

Duncan First Nation
Consolidated Financial Statements
March 31, 2014

Duncan First Nation Contents

For the year ended March 31, 2014

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Management's Responsibility

To the Members of Duncan First Nation:

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

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

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

The Duncan First Nation 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 First Nation's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the Council 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 30, 2014



Administrator

Independent Auditors' Report

To the Members of Duncan First Nation:

We have audited the accompanying consolidated financial statements of Duncan First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The First Nation derives some revenue from the Oil and Gas industry, however due to the insufficient internal control procedures, the completeness of these transactions are not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the First Nation and we were unable to determine if further adjustments were required.

We were unable to observe sufficient details in the approved Duncan's First Nation's budget. Therefore, we were unable to determine whether adjustments to budgeted operations or budgeted changes in net debt might be necessary to present these figures as originally planned in the consolidated financial statements.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements present fairly in all material respects the financial position of Duncan First Nation as at March 31, 2014 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grande Prairie, Alberta

July 30, 2014

MNP LLP
Chartered Accountants

Duncan First Nation

Consolidated Statement of Financial Position

As at March 31, 2014

	2014	2013
Financial assets		
Cash resources (Note 2)	591,683	1,339,422
Accounts receivable (Note 3)	589,939	776,132
Short-term loans	50,000	-
Advances to related Nation entities & departments (Note 4)	102,131	285,934
Investments in Nation partnerships (Note 5)	553,000	553,000
Investment in Nation business entities (Note 5)	2,407,848	2,940,292
Funds held in trust (Note 6)	2,768,272	2,026,534
Total of assets	7,062,873	7,921,314
Liabilities		
Accounts payable and accruals	809,808	1,434,938
Deferred revenue (Note 7)	426,922	1,539,911
Long-term debt (Note 9)	1,474,383	1,601,536
Term loans due on demand (Note 8)	3,147,592	1,459,345
Trust liability	1,000	1,000
Total of financial liabilities	5,859,705	6,036,730
Net financial assets	1,203,168	1,884,584
Non-financial assets		
Tangible capital assets (Note 10)	11,738,117	10,403,685
Total non-financial assets	11,738,117	10,403,685
Accumulated surplus (Note 13)	12,941,285	12,288,269

Approved on behalf of the Council

Chief

Councillor

Duncan First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2014

	2014	2013
Revenue		
Aboriginal Affairs and Northern Development Canada		
Western Cree Tribal Council	-	(694)
Block funding	1,156,128	1,510,598
Set funding	69,984	66,821
Aboriginal skills funding	98,621	87,349
Treaty 8 funding	7,603	6,756
Other	-	35,000
Health Canada	549,765	565,215
Canada Mortgage and Housing Corporation		
Non-profit on-reserve housing	87,688	48,586
Other government funding	12,476	32,226
Other revenue	26,271	258,826
Rental income	37,793	61,210
Interest income	126	330
Province of Alberta	171,615	208,257
Administration fees	37,122	-
Earnings from investment in Nation business entities	1,534,911	1,330,050
Management fees from Nation business partnership	197,000	732,000
Revenue trust funds	64,078	68,735
Deferred revenue - current year	(421,922)	(1,534,911)
Economic activities	2,415,559	3,585,307
FNDF	415,856	421,161
	6,460,674	7,482,822

Continued on next page

Duncan First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2014

	Schedules	2014	2013
<i>(Continued from previous page)</i>		6,460,674	7,482,822
Program expenses			
Administration	2	1,601,464	886,538
Capacity Building	3	99,480	156,433
Capital Projects	4	39,111	5,447
Economic Development	5	1,770,281	1,765,873
Housing	6	852,196	359,678
Human Resources	7	98,717	135,999
Gaming	8	124,191	4,972
Operations and Maintenance	9	207,009	231,415
Recreation	10	3,769	9,820
Early Intervention Program	11	13,500	16,873
Education	12	236,133	349,395
Social Development	13	176,764	168,356
Medical Services	14	585,043	532,485
Total expenses		5,807,658	4,623,284
Operating surplus before transfers		653,016	2,859,538
Transfers between programs			
Transfer from Gaming		707,772	-
Transfer to Education		(7,446)	(123,202)
Transfer from Economic Development		7,446	123,202
Transfer to Capital Projects		88,049	-
Transfer to Administration		(795,821)	-
		-	-
Operating surplus		653,016	2,859,538
Accumulated operating surplus, beginning of year		12,288,269	9,456,337
Recovery of prior year's funding (Note 12)		-	(27,606)
Accumulated operating surplus, end of year		12,941,285	12,288,269

The accompanying notes are an integral part of these financial statements

Duncan First Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2014

	2014	2013
Operating surplus	653,016	2,859,538
Purchases of tangible capital assets	(1,631,388)	(2,996,278)
Amortization of tangible capital assets	296,956	230,074
Recovery of prior years funding	-	(27,606)
	(1,334,432)	(2,793,810)
Use of prepaid expenses	-	83,892
Increase (decrease) in net financial assets	(681,416)	149,620
Net financial assets, beginning of year	1,884,584	1,734,964
Net financial assets, end of year	1,203,168	1,884,584

The accompanying notes are an integral part of these financial statements

Duncan First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2014

	2014	2013
Cash provided by (used for) the following activities		
Operating activities		
Operating surplus	653,016	2,859,538
Non-cash items		
Amortization	296,956	230,074
Recovery of prior years funding (Note 12)	-	(27,606)
Deferred revenue - current year	181,000	1,021,350
Deferred revenue - prior year	(181,000)	(1,021,350)
	949,972	3,062,006
Changes in working capital accounts		
Accounts receivable	186,193	(126,764)
Prepaid expenses	-	83,892
Accounts payable and accruals	(625,431)	1,020,086
Deferred revenue	(1,112,989)	204,862
	(602,255)	4,244,082
Financing activities		
Repayment of long-term debt	(127,152)	(122,168)
Advances of term loans due on demand	1,734,663	1,274,338
Repayment of term loans due on demand	(46,415)	(34,992)
	1,561,096	1,117,178
Capital activities		
Purchases of tangible capital assets	(1,631,388)	(2,996,278)
Investing activities		
Advances to related Nation entities and departments	-	(28,674)
Repayment of Advances to related Nation entities and departments	183,803	-
Investment in Nation business entities	-	(198,000)
Advances from related Nations entities and departments	532,444	-
Withdrawals from trust funds	802,326	-
Contributions to trust funds	(1,543,765)	(2,007,573)
Advance of short term loan	(50,000)	-
	(75,192)	(2,234,247)
Increase (decrease) in cash resources	(747,739)	130,735
Cash resources, beginning of year	1,339,422	1,208,687
Cash resources, end of year	591,683	1,339,422
Supplementary cash flow information		
Interest	193,558	86,755
Interest paid	126	330

The accompanying notes are an integral part of these financial statements

Duncan First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

1. Significant accounting policies

These consolidated financial statements of Duncan First Nation (the "First Nation") are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Reporting entity

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

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

- 1126544 Alberta Ltd.
- 1136725 Alberta Ltd.
- William McKenzie Resources Ltd.

Investments in First Nation partnerships are accounted for using the proportionate consolidation method. The First Nation's pro-rata share of the assets, liabilities, revenue, and expenses of the First Nation have been combined on a line-by-line basis with similar items of the First Nation.

Basis of presentation

Sources of financing 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. Funds from external parties and earnings structured by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Cash resources

Cash resources includes balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Investments

Investments are recorded at amortized cost. Investment premiums or discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

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

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 on a straight-line basis over the estimated useful life. One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use. The estimated useful life is as follows:

Buildings	50 years
Automotive	10-20 years
Machinery and Equipment	5-15 years
Land and land improvements	25 years
Engineering structures	45 years

Long-lived assets

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

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in surplus for the year. Discounted cash flows are used to measure fair value of long-lived assets.

Asset classification

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

Net financial assets

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

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 consolidated statement of financial position in the year of receipt.

Externally restricted revenue

The First Nation recognizes externally restricted inflows as revenue in the period the resources are used for the purposes specified in accordance with an agreement or legislation. Until this time, the First Nation records externally restricted inflows in deferred revenue.

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

Use of estimates

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

Accounts receivable, and amounts due from related First Nation members, are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Investment in Nation business entities is stated after evaluation of valuation and collectibility of advances.

Segments

The First Nation conducts its business through 16 (16 in 2013) reportable segments which are shown in schedules to follow. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1 the *Significant accounting policies*.

Recent accounting pronouncements

Financial instruments

In June 2011, the Public Sector Accounting Board (PSAB) issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2015. Earlier adoption is permitted.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. The First Nation has not yet determined the effect of these new standards on its consolidated financial statements.

Duncan First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

2. Cash resources

	2014	2013
Cash	386,476	859,166
Restricted cash	205,207	480,256
	591,683	1,339,422

Restricted cash of \$516 (2013 - \$516) is restricted due to the Canada Mortgage and Housing Corporation replacement reserve fund requirement, as well as \$204,691 (2013 - \$479,740) for the sole purpose of future economic development projects, funded by TransCanada.

3. Accounts receivable

Accounts receivable consists of the following:

	2014	2013
Accounts receivable	677,313	776,935
Less: Allowance for doubtful accounts	(381,411)	(290,603)
Accounts receivable - WCTC	45,222	136,150
Accounts receivable - other government funding	248,815	153,650
	589,939	776,132

4. Advances to related Nation entities and departments

Advances to related Nation entities and departments are unsecured, non-interest bearing and due on demand. The balance consists of amounts owed to the First Nation from its members.

Duncan First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

5. Investments in First Nation partnerships and business entities

The First Nation has investments in the following entities:

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Undistributed loss</i>	<i>Contributed surplus</i>	<i>2014 Total investment</i>
Wholly-owned Businesses					
1126544 Alberta Ltd. - 100%	3	2,092,000	(78,000)	320,000	2,334,003
1136725 Alberta Ltd. - 100%	3	-	-	-	3
William McKenzie Resources Ltd. - 100%	3,286	70,556	-	-	73,842
	3,292	2,162,556	(78,000)	320,000	2,407,848
Other Investments:					
Akuna Drilling Trust Units - 50%	3,000	-	-	-	3,000
Asnee-Suk Management Corp. - 51%	1,591,710	(1,041,710)	-	-	550,000
	1,594,710	(1,041,710)	-	-	553,000
	1,598,002	1,120,846	(78,000)	320,000	2,960,848
	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Undistributed loss</i>	<i>Contributed surplus</i>	<i>2013 Total investment</i>
Wholly-owned Businesses					
1126544 Alberta Ltd. - 100%	3	2,595,000	(78,000)	320,000	2,837,003
1136725 Alberta Ltd. - 100%	3	-	-	-	3
William McKenzie Resources Ltd. - 100%	3,286	100,000	-	-	103,286
	3,292	2,695,000	(78,000)	320,000	2,940,292
Other Investments:					
Akuna Drilling Trust Units - 50%	3,000	-	-	-	3,000
Asnee-Suk Management Corp. - 51%	1,591,710	(1,041,710)	-	-	550,000
	1,594,710	(1,041,710)	-	-	553,000
	1,598,002	1,653,290	(78,000)	320,000	3,493,292

Duncan First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

6. Funds held in trust

Funds are held by the Government of Canada for the use and benefit of the Nation. These funds are accounted for as received and released, use of such funds are subject to ministerial approval.

Capital and revenue trust moneys are transferred to the First Nation on the authorization of the Minister of Aboriginal Affairs and Northern Development Canada (AANDC), with the consent of the First Nation's Council.

The Jade LePretre trusts are moneys being held for the future benefit of minor band members which is to be distributed when they reach the age of 18.

The Carmon Creek Community Trust are funds received from Economic Development activities being held in trust for specified future use.

	2014	2013
Capital Trust		
Balance, beginning of year	12,145	12,145
Balance, end of year	12,145	12,145
Revenue Trust		
Balance, beginning of year	8,698	4,915
Interest	4,761	9,933
Land leases	59,317	58,502
	72,776	73,350
Less: Transfers to First Nation	32,326	64,651
Balance, end of year	40,450	8,399
Bailey and Jade LaPretre Trust		
Balance, beginning of year	500	2,500
Less: Transfers to Members	-	2,000
Balance, end of year	500	500
Carmon Creek Community Trust		
Balance, beginning of year	2,005,490	-
Interest	13,862	5,490
Lawyer fees	(4,175)	-
Contributions	1,470,000	2,000,000
	3,485,177	2,005,490
Less: Transfers to First Nation	770,000	-
Balance, end of year	2,715,177	2,005,490
	2,768,272	2,026,534

Duncan First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

7. Deferred revenue

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

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Expensed</i>	<i>Balance, end of year</i>
CEOP	547	-	547	-
Gaming	421,162	-	421,162	-
Economic Development	680,000	-	499,000	181,000
Community Investments - Cadets	5,000	-	-	5,000
SEI Grant - Open Camp	70,000	-	70,000	-
Provincial Government - Open Camp	100,000	-	100,000	-
WCTC - Capital Construction	197,280	-	22,280	175,000
Capacity Building - Excess funding over expenses	65,922	-	-	65,922
	1,539,911	-	1,112,989	426,922

8. Term loans due on demand

	2014	2013
Term loan due on demand bearing interest at prime plus 1.50%, payable in quarterly instalments of \$57,500 plus interest, due March 2030.	3,009,000	1,278,988
Term loan due on demand bearing interest at prime plus 2.25%, payable in monthly instalments of \$4,185 plus interest, due March 2018.	138,592	180,357
	3,147,592	1,459,345

Principal repayments on long-term debt in each of the next five years

2015	258,900
2016	261,300
2017	263,392
2018	215,000
Thereafter	2,149,000
	3,147,592

Duncan First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

9. Long-term debt

	2014	2013
Peace Hills Trust loan payable bearing interest at 4.50%, payable in monthly instalments of \$1,810, due 2018, with Ministerial guarantee pledged as collateral.	64,361	82,841
Peace Hills Trust loan payable bearing interest at 4.50%, payable in monthly instalments of \$998, due 2018, with Ministerial guarantee pledged as collateral.	35,502	45,696
Peace Hills Trust loan payable bearing interest at 4.50%, payable in monthly instalments of \$4,382, due 2018, with Ministerial guarantee pledged as collateral.	361,111	396,922
Peace Hills Trust loan payable bearing interest at 3.95%, payable in monthly instalments of \$764, due 2017, with Ministerial guarantee pledged as collateral.	63,219	69,803
Peace Hills Trust loan payable bearing interest at 4.50%, payable in monthly instalments of \$1,595, due 2017, with Ministerial guarantee pledged as collateral.	34,682	52,190
Canada Housing and Mortgage loan payable bearing interest at 3.16%, payable in monthly instalments of \$1,617, due 2028, with Ministerial guarantee pledged as collateral.	220,138	233,471
Canada Housing and Mortgage loan payable bearing interest at 2.75%, payable in monthly instalments of \$1,960, due 2031, with Ministerial guarantee pledged as collateral.	317,931	332,530
Peace Hills Trust loan payable bearing interest at 4.50%, payable in monthly instalments of \$2,302, due 2017, with Ministerial guarantee pledged as collateral.	377,439	388,082
	1,474,383	1,601,535

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:

	Principal	Interest	Total
2015	131,200	52,029	183,229
2016	134,682	48,546	183,228
2017	122,500	41,594	164,094
2018	99,563	39,257	138,820
2019	97,000	33,396	130,396
	584,945	214,822	799,767
Thereafter	889,438	214,822	1,104,260

Interest on long-term debt amounted to \$56,824 (2013 - \$73,815).

Duncan First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

10. Tangible capital assets

	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Accumulated amortization</i>	<i>2014 Net book value</i>
Buildings	8,971,550	4,017,986	-	2,114,597	10,874,939
Land and land improvements	33,380	-	-	14,320	19,060
Engineering Structures	269,052	-	-	26,870	242,182
Automotive	489,956	-	-	249,993	239,963
Machinery and Equipment	216,283	321,839	-	176,149	361,973
Building under construction	2,708,438	(2,708,438)	-	-	-
	12,688,659	1,631,387	-	2,581,929	11,738,117

	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Accumulated amortization</i>	<i>2013 Net book value</i>
Buildings	8,971,550	-	-	1,894,986	7,076,564
Land and land improvements	33,380	-	-	12,884	20,496
Engineering structures	71,179	197,873	-	20,897	248,155
Automotive	450,237	39,718	-	213,837	276,118
Machinery and equipment	166,034	50,249	-	142,369	73,914
Building under construction	-	2,708,438	-	-	2,708,438
	9,692,380	2,996,278	-	2,284,973	10,403,685

Amortization expense of \$296,956 (2013 - \$230,074) was recorded in the consolidated statement of operations and accumulated surplus. There was no amortization taken on assets classified as construction-in-progress.

Duncan First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

11. Amortization

Amortization of tangible capital assets by category is as follows:

	2014	2013
Buildings	219,611	179,431
Land and land improvements	1,435	1,435
Engineering structures	5,973	3,777
Automotive	36,156	35,163
Machinery and equipment	33,781	10,268
	<u>296,956</u>	<u>230,074</u>

12. Recovery of prior years funding

	2014	2013
Human Resources and Development Canada	-	(27,606)

13. Accumulated surplus

Accumulated surplus consists of the following:

	2014	2013
Equity in trust funds	2,768,272	2,026,534
Equity in CMHC operating reserve	220,257	230,730
Equity in tangible capital assets	7,116,142	7,342,804
Equity in investments	3,712,848	4,245,292
Equity in Economic Development reserve	450,000	450,000
Equity in Housing & Equipment reserves	250,000	250,000
Unrestricted Surplus	(1,576,234)	(2,257,093)
	<u>12,941,285</u>	<u>12,288,267</u>

14. Replacement reserve

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the First Nation established the following:

- A replacement reserve, established by an annual allocation of \$11,200, to ensure replacement of buildings financed by CMHC. At March 31, 2014, \$516 (2013 - \$516) has been set aside to fund this reserve. The unfunded portion at March 31, 2014 was \$219,741 (2013 - \$230,214).
- A subsidy surplus reserve established by retaining excess federal assistance payments received to a maximum of 10% per unit, plus interest. Reserve funds may be used to meet future subsidy requirements of income test occupants, over and above the maximum federal assistance.

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. At year end, the First Nation is in violation of the CMHC agreement, but the possible effect of this violation has not yet been determined.

Duncan First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

15. Related party transactions

Included in revenue for the current year are management fees of \$197,000 (2013 - \$500,000) from 1126544 Alberta Ltd., a company owned solely by the Nation. The management fees were conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed by the related party.

16. Defined benefit and contribution plans

The First Nation has a defined benefit contribution pension plan covering all full-time employees. Contributions to the plan are based on 5.5% participants' contributions up to a maximum amount per participant. The First Nation contributions and corresponding expense totaled \$15,043 in 2014 (2013 - \$16,830).

17. Economic dependence

The First Nation receives substantially all of its revenue from Aboriginal Affairs and Northern Development Canada as a result of treaties entered into with the Government of Canada. These treaties are administered by AANDC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

18. Comparative figures

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

Duncan First Nation
Schedule 1 - Consolidated Schedule of Expenses by Object
For the year ended March 31, 2014

	2014	2013
Consolidated expenses by object		
Activities	190,804	147,024
Administration	39,455	40,362
Advertising	3,169	8,493
Allowances	41,367	75,082
Amortization	296,956	230,074
Bad debts	311,477	97,470
Bank charges and interest	4,117	8,290
Consulting	180	-
Contracted services	667,380	1,152,314
Economic	371,293	1,493
Gas support	13,010	12,358
Honourarium	7,372	41,740
Housing renovation project	612,075	-
Insurance	142,527	106,290
Interest on long-term debt	189,471	78,465
Land Leases	52,674	67,327
Materials	62,019	37,717
Medical supplies and prescriptions	3,319	477
Member support	77,414	101,845
Monitor fees	109,263	1,225
Office supplies and expenses	51,594	74,150
4-Plex recovery	(265,466)	-
Pension	104,500	-
Per capita distribution	499,000	210,500
Professional fees	171,738	-
Renovations	74,202	62,621
Rent	266	-
Repairs and maintenance	126,365	142,252
Salaries and benefits	960,876	1,105,188
Social assistance	94,811	118,954
Supplies	82,331	118,789
Telephone	49,980	47,829
Training	147,837	38,656
Transportation	120,469	120,354
Travel	204,929	280,398
Tuition	11,727	5,668
Utilities	135,439	36,913
Vehicle	18,325	9,097
Water and service	23,392	43,869
	5,807,657	4,623,284