

ESK'ETEMC
Consolidated Financial Statements
Year Ended March 31, 2019

ESK'ETEMC

Index to Consolidated Financial Statements

Year Ended March 31, 2019

	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 - 21



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

Ryan Broughton, CPA, CA*
Partner

Dawn C. Fraser, ACIA
Senior Manager

*Denotes incorporated professional

INDEPENDENT AUDITOR'S REPORT

To the Members of Esk'etemc

Opinion

We have audited the consolidated financial statements of the Esk'etemc, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of changes in net financial debt, operations and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Esk'etemc as at March 31, 2019, and its financial performance and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the First Nation in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

(continues)



CHARTERED PROFESSIONAL ACCOUNTANTS LLP

INDEPENDENT AUDITOR'S REPORT (continued)

Ryan Broughton, CPA, CA*
Partner

Dawn C. Fraser, ACIA
Senior Manager

*Denotes incorporated professional

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*FBB Chartered Professional
Accountants LLP*

Quesnel, British Columbia
July 31, 2019

FBB CHARTERED PROFESSIONAL ACCOUNTANTS LLP

ESK'ETEMC
Consolidated Statement of Financial Position
Year Ended March 31, 2019

	2019	2018
Financial Assets		
Cash	\$ 589,133	\$ 1,979,208
Short term investments (Note 4)	1,305,105	1,313,548
Cash restricted as to use (Note 5)	158,768	341,552
Trade accounts receivable (Note 6)	1,635,722	1,099,550
Ottawa Trust Accounts (Note 7)	1,263,709	1,229,996
Inventory	37,248	38,227
Investments (Note 8)	2,471,775	2,161,215
	<u>7,461,460</u>	<u>8,163,296</u>
Liabilities		
Bank indebtedness (Note 9)	70,000	165,000
Accounts payable and accrued liabilities (Note 10)	1,372,361	992,870
Silviculture responsibility	1,313,691	1,313,691
Deferred income	-	1,631,944
Treaty negotiation loan (Note 11)	7,773,605	7,773,605
Long term debt (Note 12)	1,204,748	614,901
	<u>11,734,405</u>	<u>12,492,011</u>
Net debt	<u>(4,272,945)</u>	<u>(4,328,715)</u>
Non-financial assets		
Prepaid expenses	113,500	101,243
Tangible capital assets (Note 13)	26,645,751	23,881,843
Treaty negotiation assets	7,773,605	7,773,605
	<u>34,532,856</u>	<u>31,756,691</u>
Band equity	<u>\$ 30,259,911</u>	<u>\$ 27,427,976</u>
Band equity		
Accumulated surplus (Note 14) - page 6	\$ 29,864,716	\$ 26,911,700
Replacement reserve (Note 15)	210,246	331,327
Contributed surplus (Note 16)	184,949	184,949
	<u>\$ 30,259,911</u>	<u>\$ 27,427,976</u>
Contingencies (Note 19)		

Approved on behalf of Esk'etemc

 Chief


 Councilor

See notes to financial statements

ESK'ETEMC**Consolidated Statement of Changes in Net Debt****Year Ended March 31, 2019**

	2019 Budget (unaudited)	2019	2018
Net revenue for the year	\$ 2,953,016	\$ 2,953,016	\$ 3,023,274
Amortization	-	656,662	496,196
Net contribution by replacement reserve	-	(121,081)	2,658
Change in prepaid expenses	-	(12,257)	53,711
Tangible capital asset acquisitions	-	(3,466,751)	(3,576,713)
Loss on disposal of tangible capital assets	-	46,181	-
Decrease (increase) in net debt	621,594	55,770	(874)
Net debt - beginning of year	(4,328,715)	(4,328,715)	(4,327,841)
Net debt - end of year	\$ (754,105)	\$ (4,272,945)	\$ (4,328,715)

See notes to financial statements

ESK'ETEMC**Consolidated Statement of Operations****Year Ended March 31, 2019**

	2019 Budget (Unaudited)	2019	2018
Revenues (from Schedule 1)	\$ 8,125,989	\$ 11,756,464	\$ 11,772,921
Expenses (from Schedule 2)	7,504,395	14,173,886	12,425,892
Net revenue before the following	621,594	(2,417,422)	(652,971)
Other income			
Surplus recoveries	-	(151,583)	(29,831)
Operating results of Band enterprises	-	310,561	349,587
Change in silviculture liability	-	-	(305,574)
Tangible capital assets purchases	-	3,466,751	3,576,713
Deferred revenue, beginning of year	-	1,631,944	1,717,294
Deferred revenue, end of year	-	-	(1,631,944)
Loss on disposal of tangible capital assets	-	(46,181)	-
Net revenue for the year	621,594	2,794,070	3,023,274
Interfund transfers			
Matured units adjustment	-	110,427	-
CMHC required adjustment	-	48,519	-
	-	158,946	-
Net change in surplus	621,594	2,953,016	3,023,274
Accumulated surplus - beginning of year	26,911,700	26,911,700	23,888,426
Accumulated surplus - end of year - page 4	\$ 27,533,294	\$ 29,864,716	\$ 26,911,700

See notes to financial statements

Consolidated Revenues
Year Ended March 31, 2019

(Schedule 1)

	2019 Budget (Unaudited)	2019	2018
Revenues			
Federal Government			
ISC Operating	\$ 3,072,130	\$ 3,495,782	\$ 3,405,530
ISC Capital	180,000	180,700	1,745,566
First Nations Health Authority	1,781,063	2,061,082	2,269,125
CMHC	56,788	78,998	101,485
CCATEC	28,915	187,555	166,122
Department of Justice	30,192	30,192	30,192
Fisheries and Oceans	-	10,100	46,000
Natural Resources	-	48,100	99,900
First Nations Education Steering Committee	140,413	310,331	265,760
Province of British Columbia	332,395	755,264	218,980
Spectra Energy Ltd.	50,000	80,000	50,000
Store sales	1,075,383	1,137,906	975,707
Interest	18,120	50,346	72,915
Wage subsidy	-	12,780	4,038
BC Hydro	79,738	83,738	79,738
Rental income	345,380	688,769	698,778
Royalties	-	1,006,000	276,792
New Relationship Trust	-	-	2,000
Service agreement	544,919	567,085	488,390
Canadian Red Cross	-	97,574	253,501
Daycare fees	-	24,573	112,031
All other sources	390,553	849,589	410,371
	\$ 8,125,989	\$ 11,756,464	\$ 11,772,921

See notes to financial statements

ESK'ETEMC**Consolidated Expenses
Year Ended March 31, 2019****(Schedule 2)**

	2019 Budget (Unaudited)	2019	2018
Administration and economic development	\$ 1,229,689	\$ 2,275,637	\$ 2,320,336
Amortization	-	656,662	496,196
Capital improvement projects	-	987,562	2,737,748
Education	1,409,656	1,718,145	1,338,360
Health and well-being	1,372,575	1,889,180	1,574,533
Housing	451,104	418,183	370,409
Natural resources	302,539	2,501,423	849,253
Public works	738,401	1,294,186	833,633
Social development	881,296	1,142,645	801,516
Store - Alkali Enterprises	1,119,135	1,290,263	1,103,908
	<u>\$ 7,504,395</u>	<u>\$ 14,173,886</u>	<u>\$ 12,425,892</u>

See notes to financial statements

ESK'ETEMC**Consolidated Statement of Cash Flows****Year Ended March 31, 2019**

	2019	2018
Cash flows from operating activities		
Net revenue for the year	\$ 2,953,016	\$ 3,023,274
Items not affecting cash:		
Amortization	656,662	496,196
Loss on disposal of tangible capital assets	46,181	-
Operating results of Band enterprises	(310,561)	(349,587)
	<u>3,345,298</u>	<u>3,169,883</u>
Changes in non-cash working capital:		
Accounts receivable	(536,171)	(198,177)
Replacement reserve	(121,081)	2,658
Cash restricted as to use	182,784	33,249
Inventory	979	11,443
Accounts payable and accrued liabilities	379,491	(550,914)
Silviculture responsibility	-	305,574
Deferred revenue	(1,631,944)	(85,350)
Prepaid expenses	(12,257)	53,711
	<u>(1,738,199)</u>	<u>(427,806)</u>
Cash flows from operating activities	<u>1,607,099</u>	<u>2,742,077</u>
Cash flows used by investing activities		
Change in trust funds held by Canada	(33,713)	(35,188)
Advances to related parties	-	(88,397)
Cash flows used by investing activities	<u>(33,713)</u>	<u>(123,585)</u>
Cash flows from (used by) financing activities		
Change in bank indebtedness	(95,000)	80,000
Proceeds from long term financing	704,860	-
Repayment of long term debt	(115,013)	(168,904)
Cash flows from (used by) financing activities	<u>494,847</u>	<u>(88,904)</u>
Cash flows used by capital activities		
Tangible capital asset acquisitions	<u>(3,466,751)</u>	<u>(3,576,713)</u>
Decrease in cash flow	<u>(1,398,518)</u>	<u>(1,047,125)</u>
Cash - beginning of year	<u>3,292,756</u>	<u>4,339,881</u>
Cash - end of year	<u>\$ 1,894,238</u>	<u>\$ 3,292,756</u>
Represented by:		
Cash	\$ 589,133	\$ 1,979,208
Marketable securities	<u>1,305,105</u>	<u>1,313,548</u>
	<u>\$ 1,894,238</u>	<u>\$ 3,292,756</u>

See notes to financial statements

1. Basis of presentation

In order to satisfy the Reporting Guide's Financial Reporting Requirements of Indigenous Services Canada ("ISC") 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.

(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 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%
Buildings and Infrastructure	1.25%
Automotive equipment	20%
Equipment and machinery	20%
Computer and office 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 ISC.

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 ISC. Esk'etemc's ability to continue operations would be severely impacted should this funding be discontinued.

ESK'ETEMC**Notes to Consolidated Financial Statements****Year Ended March 31, 2019****4. Marketable Securities**

	<u>2019</u>	<u>2018</u>
Forest and Range Capital	\$ 333,010	\$ 375,608
Silviculture	972,095	937,940
	<u>\$ 1,305,105</u>	<u>\$ 1,313,548</u>

5. Cash restricted as to use

	<u>2019</u>	<u>2018</u>
Replacement reserve	\$ 158,768	\$ 341,552

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

	<u>2019</u>	<u>2018</u>
Due from members:		
Rent	\$ 646,249	\$ 508,658
Due from others:		
Department of Justice - Canada	-	3,019
Department of Fisheries and Oceans - Canada	4,600	-
Enbridge	110,000	50,000
ISC	10,000	-
FNESC	51,168	73,721
CCATEC	63,852	49,583
GST recoverable	107,065	74,887
CMHC	6,239	6,239
Province of British Columbia	120,303	307
Canadian Red Cross	63,852	-
First Nation Health Authority	25,825	16,177
All others	426,569	316,959
	<u>\$ 1,635,722</u>	<u>\$ 1,099,550</u>

The above accounts receivable are presented net of an allowance for doubtful accounts in the amount of \$773,755 (2018 - \$850,488).

7. Trust funds held by Canada

	2019	2018
Ottawa Trust Accounts	<u>\$ 1,263,709</u>	<u>\$ 1,229,996</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, 2019****8. Investments**

Investment in Ecolink Forest Services Ltd.

	<u>2019</u>	<u>2018</u>
Shareholder's Loan, due on demand, interest free, unsecured, no specific terms of repayment	\$ 79,739	\$ 79,739
Equity income in Ecolink	<u>435,787</u>	<u>316,983</u>
	<u>515,526</u>	<u>396,722</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.

	<u>1</u>	<u>1</u>
	765,188	765,189
	<u>1,191,060</u>	<u>999,303</u>
	<u>1,956,249</u>	<u>1,764,493</u>
	<u>\$ 2,471,775</u>	<u>\$ 2,161,215</u>

A summary of the unaudited financial statements of Alkali Resource Management Ltd. (A.R.M.), for the year ended April 30, 2018, and for Ecolink for the year ended December 31, 2018 follows:

	<u>A.R.M.</u>	<u>EcoLink</u>
Statement of Financial Position		
Current assets	\$ 2,217,865	\$ 663,374
Long-term assets	<u>722,314</u>	<u>1,964,337</u>
	<u>\$ 2,940,179</u>	<u>\$ 2,627,711</u>
Current liabilities	\$ 399,116	\$ 855,449
Long term liabilities	-	771,011
Due to shareholders	1,350,003	129,478
Share capital	1	200
Surplus	<u>1,191,059</u>	<u>871,573</u>
	<u>\$ 2,940,179</u>	<u>\$ 2,627,711</u>
Statement of Operations		
Revenue	\$ 7,875,268	\$ 3,395,321
Expenses	<u>7,683,512</u>	<u>3,157,712</u>
Net Income	191,756	237,609
Surplus, beginning of year	<u>999,303</u>	<u>633,964</u>
Surplus, end of year	<u>\$ 1,191,059</u>	<u>\$ 871,573</u>

ESK'ETEMC**Notes to Consolidated Financial Statements****Year Ended March 31, 2019**

9. Bank indebtedness

	<u>2019</u>	<u>2018</u>
RBC Line of Credit - Overdraft - Alkali Enterprises	<u>\$ 70,000</u>	<u>\$ 165,000</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, 2019, the bank's prime rate was 3.95%.

10. Accounts payable and accrued liabilities

	<u>2019</u>	<u>2018</u>
Trade accounts	\$ 1,212,702	\$ 962,743
Payroll and withholding taxes	29,432	30,127
ISC surplus recovery	<u>126,067</u>	<u>-</u>
	<u>\$ 1,368,201</u>	<u>\$ 992,870</u>

11. Esk'etemc Treaty Negotiation Funding

	<u>2019</u>	<u>2018</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>\$ 7,773,605</u>

12. Long term debt

	2019	2018
Royal Bank of Canada non-revolving term loan, repayable in monthly instalments including interest at bank prime plus 0.5% (March 31, 2019 - 4.45%), secured by a general security agreement and guarantee and postponement of claim in the amount of \$260,000 signed by Dog Creek Ranch Ltd. and a general security agreement over all assets of Dog Creek Ranch, due July 2044.	\$ 704,859	\$ -
CMHC mortgage, repayable in monthly instalments of \$3,390 including interest at 1.83%, maturing October 1, 2019.	23,582	63,432
CMHC mortgage, repayable in monthly instalments of \$3,007 including interest at 2.56%, maturing August 1, 2020.	49,174	83,346
CMHC mortgage, repayable in monthly instalments of \$1,729 including interest at 2.65%, maturing February 1, 2021.	37,915	57,380
CMHC mortgage, repayable in monthly instalments of \$1,446 including interest at 1.92%, maturing April 1, 2034.	227,268	240,144
CMHC mortgage, repayable in monthly instalments of \$978 including interest at 2.17%, maturing November 1, 2035.	161,950	170,599
	<u>\$ 1,204,748</u>	<u>\$ 614,901</u>

The above CMHC mortgages are secured by a ministerial guarantee.

Principal repayments are scheduled as follows:

2020	\$ 115,112
2021	71,169
2022	39,569
2023	40,800
2024	42,075
Thereafter	896,023
	<u>\$ 1,204,748</u>

13. Tangible capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land improvements - cost	\$ 71,952	\$ -	\$ 71,952	\$ 71,952
Automotive equipment	1,464,193	1,098,194	365,999	157,887
Buildings and Infrastructure	33,073,908	8,065,084	25,008,824	22,378,099
Computer and office equipment	2,313,612	2,088,526	225,086	167,361
CMHC Social Housing	2,617,230	1,843,713	773,517	888,530
Alkali Enterprises	559,335	358,962	200,373	218,014
	<u>\$ 40,100,230</u>	<u>\$ 13,454,479</u>	<u>\$ 26,645,751</u>	<u>\$ 23,881,843</u>

Tangible capital asset acquisitions during the year:

Administration building	\$ 1,639,641
Daycare building	557,788
Network server system	14,498
Toshiba copiers	36,020
Office furnishings	60,053
Vehicles	156,975
2018 Chevrolet School Bus	107,893
2016 John Deere Skid Steer	60,080
Biomass Heating Project	833,803
	<u>\$ 3,466,751</u>

There were no asset write-downs during the year (2018 - \$nil).

14. Band equity - accumulated surplus

	2019	2018
Operating and Capital Projects Fund	\$ 27,232,779	\$ 24,773,583
CMHC Social Housing Fund	(254,459)	(408,166)
Ottawa Trust Fund	1,263,709	1,229,996
Investment in Business Enterprises	1,626,847	1,316,287
	<u>\$ 29,868,876</u>	<u>\$ 26,911,700</u>

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:

	<u>2019</u>	<u>2018</u>
CMHC replacement reserve - beginning of year	\$ 331,327	\$ 241,478
Interest	3,611	1,650
Contributions required	30,840	37,021
Expenditures for replacements	(67,451)	(36,013)
CMHC required adjustment	(2,887)	87,191
Maturing units adjustment	(110,427)	-
CMHC supplemental assistance	25,233	-
CMHC replacement reserve - end of year	<u>\$ 210,246</u>	<u>\$ 331,327</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 \$30,840 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:

	<u>2019</u>	<u>2018</u>
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, 2019 was \$78,998 (2018 - \$91,633). 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, 2019**

19. Contingent liabilityEsk'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 \$2,141,013. As at March 31, 2019 the balances outstanding were:

CMHC Housing Program	\$ 499,889
----------------------	-------------------

20. Reconciliation of ISC Comprehensive Funding Arrangement Revenue

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

Revenue total as per 2019 funding confirmation	\$ 3,592,378
Revenue as per Statement of Operations	
ISC Operating	\$ 3,495,782
ISC Capital	180,700
Timing differences - Wrights Meadow	(68,968)
Timing differences - Wycotte Flat	(132,718)
Timing differences - Private Schools	(3,553)
Timing differences - Program reimbursements	(23,225)
Recovery - Assisted living	101,649
Recovery - Private School	21,363
Recovery - Wrights Meadow Set	21,348
	\$ 3,592,378

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 \$141,526 to the plan during the year ended March 31, 2019 (March 31, 2018 - \$116,228), to match its employees' required contributions.

22. Subsequent event

Subsequent to the year end, on May 28, 2019, Esk'etemc's Chief and Council authorized the use of \$362,694 from the revenue account and \$442,308 from the capital account of Ottawa Trust Funds to be used on the Youth and Elders Facility.

Subsequent to year end, the Government of Canada has committed to forgiving the treaty negotiation loan for Esk'etemc. Management will set off the treaty negotiation assets against the treaty negotiation loan when there is final confirmation from the Government of Canada.

23. Expenses by object

	<u>2019</u>	<u>2018</u>
Amortization	\$ 656,662	\$ 496,196
Contracted services	4,565,238	4,007,857
Honouraria	121,724	161,251
Bad debts	76,672	-
Insurance	142,099	141,113
Interest and bank charges	68,882	47,095
Materials and supplies	1,135,709	1,086,553
Rent, maintenance and utilities	833,036	955,036
Salaries, wages and benefits	4,171,777	3,376,291
Social assistance	596,202	529,548
Store purchases	921,382	687,811
Travel	392,330	335,832
Tuition and education	492,173	601,309
	<u>\$ 14,173,886</u>	<u>\$ 12,425,892</u>

24. Comparative figures

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