

NESKONLITH INDIAN BAND

SUMMARY FINANCIAL STATEMENTS

March 31, 2016

EXHIBIT

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EXHIBIT A

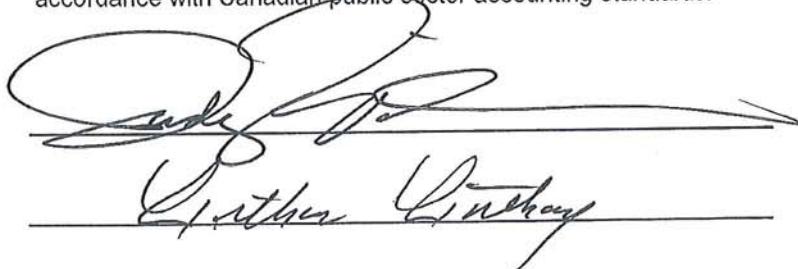
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Neskonlith 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 weekly with management and periodically with 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 public sector accounting standards.

A handwritten signature in black ink, appearing to read "Luther Lindsay", is written over two lines. The signature is fluid and cursive, with a large, stylized initial 'L' on the first line and the name 'Lindsay' on the second line.



INDEPENDENT AUDITORS' REPORT

To the Members,
NESKONLITH INDIAN BAND

EXHIBIT A1

Report on the Financial Statements

We have audited the accompanying financial statements of NESKONLITH INDIAN BAND, which comprise the summary statement of financial position as at March 31, 2016, and the summary statement of accumulated surplus, summary statement of operations, summary statement of changes in net financial assets and summary 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 NESKONLITH INDIAN BAND as at March 31, 2016, 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 37 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 summary 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

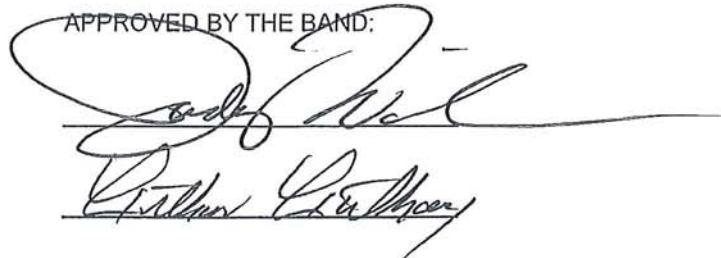
EXHIBIT A2

NESKONLITH INDIAN BAND
SUMMARY STATEMENT OF FINANCIAL POSITION
March 31, 2016

FINANCIAL ASSETS	2016	2015
Cash	\$ 355,782	\$ 777,113
Restricted cash (Note A4)	1,890,002	1,993,002
Grants and accounts receivable (Note A5)	460,113	335,709
Security deposit	3,372	3,372
Investments (Note A6)	<u>697,145</u>	<u>948,601</u>
	<u>3,406,414</u>	<u>4,057,797</u>
LIABILITIES		
Bank indebtedness (Note A8)	-	150,000
Accounts payable and accruals	913,635	1,041,152
Demand loans (Note A9)	463,365	376,274
Mortgages payable (Note A10)	<u>1,210,646</u>	<u>1,392,796</u>
	<u>2,587,646</u>	<u>2,960,222</u>
NET FINANCIAL ASSETS	<u>818,768</u>	<u>1,097,575</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	20,402	19,328
Tangible capital assets (Note A11)	<u>2,506,204</u>	<u>2,835,561</u>
	<u>2,526,606</u>	<u>2,854,889</u>
ACCUMULATED SURPLUS (Note A12)	<u>\$ 3,345,374</u>	<u>\$ 3,952,464</u>

COMMITMENTS AND CONTINGENCIES (Note A14)

APPROVED BY THE BAND:



NESKONLITH INDIAN BAND
SUMMARY STATEMENT OF ACCUMULATED SURPLUS
Year ended March 31, 2016

	2016	2015
ACCUMULATED SURPLUS, beginning of year	\$ 3,952,464	\$ 3,180,911
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>(607,090)</u>	<u>771,553</u>
ACCUMULATED SURPLUS, end of year	\$ 3,345,374	\$ 3,952,464

NESKONLITH INDIAN BAND
SUMMARY STATEMENT OF OPERATIONS
Year ended March 31, 2016

	Budget	2016	2015
REVENUE:			
Indigenous and Northern Affairs Canada	\$ 2,640,671	\$ 2,580,278	\$ 2,697,375
First Nations Health Authority	360,972	446,682	458,282
First Nations Education Steering Committee	100,137	88,050	129,345
Province of British Columbia	147,372	367,367	506,459
Leases and rentals	355,448	342,869	344,826
Income - Ottawa Trust Funds	-	45,508	54,440
Canada Mortgage and Housing Corporation	86,799	86,799	87,749
Income from investment in government business enterprise	-	283,695	742,565
Interest and investment income	-	329	7,467
Other income	<u>2,184,896</u>	<u>1,368,249</u>	<u>1,431,267</u>
	<u>5,876,295</u>	<u>5,609,826</u>	<u>6,459,775</u>
EXPENSES:			
Administration	816,559	1,001,842	983,098
Community Welfare	591,548	487,772	490,318
Operations and Maintenance	464,292	529,053	446,260
Education	1,214,716	1,239,718	1,233,991
Economic Development	273,409	357,794	194,270
Health Services	546,327	484,321	511,561
Government - Tmicw	1,896,244	1,633,120	1,214,100
Social Housing	<u>364,652</u>	<u>483,296</u>	<u>614,624</u>
	<u>6,167,747</u>	<u>6,216,916</u>	<u>5,688,222</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ (291,452)	\$ (607,090)	\$ 771,553

NESKONLITH INDIAN BAND
SUMMARY STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
Year ended March 31, 2016

	Budget	2016	2015
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ (291,452)	\$ (607,090)	\$ 771,553
Acquisition of tangible capital assets	-	(101,609)	(224,414)
Amortization of tangible capital assets	-	430,966	536,477
Change in prepaid expenses	-	(1,074)	(2,002)
Proceeds on sale of tangible capital assets	-	-	82,299
Loss on sale of tangible capital assets	-	-	8,586
DECREASE (INCREASE) IN NET FINANCIAL ASSETS (DEBT)	(291,452)	(278,807)	1,172,499
NET FINANCIAL ASSETS (DEBT), beginning of year	<u>1,097,575</u>	<u>1,097,575</u>	<u>(74,924)</u>
NET FINANCIAL ASSETS, end of year	<u>\$ 806,123</u>	<u>\$ 818,768</u>	<u>\$ 1,097,575</u>

NESKONLITH INDIAN BAND
SUMMARY STATEMENT OF CASH FLOWS
Year ended March 31, 2016

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess (shortfall) of revenue over expenses	\$ (607,090)	\$ 771,553
Non-operating item:		
Amortization	430,966	536,477
(Increase) decrease in:		
Grants and accounts receivable	(124,404)	217,004
Prepaid expenses	(1,074)	(2,002)
Increase (decrease) in:		
Accounts payable and accruals	(127,517)	(72,045)
Deferred revenue	-	(87,508)
Cash flows from (used in) operations	<u>(429,119)</u>	<u>1,363,479</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Restricted cash	103,000	(446,216)
New borrowings	-	23,544
Repayment of demand loans and mortgages payable	<u>(245,059)</u>	<u>(120,123)</u>
Cash flows used in financing	<u>(142,059)</u>	<u>(542,795)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments	<u>251,456</u>	<u>(653,871)</u>
Cash flows from (used in) investing	<u>251,456</u>	<u>(653,871)</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Proceeds on disposal of property and equipment	-	82,299
Gain on sale of tangible capital assets	-	8,586
Purchase of tangible capital assets	<u>(101,609)</u>	<u>(224,414)</u>
Cash flows used in capital	<u>(101,609)</u>	<u>(133,529)</u>
INCREASE (DECREASE) IN CASH	(421,331)	33,284
CASH, beginning of year	<u>777,113</u>	<u>743,829</u>
CASH, end of year	<u>\$ 355,782</u>	<u>\$ 777,113</u>

NESKONLITH INDIAN BAND
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES:

These summary 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 Neskonlith 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 summary financial statements. Details of the operations of each fund are set out in the supplementary schedules. The Neskonlith 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 Fund 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 Neskonlith Indian Band reporting entity includes the Neskonlith 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:

- Neskonlith Indian Band Operating Fund
- Neskonlith Indian Band Trust Fund
- Neskonlith Indian Band Capital Fund
- Neskonlith Indian Band Social Housing Pre-1997 Fund
- Neskonlith Indian Band Social Housing Post-1996 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.

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

- Sk'atsin Resources Ltd.
- Sk'atsin Resources Limited Liability Partnership

Investments in government partnerships are included in the summary financial statements using the proportionate consolidation method. This includes:

- Séxqeltkemc Lakes Division

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

- Sexqeltkemc Enterprises Inc.
- Sexqeltkemc Limited Partnership

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.

NESKONLITH INDIAN BAND
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

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	7%
Automotive equipment	20%
Furniture and equipment	20%
Fencing	10%
Infrastructure	20%

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 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) Investments:

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

e) Accrual Method:

The Band utilizes accrual accounting.

f) Deferred Revenue:

Revenue is recorded in the period to which it relates.

NESKONLITH INDIAN BAND
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

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

g) Revenue Recognition:

The Neskonlith 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 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, and property taxes, etc. are reported when received or receivable and collection is reasonably assured.

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

h) Replacement Reserve:

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

i) 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.

j) 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. ADOPTION OF NEW ACCOUNTING POLICY:

On April 1, 2015, the Band adopted PS 3260 Liability for Contaminated Sites. The Standard was applied on a retroactive basis to April 1, 2014 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the Band.

NOTE A3. FINANCIAL INSTRUMENTS:

Fair Value of Financial Assets and Financial Liabilities:

The carrying values of cash (including internally and externally restricted amounts), grants and accounts receivable, bank indebtedness, 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.

NESKONLITH INDIAN BAND
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A3. FINANCIAL INSTRUMENTS (continued):

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:

Bank indebtedness and 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.

NOTE A4. RESTRICTED CASH:

	2016	2015
Replacement Reserve	\$ 474,921	\$ 469,868
Operating Reserve	144,917	128,383
Ottawa Trust Funds	990,371	944,863
Sexqeltkemc Lakes Division	279,793	449,888
	<hr/>	<hr/>
	\$ 1,890,002	\$ 1,993,002

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 \$44,464 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.

	2016	2015
Balance, beginning of year	\$ 470,876	\$ 455,671
Allocation during the year	44,464	44,464
Interest on account	329	1,372
Approved expenditures	(45,815)	(30,631)
	<hr/>	<hr/>
	(1,022)	15,205
Balance, end of year	<hr/>	<hr/>
	\$ 469,854	\$ 470,876
The Replacement Reserve is represented by:		
Cash	<hr/>	<hr/>
	\$ 474,921	\$ 469,868

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.

	2016	2015
Balance, beginning of year	\$ 144,917	\$ 128,090
Allocation for the year	(4,799)	16,827
	<hr/>	<hr/>
Balance, end of year	\$ 140,118	\$ 144,917
The Operating Reserve is represented by:		
Cash	<hr/>	<hr/>
	\$ 144,917	\$ 128,383

NESKONLITH INDIAN BAND
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A4. 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) Sexqeltkemc Lakes Division

Sexqeltkemc Lakes Division is a political body established to investigate rights and title issues, business opportunities and impact benefit agreements. The Division was formed by three Bands, Neskonlith Indian Band, Adams Lake Indian Band and Splatsin First Nation. The restricted cash represents cash held by this political body and is not within the control of the Band.

NOTE A5. GRANTS AND ACCOUNTS RECEIVABLE:

	2016	2015
Grants and Accounts Receivable	\$ 1,019,940	\$ 891,356
Less: Allowance for doubtful accounts	<u>559,827</u>	<u>555,647</u>
	<u><u>\$ 460,113</u></u>	<u><u>\$ 335,709</u></u>

NOTE A6. INVESTMENTS:

	2016	2015
All Nations Trust Company: 2,000 Class A shares, par value \$1	<u><u>\$ 4,000</u></u>	<u><u>\$ 4,000</u></u>
Secwepemc Economic Development Corporation: 1 Common share, par value \$1	<u><u>1</u></u>	<u><u>1</u></u>
Sk'atsin Resources Ltd.: 100 Class A common shares, par value \$1 Advances, unsecured, noninterest bearing, no stated terms of repayment	<u><u>100</u></u> <u><u>41,889</u></u> <u><u>41,989</u></u>	<u><u>100</u></u> <u><u>41,889</u></u> <u><u>41,989</u></u>
Financial information for Sk'atsin Resources Ltd.:		
	2016	2015
Assets	<u><u>\$ 24,437</u></u>	<u><u>\$ 20,057</u></u>
Liabilities	<u><u>(41,889)</u></u>	<u><u>(41,889)</u></u>
Equity	<u><u>\$ (17,452)</u></u>	<u><u>\$ (21,832)</u></u>
Revenue	<u><u>\$ 4,940</u></u>	<u><u>\$ 7,209</u></u>
Expenses	<u><u>559</u></u>	<u><u>659</u></u>
Net income	<u><u>\$ 4,381</u></u>	<u><u>\$ 6,550</u></u>

NESKONLITH INDIAN BAND
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A6. INVESTMENTS (continued):	2016	2015
Sk'atsin Resources Limited Liability Partnership:		
Capital account - 99% interest	990	990
Advances, unsecured, noninterest bearing, no stated terms of repayment	(775,347)	(114,425)
Accumulated equity in income	1,202,685	713,665
Loan receivable, repayable in monthly installments of \$1,631 including interest at 9% per annum, unsecured	14,553	31,980
Loan receivable, repayable in monthly installments of \$1,466 including interest at 3.25% per annum, unsecured	146,796	-
	<u>589,677</u>	<u>632,210</u>

Financial information for Sk'atsin Resources Limited Liability Partnership:

	Total	Band's Share 2016	Band's Share 2015
Assets	\$ 771,085	\$ 763,374	\$ 834,286
Liabilities	<u>(331,132)</u>	<u>(327,821)</u>	<u>(232,920)</u>
Partner's Capital	<u>\$ 439,953</u>	<u>\$ 435,553</u>	<u>\$ 601,366</u>
Revenues	\$ 1,622,550	\$ 1,606,325	\$ 1,869,013
Expenses	<u>1,128,590</u>	<u>1,117,304</u>	<u>1,155,348</u>
Net Income	<u>\$ 493,960</u>	<u>\$ 489,021</u>	<u>\$ 713,665</u>

Sk'atsin Resources Limited Liability Partnership is domiciled in Canada and has a registered office at 740 Chief Neskonlith Drive, Chase, BC. The Partnership is engaged in resource and economic development opportunities. The Partnership is controlled by Neskonlith Indian Band (99%). Net income of the Partnership is allocated to the respective Partners annually. The Partnership was formed on March 19, 2014.

Sexqeltkemc Enterprises Inc. (33%):

10 Common shares, par value \$1	10	10
Advances, unsecured, noninterest bearing, no stated terms of repayment	-	(10)
	<u>10</u>	<u>-</u>

NESKONLITH INDIAN BAND
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A6. INVESTMENTS (continued):

	2016	2015
Sexqeltkemc Limited Partnership:		
Capital account - 33% interest	10	10
Advances, unsecured, noninterest bearing, no stated terms of repayment	10,000	10,000
Accumulated equity in income	51,458	260,391
	<u>61,468</u>	<u>270,401</u>
	<u><u>\$ 697,145</u></u>	<u><u>\$ 948,601</u></u>

Financial information for Sexqeltkemc Limited Partnership:

	Band's Share Total	Band's Share 2016	Band's Share 2015
Current Assets	\$ 1,070,531	\$ 356,809	\$ 296,071
Long-term Assets	147,417	49,134	40,684
Current Liabilities	<u>(1,033,531)</u>	<u>(344,476)</u>	<u>(66,354)</u>
Partner's Capital	<u><u>\$ 184,417</u></u>	<u><u>\$ 61,467</u></u>	<u><u>\$ 270,401</u></u>
Revenues	\$ 3,747,376	\$ 1,249,000	\$ 1,721,979
Expenses	4,374,239	1,457,933	1,697,583
Net Income	<u><u>\$ (626,863)</u></u>	<u><u>\$ (208,933)</u></u>	<u><u>\$ 24,396</u></u>

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

NOTE A7. PROPORTIONATELY CONSOLIDATED INTERESTS:

2016

The following is accounted for using the proportionate consolidation method:

Séxqeltkemc Lakes Division

Séxqeltkemc Lakes Division is a political body established to represent the Sexqeltkemc te Secwepemc and the Chiefs and Councils of the Neskonlith Indian Band, the Adams Lake Indian Band and the Splatsin Indian Band to investigate rights and title issues and business opportunities and impact benefit agreements.

Financial information for Séxqeltkemc Lakes Division:

	Band's Share Total	Band's Share 33%	Band's Share 33%
Cash	\$ 839,378	\$ 279,793	\$ 449,887
Accounts receivable	63,017	21,005	1,167
Equipment	5,603	1,868	-
Current Liabilities	<u>(62,396)</u>	<u>(20,798)</u>	<u>(5,618)</u>
	<u><u>\$ 845,602</u></u>	<u><u>\$ 281,868</u></u>	<u><u>\$ 445,436</u></u>
Revenues	\$ 172,201	\$ 57,401	\$ 677,858
Expenses	662,907	220,969	414,322
Net Income (Deficit)	<u><u>\$ (490,706)</u></u>	<u><u>\$ (163,568)</u></u>	<u><u>\$ 263,536</u></u>
Expenses of Séxqeltkemc Lakes Division paid to Neskonlith Indian Band		78,525	269,167
Net income included in summary financial statements	<u><u>\$ (85,043)</u></u>	<u><u>\$ 532,703</u></u>	

NESKONLITH INDIAN BAND
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A8. BANK INDEBTEDNESS:

	2016	2015
Line of credit	\$ -	<u>\$ 150,000</u>

Under a line of credit with the Royal Bank of Canada, the Band may borrow up to \$250,000 on such terms as the Band and bank may mutually agree upon. The line of credit bears interest at the Bank's prime rate plus 1.25%. This arrangement does not have a termination date and can be withdrawn at the bank's option. This line of credit was repaid in full during the year. At March 31, 2016, the unused portion of the credit line was \$250,000.

NOTE A9. DEMAND LOANS:

	2016	2015
<u>Operating Fund:</u>		
Community Futures Development Corporation, repayable in blended monthly installments of \$75 including interest at 9% per annum, unsecured	\$ 5,158	\$ 5,579
Community Futures Development Corporation, demand loan, repayable in monthly installments of \$1,556 including interest at 9.0%, unsecured	9,394	26,401
Royal Bank of Canada, demand loan, repayable in monthly installments of \$1,466 including interest at 3.25%, secured by a general security agreement, due December 2016	146,796	-
Royal Bank of Canada, demand loan, repaid during the year	- <u>161,348</u>	4,221 <u>36,201</u>
<u>Capital Fund:</u>		
Royal Bank of Canada, demand loan, repayable in monthly installments of \$2,308 including interest at 3.07%, secured by a general security agreement, due June 2017	255,010	274,531
Royal Bank of Canada, demand loan, repayable in monthly installments of \$264 including interest at 4.65%, secured by a general security agreement, due January 2020	21,063	23,189
Royal Bank of Canada, demand loan, repayable in monthly installments of \$595 including interest at 2.60%, secured by a general security agreement, due January 2020	25,944	32,314
Royal Bank of Canada, demand loan, repaid during the year	- <u>302,017</u>	10,039 <u>340,073</u>
	<u>\$ 463,365</u>	<u>\$ 376,274</u>

Principal repayments due in the ensuing 4 years are approximately as follows:

2017	\$ 190,278
2018	244,028
2019	9,463
2020	19,596

NOTE A10. MORTGAGES PAYABLE:

	2016	2015
<u>Social Housing Operation - Pre-1997 mortgages:</u>		
All Nations Trust Company, repayable in monthly installments of \$1,985 including interest at 2.02% per annum, secured by buildings with a carrying value of \$163,770, due August 2018	\$ 56,140	\$ 78,580
All Nations Trust Company, repayable in monthly installments of \$2,356 including interest at 2.37% per annum, secured by buildings with a carrying value of \$162,465, due May 2016	4,705	32,505

NESKONLITH INDIAN BAND
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A10. MORTGAGES PAYABLE (continued):

2016

2015

Social Housing Operation - Pre-1997 mortgages (continued):

All Nations Trust Company, repayable in monthly installments of \$2,157 including interest at 1.65% per annum, secured by buildings with a carrying value of \$282,396, due June 2017

149,726

172,932

All Nations Trust Company, repayable in monthly installments of \$2,566 including interest at 1.67% per annum, secured by buildings with a carrying value of \$347,646, due June 2018

210,176

237,218

420,747

521,235

Social Housing Operation - Post-1996 mortgages:

All Nations Trust Company, repayable in monthly installments of \$2,386 including interest at 1.85% per annum, secured by buildings with a carrying value of \$276,842, due August 2019

216,892

241,267

All Nations Trust Company, repayable in monthly installments of \$2,578 including interest at 1.67% per annum, secured by buildings with a carrying value of \$397,492, due June 2018

282,675

308,665

All Nations Trust Company, repayable in monthly installments of \$3,074 including interest at 1.82% per annum, secured by buildings with a carrying value of \$404,906, due September 2019

290,332

321,629

789,899

871,561

\$ 1,210,646

\$ 1,392,796

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

Principal repayments due in the ensuing 4 years are approximately as follows:

2017	\$ 161,814
2018	262,080
2019	452,824
2020	333,928

NOTE A11. TANGIBLE CAPITAL ASSETS:

2016

2015

Tangible capital assets consist of the following:

Buildings	\$ 135,952	\$ 173,136
Automotive equipment	87,821	39,741
Furniture and equipment	115,413	134,806
Fencing	63,924	73,267
Infrastructure	67,575	89,262
Social Housing	2,035,519	2,325,349
	\$ 2,506,204	\$ 2,835,561

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

NESKONLITH INDIAN BAND
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A12. ACCUMULATED SURPLUS:

	2016	2015
Accumulated surplus consists of individual fund surpluses and reserves as follows:		
Surplus from operations	\$ 746,379	\$ 1,284,005
Invested in investments	<u>5,111</u>	<u>5,111</u>
Invested in tangible capital assets	<u>993,541</u>	<u>1,102,692</u>
Funded Reserves:		
Operating Reserve Fund (CMHC) (Note A4)	140,118	144,917
Replacement Reserve Fund (CMHC) (Note A4)	469,854	470,876
Ottawa Trust Funds (Note A4)	<u>990,371</u>	<u>944,863</u>
	<u>1,600,343</u>	<u>1,560,656</u>
	<u><u>\$ 3,345,374</u></u>	<u><u>\$ 3,952,464</u></u>

NOTE A13. FEDERAL ASSISTANCE PAYMENTS:

The Neskonlith Indian Band Housing Project has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56-1 of the National Housing Act to reduce mortgage interest expense to 2% to enable the project to provide housing to low income individuals. The amount of assistance received through March 31, 2016 was \$86,799 (2015 - \$87,749). This assistance will continue, providing the Band is not in default of the agreement.

NOTE A14. COMMITMENTS AND CONTINGENCIES:

Commitments:

The Band leases office equipment under long-term lease agreements the longest of which expires November 2022.

Future minimum lease payments as at March 31, 2016, are as follows:

2017	\$ 21,803
2018	20,700
2019	21,000
2020	18,550
2021	14,880
2022	<u>4,625</u>
	<u><u>\$ 101,558</u></u>

Contingencies:

a) Social Housing:

The Band is guarantor of various Housing loans, secured by Ministerial guarantees, including \$1,210,646 for Social Housing and \$39,688 for capital housing for a total of \$1,250,334.

b) 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 \$33,840 (2015 \$36,995).

c) Indigenous and Northern Affairs Canada:

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.

NESKONLITH INDIAN BAND
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A14. COMMITMENTS AND CONTINGENCIES (continued):

d) **Guarantees:**

The Band has provided a guarantee for the bank indebtedness of Sk'atsin Resources Limited Liability Partnership. The Band holds 99% of the partnership units in Sk'atsin Resources Limited Liability Partnership. At March 31, 2016, the outstanding loan balances were \$Nil. The maximum liability to the Band with respect to these loans is \$85,000.

The Band has provided a guarantee for the bank indebtedness of Sexqeltkemc Limited Partnership. The Band holds 33% of the partnership units in Sexqeltkemc Limited Partnership. At March 31, 2016, the outstanding loan balances were \$Nil. The maximum liability to the Band with respect to these loans is \$100,000.

NOTE A15. SEGMENTED INFORMATION:

The Neskonlith Indian Band is a First Nations government institution that provides a range of programs and services to its members, including administration, community welfare, operations and maintenance, education, economic development, health services, Government - Tmicw, capital 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:

Administration

Administration relates to the operations of the Neskonlith Indian Band itself and cannot be directly attributed to a specific segment.

Community Welfare

Community Welfare provides services to help the Members by providing a variety of programs, community services and social assistance.

Operations and Maintenance

Operations and maintenance provides services relating to the development, maintenance and service of the Neskonlith Indian Band's assets, infrastructure and common property.

Education

Education provides educational services through the operations of an on reserve school, post secondary education support and the operations of various other educational programs. The goal of this segment is to enhance the educational opportunities of the Neskonlith Indian Band's Members.

Economic Development

Economic development provides for the development of economic opportunities to the Members.

Health Services

Health services provides for health-related services and programs to the Members.

Government - Tmicw

Government - Tmicw provides exploration of natural resources and development of natural resource revenues.

Capital

Capital provides for the development of new capital projects and infrastructure programs on the reserve.

Social Housing

Social housing provides for social housing to the Members.

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

NESKONLITH INDIAN BAND
NOTES TO SUMMARY FINANCIAL STATEMENTS
March 31, 2016

NOTE A16. RELATED PARTY TRANSACTIONS:

During the year, the Band received, \$Nil (2015 - \$1,727) for reimbursable travel, \$Nil (2015 - \$1,650) for other miscellaneous office costs and \$1,000 (2015 - \$Nil) for donations from Sexqeltkemc Limited Partnership, a significantly influenced partnership.

During the year, the Band earned \$Nil (2015 - \$2,547) in contract services, \$1,160 (2015 - \$2,116) in miscellaneous office costs, \$Nil (2015 - \$11,842) in reimbursements for materials, \$7,963 (2015 - \$6,095) in interest and \$4,000 (2015 - \$Nil) in donations from Sk'astin Resources Limited Liability Partnership. The Band contributed \$Nil (2015 - \$25,000) for construction of an Arbour and paid \$152,047 (2015 - \$73,616) for contract services, and \$281,693 (2015 - \$281,693) for FCRSA to Sk'atsin Resources Limited Liability Partnership. An amount payable of \$21,250 (2015 \$Nil) was due to Sk'atsin Resources Limited Liability Partnership from Neskonlith Indian Band and is subject to normal trade terms. The Band holds 99% of the partnership units in Sk'atsin Resources Limited Liability Partnership.

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 A17. 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 47% (2015 - 47%) of the Band's gross revenues.

NOTE A18. CASH FLOW INFORMATION:

During the year, the Band paid interest on demand loans and mortgages payable of \$19,942 (2015 - \$43,461) and received interest of \$36,622 (2015 - \$35,808).

NOTE A19. COMPARATIVE FIGURES:

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

NESKONLITH INDIAN BAND
SUMMARY SCHEDULE OF TANGIBLE CAPITAL ASSETS
Year ended March 31, 2016

	Buildings	Automotive Equipment	Furniture and Equipment	Fencing	Infrastructure	Social Housing	2016	2015
Cost								
Balance, beginning of year	\$ 2,363,523	\$ 297,347	\$ 809,296	\$ 127,777	\$ 5,807,503	\$ 4,538,341	\$ 13,943,787	\$ 13,837,357
Add: Additions during the year	- 74,735	- 23,259	- 3,615	-	-	-	101,609	224,414
Less: Disposals during the year	-	-	-	-	-	-	-	(117,984)
Balance, end of year	<u>2,363,523</u>	<u>372,082</u>	<u>832,555</u>	<u>131,392</u>	<u>5,807,503</u>	<u>4,538,341</u>	<u>14,045,396</u>	<u>13,943,787</u>
Accumulated amortization								
Balance, beginning of year	2,190,387	257,606	674,490	54,510	5,718,241	2,212,992	11,108,226	10,598,848
Add: Amortization	37,184	26,655	42,652	12,958	21,687	289,830	430,966	536,476
Less: Disposals during the year	-	-	-	-	-	-	-	(27,098)
Balance, end of year	<u>2,227,571</u>	<u>284,261</u>	<u>717,142</u>	<u>67,468</u>	<u>5,739,928</u>	<u>2,502,822</u>	<u>11,539,192</u>	<u>11,108,226</u>
Net Book Value of Tangible Capital Assets	<u>\$ 135,952</u>	<u>\$ 87,821</u>	<u>\$ 115,413</u>	<u>\$ 63,924</u>	<u>\$ 67,575</u>	<u>\$ 2,035,519</u>	<u>\$ 2,506,204</u>	<u>\$ 2,835,561</u>

See accompanying notes to financial statements.

NESKONLITH INDIAN BAND
STATEMENT OF FINANCIAL ACTIVITIES - SEGMENTED
Year ended March 31, 2016

	Administration	Community Welfare	Operations & maintenance	Education	Economic Development	Health Services	Government - Tmiciw	Capital	Social Housing	Total 2016	Total 2015
REVENUE:											
Indigenous and Northern Affairs Canada	\$ 393,751	\$ 457,319	\$ 383,255	\$ 1,109,586	\$ 229,593	\$ 6,774	\$ -	\$ -	\$ 2,580,278	\$ 2,697,375	
Leases and rentals	86,453	-	-	-	-	-	-	-	256,416	342,869	
CMHC	-	-	-	-	-	-	-	-	86,799	86,799	
Province of BC	39,996	-	-	-	-	34,788	292,583	-	367,367	367,367	
Interest and tax penalties	45,508	-	-	-	-	-	-	-	329	45,837	
First Nations Health Authority	-	-	-	-	-	446,682	-	-	446,682	458,282	
Admin recoveries	186,888	-	-	-	-	-	-	-	-	216,897	
Miscellaneous	57,110	421	6,779	112,903	88,663	92,308	-	-	279,196	2,086,280	
	809,706	457,740	390,034	1,222,489	318,256	34,686	1,133,985	26,251	1,460,798	6,459,775	
EXPENSES:											
Administration fees	8,925	12,250	25,735	32,260	22,770	47,476	96,101	-	37,522	283,039	
Advertising	-	-	-	-	-	-	2,131	-	-	2,131	
Amortization	141,136	-	-	-	-	-	-	-	289,831	430,967	
Assistance	-	360,577	-	134,977	-	-	-	-	495,554	495,554	
Community development	-	-	58,648	550	4,510	7,820	-	-	-	12,330	
Contract services	32,769	-	-	605,468	128,829	24,667	628,322	-	-	873,785	
Education	-	-	-	-	-	-	-	-	605,468	560,359	
Gifts and donations	-	-	-	-	4,081	-	-	-	42,080	14,472	
Honorarium	619	-	-	1,487	-	(150)	37,999	-	-	510,317	
Insurance	22,609	474	14,211	5,182	-	3,807	508,361	-	44,174	9,899	
Leases	39,510	-	-	4,356	-	4,975	1,442	-	-	54,300	
Licences, dues and fees	2,156	-	-	-	-	449	5,459	-	-	3,581	
Interest on demand loans and mortgages payable	9,986	-	-	144	-	-	9,720	-	22,772	36,622	
Materials and supplies	42,388	-	28,976	32,842	7,487	59,732	39,430	-	-	210,855	
Meetings	11	-	-	-	6,556	-	43,149	-	-	163,609	
Office and other	139,398	-	317	25,421	9,758	1,763	77,012	-	-	43,593	
Professional fees	48,977	-	-	74,337	13,640	1,008	40,095	-	-	253,722	
Programs	14,813	-	-	76,896	25,965	-	1,218	4,441	-	206,045	
Repairs and maintenance	13,367	-	-	660	5,970	5,553	1,420	9,266	-	143,893	
Telephone	17,849	-	-	-	-	3,422	15,379	14,692	-	200,206	
Training	1,388	-	-	-	-	22,044	12,250	27,238	-	295,235	
Travel	7,953	3,015	10,444	-	-	37,773	-	-	-	39,061	
Utilities	14,381	-	48,391	10,594	-	8,087	1,890	-	83,343	78,524	
Wages and benefits	443,607	110,796	185,128	315,813	143,746	222,651	89,477	-	-	1,511,218	
	1,001,842	487,772	529,053	1,239,718	357,794	484,321	1,633,120	-	483,296	6,216,916	
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ (192,136)	\$ (30,032)	\$ (139,019)	\$ (17,229)	\$ (39,538)	\$ (114,244)	\$ -	\$ (113,501)	\$ (607,090)	\$ 771,553	

See accompanying notes to financial statements.

NESKONLITH INDIAN BAND
STATEMENT OF FINANCIAL ACTIVITIES - SEGMENTED
Year ended March 31, 2015

	Administration	Community Welfare	Operations & Maintenance	Education	Economic Development	Health Services	Government - Tmicw	Capital	Social Housing	Total 2015
REVENUE:										
Indigenous and Northern Affairs Canada	\$ 380,641	\$ 402,533	\$ 548,547	\$ 1,192,925	\$ 172,729	\$ -	\$ -	\$ -	\$ -	\$ 2,697,375
Leases and rentals	82,913	-	-	-	-	-	-	-	261,913	344,826
CMHC	-	-	-	28,608	-	34,512	406,693	-	87,749	87,749
Province of BC	36,646	-	-	-	-	-	6,095	-	-	506,459
Interest and tax penalties	54,440	-	-	-	-	458,282	-	-	-	61,907
Health Canada	-	-	-	-	-	-	-	-	-	458,282
Admin recoveries	213,109	-	-	-	-	-	3,788	-	-	216,897
Miscellaneous	76,857	-	5,606	198,429	44,121	39,576	1,536,060	-	185,631	2,086,280
	844,606	402,533	554,153	1,419,962	216,850	532,370	1,952,636	-	536,665	6,459,775
EXPENSES:										
Administration fees	16,233	13,923	30,635	52,834	19,465	46,584	5,254	-	23,002	207,930
Advertising	246,647	-	-	-	-	-	827	-	-	827
Amortization	-	387,067	-	111,157	-	-	-	-	289,830	536,477
Assistance	-	-	44,522	3,350	63,663	46,259	398,920	-	-	498,224
Community development	22,988	-	-	560,359	-	-	-	-	-	659
Contract services	-	-	-	279	-	-	13,922	-	-	579,702
Education	271	-	-	5,215	776	190	370,761	-	-	560,359
Gifts and donations	780	-	12,197	5,610	-	4,276	1,539	-	-	14,472
Honorarium	-	-	-	-	-	-	-	-	-	377,722
Insurance	16,754	-	-	-	-	-	-	-	-	64,530
Interest and bank charges	-	-	-	-	-	-	-	-	-	-
Interest on demand loans and mortgages	-	-	-	-	-	-	-	-	-	-
Leases	12,193	-	200	4,044	-	-	5,060	4,308	-	25,805
Licences, dues and fees	875	-	-	-	-	450	1,360	-	-	2,685
Interest on demand loans and mortgages payable	10,438	-	-	813	-	-	4,324	-	27,886	43,461
Materials and supplies	28,225	-	44,051	10,644	6,844	32,593	41,157	95	95	163,609
Meetings	1,695	-	-	1,211	3,816	-	36,871	-	-	43,593
Office and other	80,068	-	-	19,785	-	7,049	99,143	-	-	206,045
Professional fees	39,670	-	-	-	-	-	57,165	6,999	6,999	103,834
Programs	2,474	-	66,536	40,500	-	16,696	74,000	-	-	200,206
Repairs and maintenance	6,994	-	28,359	13,822	-	2,570	832	-	242,658	295,235
Telephone	18,140	480	4,061	7,939	360	7,182	899	-	-	39,061
Training	5,557	-	3,517	14,870	11,885	10,295	1,100	-	-	47,224
Travel	4,628	1,428	7,662	31,459	5,929	22,382	6,281	-	-	79,769
Utilities	16,284	-	44,162	8,799	-	7,247	2,032	-	-	78,524
Wages and benefits	452,184	87,420	160,358	341,301	81,532	302,069	93,405	-	-	1,518,269
	983,098	490,318	446,260	1,233,991	194,270	511,561	1,214,100	-	614,624	5,688,222
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ (138,492)	\$ (87,785)	\$ 107,893	\$ 185,971	\$ 22,580	\$ 20,809	\$ 738,536	\$ -	\$ (77,959)	\$ 771,553

See accompanying notes to financial statements.