	<u>\$ 8,446,952</u>	<u>\$ 6,000,881</u>

NOTE A4. MARKETABLE SECURITIES:

The market value of the marketable securities, at March 31, 2017, is \$652,940 (2016 - \$627,182).

NOTE A5. GRANTS AND ACCOUNTS RECEIVABLE:	2017	2016
Band Operations:		
Grants Receivable	\$ 53,168	\$ 100,510
Property Taxes	2,162	424
Accounts Receivable	1,998,887	1,495,780
Social Housing Rent Arrears	9,016	41,019
	<u>2,063,233</u>	<u>1,637,733</u>
Social Housing Operations:		
Social Housing Operation - Pre-1997 Program	1,345	1,365
Social Housing Operation - Post-1996 Program	6,967	7,113
	<u>8,312</u>	<u>8,478</u>
Adams Lake Development Corporation:		
Accounts Receivable	<u>203</u>	<u>28,031</u>
Sexqeltkenc Lakes Division:		
Accounts Receivable	<u>-</u>	<u>21,006</u>
Secwepemc Reconciliation Framework Agreement		
Accounts Receivable	<u>446</u>	<u>-</u>
	<u>\$ 2,072,194</u>	<u>\$ 1,695,248</u>

ADAMS LAKE BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

NOTE A6. RESTRICTED CASH:

	2017	2016
Replacement Reserve	\$ 367,858	\$ 367,718
Operating Reserve	94,111	94,111
Ottawa Trust Funds	436,552	426,570
Other Restricted Funds	2,074,358	2,021,402
Sexqeltkemoc Lakes Division	181,501	279,793
Secwepemc Reconciliation Framework Agreement	67,418	47,453
Gaming Funds	720,677	-
	<u><u>\$ 3,942,475</u></u>	<u><u>\$ 3,237,047</u></u>

a) Replacement Reserve:

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Replacement Reserve account is to be credited in the amount of \$44,349 (2016 - \$45,861) annually plus interest. These funds, along with accumulated interest, must be held in a separate bank account and / or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by Canada Mortgage and Housing Corporation from time to time. Withdrawals are credited to interest first and then principal.

	2017	2016
Balance, beginning of year	\$ 315,774	\$ 367,734
Allocation during the year	44,349	45,861
Interest on account	139	187
Canada Mortgage and Housing Corporation - adjustment	-	(203)
Maturing unit adjustment	-	(17,609)
Approved expenditures	<u>(27,477)</u>	<u>(80,196)</u>
Balance, end of year	<u><u>\$ 332,785</u></u>	<u><u>\$ 315,774</u></u>

The Replacement Reserve is represented by:
Cash

<u><u>\$ 367,858</u></u>	<u><u>\$ 367,718</u></u>
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b) Operating Reserve:

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Operating Reserve account is to be credited in the amount of any accumulated surplus plus interest. These funds, along with accumulated interest, must be held in a separate bank account and / or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by Canada Mortgage and Housing Corporation from time to time.

	2017	2016
Balance, beginning of year	\$ 135,247	\$ 94,111
Allocation for the year	<u>20,113</u>	<u>41,136</u>
Balance, end of year	<u><u>\$ 155,360</u></u>	<u><u>\$ 135,247</u></u>

The Operating Reserve is represented by:
Cash

<u><u>\$ 94,111</u></u>	<u><u>\$ 94,111</u></u>
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ADAMS LAKE BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

NOTE A6. RESTRICTED CASH (continued):

c) Ottawa Trust Funds:

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

d) Other Restricted Cash:

Internally restricted funds consist of funding received under the forest consultation and revenue sharing agreement (formerly forest and range opportunity agreement) (FCRSA/FRO). Chief and Council, in conjunction with community input, will be establishing criteria for the expenditure of these funds.

	2017	2016
Internally restricted:		
Silviculture	\$ 897,676	\$ 979,256
FCRSA/FRO	<u>1,176,682</u>	<u>1,042,146</u>
	<u><u>\$ 2,074,358</u></u>	<u><u>\$ 2,021,402</u></u>
 FCRSA/FRO Reserve:		
Balance, beginning of year	<u>\$ 1,502,450</u>	<u>\$ 882,353</u>
 FCRSA/FRO funding received	1,101,264	590,507
Interest	134,536	29,590
Approved FCRSA/FRO expenditures	<u>(357,505)</u>	<u>-</u>
	<u>878,295</u>	<u>620,097</u>
 Balance, end of year	<u><u>\$ 2,380,745</u></u>	<u><u>\$ 1,502,450</u></u>
 Balance consists of:		
FRO	\$ 108,359	\$ 108,224
FCRSA	<u>2,272,386</u>	<u>1,394,226</u>
	<u><u>\$ 2,380,745</u></u>	<u><u>\$ 1,502,450</u></u>
 The FCRSA/FRO Reserve is represented by:		
Cash	<u><u>\$ 1,176,682</u></u>	<u><u>\$ 1,042,146</u></u>

e) Sexqeltkemoc Lakes Division and Secwepemc Reconciliation Framework Agreement:

Cash from the above political entities is classified as restricted as it is not within the control of the Band.

f) Gaming Funds:

Gaming funds are to be held for designated purposes in accordance with the agreement with the Province of B.C. Eligible costs under the agreement are for any purpose that is of public benefit to the Band. Upon early termination of the agreement, the Band will repay to the Province of B.C. any amounts that have not been applied against eligible costs.

NOTE A7. DEFERRED LEASE COSTS:

	2017	2016
Balance, beginning of year	\$ 1,119,841	\$ 1,003,167
Additions	-	135,602
Expensed during the year	<u>(18,928)</u>	<u>(18,928)</u>
 Balance, end of year	<u><u>\$ 1,100,913</u></u>	<u><u>\$ 1,119,841</u></u>

Deferred lease costs represent the portion of leased property development costs directly related to property transferred under prepaid and monthly leases. Deferred costs are expensed proportionately over the term of the lease.

ADAMS LAKE BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

NOTE A8. INVESTMENTS:	2017	2016
All Nations Trust Company:		
22,800 Common shares, par value \$10	<u>\$ 38,028</u>	<u>\$ 38,028</u>
Sexqeltkemoc Enterprises Inc. (33%):		
10 Common shares, par value \$10	<u>10</u>	<u>10</u>
Advances, unsecured, non-interest bearing, no stated terms of repayment	<u>(10)</u>	<u>(10)</u>
	<u>-</u>	<u>-</u>
Sexqeltkemoc Limited Partnership:		
Advances, unsecured, noninterest bearing, no stated terms of repayment	<u>10,000</u>	<u>10,000</u>
Accumulated equity in income	<u>3,271</u>	<u>51,468</u>
	<u>13,271</u>	<u>61,468</u>
Investment in BC FN Gaming Initiative	<u>15,000</u>	<u>15,000</u>
	<u><u>\$ 66,299</u></u>	<u><u>\$ 114,496</u></u>

Financial information for Sexqeltkemoc Limited Partnership:

	Total	Band's Share 2017	Band's Share 2016
Current Assets	<u>\$ 1,316,104</u>	<u>\$ 438,657</u>	<u>\$ 356,808</u>
Long-term Assets	<u>47,186</u>	<u>15,727</u>	<u>49,134</u>
Current Liabilities	<u>(1,323,477)</u>	<u>(441,115)</u>	<u>(344,474)</u>
Partner's Capital	<u><u>\$ 39,813</u></u>	<u><u>\$ 13,269</u></u>	<u><u>\$ 61,468</u></u>
Revenues	<u>\$ 4,626,106</u>	<u>\$ 1,541,881</u>	<u>\$ 1,249,125</u>
Expenses	<u>4,770,710</u>	<u>1,590,078</u>	<u>1,458,058</u>
Net Income (loss)	<u><u>\$ (144,604)</u></u>	<u><u>\$ (48,197)</u></u>	<u><u>\$ (208,933)</u></u>

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

ADAMS LAKE BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

NOTE A9. **PROPORTIONATELY CONSOLIDATED INTERESTS:** 2017 2016

The following are accounted for using the proportionate consolidation method:

Secwépemc Reconciliation Framework Agreement (RFA)

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

Financial information for Secwépemc Reconciliation Framework Agreement (RFA):

	Total	Band's Share 20%	Band's Share 20%
Cash	\$ 337,092	\$ 67,418	\$ 47,453
Accounts receivable	2,232	446	-
Prepaid expenses	170	34	979
Equipment	72	14	2,249
Intangible asset	195,925	39,185	44,083
Current Liabilities	<u>(9,758)</u>	<u>(1,952)</u>	<u>(9,447)</u>
	<u>\$ 525,733</u>	<u>\$ 105,145</u>	<u>\$ 85,317</u>
Revenues	\$ 700,000	\$ 140,000	\$ 172,801
Expenses	600,849	120,170	138,218
Net Income	<u>\$ 99,151</u>	<u>19,830</u>	<u>34,583</u>
Expenses of Secwépemc Reconciliation Framework Agreement (RFA) paid to Adams Lake Indian Band		<u>43,100</u>	<u>40,000</u>
Net income included in summary financial statements		<u>\$ 62,930</u>	<u>\$ 74,583</u>

Séxqeltkmc Lakes Division

Séxqeltkmc Lakes Division is a political body established to represent the Sexqeltkmc te Secwepemc and the Chiefs and Councils of the Neskoniith Indian Band, the Adams Lake Indian Band and the Splatshin to investigate rights and title issues and business opportunities and impact benefit agreements.

Financial information for Séxqeltkmc Lakes Division:

	Total	Band's Share 33%	Band's Share 33%
Cash	\$ 544,503	\$ 181,499	\$ 279,793
Accounts receivable	-	-	21,005
Prepaid expenses	1,025	342	-
Equipment	2,027	676	1,868
Current Liabilities	<u>(66,842)</u>	<u>(22,280)</u>	<u>(20,798)</u>
	<u>\$ 480,713</u>	<u>\$ 160,237</u>	<u>\$ 281,868</u>
Revenues	\$ 40,761	\$ 13,587	\$ 57,401
Expenses	405,650	135,217	220,969
Net Income (Deficit)	<u>\$ (364,889)</u>	<u>(121,630)</u>	<u>(163,568)</u>
Expenses of Séxqeltkmc Lakes Division paid to Adams Lake Indian Band		<u>9,853</u>	<u>196,598</u>
Net income included in summary financial statements		<u>\$ (111,777)</u>	<u>\$ 33,030</u>

ADAMS LAKE BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

NOTE A10. DEFERRED REVENUE:

2017 **2016**

Band Operations:

Revenue amounts deferred are summarized as follows:

Prepaid lease payments	\$ 2,385,347	\$ 2,426,286
Province of BC - Corridor Widening Agreement Funding	426,687	16,250
Province of BC - Capacity Funding	-	15,000
Province of BC - Gaming funding (Note A6 f)	720,677	-
Province of BC - Road widening	20,000	-
Trans Mountain Expansion Project	-	11,924
Malakwa/North Fork Project	78,526	78,526
Government of Canada Public Works Funding	-	25,000
Aboriginal Healthy Living Grant	-	1,000
School District #73 - School bus funding	10,997	-
BC Hydro - Capacity funding	29,816	-
New Relationship Trust - Cultural Heritage	45,000	-
Splatsin First Nation - Health Centre agreement	27,780	-
Splatsin First Nation - Rights & Titles	12,500	-
Shuswap Nation Tribal Council - Rights & Titles	10,300	-
First Nations Education Steering Committee	112,416	-
Other	2,271	23,895
	<u>3,882,317</u>	<u>2,597,881</u>

Adams Lake Development Corporation:

Deferred lease revenue, beginning of year	1,593,573	1,255,524
Additions	-	381,762
Amortized to income during the year	(42,777)	(43,713)
Deferred lease revenue, end of year	<u>1,550,796</u>	<u>1,593,573</u>
	<u>\$ 5,433,113</u>	<u>\$ 4,191,454</u>

NOTE A11. DEMAND LOANS:

2017 **2016**

Capital Fund:

Royal Bank of Canada, repaid during the year	\$ -	\$ 5,803
Royal Bank of Canada, term loan, repayable in monthly installments of \$5,299 including interest at 2.99%, secured by an Irrigation System with a carrying value of \$1,557,485, due October 2017	267,441	322,094
Royal Bank of Canada, repaid during the year	-	1,176
Royal Bank of Canada, repaid during the year	-	1,166
	<u>267,441</u>	<u>330,239</u>

ADAMS LAKE BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

NOTE A11. DEMAND LOANS (continued):	2017	2016
Adams Lake Development Corporation:		
Peace Hills Trust loan, repaid during the year	-	154,706
	<u>\$ 267,441</u>	<u>\$ 484,945</u>

Principal repayments due in the ensuing year are approximately as follows:

2018 \$ 267,441

NOTE A12. SILVICULTURE LIABILITY:	2017	2016
Balance, beginning of the year	\$ 1,845,185	\$ 1,288,529
Accrued expense	620,059	807,251
Paid during the year	<u>(458,529)</u>	<u>(250,595)</u>
	<u>\$ 2,006,715</u>	<u>\$ 1,845,185</u>

The timing of the reforestation payments is based on the estimated period required to attain free to grow status in a given area.

NOTE A13. MORTGAGES PAYABLE:	2017	2016
<u>Social Housing Operation - Pre-1997 mortgages:</u>		
All Nations Trust Company, repayable in monthly installments of \$2,321 including interest at 1.83% per annum, secured by promissory notes of the Ministry and the Band due December 2019 - Phase 13	\$ 201,165	\$ 225,123
All Nations Trust Company, repayable in monthly installments of \$1,115 including interest at 1.03% per annum, due July 2021 - Phase 11	<u>55,683</u>	<u>68,038</u>
	<u>256,848</u>	<u>293,161</u>

Social Housing Operation - Post-1996 mortgages:

All Nations Trust Company, repayable in monthly installments of \$1,915 including interest at 1.11% per annum, secured by promissory notes of the Ministry and the Band, due April 2021 - Phase 1	194,977	215,540
All Nations Trust Company, repayable in monthly installments of \$2,214 including interest at 1.71% per annum, secured by promissory notes of the Ministry and the Band, due September 2017 - Phase 2	253,441	275,501
All Nations Trust Company, repayable in monthly installments of \$2,639 including interest at 1.67% per annum, secured by promissory notes of the Ministry and the Band, due June 2018 - Phase 3	183,116	211,491

ADAMS LAKE BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

NOTE A13. MORTGAGES PAYABLE (continued):

All Nations Trust Company, repayable in monthly installments of \$2,911 including interest at 1.30% per annum, secured by promissory notes of the Ministry and the Band, due December 2020 - Phase 4

288,780 319,756

All Nations Trust Company, repayable in monthly installments of \$1,548 including interest at 1.30% per annum, secured by promissory notes of the Ministry and the Band, due December 2020 - Phase 6

307,748 322,237

All Nations Trust Company, repayable in monthly installments of \$1,259 including interest at 1.67% per annum, secured by promissory notes of the Ministry and the Band, due January 2020 - Phase 8

286,705	296,954
<u>1,514,767</u>	<u>1,641,479</u>
<u>\$ 1,771,615</u>	<u>\$ 1,934,640</u>

The Social Housing mortgages are guaranteed by Indigenous and Northern Affairs Canada.

Principal repayments due in the ensuing 5 years are approximately as follows:

2018	\$ 396,614
2019	270,210
2020	499,213
2021	601,205
2022	4,373
	<u><u>1,771,615</u></u>

NOTE A14. PROPERTY HELD FOR RESALE:

2017 2016

West Harbour Village:

Land development costs

<u>\$ 1,087,902</u>	<u>\$ 1,083,957</u>
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NOTE A15. TANGIBLE CAPITAL ASSETS:

2017 2016

Tangible capital assets consist of the following:

Buildings	\$ 2,979,174	\$ 3,238,443
Water systems	4,801,178	4,888,520
Roads	1,480,658	1,634,575
Automotive equipment	615,848	653,790
Computer equipment	264,772	300,948
Sewer systems	424,550	431,590
Furniture and equipment	26,572	91,414
Social Housing Operation - Pre-1997 Program	749,131	781,319
Social Housing Operation - Post-1996 Program	<u>2,296,525</u>	<u>2,412,039</u>
	<u>\$ 13,638,408</u>	<u>\$ 14,432,638</u>

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

ADAMS LAKE BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

NOTE A16. ACCUMULATED SURPLUS:	2017	2016
Accumulated surplus consists of individual fund surpluses and reserves as follows:		
Surplus from operations	<u>\$ 4,312,298</u>	<u>\$ 3,371,285</u>
Invested in tangible capital assets	<u>11,599,352</u>	<u>12,013,053</u>
Funded Reserves:		
Operating Reserve Fund (CMHC) (Note A6)	155,360	135,247
Replacement Reserve Fund (CMHC) (Note A6)	332,785	315,774
Ottawa Trust Funds (Note A6)	436,552	426,570
FCRSA/FRO Fund (Note A6)	<u>2,380,745</u>	<u>1,502,450</u>
	<u>3,305,442</u>	<u>2,380,041</u>
	<u>\$ 19,217,092</u>	<u>\$ 17,764,379</u>

NOTE A17. COMMITMENTS AND CONTINGENCIES:

Commitments:

The Band leases office equipment under long-term lease agreements the longest of which expires August 2020.

Future minimum lease payments as at March 31, 2017, are as follows:

2018	87,305
2019	63,000
2020	63,000
2021	<u>26,250</u>
	<u>\$ 239,555</u>

Contingencies:

a) Housing Loans:

The Band is guarantor of various Housing loans, secured by Ministerial guarantees, including \$139,499 for capital housing and \$1,742,144 for Social Housing for a total of \$1,881,643.

b) Lending Program - Loan Guarantees:

The Band has a program to offer lending to Band members of \$1,000,000 for on-reserve housing through the Bank of Montreal. The Band has guaranteed loans totaling \$395,258 at the Bank of Montreal.

c) Pension Plan:

The Band and its employees contribute to a defined contribution pension plan. There is no obligation for past service or periods in which an employee was not employed. Total contributions to the plan during the year were \$207,832 (2016 - \$203,828).

d) Letters of Credit:

The Band has granted letters of credit in favour of the Ministry of Forests and Range to a maximum of \$250,000. The Band has granted letters of credit in favour of Echelon General Insurance Company to a maximum of \$20,000. The Band has guaranteed a line of credit on behalf of Sexqeltkenc Limited Partnership, a significantly influenced partnership, to a maximum of \$100,000.

e) Unused Credit Facilities:

Under line of credit arrangements with Royal Bank of Canada, the Band may borrow up to \$700,000, calculated as the net balance of the Band's general and reserve bank accounts (which are disclosed separately). The line of credit bears interest at the Bank's prime rate plus 0.5% and is secured by a Band Council Resolution. This arrangement does not have a termination date and can be withdrawn at the bank's option. At March 31, 2017, the unused portion of the credit line was \$700,000.

ADAMS LAKE BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

NOTE A17. COMMITMENTS AND CONTINGENCIES (continued):

f) Indigenous and Northern Affairs Canada Funding:

The Band receives a portion of its funding under a contribution agreement with Indigenous and Northern Affairs Canada (INAC) which, if unexpended, may be refundable to INAC. Further, amounts which are overexpended may be reimbursed by INAC to the Band. No amounts have been recorded in the financial statements as refundable or reimbursable.

g) Environmental Contingency:

The Band is vulnerable to contingencies with respect to government regulations, in particular regulations concerning environmental issues relating to the Woods Division in Adams Lake Development Corporation. At the present time, it is impossible to determine any amount that the Band may have to pay to decontaminate the site. The Band believes that the total amount of these contingent obligations will not have a material and adverse effect on its financial position and consequently no provision has been made in the financial statements.

h) Legal Matters:

During the year, an individual brought legal action against the Band and several other parties relating to a motor vehicle accident on Reserve land in Salmon Arm, BC. There is no information as to the result of this suit at this time, though the Band believes itself to be covered by insurance.

During the year, certain current and former councillors have made an application to appeal decisions made by the Community Panel of the Band. Management does not have a sense of the outcome of the action, however, financial impact, if any, to the Band is indeterminate at this time.

During the year, an individual put forth a land claim against the Band. The outcome of this claim is indeterminate at this time.

During the year, an individual put forth a wrongful dismissal claim against the Band. The outcome of this claim is indeterminate at this time.

NOTE A18. SEGMENTED INFORMATION:

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

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

Band Revenue

The Band Revenue department is responsible for administering projects the Band is involved in annually and on an on-going basis relating to the overall objectives of the First Nation.

Administration

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

Maintenance Services

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

Community Services

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

Capital

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

ADAMS LAKE BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

NOTE A18. SEGMENTED INFORMATION (continued):

Education

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

Health Services

Health Services is responsible to provide assistance to community members with respect to health and wellness. The services provided by the department include, but are not limited to, aboriginal head start, home & community care, water quality monitoring, communicable disease control and patient travel.

Natural Resources

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

Social Housing

Social housing is responsible for the administration and management of social housing units.

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

NOTE A19. LAND SUBLEASE:

Each purchaser of a home is given the option to prepay their land sublease or by monthly payments. Each sublease grants the lessee rights to the property for approximately 45 years, ending June 30, 2050. The purchaser has the option to extend the lease to another 50 years, ending June 30, 2099.

Prepaid:

If the purchaser prepays their sublease, he/she has no further obligation to the end of the lease term.

Deferred:

The purchaser is obligated to make monthly payments as follows:

2007 to 2011	\$ 300
2012 to 2016	\$ 345
2017 to 2021	\$ 400

After the year 2021, the lease payment will be adjusted annually to reflect any year over year increase in the British Columbia Consumer Price Index, provided that in no event shall any annual increase prior to June 30, 2050 be permitted to exceed 2.5%. If the sublease is extended beyond June 30, 2050, the lease payment will be adjusted to reflect fair market value at that time.

The Band has recently been able to receive approval for 99-year subleases and is in the process of updating a number of leases to the longer term.

ADAMS LAKE BAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

NOTE A20. RELATED PARTY TRANSACTIONS:

During the year, the Band earned, \$4,058,472 (2016 - \$2,904,236) for Consulting services from Sexqeltkemoc Limited Partnership, a significantly influenced partnership. As at March 31, 2017, an amount receivable of \$1,081,837 (2016 - \$928,726) was due from Sexqeltkemoc Limited Partnership and is subject to normal terms of trade. This amount is included in accounts receivable.

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

NOTE A21. ECONOMIC DEPENDENCE:

The Band receives revenues pursuant to a Funding Agreement with Indigenous and Northern Affairs Canada. In the current fiscal year funding from Indigenous and Northern Affairs Canada accounted for 20% (2016 - 20%) of the Band's gross revenues.

NOTE A22. CASH FLOW INFORMATION:

During the year, the Band paid interest on demand loans and mortgages of \$45,025 (2016 - \$70,587) and received interest of \$139,911 (2016 - \$145,092).

NOTE A23. SUBSEQUENT EVENT:

Subsequent to year end, the Chief has made an application to appeal a decision made by the Community Panel of the Band. Management does not have a sense of the outcome of the action, however, financial impact if any to the Band is indeterminate at this time.

NOTE A24. COMPARATIVE FIGURES:

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