

STSWECEM'C XGAT'TEM FIRST NATION
Consolidated Financial Statements
Year Ended March 31, 2016

STSWECEM'C XGAT'TEM FIRST NATION
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Year Ended March 31, 2016

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Stswecem'c Xgat'tem

Canoe Creek Band

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Stswecem'c Xgat'tem First Nation 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 financial statements are presented fairly, in all material respects.

Stswecem'c Xgat'tem First Nation 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 the First Nation's assets are appropriately accounted for and adequately safeguarded.


The Chief and Council are responsible for ensuring the integrity of the First Nation'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 Stswecem'c Xgat'tem First Nation'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

INDEPENDENT AUDITOR'S REPORT

To the Members of Stswecem'c Xgat'tem First Nation

We have audited the accompanying consolidated financial statements of Stswecem'c Xgat'tem First Nation, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of changes in net financial assets, 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 audit opinion.

(continues)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Stswecem'c Xgat'tem First Nation as at March 31, 2016 and the results of its changes in net financial assets, operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

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

Williams Lake, British Columbia
June 25, 2016


FBB Chartered Professional Accountants LLP

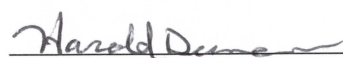
STSWECEM'C XGAT'TEM FIRST NATION
Consolidated Statement of Financial Position
As at March 31, 2016

	2016	2015
Financial assets		
Cash (Note 4)	\$ 1,265,227	\$ 1,349,043
Cash restricted as to use (Note 5)	142,638	117,901
Accounts receivable (Note 6)	987,792	769,574
Trust funds held by Canada (Note 7)	1,283,701	1,256,127
Advances to related parties (Note 8)	500,387	500,387
Inventory for resale	31,556	31,782
Investment in Stswecem'c Xgat'tem Development Limited Partnership (Note 9)	-	27,593
	<u>4,211,301</u>	<u>4,052,407</u>
Liabilities		
Bank indebtedness (Note 10)	252,236	168,037
Accounts payable and accrued liabilities (Note 11)	467,726	484,242
Deferred revenue (Note 12)	165,488	164,707
Callable debt (Note 13)	535,427	685,484
Long term debt (Note 14)	150,531	234,767
	<u>1,571,408</u>	<u>1,737,237</u>
Net financial assets	2,639,893	2,315,170
Non-financial assets		
Tangible capital assets (Note 15)	<u>5,525,405</u>	<u>5,901,117</u>
Band equity	\$ 8,165,298	\$ 8,216,287
Band equity		
Accumulated surplus (Note 16) - page 6	\$ 6,491,992	\$ 6,541,777
Replacement reserve (Note 17)	501,444	502,648
Tangible capital asset replacement reserve (Note 18)	<u>75,165</u>	<u>75,165</u>
	<u>7,068,601</u>	<u>7,119,590</u>
Contributed surplus (Note 19)	<u>1,096,697</u>	<u>1,096,697</u>
	<u>\$ 8,165,298</u>	<u>\$ 8,216,287</u>

Contingencies (Note 22)

Approved on behalf of Stswecem'c Xgat'tem First Nation


 Chief


 Councilor

STSWECM'C XGAT'TEM FIRST NATION**Consolidated Statement of Changes in Net Financial Assets****Year Ended March 31, 2016**

	2016 Budget (unaudited)	2016	2015
Net revenue for the year	\$ (209,570)	\$ (49,785)	\$ 1,056,547
Amortization	169,641	490,329	466,501
Net contribution to replacement reserve	-	(1,204)	16,937
Tangible capital asset acquisitions, net of disposals	-	(114,617)	(1,472,491)
Increase in net financial assets	(39,929)	324,723	67,494
Net financial assets - beginning of year	2,315,170	2,315,170	2,247,676
Net financial assets - end of year	\$ 2,275,241	\$ 2,639,893	\$ 2,315,170

The accompanying notes are an integral part of this statement.

STSWECEM'C XGAT'TEM FIRST NATION
Consolidated Statement of Operations
Year Ended March 31, 2016

	2016 Budget (Unaudited)	2016	2015
Revenue			
Federal Government			
INAC - Operating	\$ 2,340,121	\$ 1,999,181	\$ 1,718,894
INAC - Capital	30,000	489,548	1,460,323
Northern Shuswap Treaty Society	307,245	307,245	330,353
CMHC	61,800	61,625	62,245
Three Corners Health Services Society	292,412	292,351	267,193
CCATEC	-	88,382	133,573
Health Canada	-	-	70,804
First Nations Health Authority	70,804	99,698	-
Northern Shuswap Tribal Council	62,588	78,585	1,238
Province of British Columbia	290,680	315,784	254,389
First Nations Education Steering Committee	-	77,924	59,308
GST Refunded	-	22,539	13,364
Spectra Energy	50,000	50,750	50,000
Knucwentwecw Society	-	-	30,500
Store sales	-	425,785	441,156
Rental revenue	298,077	339,842	385,358
Interest income	-	41,148	25,543
Other	86,100	203,669	159,481
Interior Health Authority	-	15,000	-
	3,889,827	4,909,056	5,463,722
Transfer from deferred revenue	-	164,707	145,886
Transfer to deferred revenue	-	(165,488)	(164,707)
	3,889,827	4,908,275	5,444,901
Expenses	4,099,397	5,062,864	4,389,221
Net revenue before the following	(209,570)	(154,589)	1,055,680
INAC recoveries, net of deficit funding	-	132,397	(15,411)
Operating results of First Nation enterprises	-	(27,593)	16,278
Net revenue for the year	(209,570)	(49,785)	1,056,547
Accumulated surplus - beginning of year	6,541,777	6,541,777	5,485,230
Accumulated surplus - end of year - page 4	\$ 6,332,207	\$ 6,491,992	\$ 6,541,777

The accompanying notes are an integral part of this statement.

STSWECEM'C XGAT'TEM FIRST NATION**Consolidated Expenses****Year Ended March 31, 2016**

	2016 Budget (Unaudited)	2016	2015
Administration	\$ 808,274	\$ 1,214,139	\$ 872,132
Amortization	169,641	490,329	466,501
Capital projects	30,000	2,917	26,130
Education	1,028,214	1,070,702	831,779
Bad debts	-	11,232	91,828
First Nation store	-	438,559	439,285
Health and well-being	856,805	399,740	367,638
Housing	109,848	261,252	120,715
Natural resources	-	111,255	36,693
Public works	378,635	362,046	359,606
Social development	449,735	430,621	444,721
Treaty	268,245	270,072	332,193
	\$ 4,099,397	\$ 5,062,864	\$ 4,389,221

The accompanying notes are an integral part of this statement.

STSWECEM'C XGAT'TEM FIRST NATION
Consolidated Statement of Cash Flows
Year Ended March 31, 2016

	2016	2015
Cash flows from operating activities		
Net revenue for the year	\$ (49,785)	\$ 1,056,547
Items not affecting cash:		
Amortization	490,329	466,501
Operating results of First Nation enterprises	27,593	(16,278)
	<u>468,137</u>	<u>1,506,770</u>
Changes in non-cash working capital:		
Accounts receivable	(218,218)	920,127
Replacement reserve	(1,204)	16,937
Cash restricted as to use	(24,737)	(296)
Inventory for resale	226	-
Accounts payable and accrued liabilities	(16,516)	(130,045)
Deferred revenue	781	18,821
	<u>(259,668)</u>	<u>825,544</u>
Cash flows from operating activities	<u>208,469</u>	<u>2,332,314</u>
Cash flows used by investing activities		
Change in trust funds held by Canada	<u>(27,574)</u>	<u>(31,267)</u>
Cash flows from (used by) financing activities		
Change in bank indebtedness	84,199	(8,985)
Repayment of callable debt	(150,057)	(144,917)
Repayment of long term debt	(84,236)	(37,456)
Cash flows used by financing activities	<u>(150,094)</u>	<u>(191,358)</u>
Cash flows used by capital activities		
Tangible capital asset acquisitions	<u>(114,617)</u>	<u>(1,472,491)</u>
Increase (decrease) in cash flows	(83,816)	637,198
Cash - beginning of year	<u>1,349,043</u>	<u>711,845</u>
Cash - end of year (Note 4)	\$ 1,265,227	\$ 1,349,043
Cash flows supplementary information		
Interest received	\$ 41,148	\$ 25,518
Interest paid	\$ 58,959	\$ 88,740

The accompanying notes are an integral part of this statement.

STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

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 the First Nation and the changes thereto. The Consolidated Statement of Financial Position includes all the assets and liabilities of the First Nation. Financial assets are economic resources controlled by a government as a result of past transactions from which future economic benefits may be obtained. Liabilities are present obligations of a government to others arising from past transactions, the settlement of which is expected to result in the future sacrifice of economic benefits.
- b. The Stswecem'c Xgat'tem First Nation 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.

Stswecem'c Xgat'tem First Nation maintains the following funds:

- The Operations Fund which reports the general activities of the First Nation.
- The Capital Fund which reports the capital projects of the First Nation together with their related financing, other than those tangible capital assets funded by CMHC.
- The Investment Fund which reports the First Nation's investments in related entities.
- The Trust Fund which reports on the trust funds owned by the First Nation and held by third parties.
- The CMHC 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.
- The Stswecem'c Xgat'tem Store Fund which reports the activities of the store operated by the First Nation.

c. Reporting entity and principles of financial reporting

The Stswecem'c Xgat'tem First Nation reporting entity includes the First Nation and all related entities which are accountable to the Chief and Council and are either owned or controlled by the First Nation.

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:

- First Nation administration (operating and capital funds)
- Trust Fund (comprising the Ottawa Trust Funds)
- CMHC Housing Fund
- Stswecem'c Xgat'tem Store

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.

STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

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.

Investment in Stswecem'c Xgat'tem Development Limited Partnership

The First Nation is the Limited Partner of the Limited Partnership and holds a 99.99% interest in the results of operations of the Limited Partnership. The investment is accounted for by the equity method. Under this method, the cost of the investment is adjusted for earnings from the date of acquisition. Losses in excess of the cost of the investment are not recorded.

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 straight line method at the following rates:

Automotive equipment	5 years
Buildings and infrastructure	20 to 50 years
Computers and office equipment	3 to 5 years

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.

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.

(continues)

STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

2. Summary of significant accounting policies (*continued*)

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 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. Stswecem'c Xgat'tem First Nation 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 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

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

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

3. Economic dependence

The Stswecem'c Xgat'tem First Nation receives a significant portion of its revenues pursuant to funding arrangements with Indigenous and Northern Affairs Canada (formerly AADNC). The First Nation's ability to continue operations would be severely hampered should this funding be discontinued.

4. Cash

Cash includes the following unrestricted operating accounts:

	<u>2016</u>	<u>2015</u>
Operations	\$ 1,166,823	\$ 1,384,952
Stswecem'c Xgat'tem Store	(5,255)	(7,010)
Treaty Self-Government Program	103,659	(28,899)
	<u>\$ 1,265,227</u>	<u>\$ 1,349,043</u>

STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

5. Cash restricted as to use

	<u>2016</u>	<u>2015</u>
Replacement reserve	<u>\$ 142,638</u>	<u>\$ 117,901</u>

Under the terms of the First Nation'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>2016</u>	<u>2015</u>
Due from members:		
Rent	\$ 303,872	\$ 179,502
Less: Allowance for doubtful accounts	<u>(163,000)</u>	<u>(46,322)</u>
	<u>140,872</u>	<u>133,180</u>
Others:		
Canada - re: Specific Claim Settlement	447,557	447,557
INAC	157,536	-
CCATEC	6,216	5,750
CMHC	-	8,250
FNESC	10,329	-
Health Canada and Three Corners Services Society	70,722	63,155
GST/HST recoverable	22,539	5,377
Northern Shuswap Treaty Society	54,894	96,825
All others	73,731	8,480
Insurance refund	<u>3,396</u>	<u>-</u>
	<u>\$ 987,792</u>	<u>\$ 769,574</u>

7. Trust funds held by Canada

	<u>2016</u>	<u>2015</u>
Ottawa Trust Accounts	<u>\$ 1,283,701</u>	<u>\$ 1,256,127</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.

STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

8. Advances to related parties

	<u>2016</u>	<u>2015</u>
Stswecem'c Xgat'tem Development:		
Limited Partnership	\$ 40,893	\$ 40,893
Corporation	<u>459,494</u>	<u>459,494</u>
	<u>\$ 500,387</u>	<u>\$ 500,387</u>

The First Nation is the majority limited partner in the limited partnership. Of the balance receivable from Stswecem'c Xgat'tem Development Corporation, \$100,000 is repayable in monthly payments of \$1,887 for sixty months commencing November, 2016. The interest rate on this amount is 5%. The advance is secured by a general security agreement.

The remaining advances are not specifically secured, bear no interest and have no terms of repayment.

9. Investment in Stswecem'c Xgat'tem Development Limited Partnership

	<u>2016</u>	<u>2015</u>
Investment	\$ -	\$ 27,593

The investment is accounted for by the modified equity method. Under this method, the cost of the investment is adjusted for earnings from the date of acquisition. Losses in excess of the cost of the investment are not recorded.

10. Bank indebtedness

	<u>2016</u>	<u>2015</u>
Royal Bank of Canada		
Bank accounts in overdraft	\$ 162,236	\$ 80,037
Revolving line of credit - operations	90,000	80,000
Revolving line of credit - store	<u>-</u>	<u>8,000</u>
	<u>\$ 252,236</u>	<u>\$ 168,037</u>

The revolving lines of credit are secured by a general security agreement and bear interest at prime plus 2.50%. The line of credit for the store has an authorized limit of \$15,000 and the line of credit for operations has an authorized limit of \$150,000.

The bank's prime lending rate as at March 31, 2016 was 2.7%.

STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

11. Accounts payable and accrued liabilities

	2016	2015
INAC recoveries	\$ 57,585	\$ 141,798
Trade accounts	333,377	216,882
Accrued payroll and source deductions	62,811	60,822
Other accrued liabilities	13,953	64,740
	\$ 467,726	\$ 484,242

12. Deferred revenue

The First Nation has recorded the following externally restricted surpluses as deferred revenue to be used in the completion of ongoing capital projects:

	2016	2015
Indigenous and Northern Affairs Canada		
ACRS 2005 Fund - CPMS 7603	\$ 21,100	\$ 21,100
ACRS Fund - CPMS 7101	17,063	17,063
Gustafsen Lake Dam Fund - CPMS 7221	958	958
Subdivision Fund - CPMS 6493	68,407	68,407
Major Renovations Fund - CPMS 4392-8	1	1
ACRS Group 2 Fund	15,999	15,999
Safe Water Operations Fund - CPMS 4343	18,821	18,821
Canada Mortgage and Housing Corporation		
CMHC/RRAP Fund	22,358	22,358
	164,707	164,707
WOP - Harry	781	-
	\$ 165,488	\$ 164,707

STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

13. Callable debt

	<u>2016</u>	<u>2015</u>
Royal Bank of Canada demand loan bearing interest at 2.61% per annum, repayable in monthly blended payments of \$1,820. The loan matures on October 31, 2016.	\$ 147,173	\$ 164,910
Royal Bank of Canada Phase V demand loan bearing interest at 3.03% per annum, repayable in monthly blended payments of \$1,207. The loan matures on November 1, 2018.	50,210	62,965
Royal Bank of Canada Phase II demand loan bearing interest at prime plus 1.35% per annum, repayable in monthly blended payments of \$3,716. The loan matures on November 1, 2017.	64,353	105,356
Royal Bank of Canada Phase IV demand loan bearing interest at 3.04% per annum, repayable in monthly blended payments of \$4,673. The loan matures on December 1, 2020.	247,544	295,499
Royal Bank of Canada Phase III demand loan bearing interest at 2.73% per annum, repayable in monthly blended payments of \$2,648. The loan matures on January 1, 2017.	26,147	56,754
	<u>\$ 535,427</u>	<u>\$ 685,484</u>

Principal repayments required are approximately as follows:

2017	\$ 150,148
2018	104,931
2019	85,524
2020	82,896
2021	60,783
Thereafter	51,145
	<u>\$ 535,427</u>

The demand loans are secured by the ministerial guarantee of the Minister of Finance of Canada.

STSWECM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

14. Long term debt

	<u>2016</u>	<u>2015</u>
Royal Bank of Canada finance contract	\$ -	\$ 6,497
Royal Bank of Canada term loan bearing interest at 2.62% per annum, repayable in monthly blended payments of \$3,413. The loan matures on September 6, 2018.	66,697	105,349
Royal Bank of Canada term loan bearing interest at 4.95% per annum, repayable in monthly blended payments of \$689. The loan matures on July 20, 2017.	6,460	14,196
Ford Credit Canada finance contract bearing interest at 3.9% per annum, repayable in monthly blended payments of \$717. The finance contract matures on February 28, 2017.	7,673	15,807
Toyota Credit Canada Inc. term loan bearing interest at 3.9% per annum, repayable in monthly blended payments of \$700. The finance contract matures on June 6, 2017.	10,228	18,059
Toyota Credit Canada Inc. finance contract bearing interest at 1.9% per annum, repayable in monthly blended payments of \$621. The loan matures on May 1, 2020.	27,537	34,397
Toyota Credit Canada Inc. finance contract bearing interest at .09% per annum, repayable in monthly blended payments of \$738. The finance contract matures on November 17, 2019.	31,936	40,462
	\$ 150,531	\$ 234,767

Principal repayments required are approximately as follows:

2017	\$ 77,550
2018	44,913
2019	16,024
2020	12,044
	<u>150,531</u>

STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2016

15. Tangible capital assets

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	\$ 594,533	\$ -	\$ 594,533	\$ 594,533
Automotive equipment	949,425	810,600	138,825	180,589
Buildings and infrastructure	10,806,584	6,121,234	4,685,350	5,069,819
Computers and office equipment	825,358	718,661	106,697	56,176
	\$ 13,175,900	\$ 7,650,495	\$ 5,525,405	\$ 5,901,117

During the year, the following transactions occurred in the First Nation's tangible capital asset accounts:

Tangible capital asset acquisitions:

2009 Jeep Patriot	\$ 10,000
Computer server system	22,135
Other equipment	35,660
Roofing for Seymour School	30,705
Point of sale system for store	16,117
	\$ 114,617

Accumulated Amortization:	Balance April 1, 2015	Disposal Adjustment	2016 Provision	Balance March 31, 2016
Automotive equipment	\$ 758,836		\$ 51,764	\$ 810,600
Buildings and infrastructure	5,706,061	-	415,173	6,121,234
Computers and office equipment	695,269	-	23,392	718,661
	\$ 7,160,166	\$ -	\$ 490,329	\$ 7,650,495

There were no asset write-downs during the year (2015 - \$nil).

16. Accumulated surplus

Accumulated surplus consists of the following fund balances:

	2016	2015
Equity in SXD Limited Partnership	\$ -	\$ 27,593
Operating and Capital Fund	5,894,566	5,910,495
Ottawa Trust Funds	1,283,701	1,256,127
Health Services	16,413	21,712
CMHC Housing Program	(390,897)	(392,639)
Stswecem'c Xgat'tem Store	(321,543)	(292,315)
Treaty Self Government Program	9,752	10,804
	\$ 6,491,992	\$ 6,541,777

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17. Replacement reserve

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

	<u>2016</u>	<u>2015</u>
CMHC replacement reserve - beginning of year	\$ 502,648	\$ 485,711
Interest earned	73	-
Contributions required	27,129	27,129
Expenditures for replacements	<u>(28,406)</u>	<u>(10,192)</u>
CMHC replacement reserve - end of year	<u>\$ 501,444</u>	<u>\$ 502,648</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 \$27,129 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.

As at the year-end, the reserve is unfunded by the amount of \$358,806 (2015 - \$384,747).

18. Tangible capital asset replacement reserve

	<u>2016</u>	<u>2015</u>
Balance	<u>\$ 75,165</u>	<u>\$ 75,165</u>

The Tangible Capital Asset Replacement Reserve represents an allowance set aside to replace various education assets. This reserve complies with the agreement to replace the original grant funding, and will be utilized for educational needs in accordance with First Nation Chief and Council requirements.

19. Contributed surplus

	<u>2016</u>	<u>2015</u>
First Nation contribution to social housing program	<u>\$ 1,096,697</u>	<u>\$ 1,096,697</u>

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20. Financial instruments and risk management

The First Nation's financial instruments consist of cash, cash restricted as to use, accounts receivable, trust funds held by Canada, bank advances, accounts payable and accrued liabilities and long term debt. Unless otherwise noted, it is management's opinion that the First Nation 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.

The First Nation 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 the First Nation provides services may experience financial difficulty and be unable to fulfill their obligations.

The First Nation 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.

21. Federal assistance payments

Stswecem'c Xgat'tem First Nation Social Housing Fund has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56-1 of the *National Housing Act* to reduce mortgage interest expense to 2% to enable the project to provide housing to low income individuals. The amount of the assistance received for the year ended March 31, 2016 was \$61,625 (2015 - \$62,074). This assistance will continue, providing the First Nation is not in default of the agreement.

22. Contingencies

The First Nation has guaranteed loans under the CMHC Social Housing Program with original balances advanced of \$2,475,634. The balances outstanding on these loans are \$535,427 (2015 - \$685,484).

23. Reconciliation of INAC Comprehensive Funding Arrangement Revenue

Pursuant to the requirements prescribed by the Indigenous and Northern Affairs Canada Year-End Reporting Handbook for First Nations, Tribal Councils and First Nation Political Organizations, the following reconciliation has been prepared:

Revenue total as per 2016 INAC confirmation	<u>\$ 2,488,729</u>
INAC Revenue as per Statement of Operations	
Operating	\$ 1,999,181
Capital	<u>489,548</u>
	<u>\$ 2,488,729</u>

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24. First Nation registered pension plan

The First Nation provides a defined contribution pension plan to qualifying employees. Under the plan, the defined members' contributions, the Nation contributions, and the related plan earnings comprise the members' money purchase amount. The plan is registered with the Canada Revenue Agency as 1022920.

The First Nation contributed \$26,365 to the plan during the year ended March 31, 2016 (March 31, 2015 - \$28,459), to match its employees' required contributions.

25. Expenses by object

	<u>2016</u>	<u>2015</u>
Administration	\$ 27,704	\$ 8,133
Amortization	490,329	466,501
Contracted services	700,418	285,484
Honoraria	128,827	148,857
Bad debts	11,233	91,828
Insurance	103,902	107,498
Interest and bank charges	58,959	88,740
Materials and supplies	404,731	346,688
Rent, maintenance and utilities	614,854	571,884
Salaries, wages and benefits	1,481,603	1,368,884
Service delivery	386,556	445,170
Travel	144,517	171,219
Tuition and education	509,231	288,335
	<u>\$ 5,062,864</u>	<u>\$ 4,389,221</u>

26. Comparative figures

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