

**ESK'ETEMC**  
**Consolidated Financial Statements**  
**Year Ended March 31, 2017**

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# E S K E T E M C

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## **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.

  
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, 2017 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 \$1,723,231 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 \$732,345. 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, 2017 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.

FBB

Williams Lake, British Columbia  
June 26, 2017

FBB Chartered Professional Accountants LLP

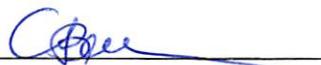
**ESK'ETEMC**  
**Consolidated Statement of Financial Position**  
**Year Ended March 31, 2017**

	2017	2016
<b>Financial Assets</b>		
Cash (Note 4)	\$ 2,110,877	\$ 3,661,679
Short term investments (Note 5)	2,229,004	2,007,626
Cash restricted as to use (Note 6)	374,801	424,887
Trade accounts receivable (Note 7)	1,305,530	2,127,157
Ottawa Trust Accounts (Note 8)	1,194,808	1,164,834
Inventory	49,670	45,347
Investments (Note 9)	<u>1,723,231</u>	<u>1,188,228</u>
	<u>8,987,921</u>	<u>10,619,758</u>
<b>Liabilities</b>		
Bank indebtedness (Note 10)	85,000	75,000
Accounts payable and accrued liabilities (Note 11)	1,546,076	1,148,929
Silviculture responsibility	1,008,117	926,675
Deferred revenue (Note 11)	1,717,294	3,941,555
Treaty negotiation loan (Note 13)	7,773,605	7,773,605
Long term debt (Note 13)	<u>783,805</u>	<u>1,066,442</u>
	<u>12,913,897</u>	<u>14,932,206</u>
<b>Net debt</b>	<u>(3,925,976)</u>	<u>(4,312,448)</u>
<b>Non-financial assets</b>		
Prepaid expenses	154,954	66,526
Tangible capital assets (Note 17)	20,801,326	10,344,153
Treaty negotiations	<u>7,773,605</u>	<u>7,773,605</u>
	<u>28,729,885</u>	<u>18,184,284</u>
<b>Band equity</b>	<u>\$ 24,803,909</u>	<u>\$ 13,871,836</u>
<b>Band equity</b>		
Accumulated surplus (Note 16) - page 6	\$ 24,377,482	\$ 13,363,254
Replacement reserve (Note 17)	<u>241,478</u>	<u>323,633</u>
	<u>24,618,960</u>	<u>13,686,887</u>
Contributed surplus (Note 18)	<u>184,949</u>	<u>184,949</u>
	<u>\$ 24,803,909</u>	<u>\$ 13,871,836</u>

Contingencies (Note 20)

**Approved on behalf of Esk'etemc**

Chief




Councilor

**ESK'ETEMC****Consolidated Statement of Changes in Net Debt****Year Ended March 31, 2017**

	2017 Budget (unaudited)	2017	2016
<b>Net revenue for the year</b>	\$ 761,267	<b>\$ 11,014,228</b>	\$ 632,115
Amortization	-	<b>609,638</b>	532,282
Net contribution by replacement reserve	-	<b>(82,155)</b>	33,126
Change in Treaty negotiation assets	-	-	(131,183)
Change in prepaid expenses	-	<b>(88,428)</b>	(66,526)
Tangible capital asset acquisitions	-	<b>(11,066,811)</b>	(43,875)
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>	<b>761,267</b>	<b>386,472</b>	975,292
<b>Net debt - beginning of year</b>	<b>(4,312,448)</b>	<b>(4,312,448)</b>	<b>(5,287,740)</b>
<b>Net debt - end of year</b>	<b>\$ (3,551,181)</b>	<b>\$ (3,925,976)</b>	<b>\$ (4,312,448)</b>

The accompanying notes are an integral part of this statement.

**ESK'ETEMC****Consolidated Statement of Operations****Year Ended March 31, 2017**

	2017 Budget (Unaudited)	2017	2016
<b>Revenues</b>	\$ 4,084,156	<b>\$ 11,705,715</b>	\$ 15,855,547
Deferred revenue - beginning of year	-	<b>3,941,555</b>	-
Deferred revenue - end of year	-	<b>(1,712,294)</b>	(3,941,555)
	4,084,156	<b>13,934,976</b>	11,913,992
<b>Expenses (from Schedule 2)</b>	<u>3,322,889</u>	<u><b>14,288,883</b></u>	<u>11,447,248</u>
<b>Net revenue before the following</b>	761,267	<b>(353,907)</b>	466,744
<b>Other income</b>			
Funding recoveries	-	<b>(156,136)</b>	(73,353)
Operating results of Band enterprises	-	<b>393,300</b>	229,078
Gain on disposal of tangible capital asset	-	<b>-</b>	9,646
Tangible capital assets purchased	-	<b>11,066,811</b>	-
CMHC matured units	-	<b>64,160</b>	-
<b>Net revenue for the year</b>	761,267	<b>11,014,228</b>	632,115
<b>Accumulated surplus - beginning of year</b>	<u>13,363,254</u>	<u><b>13,363,254</b></u>	<u>12,731,139</u>
<b>Accumulated surplus - end of year - page 4</b>	<u>\$ 14,124,521</u>	<u><b>\$ 24,377,482</b></u>	<u>\$ 13,363,254</u>

The accompanying notes are an integral part of this statement.

**ESK'ETEMC****Consolidated Revenues****(Schedule 1)****Year Ended March 31, 2017**

	2017 Budget (Unaudited)	2017	2016
<b>Revenues</b>			
Federal Government			
INAC Operating	\$ 2,258,245	\$ 2,573,777	\$ 2,706,128
INAC Capital	-	2,962,935	7,817,979
First Nations Health Authority	880,793	1,416,514	1,703,035
Health Canada	-	511,173	85,711
CMHC	-	121,051	122,842
CCATEC	102,321	99,399	119,546
Department of Justice	30,192	30,192	30,192
Fisheries and Oceans	46,000	45,962	47,500
Province of British Columbia	269,968	431,988	309,671
BC Treaty Commission	-	-	81,740
Service contracts and fees	30,000	211,874	26,274
Rentals	111,826	681,864	544,632
Royalties	-	615,507	342,000
Band revenues	-	146,225	40,698
Spectra Energy Ltd.	-	50,000	53,000
First Nations Education Steering Committee	62,677	149,585	61,450
Store sales	-	1,154,636	1,106,643
Interest and short term investments	12,000	205,922	103,412
Insurance proceeds	-	-	45,728
Work Opportunities Program	-	28,710	22,446
BC Hydro	79,738	79,738	90,962
Daycare fees	67,408	76,113	97,762
Change in Silviculture Responsibility	-	(81,442)	39,634
Right to Play International	-	4,258	14,818
New Relationship Trust	-	-	25,000
All other	132,988	189,734	216,744
	<hr/>	<hr/>	<hr/>
	\$ 4,084,156	\$ 11,705,715	\$ 15,855,547

**ESK'ETEMC  
Consolidated Expenses  
Year Ended March 31, 2017**

**(Schedule 2)**

	2017 Budget (Unaudited)	2017	2016
Administration	\$ 901,801	\$ 2,666,541	\$ 2,291,411
Amortization	-	609,638	532,282
Capital projects	-	6,369,198	3,718,655
Education	676,265	1,265,954	1,213,746
Health and well-being	724,632	1,546,252	1,754,217
Housing	-	144,958	153,400
Natural resources	40,657	78,086	170,831
Public works	345,931	985,959	614,029
Social development	633,603	622,297	672,832
Treaty	-	-	325,845
	\$ 3,322,889	\$ 14,288,883	\$ 11,447,248

The accompanying notes are an integral part of this statement.

**ESK'ETEMC**
**Consolidated Statement of Cash Flows**
**Year Ended March 31, 2017**

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Net revenue for the year	\$ 11,014,228	\$ 632,115
Items not affecting cash:		
Amortization	609,638	532,282
Gain on disposal of tangible capital assets	-	(9,646)
Operating results of First Nation enterprises	<u>(393,300)</u>	<u>(229,078)</u>
	<b><u>11,230,566</u></b>	<b><u>925,673</u></b>
Changes in non-cash working capital:		
Accounts receivable	821,627	(1,363,888)
Replacement reserve	(82,155)	33,126
Cash restricted as to use	50,086	(12,402)
Inventory	(4,323)	11,837
Accounts payable and accrued liabilities	397,147	512,415
Silviculture responsibility	81,442	(39,634)
Deferred revenue	<u>(2,224,261)</u>	<u>3,941,555</u>
Prepaid expenses	<u>(88,428)</u>	<u>(66,526)</u>
	<b><u>(1,048,865)</u></b>	<b><u>3,016,483</u></b>
Cash flows from operating activities	<b><u>10,181,701</u></b>	<b><u>3,942,156</u></b>
<b>Cash flows from (used by) investing activities</b>		
Change in trust funds held by Canada	(29,974)	(30,167)
Advances from (to) related parties	<u>(141,703)</u>	<u>35,000</u>
Cash flows from (used by) investing activities	<b><u>(171,677)</u></b>	<b><u>4,833</u></b>
<b>Cash flows used by financing activities</b>		
Change in bank indebtedness	10,000	(185,000)
Repayment of long term debt	<u>(282,637)</u>	<u>(292,714)</u>
Cash flows used by financing activities	<b><u>(272,637)</u></b>	<b><u>(477,714)</u></b>
<b>Cash flows used by capital activities</b>		
Tangible capital asset acquisitions	(11,066,811)	(43,875)
Proceeds on disposal of tangible capital assets	-	28,999
Cash flows used by capital activities	<b><u>(11,066,811)</u></b>	<b><u>(14,876)</u></b>
<b>Increase (decrease) in cash flow</b>		
Cash - beginning of year	<b><u>(1,329,424)</u></b>	<b><u>3,454,399</u></b>
<b>Cash - end of year</b>	<b><u>5,669,305</u></b>	<b><u>2,214,906</u></b>
<b>Represented by:</b>		
Cash	\$ 2,110,877	\$ 3,661,679
Marketable securities	<u>2,229,004</u>	<u>2,007,626</u>
	<b><u>\$ 4,339,881</u></b>	<b><u>\$ 5,669,305</u></b>

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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**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, 2017****4. Marketable Securities**

	<b>2017</b>	<b>2016</b>
Forest and Range Capital Silviculture	\$ 1,313,895 <b>915,109</b>	\$ 1,155,497 852,129
	<b>\$ 2,229,004</b>	\$ 2,007,626

**5. Cash restricted as to use**

	<b>2017</b>	<b>2016</b>
Replacement reserve	<b>\$ 374,801</b>	\$ 424,887

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**

	<b>2017</b>	<b>2016</b>
Due from members:		
Rent	\$ 732,345	\$ 596,137
Due from others:		
Spectra Energy	50,000	-
Department of Justice - Canada	3,019	-
INAC	42,382	824,898
FNESC	11,272	3,643
CCATEC	24,751	24,623
GST recoverable	49,217	32,933
CMHC	8,159	1,992
Fisheries and Oceans	-	4,750
Province of British Columbia	2,007	20,242
New Relationship Trust	-	5,000
First Nation Health Authority	200,466	233,156
All others	<b>181,912</b>	379,783
	<b>\$ 1,305,530</b>	\$ 2,127,157

The above accounts receivable are presented net of an allowance for doubtful accounts in the amount of \$446,592 (2016 - \$446,592).

**ESK'ETEMC****Notes to Consolidated Financial Statements****Year Ended March 31, 2017**

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**7. Trust funds held by Canada**

	<u>2017</u>	<u>2016</u>
Ottawa Trust Accounts	<u>\$ 1,194,808</u>	<u>\$ 1,164,834</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, 2017**
**8. Investments**

Investment in Ecolink Forest Services Ltd.

	<b>2017</b>	<b>2016</b>
Shareholder's loan, due on demand, interest free, unsecured, no specific terms of repayment	\$ 79,739	\$ 63,589
Equity income in Ecolink	<u>378,431</u>	<u>448,715</u>
	<b><u>458,170</u></b>	<b><u>512,304</u></b>

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.	676,790	551,238
Equity gain in Alkali Resource Management Ltd.	<u>588,270</u>	<u>124,685</u>
	<b><u>1,265,061</u></b>	<b><u>675,924</u></b>
	<b><u>\$ 1,723,231</u></b>	<b><u>\$ 1,188,228</u></b>

A summary of the unaudited financial statements of Alkali Resource Management Ltd. (A.R.M.), for the year ended April 30, 2016, and for Ecolink for the year ended December 31, 2016 follows:

	<b>A.R.M.</b>	<b>EcoLink</b>
<b>Statement of Financial Position</b>		
Current assets	\$ 1,342,790	\$ 431,568
Tangible capital assets	<u>212,904</u>	<u>2,015,741</u>
	<b><u>\$ 1,555,694</u></b>	<b><u>\$ 2,447,309</u></b>
Current liabilities	\$ 290,633	\$ 1,018,661
Long term liabilities	-	512,109
Due to shareholders	676,791	159,478
Share capital	1	200
Surplus	<u>588,269</u>	<u>756,861</u>
	<b><u>\$ 1,555,694</u></b>	<b><u>\$ 2,447,309</u></b>
<b>Statement of Operations</b>		
Revenue	\$ 8,889,308	\$ 3,883,712
Expenses	<u>8,425,724</u>	<u>4,024,281</u>
Net Income (loss)	463,584	(140,569)
Surplus (deficit), beginning of year	<u>124,685</u>	<u>897,430</u>
Surplus, end of year	<b><u>\$ 588,269</u></b>	<b><u>\$ 756,861</u></b>

**ESK'ETEMC****Notes to Consolidated Financial Statements****Year Ended March 31, 2017****9. Bank indebtedness**

	<b>2017</b>	<b>2016</b>
RBC Line of Credit-Overdraft-Alkali Enterprises	<b>\$ 85,000</b>	<b>\$ 75,000</b>

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, 2017, the bank's prime rate was 2.7%.

**10. Accounts payable and accrued liabilities**

	<b>2017</b>	<b>2016</b>
Trade accounts	\$ 796,375	\$ 949,176
Accrued payroll and source deductions	2,517	66,924
Holdbacks payable	<u>747,184</u>	<u>132,829</u>
	<b>\$ 1,546,076</b>	<b>\$ 1,148,929</b>

**11. Deferred revenue**

	<b>2017</b>	<b>2016</b>
First Nations Health Authority	\$ -	\$ 319,695
Federal funding for:		
New school project	446,433	2,817,514
Water treatment	654,275	804,346
IR #2 Subdivision	49,785	-
Treatment Centre	505,300	-
Biomass Heating Project	<u>61,501</u>	<u>-</u>
	<b>\$ 1,717,294</b>	<b>\$ 3,941,555</b>

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

	<b>2017</b>	<b>2016</b>
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.	<b>\$ 7,773,605</b>	<b>\$ 7,773,605</b>

## 13. Long term debt

	2017	2016
Royal Bank of Canada demand loan paid in the year.	\$ -	\$ 54,088
Royal Bank of Canada demand loan paid in the year.	- -	24,216
CMHC Direct mortgage, repayable in monthly instalments of \$3,582 including interest at 5.24%, secured by ministerial guarantee, maturing October 2017.	<b>24,662</b>	65,192
All Nations Trust Company mortgage, repayable in monthly instalments of \$4,451 including interest at 1.98%, secured by ministerial guarantee, maturing October 2017.	<b>30,957</b>	83,210
All Nations Trust Company mortgage, repayable in monthly instalments of \$3,390 including interest at 1.83%, secured by ministerial guarantee, maturing December 2019.	<b>102,563</b>	140,992
All Nations Trust Company mortgage, repayable in monthly instalments of \$2,921 including interest at 1.3%, secured by ministerial guarantee, maturing August 2020.	<b>117,078</b>	150,380
All Nations Trust Company mortgage, repayable in monthly instalments of \$1,667 including interest at 1.11%, secured by ministerial guarantee, maturing February 2021.	<b>76,631</b>	95,611
All Nations Trust Company mortgage, repayable in monthly instalments of \$1,446 including interest at 1.92%, secured by ministerial guarantee, maturing April 2019.	<b>252,778</b>	265,183
All Nations Trust Company mortgage, repayable in monthly instalments of \$901 including interest at 1.3%, secured by ministerial guarantee, maturing December 2020.	<b>179,136</b>	<b>187,570</b>
	<b>\$ 783,805</b>	<b>\$ 1,066,442</b>

Principal repayment terms are approximately:

2018	\$ 168,872
2019	114,986
2020	99,751
2021	55,028
2022	22,608
Thereafter	322,560
	<hr/>
	<b>\$ 783,805</b>

**ESK'ETEMC**
**Notes to Consolidated Financial Statements**
**Year Ended March 31, 2017**
**14. Tangible capital assets**

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 71,952	\$ -	\$ 71,952	\$ -
Automotive equipment	1,160,786	998,233	162,553	112,510
Buildings and infrastructure	24,213,957	4,988,759	19,225,198	8,635,602
Computer and office equipment	2,044,363	1,998,012	46,351	75,817
CMHC Social Housing	4,255,166	3,197,733	1,057,433	1,261,767
Alkali Enterprises	559,335	321,496	237,839	258,457
	<b>\$ 32,305,559</b>	<b>\$ 11,504,233</b>	<b>\$ 20,801,326</b>	<b>\$ 10,344,153</b>

Tangible capital asset acquisitions during the year:

Lot 264	\$ 40,452
IR #2 subdivision	31,500
2017 Toyota Tundra	30,794
2016 Toyota Tundra	41,782
2013 Toyota Tundra	33,374
2007 Toyota Rav4	13,259
2003 Chevrolet Silverado	5,000
Grizzly rock screen	5,000
Sxoxomic school	6,291,075
ARM/Ecolink office building	824,246
Treatment Centre	463,665
Biomass Heating Project	72,160
CPMS Water System	3,214,504
	<b>\$ 11,066,811</b>

During the year, there were no asset dispasals (2016 - \$29,000). There were no asset write-downs during the year (2016 - \$nil).

**15. Band equity - accumulated surplus**

	2017	2016
Operating and Capital Projects Fund	\$ 22,537,612	\$ 11,963,953
CMHC Social Housing Fund	(321,638)	(338,933)
Ottawa Trust Fund	1,194,808	1,164,834
Investment in Business Enterprises	966,700	573,400
	<b>\$ 24,377,482</b>	<b>\$ 13,363,254</b>

**ESK'ETEMC****Notes to Consolidated Financial Statements****Year Ended March 31, 2017****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:

	<b>2017</b>	<b>2016</b>
CMHC replacement reserve - beginning of year	\$ 323,633	\$ 290,507
Maturing units	(64,160)	-
Interest	616	853
Contributions required	43,202	50,070
Expenditures for replacements	(61,813)	(17,797)
CMHC replacement reserve - end of year	<b>\$ 241,478</b>	<b>\$ 323,633</b>

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 \$43,202 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:

	<b>2017</b>	<b>2016</b>
Band construction contribution	<b>\$ 184,949</b>	<b>\$ 184,949</b>

**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, 2017 was \$108,396 (2016 - \$122,842). 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, 2017****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 \$3,489,484. As at March 31, 2017 the balances outstanding were:

CMHC Housing Program	<u>\$ 747,860</u>
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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 2017 funding confirmation	<u>\$ 5,536,712</u>
INAC Revenue as per Statement of Operations	
Operating	\$ 2,573,777
Capital	<u>2,962,935</u>
	<u><b>\$ 5,536,712</b></u>

**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 \$109,684 to the plan during the year ended March 31, 2017 (March 31, 2016 - \$94,823), to match its employees' required contributions.

**23. Expenses by object**

	<b>2017</b>	<b>2016</b>
Amortization	\$ 609,638	\$ 532,282
Contracted services	6,946,363	4,685,161
Honoraria	80,311	117,935
Insurance	160,389	159,185
Interest and bank charges	122,060	101,324
Materials and supplies	887,862	457,377
Rent, maintenance and utilities	664,862	675,476
Salaries, wages and benefits	2,929,164	2,846,026
Social assistance	448,174	538,753
Store purchases	827,690	785,385
Travel	264,835	262,125
Tuition and education	347,535	286,219
	<b><u>\$ 14,288,883</u></b>	<b><u>\$ 11,447,248</u></b>

**24. Comparative figures**

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