

**ESK'ETEMC**  
**Consolidated Financial Statements**  
**Year Ended March 31, 2016**

**ESK'ETEMC****Index to Consolidated Financial Statements****Year Ended March 31, 2016**

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	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

## **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 FBB Chartered Professional Accountants LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. FBB Chartered Professional Accountants LLP has full access to the Chief and Council.

  
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Chief  
\_\_\_\_\_  
Councilor



**CHARTERED  
PROFESSIONAL  
ACCOUNTANTS LLP**

**D. Kane Fraser, CPA, CA\***  
*Partner*

**Ryan Broughton, CPA, CA\***  
*Partner*

*\*Denotes incorporated professional*

## **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, 2016 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 \$1,188,228 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 \$596,137. 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, 2016 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.

A handwritten signature in black ink, consisting of the letters 'FBB' in a stylized, cursive-like font.

Williams Lake, British Columbia  
July 19, 2016

FBB Chartered Professional Accountants LLP

**ESK'ETEMC****Consolidated Statement of Financial Position****Year Ended March 31, 2016**

	2016	2015
<b>Financial Assets</b>		
Cash	\$ 3,661,679	\$ 606,936
Short term investments (Note 4)	2,007,626	1,607,970
Cash restricted as to use (Note 5)	424,887	412,485
Trade accounts receivable (Note 6)	2,127,157	763,269
Ottawa Trust Accounts (Note 7)	1,164,834	1,134,667
Inventory	45,347	57,184
Investments (Note 8)	1,188,228	994,150
	<u>10,619,758</u>	<u>5,576,661</u>
<b>Liabilities</b>		
Bank indebtedness (Note 9)	75,000	260,000
Accounts payable and accrued liabilities (Note 10)	1,648,439	636,514
Silviculture responsibility	926,675	966,309
Deferred revenue (Note 11)	3,442,045	-
Treaty negotiation loan (Note 12)	7,773,605	7,642,422
Long term debt (Note 13)	1,066,442	1,359,156
	<u>14,932,206</u>	<u>10,864,401</u>
<b>Net debt</b>	<u>(4,312,448)</u>	<u>(5,287,740)</u>
<b>Non-financial assets</b>		
Prepaid expenses	66,526	-
Tangible capital assets (Note 16)	10,344,153	10,851,913
Treaty negotiation assets	7,773,605	7,642,422
	<u>18,184,284</u>	<u>18,494,335</u>
<b>Band equity</b>	<u>\$ 13,871,836</u>	<u>\$ 13,206,595</u>
<b>Band equity</b>		
Accumulated surplus (Note 15) - page 6	\$ 13,363,254	\$ 12,731,139
Replacement reserve (Note 16)	323,633	290,507
	<u>13,686,887</u>	<u>13,021,646</u>
Contributed surplus (Note 17)	184,949	184,949
	<u>\$ 13,871,836</u>	<u>\$ 13,206,595</u>

Contingencies (Note 20)

**Approved on behalf of Esk'etemc**

Chief

Councilor

The accompanying notes are an integral part of this statement.

**ESK'ETEMC****Consolidated Statement of Changes in Net Debt****Year Ended March 31, 2016**

	2016 Budget (unaudited)	2016	2015
<b>Net revenue for the year</b>	\$ (160,662)	\$ 632,115	\$ 1,276,805
Amortization	-	532,282	579,269
Net contribution by replacement reserve	-	33,126	37,589
Change in Treaty negotiation assets	-	(131,183)	(435,920)
Change in prepaid expenses	-	(66,526)	49,513
Tangible capital asset acquisitions	-	(43,875)	(709,493)
Gain on disposal of tangible capital assets	-	(9,646)	-
Proceeds on disposal of tangible capital assets	-	28,999	-
<b>(Increase) decrease in net debt</b>	(160,662)	975,292	797,763
<b>Net debt - beginning of year</b>	(5,287,740)	(5,287,740)	(6,085,503)
<b>Net debt - end of year</b>	\$ (5,448,402)	\$ (4,312,448)	\$ (5,287,740)

The accompanying notes are an integral part of this statement.

**ESK'ETEMC****Consolidated Statement of Operations****Year Ended March 31, 2016**

	2016 Budget (Unaudited)	2016	2015
<b>Revenues</b> <i>(from Schedule 1)</i>	\$ 13,166,822	<b>\$ 15,855,547</b>	\$ 9,255,364
Deferred revenue - end of year	-	<b>(3,442,045)</b>	-
	13,166,822	<b>12,413,502</b>	-
<b>Expenses</b> <i>(from Schedule 2)</i>	13,327,484	<b>11,946,758</b>	7,929,566
<b>Net revenue before the following</b>	(160,662)	<b>466,744</b>	1,325,798
<b>Other income</b>			
Funding recoveries	-	<b>(73,353)</b>	(41,959)
Operating results of Band enterprises	-	<b>229,078</b>	(7,034)
Gain on disposal of tangible capital asset	-	<b>9,646</b>	-
<b>Net revenue for the year</b>	(160,662)	<b>632,115</b>	1,276,805
<b>Accumulated surplus - beginning of year</b>	12,731,139	<b>12,731,139</b>	11,454,334
<b>Accumulated surplus - end of year - page 4</b>	<b>\$ 12,570,477</b>	<b>\$ 13,363,254</b>	<b>\$ 12,731,139</b>

The accompanying notes are an integral part of this statement.



**ESK'ETEMC****Consolidated Revenues****(Schedule 1)****Year Ended March 31, 2016**

	2016 Budget (Unaudited)	2016	2015
<b>Revenues</b>			
Federal Government			
INAC Operating	\$ 2,524,295	\$ 2,706,128	\$ 3,466,943
INAC Capital	7,817,979	7,817,979	895,440
First Nations Health Authority	1,035,966	1,703,035	1,208,678
CMHC	122,842	122,842	192,745
CCATEC	140,278	119,546	112,705
Department of Justice	30,192	30,192	60,580
Fisheries and Oceans	47,500	47,500	47,500
Province of British Columbia	300,153	309,671	369,470
BC Treaty Commission	61,305	81,740	108,980
Service contracts and fees	177,108	26,274	110,121
Rentals	558,250	544,632	592,684
Royalties	-	342,000	274,697
Thompson Rivers University	-	-	41,727
Tolko Industries	-	30,832	22,834
West Fraser Mills Ltd.	-	7,157	14,687
Spectra Energy Ltd.	50,000	53,000	50,000
First Nations Education Steering Committee	63,118	61,450	63,312
Store sales	-	1,106,643	987,238
Interest and short term investments	1,025	103,412	141,901
Health Action Committee	-	-	23,248
McFarland Marceau	-	-	21,898
Insurance proceeds	-	45,728	136,683
Work Opportunities Program	66,196	22,446	27,738
Terra Archaeology Ltd.	-	2,709	8,599
BC Hydro	79,738	90,962	79,738
Daycare fees	-	97,762	65,926
Change in Silviculture Responsibility	-	39,634	-
Right to Play International	-	14,818	-
New Relationship Trust	-	25,000	-
All other	90,877	302,455	129,292
	<u>\$ 13,166,822</u>	<u>\$ 15,855,547</u>	<u>\$ 9,255,364</u>

The accompanying notes are an integral part of this statement.

**ESK'ETEMC****Consolidated Expenses****(Schedule 2)****Year Ended March 31, 2016**

	2016 Budget (Unaudited)	2016	2015
Administration	\$ 1,000,632	\$ 1,197,792	\$ 1,285,564
Amortization	199,353	532,282	579,269
Capital projects	7,817,979	4,218,165	147,934
Education	1,120,108	1,213,746	1,367,731
Store	-	1,093,619	911,611
Health and well-being	1,195,917	1,754,217	1,393,392
Housing	184,894	153,400	167,137
Natural resources	85,463	170,831	90,212
Public works	599,446	614,029	644,423
Social development	868,120	672,832	896,683
Treaty	255,572	325,845	445,610
	<u>\$ 13,327,484</u>	<u>\$ 11,946,758</u>	<u>\$ 7,929,566</u>

The accompanying notes are an integral part of this statement.

**ESK'ETEMC****Consolidated Statement of Cash Flows****Year Ended March 31, 2016**

	2016	2015
<b>Cash flows from operating activities</b>		
Net revenue for the year	\$ 632,115	\$ 1,276,805
Items not affecting cash:		
Amortization	532,282	579,269
Gain on disposal of tangible capital assets	(9,646)	-
Operating results of First Nation enterprises	(229,078)	7,034
	<u>925,673</u>	<u>1,863,108</u>
Changes in non-cash working capital:		
Accounts receivable	(1,363,888)	(8,082)
Replacement reserve	33,126	37,589
Cash restricted as to use	(12,402)	(50,090)
Inventory	11,837	(26,573)
Accounts payable and accrued liabilities	1,011,925	(448,162)
Silviculture responsibility	(39,634)	144,490
Deferred revenue	3,442,045	-
Prepaid expenses	(66,526)	49,513
	<u>3,016,483</u>	<u>(301,315)</u>
Cash flows from operating activities	<u>3,942,156</u>	<u>1,561,793</u>
<b>Cash flows from (used by) investing activities</b>		
Change in trust funds held by Canada	(30,167)	(34,242)
Advances from (to) related parties	35,000	(30,321)
Cash flows from (used by) investing activities	<u>4,833</u>	<u>(64,563)</u>
<b>Cash flows used by financing activities</b>		
Change in bank indebtedness	(185,000)	(490,000)
Repayment of long term debt	(292,714)	(311,337)
Cash flows used by financing activities	<u>(477,714)</u>	<u>(801,337)</u>
<b>Cash flows used by capital activities</b>		
Tangible capital asset acquisitions	(43,875)	(709,493)
Proceeds on disposal of tangible capital assets	28,999	-
Cash flows used by capital activities	<u>(14,876)</u>	<u>(709,493)</u>
<b>Increase (decrease) in cash flow</b>	<b>3,454,399</b>	<b>(13,600)</b>
Cash - beginning of year	<u>2,214,906</u>	<u>2,228,506</u>
<b>Cash - end of year</b>	<b>\$ 5,669,305</b>	<b>\$ 2,214,906</b>
<b>Represented by:</b>		
Cash	\$ 3,661,679	\$ 606,936
Marketable securities	<u>2,007,626</u>	<u>1,607,970</u>
	<u>\$ 5,669,305</u>	<u>\$ 2,214,906</u>

The accompanying notes are an integral part of this statement.

**1. Basis of presentation**

In order to satisfy the Reporting Guide's Financial Reporting Requirements of Indigenous and Northern Affairs Canada ("INAC") these consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards, as defined in the CPA Canada 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.

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# ESK'ETEMC

## Notes to Consolidated Financial Statements

Year Ended March 31, 2016

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### 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 policies

#### Cash 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.

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**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 INAC.

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.

Liability for contaminated sites

Esk'etemc has reviewed the implications of the CPA Canada Public Sector Accounting Handbook Section *PS 3260 - Liability for Contaminated Sites* 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 INAC. 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, 2016****4. Marketable Securities**

	2016	2015
Forest and Range Capital	\$ 1,155,497	\$ 623,215
Silviculture	852,129	984,755
	<u>\$ 2,007,626</u>	<u>\$ 1,607,970</u>

**5. Cash restricted as to use**

	2016	2015
Replacement reserve	<u>\$ 424,887</u>	<u>\$ 412,485</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**

	2016	2015
Due from members:		
Rent	\$ 596,137	\$ 472,932
Due from others:		
Department of Justice - Canada	-	30,500
INAC	824,898	-
FNESC	3,643	2,500
CCATEC	24,623	26,733
GST recoverable	32,933	16,390
CMHC	1,992	-
Fisheries and Oceans	4,750	4,750
Province of B.C.	20,242	-
New Relationship Trust	5,000	-
First Nation Health Authority	233,156	-
All others	379,783	209,464
	<u>\$ 2,127,157</u>	<u>\$ 763,269</u>

The above accounts receivable are presented net of an allowance for doubtful accounts in the amount of \$446,592 (2015 - \$446,592).

**7. Trust funds held by Canada**

	2016	2015
Ottawa Trust Accounts	<u>\$ 1,164,834</u>	<u>\$ 1,134,667</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.

**ESK'ETEMC****Notes to Consolidated Financial Statements****Year Ended March 31, 2016****8. Investments**

Investment in Ecolink Forest Services Ltd.

	<u>2016</u>	<u>2015</u>
100 shares of 200 shares issued, at cost, held by William Chelsea in Trust for Esk'etemc	\$ -	\$ 100
Shareholder's loan, due on demand, interest free, unsecured, no specific terms of repayment	63,589	98,489
Equity income in Ecolink	<u>448,715</u>	<u>375,739</u>
	<u>512,304</u>	<u>474,328</u>

Investment in Alkali Resource Management Ltd.

1 share of 1 share issued, at cost, held in Trust by  
Esk'etemc Band Council

Investment in Alkali Resource Management Ltd.

Equity gain (loss) in Alkali Resource Management Ltd.

	1	1
	551,238	551,238
	<u>124,685</u>	<u>(31,417)</u>
	<u>675,924</u>	<u>519,822</u>
	<u>\$ 1,188,228</u>	<u>\$ 994,150</u>

A summary of the unaudited financial statements of Alkali Resource Management Ltd. (A.R.M.), for the year ended April 30, 2015, and for Ecolink for the year ended December 31, 2015 follows:

	<b>A.R.M.</b>	<b>EcoLink</b>
<b>Statement of Financial Position</b>		
Current assets	\$ 572,744	\$ 641,977
Tangible capital assets	<u>165,931</u>	<u>2,084,058</u>
	<u>\$ 738,675</u>	<u>\$ 2,726,035</u>
Current liabilities	\$ 171,453	\$ 966,928
Long term liabilities	-	724,499
Due to shareholders	442,536	136,978
Share capital	1	200
Surplus	<u>124,685</u>	<u>897,430</u>
	<u>\$ 738,675</u>	<u>\$ 2,726,035</u>
<b>Statement of Operations</b>		
Revenue	\$ 7,380,669	\$ 3,880,563
Expenses	<u>7,384,885</u>	<u>3,734,611</u>
Net Income (loss)	(4,216)	145,952
Prior period adjustment	160,319	-
Surplus (deficit), beginning of year	<u>(31,418)</u>	<u>751,478</u>
Surplus, end of year	<u>\$ 124,685</u>	<u>\$ 897,430</u>



**ESK'ETEMC****Notes to Consolidated Financial Statements****Year Ended March 31, 2016****9. Bank indebtedness**

	<u>2016</u>	<u>2015</u>
RBC Line of Credit-Overdraft-Band	\$ -	\$ 90,000
Alkali Enterprises revolving line of credit	<u>75,000</u>	<u>170,000</u>
	<u>\$ 75,000</u>	<u>\$ 260,000</u>

Esk'etemc has negotiated a line of credit with the Royal Bank of Canada to a maximum of \$450,000 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, 2016, the bank's prime rate was 2.7%.

**10. Accounts payable and accrued liabilities**

	<u>2016</u>	<u>2015</u>
Trade accounts	\$ 949,176	\$ 534,533
Accrued payroll and source deductions	66,924	101,981
Holdbacks payable	<u>632,339</u>	<u>-</u>
	<u>\$ 1,648,439</u>	<u>\$ 636,514</u>

**11. Deferred revenue**

	<u>2016</u>	<u>2015</u>
INAC funding for:		
New school project	\$ 2,637,699	\$ -
Water treatment	<u>804,346</u>	<u>-</u>
	<u>\$ 3,442,045</u>	<u>\$ -</u>

**12. Esk'etemc Treaty Negotiation Funding**

	<u>2016</u>	<u>2015</u>
INAC 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.	<u>\$ 7,773,605</u>	<u>\$ 7,642,422</u>

**ESK'ETEMC****Notes to Consolidated Financial Statements****Year Ended March 31, 2016****13. Long term debt**

	<u>2016</u>	<u>2015</u>
Royal Bank of Canada demand loan, repayable in monthly instalments of \$1,000 including interest at 3.5%, maturing March 2019.	\$ 54,088	\$ 68,905
Royal Bank of Canada demand loan, repayable in monthly instalments of \$2,500 plus interest at 3.5%, maturing April 2019.	24,216	53,432
Royal Bank of Canada demand loan.	-	2,959
CMHC Direct mortgage, repayable in monthly instalments of \$3,582 including interest at 5.24%, secured by ministerial guarantee, maturing October 2017.	65,192	103,690
All Nations Trust Company mortgage.	-	48,373
All Nations Trust Company mortgage, repayable in monthly instalments of \$4,451 including interest at 1.98%, secured by ministerial guarantee, maturing October 2017.	83,210	134,437
All Nations Trust Company mortgage, repayable in monthly instalments of \$3,390 including interest at 1.83%, secured by ministerial guarantee, maturing December 2019.	140,992	178,717
All Nations Trust Company mortgage, repayable in monthly instalments of \$2,921 including interest at 1.3%, secured by ministerial guarantee, maturing August 2020.	150,380	182,406
All Nations Trust Company mortgage, repayable in monthly instalments of \$1,667 including interest at 1.11%, secured by ministerial guarantee, maturing February 2021.	95,611	113,577
All Nations Trust Company mortgage, repayable in monthly instalments of \$1,446 including interest at 1.92%, secured by ministerial guarantee, maturing April 2019.	265,183	277,330
All Nations Trust Company mortgage, repayable in monthly instalments of \$901 including interest at 1.3%, secured by ministerial guarantee, maturing December 2020.	187,570	195,330
	<u>\$ 1,066,442</u>	<u>\$ 1,359,156</u>

*(continues)*

**ESK'ETEMC****Notes to Consolidated Financial Statements****Year Ended March 31, 2016****13. Long term debt (continued)**

Principal repayments are scheduled as follows:

2017	\$ 202,239
2018	167,694
2019	114,543
2020	99,591
2021	482,375
	<u>\$ 1,066,442</u>

**14. Tangible capital assets**

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Automotive equipment	\$ 1,036,577	\$ 924,067	\$ 112,510	\$ 183,229
Buildings and infrastructure	13,348,307	4,712,705	8,635,602	8,808,079
Computer and office equipment	2,039,363	1,963,546	75,817	120,159
CMHC Social Housing	5,064,809	3,803,042	1,261,767	1,461,119
Alkali Enterprises	559,334	300,877	258,457	279,327
	<u>\$ 22,048,390</u>	<u>\$ 11,704,237</u>	<u>\$ 10,344,153</u>	<u>\$ 10,851,913</u>

Tangible capital asset acquisitions during the year:

2015 Toyota Sienna van	\$ 33,500
20' Container	3,200
8'x8' Cedar Sauna	7,175
	<u>\$ 43,875</u>

During the year a 2013 Toyota Tundra was sold for \$29,000 (2015 - \$nil). There were no asset write-downs during the year (2015 - \$nil).

**15. Band equity - accumulated surplus**

	2016	2015
Land settlement	\$ -	\$ 82,333
Operating and Capital Projects Fund	11,824,444	11,413,360
CMHC Social Housing Fund	(338,933)	(369,330)
Ottawa Trust Fund	1,164,834	1,134,667
Investment in Business Enterprises	712,909	470,109
	<u>\$ 13,363,254</u>	<u>\$ 12,731,139</u>

**ESK'ETEMC****Notes to Consolidated Financial Statements****Year Ended March 31, 2016****16. 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:

	<u>2016</u>	<u>2015</u>
CMHC replacement reserve - beginning of year	\$ 290,507	\$ 252,918
Interest	853	1,572
Contributions required	50,070	51,443
Expenditures for replacements	<u>(17,797)</u>	<u>(15,426)</u>
CMHC replacement reserve - end of year	<u>\$ 323,633</u>	<u>\$ 290,507</u>

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 \$50,070 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.

**17. Contributed surplus**

Contributed surplus consists of the following:

	<u>2016</u>	<u>2015</u>
Band construction contribution	<u>\$ 184,949</u>	<u>\$ 184,949</u>

**18. 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.

**19. 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, 2016 was \$122,842 (2015 - \$157,902). 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, 2016****20. 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, 2016 the balances outstanding were:

CMHC Housing Program	<b><u>\$ 988,138</u></b>
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**21. Reconciliation of INAC Comprehensive Funding Arrangement Revenue**

Pursuant to the INAC Reporting Guide's Financial Reporting Requirements, the following reconciliation has been prepared:

Revenue total as per 2016 funding confirmation	<b><u>\$ 10,524,107</u></b>
INAC Revenue as per Statement of Operations	
Operating	\$ 2,706,128
Capital	7,817,979
	<b><u>\$ 10,524,107</u></b>

**22. 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 \$94,823 to the plan during the year ended March 31, 2016 (March 31, 2015 - \$95,835), to match its employees' required contributions.

**23. Expenses by object**

	<b>2016</b>	<b>2015</b>
Amortization	<b>\$ 532,282</b>	\$ 579,269
Contracted services	<b>5,184,671</b>	685,625
Honoraria	<b>117,935</b>	108,141
Bad debts	<b>-</b>	29,817
Insurance	<b>159,185</b>	268,422
Interest and bank charges	<b>101,324</b>	146,533
Materials and supplies	<b>457,377</b>	481,609
Rent, maintenance and utilities	<b>675,476</b>	531,166
Salaries, wages and benefits	<b>2,846,026</b>	2,863,285
Social assistance	<b>538,753</b>	699,338
Store purchases	<b>785,385</b>	672,581
Travel	<b>262,125</b>	286,517
Tuition and education	<b>286,219</b>	577,263
	<b><u>\$ 11,946,758</u></b>	<b><u>\$ 7,929,566</u></b>

**24. Subsequent events**

Subsequent to March 31, 2016, Esk'etemc has withdrawn from treaty negotiations. The treaty negotiation loans that Esk'etemc accepted to participate in the BC Treaty process are due for full repayment aggregating \$7,773,605 on September 8, 2016.

Canada and BC have agreed that the due date on these loans may be extended for five years for any First Nation which has not withdrawn its Statement of Intent or has the SOI returned to it by the Treaty Commission. This is the case for Esk'etemc First Nation.

Esk'etemc has completed the required Amendment and Extension Agreement. The Agreement provides that the due date has been extended to September 8, 2021. The BC Treaty Commission has indicated that Canada may unilaterally provide a further extension to the loan due date at a later date.

**25. Comparative figures**

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