

Sts'ailes
Consolidated Financial Statements
March 31, 2019

Sts'ailes Contents

For the year ended March 31, 2019

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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

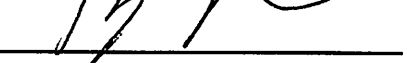
Sts'ailes
Consolidated Statement of Financial Position
As at March 31, 2019

	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

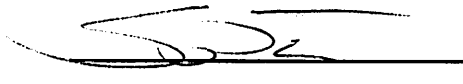


 Councillor




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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

	Schedules	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

	<i>2019 Budget</i>	<i>2019</i>	<i>2018</i>
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 (Note 19)
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 (Note 19)
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
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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

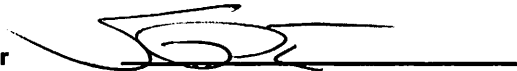

	2019	2018
Financial assets		
Rents receivable	11,679	3,515
CMHC subsidy receivable	35,221	3,522
Due to Sts'ailes	-	10,942
Replacement reserve (Note 2)	22,981	22,987
Operating reserve (Note 3)	14,645	-
Funds held in trust (Note 4)	5,977	5,977
	90,503	46,943
Liabilities		
Accounts payable and accruals	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