

STSWECEM'C XGAT'TEM FIRST NATION
Consolidated Financial Statements
Year Ended March 31, 2018

STSWECEM'C XGAT'TEM FIRST NATION
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Year Ended March 31, 2018

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Stswečem'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.

Stswečem'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 Stswečem'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.

Elaine Cormille
Councilor

Harold Deneau
Councilor



CHARTERED
PROFESSIONAL
ACCOUNTANTS LLP

D. Kane Fraser, CPA, CA*

Partner

Ryan Broughton, CPA, CA*

Partner

*Denotes incorporated professional

INDEPENDENT AUDITOR'S REPORT

To the Members of 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, 2018 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.

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Independent Auditor's Report to the Members of Stswecem'c Xgat'tem First Nation *(continued)*

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, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

FBB

Williams Lake, British Columbia
July 18, 2018

FBB Chartered Professional Accountants LLP

STSWECEM'C XGAT'TEM FIRST NATION
Consolidated Statement of Financial Position
As at March 31, 2018



	2018	2017
Financial assets		
Cash (Note 4)	\$ 4,567,833	\$ 1,741,515
Cash restricted as to use (Note 5)	192,265	192,041
Accounts receivable (Note 6)	907,329	962,724
Trust funds held by Canada (Note 7)	1,340,716	1,309,943
Advances to related parties (Note 8)	537,446	400,387
Inventory for resale	<u>21,463</u>	<u>21,463</u>
	<u>7,567,052</u>	<u>4,628,073</u>
Liabilities		
Bank indebtedness (Note 9)	3,681	192,005
Accounts payable and accrued liabilities (Note 10)	404,715	382,914
Deferred revenue (Note 11)	2,331,938	536,683
Callable debt (Note 12)	322,505	433,807
Long term debt (Note 13)	<u>203,059</u>	<u>224,127</u>
	<u>3,265,898</u>	<u>1,769,536</u>
Net financial assets	4,301,154	2,858,537
Non-financial assets		
Tangible capital assets (Note 14)	5,073,579	5,210,522
Prepaid expenses	<u>7,726</u>	-
	<u>5,081,305</u>	<u>5,210,522</u>
Band equity	\$ 9,382,459	\$ 8,069,059
Band equity		
Accumulated surplus (Note 15) - page 6	\$ 7,813,742	\$ 6,376,464
Replacement reserve (Note 16)	396,855	520,733
Tangible capital asset replacement reserve (Note 17)	<u>75,165</u>	<u>75,165</u>
	<u>8,285,762</u>	<u>6,972,362</u>
Contributed surplus (Note 18)	<u>1,096,697</u>	<u>1,096,697</u>
	<u>\$ 9,382,459</u>	<u>\$ 8,069,059</u>
Commitments (Note 21)		

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

Elaine Camille
 Councilor

Harold Denner
 Councilor

STSWECEM'C XGAT'TEM FIRST NATION
Consolidated Statement of Changes in Net Financial Assets
Year Ended March 31, 2018

	2018 Budget (unaudited)	2018	2017
Net revenue for the year	\$ 83,335	\$ 1,437,278	\$ (115,528)
Amortization	-	525,177	549,930
Net contribution to replacement reserve	-	(123,878)	19,288
Change in prepaid expenses	-	(7,726)	-
Tangible capital asset acquisitions, net of disposals	-	(388,234)	(235,047)
Increase in net financial assets	83,335	1,442,617	218,643
Net financial assets - beginning of year	2,858,537	2,858,537	2,639,894
Net financial assets - end of year	\$ 2,256,737	\$ 4,301,154	\$ 2,858,537

The accompanying notes are an integral part of this statement.

STSWECEM'C XGAT'TEM FIRST NATION

Consolidated Statement of Operations

Year Ended March 31, 2018

	2018 Budget (Unaudited)	2018	2017
Revenue			
Federal Government			
ISC - Operating	\$ 2,110,817	\$ 2,256,467	\$ 2,270,257
ISC - Capital	-	2,746,475	430,887
Northern Shuswap Treaty Society	428,164	428,164	464,115
CMHC	58,000	106,205	57,008
Three Corners Health Services Society	400,000	413,678	328,837
CCATEC	36,000	173,526	120,031
First Nations Health Authority	1,000	107,490	78,806
Northern Shuswap Tribal Council	-	1,765	4,336
Province of British Columbia	90,000	522,487	465,061
First Nations Education Steering Committee	178,000	194,711	102,363
Enbridge	50,000	50,500	50,750
Knucwentwecw Society	-	25,500	-
Store sales	-	450,956	489,488
Rental revenue	397,940	343,626	355,861
Interest income	28,000	62,130	40,790
Other	372,400	543,001	228,675
Tolko	-	-	20,000
Log harvest revenues	-	459,806	445,641
Land referrals	-	89,001	154,819
Canadian Red Cross	-	289,903	-
	4,150,321	9,265,391	6,107,725
Transfer from deferred revenue	-	551,589	165,488
Transfer to deferred revenue	-	(2,351,019)	(536,683)
	4,150,321	7,465,961	5,736,530
	4,066,986	6,547,301	5,798,425
Expenses			
Net revenue before the following	83,335	918,660	(61,895)
Tangible capital assets acquired	-	404,514	71,367
Debt forgiveness	-	-	(125,000)
Loss on disposal of assets	-	(22,955)	-
Earnings in Stswecem'c Xgat'tem Development Limited Partnership	-	137,059	-
	83,335	1,437,278	(115,528)
Accumulated surplus - beginning of year	6,466,464	6,466,464	6,491,992
Restatement of previous year	(90,000)	(90,000)	-
As restated - beginning of year	6,376,464	6,376,464	6,491,992
Accumulated surplus - end of year - page 4	\$ 6,459,799	\$ 7,813,742	\$ 6,376,464

The accompanying notes are an integral part of this statement.

STSWECEM'C XGAT'TEM FIRST NATION**Consolidated Expenses****Year Ended March 31, 2018**

	2018 Budget (Unaudited)	2018	2017
Administration	\$ 840,333	\$ 1,172,092	\$ 1,333,972
Amortization	-	525,177	550,963
Capital projects	-	976,626	158,911
Education	1,254,607	1,097,602	1,195,190
First Nation store	-	422,392	462,370
Health and well-being	549,300	509,173	504,866
Housing	249,000	171,044	233,603
Natural resources	-	346,046	178,537
Public works	279,000	443,347	386,044
Social development	398,439	479,421	441,760
Treaty	496,307	404,381	352,209
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	\$ 4,066,986	\$ 6,547,301	\$ 5,798,425

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, 2018

	2018	2017
Cash flows from (used by) operating activities		
Net revenue for the year	\$ 1,437,278	\$ (115,528)
Items not affecting cash:		
Amortization	525,177	550,963
Operating results of First Nation enterprises	(137,059)	-
Forgiveness of advances to related parties	-	100,000
CMHC required adjustment to CMHC replacement reserve	<u>(123,878)</u>	<u>18,255</u>
	1,701,518	553,690
Changes in non-cash working capital:		
Accounts receivable	55,395	25,068
Cash restricted as to use	(224)	(49,403)
Inventory for resale	-	10,093
Accounts payable and accrued liabilities	21,801	(84,812)
Deferred revenue	1,795,255	371,195
Prepaid expenses	<u>(7,726)</u>	<u>-</u>
	1,864,501	272,141
Cash flows from operating activities	3,566,019	825,831
Cash flows used by investing activities		
Change in trust funds held by Canada	<u>(30,773)</u>	<u>(26,242)</u>
Cash flows from (used by) financing activities		
Change in bank indebtedness	(188,324)	(60,231)
Repayment of callable debt	(111,302)	(101,620)
Proceeds of long term debt	83,230	224,976
Repayment of long term debt	<u>(104,298)</u>	<u>(151,379)</u>
Cash flows used by financing activities	(320,694)	(88,254)
Cash flows used by capital activities		
Tangible capital asset acquisitions	<u>(388,234)</u>	<u>(235,047)</u>
Increase in cash flows	2,826,318	476,288
Cash - beginning of year	1,741,515	1,265,227
Cash - end of year (Note 4)	\$ 4,567,833	\$ 1,741,515
Cash flows supplementary information		
Interest received	\$ 62,130	\$ 40,790
Interest paid	<u>\$ 29,149</u>	<u>\$ 58,959</u>

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, 2018

1. Basis of presentation

In order to satisfy the Reporting Guide's Financial Reporting Requirements issued by Indigenous Services Canada ("ISC") these consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards, as defined in the CPA Canada Public Sector Accounting Handbook, which encompasses the following:

- a. The focus of PSAB statements is on the financial position of 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, 2018

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, 2018

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 Services 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>2018</u>	<u>2017</u>
Operations	\$ 4,177,969	\$ 1,737,535
Stswecem'c Xgat'tem Store	225	2,929
Treaty Self-Government Program	<u>389,639</u>	<u>1,051</u>
	<hr/>	<hr/>
	\$ 4,567,833	\$ 1,741,515

STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

5. Cash restricted as to use

	2018	2017
Replacement reserve	\$ 192,265	\$ 192,041

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

	2018	2017
Due from members:		
Rent	\$ 384,399	\$ 345,832
Less: Allowance for doubtful accounts	<u>(163,000)</u>	<u>(163,000)</u>
	221,399	182,832
Others:		
Stswecem'c Xgat'tem Development LP	53,446	300,000
Province of British Columbia	512	106,519
Health Canada and Three Corners Services Society	90,236	102,249
Northern Shuswap Treaty Society	71,375	71,361
Ministry of Transportation and Infrastructure	-	34,830
Interior Roads	81	28,112
Indigenous Services Canada	168,254	18,750
FNESC	89,007	7,741
CCATEC	20,534	4,049
All others	<u>192,485</u>	<u>106,281</u>
	\$ 907,329	\$ 962,724

7. Trust funds held by Canada

	2018	2017
Ottawa Trust Accounts	\$ 1,340,716	\$ 1,309,943

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, 2018

8. Advances to related parties

	2018	2017
Stswecem'c Xgat'tem Development:		
Limited Partnership	\$ 2,887	\$ 2,887
Corporation	397,500	397,500
Equity in Earnings of the Limited Partnership	<u>137,059</u>	-
	\$ 537,446	\$ 400,387

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

	2018	2017
Royal Bank of Canada		
Bank accounts in overdraft	<u>\$ 3,681</u>	<u>\$ 192,005</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, 2018 was 3.45%.

10. Accounts payable and accrued liabilities

	2018	2017
Trade accounts	\$ 165,690	\$ 249,240
Accrued payroll and source deductions	117,185	100,774
Other accrued liabilities	<u>121,840</u>	32,900
	\$ 404,715	\$ 382,914

STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

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:

	2018	2017
Indigenous Services 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	34,534
Renovations and Additions Fund	-	237,442
Transfer Station fund	1,017,444	-
Housing Renovations Fund	885,512	-
Renovations and Additions Fund	146,322	-
Canada Mortgage and Housing Corporation		
CMHC/RRAP Fund	22,358	22,358
Province of British Columbia		
Range Development Fund	<u>83,419</u>	100,000
	<hr/>	<hr/>
	\$ 2,331,938	\$ 536,683

STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

12. Callable debt

	2018	2017
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.	\$ 146,588	\$ 198,545
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.	111,535	128,952
Royal Bank of Canada bridge financing loan bearing interest at 3.00% per annum, repayable in monthly blended payments of \$660.	40,868	47,311
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.	23,514	37,078
Royal Bank of Canada Phase II demand loan repaid during the year.	-	21,921
	\$ 322,505	\$ 433,807

Principal repayment terms are approximately:

2019	\$ 92,258
2020	90,187
2021	69,006
2022	28,185
2023	42,869
	<hr/>
	\$ 322,505

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

STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

13. Long term debt

	2018	2017
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.	\$ 62,169	\$ 98,159
Ford Credit Canada loan bearing interest at 2.99% per annum, repayable in bi-weekly blended payments of \$378.69. The loan matures on October 20, 2023.	50,165	-
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.	35,701	56,672
Royal Bank of Canada term loan bearing interest at 4.99% per annum, repayable in monthly blended payments of \$671.82. The loan matures on November 15, 2021.	26,958	-
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.	14,646	23,329
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.	13,420	20,546
Royal Bank of Canada term loan paid out in the year.	-	23,335
Toyota Credit Canada Inc. term loan paid out in the year.	-	2,086
	\$ 203,059	\$ 224,127

Principal repayment terms are approximately:

2019	\$ 72,742
2020	61,221
2021	37,344
2022	31,752
	\$ 203,059

STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

14. Tangible capital assets

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 594,533	\$ -	\$ 594,533	\$ 594,533
Automotive equipment	1,348,157	946,674	401,483	262,718
Buildings and infrastructure	10,806,584	6,951,577	3,855,007	4,237,395
Computers and office equipment	1,017,279	794,723	222,556	115,876
	\$ 13,766,553	\$ 8,692,974	\$ 5,073,579	\$ 5,210,522

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

Tangible capital asset acquisitions:

2017 Ford F150	\$ 57,050
2018 Toyota 4 Runner	51,128
Solid waste upgrade equipment	107,376
2 x Bobcat skid-steer tractors	139,160
All other asset acquisitions	49,800
	\$ 404,514

Accumulated Amortization:	Balance April 1, 2017	2017 Provision	Balance March 31, 2018
Automotive equipment	\$ 849,056	\$ 97,618	\$ 946,674
Buildings and infrastructure	6,577,955	382,748	6,960,703
Computers and office equipment	740,786	44,811	785,597
	\$ 8,167,797	\$ 525,177	\$ 8,692,974

There were no asset write-downs during the year (2017 - \$nil).

15. Accumulated surplus

Accumulated surplus consists of the following fund balances:

	2018	2017
Equity in SXD Limited Partnership	\$ 137,059	\$ -
Operating and Capital Fund	6,423,413	5,307,613
Ottawa Trust Funds	1,340,716	1,309,943
Health Services	-	(278)
CMHC Housing Program	(244,030)	(387,778)
Stswecem'c Xgat'tem Store	76,432	47,868
Treaty Self Government Program	80,152	99,096
	\$ 7,813,742	\$ 6,376,464

STSWECEM'C XGAT'TEM FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2018

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:

	2018	2017
CMHC replacement reserve - beginning of year	\$ 520,733	\$ 501,444
Adjustment to meet CMHC requirements	<u>(143,748)</u>	-
CMHC replacement reserve - beginning of year, as adjusted	376,985	501,444
Contributions required	19,870	25,265
Expenditures for replacements	<u>-</u>	<u>(10,192)</u>
CMHC replacement reserve - end of year	\$ 396,855	\$ 520,733

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 \$19,870 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 \$204,590 (2017 - \$328,692).

17. Tangible capital asset replacement reserve

	2018	2017
Balance	\$ 75,165	\$ 75,165

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

	2018	2017
First Nation contribution to social housing program	\$ 1,096,697	\$ 1,096,697

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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.

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, 2018 was \$44,233 (2017 - \$57,008). 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 \$322,505 (2017 - \$433,807).

22. Restatement of previous years

The First Nation has retroactively restated its accounts as follows:

Additional deferred revenue	\$ 100,000
Adjust line of credit to actual	<u>(10,000)</u>
	<u>\$ 90,000</u>

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23. Reconciliation of ISC Comprehensive Funding Arrangement Revenue

Pursuant to the requirements prescribed by the Indigenous Services 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 2018 ISC confirmation	<u>\$ 5,002,942</u>
ISC Revenue as per Statement of Operations	
Operating	\$ 2,256,467
Capital	<u>2,746,475</u>
	<u>\$ 5,002,942</u>

24. 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 \$32,776 to the plan during the year ended March 31, 2018 (March 31, 2017 - \$31,856), to match its employees' required contributions.

25. Expenses by object

	2018	2017
Amortization	\$ 525,177	\$ 550,963
Contracted services	1,614,089	1,163,779
Honoraria	103,876	136,245
Insurance	82,346	72,170
Interest and bank charges	30,418	43,946
Materials and supplies	530,745	649,135
Rent, maintenance and utilities	741,555	573,730
Salaries, wages and benefits	1,751,683	1,571,892
Social assistance	359,797	309,167
Travel	221,729	196,285
Tuition and education	585,886	531,113
	<u>\$ 6,547,301</u>	<u>\$ 5,798,425</u>