

STSWECEM'C XGAT'TEM FIRST NATION
Consolidated Financial Statements
Year Ended March 31, 2017

STSWECEM'C XGAT'TEM FIRST NATION
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Year Ended March 31, 2017

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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, 2017 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, 2017 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 16, 2017

FBB Chartered Professional Accountants LLP


STSWECEM'C XGAT'TEM FIRST NATION
Consolidated Statement of Financial Position
As at March 31, 2017

	2017	2016
Financial assets		
Cash (Note 4)	\$ 1,741,515	\$ 1,265,227
Cash restricted as to use (Note 5)	192,041	142,638
Accounts receivable (Note 6)	962,724	987,792
Trust funds held by Canada (Note 7)	1,309,943	1,283,701
Advances to related parties (Note 8)	400,387	500,387
Inventory for resale	21,463	31,556
	<u>4,628,073</u>	<u>4,211,301</u>
Liabilities		
Bank indebtedness (Note 9)	202,005	252,236
Accounts payable and accrued liabilities (Note 10)	382,912	467,726
Deferred revenue (Note 11)	436,683	165,488
Callable debt (Note 12)	433,807	535,427
Long term debt (Note 13)	224,127	150,530
	<u>1,679,534</u>	<u>1,571,407</u>
Net financial assets	2,948,539	2,639,894
Non-financial assets		
Tangible capital assets (Note 14)	5,210,522	5,525,405
Band equity	\$ 8,159,061	\$ 8,165,298
Band equity		
Accumulated surplus (Note 15) - page 6	\$ 6,466,466	\$ 6,491,992
Replacement reserve (Note 16)	520,733	501,444
Tangible capital asset replacement reserve (Note 17)	75,165	75,165
	<u>7,062,364</u>	<u>7,068,601</u>
Contributed surplus (Note 18)	1,096,697	1,096,697
	<u>\$ 8,159,061</u>	<u>\$ 8,165,298</u>

Commitments (Note 21)

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


 Chief


 Councilor

STSWECEM'C XGAT'TEM FIRST NATION**Consolidated Statement of Changes in Net Financial Assets****Year Ended March 31, 2017**

	2017 Budget (unaudited)	2017	2016
Net revenue for the year	\$ (383,157)	\$ (25,526)	\$ (49,785)
Amortization	-	549,930	490,329
Net contribution to replacement reserve	-	19,288	(1,204)
Tangible capital asset acquisitions, net of disposals	-	(235,047)	(114,617)
Increase (decrease) in net financial assets	(383,157)	308,645	324,723
Net financial assets - beginning of year	2,639,894	2,639,894	2,315,171
Net financial assets - end of year	\$ 2,256,737	\$ 2,948,539	\$ 2,639,894

The accompanying notes are an integral part of this statement.

STSWECEM'C XGAT'TEM FIRST NATION**Consolidated Statement of Operations****Year Ended March 31, 2017**

	2017 Budget (Unaudited)	2017	2016
Revenue			
Federal Government			
INAC - Operating	\$ 2,063,198	\$ 2,289,007	\$ 1,999,181
INAC - Capital	427,305	430,887	489,548
Northern Shuswap Treaty Society	464,115	464,115	307,245
CMHC	57,008	57,008	61,625
Three Corners Health Services Society	301,795	328,837	292,351
CCATEC	39,846	120,031	88,382
First Nations Health Authority	67,500	78,806	99,698
Northern Shuswap Tribal Council	1,000	4,336	78,585
Province of British Columbia	49,200	365,061	315,784
First Nations Education Steering Committee	4,216	102,363	77,924
Spectra Energy	50,000	50,750	50,750
Store sales	-	489,488	425,785
Rental revenue	290,240	355,861	339,842
Interest income	-	40,790	41,148
Other	155,004	228,675	127,709
Tolko	-	20,000	-
Log harvest revenues	-	445,641	-
Land referrals	-	154,819	-
Interior Health Authority	-	-	15,000
	3,970,427	6,026,475	4,810,557
Transfer from deferred revenue	-	165,488	164,707
Transfer to deferred revenue	-	(436,683)	(165,488)
	3,970,427	5,755,280	4,809,776
Expenses	4,353,584	5,727,173	5,062,864
Net revenue before the following	(383,157)	28,107	(253,088)
Tangible capital assets acquired	-	71,367	98,499
Debt forgiveness	-	(125,000)	-
INAC recoveries, net of deficit funding	-	-	132,397
Operating results of First Nation enterprises	-	-	(27,593)
Net revenue for the year	(383,157)	(25,526)	(49,785)
Accumulated surplus - beginning of year	6,491,992	6,491,992	6,541,777
Accumulated surplus - end of year - page 4	\$ 6,108,835	\$ 6,466,466	\$ 6,491,992

The accompanying notes are an integral part of this statement.

STSWECEM'C XGAT'TEM FIRST NATION**Consolidated Expenses****Year Ended March 31, 2017**

	2017 Budget (Unaudited)	2017	2016
Administration	\$ 726,629	\$ 1,333,972	\$ 1,214,139
Amortization	-	550,963	490,329
Capital projects	427,305	158,911	2,917
Education	1,372,404	1,195,190	1,070,702
Bad debts	-	-	11,232
First Nation store	-	462,370	438,559
Health and well-being	429,141	504,866	399,740
Housing	55,717	233,603	261,252
Natural resources	-	178,537	111,255
Public works	406,446	314,792	362,046
Social development	437,426	441,760	430,621
Treaty	498,516	352,209	270,072
	\$ 4,353,584	\$ 5,727,173	\$ 5,062,864

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, 2017

	2017	2016
Cash flows from (used by) operating activities		
Net revenue for the year	\$ (25,526)	\$ (49,785)
Items not affecting cash:		
Amortization	549,930	490,329
Operating results of First Nation enterprises	-	27,593
Forgiveness of advances to related parties	100,000	-
CMHC required adjustment to CMHC replacement reserve	19,288	-
	<u>643,692</u>	<u>468,137</u>
Changes in non-cash working capital:		
Accounts receivable	25,068	(218,218)
Replacement reserve	-	(1,204)
Cash restricted as to use	(49,403)	(24,737)
Inventory for resale	10,093	226
Accounts payable and accrued liabilities	(84,814)	(16,516)
Deferred revenue	271,195	781
	<u>172,139</u>	<u>(259,668)</u>
Cash flows from operating activities	<u>815,831</u>	<u>208,469</u>
Cash flows used by investing activities		
Change in trust funds held by Canada	<u>(26,242)</u>	<u>(27,574)</u>
Cash flows from (used by) financing activities		
Change in bank indebtedness	(50,231)	84,199
Repayment of callable debt	(101,620)	(150,057)
Proceeds of long term debt	224,976	-
Repayment of long term debt	(151,379)	(84,236)
Cash flows used by financing activities	<u>(78,254)</u>	<u>(150,094)</u>
Cash flows used by capital activities		
Tangible capital asset acquisitions	<u>(235,047)</u>	<u>(114,617)</u>
Increase (decrease) in cash flows	<u>476,288</u>	<u>(83,816)</u>
Cash - beginning of year	<u>1,265,227</u>	<u>1,349,043</u>
Cash - end of year (Note 4)	<u>\$ 1,741,515</u>	<u>\$ 1,265,227</u>
Cash flows supplementary information		
Interest received	\$ 40,790	\$ 41,148
Interest paid	\$ 43,946	\$ 58,959

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, 2017

1. Basis of presentation

In order to satisfy the Reporting Guide's Financial Reporting Requirements issued by 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, 2017

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.

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STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

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 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. The First Nation's ability to continue operations would be severely hampered should this funding be discontinued.

4. Cash

Cash includes the following operating accounts:

	<u>2017</u>	<u>2016</u>
Operations	\$ 1,737,535	\$ 1,166,823
Stswecem'c Xgat'tem Store	2,929	(5,255)
Treaty Self-Government Program	<u>1,051</u>	<u>103,659</u>
	<u>\$ 1,741,515</u>	<u>\$ 1,265,227</u>

STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

5. Cash restricted as to use

	<u>2017</u>	<u>2016</u>
Replacement reserve	\$ 192,041	\$ 142,638

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>2017</u>	<u>2016</u>
Due from members:		
Rent	\$ 345,832	\$ 303,872
Less: Allowance for doubtful accounts	(163,000)	(163,000)
	182,832	140,872
Others:		
Stswecem'c Xgat'tem Development LP	300,000	-
Province of British Columbia	106,519	-
Health Canada and Three Corners Services Society	102,249	70,722
Northern Shuswap Treaty Society	71,361	54,894
Ministry of Transportation and Infrastructure	34,830	-
Interior Roads	28,112	-
INAC	18,750	157,536
FNESC	7,741	10,328
CCATEC	4,049	6,216
Canada - re: Specific Claim Settlement	-	447,557
All others	106,281	99,667
	\$ 962,724	\$ 987,792

7. Trust funds held by Canada

	<u>2017</u>	<u>2016</u>
Ottawa Trust Accounts	\$ 1,309,943	\$ 1,283,701

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, 2017

8. Advances to related parties

	<u>2017</u>	<u>2016</u>
Stswecem'c Xgat'tem Development:		
Limited Partnership	\$ 2,887	\$ 40,893
Corporation	<u>397,500</u>	<u>459,494</u>
	<u>\$ 400,387</u>	<u>\$ 500,387</u>

The First Nation is the majority limited partner in the limited partnership.

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

9. Bank indebtedness

	<u>2017</u>	<u>2016</u>
Royal Bank of Canada		
Bank accounts in overdraft	\$ 192,005	\$ 162,236
Revolving line of credit - operations	<u>10,000</u>	<u>90,000</u>
	<u>\$ 202,005</u>	<u>\$ 252,236</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, 2017 was 2.7%.

10. Accounts payable and accrued liabilities

	<u>2017</u>	<u>2016</u>
INAC recoveries	\$ -	\$ 57,584
Trade accounts	249,240	333,461
Accrued payroll and source deductions	100,772	62,728
Other accrued liabilities	<u>32,900</u>	<u>13,953</u>
	<u>\$ 382,912</u>	<u>\$ 467,726</u>

STSWECM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

11. 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:

	<u>2017</u>	<u>2016</u>
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
ACRS Group 2 - Special Services	34,534	-
Renovations and Additions Fund	237,442	-
Canada Mortgage and Housing Corporation		
CMHC/RRAP Fund	22,358	22,358
	436,683	164,707
WOP - Harry	-	781
	<u>\$ 436,683</u>	<u>\$ 165,488</u>

STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

12. Callable debt

	<u>2017</u>	<u>2016</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, 2021.	\$ 128,952	\$ 147,173
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.	37,078	50,210
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.	21,921	64,353
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.	198,545	247,544
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
Royal Bank of Canada bridge financing loan bearing interest at 3.00% per annum, repayable in monthly blended payments of \$660.	47,311	-
	\$ 433,807	\$ 535,427

Principal repayment terms are approximately:

2018	\$ 111,504
2019	92,258
2020	90,187
2021	69,006
2022	28,185
Thereafter	42,667
	\$ 433,807

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, 2017

13. Long term debt

	<u>2017</u>	<u>2016</u>
Royal Bank of Canada lease bearing interest at 3.152% per annum, repayable in monthly blended payments of \$3,214. The lease matures on May 23, 2018.	\$ 98,159	\$ -
Meridian OneCap lease bearing interest at 5.61% per annum, payable in monthly blended payments of \$1,968. The loan matures on October 16, 2019.	56,672	-
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.	23,335	66,697
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.	23,329	31,934
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.	20,546	27,537
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.	2,086	10,229
Ford Credit Canada finance contract.	-	7,673
Royal Bank of Canada term loan.	-	6,460
	<u>\$ 224,127</u>	<u>\$ 150,530</u>

Principal repayment terms are approximately:

2018	\$ 98,191
2019	100,371
2020	25,565
	<u>\$ 224,127</u>

STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

14. Tangible capital assets

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 594,533	\$ -	\$ 594,533	\$ 594,533
Automotive equipment	1,144,401	881,683	262,718	138,825
Buildings and infrastructure	10,806,584	6,569,189	4,237,395	4,685,350
Computers and office equipment	865,429	749,553	115,876	106,697
	\$ 13,410,947	\$ 8,200,425	\$ 5,210,522	\$ 5,525,405

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

Tangible capital asset acquisitions:

Security camera - Canoe Creek	\$ 9,608
Security camera - Dog Creek	13,667
Fire alarm boxes	16,796
2012 International plow truck	129,906
2012 Case 580SN Loader Backhoe	65,070
	\$ 235,047

	Balance April 1, 2016	2017 Provision	Balance March 31, 2017
Accumulated Amortization:			
Automotive equipment	\$ 810,600	\$ 71,083	\$ 881,683
Buildings and infrastructure	6,121,234	447,955	6,569,189
Computers and office equipment	718,661	30,892	749,553
	\$ 7,650,495	\$ 549,930	\$ 8,200,425

There were no asset write-downs during the year (2016 - \$nil).

15. Accumulated surplus

Accumulated surplus consists of the following fund balances:

	2017	2016
Operating and Capital Fund	\$ 5,455,582	\$ 5,870,716
Ottawa Trust Funds	1,309,943	1,283,701
Health Services	(278)	16,413
CMHC Housing Program	(387,778)	(390,897)
Stswecem'c Xgat'tem Store	(10,099)	(321,543)
Treaty Self Government Program	99,096	33,602
	\$ 6,466,466	\$ 6,491,992

STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

16. 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>2017</u>	<u>2016</u>
CMHC replacement reserve - beginning of year	\$ 501,444	\$ 502,648
Contributions required	25,265	27,129
Expenditures for replacements	<u>(5,976)</u>	<u>(10,192)</u>
CMHC replacement reserve - end of year	<u>\$ 520,733</u>	<u>\$ 501,444</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 \$25,265 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 \$328,692 (2016 - \$358,806).

17. Tangible capital asset replacement reserve

	<u>2017</u>	<u>2016</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.

18. Contributed surplus

	<u>2017</u>	<u>2016</u>
First Nation contribution to social housing program	<u>\$ 1,096,697</u>	<u>\$ 1,096,697</u>

19. 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.

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20. 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, 2017 was \$57,008 (2016 - \$61,625). This assistance will continue, providing the First Nation is not in default of the agreement.

21. 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 \$433,807 (2016 - \$535,427).

22. 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 2017 INAC confirmation	<u>\$ 3,411,315</u>
INAC Revenue as per Statement of Operations	
Operating	\$ 2,289,007
Capital	430,887
Specific claims paid. This was recorded in a prior year	533,885
Reimbursement of previously recovered NTFV funding	<u>157,536</u>
	<u>\$ 3,411,315</u>

23. First Nation registered pension plan

The First Nation provides a defined contribution pension plan to qualifying employees. Under the plan, the members' defined 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 \$31,856 to the plan during the year ended March 31, 2017 (March 31, 2016 - \$26,365), to match its employees' required contributions.

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24. Expenses by object

	<u>2017</u>	<u>2016</u>
Amortization	\$ 550,963	\$ 490,329
Contracted services	1,092,527	700,418
Honoraria	136,245	128,827
Bad debts	-	11,233
Insurance	72,170	103,902
Interest and bank charges	43,946	58,959
Materials and supplies	649,135	432,435
Rent, maintenance and utilities	573,730	614,854
Salaries, wages and benefits	1,571,892	1,481,603
Service delivery	309,167	386,556
Travel	196,285	144,517
Tuition and education	531,113	509,231
	<u>\$ 5,727,173</u>	<u>\$ 5,062,864</u>