

Sts'ailes
Consolidated Financial Statements
March 31, 2019

Management's Responsibility

Independent Auditors' Report

Consolidated Financial Statements

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Management's Responsibility

To the Members of Sts'ailes

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

MNP LLP is appointed by 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 the Council and management to discuss their audit findings.

July 22, 2019



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Independent Auditor's Report

To the Members of Sts'ailes:

Opinion

We have audited the consolidated financial statements of Sts'ailes (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, accumulated surplus, changes in net debt, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Nation as at March 31, 2019, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chilliwack, British Columbia

July 22, 2019


MNP LLP

Chartered Professional Accountants

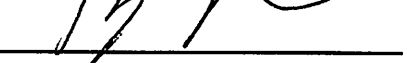
Sts'ailes
Consolidated Statement of Financial Position
As at March 31, 2019

| | 2019 | 2018 |
|---|--------------------|--------------------|
| Financial assets | | |
| Cash and cash equivalents | 324,462 | 1,738,663 |
| Restricted cash (Note 3) | 295,135 | 578,269 |
| Accounts receivable (Note 4) | 2,172,038 | 2,382,173 |
| Inventory for resale | 95,169 | 131,553 |
| Investment in Nation business entities (Note 5) | 3,726,411 | 3,695,031 |
| Funds held in trust (Note 6) | 539,240 | 596,862 |
| Long-term loans (Note 7) | 5,000,000 | 5,000,000 |
| Total of financial assets | 12,152,455 | 14,122,551 |
| Liabilities | | |
| Bank indebtedness (Note 8) | 1,137,877 | 592,732 |
| Accounts payable and accruals (Note 9) | 1,322,547 | 1,834,448 |
| Deferred revenue (Note 10) | 831,539 | 1,558,588 |
| Long-term debt (Note 11) | 13,215,655 | 12,918,447 |
| Term loans due on demand (Note 12) | 3,000,156 | 3,061,116 |
| Reforestation obligation | 407,528 | 407,839 |
| Total of financial liabilities | 19,915,302 | 20,373,170 |
| Net debt | (7,762,847) | (6,250,619) |
| Contingencies (Note 13) | | |
| Non-financial assets | | |
| Tangible capital assets (Schedule 1) | 15,997,329 | 13,069,968 |
| Prepaid expenses | 761,904 | 882,992 |
| Total non-financial assets | 16,759,233 | 13,952,960 |
| Accumulated surplus (Note 14) | 8,996,386 | 7,702,341 |

Approved on behalf of the Council

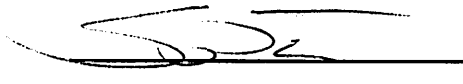


 Councillor




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The accompanying notes are an integral part of these financial statements

Sts'ailes

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2019

| | <i>Schedules</i> | 2019 Budget | 2019 | 2018 |
|---|------------------|------------------------|-------------------|-------------|
| Revenue | | | | |
| Indigenous Services Canada | | 6,151,581 | 8,463,537 | 6,472,901 |
| Economic activity | | - | 7,539,142 | 6,360,198 |
| Province of British Columbia | | 1,010,457 | 3,746,301 | 2,639,919 |
| First Nation Health Authority | | 1,641,069 | 1,997,522 | 1,911,585 |
| Sts'ailes contracts | | 397,333 | 567,840 | 1,430,886 |
| Other revenue | | 3,860,110 | 377,313 | 97,157 |
| Canada Mortgage and Housing Corporation | | - | 42,265 | 32,343 |
| Sto:lo Aboriginal Skills and Employment Training | | 591,925 | 598,358 | 516,023 |
| Rental income | | 397,562 | 457,184 | 435,101 |
| Interest income | | 34,000 | 29,359 | 22,424 |
| Ottawa trust income | | - | 15,494 | 15,419 |
| New Relationship Trust | | - | - | 7,760 |
| Loss on disposal of tangible capital assets | | - | - | (80,335) |
| Funding reimbursement (recovery) | | - | 126,183 | (48,852) |
| Income (loss) from investment in Nation business entities | | - | (251,635) | 257,701 |
| | | 14,084,037 | 23,708,863 | 20,070,230 |
| Program expenses | | | | |
| Sts'ailes Administration and Governance | 3 | 2,507,924 | 2,198,071 | 1,472,192 |
| Employment | 4 | 497,026 | 572,697 | 443,251 |
| Social Development | 5 | 422,005 | 1,104,579 | 1,075,917 |
| Education | 6 | 5,871,420 | 5,650,266 | 5,761,574 |
| Health | 7 | 1,235,039 | 1,117,118 | 1,508,706 |
| Snowoyelh | 8 | 1,308,593 | 1,582,887 | 1,009,706 |
| Community Development | 9 | 1,491,273 | 2,073,304 | 1,881,586 |
| Economic Development | 10 | 437,028 | 499,858 | 325,877 |
| Housing | 11 | 400,420 | 640,329 | 814,560 |
| Lands | 12 | 780,399 | 831,833 | 673,232 |
| Economic Development - Controlled Entities | 13 | - | 6,143,876 | 4,915,248 |
| Total expenditures | | 14,951,127 | 22,414,818 | 19,881,849 |
| Annual surplus (deficit) | | (867,090) | 1,294,045 | 188,381 |
| Accumulated surplus, beginning of year | | 7,702,341 | 7,702,341 | 7,513,960 |
| Accumulated surplus, end of year | | 6,835,251 | 8,996,386 | 7,702,341 |

The accompanying notes are an integral part of these financial statements

Sts'ailes
Consolidated Statement of Changes in Net Debt
For the year ended March 31, 2019

| | 2019 Budget | 2019 | 2018 |
|--|------------------------|--------------------|-------------|
| Annual surplus (deficit) | (867,090) | 1,294,045 | 188,381 |
| Purchases of tangible capital assets | - | (3,903,303) | (1,591,233) |
| Amortization of tangible capital assets | 1,378,646 | 1,359,942 | 1,185,317 |
| Proceeds on disposal of tangible capital assets | - | - | 7,505 |
| Loss on disposal of tangible capital assets | - | - | 80,337 |
| Government transfer of land | - | (384,000) | - |
| | 1,378,646 | (2,927,361) | (318,074) |
| Acquisition of prepaid expenses | - | (761,904) | (882,992) |
| Use of prepaid expenses | - | 882,992 | 637,720 |
| | - | 121,088 | (245,272) |
| (Increase) decrease in net financial debt | 511,556 | (1,512,228) | (374,965) |
| Net debt, beginning of year | (6,250,619) | (6,250,619) | (5,875,654) |
| Net debt, end of year | (5,739,063) | (7,762,847) | (6,250,619) |

The accompanying notes are an integral part of these financial statements

Sts'ailes
Consolidated Statement of Cash Flows
For the year ended March 31, 2019

| | 2019 | 2018 |
|---|--------------------|--------------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | | |
| Annual surplus (deficit) | 1,294,045 | 188,381 |
| Non-cash items | | |
| Amortization | 1,359,942 | 1,185,317 |
| Change in funds held in trust | 57,622 | (15,418) |
| Gain/loss on disposal of tangible capital assets | - | 80,337 |
| Income (loss) from investment in Nation business entities | 251,635 | (257,701) |
| Government transfer of land | (384,000) | - |
| | 2,579,244 | 1,180,916 |
| Changes in working capital accounts | | |
| Restricted cash | 283,134 | (161,266) |
| Accounts receivable | 209,135 | (42,794) |
| Inventory for resale | 36,384 | (8,650) |
| Accounts payable and accruals | (512,522) | 549,595 |
| Deferred revenue | (727,050) | 1,453,349 |
| Reforestation obligation | 311 | (34,092) |
| Prepaid expenses | 121,088 | (245,272) |
| | 1,989,724 | 2,691,786 |
| Financing activities | | |
| Advances of long-term debt | 436,053 | 343,473 |
| Repayment of long-term debt | (138,845) | (169,294) |
| Advances of operating line of credit | 545,145 | 82,526 |
| Repayment of term loans due on demand | (60,960) | (352,920) |
| | 781,393 | (96,215) |
| Capital activities | | |
| Purchases of tangible capital assets | (3,903,303) | (1,591,233) |
| Proceeds on disposal of tangible capital assets | - | 7,505 |
| | (3,903,303) | (1,583,728) |
| Investing activities | | |
| Advances to Nation business entities | (282,015) | (3,117,292) |
| Decrease in cash resources | (1,414,201) | (2,105,449) |
| Cash resources, beginning of year | 1,738,663 | 3,844,112 |
| Cash resources, end of year | 324,462 | 1,738,663 |
| Supplementary cash flow information | | |
| Interest paid | 676,561 | 568,543 |

The accompanying notes are an integral part of these financial statements

1. Operations

Sts'ailes (the "First Nation") is located in the province of British Columbia, and provides various services to its members. Sts'ailes includes the Band'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, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

Reporting entity consolidated

The financial statements consolidate the financial activities of all entities and departments comprising Sts'ailes reporting entity, except for Nation business entities. Trusts administered on behalf of third parties by Sts'ailes are excluded from the Nation reporting entity.

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

- Sts'ailes Development Limited Partnership
- Sts'ailes Development Corporation
- Chehalis Indian Band Economic Development Trust
- Sts'ailes Social Housing - Post-1997 Programs
- Sasquatch Crossing Eco Lodge Ltd
- SLD (Sts'ailes Sasq'ets A:eylexwtawtexw) Land Holdings Inc.

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.

Sts'ailes business entities, owned or controlled by the Nation's Council but not dependent on the 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 Nation. Thus, the 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:

- Harrison Salmon Producers Limited Partnership
- Sts'ailes Eco Energy Development (Sakwi) Limited Partnership
- Sts'ailes Eco Energy Development (Bremner Trio) Limited Partnership

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.

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, prepaid expenses, and inventories of supplies.

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

Net debt

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

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible assets are recorded at their fair value at the date of contribution.

Amortization

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 | declining balance | 10% |
| Housing | declining balance | 10% |
| Infrastructure | declining balance | 10% |
| Equipment | declining balance | 20 - 30% |

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of the Nation's members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Revenue recognition

Government Transfers

The 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 Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Housing Rental Income

Rental revenue is recorded in the year it is earned. At the end of each year, management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

Funds held in Ottawa Trust Fund

Due to measurement uncertainty, revenue related to the receipt of funds held in the Ottawa Trust Fund is recognized when it is received.

Own source revenue

Own source revenue derived from such sources as resource based revenues, interest income and other revenue are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

Investments

Sts'ailes uses the modified equity method to account for its investment in Harrison Salmon Producers Limited Partnership, Sts'ailes Eco Energy Development (Sakwi) Limited Partnership and Sts'ailes Eco Energy Development (Bremner Trio) Limited Partnership whereby the First Nation records its proportionate share of annual earnings as revenue.

Measurement uncertainty

The preparation of the 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 and amounts due from related First Nation entities and departments, are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Reforestation obligation is based upon various judgments and assumptions and is accrued and charged to earnings on the basis of the volume of timber cut.

Inventory

Management has estimated the value of the inventory based upon their assessment of the realizable amount less selling costs.

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.

When Sts'ailes determines that a long-lived asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

Segments

Sts'ailes conducts its business through eleven reportable segments: Sts'ailes Administration and Governance, Employment, Social Development, Education, Health, Snowoyelh, Community Development, Economic Development, Housing, Lands, and Economic Development - Controlled Entities. These operating segments are established by senior management to facilitate the achievement of Sts'ailes 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.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

Retirement benefits

Sts'ailes has a defined contribution pension plan covering substantially all full-time employees who have completed one year of service. There are no prior service costs. Contributions are discretionary, and are based on the percentage of participants' contributions, up to a maximum. Sts'ailes contributions totaled \$212,429 (2018 - \$300,777)

2. Significant accounting policies (Continued from previous page)

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the 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, 2019.

At each financial reporting date, the 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 Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. Management has determined that no liability exists as at March 31, 2019.

3. Restricted cash

| | 2019 | 2018 |
|---|----------------|-------------|
| CMHC Operating and Replacement Reserves | 37,626 | 22,987 |
| Secured Revenues Trust Account | 231,348 | 529,121 |
| Term Deposit - Bank of Montreal | 26,161 | 26,161 |
| | 295,135 | 578,269 |
| Total | 295,135 | 578,269 |

Notes to restricted assets

Replacement Reserve

Under agreements with Canada Mortgage and Housing Corporation the Nation established a replacement reserve, funded by an annual allocation of \$9,255 (2018 - \$6,555), to ensure replacement of buildings financed by CMHC. At March 31, 2019, \$22,981 has been set aside to fund this reserve (2018 - \$22,987). The reserve was fully funded at March 31, 2019 (2018 - fully funded).

In accordance with terms of the agreements, CMHC reserve moneys must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal.

Operating reserve

Under agreements with Canada Mortgage and Housing Corporation (CMHC) 1997 On-Reserve Program requirements, the First Nation must establish an operating reserve resulting from annual surplus after the payment of all costs and expenses including allocation to the replacement reserve. These funds along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as otherwise mutually agreed to by Sts'ailes and CMHC.

These funds must only be used for the ongoing operating costs of the housing projects committed under the 1997 On-Reserve Program. Accordingly, future years' deficits may be recovered from the Operating Reserve fund. At March 31, 2019, \$14,645 has been set aside to fund this reserve (2018 - nil).

Secured Revenues Trust Account

The secured revenues trust account arises from a financing agreement with the First Nations Finance Authority (FNFA). Other revenues of Sts'ailes are deposited into this account to secure funds FNFA has lent to Sts'ailes. The account is managed by a third party which is required to pay amounts to FNFA under the terms of the borrowing agreement before paying any remaining amount from the account to Sts'ailes.

Terms Deposit - Bank of Montreal

This term deposit is pledged as security in favour of the BC Assets and Land Commission.

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

4. Accounts receivable

| | 2019 | 2018 |
|------------------------------------|------------------|------------------|
| Accounts receivable | 1,967,283 | 2,255,988 |
| CMHC subsidy assistance receivable | 37,197 | 5,498 |
| Rent receivable | 131,093 | 105,142 |
| Tax receivables | 36,465 | 15,545 |
| | 2,172,038 | 2,382,173 |

Accounts receivable is net of an allowance of doubtful accounts in the amount of \$1,184,851 (2018 - \$1,184,851).

5. Investment in Nation business entities

Harrison Salmon Producers Limited Partnership, 50% interest, unsecured, non-interest bearing, no stated terms of repayment. No amounts are due within the year.

Sts'ailes Eco Energy Development (Sakwi) Limited Partnership, 99% interest, unsecured, non-interest bearing, no stated terms of repayment. No amounts are due within the year.

Sts'ailes Eco Energy Development (Bremner Trio) Limited Partnership, 99% interest, unsecured, non-interest bearing, no stated terms of repayment. No amounts are due within the year.

| | 2019 | 2018 |
|--|------------------|------------------|
| Partnership interest - Harrison Salmon Producers Limited Partnership | 929,411 | 939,542 |
| Amount due to/from Harrison Salmon Producers Limited Partnership | 10,793 | (129,272) |
| | 940,204 | 810,270 |
| Partnership interest - Sts'ailes Eco Energy Development (Sakwi) Limited Partnership | (900,304) | (675,835) |
| Amount due from Sts'ailes Eco Energy Development (Sakwi) Limited Partnership | 484,985 | 344,558 |
| | (415,319) | (331,277) |
| Partnership interest - Sts'ailes Eco Energy Development (Bremner Trio) Limited Partnership | (35,916) | (19,881) |
| Amount due from Sts'ailes Eco Energy Development (Bremner Trio) Limited Partnership | 3,237,442 | 3,235,919 |
| | 3,201,526 | 3,216,038 |
| | 3,726,411 | 3,695,031 |

Financial information for Harrison Salmon Producers Limited Partnership is as follows:

| | 2019 | 2018 |
|-------------------------------|------------------|------------------|
| Current assets | 149,096 | 893,330 |
| Capital assets | 1,680,333 | 1,676,211 |
| Advances to related parties | 72,850 | 154,864 |
| | 1,902,279 | 2,724,405 |
| Current liabilities | 19,112 | 820,157 |
| Advances from related parties | 25,592 | 26,410 |
| | 44,704 | 846,567 |
| Partners' capital | 1,857,575 | 1,877,838 |
| | 1,902,279 | 2,724,405 |

| | 2019 | 2018 |
|-------------------|-----------------|----------------|
| Revenue | 619,655 | 1,480,852 |
| Expenses | 639,918 | 565,950 |
| Net income (loss) | (20,263) | 914,902 |

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

5. Investment in Nation business entities *(Continued from previous page)*

Financial information for Sts'ailes Eco Energy Development (Sakwi) Limited Partnership is as follows:

| | 2019 | 2018 |
|-------------------------------|------------------|-----------|
| Current assets | 65,076 | 43,519 |
| Long-term investment | 804,212 | 931,981 |
| | 869,288 | 975,500 |
| Long-term debt | 1,286,344 | 1,308,568 |
| Advances from related parties | 483,337 | 342,835 |
| | 1,769,681 | 1,651,403 |
| Partners' deficiency | (900,393) | (675,903) |
| | 869,288 | 975,500 |

| | 2019 | 2018 |
|-------------------------------------|------------------|-----------|
| Loss from investment in partnership | (103,464) | (85,709) |
| Expenses | 121,028 | 110,589 |
| Net loss | (224,492) | (196,298) |

Financial information for Sts'ailes Eco Energy Development (Bremner Trio) Limited Partnership is as follows:

| | 2019 | 2018 |
|---|------------------|-----------|
| Investments | 3,200,000 | 3,200,000 |
| Advances to Bremner Trio Hydro Corporation | 5,000,000 | 5,000,000 |
| | 8,200,000 | 8,200,000 |
| Advances from Sts'ailes | 5,260,000 | 5,260,000 |
| Advances from Sts'ailes Development Corporation | 2,975,919 | 2,959,883 |
| | 8,235,919 | 8,219,883 |
| Partners' deficiency | (35,919) | (19,883) |
| | 8,200,000 | 8,200,000 |

| | 2019 | 2018 |
|----------|---------------|-------|
| Expenses | 16,037 | 3,427 |
| Net loss | 16,037 | 3,427 |

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

6. Funds held in trust

Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the First Nation's Council.

| | 2019 | 2018 |
|--------------------------------|----------------|-------------|
| Capital Trust | | |
| Balance, beginning/end of year | 530,706 | 530,706 |
| Revenue Trust | | |
| Balance, beginning of year | 66,156 | 50,738 |
| Interest | 13,034 | 12,935 |
| Provincial grants | 2,460 | 2,483 |
| Less: Transfers to Nation | 73,116 | - |
| Balance, end of year | 8,534 | 66,156 |
| | 539,240 | 596,862 |

7. Long-term loans

Long-term loans receivable consists of a \$5,000,000 promissory note issued to Sts'ailes Eco Energy Development (Bremner Trio) Limited Partnership, a partnership owned 99% by the Sts'ailes. Repayment terms are 13% interest per annum until the principal amount and all accrued interest has been paid, commencing six months after the Bremner Trio Hydro Corporation commences production. As of March 31, 2019, production had not begun and interest has not begun accruing.

8. Bank indebtedness

Under a line of credit arrangement with the Bank of Montreal, Sts'ailes may borrow up to \$1,650,000. The line of credit bears interest at bank's prime rate plus 0.50%. The prime rate at March 31, 2019 was 3.95% (2018 - 3.45%). This arrangement does not have a termination date and can be withdrawn at the bank's option. The credit line is secured by a general security agreement covering all property of Sts'ailes.

9. Accounts payable and accruals

Included in accounts payable and accruals are government remittances payable of \$74,691 (2018 - \$70,904).

10. Deferred revenue

| | 2019 | 2018 |
|---|----------------|-------------|
| Deferred forestry revenue | 3,647 | 66,405 |
| Deferred Indigenous Services Canada capital funding | 167,675 | 1,408,000 |
| Deferred other funding and resources | 660,217 | 84,183 |
| | 831,539 | 1,558,588 |

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

11. Long-term debt

| | 2019 | 2018 |
|--|-------------------|-------------|
| First Nations Finance Authority promissory note, bearing monthly interest only payments at the interim financing rate of 3.75%, until the promissory note is commissioned. | 9,400,000 | 9,400,000 |
| Interim Financing Debt Reserve Fund Investment, the Authority holds a deposit of 5% of the loans advanced in the Debt Reserve Fund. Interest is paid daily at an annual rate of 1.60%. | (482,359) | (475,759) |
| First Nations Finance Authority promissory note, bearing interest at 3.79%, with blended monthly payments of \$21,445, due June 2024. | 2,980,555 | 3,120,624 |
| Interim Financing Debt Reserve Fund Investment, the Authority holds a deposit of 5% of the loans advanced in the Debt Reserve Fund. Interest is paid daily at an annual rate of 1.10%. | (197,643) | (190,151) |
| All Nation's Trust Company mortgage, payments of \$2,917 per month including interest at 2.13%, up for renewal on October 1, 2022. | 649,124 | 616,993 |
| All Nation's Trust Company mortgage, payments of \$1,843 per month including interest at 1.21%, up for renewal on May 1, 2021. | 429,925 | 446,740 |
| All Nation's Trust Company mortgage interest only at 1.91% advance for construction of homes. | 436,053 | - |
| | 13,215,655 | 12,918,447 |

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

| | |
|------|---------|
| 2020 | 159,288 |
| 2021 | 159,955 |
| 2022 | 160,634 |
| 2023 | 161,326 |
| 2024 | 162,031 |

The following specified revenue streams are pledged as security in favour of the First Nation Finance Authority:

- Harrison Hydro Limited Partnership
- Stooke Creek Project Limited Partnership
- Forest & Range Consult and Revenue Sharing Agreement
- Sts'ailes Development Limited Partnership - Fisheries
- Sts'ailes Development Limited Partnership - Forestry

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

12. Term loans due on demand

| | 2019 | 2018 |
|--|------------------|------------------|
| Bank of Montreal loan bearing interest at prime plus 0.95%, payable in blended monthly instalments of \$32,344 | 3,000,156 | - |
| Bank of Montreal - refinanced in current year | - | 1,220,419 |
| Bank of Montreal - refinanced in current year | - | 136,522 |
| Bank of Montreal - refinanced in current year | - | 748,805 |
| Bank of Montreal - refinanced in current year | - | 488,177 |
| Bank of Montreal - refinanced in current year | - | 346,935 |
| Bank of Montreal - refinanced in current year | - | 119,633 |
| Bank of Montreal - refinanced in current year | - | 625 |
| | 3,000,156 | 3,061,116 |

Principal repayments on long-term debt in each of the next five years, assuming the loans are paid in accordance with the terms and not called, are estimated as follows:

| | |
|------|---------|
| 2020 | 253,345 |
| 2021 | 266,041 |
| 2022 | 279,374 |
| 2023 | 293,375 |
| 2024 | 308,078 |

Bank of Montreal demand loans are secured by the following guarantees:

- Department of Indigenous Services Canada guarantee in the amount of \$250,000
- Guarantee in the amount of \$5,000,000 signed by Sasquatch Crossing Eco Lodge Ltd.
- First and second ranking all-Indebtedness Mortgage in the amount of \$6,000,000 over 15500 Morris Valley Rd, Harrison, BC
- First Nations Market Housing Fund credit enhancement facility approved to \$2,700,000

13. Contingent liabilities

a) As of March 31, 2019, Sts'ailes was contingently liable in respect of one guaranteed individual Band Member mortgage with a total outstanding principal balance of \$34,578 (2018 - \$38,763).

b) Sts'ailes is the guarantor for \$3,000,000 in residential loans granted to Sts'ailes members under the Housing and Loan Program by the Bank of Montreal.

c) Sts'ailes has provided a limited guarantee on a commercial loan to one of its business entities, Sts'ailes Eco Energy Development (Sakwi) Limited Partnership. The guarantee is limited to the royalties received by Sts'ailes under the terms of the Impact Benefit Agreement with Sakwi Creek Power Corp. and BC Hydro. The amount of the royalties is undetermined as of the date of the consolidated financial statements. The outstanding balance of the commercial loan at March 31, 2019 is \$1,286,343 (2018 - \$1,333,570).

Sts'ailes
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

14. Accumulated surplus

Accumulated surplus consists of the following:

| | 2019 | 2018 |
|---|-------------|-------------|
| Equity in Tangible Capital Assets | 11,482,069 | 8,945,118 |
| Internally Restricted Equity (Note 15) | 244,091 | 636,822 |
| Operating Deficit | (3,306,640) | (2,505,254) |
| Equity in Ottawa Trust Funds | 539,240 | 596,862 |
| CMHC Operating and Replacement Reserves | 37,626 | 28,793 |
| | 8,996,386 | 7,702,341 |

15. Internally Restricted Equity

The First Nation maintains reserve funds for certain tangible capital assets. These balances at March 31, 2019 are as follows:

| | 2019 | 2018 |
|-------------------|---------|---------|
| Sts'ailes Housing | 56,624 | 56,624 |
| Church | 171 | 171 |
| Roads | 1,916 | 1,916 |
| Memorial Bench | 1,783 | 1,783 |
| Daycare Building | 56,000 | 56,000 |
| Fitup Facilities | 10,459 | 10,459 |
| Health Program | 24,405 | 24,405 |
| Legacy Fund | 92,733 | 92,234 |
| Sts'ailes School | - | 393,230 |
| | 244,091 | 636,822 |

16. Budget information

The disclosed budget information has been approved by the Chief and Council of the Sts'ailes at the Chief and Council meeting held on April 24, 2018. The budget information is projected based on operating expenses to be incurred during the year on a program by program basis.

17. Economic dependence

Sts'ailes receives a significant portion of its revenue from Indigenous Services Canada (ISC) as a result of funding agreements entered into with the Government of Canada. These funding agreements are administered by ISC under the terms and conditions of the *Indian Act*. The ability of the Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these funding agreements.

18. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation. During the year, Sts'ailes restructured their accounts and segments. This resulted in change in presentation of the program expenses on the consolidated statement of operations and of the presentation of the revenue and expenses on the accompanying schedules. Overall there was no change to the prior year consolidated revenue, expenses, or closing surplus.

19. Segments

The First Nation conducts its business through eleven reportable segments: Sts'ailes Administration and Governance, Employment, Social Development, Education, Health, Snowoyelh, Community Development, Economic Development, Housing, Lands, and Economic Development - Controlled Entities. These segments are differentiated by major activities; accountability and control relationships.

Sts'ailes Administration and Governance - Includes general operation, support, and financial management of the First Nation, as well as activities related to the general governance, and leadership of the community and its members.

Employment - Includes employment programs for the members of the Nation.

Social Development - Includes services offered to community members unable to provide for themselves or their dependents. Services include, but are not limited to, income assistance, child and family support, assisted living, and early childhood development.

Health - Includes activities related to the provision of health services for the community and its members.

Snowoyelh - Includes activities related to family healing and growth, ensuring the safety and well being of children, and providing healing and treatment for addiction.

Community Development - Includes services related to construction contracts, general community maintenance, and public works.

Economic Development - Includes activities related to the growth of revenue producing projects within the First Nation.

Housing - Includes activities related to the provision of housing to the members of the First Nation.

Lands - Includes activities related to land administration and aboriginal rights and title.

Economic Development - Controlled Entities - Includes activities related to the growth of revenue producing projects of entities owned by the First Nation.

Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended March 31, 2019

| | <i>Buildings</i> | <i>Housing</i> | <i>Equipment</i> | <i>Infrastructure</i> | <i>Land</i> | <i>2019</i> | <i>2018</i> |
|--|------------------|------------------|------------------|-----------------------|------------------|-------------------|-------------------|
| Cost | | | | | | | |
| Balance, beginning of year | 13,225,520 | 4,365,027 | 3,088,680 | 7,285,898 | 2,332,343 | 30,297,468 | 29,195,904 |
| Acquisition of tangible capital assets | 1,657,212 | 1,271,300 | 121,245 | 853,545 | 384,000 | 4,287,302 | 1,591,233 |
| Disposal of tangible capital assets | - | - | - | - | - | - | (489,669) |
| Balance, end of year | 14,882,732 | 5,636,327 | 3,209,925 | 8,139,443 | 2,716,343 | 34,584,770 | 30,297,468 |
| Accumulated amortization | | | | | | | |
| Balance, beginning of year | 8,450,449 | 2,068,019 | 2,241,897 | 4,467,135 | - | 17,227,500 | 16,444,010 |
| Annual amortization | 537,200 | 293,266 | 216,438 | 313,037 | - | 1,359,941 | 1,185,317 |
| Accumulated amortization on disposals | - | - | - | - | - | - | (401,827) |
| Balance, end of year | 8,987,649 | 2,361,285 | 2,458,335 | 4,780,172 | - | 18,587,441 | 17,227,500 |
| Net book value of tangible capital assets | 5,895,083 | 3,275,042 | 751,590 | 3,359,271 | 2,716,343 | 15,997,329 | 13,069,968 |
| 2018 Net book value of tangible capital assets | 4,775,071 | 2,297,008 | 846,783 | 2,818,763 | 2,332,343 | 13,069,968 | |

Schedule 2 - Schedule of Consolidated Expenses by Object

For the year ended March 31, 2019

| | 2019 | 2018 |
|--|-------------------|-------------|
| Consolidated expenses by object | | |
| Administration | 576,940 | 594,697 |
| Advertising | 80,378 | 10,556 |
| Amortization | 1,359,942 | 1,185,317 |
| Automotive | 110,347 | 192,862 |
| Bad debts | 30 | 92,079 |
| Bank charges and interest | 676,561 | 575,885 |
| Basic needs | 776,936 | 743,459 |
| Community donations | 36,521 | 14,656 |
| Community events | 14,966 | 56,022 |
| Consulting | 12,400 | - |
| Contracted services | 857,554 | 782,775 |
| Cost of Sales | 4,301,796 | 3,067,031 |
| Health | 4,498 | 4,414 |
| Honoraria | 217,305 | 210,254 |
| Insurance | 158,751 | 70,321 |
| Office supplies | 113,140 | 125,081 |
| Parent necessities | 11,586 | 41,015 |
| Professional fees | 793,474 | 657,639 |
| Program expense | 328,545 | 106,536 |
| Property tax | 6,731 | 7,063 |
| Rent | 29,890 | 22,420 |
| Repairs and maintenance | 741,754 | 683,396 |
| Salaries and benefits | 9,053,598 | 8,533,273 |
| Special needs | 10,566 | 3,456 |
| Special projects | 9,079 | 27,638 |
| Student expenses | 327,902 | 342,561 |
| Supplies | 811,764 | 1,058,910 |
| Telephone | 9,432 | 10,164 |
| Training | 227,662 | 80,855 |
| Travel | 187,390 | 162,692 |
| Tuition | 751,144 | 585,434 |
| Transportation | 22,023 | 45,481 |
| Utilities | 387,031 | 379,307 |
| Vehicle | 3,476 | 615 |
| Recovery of administration costs | (596,294) | (592,015) |
| | 22,414,818 | 19,881,849 |

Sts'ailes

Sts'ailes Administration and Governance

Schedule 3 - Consolidated Schedule of Revenue and Expenses and Deficit

For the year ended March 31, 2019

| | 2019 | 2018 (Note 19) |
|--|--------------------|-------------------|
| Revenue | | |
| Indigenous Services Canada | 800,537 | 760,239 |
| Economic activity | 735,189 | 1,052,526 |
| Sts'ailes contracts | 160,427 | 216,018 |
| Grants and donations | 62,113 | 32,760 |
| First Nation Health Authority | 40,000 | - |
| Province of British Columbia | 14,078 | 52,333 |
| Interest income | 29,307 | 22,419 |
| Ottawa trust distributions | 15,494 | 15,419 |
| New Relationship Trust | - | 7,760 |
| Sto:lo Aboriginal Skills and Employment Training | - | 7,702 |
| Loss on disposal of tangible capital assets | - | (80,335) |
| Loss from investment in Nation business entities | (241,504) | (199,705) |
| | 1,615,641 | 1,887,136 |
| Expenses | | |
| Administration | 1,500 | - |
| Advertising | 15,233 | 2 |
| Automotive | 5,571 | 10,940 |
| Bad debts | 30 | - |
| Bank charges and interest | 554,798 | 500,920 |
| Community donations | 13,954 | - |
| Community events | - | 11,355 |
| Consulting | 8,050 | - |
| Contracted services | 307,518 | 38,151 |
| Honoraria | 187,686 | 188,487 |
| Insurance | 14,939 | 1,874 |
| Office supplies | 30,314 | 19,954 |
| Professional fees | 238,361 | 229,313 |
| Program expense | 42,964 | - |
| Rent | 1,500 | 4,728 |
| Repairs and maintenance | 17,938 | 9,886 |
| Salaries and benefits | 1,101,118 | 869,922 |
| Student expenses | - | 3,096 |
| Supplies | 109,955 | 112,072 |
| Training | 36,048 | 19,634 |
| Travel | 58,983 | 29,252 |
| Utilities | 40,405 | 14,621 |
| Recovery of administration costs | (588,794) | (592,015) |
| | 2,198,071 | 1,472,192 |
| Surplus (deficit) before transfers | (582,430) | 414,944 |
| Transfers between programs | (957,789) | (716,113) |
| Deficit | (1,540,219) | (301,169) |

**Sts'ailes
Employment**

Schedule 4 - Consolidated Schedule of Revenue and Expenses and Surplus
For the year ended March 31, 2019

| | 2019 | 2018 (Note 19) |
|--|----------------|-------------------|
| Revenue | | |
| Indigenous Services Canada | 149,755 | - |
| Sto:lo Aboriginal Skills and Employment Training | 471,603 | 467,311 |
| | 621,358 | 467,311 |
| Expenses | | |
| Administration | 45,510 | 44,333 |
| Automotive | 78 | 183 |
| Contracted services | 20 | - |
| Office supplies | 8,396 | 22,411 |
| Professional fees | 3,000 | - |
| Rent | - | 7,880 |
| Repairs and maintenance | 5,800 | 5,696 |
| Salaries and benefits | 377,064 | 330,702 |
| Student expenses | - | 200 |
| Supplies | 58,032 | 8,704 |
| Training | 60,680 | 12,800 |
| Travel | 6,509 | 6,490 |
| Utilities | 7,050 | 3,852 |
| Vehicle | 558 | - |
| | 572,697 | 443,251 |
| Surplus | 48,661 | 24,060 |

Sts'ailes
Social Development

Schedule 5 - Consolidated Schedule of Revenue and Expenses and Surplus (Deficit)
For the year ended March 31, 2019

| | 2019 | 2018 (Note 19) |
|---|------------------|-------------------|
| Revenue | | |
| Indigenous Services Canada | 1,171,984 | 951,187 |
| Other revenue | 1,000 | - |
| Funding reimbursement (recovery) | 126,183 | (48,852) |
| | 1,299,167 | 902,335 |
| Expenses | | |
| Administration | 15,064 | 17,038 |
| Basic needs | 776,936 | 743,459 |
| Community events | - | 1,300 |
| Contracted services | 650 | - |
| Office supplies | 983 | - |
| Parent necessities | 750 | 40,248 |
| Professional fees | 13,005 | 10,000 |
| Program expense | 32,274 | - |
| Salaries and benefits | 210,433 | 190,753 |
| Student expenses | - | 22,950 |
| Supplies | 24,961 | 20,854 |
| Training | 28,703 | 5,362 |
| Transportation | - | 23,178 |
| Travel | 820 | 775 |
| | 1,104,579 | 1,075,917 |
| Surplus (deficit) before transfers | 194,588 | (173,582) |
| Transfers between programs | 2,038 | - |
| Surplus (deficit) | 196,626 | (173,582) |

**Sts'ailes
Education**

Schedule 6 - Consolidated Schedule of Revenue and Expenses and Surplus (Deficit)

For the year ended March 31, 2019

| | 2019 | 2018 (Note 19) |
|--|--------------------|--------------------|
| Revenue | | |
| Indigenous Services Canada | 5,071,122 | 3,153,001 |
| Province of British Columbia | 2,064,368 | 1,557,112 |
| First Nation Health Authority | 125,443 | 331,271 |
| Other revenue | 107,152 | 42,400 |
| Sts'ailes contracts | 35,118 | 435,194 |
| Sto:lo Aboriginal Skills and Employment Training | 126,755 | 41,010 |
| | 7,529,958 | 5,559,988 |
| Expenses | | |
| Administration | 131,424 | 158,444 |
| Advertising | 43,527 | 1,597 |
| Automotive | 52,039 | 94,409 |
| Bank charges and interest | 57 | 1,090 |
| Community events | - | 3,633 |
| Contracted services | - | 1,167 |
| Insurance | 35,430 | 10,938 |
| Office supplies | 19,838 | 4,926 |
| Professional fees | 1,504 | - |
| Rent | 510 | 411 |
| Repairs and maintenance | 92,625 | 63,137 |
| Salaries and benefits | 3,676,174 | 3,771,966 |
| Student expenses | 322,995 | 284,757 |
| Supplies | 354,253 | 597,508 |
| Training | 66,008 | 21,106 |
| Travel | 31,390 | 39,434 |
| Tuition | 751,144 | 585,434 |
| Utilities | 71,348 | 121,617 |
| | 5,650,266 | 5,761,574 |
| Surplus before transfers | 1,879,692 | (201,586) |
| Transfers between programs | (1,204,635) | (982,309) |
| Surplus (deficit) | 675,057 | (1,183,895) |

**Sts'ailes
Health**

Schedule 7 - Consolidated Schedule of Revenue and Expenses and Surplus

For the year ended March 31, 2019

| | 2019 | 2018 <i>(Note 19)</i> |
|-----------------------------------|------------------|--------------------------|
| Revenue | | |
| First Nation Health Authority | 1,305,095 | 1,580,314 |
| Sts'ailes contracts | 58,537 | 27,078 |
| Other revenue | 17,444 | 21,997 |
| | 1,381,076 | 1,629,389 |
| Expenses | | |
| Administration | 105,420 | 164,323 |
| Advertising | 3,201 | 440 |
| Automotive | 5,324 | 9,833 |
| Bank charges and interest | 63 | 1,303 |
| Community donations | 22,477 | 14,656 |
| Community events | 14,043 | 30,379 |
| Contracted services | 200 | 1,240 |
| Health | 4,498 | 4,414 |
| Honoraria | 598 | 1,624 |
| Insurance | - | 3,074 |
| Office supplies | 23,987 | 21,998 |
| Parent necessities | 10,836 | 201 |
| Professional fees | 20,825 | 45,366 |
| Program expense | 134,831 | 19,391 |
| Repairs and maintenance | 26,089 | 5,069 |
| Salaries and benefits | 681,330 | 983,323 |
| Special needs | 10,566 | 3,456 |
| Student expenses | 4,906 | 27,791 |
| Supplies | 13,351 | 85,570 |
| Training | 4,327 | 17,155 |
| Transportation | 20,428 | 20,381 |
| Travel | 9,468 | 20,654 |
| Utilities | 7,850 | 27,065 |
| Recovery of administration costs | (7,500) | - |
| | 1,117,118 | 1,508,706 |
| Surplus before transfers | 263,958 | 120,683 |
| Transfers between programs | (3,175) | (1,000) |
| Surplus | 260,783 | 119,683 |

**Sts'ailes
Snowoyelh**

Schedule 8 - Consolidated Schedule of Revenue and Expenses and Surplus

For the year ended March 31, 2019

| | 2019 | 2018 (Note 19) |
|-----------------------------------|------------------|-------------------|
| Revenue | | |
| Province of British Columbia | 1,183,855 | 1,030,474 |
| First Nation Health Authority | 526,985 | - |
| Sts'ailes contracts | 77,780 | 72,458 |
| | 1,788,620 | 1,102,932 |
| Expenses | | |
| Administration | 161,251 | 80,401 |
| Advertising | 4,325 | - |
| Automotive | 16,588 | 13,706 |
| Bank charges and interest | 63 | 54 |
| Community donations | 60 | - |
| Community events | - | 7,084 |
| Contracted services | 600 | - |
| Honoraria | 790 | 200 |
| Office supplies | 3,321 | - |
| Parent necessities | - | 566 |
| Professional fees | 41,313 | 14,959 |
| Program expense | 117,551 | 87,146 |
| Repairs and maintenance | 5,338 | 2,333 |
| Salaries and benefits | 1,110,528 | 727,326 |
| Student expenses | - | 3,767 |
| Supplies | 74,221 | 35,720 |
| Training | 6,167 | 1,752 |
| Transportation | 1,595 | 1,922 |
| Travel | 7,104 | 4,865 |
| Utilities | 32,072 | 27,905 |
| | 1,582,887 | 1,009,706 |
| Surplus before transfers | 205,733 | 93,226 |
| Transfers between programs | (8,607) | (38,200) |
| Surplus | 197,126 | 55,026 |

Sts'ailes
Community Development

Schedule 9 - Consolidated Schedule of Revenue and Expenses and Surplus
For the year ended March 31, 2019

| | 2019 | 2018 (Note 19) |
|-----------------------------------|--------------------|--------------------|
| Revenue | | |
| Province of British Columbia | 384,000 | - |
| Indigenous Services Canada | 186,059 | 641,416 |
| Sts'ailes contracts | 10,120 | 60,320 |
| Other revenue | 1,500 | - |
| | 581,679 | 701,736 |
| Expenses | | |
| Administration | 5,719 | 5,719 |
| Amortization | 1,271,351 | 1,132,141 |
| Automotive | 12,150 | 18,375 |
| Bank charges and interest | 14,106 | 9,699 |
| Community events | - | 27 |
| Contracted services | - | 337 |
| Honoraria | 4,625 | 1,000 |
| Insurance | 13,296 | 11,227 |
| Office supplies | 1,087 | 9,241 |
| Professional fees | 42,685 | 154,468 |
| Repairs and maintenance | 368,550 | 171,523 |
| Salaries and benefits | 182,248 | 174,555 |
| Special projects | - | 27,360 |
| Supplies | 9,616 | 46,374 |
| Training | 4,580 | 8,825 |
| Travel | 11,512 | 11,004 |
| Utilities | 131,779 | 99,711 |
| | 2,073,304 | 1,881,586 |
| Deficit before transfers | (1,491,625) | (1,179,850) |
| Transfers between programs | 1,958,945 | 1,209,335 |
| Surplus | 467,320 | 29,485 |

Sts'ailes**Economic Development****Schedule 10 - Consolidated Schedule of Revenue and Expenses and Surplus***For the year ended March 31, 2019*

| | 2019 | 2018 <i>(Note 19)</i> |
|--|-----------------|--------------------------|
| Revenue | | |
| Economic activity | 337,875 | 380,356 |
| Sts'ailes contracts | 104,236 | - |
| Indigenous Services Canada | 84,114 | 50,034 |
| Earnings (loss) from investment in Nation partnerships | (10,131) | 457,406 |
| | 516,094 | 887,796 |
| Expenses | | |
| Administration | 16,511 | 24,175 |
| Automotive | 13,647 | 42,708 |
| Contracted services | - | 18,050 |
| Office supplies | - | 122 |
| Professional fees | 152,736 | - |
| Rent | 19,658 | - |
| Repairs and maintenance | 2,541 | - |
| Salaries and benefits | 265,421 | 235,631 |
| Special projects | 9,079 | 278 |
| Supplies | 15,683 | 6,985 |
| Training (recovery) | - | (5,779) |
| Travel | 3,232 | 3,707 |
| Utilities | 1,350 | - |
| | 499,858 | 325,877 |
| Surplus | 16,236 | 561,919 |

**Sts'ailes
Housing**

Schedule 11 - Consolidated Schedule of Revenue and Expenses and Surplus

For the year ended March 31, 2019

| | 2019 | 2018 (Note 19) |
|---|------------------|-------------------|
| Revenue | | |
| Indigenous Services Canada | 633,405 | 433,896 |
| Canada Mortgage and Housing Corporation | 42,265 | 32,343 |
| Sts'ailes contracts | 7,426 | 186,756 |
| Rental income | 410,966 | 375,483 |
| Interest income | 50 | - |
| | 1,094,112 | 1,028,478 |
| Expenses | | |
| Administration | 30,900 | 30,900 |
| Advertising | 52 | - |
| Automotive | 36 | - |
| Bad debts | - | 97,183 |
| Bank charges and interest | 61,683 | 31,455 |
| Community donations | 30 | - |
| Community events | - | 162 |
| Contracted services | 311,003 | 317,000 |
| Insurance | 64,675 | 20,182 |
| Office supplies | 143 | 63 |
| Professional fees | 10,395 | 8,433 |
| Repairs and maintenance | 56,545 | 194,136 |
| Salaries and benefits | 87,002 | 103,620 |
| Supplies | 10,874 | 3,546 |
| Training | 360 | - |
| Travel | 2,268 | 3,675 |
| Utilities | 4,363 | 4,205 |
| | 640,329 | 814,560 |
| Surplus before transfers | 453,783 | 213,918 |
| Transfers between programs | (42,016) | 275,773 |
| Surplus | 411,767 | 489,691 |

**Sts'ailes
Lands**

Schedule 12 - Consolidated Schedule of Revenue and Expenses and Surplus

For the year ended March 31, 2019

| | 2019 | 2018 (Note 19) |
|-----------------------------------|-----------------|-------------------|
| Revenue | | |
| Indigenous Services Canada | 366,561 | 483,128 |
| Other revenue | 162,078 | - |
| Sts'ailes contracts | 114,196 | 99,469 |
| Province of British Columbia | 100,000 | - |
| | 742,835 | 582,597 |
| Expenses | | |
| Administration | 13,164 | 19,364 |
| Advertising | 8,124 | 135 |
| Automotive | 4,913 | 2,708 |
| Bank charges and interest | 33 | 63 |
| Community events | 923 | 2,081 |
| Consulting | 4,350 | - |
| Contracted services (recovery) | (5,000) | 82,774 |
| Honoraria | 23,526 | 18,944 |
| Office supplies | 11,318 | 3,074 |
| Professional fees | 240,393 | 180,269 |
| Program expense | 925 | - |
| Rent | 750 | 1,779 |
| Repairs and maintenance | 2,522 | 5,960 |
| Salaries and benefits | 450,624 | 307,587 |
| Supplies | 32,798 | 29,574 |
| Telephone | - | 1,752 |
| Training | 20,788 | - |
| Travel | 16,286 | 13,125 |
| Utilities | 5,396 | 4,043 |
| | 831,833 | 673,232 |
| Deficit before transfers | (88,998) | (90,635) |
| Transfers between programs | 255,238 | 252,515 |
| Surplus | 166,240 | 161,880 |

Sts'ailes

Economic Development - Controlled Entities

Schedule 13 - Consolidated Schedule of Revenue and Expenses and Surplus

For the year ended March 31, 2019

| | 2019 | 2018 (Note 19) |
|------------------------------|------------------|-------------------|
| Revenue | | |
| Government funding | | |
| Economic activity | | |
| Forestry Revenue | 2,069,172 | 1,300,026 |
| Gas Bar Revenue | 2,881,464 | 2,440,566 |
| Lhawathet Lalem Revenue | 403,212 | 381,834 |
| Fisheries Revenue | 189,766 | 272,817 |
| Business Development Revenue | 922,463 | 532,075 |
| Rental income | 46,218 | 59,619 |
| Interest income | 2 | 5 |
| | 6,512,297 | 4,986,942 |
| Expenses | | |
| Administration | 50,475 | 50,000 |
| Advertising | 5,916 | 8,382 |
| Amortization | 88,591 | 53,177 |
| Bad debts (recovery) | - | (5,104) |
| Bank charges and interest | 45,757 | 31,301 |
| Contracted services | 242,563 | 324,056 |
| Cost of Sales | 4,301,796 | 3,067,031 |
| Honoraria | 80 | - |
| Insurance | 30,411 | 23,027 |
| Office supplies | 13,752 | 43,294 |
| Professional fees | 29,257 | 14,831 |
| Property tax | 6,731 | 7,063 |
| Rent | 7,472 | 7,622 |
| Repairs and maintenance | 163,807 | 225,657 |
| Salaries and benefits | 911,655 | 837,889 |
| Supplies | 108,019 | 112,003 |
| Telephone | 9,432 | 8,412 |
| Travel | 39,818 | 29,711 |
| Utilities | 85,417 | 76,287 |
| Vehicle | 2,927 | 609 |
| | 6,143,876 | 4,915,248 |
| Surplus | 368,421 | 71,694 |

July 24, 2019

Canada Mortgage and Housing Corporation
200 – 1111 West Georgia Street
Vancouver, BC V6E 4S4

Dear Sirs:

Re: Sts'ailes
CMHC #22-742-910

On behalf of Sts'ailes, we submit the following:

1. Audited financial statements for the year ended March 31, 2019;
2. Auditor confirmation report for account #22-0742-910 Post-1996 On-Reserve Program.

If you have any questions regarding the enclosures, please contact the writer.

Sincerely,

MNP LLP



Peter Dombowsky, CPA, CA
Assurance Services

Encls.

Sts'ailes
Section 95 Housing Operation
Financial Statements
March 31, 2019

Sts'ailes
Section 95 Housing Operation
Contents
For the year ended March 31, 2019

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Independent Auditor's Report

To the Members of Sts'ailes and the Canada Mortgage and Housing Corporation:

Opinion

We have audited the financial statements of Sts'ailes Section 95 Housing Operation, which comprise the statement of financial position as at March 31, 2019, and the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Sts'ailes Section 95 Housing Operation as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with the agreement between Sts'ailes and Canada Mortgage and Housing Corporation.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Sts'ailes Section 95 Housing Operation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Sts'ailes to comply with the financial reporting provisions of the agreement referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for Sts'ailes and Canada Mortgage and Housing Corporation and should not be distributed to or used by parties other than Sts'ailes and Canada Mortgage and Housing Corporation.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the agreement between Sts'ailes and Canada Mortgage and Housing Corporation, 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.

In preparing the financial statements, management is responsible for assessing the Sts'ailes Section 95 Housing Operation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Sts'ailes Section 95 Housing Operation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Sts'ailes Section 95 Housing Operation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Sts'ailes Section 95 Housing Operation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sts'ailes Section 95 Housing Operation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sts'ailes Section 95 Housing Operation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chilliwack, British Columbia

July 22, 2019



MNP LLP

Chartered Professional Accountants

Sts'ailes
Section 95 Housing Operation
Statement of Financial Position
As at March 31, 2019

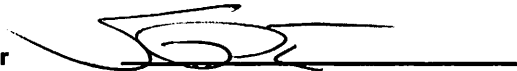

| | 2019 | 2018 |
|-------------------------------------|--------------------|--------------------|
| Financial assets | | |
| Rents receivable | 11,679 | 3,515 |
| CMHC subsidy receivable | 35,221 | 3,522 |
| Due to Sts'ailes | - | 10,942 |
| Replacement reserve (Note 2) | 22,981 | 22,987 |
| Operating reserve (Note 3) | 14,645 | - |
| Funds held in trust (Note 4) | 5,977 | 5,977 |
| | 90,503 | 46,943 |
| Liabilities | | |
| Accounts payable and accruals | 3,611 | 3,665 |
| Due from Sts'ailes | 17,209 | - |
| Long-term debt (Note 5) | 1,079,049 | 1,116,860 |
| | 1,099,869 | 1,120,525 |
| Net debt | (1,009,366) | (1,073,582) |
| Non-financial assets | | |
| Tangible capital assets (Note 6) | 1,063,493 | 1,101,304 |
| Accumulated surplus (Note 7) | 54,127 | 27,722 |

Approved on behalf of the Council

Councilor

Councilor

Councilor

Councilor

Sts'ailes
Section 95 Housing Operation
Statement of Operations and Accumulated Surplus
For the year ended March 31, 2019

| | 2019 | 2018 |
|--|----------------|---------------|
| Revenue | | |
| Canada Mortgage and Housing Corporation (Note 8) | 42,265 | 29,843 |
| Rental income | 63,000 | 45,000 |
| | 105,265 | 74,843 |
| Expenses | | |
| Administration | 6,651 | 8,400 |
| Amortization | 37,811 | 23,701 |
| Insurance | 4,000 | 4,450 |
| Interest on long-term debt | 19,254 | 12,940 |
| Professional fees | 5,198 | 3,433 |
| Repairs and maintenance | 4,224 | 12,057 |
| Replacement reserve (Note 9) | 9,255 | 6,555 |
| Supplies | 456 | - |
| | 86,849 | 71,536 |
| Surplus before transfers | 18,416 | 3,307 |
| Transfers between reserves | | |
| Replacement reserve allocation | 9,255 | 6,555 |
| Annual surplus | 27,671 | 9,862 |
| Accumulated surplus, beginning of year | 27,722 | 17,860 |
| CMHC Adjustments (Note 10) | (1,266) | - |
| Accumulated surplus, end of year | 54,127 | 27,722 |

The accompanying notes are an integral part of these financial statements

Sts'ailes
Section 95 Housing Operation
Statement of Change in Net Debt
For the year ended March 31, 2019

| | 2019 | 2018 |
|---|--------------------|-------------|
| Annual surplus | 27,671 | 9,862 |
| Purchases of tangible capital assets | - | (671,229) |
| Amortization of tangible capital assets | 37,811 | 23,701 |
| CHMC adjustment <i>(Note 10)</i> | (1,266) | - |
| | 36,545 | (647,528) |
| Increase (decrease in net debt) | 64,216 | (637,666) |
| Net debt, beginning of year | (1,073,582) | (435,916) |
| Net debt, end of year | (1,009,366) | (1,073,582) |

The accompanying notes are an integral part of these financial statements

Sts'ailes
Section 95 Housing Operation
Statement of Cash Flows
For the year ended March 31, 2019

| | 2019 | 2018 |
|---|-----------------|-----------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | | |
| Annual surplus | 27,671 | 9,862 |
| Non-cash items | | |
| Amortization | 37,811 | 23,701 |
| CMHC adjustments (Note 10) | (1,266) | - |
| | 64,216 | 33,563 |
| Changes in working capital accounts | | |
| Rents receivable | (8,164) | (6,795) |
| CMHC subsidy receivable | (31,699) | (2,070) |
| Accounts payable and accruals | (54) | 347 |
| Due from Sts'ailes | 28,151 | 15,666 |
| | 52,450 | 40,711 |
| Financing activities | | |
| Advances of current portion of long-term debt | - | 670,119 |
| Repayment of current portion of long-term debt | (37,811) | (16,614) |
| | (37,811) | 653,505 |
| Capital activities | | |
| Purchases of tangible capital assets | - | (671,229) |
| Investing activities | | |
| Deposit to replacement reserve | - | (22,987) |
| Withdrawal from replacement reserve | 6 | - |
| Deposit to operating reserve | (14,645) | - |
| | (14,639) | (22,987) |
| Increase in cash resources | - | - |
| Cash resources, beginning of year | - | - |
| Cash resources, end of year | - | - |
| Supplementary cash flow information | | |
| Interest paid | 19,309 | 13,000 |

The accompanying notes are an integral part of these financial statements

1. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with the agreement with Canada Mortgage and Housing Corporation ("CMHC") and include the following significant accounting policies:

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.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records for property and infrastructure expenditures. Contributed tangible assets are recorded at their fair value at the date of contribution.

Amortization

Social housing assets acquired under Canada Mortgage and Housing Corporation sponsored programs are amortized over their estimated useful lives at a rate equivalent to the annual principal reduction in the related long-term debt.

Revenue recognition

Funding

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the statement of financial position in the year of receipt.

Other

Rental income is recognized in the month to which it relates. Other revenue is recognized as it is received.

Measurement uncertainty

The preparation of financial statements in conformity with the agreement with Canada Mortgage and Housing Corporation 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 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.

2. Replacement reserve

Under agreements with Canada Mortgage and Housing Corporation the Nation established a replacement reserve, funded by an annual allocation of \$9,255 (2018 - \$6,555), to ensure replacement of buildings financed by CMHC. At March 31, 2019, \$22,981 has been set aside to fund this reserve (2018 - \$22,987). The reserve was fully funded at March 31, 2019 (2018 - fully funded).

In accordance with terms of the agreements, CMHC reserve moneys must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal.

Sts'ailes
Section 95 Housing Operation
Notes to the Financial Statements
For the year ended March 31, 2019

3. Operating reserve

Under agreements with Canada Mortgage and Housing Corporation 1997 On-Reserve Program requirements, the First Nation established an operating reserve retained by Sts'ailes resulting from annual surplus after the payment of all costs and expenses including allocation to the replacement reserve. These funds along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as otherwise mutually agreed to by Sts'ailes and CMHC.

These funds may only be used for the ongoing operating costs of the housing projects committed under the 1997 On-Reserve Program. Accordingly, future years' deficits may be recovered from the Operating Reserve fund. At March 31, 2019, \$14,645 has been set aside to fund this reserve (2018 - nil).

4. Funds held in trust

Funds held in trust consist of funds held in an escrow account as a result of the difference between the final advance of a previous housing project, and the accepted final costs of the housing project.

5. Long-term debt

| | 2019 | 2018 |
|---|------------------|-------------|
| Project VIII - All Nation's Trust Company mortgage, payments of \$1,843 per month including interest at 1.21%, up for renewal on May 1, 2021. | 429,925 | 446,741 |
| Project IX - All Nation's Trust Company mortgage, payments of \$2,917 per month including interest at 2.13%, up for renewal on October 1, 2022. | 649,124 | 670,119 |
| | 1,079,049 | 1,116,860 |

Principal repayments on long-term debt in each of the next five years, assuming all term debt is subject to contractual terms of repayment, are estimated as follows:

| | |
|------|--------|
| 2020 | 38,527 |
| 2021 | 39,196 |
| 2022 | 39,878 |
| 2023 | 40,572 |
| 2024 | 41,279 |

Sts'ailes
Section 95 Housing Operation
Notes to the Financial Statements
For the year ended March 31, 2019

6. Tangible capital assets

| | <i>Cost</i> | <i>Additions</i> | <i>Disposals</i> | <i>Accumulated amortization</i> | <i>2019 Net book value</i> |
|----------------------|------------------|------------------|------------------|---------------------------------|--------------------------------|
| Housing - Phase VIII | 467,482 | - | - | 47,135 | 420,347 |
| Housing - Phase IX | 671,228 | - | - | 28,082 | 643,146 |
| | 1,138,710 | - | - | 75,217 | 1,063,493 |

| | <i>Cost</i> | <i>Additions</i> | <i>Disposals</i> | <i>Accumulated amortization</i> | <i>2018 Net book value</i> |
|----------------------|----------------|------------------|------------------|---------------------------------|--------------------------------|
| Housing - Phase VIII | 467,482 | - | - | 30,320 | 437,162 |
| Housing - Phase IX | - | 671,229 | - | 7,087 | 664,142 |
| | 467,482 | 671,229 | - | 37,407 | 1,101,304 |

7. Accumulated surplus

Accumulated surplus consists of the following:

| | <i>2019</i> | <i>2018</i> |
|------------------------------------|---------------|-------------|
| Equity in CMHC replacement reserve | | |
| Balance, beginning of year | 10,088 | 3,533 |
| Contributions | 9,255 | 6,555 |
| | 19,343 | 10,088 |
| Operating surplus | | |
| Balance, beginning of year | 17,634 | 14,327 |
| Contributions | 18,416 | 3,307 |
| CMHC adjustment (Note 10) | (1,266) | - |
| | 34,784 | 17,634 |
| | 54,127 | 27,722 |

8. Federal assistance payments

The program 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 two percent to enable the project to provide housing to low income individuals. The amount of assistance received was:

| | <i>2019</i> | <i>2018</i> |
|------------|---------------|-------------|
| Phase VIII | 17,420 | 17,420 |
| Phase IX | 24,845 | 12,423 |
| | 42,265 | 29,843 |

Sts'ailes
Section 95 Housing Operation
Notes to the Financial Statements
For the year ended March 31, 2019

9. Replacement reserve transactions

| | 2019 | 2018 |
|--------------------------------|--------|--------|
| Post-1996 Program | | |
| Opening balance | 10,089 | 3,534 |
| Allocation from operating fund | 9,255 | 6,555 |
| | 19,344 | 10,089 |

10. CMHC adjustment

Subsequent to CMHC's review of the fiscal 2018 financial statements, the following adjustment was requested to be recorded in the 2019 year:

CMHC Adjustment #1:

An adjustment was requested to increase the 2018 interest expense by \$1,266, resulting in a decrease in opening surplus of \$1,266, and an increase in Due from Sts'ailes of \$1,266.

11. Financial instruments

The First Nation as part of its operations carries a number of financial instruments. It is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the First Nation manages exposure through its normal operating and financing activities.

The First Nation is exposed to interest rate price risk on its long-term debt with All Nations Trust Company as they are at fixed interest rates.

12. Comparative figures

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

July 24, 2019

Canada Mortgage and Housing Corporation
200 – 1111 West Georgia Street
Vancouver, BC V6E 4S4

Dear Sirs:

Re: Sts'ailes
CMHC Ref #22-742-910

We have examined the books and records of Sts'ailes Section 95 Housing Operation for the year ended March 31, 2019. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

With reference to the Statement of the Replacement Reserve Fund presented in the audited financial statements for the year ended March 31, 2019, it has been funded as indicated in the audited financial statements. All interest accruing to the fund has been recorded. There were no expenses charged to the replacement reserve during the year.

With reference to the Operating Reserve Fund, it has been funded as indicated in the audited financial statements.

If we may be of further assistance, please do not hesitate to contact us.

Sincerely,

MNP LLP



Peter Dombowsky, CPA, CA
Assurance Services