

**Salt River First Nation
Consolidated Financial Statements**
March 31, 2018

Salt River First Nation Contents

For the year ended March 31, 2018

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Salt River First Nation #195

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Management's Responsibility

To the Members of Salt River First Nation:

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

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Salt River First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Chief and Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Chief and Council is also responsible for recommending the appointment of the First Nation's external auditors.

MNP LLP is appointed by the Chief and Council on behalf of the members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Chief and Council and management to discuss their audit findings.

July 28, 2018

ORIGINAL SIGNED BY:

Chief Financial
Officer

Independent Auditors' Report

To the Members of Salt River First Nation:

We have audited the accompanying consolidated financial statements of Salt River First Nation, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations and accumulated surplus, change in net financial assets, cash flows and the related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 auditors' 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.

Opinion

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

Leduc, Alberta

July 28, 2018

MNP LLP

Chartered Professional Accountants



Salt River First Nation #195

P.O. Box 960

Fort Smith, NT X0E 0P0

Phone (867) 872-2986 Fax (867) 872-3550

Approved at a meeting of Chief and Council on July 28, 2018

Chief Frieda Martselos

ORIGINAL SIGNED BY:

Councilor Ron Schaefer

Councilor Patricia Schaefer

ORIGINAL SIGNED BY:

Councilor Ray Tourangeau

Councilor Christopher Hunter

ORIGINAL SIGNED BY:

Councilor Freda Emile

Councilor Melvin Fortier

Salt River First Nation
Consolidated Statement of Financial Position
As at March 31, 2018

| | 2018 | 2017 |
|--|-------------------|-------------|
| Financial assets | | |
| Cash and cash equivalents <i>(Note 4)</i> | 8,421,931 | 4,392,239 |
| Accounts receivable | | |
| Indigenous Services Canada | 785,474 | 418,146 |
| Government of Northwest Territories | 471,975 | 18,238 |
| Health Canada | 253,978 | 244,208 |
| Other accounts receivable | 88,973 | 28,523 |
| Goods and Services Tax receivable | 51,302 | 41,882 |
| Legal settlement receivable | - | 3,759 |
| Investment in Denendeh Investments Limited Partnership | 175 | 175 |
| Investment in and advances to First Nation business entity <i>(Note 5)</i> | 7,053,614 | 7,134,037 |
| Total financial assets | 17,127,422 | 12,281,207 |
| Liabilities | | |
| Accounts payable and accruals | 1,583,607 | 381,203 |
| Deferred revenue <i>(Note 6)</i> | 4,498,149 | 4,051,836 |
| Long-term debt <i>(Note 7)</i> | 9,758,676 | - |
| Total liabilities | 15,840,432 | 4,433,039 |
| Net financial assets | 1,286,990 | 7,848,168 |
| Contingencies <i>(Note 8)</i> | | |
| Non-financial assets | | |
| Tangible capital assets <i>(Note 14) (Schedule 1)</i> | 12,377,810 | 4,852,459 |
| Prepaid expenses <i>(Note 9)</i> | 165,443 | 119,744 |
| Total non-financial assets | 12,543,253 | 4,972,203 |
| Accumulated surplus <i>(Note 10)</i> | 13,830,243 | 12,820,371 |

Salt River First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2018

| | <i>Schedules</i> | <i>2018 Budget</i> | <i>2018</i> | <i>2017</i> |
|---|------------------|------------------------|-------------------|-------------------|
| Revenue | | | | |
| Settlement Trust distributions (Note 11) | | 3,766,510 | 3,950,327 | 4,595,643 |
| Indigenous Services Canada | | 253,860 | 849,702 | 2,344,602 |
| Government of Northwest Territories | | 429,935 | 1,028,947 | 474,391 |
| Health Canada | | 244,208 | 254,397 | 244,208 |
| Other revenue | | 55,000 | 172,092 | 68,486 |
| Interest income | | - | 22,649 | 27,043 |
| Funding returned to funder | | - | (3,000) | (39,987) |
| Deferred revenue - prior year (Note 6) | | - | 101,509 | 815,326 |
| Deferred revenue - current year (Note 6) | | - | - | (101,509) |
| | | 4,749,513 | 6,376,623 | 8,428,203 |
| Expenses | | | | |
| Administration, Finance | 3 | 804,544 | 948,843 | 669,795 |
| Governance, Justice | 4 | 931,170 | 1,285,853 | 1,336,773 |
| Culture, Education | 5 | 332,525 | 563,205 | 315,652 |
| Human Resource Development | 6 | 25,500 | 97,915 | 25,500 |
| Lands, Public Works | 7 | 351,350 | 485,226 | 607,845 |
| Homeless Shelter | 8 | 205,247 | 232,163 | 227,714 |
| Child and Family Development | 9 | 353,218 | 354,284 | 378,493 |
| Membership | 10 | 744,976 | 847,503 | 894,729 |
| SRFN Youth & Education Foundation | 11 | - | 122,234 | 61,809 |
| Total expenses | | 3,748,530 | 4,937,226 | 4,518,310 |
| Surplus before other items | | 1,000,983 | 1,439,397 | 3,909,893 |
| Other expenses | | | | |
| Results of SRFN Development Corporation operations (Note 5) | | - | (174,979) | (223,466) |
| Unrecoverable GST | | - | (10,592) | (15,534) |
| Payroll tax settlement | | - | - | (26,687) |
| Amortization of tangible capital assets (Schedule 1) | | - | (243,954) | (228,415) |
| | | - | (429,525) | (494,102) |
| Surplus | | 1,000,983 | 1,009,872 | 3,415,791 |
| Accumulated surplus, beginning of year | | 12,820,371 | 12,820,371 | 9,404,580 |
| Accumulated surplus, end of year (Note 10) | | 13,821,354 | 13,830,243 | 12,820,371 |

Salt River First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 |
|--|------------------------|--------------------|-------------|
| Surplus | | | |
| Purchases of tangible capital assets | 1,000,983 | 1,009,872 | 3,415,791 |
| Amortization of tangible capital assets | - | (7,769,305) | (2,279,402) |
| Acquisition of prepaid expenses | - | 243,954 | 228,415 |
| | - | (45,699) | (40,474) |
| Increase (decrease) in net financial assets | 1,000,983 | (6,561,178) | 1,324,330 |
| Net financial assets, beginning of year | 7,848,168 | 7,848,168 | 6,523,838 |
| Net financial assets, end of year | 8,849,151 | 1,286,990 | 7,848,168 |

Salt River First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2018

| | 2018 | 2017 |
|---|------------------|-------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | | |
| Cash receipts from contributors | 5,899,583 | 8,926,930 |
| Cash paid to suppliers | (3,570,693) | (3,263,390) |
| Cash paid to employees | (1,528,321) | (1,248,009) |
| Interest received | 17,264 | 27,043 |
| Interest paid | (14,121) | (5,546) |
| | 803,712 | 4,437,028 |
| Financing activities | | |
| Advances of long-term debt | 9,800,200 | - |
| Repayment of long-term debt | (36,139) | - |
| | 9,764,061 | - |
| Capital activities | | |
| Purchases of tangible capital assets | (6,443,525) | (2,202,185) |
| Investing activities | | |
| Advances to First Nation business entity | (94,556) | (1,490,974) |
| Increase in cash resources | 4,029,692 | 743,869 |
| Cash resources, beginning of year | 4,392,239 | 3,648,370 |
| Cash resources, end of year | 8,421,931 | 4,392,239 |

Salt River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

1. Operations

The Salt River First Nation (the "First Nation") is located in the Northwest Territories and provides various services to its members. Salt River First Nation includes the First Nation's members, government and all related entities that are accountable to the First Nation and are either owned or controlled by the First Nation.

2. Significant accounting policies

These consolidated financial statements are the representations of management, and are prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada and are consistent with accounting policies set out by the Department of Indigenous Services Canada ("ISC"). Significant aspects of the accounting policies adopted by the First Nation are as follows:

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities. Trusts administered on behalf of third parties by Salt River First Nation, including the Salt River First Nation Settlement Trust (the "Trust"), are excluded from the First Nation reporting entity.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Salt River First Nation
- Salt River First Nation Youth & Education Foundation

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Salt River First Nation business entities, owned or controlled by the First Nation's Council but not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include the Salt River First Nation Development Corporation.

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Measurement uncertainty (use of estimates)

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Investment in First Nation business entities is stated after evaluation as to valuation and collectibility of advances. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the First Nation is responsible for.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in surplus in the periods in which they become known.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

Salt River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

2. Significant accounting policies *(Continued from previous page)*

Portfolio investments

Long-term investments in entities that are not owned, controlled or influenced by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

i. Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible capital assets are recorded at their fair value at the date of contribution. Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

| | Method | Rate |
|---------------------------------|-------------------|-------------|
| Buildings | straight-line | 20 years |
| Automotive equipment | declining balance | 30 % |
| Computer equipment and software | declining balance | 30 % |
| Office furniture and equipment | declining balance | 20 % |

ii. Prepaid expenses

Prepaid expenses include retainers advanced to legal counsel and pre-payments on goods and services which will be utilized in the following fiscal year.

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in surplus for the year.

Net financial assets

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

Salt River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

2. Significant accounting policies *(Continued from previous page)*

Liability for contaminated sites

A liability for remediation of contaminated sites is recognized at the best estimate of the amount required to remediate the contaminated sites when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2018.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation has not recognized a liability for contaminated sites at March 31, 2018 because it is not expected that economic benefits will be given up.

Revenue recognition

Government transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Settlement trust and other revenue

Other sources of revenue are recorded when received or receivable.

Segments

The First Nation conducts its business through 10 reportable segments: Administration, Finance; Governance, Justice; Culture, Education; Human Resource Development; Lands, Public Works; Homeless Shelter; Child and Family Development; Membership; SRFN Youth & Education Foundation; and Other. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Administration fees have been apportioned based on a percentage of budgeted revenue, where permitted by the funder.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed above. Inter-segment transfers are recorded at their exchange amount.

3. Change in accounting policies

Effective April 1, 2017, the First Nation adopted the recommendations relating to the following Sections, as set out in the CPA Canada Public Sector Accounting Standards Handbook:

- PS 2200 *Related Party Disclosures*
- PS 3420 *Inter-entity Transactions*
- PS 3210 *Assets*
- PS 3320 *Contingent Assets*
- PS 3380 *Contractual Rights*

Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statements of adopting the new Sections.

Salt River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

4. Cash and cash equivalents

| | 2018 | 2017 |
|--------------------------------|------------------|-----------|
| Operations | 2,047,226 | 35,839 |
| Youth & Education Foundation | 751,047 | 659,768 |
| Per capita distribution | (14,569) | 707,876 |
| Savings | 4,565,952 | 1,919,955 |
| Nesbitt Burns (infrastructure) | 1,066,730 | 1,063,256 |
| TD Waterhouse cash accounts | 5,545 | 5,545 |
| | 8,421,931 | 4,392,239 |

The First Nation has received cash advances from the issuance of debt for capital purchases that has not been expended at the year-end. Cash and cash equivalents are composed of the following:

| | 2018 | 2017 |
|-----------------------------------|------------------|-----------|
| Cash for operations | 3,977,314 | 4,392,239 |
| Cash for future capital purchases | 4,444,617 | - |
| | 8,421,931 | 4,392,239 |

5. Investment in and advances to First Nation business entity

| | | | | | 2018 |
|---|------------------------|-------------------------|---------------------------------------|-------------------------------|-------------------------|
| | <i>Investment cost</i> | <i>Loans / advances</i> | <i>Accumulated earnings in equity</i> | <i>Current loss in equity</i> | <i>Total investment</i> |
| Wholly-owned Business: | | | | | |
| Salt River First Nation Development Corporation | 100 | 8,505,211 | (1,276,718) | (174,979) | 7,053,614 |

| | | | | | 2017 |
|---|------------------------|-------------------------|---------------------------------------|-------------------------------|-------------------------|
| | <i>Investment cost</i> | <i>Loans / advances</i> | <i>Accumulated earnings in equity</i> | <i>Current loss in equity</i> | <i>Total investment</i> |
| Wholly-owned Business: | | | | | |
| Salt River First Nation Development Corporation | 100 | 8,410,655 | (1,053,252) | (223,466) | 7,134,037 |

Amounts due from the Salt River First Nation Development Corporation are unsecured, non-interest bearing, and have no specified terms of repayment, and arose from cash transfers to fund operations and purchase tangible capital assets.

Salt River First Nation did not have any non-cash transfers (2017 - \$30,825) to or from the Salt River Development Corporation in the year.

Salt River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

5. Investments in and advances to First Nation business entity *(Continued from previous page)*

Summary financial information for the First Nation business enterprise, accounted for using the modified equity method, for the year ended March 31, 2018 is as follows:

| <i>Salt River First Nation Development Corporation As at March 31, 2018</i> | |
|---|--------------------|
| Assets | |
| Cash | 891,421 |
| Accounts receivable | 705,327 |
| Prepaid expenses | 26,826 |
| Inventory | 330,572 |
| Property and equipment | 5,312,890 |
| Total assets | 7,267,036 |
| Liabilities | |
| Accounts payable and accruals | 213,422 |
| Due to Salt River First Nation | 8,505,211 |
| Total liabilities | 8,718,633 |
| Equity | (1,451,597) |
| Total revenue | 6,414,148 |
| Total expenses | 6,589,127 |
| Net loss, being comprehensive loss | (174,979) |

6. Deferred revenue

Deferred revenue consists of revenue that has not yet been allocated to programs, revenue that has been allocated to programs to be carried out in future years, and the unexpended portion of revenue on programs in progress at March 31, 2018.

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

| | <i>Balance, beginning of year</i> | <i>Funds received</i> | <i>Transferred to revenue</i> | <i>Balance, end of year</i> |
|--|---|---------------------------|-----------------------------------|---------------------------------|
| Settlement Trust funds | 3,950,327 | 4,498,149 | 3,950,327 | 4,498,149 |
| Government of Northwest Territories - Wellness | 98,509 | 149,650 | 248,159 | - |
| Other | 3,000 | - | 3,000 | - |
| | 4,051,836 | 4,647,799 | 4,201,486 | 4,498,149 |

Salt River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

7. Long-term debt

| | 2018 | 2017 |
|---|-------------|-------------|
| First Nations Finance Authority debenture, repayable in monthly blended instalments of \$23,692 including interest at 3.35%, maturing June 2027, amortized over a 30 year term. | 5,121,861 | - |
| Debt reserve fund of the First Nations Finance Authority debenture as required under subsection 84(2) of the First Nations Fiscal Management Act. | (262,484) | - |
| First Nations Finance Authority interim long-term financing requiring interest only payments at 3.35% until issuance of securities by the First Nations Finance Authority. | 5,158,000 | - |
| Debt reserve fund of the First Nations Finance Authority interim long-term financing as required under subsection 84(2) of the First Nations Fiscal Management Act. | (258,701) | - |
| | 9,758,676 | - |
| Less: less: current portion | 115,155 | - |
| | 9,643,521 | - |

Principal repayments on long-term debt in each of the next five years are estimated as follows:

| | |
|------|---------|
| 2019 | 115,155 |
| 2020 | 118,386 |
| 2021 | 122,414 |
| 2022 | 126,578 |
| 2023 | 130,884 |

Interest on long-term debt totaling \$165,995 (2017 - \$nil) has been capitalized as part of buildings under construction. As a result, the interest paid has been included in purchases of tangible capital assets on the statement of cash flows.

Of the \$10,316,000 (2017 - nil) in advances from the debenture and interim long-term financing, \$515,800 (2017 - nil) was retained to fund the required debt reserve funds. The funding of the debt reserve funds is a non-cash transaction and is therefore excluded from the advances of long-term debt on the statement of cash flows.

The debt reserve funds earn interest at 1.1% (2017 - nil) per annum. The interest earned in the year totalling \$5,385 (2017 - nil) is a non-cash transaction and is therefore excluded from interest received on the statement of cash flows.

The debentures and interim financing are secured by tobacco and fuel rebates from the Government of Northwest Territories, resource revenue from the Government of Northwest Territories, Goods and Service Tax rebates from the Government of Canada, and Resource revenue from Indigenous Service Canada.

The First Nations Finance Authority requires that the First Nation provide the Authority with a copy of the Financial Management System Certificate within 36 months after the Salt River First Nation receives financing (other than Interim Long Term Financing) from the authority. As of March 31, 2018 this certificate has not yet been provided.

8. Contingencies

The First Nation has filed claims against various parties alleging breach of fiduciary duty, conspiracy, and misappropriation of funds. The claim is for over \$800,000 plus interest and costs. The litigation process for the claim remains in progress at the year-end, and while it is ongoing, it appears as though the First Nation is likely to succeed in the claim.

Through a forensic audit covering the period of April 1, 2011 to March 31, 2013, overpayment of honoraria and expense claims to various parties totalling over \$279,000 were identified. The First Nation is exploring options to collect the balances identified.

These consolidated financial statements are subject to review by the First Nation's funding agents. It is possible that adjustments could be made based on the results of their reviews.

Salt River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

9. Prepaid expenses

| | 2018 | 2017 |
|------------------------------|----------------|-------------|
| Retainers to legal counsel | 84,678 | 74,737 |
| Prepaid insurance, rent, etc | <u>80,765</u> | 45,007 |
| | 165,443 | 119,744 |

10. Accumulated surplus

Accumulated surplus consists of the following:

| | 2018 | 2017 |
|---|-------------------|-------------|
| Equity in tangible capital assets | | |
| Balance, beginning of year | 4,852,459 | 2,801,472 |
| Acquisition of tangible capital assets | 7,769,305 | 2,279,402 |
| Advances of long-term debt to finance tangible capital assets | (6,674,113) | - |
| Amortization | <u>(243,954)</u> | (228,415) |
| | 5,703,697 | 4,852,459 |
| Unrestricted surplus | | |
| Balance, beginning of year | 7,967,913 | 6,603,108 |
| Surplus for the year | 1,009,872 | 3,415,792 |
| Transfer to equity in tangible capital assets | <u>(851,238)</u> | (2,050,987) |
| | 8,126,547 | 7,967,913 |
| | 13,830,244 | 12,820,372 |

11. Salt River First Nation Settlement Trust

The First Nation is the beneficiary of the Salt River First Nation Settlement Trust. All disbursements from the Trust to the First Nation are approved by the Trustees under the trust documents established by the final settlement agreement. The trust assets are invested with TD Waterhouse.

The objectives of the Trust are as follows:

a) Settlement Capital Fund

The Salt River First Nation Settlement Trust agreement dated March 4, 2002 provides for an annual distribution to the Salt River First Nation to fund operations, per capita distributions, and other programs or expenditures in accordance with the annual budget approved by membership.

b) Reserve Survey Fund

This fund is to pay reserve survey costs, including environmental assessment and remediation, reserve survey, legal and consulting costs.

c) Infrastructure and Land Acquisition Fund

This fund is to pay all costs related to the planning, design, construction and operation and maintenance of infrastructure on the reserves of the First Nation, and to pay costs related to the appraisal and acquisition of lands identified in the Settlement Agreement.

Salt River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

11. Salt River First Nation Settlement Trust *(Continued from previous page)*

d) Youth and Education Fund

This fund is to transfer funding and income to the Youth & Education Foundation.

Distributions from the Trust Fund are calculated by the Trustee, annually at December 31, as follows the greater of:

- 1) Income for tax purposes, and
- 2) 8% of the value of cash and authorized investments less the annual rate of inflation.

The annual rate of inflation of 1.6% for the year ended December 31, 2017 (1.4% for 2016) was determined by reference to the Statistics Canada/CPI website.

The Settlement Trust agreement requires annual distributions from the Settlement Capital Fund, Reserve Survey Fund and Infrastructure and Land Acquisition Fund to be made to the Salt River Settlement Revenue Account (TLE Program). Annual distributions from the Youth and Education Fund are to be paid to the Salt River First Nation Youth & Education Foundation.

The Salt River First Nation Settlement Trust has not been included on the consolidated statement of financial position, nor have its operations been included on the consolidated statement of operations. The trust fund balance at December 31 was as follows:

| | <i>Dec 31</i> <i>2017</i> | <i>Dec 31</i> <i>2016</i> |
|--|------------------------------|------------------------------|
| Salt River First Nation Settlement Trust | 80,221,935 | 78,299,090 |

The Trust fund balance at March 31, 2018 was \$74,616,262 (2017 - \$76,651,675).

Annual disbursements from the Trust to the First Nation, as calculated by the trustee and approved by membership are as follows:

| | <i>2018</i> | <i>2017</i> |
|------------------------------|------------------|-------------|
| Operational | 3,582,209 | 4,063,134 |
| Infrastructure | 399,725 | 453,997 |
| Per capita distribution | 564,977 | 659,558 |
| Youth & Education Foundation | 183,816 | 208,190 |
| | <hr/> | <hr/> |
| Recapitalization | 4,730,727 | 5,384,879 |
| | (780,400) | (789,236) |
| | <hr/> | <hr/> |
| | 3,950,327 | 4,595,643 |

12. Economic dependence

The First Nation receives approximately 62% (2017 - 54%) of its annual revenue from the Salt River First Nation Settlement Trust and 17% (2017 - 39%) in the form of transfer payments from the federal government on the basis of annual contribution agreements. The ability of the First Nation to continue operations is dependent upon funding from these bodies.

Salt River First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

13. Budget information

The disclosed budget information has been approved by the Chief and Council of the Salt River First Nation at a meeting held on January 31, 2017.

14. Tangible capital assets

The tangible capital asset details are included on Schedule 1.

Construction in progress includes four homes on Wood Bison Street under construction at the year-end, a geotechnical report, and costs related to the multipurpose facility with a carrying value of \$8,651,295 (2017 - \$2,275,281). Construction in progress in the prior year that remains in progress at the end of the current year totals \$1,030,324 (2017 - nil). Construction in progress from the prior year that were transferred to tangible capital assets in the current year total \$1,244,957 (2017 - nil). Additions to construction in progress in the year total \$7,620,971 (2017 - \$2,275,281). No amortization on these assets has been recorded during the year because they are currently under construction.

Costs related to the acquisition of tangible capital assets of \$1,349,780 (2017 - \$24,000) are included in accounts payable at March 31, 2018, and are therefore not included on the consolidated statement of cash flows.

There were no non-cash tangible capital asset additions (2017 - \$53,217) in the year. These additions are not included on the consolidated statement of cash flows.

15. Commitments

The First Nation has entered into a stipulated price contract totaling \$17,985,000 for the construction of a multipurpose facility.

16. Comparative figures

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

Salt River First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2018

| | <i>Land</i> | <i>Buildings</i> | <i>Automotive equipment</i> | <i>Computer equipment and software</i> | <i>Office furniture and equipment</i> | <i>2018</i> | <i>2017</i> |
|--|----------------|-------------------|-----------------------------|--|---------------------------------------|-------------------|------------------|
| Cost | | | | | | | |
| Balance, beginning of year | 698,671 | 4,276,478 | 288,273 | 170,689 | 457,954 | 5,892,065 | 4,642,987 |
| Acquisition of tangible capital assets | - | 125,043 | - | 4,513 | 18,778 | 148,334 | 4,121 |
| Construction-in-progress | - | 8,651,295 | - | - | - | 8,651,295 | 2,275,281 |
| Balance, end of year | 698,671 | 13,052,816 | 288,273 | 175,202 | 476,732 | 14,691,694 | 6,922,389 |
| Accumulated amortization | | | | | | | |
| Balance, beginning of year | - | 1,393,146 | 170,003 | 161,441 | 345,340 | 2,069,930 | 1,841,515 |
| Annual amortization | - | 180,534 | 35,481 | 3,539 | 24,400 | 243,954 | 228,415 |
| Balance, end of year | - | 1,573,680 | 205,484 | 164,980 | 369,740 | 2,313,884 | 2,069,930 |
| Net book value of tangible capital assets | 698,671 | 11,479,136 | 82,789 | 10,222 | 106,992 | 12,377,810 | 4,852,459 |
| 2017 net book value | 698,671 | 3,913,656 | 118,270 | 9,248 | 112,614 | 4,852,459 | |

Salt River First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 |
|--|------------------------|------------------|------------------|
| Consolidated expenses by object | | | |
| Salaries and benefits | 1,148,195 | 1,222,319 | 1,185,535 |
| Consulting and contracted services | 431,500 | 1,022,432 | 599,989 |
| Per capita distribution | 564,976 | 716,300 | 730,593 |
| Professional fees | 385,000 | 561,201 | 578,722 |
| Supplies | 148,600 | 164,771 | 168,352 |
| Donations and event prizes | 109,500 | 142,537 | 117,462 |
| Travel - Chief and Council | 120,000 | 137,666 | 114,425 |
| Council honoraria | - | 106,076 | 80,650 |
| Chief salary | 184,000 | 104,000 | 104,000 |
| Insurance | 76,380 | 96,726 | 89,725 |
| Telephone and utilities | 60,600 | 92,390 | 83,206 |
| Student living allowance | - | 77,712 | 42,912 |
| Elders | 65,000 | 67,000 | 62,000 |
| Automotive | 27,225 | 55,942 | 54,051 |
| Property tax | 72,000 | 52,527 | 48,675 |
| Rent | 35,150 | 41,652 | 33,935 |
| Office supplies and expenses | 29,600 | 37,372 | 33,579 |
| Tuition and books | - | 31,712 | 15,042 |
| Meetings | 55,000 | 27,928 | 61,147 |
| Funeral assistance | 55,000 | 27,000 | 52,000 |
| Travel and transportation | 28,500 | 26,653 | 73,242 |
| Leases, rentals | 39,804 | 24,241 | 30,424 |
| Training | 13,000 | 17,969 | 22,483 |
| Emergency repairs program | 30,000 | 17,146 | 29,562 |
| Member needs | 20,000 | 16,531 | 19,588 |
| Repairs and maintenance | 19,500 | 16,462 | 41,180 |
| Bank charges and interest | 3,000 | 14,121 | 5,544 |
| Administration | - | 9,189 | 12,041 |
| Bursaries | 15,000 | 6,000 | 15,000 |
| Youth | 10,000 | 3,526 | 1,470 |
| Registration fees | - | 125 | 1,900 |
| Miscellaneous | - | - | 9,876 |
| Registration fees | 2,000 | - | - |
| | 3,748,530 | 4,937,226 | 4,518,310 |

Salt River First Nation
Administration, Finance
Schedule 3 - Schedule of Revenue and Expenses
For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 |
|------------------------------------|------------------------|------------------|-------------|
| Revenue | | | |
| Settlement Trust distributions | 699,184 | 699,185 | 498,100 |
| Indigenous Services Canada | 85,360 | 232,880 | 179,561 |
| Other revenue | 20,000 | 87,727 | 6,653 |
| Interest income | - | 22,649 | 27,043 |
| | 804,544 | 1,042,441 | 711,357 |
| Expenses | | | |
| Consulting and contracted services | 154,000 | 436,140 | 177,401 |
| Salaries and benefits | 479,000 | 351,247 | 311,365 |
| Telephone and utilities | 30,000 | 39,268 | 44,877 |
| Office supplies | 29,000 | 35,991 | 31,497 |
| Insurance | 32,940 | 19,972 | 42,329 |
| Supplies | 10,000 | 16,029 | 15,731 |
| Leases, rentals | 29,104 | 13,548 | 14,082 |
| Bank charges and interest | 3,000 | 13,161 | 4,894 |
| Professional fees | 25,000 | 10,094 | 20,074 |
| Travel and transportation | 5,000 | 7,102 | 3,462 |
| Donations and event prizes | 1,500 | 5,554 | 1,493 |
| Repairs and maintenance | 1,000 | 760 | 2,590 |
| Training | 5,000 | - | - |
| | 804,544 | 948,866 | 669,795 |
| Surplus | - | 93,575 | 41,562 |

Salt River First Nation
Governance, Justice
Schedule 4 - Schedule of Revenue and Expenses
For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 |
|-------------------------------------|------------------------|------------------|------------------|
| Revenue | | | |
| Settlement Trust distributions | 853,170 | 853,170 | 780,880 |
| Indigenous Services Canada | 78,000 | 401,000 | 319,754 |
| Government of Northwest Territories | - | - | 8,000 |
| Other revenue | - | 11,785 | 5,151 |
| Deferred revenue - prior year | - | 3,000 | 6,000 |
| Deferred revenue - current year | - | - | (3,000) |
| Funding returned to funder | - | (3,000) | - |
| | 931,170 | 1,265,955 | 1,116,785 |
| Expenses | | | |
| Professional fees | 360,000 | 540,694 | 534,896 |
| Consulting and contracted services | 80,000 | 219,889 | 270,954 |
| Travel - Chief and Council | 120,000 | 136,554 | 111,581 |
| Chief salary | 184,000 | 104,000 | 104,000 |
| Council honoraria | - | 102,476 | 79,000 |
| Salaries and benefits | 79,170 | 81,782 | 75,013 |
| Donations and event prizes | 22,000 | 30,463 | 28,076 |
| Meetings | 55,000 | 27,678 | 54,176 |
| Travel and transportation | 20,000 | 17,559 | 48,200 |
| Insurance | 8,000 | 14,463 | 11,710 |
| Training | - | 5,217 | 2,580 |
| Supplies | - | 3,619 | 588 |
| Telephone and utilities | 400 | 961 | 2,194 |
| Office supplies and expenses | 600 | 498 | 1,545 |
| Miscellaneous | - | - | 9,876 |
| Registration fees | 2,000 | - | 1,900 |
| Member needs | - | - | 484 |
| | 931,170 | 1,285,853 | 1,336,773 |
| Deficit | - | (19,898) | (219,988) |

Salt River First Nation
Culture, Education
Schedule 5 - Schedule of Revenue and Expenses
For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 |
|-------------------------------------|------------------------|----------------|------------------|
| Revenue | | | |
| Government of Northwest Territories | 140,925 | 291,596 | 131,038 |
| Settlement Trust distributions | 156,600 | 156,600 | 36,100 |
| Other revenue | 35,000 | 71,045 | 28,688 |
| Funding returned to funder | - | - | (39,987) |
| Deferred revenue - prior year | - | 98,509 | 124,326 |
| Deferred revenue - current year | - | - | (98,509) |
| | 332,525 | 617,750 | 181,656 |
| Expenses | | | |
| Consulting and contracted services | 143,500 | 346,431 | 106,409 |
| Donations and event prizes | 86,000 | 106,077 | 87,641 |
| Supplies | 63,600 | 64,845 | 46,637 |
| Automotive | 12,225 | 12,817 | 10,597 |
| Leases, rentals | 10,700 | 9,428 | 13,593 |
| Administration | - | 7,189 | 12,041 |
| Bursaries | 15,000 | 6,000 | 15,000 |
| Council honoraria | - | 3,600 | - |
| Salaries and benefits | - | 3,525 | - |
| Travel - Chief and Council | - | 1,112 | 379 |
| Office supplies and expenses | - | 883 | 133 |
| Training | - | 620 | - |
| Travel and transportation | 1,500 | 428 | 17,811 |
| Meetings | - | 250 | 5,411 |
| | 332,525 | 563,205 | 315,652 |
| Surplus (deficit) | - | 54,545 | (133,996) |

Salt River First Nation
Human Resource Development
Schedule 6 - Schedule of Revenue and Expenses
For the year ended March 31, 2018

| | <i>2018 Budget</i> | <i>2018</i> | <i>2017</i> |
|----------------------------|------------------------|-------------|-------------|
| Revenue | | | |
| Indigenous Services Canada | 25,500 | 97,915 | 25,500 |
| Expenses | | | |
| Salaries and benefits | 25,500 | 97,915 | 25,500 |
| Surplus (deficit) | - | - | - |

Salt River First Nation
Lands, Public Works
Schedule 7 - Schedule of Revenue and Expenses
For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 |
|-------------------------------------|------------------------|-----------------|------------------|
| Revenue | | | |
| Settlement Trust distributions | 351,350 | 351,350 | 205,860 |
| Indigenous Services Canada | - | 50,000 | 92,801 |
| Government of Northwest Territories | - | 6,000 | 3,000 |
| Other revenue | - | 400 | 27,364 |
| | 351,350 | 407,750 | 329,025 |
| Expenses | | | |
| Salaries and benefits | 150,000 | 259,999 | 331,326 |
| Property tax | 72,000 | 52,527 | 48,675 |
| Insurance | 23,000 | 35,621 | 20,272 |
| Automotive | 15,000 | 43,125 | 43,287 |
| Supplies | 20,000 | 27,843 | 42,831 |
| Rent | 350 | 24,852 | 2,135 |
| Telephone and utilities | 9,000 | 17,611 | 10,454 |
| Consulting and contracted services | 50,000 | 15,122 | 39,664 |
| Repairs and maintenance | 12,000 | 7,261 | 34,602 |
| Leases, rentals | - | 1,265 | 2,711 |
| Professional fees | - | - | 23,748 |
| Travel - Chief and Council | - | - | 2,465 |
| Travel and transportation | - | - | 2,465 |
| Council honoraria | - | - | 1,650 |
| Meetings | - | - | 1,560 |
| | 351,350 | 485,226 | 607,845 |
| Deficit | - | (77,476) | (278,820) |

Salt River First Nation
Homeless Shelter
Schedule 8 - Schedule of Revenue and Expenses
For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 |
|--------------------------------|------------------------|-----------------|------------------|
| Revenue | | | |
| Settlement Trust distributions | 205,247 | 205,247 | 90,217 |
| Expenses | | | |
| Salaries and benefits | 160,247 | 172,607 | 185,225 |
| Insurance | 12,000 | 19,364 | 14,884 |
| Telephone and utilities | 10,000 | 15,899 | 9,703 |
| Supplies | 14,000 | 15,867 | 17,092 |
| Repairs and maintenance | 4,000 | 7,970 | 810 |
| Donations and event prizes | - | 443 | - |
| Training | 5,000 | - | - |
| | 205,247 | 232,150 | 227,714 |
| Deficit | - | (26,903) | (137,497) |

Salt River First Nation
Child and Family Development
Schedule 9 - Schedule of Revenue and Expenses
For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 |
|-------------------------------------|------------------------|----------------|-----------------|
| Revenue | | | |
| Health Canada | 244,208 | 254,397 | 244,208 |
| Government of Northwest Territories | 109,010 | 99,878 | 122,822 |
| | 353,218 | 354,275 | 367,030 |
| Expenses | | | |
| Salaries and benefits | 254,278 | 255,243 | 257,106 |
| Supplies | 41,000 | 36,568 | 45,473 |
| Telephone and utilities | 11,200 | 18,651 | 15,978 |
| Rent | 34,800 | 16,800 | 31,800 |
| Travel and transportation | 2,000 | 1,565 | 1,304 |
| Insurance | 440 | 7,307 | 530 |
| Professional fees | - | 3,413 | - |
| Training | 3,000 | 12,132 | 19,903 |
| Administration | - | 2,000 | - |
| Repairs and maintenance | 2,500 | 471 | 3,179 |
| Registration fees | - | 125 | - |
| Consulting and contracted services | 4,000 | - | 2,713 |
| Donations and event prizes | - | - | 252 |
| Automotive | - | - | 168 |
| Office supplies and expenses | - | - | 49 |
| Leases, rentals | - | - | 38 |
| | 353,218 | 354,275 | 378,493 |
| Surplus (deficit) | - | - | (11,463) |

Salt River First Nation
Membership
Schedule 10 - Schedule of Revenue and Expenses
For the year ended March 31, 2018

| | <i>2018 Budget</i> | <i>2018</i> | <i>2017</i> |
|--------------------------------|------------------------|------------------|-------------|
| Revenue | | | |
| Settlement Trust distributions | 744,976 | 744,976 | 819,558 |
| Expenses | | | |
| Per capita distribution | 564,976 | 716,300 | 730,593 |
| Elders | 65,000 | 67,000 | 62,000 |
| Funeral assistance | 55,000 | 27,000 | 52,000 |
| Emergency repairs program | 30,000 | 17,146 | 29,562 |
| Member needs | 20,000 | 16,531 | 19,104 |
| Youth | 10,000 | 3,526 | 1,470 |
| | 744,976 | 847,503 | 894,729 |
| Deficit | - | (102,527) | (75,171) |

Salt River First Nation
SRFN Youth & Education Foundation
Schedule 11 - Schedule of Revenue and Expenses
For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 |
|------------------------------------|------------------------|----------------|-------------|
| Revenue | | | |
| Settlement Trust distributions | - | 183,816 | 208,190 |
| Other revenue | - | 1,136 | 630 |
| | - | 184,952 | 208,820 |
| Expenses | | | |
| Student living allowance | - | 77,712 | 42,912 |
| Tuition and books | - | 31,712 | 15,042 |
| Professional fees | - | 7,000 | - |
| Consulting and contracted services | - | 4,850 | 2,850 |
| Bank charges and interest | - | 960 | 650 |
| Office supplies and expenses | - | - | 355 |
| | - | 122,234 | 61,809 |
| Surplus | - | 62,718 | 147,011 |

Salt River First Nation
Other
Schedule 12 - Schedule of Revenue and Expenses
For the year ended March 31, 2018

| | 2018 Budget | 2018 | 2017 |
|--|------------------------|------------------|------------------|
| Revenue | | | |
| Settlement Trust distributions | 755,983 | 755,983 | 1,956,738 |
| Government of Northwest Territories | 180,000 | 631,473 | 209,531 |
| Indigenous Services Canada | 65,000 | 67,907 | 1,726,986 |
| Deferred revenue - prior year | - | - | 685,000 |
| | 1,000,983 | 1,455,363 | 4,578,255 |
| Other expenses | | | |
| Payroll tax settlement | - | - | (26,687) |
| Unrecoverable GST | - | (10,592) | (15,534) |
| Results of SRFN Development Corporation operations | - | (174,979) | (223,466) |
| Amortization of tangible capital assets | - | (243,954) | (228,415) |
| | - | (429,525) | (494,102) |
| Surplus | 1,000,983 | 1,025,838 | 4,084,153 |