

3:14 pm, Jul 31, 2015

ESK'ETEMC
Consolidated Financial Statements
Year Ended March 31, 2015

ESK'ETEMC**Index to Consolidated Financial Statements****Year Ended March 31, 2015**

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Changes in Net Debt	5
Consolidated Statement of Operations	6
Consolidated Revenues (<i>Schedule 1</i>)	7
Consolidated Expenses (<i>Schedule 2</i>)	8
Consolidated Statement of Cash Flows	9
Notes to Consolidated Financial Statements	10 - 20

E SKETEMC

PO Box 4479 Stn Main, Williams Lake, BC V2G 2V5
Phone: (250) 440-5611 Fax: (250) 440-5614

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Esk'etemc are the responsibility of management and have been approved by Chief and Council.

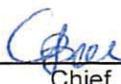
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen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

Esk'etemc maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that Esk'etemc's assets are appropriately accounted for and adequately safeguarded.

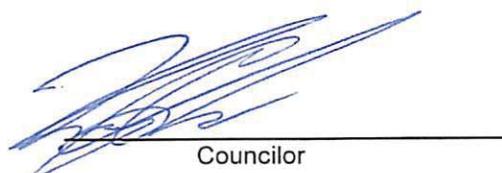
The Chief and Council are responsible for ensuring the integrity of Esk'etemc's accounting and reporting systems and that appropriate internal controls are in place, including those for monitoring risk, financial reporting and compliance with the laws and that management fulfils its responsibilities for financial reporting. The Chief and Council are ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council review Esk'etemc's consolidated financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the independent auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and independent auditor's report. The Chief and Council also consider the engagement of the independent auditor.

The consolidated financial statements have been audited by Fraser Bevz Broughton Chartered Accountants LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. Fraser Bevz Broughton Chartered Accountants LLP has full access to the Chief and Council.



Chief



Councilor



INDEPENDENT AUDITOR'S REPORT

To the Members of Esk'etemc

We have audited the accompanying consolidated financial statements of Esk'etemc, which comprise the consolidated statement of financial position as at March 31, 2015 and the consolidated statements of changes in net debt, operations and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

(continues)

Basis for Qualified Opinion

The information provided for Long Term Investments totalling \$994,150 was unaudited, and we were unable to rely on this information to form our audit opinion or satisfy ourselves by alternate means as to the accuracy of this information. Similarly, we were unable to determine the collectability of Members' Accounts Receivable totaling \$763,269. As a result of this limitation in scope we are unable to determine what adjustments, if any, may be required to the value of the Accounts Receivable, Bad Debts, Long Term Investments and Equity thereon.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion above, the consolidated financial statements present fairly, in all material respects, the financial position of Esk'etemc as at March 31, 2015 and the results of its changes in net debt, operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The consolidated financial statements for the year ended March 31, 2014 were audited by another accounting firm and are presented for comparative purposes only.

Williams Lake, British Columbia
July 30, 2015

Fraser Bevz Broughton
FRASER BEVZ BROUGHTON
CHARTERED ACCOUNTANTS LLP

ESK'ETEMC

Consolidated Statement of Financial Position

Year Ended March 31, 2015

	2015	2014
Financial Assets		
Cash	\$ 606,936	\$ 952,048
Short term investments (Note 4)	1,607,970	1,276,458
Cash restricted as to use (Note 5)	412,485	362,395
Trade accounts receivable (Note 6)	763,269	755,187
Ottawa Trust Accounts (Note 7)	1,134,667	1,100,425
Inventory	57,184	30,611
Investments (Note 8)	994,150	970,863
	<u>5,576,661</u>	<u>5,447,987</u>
Liabilities		
Bank indebtedness (Note 9)	260,000	750,000
Accounts payable and accrued liabilities (Note 10)	636,514	1,084,676
Silviculture responsibility	966,309	821,819
Treaty negotiation loan (Note 11)	7,642,422	7,206,502
Long term debt (Note 12)	1,359,156	1,670,493
	<u>10,864,401</u>	<u>11,533,490</u>
Net debt	<u>(5,287,740)</u>	<u>(6,085,503)</u>
Non-financial assets		
Prepaid expenses	-	49,512
Tangible capital assets (Note 15)	10,851,913	10,721,690
Treaty negotiation assets	7,642,422	7,206,502
	<u>18,494,335</u>	<u>17,977,704</u>
Band equity	<u>\$ 13,206,595</u>	<u>\$ 11,892,201</u>
Band equity		
Accumulated surplus (Note 14) - page 6	\$ 12,731,139	\$ 11,454,334
Replacement reserve (Note 15)	290,507	252,918
	<u>13,021,646</u>	<u>11,707,252</u>
Contributed surplus (Note 16)	184,949	184,949
	<u>\$ 13,206,595</u>	<u>\$ 11,892,201</u>

Contingencies (Note 19)

Approved on behalf of Esk'etemc

Chief

Cope

John Cope
Councillor

See notes to financial statements

ESK'ETEMC**Consolidated Statement of Changes in Net Debt****Year Ended March 31, 2015**

	2015	2014
Net revenue for the year	\$ 1,276,805	\$ 157,950
Amortization	579,269	619,332
Net contribution by replacement reserve	37,589	-
Change in Treaty negotiation assets	(435,920)	(445,920)
Change in prepaid expenses	49,513	33,854
Tangible capital asset acquisitions	<u>(709,493)</u>	<u>(74,877)</u>
Decrease in net debt	797,763	290,339
Net debt - beginning of year	(6,085,503)	(6,375,842)
Net debt - end of year	\$ (5,287,740)	\$ (6,085,503)

ESK'ETEMC
Consolidated Statement of Operations
Year Ended March 31, 2015

	2015 Budget (Unaudited)	2015	2014
Revenues (from Schedule 1)	\$ 7,063,995	\$ 9,255,364	\$ 9,088,517
Expenses (from Schedule 2)	<u>7,620,532</u>	<u>7,929,566</u>	8,966,415
Net revenue before the following	(556,537)	1,325,798	122,102
Other income			
Funding recoveries	-	(41,959)	-
Operating results of Band enterprises	<u>-</u>	<u>(7,034)</u>	35,848
Net revenue for the year	<u>(556,537)</u>	<u>1,276,805</u>	157,950
Accumulated surplus - beginning of year	11,130,590	11,130,590	10,972,640
Restatement of Previous Years: (Note 23)			
Royalty revenues	344,538	344,538	344,538
GST/HST not recoverable	<u>(20,794)</u>	<u>(20,794)</u>	(20,794)
Accumulated surplus - as restated - beginning of year	11,454,334	11,454,334	11,296,384
Accumulated surplus - end of year - page 4	<u>\$ 10,897,797</u>	<u>\$ 12,731,139</u>	\$ 11,454,334

	2015 Budget (Unaudited)	2015	2014
Revenues			
Federal Government			
AANDC Operating	\$ 3,165,618	\$ 3,466,943	\$ 3,739,779
AANDC Capital	895,440	895,440	713,347
First Nations Health Authority	1,146,348	1,208,678	1,028,847
CMHC	156,562	192,745	159,808
CCATEC	98,722	112,705	97,367
Department of Justice	30,192	60,580	30,192
Fisheries and Oceans	47,500	47,500	53,500
Province of British Columbia	359,869	369,470	424,133
BC Treaty Commission	108,980	108,980	-
Service contracts and fees	45,600	110,121	130,829
Rentals	542,067	592,684	472,277
Royalties	-	274,697	-
Thompson Rivers University	-	41,727	-
Tolko Industries	24,000	22,834	-
West Fraser Mills Ltd.	15,000	14,687	-
Spectra Energy Ltd.	50,000	50,000	-
First Nations Education Steering Committee	71,200	63,312	70,796
Store sales	-	987,238	1,144,795
Interest and short term investments	900	141,901	114,950
Health Action Committee	-	23,248	-
McFarland Marceau	-	21,898	-
Insurance proceeds	-	136,683	-
Work Opportunities Program	-	27,738	17,197
Terra Archaeology Ltd.	8,000	8,599	-
BC Hydro	79,738	79,738	79,738
Daycare fees	65,926	65,926	-
All other	152,333	129,292	810,962
	\$ 7,063,995	\$ 9,255,364	\$ 9,088,517

ESK'ETEMC

Consolidated Expenses

(Schedule 2)

Year Ended March 31, 2015

	2015 Budget (Unaudited)	2015	2014
Administration	\$ 1,355,529	\$ 1,285,564	\$ 1,287,565
Amortization	-	579,269	619,332
Capital projects	817,650	147,934	667,101
Education	1,727,542	1,367,731	1,922,736
Store	-	911,611	1,147,546
Health and well-being	1,347,116	1,393,392	1,117,540
Housing	387,020	167,137	180,156
Natural resources	53,090	90,212	56,275
Public works	524,398	644,423	656,995
Social development	917,777	896,683	809,244
Treaty	490,410	445,610	501,925
	<hr/>	<hr/>	<hr/>
	\$ 7,620,532	\$ 7,929,566	\$ 8,966,415

ESK'ETEMC
Consolidated Statement of Cash Flows
Year Ended March 31, 2015

	2015	2014
Cash flows from operating activities		
Net revenue for the year	\$ 1,276,805	\$ 157,950
Items not affecting cash:		
Amortization	579,269	619,332
Operating results of First Nation enterprises	7,034	(35,848)
	<u>1,863,108</u>	<u>741,434</u>
Changes in non-cash working capital:		
Accounts receivable	(8,082)	(152,719)
Replacement reserve	37,589	(28,664)
Cash restricted as to use	(50,090)	(38,007)
Inventory	(26,573)	11,386
Accounts payable and accrued liabilities	(448,162)	640,889
Silviculture responsibility	144,490	(72,764)
Prepaid expenses	49,513	33,854
	<u>(301,315)</u>	<u>393,975</u>
Cash flows from operating activities	<u>1,561,793</u>	<u>1,135,409</u>
Cash flows from (used by) investing activities		
Change in trust funds held by Canada	(34,242)	(34,824)
Advances to related parties	<u>(30,321)</u>	<u>(176,391)</u>
Cash flows used by investing activities	<u>(64,563)</u>	<u>(211,215)</u>
Cash flows from (used by) financing activities		
Change in bank indebtedness	(490,000)	270,000
Repayment of long term debt	<u>(311,337)</u>	<u>(336,087)</u>
Cash flows used by financing activities	<u>(801,337)</u>	<u>(66,087)</u>
Cash flows used by capital activities		
Tangible capital asset acquisitions	<u>(709,493)</u>	<u>(74,877)</u>
Increase (decrease) in cash flow		
Cash - beginning of year	<u>2,228,506</u>	<u>1,445,276</u>
Cash - end of year	<u>\$ 2,214,906</u>	<u>\$ 2,228,506</u>
Represented by:		
Cash	\$ 606,936	\$ 952,048
Marketable securities	<u>1,607,970</u>	<u>1,276,458</u>
	<u>\$ 2,214,906</u>	<u>\$ 2,228,506</u>

1. Basis of presentation

In order to satisfy the Reporting Guide's Financial Reporting Requirements of Aboriginal Affairs and Northern Development Canada (AANDC) these consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards, as defined in the CICPA Public Sector Accounting Handbook, which encompasses the following:

- a. The focus of PSAB statements is on the financial position of Esk'etemc and the changes thereto. The Consolidated Statement of Financial Position includes all the assets and liabilities of Esk'etemc. Financial assets are economic resources controlled by Esk'etemc as a result of past transactions from which future economic benefits may be obtained. Liabilities are present obligations of Esk'etemc to others arising from past transactions, the settlement of which is expected to result in the future sacrifice of economic benefits.
- b. Esk'etemc 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 operation of each fund are set out in the supplementary schedules.

Esk'etemc maintains the following funds:

- The Operations Fund which reports the general activities of Esk'etemc.
- The Capital Fund which reports the capital projects of Esk'etemc together with their related financing, other than those tangible capital assets funded by CMHC.
- The Investment Fund which reports Esk'etemc's investments in related entities.
- The Trust Fund which reports on the trust funds owned by Esk'etemc and held by third parties.
- The CMHC Social Housing Fund which reports assets, liabilities, revenues, expenses and reserves specifically related to housing funded by CMHC.
- The Treaty Self-Government Fund which reports on activities related to treaty negotiations.

c. Reporting entity and principles of financial reporting

The Esk'etemc reporting entity includes Esk'etemc and all related entities which are accountable to the Chief and Council and are either owned or controlled by Esk'etemc.

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

- Band government administration (Operating and Capital funds)
- Band Investment Fund
- Band Trust Fund (comprising the Ottawa Trust Funds)
- Band CMHC Social Housing Fund
- Treaty Self-Government Fund

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

(continues)

1. Basis of presentation (*continued*)

Business entities, which are owned or significantly influenced by Esk'etemc and which are not dependent on Esk'etemc for their continuing operations, are included in the consolidated financial statements using the modified equity method. These include:

- Ecolink Forest Services Ltd.
- Alkali Resource Management Ltd.

2. Summary of significant accounting policiesCash and cash equivalents

Cash and cash equivalents consist of cash on hand less outstanding cheques and deposits with a maturity of less than three months at the time of purchase. When outstanding cheques are in excess of cash on hand, the excess is reported in bank indebtedness.

Inventory

Inventory is stated at the lower of cost and net realizable value. Inventory is valued using the first-in, first-out (FIFO) method.

Tangible capital assets

Tangible capital assets are non-financial assets having physical substance that:

- Are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;
- Have useful economic lives extending beyond an accounting period;
- Are to be used on a continuing basis; and
- Are not for sale in the ordinary course of operations.

Tangible capital assets purchased are recorded at cost. Tangible capital assets contributed are recorded at the fair market value as at the date of the contribution.

Tangible capital assets are amortized over their expected useful life using the declining balance method at the following rates:

Buildings	2%
Infrastructure	1.25%
Automotive equipment	20%
Equipment and machinery	20%
Computer equipment	30%

Assets under construction are not amortized as they are not available for use.

Housing tangible capital assets acquired under Canada Mortgage and Housing Corporation sponsored housing programs are amortized at a rate equivalent to the annual principal reduction in the related long term debt, as required for Canada Mortgage and Housing Corporation reporting purposes.

(continues)

2. Summary of significant accounting policies *(continued)*Surplus recoveries and deficit funding

Under the terms of funding arrangements, remaining surpluses of certain programs may be recovered by the funding agency, and remaining deficits may be funded by the funding agency.

Trust funds held by Canada (Ottawa Trust Fund)

Ottawa Trust Fund operating account revenues are recorded on an accrual basis, and include interest earned on the Ottawa Trust account.

Ottawa Trust Fund capital account revenues are recorded when Esk'etemc is notified of their deposit by Aboriginal Affairs and Northern Development Canada.

Revenue recognition

Revenue is recognized as it becomes receivable and collection is reasonably assured under the terms of applicable funding agreements. Funding received under funding arrangements which relate to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Consolidated Statement of Financial Position.

Expenses are accounted for in the period the goods and services are acquired and a liability is incurred, or transfers are due.

Rental revenue is recognized when a tenant commences occupancy and rent is due. Esk'etemc retains all benefits and risks of ownership of its property and, therefore, accounts for leases with its tenants as operating leases.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the impairment of assets, and rates for depreciation and amortization. Actual results could differ from those estimates.

Adoption of new accounting policies

On April 1, 2014, Esk'etemc adopted the provisions of the new accounting policy for liability for contaminated sites.

The details of the new policy are specified in Section PS 3260 of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Professional Accountants.

Esk'etemc has reviewed the implications of the Section and has concluded that it is not exposed to any contaminated sites. It has therefore not recorded any liability for remediation of contaminated sites.

3. Economic dependence

Esk'etemc receives a significant portion of its revenues pursuant to funding arrangements with Aboriginal Affairs and Northern Development Canada. Esk'etemc's ability to continue operations would be severely hampered should this funding be discontinued.

ESK'ETEMC**Notes to Consolidated Financial Statements****Year Ended March 31, 2015****4. Marketable Securities**

	2015	2014
Forest and Range Capital Silviculture	\$ 623,215 984,755	\$ 297,321 979,137
	<u>\$ 1,607,970</u>	<u>\$ 1,276,458</u>

5. Cash restricted as to use

	2015	2014
Replacement reserve	<u>\$ 412,485</u>	<u>\$ 362,395</u>

Under the terms of the Band's Social Housing Agreement with Canada Mortgage and Housing Corporation, a separate replacement reserve account is maintained. The funds in this account may only be used for repairs and maintenance as approved by Canada Mortgage and Housing Corporation.

6. Accounts receivable

	2015	2014
Due from members:		
Rent	\$ 472,932	\$ 417,130
Due from others:		
Department of Justice - Canada	30,500	-
AANDC	-	136,981
FNESC	2,500	-
CCATEC	26,733	-
GST recoverable	16,390	-
Fisheries and Oceans	4,750	-
All others	<u>209,464</u>	<u>201,076</u>
	<u>\$ 763,269</u>	<u>\$ 755,187</u>

7. Trust funds held by Canada

	2015	2014
Ottawa Trust Accounts	<u>\$ 1,134,667</u>	<u>\$ 1,100,425</u>

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

Funds on deposit in the Ottawa Trust Accounts may be withdrawn by Band Council Resolution.

8. Investments

Investment in Ecolink Forest Services Ltd.

	2015	2014
100 shares of 200 shares issued, at cost, held by William Chelsea in Trust for Esk'etemc	\$ 100	\$ 100
Shareholder's Loan, due on demand, interest free, unsecured, no specific terms of repayment	98,489	138,489
Equity income in Ecolink	<u>375,739</u>	<u>314,402</u>
	474,328	452,991

Investment in Alkali Resource Management Ltd.

1 share of 1 share issued, at cost, held in Trust by Esk'etemc Band Council	1	1
Investment in Alkali Resource Management Ltd.	551,238	480,918
Equity gain (loss) in Alkali Resource Management Ltd.	<u>(31,417)</u>	<u>36,953</u>
	519,822	517,872
	\$ 994,150	\$ 970,863

A summary of the unaudited financial statements of Alkali Resource Management Ltd. (A.R.M.), for the year ended April 30, 2014, and for Ecolink for the year ended December 31, 2014 follows:

	A.R.M.	EcoLink
Statement of Financial Position		
Current assets	\$ 521,198	\$ 538,765
Tangible capital assets	<u>119,032</u>	<u>1,582,940</u>
	\$ 640,230	\$ 2,121,705
Current liabilities	\$ 124,231	\$ 735,782
Long term liabilities	-	437,267
Due to shareholders	547,416	196,978
Share capital	1	200
Surplus	<u>(31,418)</u>	<u>751,478</u>
	\$ 640,230	\$ 2,121,705
Statement of Operations		
Revenue	\$ 4,148,357	\$ 3,269,153
Expenses	<u>4,216,728</u>	<u>3,146,479</u>
Net Income	(68,371)	122,674
Surplus, beginning of year	36,953	628,804
Surplus (deficit), end of year	\$ (31,418)	\$ 751,478

ESK'ETEMC**Notes to Consolidated Financial Statements****Year Ended March 31, 2015****9. Bank indebtedness**

	2015	2014
Esk'etemc revolving line of credit	\$ 90,000	\$ 595,000
Alkali Enterprises revolving line of credit	<u>170,000</u>	155,000
	\$ 260,000	\$ 750,000

Esk'etemc has negotiated a line of credit with the Royal Bank of Canada to a maximum of \$600,000 with interest at the bank prime rate plus 0.25%, secured by a general security agreement.

The bank indebtedness for the store is in the form of an operating line payable to the Royal Bank of Canada to a maximum of \$200,000 with interest at the bank prime plus 0.75%, secured by a general security agreement.

As at March 31, 2015, the bank's prime rate was 3.0%.

10. Accounts payable and accrued liabilities

	2015	2014
Trade accounts	\$ 534,533	\$ 1,066,993
Accrued payroll and source deductions	<u>101,981</u>	17,683
	\$ 636,514	\$ 1,084,676

11. Esk'etemc Treaty Negotiation Funding

Aboriginal Affairs and Northern Development Canada loan, secured by promissory notes issued by Council, non-interest bearing, repayable upon earlier of the signing of a treaty between Esk'etemc and the Governments of Canada and British Columbia, the twelfth anniversary of the original loan, or the seventh anniversary after signing an agreement in principle.

	2015	2014
	\$ 7,642,422	\$ 7,206,502

12. Long term debt

	2015	2014
Royal Bank of Canada demand loan, repayable in monthly instalments of \$1,000 including interest at 3.5%, maturing March 2019.	\$ 68,905	\$ 73,173
Royal Bank of Canada demand loan, repayable in monthly instalments of \$2,500 plus interest at 3.5%, maturing April 2019.	53,432	83,432
Royal Bank of Canada demand loan, repayable in monthly instalments of \$2,891 including at 4.75%, maturing July 2015.	2,959	36,630
CMHC Direct mortgage, repayable in monthly instalments of \$3,582 including interest at 5.24%, secured by ministerial guarantee, maturing October 2017.	103,690	140,256
All Nations Trust Company mortgage, repayable in monthly instalments of \$4,430 including interest at 1.49%, secured by ministerial guarantee, maturing February 2016.	48,373	100,391
All Nations Trust Company mortgage, repayable in monthly instalments of \$4,451 including interest at 1.98%, secured by ministerial guarantee, maturing October 2017.	134,437	184,669
All Nations Trust Company mortgage, repayable in monthly instalments of \$3,390 including interest at 1.83%, secured by ministerial guarantee, maturing December 2019.	178,717	215,189
All Nations Trust Company mortgage, repayable in monthly instalments of \$3,007 including interest at 2.56%, secured by ministerial guarantee, maturing December 2015.	182,406	213,416
All Nations Trust Company mortgage, repayable in monthly instalments of \$1,729 including interest at 2.65%, secured by ministerial guarantee, maturing April 2016.	113,578	131,082
All Nations Trust Company mortgage, repayable in monthly instalments of \$1,446 including interest at 1.92%, secured by ministerial guarantee, maturing April 2019.	277,330	289,368
All Nations Trust Company mortgage, repayable in monthly instalments of \$978 including interest at 2.17%, secured by ministerial guarantee, maturing December 2015.	195,329	202,887
	\$ 1,359,156	\$ 1,670,493

(continues)

12. Long term debt (continued)

Principal repayments are scheduled as follows:

2016	\$ 245,231
2017	202,239
2018	167,694
2019	114,543
2020	99,591
Thereafter	<u>529,858</u>
	 <u>\$ 1,359,156</u>

13. Tangible capital assets

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Automotive equipment	\$ 1,041,149	\$ 857,920	\$ 183,229	\$ 212,267
Buildings and infrastructure	13,348,307	4,540,228	8,808,079	8,350,841
Computer and office equipment	2,028,988	1,908,829	120,159	178,422
CMHC Social Housing	5,064,809	3,603,690	1,461,119	1,688,002
Alkali Enterprises	559,334	280,007	279,327	292,158
	 <u>\$ 22,042,587</u>	 <u>\$ 11,190,674</u>	 <u>\$ 10,851,913</u>	 <u>\$ 10,721,690</u>

Tangible capital asset acquisitions during the year:

Water utility project CPMS #7026	\$ 349,743
School upgrade feasibility study	290,088
2015 Toyota Highlander	54,629
Office photocopier work station	15,033
	 <u>\$ 709,493</u>

There were no asset disposals during the year (2014 - \$nil). There were no asset write-downs during the year (2014 - \$nil).

14. Band equity - accumulated surplus

	2015	2014
Land settlement	\$ 82,333	\$ 37,532
Operating and Capital Projects Fund	11,413,360	10,294,351
CMHC Social Housing Fund	(369,330)	(455,117)
Ottawa Trust Fund	1,134,667	1,100,425
Investment in Business Enterprises	470,109	477,143
	 <u>\$ 12,731,139</u>	 <u>\$ 11,454,334</u>

ESK'ETEMC

Notes to Consolidated Financial Statements

Year Ended March 31, 2015

15. Replacement reserve

The replacement reserve represents funds set aside by Esk'etemc to fund future anticipated costs. The replacement fund balance consists of the following amounts:

	2015	2014
CMHC replacement reserve - beginning of year	\$ 252,918	\$ 281,582
Interest	1,572	1,206
Contributions required	51,443	49,443
Expenditures for replacements	<u>(15,426)</u>	<u>(79,313)</u>
CMHC replacement reserve - end of year	\$ 290,507	\$ 252,918

Under the terms of the mortgage agreements with Canada Mortgage and Housing Corporation, the Replacement Reserve account is to be credited in the amount of \$51,443 annually. These funds, along with accumulating interest are to be held in a separate bank account. The funds in this account may only be used as approved by Canada Mortgage and Housing Corporation.

16. Contributed surplus

Contributed surplus consists of the following:

	2015	2014
Band construction contribution	\$ 184,949	\$ 184,949

17. Financial instruments and risk management

Esk'etemc's financial instruments consist of cash, cash restricted as to use, accounts receivable, trust funds held by Canada, accounts payable and accrued liabilities and long term debt. Unless otherwise noted, it is management's opinion that Esk'etemc is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Esk'etemc is exposed to financial risk that arises from the credit quality of the entities to which it provides services. Credit risk arises from the possibility that the entities to which Esk'etemc provides services may experience financial difficulty and be unable to fulfill their obligations.

Esk'etemc is exposed to interest rate risk arising from fluctuations in interest rates on its cash and investments and does not hold any financial instruments that mitigate this risk.

18. Federal assistance payments

Esk'etemc Social Housing Fund 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 the assistance received for the year ended March 31, 2015 was \$157,902 (2014 - \$144,308). This assistance will continue, providing Esk'etemc is not in default of the agreement.

ESK'ETEMC

Notes to Consolidated Financial Statements

Year Ended March 31, 2015

19. Contingent liability

Esk'etemc member loans

Esk'etemc has guaranteed loans made in previous years by various financial institutions under the CMHC Housing Program. The original balances on these loans were \$4,720,778. As at March 31, 2015 the balances outstanding were:

CMHC Housing Program	<u>\$ 1,359,156</u>
----------------------	---------------------

20. Reconciliation of AANDC Comprehensive Funding Arrangement Revenue

Pursuant to the Aboriginal Affairs and Northern Developments Canada Reporting Guide's Financial Reporting Requirements, the following reconciliation has been prepared:

Revenue total as per 2015 funding confirmation	<u>\$ 4,362,383</u>
AANDC Revenue as per Statement of Operations	
Operating	\$ 3,466,943
Capital	<u>895,440</u>
	<u><u>\$ 4,362,383</u></u>

21. Band registered pension plan

Esk'etemc provides a defined contribution pension plan to qualifying employees. Under the plan, the defined members' contributions, the Esk'etemc contributions, and the related plan earnings comprise the members' money purchase amount. The plan is registered with the Canada Revenue Agency.

Esk'etemc contributed \$95,835 to the plan during the year ended March 31, 2015, to match its employees' required contributions.

22. Restatement of previous years

Esk'etemc has retroactively restated its accounts of previous years for the following:

To recognize additional forestry royalties	\$ 344,538
To write off GST/HST accounts receivable	<u>(20,794)</u>
	<u><u>\$ 323,744</u></u>

23. Expenses by object

	2015	2014
Amortization	\$ 579,269	\$ 619,332
Contracted services	685,625	539,802
Honoraria	108,141	103,726
Bad debts	29,817	18,525
Insurance	268,422	164,799
Interest and bank charges	146,533	154,047
Materials and supplies	481,609	283,632
Rent, maintenance and utilities	531,166	1,067,251
Salaries, wages and benefits	2,863,285	3,103,837
Social assistance	699,338	685,254
Store purchases	672,581	888,872
Travel	286,517	350,535
Tuition and education	577,263	941,540
All other	-	45,263
	\$ 7,929,566	\$ 8,966,415

24. Comparative figures

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