

**ULKATCHO FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

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FOR THE YEAR ENDED MARCH 31, 2018**

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BOX 3430, ANAHIM LAKE, B.C. CANADA V0L 1C0
PHONE 250-742-3260
FAX 250-742-3411

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Ulkatcho First Nation are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced.

The Chief and Council are responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and are ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council meet periodically with management, as well as the external auditors, 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 consolidated financial statements and the external auditor's report.

The external auditors, Brent Bursey & Company Inc., Chartered Professional Accountants, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to the financial management of Ulkatcho First Nation and meet when required.

On behalf of Ulkatcho First Nation:

Bellahoose
Chief

G. J.
Councillor

J. W.
Councillor

James West
Councillor

INDEPENDENT AUDITOR'S REPORT

To the Members of Ulkatcho First Nation:

We have audited the accompanying consolidated financial statements of Ulkatcho First Nation, which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statements of operations, changes in net debt, and cash flows for the year then ended and 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

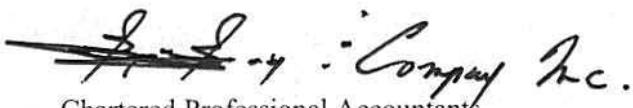
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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 judgement, including the assessment of the risk 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ulkatcho First Nation as at March 31, 2018 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.


Chartered Professional Accountants

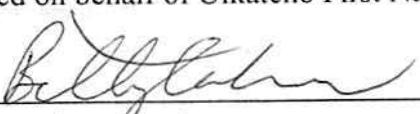
March 17, 2019
Prince George, British Columbia

ULKATCHO FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash	\$ 646,519	\$ 1,011,407
Accounts receivable (Note 2)	912,827	970,366
Restricted cash (Note 3)	11,901	14,144
Investments (Note 4)	18,861	18,861
Investments in government business entities (Note 5)	203,109	579,258
Ottawa trust funds (Note 6)	67,405	63,541
	<u>1,860,622</u>	<u>2,657,577</u>
LIABILITIES		
Bank indebtedness (Note 7)	183,406	199,716
Term demand loans (Note 8)	490,217	752,896
Accounts payable and accrued liabilities (Note 9)	841,817	1,236,317
Deferred revenue (Note 10)	485,410	456,039
Long-term debt (Note 11)	169,603	325,716
Unfunded replacement reserve (Note 3)	455,345	434,674
	<u>2,625,798</u>	<u>3,405,358</u>
NET DEBT	<u>(765,176)</u>	<u>(747,781)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)	14,772,597	14,814,350
Prepaid expenditure	86,865	23,034
	<u>14,859,462</u>	<u>14,837,384</u>
ACCUMULATED SURPLUS	<u>\$14,094,286</u>	<u>\$ 14,089,603</u>
CONTINGENT LIABILITIES (Note 13)		

The accompanying notes are an integral part of these consolidated financial statements.

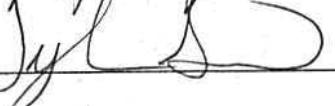
Approved on behalf of Ulkatcho First Nation:



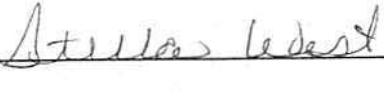
Chief



Councillor



Councillor



Councillor

**ULKATCHO FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2018**

	Budget	2018	2017
REVENUE			
Indigenous and Northern Affairs Canada	\$ 3,434,055	\$ 4,022,473	\$ 4,037,599
First Nations Health Authority	1,218,682	1,565,050	3,980,970
Canada Mortgage and Housing Corporation	-	108,921	191,984
Province of British Columbia	-	596,537	446,386
Cariboo Chilcotin Aboriginal Training Employment Centre	-	143,423	150,649
First Nations Education Steering Committee Society	-	131,474	105,672
Ottawa trust funds	-	3,864	3,597
Income from investments in government business entities	-	1,246	583,519
Management and administration	267,527	179,965	182,862
Own Source	-	307,834	439,842
Canadian Red Cross	-	369,900	-
Interest, rent and other	25,993	396,573	471,196
Change in deferred revenue	-	(29,371)	(400,030)
	<u>4,946,257</u>	<u>7,797,889</u>	<u>10,194,246</u>
EXPENDITURE			
Economic development	86,370	543,400	612,707
Education	1,133,321	1,636,084	1,491,847
Employment and training	-	275,687	234,098
Government development and administration	650,809	741,611	742,198
Health services	1,178,811	1,264,064	1,168,089
Housing	-	208,299	400,951
Public works operations and maintenance	289,882	705,763	351,558
Social and community services	1,274,144	1,678,691	1,302,386
Loss from investments in government business entities	-	96,062	14
Interest	17,830	9,124	16,520
Amortization	-	627,924	697,907
	<u>4,631,167</u>	<u>7,786,709</u>	<u>7,018,275</u>
SURPLUS BEFORE (RECOVERIES) REIMBURSEMENTS			
	<u>\$ 315,090</u>	<u>11,180</u>	<u>3,175,971</u>
(RECOVERIES) REIMBURSEMENTS			
Indigenous and Northern Affairs Canada	-	-	82,273
Health Canada	-	-	(50,971)
First Nations Education Steering Committee Society	(6,497)	-	-
	<u>(6,497)</u>	<u>31,302</u>	
ANNUAL SURPLUS			
	<u>4,683</u>	<u>3,207,273</u>	
ACCUMULATED SURPLUS, BEGINNING OF YEAR			
	<u>14,089,603</u>	<u>10,882,330</u>	
ACCUMULATED SURPLUS, END OF YEAR			
	<u>\$ 14,094,286</u>	<u>\$ 14,089,603</u>	

The accompanying notes are an integral part of these consolidated financial statements.

ULKATCHO FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2018

	Budget	2018	2017
Annual surplus	\$ 315,090	\$ 4,683	\$ 3,207,273
Acquisition of tangible capital assets	(79,723)	(586,171)	(2,850,788)
Amortization	-	627,924	697,907
	(79,723)	41,753	(2,152,881)
(Acquisition) use of prepaid expenditure	-	(63,831)	50,200
(INCREASE) DECREASE IN NET DEBT	\$ 235,367	(17,395)	1,104,592
NET DEBT, BEGINNING OF YEAR		(747,781)	(1,852,373)
NET DEBT, END OF YEAR		\$ (765,176)	\$ (747,781)

The accompanying notes are an integral part of these consolidated financial statements.

ULKATCHO FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
OPERATING TRANSACTIONS		
Annual surplus	\$ 4,683	\$ 3,207,273
Items not involving cash		
Allocation to replacement reserve	20,671	24,957
Amortization	627,924	697,907
Income from investments in government business entities	(1,246)	(583,519)
Loss from investments in government business entities	96,062	14
Ottawa trust funds	(3,864)	(3,597)
	<u>744,230</u>	<u>3,343,035</u>
Cash provided by (used in) operating activities		
Accounts receivable	57,539	(826,924)
Prepaid expenditure	(63,831)	50,200
Accounts payable and accrued liabilities	(394,500)	870,697
Deferred revenue	29,371	400,030
	<u>372,809</u>	<u>3,837,038</u>
CAPITAL TRANSACTIONS		
Purchase and construction of tangible capital assets		
	<u>(586,171)</u>	<u>(2,850,788)</u>
FINANCING TRANSACTIONS		
Repayment of term demand loans	(262,679)	(255,194)
Repayment of long-term debt	(156,113)	(204,274)
	<u>(418,792)</u>	<u>(459,468)</u>
INVESTING TRANSACTIONS		
Advances to government business entities	-	(694)
Repayment of advances to government business entity	<u>281,333</u>	<u>239,848</u>
	<u>281,333</u>	<u>239,154</u>
(DECREASE) INCREASE DURING YEAR	<u>(350,821)</u>	<u>765,936</u>
CASH, BEGINNING OF YEAR	<u>825,835</u>	<u>59,899</u>
CASH, END OF YEAR	<u>\$ 475,014</u>	<u>\$ 825,835</u>
Cash, consists of:		
Cash	\$ 646,519	\$ 1,011,407
Restricted cash	11,901	14,144
Bank indebtedness	(183,406)	(199,716)
	<u>\$ 475,014</u>	<u>\$ 825,835</u>

The accompanying notes are an integral part of these consolidated financial statements.

ULKATCHO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Reporting Entity and Principles of Financial Reporting

The Ulkatcho First Nation reporting entity includes the Ulkatcho First Nation government and all related entities which are either owned or controlled by the Ulkatcho First Nation.

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprises or government business partnership, which are included in these consolidated financial statements on a modified equity basis. Inter-entity balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only Ulkatcho First Nation's investment in the government business enterprises or government business partnership and their share of the entities' net income and other changes in equity are recorded. No adjustments are made for accounting policies of the entities that are different from those of Ulkatcho First Nation.

The consolidated financial statements include the following controlled entity:

- Ulkatcho First Nation CMHC Social Housing Program

Government business enterprises, which are wholly-owned by Ulkatcho First Nation and which are not dependent on the Nation for their continuing operations, included in the consolidated financial statements using the modified equity method are as follows:

- Ulkatcho Mercantile Ltd.
- 690361 B.C. Ltd.

The government business partnership, of which Ulkatcho First Nation holds a limited partnership interest and which is not dependent on the Nation for their continuing operations, included in the consolidated financial statements using the modified equity method is as follows:

- Yun Ka Whu'ten Development Limited Partnership

Cash and Bank Indebtedness

Cash and bank indebtedness includes cash on hand, cash on deposit net of cheques issued and outstanding at the reporting date, and short-term deposits with maturity dates of less than 90 days.

ULKATCHO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Transfers of tangible capital assets from related parties are recorded at carrying value.

Tangible capital assets are amortized using the declining balance method at rates calculated to amortize the cost less salvage value as follows:

Automotive equipment	30%
Band housing	4%
Buildings	4%
Computer equipment	30%
Equipment	20%
Infrastructure	4%
Land improvements	4%
Rental housing	4%
Roads	4%

Social housing assets acquired under CMHC sponsored housing programs are amortized at a rate equivalent to the annual principal reduction in related long-term debt.

In the year of acquisition, 50% of the annual amortization is expensed. Assets under construction are not amortized until the asset is available to be put into service.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. Net write-downs are accounted for in the consolidated statement of operations and consolidated statement of changes in net debt when they occur.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets.

Revenue and Expenditure

Revenue and expenditure are recorded using the accrual basis of accounting. Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. Gains are recognized when realized. Items not practically measurable until cash is received are accounted for at that time.

ULKATCHO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue and Expenditure, continued

Government transfers are recognized as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability and recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Funding Recoveries and Reimbursements

Funding received from federal government sources in the form of conditional transfer payments are subject to recovery, by the Crown, of unexpended balances or unallowable expenses. The Crown may also reimburse over expenditures upon determining adherence to the terms and conditions of payment for a specified purpose. Recoveries and reimbursements are accounted for when they are paid or payable or received or receivable.

Measurement Uncertainty

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

2. ACCOUNTS RECEIVABLE

	2018	2017
Indigenous and Northern Affairs Canada	\$ 271,371	\$ -
First Nations Health Authority	- -	604,209
Other Government	75,249	58,768
Other	<u>566,207</u>	<u>307,389</u>
	<hr/> <u>\$ 912,827</u>	<hr/> <u>\$ 970,366</u>

ULKATCHO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

3. RESTRICTED CASH AND REPLACEMENT RESERVE

	2018	2017
Replacement reserve consists of:		
Restricted cash (funded)	\$ 11,901	\$ 14,144
Unfunded replacement reserve	<u>455,345</u>	<u>434,674</u>
	<u><u>\$ 467,246</u></u>	<u><u>\$ 448,818</u></u>

Under the terms of the Agreement with Canada Mortgage and Housing Corporation, the Replacement Reserve account is to be credited in the amount of \$20,671 annually plus interest. These funds along with accumulated interest must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal. At year end the program has unfunded reserves of \$455,345 (2017 - \$434,674) and is in technical default of their agreement with CMHC.

4. INVESTMENTS

	2018	2017
Gatcho Resort	\$ 4,969	\$ 4,969
Traplines	<u>13,892</u>	<u>13,892</u>
	<u><u>\$ 18,861</u></u>	<u><u>\$ 18,861</u></u>

Investments are recorded at cost.

5. INVESTMENTS IN GOVERNMENT BUSINESS ENTITIES (Appendix A)

	2018	2017
Ulkatcho Mercantile Ltd.		
Year ended October 31, 2017		
- share	\$ 1	\$ 1
- contributed surplus	560,867	560,867
- deficiency	(458,893)	(460,139)
- advances to	<u>73,903</u>	<u>73,903</u>
Balance forward	<u><u>\$ 175,878</u></u>	<u><u>\$ 174,632</u></u>

ULKATCHO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

5. INVESTMENTS IN GOVERNMENT BUSINESS ENTITIES (Appendix A), continued

	2018	2017
Balance forward	<u>\$ 175,878</u>	<u>\$ 174,632</u>
Yun Ka Whu'ten Development Limited Partnership		
Year ended March 31, 2018		
- partners' capital	<u>27,362</u>	<u>404,123</u>
690361 B.C. Ltd.		
Year ended July 31, 2018		
- shares	2	2
- deficiency	(830)	(196)
- advances to	<u>697</u>	<u>697</u>
	<u>(131)</u>	<u>503</u>
	<u>\$ 203,109</u>	<u>\$ 579,258</u>

Shares and partnership units of the government business enterprises and government business partnership above are held by Ulkatcho First Nation, as represented by Chief and Council, on behalf of and for the benefit of the Ulkatcho First Nation membership.

Ulkatcho Mercantile Ltd. is operating a grocery store in the Cariboo Chilcotin region of British Columbia and employs four to six members of the Nation on a regular basis. Advances due from Ulkatcho Mercantile Ltd. are unsecured, non-interest bearing with no scheduled terms of repayment.

Yun Ka Whu'ten Development Limited Partnership is actively involved in logging operations in the Cariboo Chilcotin region of British Columbia and employs members of the Nation on a regular basis. Advances due from Yun Ka Whu'ten Development Limited Partnership are unsecured, non-interest bearing with no scheduled terms of repayment.

690361 B.C. Ltd. is the general partner in Yun Ka Whu'ten Development Limited Partnership and holds a 0.0001% interest in the partnership.

Condensed financial information for the government business enterprises and government business partnership is presented in Appendix A to the financial statements.

ULKATCHO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

6. OTTAWA TRUST FUNDS

	Revenue	Capital	Total 2018	Total 2017
Balance, beginning of year	\$ 30,516	\$ 33,025	\$ 63,541	\$ 59,944
Interest	1,461	-	1,461	1,189
BC Special	2,403	-	2,403	2,408
Balance, end of year	<u>\$ 34,380</u>	<u>\$ 33,025</u>	<u>\$ 67,405</u>	<u>\$ 63,541</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 primarily governed by Sections 63 to 69 of the “Indian Act”.

7. BANK INDEBTEDNESS

Bank indebtedness consists of cheques issued in excess of cash on hand and is drawn on an operating line of credit authorized to \$200,000, secured by a Band Council Resolution, general security agreement registered with a floating charge over all company assets of West Chilcotin Forest Products Ltd., Yun Ka Whu’ten Development Limited Partnership and 690361 B.C. Ltd., and are supported by corporate guarantees in the amount of \$2,000,000. The rate of interest is prime plus 0.75% (March 31, 2018 - 4.20%).

8. TERM DEMAND LOANS

	2018	2017
Term demand loan repayable in monthly instalments of \$3,117 including interest at prime plus 0.75% (March 31, 2018 - 4.20%)	\$ 65,284	\$ 99,517
Term demand loan repayable in monthly instalments of \$3,388 including interest at prime plus 0.75% (March 31, 2018 - 4.20%)	<u>68,305</u>	<u>105,615</u>
Balance forward	<u>\$ 133,589</u>	<u>\$ 205,132</u>

ULKATCHO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

8. TERM DEMAND LOANS, continued

	2018	2017
Balance forward	\$ 133,589	\$ 205,132
Term demand loan repayable in monthly instalments of \$2,200 including interest at prime plus 0.75% (March 31, 2018 - 4.20%)	50,187	74,193
Term demand loan repayable in monthly instalments of \$15,181 including interest at prime plus 0.75% (March 31, 2018 - 4.20%)	<u>306,441</u>	473,571
	<u><u>\$ 490,217</u></u>	\$ 752,896

The above term demand loans are secured by a Band Council Resolution and general security agreement registered with a floating charge over all assets of West Chilcotin Forest Products Ltd., Yun Ka Whu'ten Development Limited Partnership and 690361 B.C. Ltd., and are supported by corporate guarantees in the amount of \$2,000,000.

Ulkatcho First Nation has breached debt covenants on the above term demand loans. There has been no demand for repayment from the lender and all scheduled payments have been made.

Provided the lender does not demand repayment of the loans in full, principal payments due in each of the next two years are scheduled as follows:

2019	\$ 271,249
2020	<u>218,968</u>
	<u><u>\$ 490,217</u></u>

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Trade payables and accrued liabilities	\$ 741,564	\$ 1,114,584
Accrued wages and payroll deductions payable	13,633	35,113
Government recoveries payable	<u>86,620</u>	86,620
	<u><u>\$ 841,817</u></u>	\$ 1,236,317

ULKATCHO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

10. DEFERRED REVENUE

	2018	2017
Indigenous and Northern Affairs Canada		
Capital Surplus	\$ 47,791	\$ 47,791
Special Services	51,289	51,289
Capacity Development	40,970	90,127
Major Renovations	90,438	-
Renovations and Additions	<u>250,000</u>	<u>-</u>
	480,488	189,207
First Nations Health Authority		
Clinic Expansion	-	261,910
Other		
Stella West Unit	<u>4,922</u>	<u>4,922</u>
	<u>\$ 485,410</u>	<u>\$ 456,039</u>

The Nation has recorded the above surpluses as deferred capital revenue to be used in the completion of projects.

11. LONG-TERM DEBT

	2018	2017
Mortgage repayable in monthly instalments of \$4,486 including interest at 2.41% per annum, secured by a Government of Canada ministerial guarantee, due to mature April 2019	\$ 57,591	\$ 109,366
Mortgage repayable in monthly instalments of \$527 including interest at 2.41% per annum, secured by a Government of Canada ministerial guarantee, due to mature July 2019	<u>8,512</u>	<u>14,341</u>
Balance forward	<u>\$ 66,103</u>	<u>\$ 123,707</u>

ULKATCHO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

11. LONG-TERM DEBT, continued

	2018	2017
Balance forward	\$ 66,103	\$ 123,707
Mortgage repayable in monthly instalments of \$1,697 including interest at 2.41% per annum, secured by a Government of Canada ministerial guarantee, due to mature November 2019	33,113	52,333
Mortgage repayable in monthly instalments of \$4,597 including interest at 2.41% per annum, secured by a Government of Canada ministerial guarantee, due to mature November 2018	34,369	88,016
Mortgage repayable in monthly instalments of \$614 including interest at 2.41% per annum, secured by a Government of Canada ministerial guarantee, due to mature April 2018	5,069	8,540
Conditional sales contract payable in monthly instalments of \$2,201 including interest at 9.83% per annum, secured by equipment with a net book value of \$28,203, due to mature June 2019	<u>30,949</u>	<u>53,120</u>
	<u><u>\$ 169,603</u></u>	<u><u>\$ 325,716</u></u>

Principal repayments due in each of the next two years are scheduled as follows:

2019	\$ 142,887
2020	<u>26,716</u>
	<u><u>\$ 169,603</u></u>

ULKATCHO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

12. TANGIBLE CAPITAL ASSETS (Appendix B)

			2018	2017
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Automotive	\$ 824,390	\$ 778,288	\$ 46,102	\$ 65,859
Band housing	9,191,775	7,052,702	2,139,073	2,226,098
Buildings	11,001,658	3,601,212	7,400,446	7,193,878
CMHC social housing	1,962,122	1,870,162	91,960	197,382
Computer equipment	171,349	163,948	7,401	14,716
Equipment	1,052,382	774,949	277,433	171,645
Infrastructure	5,471,790	2,103,253	3,368,537	3,443,058
Land improvements	319,799	185,522	134,277	139,872
Rental housing	676,741	419,626	257,115	267,828
Roads	<u>1,971,349</u>	<u>921,096</u>	<u>1,050,253</u>	<u>1,094,014</u>
	<u>\$ 32,643,355</u>	<u>\$ 17,870,758</u>	<u>\$ 14,772,597</u>	<u>\$ 14,814,350</u>

13. CONTINGENT LIABILITIES

Ulkatcho First Nation has entered into contribution agreements with various government agencies. Funding received under these contribution agreements is subject to repayment if the Nation fails to comply with the terms and conditions of the agreements.

In addition, in the normal course of its operations, the Nation may become involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued, and an expense recorded in the financial statements.

14. RELATED PARTY TRANSACTIONS

During the year Yun Ka Whu'ten Development Limited Partnership made term demand loan payments as outlined in Note 8 totalling \$286,632 (2017 - \$286,632) on behalf of the Nation.

During the year the Nation paid for goods and services rendered from Ulkatcho Mercantile in the amount of \$147,013 of which \$107,762 is outstanding in accounts payable at year end.

ULKATCHO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

15. ECONOMIC DEPENDENCE

The Nation receives a major portion of its revenue pursuant to funding arrangements with Indigenous and Northern Affairs Canada and First Nations Health Authority. Any disruption in this funding would have a negative effect on the Nation's operations.

16. RECONCILIATION OF INAC FUNDING AGREEMENT REVENUE

Pursuant to the Indigenous and Northern Affairs Canada Financial Reporting Requirements for the fiscal period 2017 - 2018, the following reconciliation has been prepared:

Recipient total as per 2017/2018 INAC funding confirmation	\$ 4,022,473
Variance	_____
Recipient total as per consolidated statement of operations	<u>\$ 4,022,473</u>

17. GOVERNMENT TRANSFERS

	2018			2017		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Federal government transfers:						
Indigenous and						
Northern Affairs						
Canada	\$ 3,671,049	\$ 351,424	\$ 4,022,473	\$ 3,650,224	\$ 387,375	\$ 4,037,599
Canada Mortgage						
and Housing						
Corporation	108,921	-	108,921	191,984	-	191,984
	3,779,970	351,424	4,131,394	3,842,208	387,375	4,229,583
Provincial						
Government						
transfers	596,537	-	596,537	446,386	-	446,386
First Nations						
Health Authority	1,300,932	264,118	1,565,050	1,123,198	2,857,772	3,980,970
	<u>\$ 5,677,439</u>	<u>\$ 615,542</u>	<u>\$ 6,292,981</u>	<u>\$ 5,411,792</u>	<u>\$ 3,245,147</u>	<u>\$ 8,656,939</u>

ULKATCHO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

18. RISK MANAGEMENT

The Nation has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include the following:

Credit Risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Nation has a history of dealing with its funding agencies and customer base and does not believe it is exposed to an unusual level of credit risk with respect to its accounts receivable.

The Nation maintains its cash and deposits with a single federally regulated Canadian financial institution, and thus has not experienced any change in risk exposure.

Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Nation's long-term debt is at fixed rates of interest therefore, a change in market interest rates has no impact to cash flows required to service this debt. The term demand loans are subject to floating rates of interest that may expose the Nation to interest rate risk due to fluctuations in the prime rate. The Nation maintains an operating line of credit subject to a floating rate of interest, a change in the variable rate can impact cash flow to service the debt when such debt is outstanding. There has been no change to the risk exposure from 2017 and there is expected to be no substantive change in the next fiscal period.

19. MANAGEMENT ACTION PLAN

Based on the financial position of the Nation for fiscal year ended March 31, 2013, Indigenous and Northern Affairs Canada (INAC) initiated intervention requiring the Nation to implement a Management Action Plan (MAP). The MAP has been prepared and implemented by the Nation and covers the five-year period ending March 31, 2019.

20. SEGMENT DISCLOSURE

The Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by function and department. For each segment separately reported, the segment revenue and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies in Note 1. The segments and services provided are as follows:

**ULKATCHO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

20. SEGMENT DISCLOSURE, continued

Economic Development - manages the development of economic opportunities from the land and natural resources for the Nation and its entities;

Education - provides elementary instructional services and financial support to post secondary students;

Employment and Training - provides training and work opportunities for Nation members to improve their job skills and participate effectively in the labour market;

Government Development and Administration - provides governance initiatives and training through the activities of Chief and Council and administration of other activities relating to program delivery, membership and finance;

Health Services - provides a variety of health care programs, services and support to Nation members;

Housing - provides housing and services to Nation members;

Public Works Operations and Maintenance - manages community and facilities operations and maintenance including capital projects, municipal services, water and waste water operations, roads, fire protection, and maintenance of community buildings;

Social and Community Services - provides programs and services for the social benefit and welfare of Nation members;

Other - Ottawa trust funds and government business entities provide programs and services for the social, economic and capital needs of Nation members;

Tangible Capital Assets - provides for capital infrastructure development for Nation members.

21. BUDGETED FIGURES

Budgeted figures have been, provided for comparison purposes and have been approved by the Chief and Council.

ULIATCHIO FIRST NATION
SEGMENT DISCLOSURE
FOR THE YEAR ENDED MARCH 31, 2015

GOVERNMENT DEVELOPMENT AND ADMINISTRATION										
	ECONOMIC DEVELOPMENT			EDUCATION			EMPLOYMENT AND TRAINING			
	Budget	2018	2017	Budget	2018	2017	Budget	2018	2017	Budget
REVENUE										
Indigenous and Northern Affairs Canada	\$ 53,768	\$ 53,768	\$ 304,119	\$ 1,597,169	\$ 1,568,208	\$ 1,381,010	\$ -	\$ -	\$ 297,088	\$ 546,378
First Nations Health Authority	-	-	-	-	-	-	-	-	-	478,654
Canada Mortgage and Housing Corporation	-	-	-	-	-	-	-	-	-	-
Province of British Columbia	446,537	346,386	-	-	-	-	-	-	-	-
Chilko Chilko Aboriginal Training	-	-	-	-	-	-	-	-	-	-
Employment Centre	-	-	-	-	-	-	-	-	-	-
First Nations Education Steering Committee	-	-	-	-	-	-	-	-	-	-
Canada trust funds	-	-	-	-	-	-	-	-	-	-
Income from investments in government business entities	-	-	-	-	-	-	-	-	-	-
Management and administration	-	-	-	-	-	-	-	-	-	-
Own Source	292,834	439,842	-	-	-	-	-	-	-	179,965
Canadian Red Cross	-	-	-	-	-	-	-	-	-	182,862
Interest, rent and other	166,821	164,257	-	-	-	-	-	-	-	-
Change in deferred revenue	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUE	\$ 53,768	959,960	1,254,694	1,597,169	1,652,041	1,489,731	-	312,026	260,036	579,808
EXPENDITURE										
Activities	-	-	-	-	-	-	-	-	-	-
Administration	20,132	7,000	-	10,477	10,477	7,380	-	2,788	7,846	-
Amortization and interest	34,654	-	-	-	-	-	-	-	-	-
Capital purchases	-	-	-	-	4,341	6,309	-	-	-	-
Consulting and contract services	-	-	-	-	-	-	-	-	-	-
Household	-	-	-	-	-	-	-	-	-	-
Insurance, fees and dues	-	-	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-	-	-
Office	-	-	-	-	-	-	-	-	-	-
Professional fees	4,335	4,498	-	146,661	146,661	133,138	-	8,712	47,112	-
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-
Telephone and utilities	-	-	-	-	-	-	-	-	-	-
Travel and accommodations	-	-	-	-	-	-	-	-	-	-
Wages and Benefits	84,256	190,692	26,292	68,825	82,723	32,889	-	27,003	48,878	52,734
Workshops and training	86,370	167,176	135,906	207,400	437,050	376,890	-	68,231	44,062	235,497
Other	-	300	13,898	2,300	22,326	3,627	-	8,110	46,984	1,500
Loss from investments in government business entities	-	6,097	940	839,777	783,050	728,155	-	5,040	10,499	7,986
TOTAL EXPENDITURE	\$ 86,370	543,400	612,707	1,193,321	1,640,325	1,507,123	-	275,687	234,098	671,725
EXCESS REVENUE OVER EXPENDITURE (EXPENDITURE OVER REVENUE)										
	\$ (32,692)	\$ 416,560	\$ 641,897	\$ 403,845	\$ 41,716	\$ (17,392)	\$ -	\$ 36,339	\$ 25,938	\$ (61,947)
										\$ 20,692
										\$ (40,543)

ULIKATCHO FIRST NATION
SEGMENT DISCLOSURE
FOR THE YEAR ENDED MARCH 31, 2018

	HEALTH SERVICES						HOUSING						PUBLIC WORKS						SOCIAL AND COMMUNITY SERVICES						
	Budget			2018			Budget			2017			Budget			2018			Budget			2017			
REVENUE																									
Indigenous and Northern Affairs Canada	\$ 1,218,682	\$ 1,300,932	\$ 1,123,198	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 290,516	\$ 275,308	\$ 307,007	\$ 1,255,314	\$ 1,227,387	\$ 1,179,434							
First Nations Health Authority																									
Canada Mortgage and Housing Corporation																									
Province of British Columbia																									
Cariboo Chilcotin Aboriginal Training																									
Employment Centre																									
First Nations Education Steering Committee																									
Ottawa trust funds																									
Income from investments in government business entities																									
Management and administration																									
Own Source																									
Canadian Red Cross																									
Interest, rent and other																									
Change in deferred revenue																									
TOTAL REVENUE	\$ 1,218,682	\$ 1,321,813	\$ 1,128,161	-	268,770	433,079	301,316	302,408	318,582	1,255,514	1,597,287	1,179,434													
EXPENDITURE																									
Activities	79,244	63,816	90,342																						
Administration	124,258	115,639	111,269																						
Amortization and interest																									
Capital purchases																									
Consulting and contract services	55,350	83,445	69,786																						
Honoraria	15,015	7,989	8,055																						
Insurance, fees and dues																									
Materials and supplies	90,688	136,526	89,941																						
Office		85																							
Professional fees																									
Repairs and maintenance	16,855	14,194	23,044																						
Telephone and utilities	56,222	42,687	31,793																						
Travel and accommodations		211,889	155,360																						
Wages and benefits	451,361	462,067	521,906																						
Workshops and training	55,650	30,991	11,663																						
Other	12,441	29,452	44,975																						
Loss from investments in government business entities																									
TOTAL EXPENDITURE	1,178,811	1,264,064	1,168,089	-	318,604	547,442	314,692	705,763	351,558	1,274,144	1,678,691	1,302,386													
EXCESS REVENUE OVER EXPENDITURE (EXPENDITURE OVER REVENUE)	\$ 39,871	\$ 57,749	\$ (39,928)	\$ -	\$ (49,834)	\$ (114,363)	\$ (13,376)	\$ (403,355)	\$ (32,976)	\$ (81,404)	\$ (81,404)	\$ (122,952)													

UUKATCHO FIRST NATION
SEGMENT DISCLOSURE
FOR THE YEAR ENDED MARCH 31, 2018

OTHER	TANGIBLE CAPITAL ASSETS										CONSOLIDATION ADJUSTMENTS				CONSOLIDATED TOTALS			
	Budget	2015	2016	Budget	2017	Budget	2018	Budget	2017	Budget	2018	Budget	2017	Budget	2018	Budget	2017	
REVENUE																		
Indigenous and Northern Affairs Canada	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
First Nations Health Authority																		
Canada Mortgage and Housing Corporation																		
Province of British Columbia																		
Cariboo Chilcotin Aboriginal Training																		
Employment Centre																		
First Nations Education Steering Committee																		
Ortway Fund and funds																		
Indigenous firm investments in government business entities																		
Management and administration																		
Own Source																		
Canadian Red Cross																		
Interest, rent and other																		
Change in deferred revenue																		
TOTAL REVENUE	\$	5,110	557,116	\$	556,171	\$	2,841,221	\$	4,945,237	\$	7,797,859	\$	10,194,219	\$	27	4,945,237	7,797,859	10,194,246
EXPENDITURE																		
Activities																		
Administration																		
Administration and interest																		
Capital purchases																		
Consulting and contract services																		
Honouraria																		
Insurance, fees and dues																		
Materials and supplies																		
Office																		
Professional fees																		
Repairs and maintenance																		
Telephone and utilities																		
Travel and accommodations																		
Wages and benefits																		
Workshops and training																		
Other																		
TOTAL EXPENDITURE	\$	96,662	14	\$	51,707	\$	556,171	\$	2,841,221	\$	4,710,890	\$	7,555,378	\$	9,027,436	(\$79,723)	4,631,167	7,746,409
EXCESS REVENUE OVER EXPENDITURE																		
Loss from investments in government business entities																		
TOTAL EXCESS REVENUE	\$	96,662	14	\$	51,707	\$	556,171	\$	2,841,221	\$	4,710,890	\$	7,555,378	\$	9,027,436	(\$79,723)	4,631,167	7,746,409

ULKATCHO FIRST NATION
GOVERNMENT BUSINESS ENTITIES
CONDENSED FINANCIAL INFORMATION
FOR THE YEAR ENDED MARCH 31, 2018

APPENDIX A

	Ulkatcho Merchandise Ltd.	Yun ka Whut'en Development Limited Partnership	690361 B.C. Ltd.	Total	2017
Assets					
Financial Assets					
Tangible Capital Assets					
Other Assets					
Total Assets	\$ 213,578	\$ 1,625,208	\$ -	\$ 1,838,786	\$ 2,289,788
Liabilities and Partner's Equity (Deficiency)					
Liabilities					
Debt					
Equity (Deficit)					
Total Liabilities and Equity	\$ 151,292	\$ 1,620,208	\$ (828)	\$ 1,770,803	\$ 2,215,191
Related Party Loans					
Intercompany Loans					
Ulkatcho First Nation Advances					
Related Party Loans					
Revenue					
Expenses					
Amortization					
Total Expenses	\$ 913,400	\$ 3,807,135	\$ (10)	\$ 4,720,525	\$ 5,252,906
Net Income (Loss)					
Ulkatcho First Nation Share	\$ 1,246	\$ (95,438)	\$ (634)	\$ (94,826)	\$ 583,683

ULKATCHO FIRST NATION
TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2018

APPENDIX B

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE	
	Opening Balance	Additions	Disposals	Balance End of Year	Opening Balance	Amortization	Disposals	Balance End of Year
\$ 824,390 \$ 9,191,775	- \$ -	\$ 824,390 \$ 9,191,775	\$ 758,531 \$ 6,965,677	\$ 19,757 \$ 185,066	\$ -	\$ 778,288 \$ 3,601,212	\$ 46,102 \$ 2,139,073	
10,610,024	391,634	-	11,001,658	3,416,146	87,025	-	7,052,702	7,400,446
1,962,122	-	-	1,962,122	1,764,740	105,422	-	1,870,162	9,960
171,349	-	-	171,349	156,633	7,315	-	163,948	7,401
134,394	-	-	1,052,382	746,343	28,606	-	774,949	277,433
60,143	-	-	5,471,790	1,968,589	134,664	-	2,103,253	3,368,537
5,411,647	-	-	319,799	179,927	5,595	-	185,522	13,277
319,799	-	-	676,741	408,913	10,713	-	419,626	257,115
676,741	-	-	1,971,349	877,335	43,761	-	921,096	1,051,253
\$ 32,057,184	\$ 586,171	-	\$ 32,643,355	\$ 17,242,834	\$ 627,924	\$ -	\$ 17,870,758	\$ 14,772,597

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE	
	Opening Balance	Additions	Disposals	Balance End of Year	Opening Balance	Amortization	Disposals	Balance End of Year
\$ 824,390 \$ 9,191,775	- \$ -	\$ 824,390 \$ 9,191,775	\$ 730,305 \$ 6,870,735	\$ 28,226 \$ 94,942	\$ -	\$ 758,531 \$ 6,965,677	\$ 65,859 \$ 2,226,098	
8,042,781	2,567,243	-	10,610,024	3,223,369	192,777	-	3,416,146	7,193,878
1,962,122	-	-	1,962,122	1,628,460	136,280	-	1,764,740	197,582
171,349	-	-	171,349	141,117	15,516	-	156,633	14,716
40,622	-	-	917,988	712,087	34,256	-	746,343	171,645
5,168,724	242,923	-	5,411,647	1,835,250	133,339	-	1,968,589	3,443,058
319,799	-	-	174,100	319,799	5,827	-	179,927	139,872
676,741	-	-	676,741	397,753	11,160	-	408,913	267,828
1,971,349	-	-	1,971,349	831,751	45,584	-	877,335	1,094,014
\$ 29,206,396	\$ 2,850,788	-	\$ 32,057,184	\$ 16,544,927	\$ 697,907	\$ -	\$ 17,242,834	\$ 14,814,350