

**Saulteau First Nations
Financial Statement Package
For the year ended March 31, 2015**

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**Saulteau First Nations
Consolidated Financial Statements
For the year ended March 31, 2015**

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**Saulteau First Nations
Consolidated Financial Statements
For the year ended March 31, 2015**

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Saulteau First Nations are the responsibility of management and have been approved by the Chief and another Band Councilor on behalf of the Band Council.

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board. Management is responsible 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.

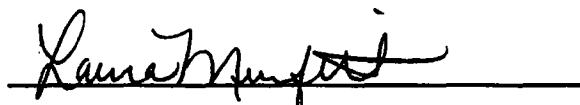
The Chief and Council of Saulteau First Nations are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The external auditors, BDO Canada LLP, conduct an audit, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have access to financial management of Saulteau First Nations and meet when required.

On Behalf of Saulteau First Nations:



Chief



Band Councilor

Independent Auditor's Report

To the Members Saulteau First Nations

We have audited the accompanying consolidated financial statements of Saulteau First Nations, which comprise the consolidated statement of financial position as at March 31, 2015, the consolidated statements of operations, change 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 Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial position present fairly, in all material respects, the consolidated financial position of Saulteau First Nations as at March 31, 2015 and the results of its operations, change in net financial assets, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Penticton, British Columbia

August 13, 2015

Saulteau First Nations
Consolidated Statement of Financial Position

| <u>March 31</u> | <u>2015</u> | <u>(Restated) 2014</u> |
|--|----------------------|----------------------------|
| Financial assets | | |
| Cash (Note 3) | \$ 4,210,483 | \$ 4,462,081 |
| Accounts receivable (Note 4) | 1,507,696 | 424,173 |
| Long-term investments (Note 7) | 5,468,366 | 5,048,314 |
| Inventories for resale (Note 5) | 14,369 | 9,589 |
| | <u>11,200,914</u> | <u>9,944,157</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities (Note 10) | 881,687 | 679,648 |
| Deferred revenue (Note 11) | 99,072 | 149,390 |
| Long-term debt (Note 14) | 2,650,696 | 2,860,035 |
| | <u>3,631,455</u> | <u>3,689,073</u> |
| Net financial assets | <u>7,569,459</u> | <u>6,255,084</u> |
| Non-financial assets | | |
| Prepaid expenses | 265,970 | 217,858 |
| Tangible capital assets (Note 9) | 13,504,996 | 14,211,939 |
| | <u>13,770,966</u> | <u>14,429,797</u> |
| Accumulated surplus | <u>\$ 21,340,425</u> | <u>\$ 20,684,881</u> |

Approved on behalf of Chief & Council

W.P.
Laura Mungoat

Saulteau First Nations
Consolidated Statement of Operations

| <u>For the year ended March 31</u> | <u>Budget</u> | <u>2015</u> | <u>(Restated) 2014</u> |
|--|---------------------|----------------------|----------------------------|
| Revenue | | | |
| Federal Government: | | | |
| Aboriginal Affairs and Northern Development Canada | \$ 1,942,683 | \$ 2,636,714 | \$ 2,344,774 |
| Canada Mortgage and Housing Corporation | - | 36,123 | 65,407 |
| Government of Canada | - | 140,326 | 360,496 |
| First Nations Health Authority | 683,427 | 837,236 | 792,450 |
| Provincial Government: | | | |
| Province of British Columbia | 85,000 | 557,136 | 194,950 |
| BC Hydro | 25,000 | 277,750 | 225,743 |
| Rental Income | - | 389,296 | 358,177 |
| Interest | - | 37,743 | 43,644 |
| North East Native Advancing Society | - | 23,719 | 20,993 |
| BC Oil and Gas Commission | 2,803,353 | 1,747,000 | 522,736 |
| Other: | | | |
| Administration | - | 28,859 | - |
| Donation | - | 25,021 | 33,520 |
| First Nations Education Steering Committee | 31,941 | 58,520 | 60,884 |
| Industries | 940,013 | 31,480 | 333,437 |
| Northern Health Authority | 10,000 | - | 43,625 |
| Wind energy royalties | 276,309 | - | 71,364 |
| Reimbursements | - | 77,239 | 138,080 |
| Retail Operations | - | 112,422 | 94,145 |
| Spectra Energy | - | 26,833 | 75,000 |
| Other land use and miscellaneous contracts | 331,330 | 4,089,750 | 3,362,405 |
| | <hr/> | <hr/> | <hr/> |
| | \$ 7,129,056 | \$ 11,133,167 | \$ 9,141,830 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Saulteau First Nations
Consolidated Statement of Operations

| <u>For the year ended March 31</u> | <u>Budget</u> | <u>2015</u> | <u>(Restated) 2014</u> |
|---|----------------------|----------------------|----------------------------|
| Expenditures (Note 21) | | | |
| Administration | \$ 2,238,732 | \$ 3,025,763 | \$ 2,491,463 |
| Economic development | 1,433,192 | 2,302,733 | 2,537,368 |
| Education | 874,824 | 981,114 | 883,018 |
| Enterprise Fund | - | 7,570 | 113,918 |
| Family and Social Development | 750,022 | 530,270 | 587,476 |
| Health services | 506,497 | 759,771 | 808,489 |
| Housing | 150,262 | 1,151,075 | 1,300,593 |
| Public works | 282,040 | 926,837 | 595,423 |
| Recreation and culture | - | 154,496 | 159,509 |
| | <hr/> 6,235,569 | <hr/> 9,839,629 | <hr/> 9,477,257 |
| Excess (deficiency) of revenue for the year | \$ 893,487 | 1,293,538 | (335,427) |
| Net income (loss) from government business entities | | (637,994) | 1,188,153 |
| Annual surplus | | 655,544 | 852,726 |
| Accumulated surplus at beginning of year, as previously stated | | 20,598,018 | 19,832,155 |
| Prior period adjustment (Note 2) | | 86,863 | - |
| Accumulated surplus at beginning of year, restated | | 20,684,881 | 19,832,155 |
| Accumulated surplus at end of year | \$ 21,340,425 | \$ 20,684,881 | |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Saulteau First Nations
Consolidated Statement of Change in Net Financial Assets

| For the year ended March 31 | Budget | 2015 | (Restated) 2014 |
|--|----------------------------|----------------------------|----------------------------|
| Annual surplus | \$ 893,487 | \$ 655,544 | \$ 852,726 |
| Tangible capital assets: | | | |
| Acquisition of tangible capital assets | (127,320) | (234,826) | (1,255,191) |
| Amortization of tangible capital assets | - | 506,732 | 499,437 |
| Write off of tangible capital assets | - | 435,037 | - |
| | 766,167 | 1,362,487 | 96,972 |
| Acquisition of prepaid expenses | - | (244,784) | (423,095) |
| Use of prepaid expenses | - | 196,672 | 771,685 |
| Acquisition of inventory | - | - | 9,589 |
| | - | (48,112) | 358,179 |
| Increase in net financial assets | 766,167 | 1,314,375 | 455,151 |
| Net financial assets at beginning of year | <u>6,255,084</u> | <u>6,255,084</u> | <u>5,799,933</u> |
| Net financial assets at end of year | <u>\$ 7,021,251</u> | <u>\$ 7,569,459</u> | <u>\$ 6,255,084</u> |

Saulteau First Nations
Consolidated Statement of Cash Flows

| <u>For the year ended March 31</u> | (Restated) | |
|---|---------------------|---------------------|
| | <u>2015</u> | <u>2014</u> |
| Operating activities | | |
| Annual surplus | \$ 655,544 | \$ 852,726 |
| Items not affecting cash: | | |
| Amortization | 506,732 | 499,437 |
| Bad debts | <u>174,853</u> | <u>491,798</u> |
| | 1,337,129 | 1,843,961 |
| Changes in operating balances | | |
| Decrease (increase) in accounts receivable | (1,258,376) | 102,937 |
| Decrease (increase) in prepaid expenses | (48,112) | 348,590 |
| Increase (decrease) in accounts payable and accrued liabilities | 202,036 | (237,694) |
| Decrease in deferred revenue | (50,320) | (193,586) |
| Increase in inventory | <u>(4,780)</u> | <u>-</u> |
| | 177,577 | 1,864,208 |
| Capital activities | | |
| Purchase of tangible capital assets | (234,826) | (1,255,191) |
| Write off of tangible capital assets | <u>435,037</u> | <u>-</u> |
| Investing activities | | |
| Net increase in band owned investment | <u>(420,048)</u> | <u>(1,188,153)</u> |
| Financing activities | | |
| Proceeds from long-term debt | 57,337 | 1,359,040 |
| Repayment of long-term debt | <u>(266,675)</u> | <u>(1,197,547)</u> |
| | (209,338) | 161,493 |
| Decrease in cash for the year | (251,598) | (417,643) |
| Cash, beginning of year | <u>4,462,081</u> | <u>4,879,724</u> |
| Cash, end of year (Note 3) | <u>\$ 4,210,483</u> | <u>\$ 4,462,081</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Saulteau First Nations Notes to Consolidated Financial Statements

March 31, 2015

1. Summary of Significant Accounting Policies

| | |
|------------------------------------|---|
| Nature of Business | Saulteau First Nations provides services and support to its band members. Saulteau First Nations is an Indian Band and, as such, is exempt from income tax under section 87 of the Indian Act. |
| Basis of Accounting | These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board. |
| Reporting Entity | The Saulteau First Nations reporting entity includes the Saulteau First Nations government and all related entities that are controlled by the First Nation. |
| Principles of Consolidation | All controlled entities are fully consolidated on a line-by-line basis except for commercial enterprises which meet the definition of a government business entities, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation. Under the modified equity method of accounting, only Saulteau First Nations investment in the government business entities and the First Nation's portion of the entity's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the entities that are different from those of Saulteau First Nations and inter-organizational balances and transactions are not eliminated. |
| Long-term Investments | Long-term investments in entities which are not wholly owned or controlled by the First Nation are recorded at cost. The First Nation's investment in the following government business enterprises, are recorded on a modified equity basis: <ul style="list-style-type: none">- 4 Evergreen Resources Limited Partnership- Six Nations Ventures Limited Partnership- Three Nations Ventures Limited Partnership- Saulteau Camp Services Limited Partnership- 4 Evergreen Harvesting Incorporated- Twin Sisters Native Plants Nursery Limited Partnership- Saulteau Camp Services GP Limited The modified equity method of reporting includes the investment, equity, and net income of the government business enterprise. The First Nation's investment in the following entities which are not controlled, are recorded at cost: <ul style="list-style-type: none">- First Nations Pipeline Limited Partnership- Little Prairie Community Forest Incorporated |

Saulteau First Nations Notes to Consolidated Financial Statements

March 31, 2015

1. Summary of Significant Accounting Policies (continued)

| | | | | | | | | | |
|--------------------------------|---|----------------------------|-------------|----------------------|----------|------------------------|-------------|-------------------------|------------|
| 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 provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, inventories for resale and prepaid expenses. | | | | | | | | |
| Cash | Cash includes cash on hand and balances with banks. | | | | | | | | |
| Use of Estimates | The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. | | | | | | | | |
| Tangible Capital Assets | Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital assets including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows: <table><tr><td>Buildings and improvements</td><td>25-50 years</td></tr><tr><td>Automotive equipment</td><td>10 years</td></tr><tr><td>Engineering structures</td><td>15-25 years</td></tr><tr><td>Machinery and equipment</td><td>3-20 years</td></tr></table> One-half of the annual amortization is recorded in the year of asset acquisition. | Buildings and improvements | 25-50 years | Automotive equipment | 10 years | Engineering structures | 15-25 years | Machinery and equipment | 3-20 years |
| Buildings and improvements | 25-50 years | | | | | | | | |
| Automotive equipment | 10 years | | | | | | | | |
| Engineering structures | 15-25 years | | | | | | | | |
| Machinery and equipment | 3-20 years | | | | | | | | |
| Inventories for resale | Inventories of supplies and goods for resale are recorded at the lower of cost and net realizable value | | | | | | | | |
| Net Financial Assets | The Band's consolidated financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the Band is determined by its liabilities less its financial assets. Net financial assets is comprised of two components: non-financial assets and accumulated surplus. | | | | | | | | |

Saulteau First Nations Notes to Consolidated Financial Statements

March 31, 2015

1. Summary of Significant Accounting Policies (continued)

| | |
|------------------------------|---|
| Revenue Recognition | <p>Revenue in the Operating Fund is recognized as it becomes receivable under the terms of applicable funding agreements. Revenue received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Consolidated Statement of Financial Position.</p> <p>Revenue in the Enterprise Fund is recognized when ownership of products are transferred to a third party or services are provided, and collection is reasonably assured.</p> <p>Revenue from rental and other income is recognized when services are provided, and collection is reasonably assured. When payments are received in advance of contracted services, the Band records this as deferred revenue.</p> <p>Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the consolidated statement of operations as the stipulation liabilities are settled.</p> |
| Financial Instruments | <p>The Band carries a number of financial instruments. Unless otherwise noted, it is management's opinion that the Band is not exposed to significant interest, currency or credit risks arising from these financial instruments.</p> <p>The fair values of these financial instruments approximate their carrying values, unless otherwise noted.</p> |

Saulteau First Nations Notes to Consolidated Financial Statements

March 31, 2015

2. Prior Period Adjustment

During the year, the band was made aware that two housing renovation projects CMPS 1198 and CMPS 1199 should have recognized an additional \$91,055 of AANDC funding as revenue, which had incorrectly been recorded as deferred revenue in the fiscal year ended March 31, 2014. Accordingly, a \$91,055 adjustment has been made to increase the opening accumulated surplus account as at April 1, 2014 and a reduction of the deferred revenue account of \$91,055 as at March 31, 2014. Furthermore, AANDC revenue was increased by \$91,055 to reflect the amount that should have been recorded as revenue in the year ended March 31, 2014.

During the year, 4 Evergreen Resources Limited Partnership discovered that a \$371,236 subcontractor payment and \$144,860 of contract revenue were not recorded in the financial statements as at March 31, 2014. The correction of these errors increased the prior year accounts payable and cost of sales by \$371,236, and increased the accounts receivable and contract revenue by \$144,860 in the partnership financial statements. The band corrected these errors by decreasing their investment in government business enterprises and net investment income at March 31, 2014 by the net amount of \$226,353.

During the year, the records of Twin Sisters Native Plants Nursery Limited Partnership were brought up to date which required an adjustment to reflect the accumulated earnings from 2014. The total adjustment required was an increase in the 2014 net income from government business enterprises and long term investment account of \$222,160 and an adjustment to the April 1, 2014 accumulated surplus and long term investment account of \$222,160 which represents the accumulated earnings incurred in Twin Sisters Native Plants Nursery Limited Partnership from 2014.

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2015

3. Cash and Short-term Investments

| | 2015 | 2014 |
|---------------------------------------|---------------------|---------------------|
| Cash | \$ 4,210,483 | \$ 4,462,081 |
| Externally Restricted | | |
| Ottawa Trust Funds - Revenue (Note 6) | \$ 42,787 | \$ 42,787 |
| Ottawa Trust Funds - Capital (Note 6) | 369,712 | 354,141 |
| Replacement reserve | 580,621 | 463,230 |
| Funds held in trust | <u>67,805</u> | <u>67,805</u> |
| | 1,060,925 | 927,963 |
| Internally Restricted | | |
| Community Benefit Fund | 179,551 | 159,595 |
| Pemmican Days | 21,482 | 14,693 |
| Extended Care Fund | <u>14,793</u> | <u>14,845</u> |
| | 215,826 | 189,133 |
| Unrestricted | | |
| Operating | 2,416,018 | 3,034,083 |
| Social Housing | 217,160 | 10,304 |
| Capital | <u>300,554</u> | <u>300,598</u> |
| | 2,933,732 | 3,344,985 |
| | \$ 4,210,483 | \$ 4,462,081 |

Replacement Reserves

Under the terms of the agreement with Canada Mortgage and Housing Corporation ("CMHC"), the Replacement Reserve account is to be credited annually in an amount as specified by CMHC. 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 may otherwise be approved by CMHC. Withdrawals are credited to interest first and then principal.

Community Benefits Fund

This fund was established for the purpose of collecting monies for future projects which would benefit the members of the Saulteau First Nations.

Pemmican Days

This fund was established for the purpose of collecting monies for the annual Pemmican Days event.

Extended Care Fund

This fund was established for the purpose of building a new elders' care home.

Trust Funds

These funds are held in trust with Donovan & Company for the purpose of supporting the negotiation of an impact benefit agreement with Peace River Coal related to mining activities.

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2015

4. Accounts Receivable

| | 2015 | 2014 |
|---|---------------------|-------------------|
| Trade | \$ 212,160 | \$ 465,367 |
| Oil and Gas Commission | 1,197,000 | - |
| Accrued receivables | 119,121 | 5,888 |
| Province of BC | 20,000 | - |
| First Nations Health Authority | 5,000 | - |
| CMHC Social housing rent | 201,049 | 228,966 |
| Band housing rent | 1,170,070 | 1,044,778 |
| Member receivables | <u>23,867</u> | <u>24,167</u> |
| | 2,948,267 | 1,769,166 |
| Less: Allowance for doubtful accounts | (62,035) | (62,035) |
| Less: Allowance for doubtful band member rent accounts | (1,162,747) | (1,044,070) |
| Less: Allowance for doubtful social housing rent accounts | (198,209) | (221,776) |
| Less: Allowance for doubtful band member receivables | <u>(17,580)</u> | <u>(17,112)</u> |
| Net accounts receivable | <u>\$ 1,507,696</u> | <u>\$ 424,173</u> |

5. Inventories for Resale

| | 2015 | 2014 |
|-------------------|------------------|-----------------|
| Smokes and snacks | <u>\$ 14,369</u> | <u>\$ 9,589</u> |

6. Trust Funds Held by Federal Government

| | March 31, 2014 | Additions | Withdrawals | March 31, 2015 |
|---------|-------------------|------------------|-------------|-------------------|
| Revenue | \$ 42,787 | \$ - | \$ - | \$ 42,787 |
| Capital | <u>354,141</u> | <u>15,570</u> | <u>-</u> | <u>369,711</u> |
| | <u>\$ 396,928</u> | <u>\$ 15,570</u> | <u>\$ -</u> | <u>\$ 412,498</u> |

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

**Saulteau First Nations
Notes to Consolidated Financial Statements**

March 31, 2015

7. Long-term Investments

| | (Restated) | |
|---|---------------------|---------------------|
| | 2015 | 2014 |
| 4 Evergreen Resources Limited Partnership (99.99%) | \$ 1,368,320 | \$ 2,765,048 |
| Six Nations Ventures Limited Partnership (16.66%) | 367,590 | 357,989 |
| Three Nations Ventures Limited Partnership (33.33%) | 131,597 | 240,791 |
| Twin Sisters Native Plants Nursery Limited Partnership (49.99%) | 257,048 | 222,160 |
| Saulteau Camp Services Limited Partnership (99.99%) | 2,416,122 | 1,460,379 |
| Saulteau Camp Services GP Limited (100%) | 925,739 | - |
| 4 Evergreen Harvesting Incorporated (100%) | 947 | 947 |
| First Nations Pipeline Limited Partnership (6.66%), at cost | 1,000 | 1,000 |
| Little Prairie Community Forest Inc. (33.33%), at cost | 3 | - |
| | \$ 5,468,366 | \$ 5,048,314 |

4 Evergreen Resources Limited Partnership

The principal purpose of 4 Evergreen Resources Limited Partnership is providing contract services for the oil and gas, timber and road construction industries.

Six Nations Ventures Limited Partnership

Six Nations Ventures Limited Partnership is a partnership of Blueberry River First Nations, Doig River First Nation, Halfway River First Nation, Prophet River First Nation, Saulteau First Nations, West Moberly First Nations and Six Nations Ventures Inc. This partnership operates a log sort yard on a contract basis in Fort St. John, British Columbia.

Three Nations Ventures Limited Partnership

Three Nations Ventures Limited Partnership is a limited partnership of the Saulteau First Nations, Blueberry First Nations, West Moberly First Nations, and Three Nations Ventures Inc. This partnership operates predominantly in the forestry sector; as well, it operates a log sort yard.

Saulteau First Nations Notes to Consolidated Financial Statements

March 31, 2015

7. Long-term Investments (continued)

Saulteau Camp Services Limited Partnership

Saulteau Camp Services Limited Partnership is a limited partnership of the Saulteau First Nations. The principal purpose is administering the leasing of remote camps.

Twin Sisters Native Plants Nursery Limited Partnership

Twin Sisters Native Plants Nursery Limited Partnership is a limited partnership of the Saulteau First Nations. The principal purpose is to provide plant growing and seed collecting services.

Little Prairie Community Forest Incorporated

Little Prairie Community Forest Incorporated operates a community forest under a twenty five year agreement with the Ministry of Forest, Lands and Natural Resource Operations, in accordance with Section 43.51 (1) (b) of the Forest Act and Section 6 of the Community Tenures Regulation.

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2015

7. Long-term Investments (continued)

(Restated)
 2015
 2014

| | 4 Evergreen Resources Limited Partnership | Six Nations Ventures Limited Partnership | Three Nations Ventures Limited Partnership | Saulteau Camp Services Limited Partnership | Twin Sisters Native Plants Nursery Limited • Partnership | Saulteau Camp Services (GP) Limited | |
|----------------------------|--|---|---|---|---|--|---------------------|
| | As at Mar. 31 2015 | As at Dec. 31 2014 | As at Dec. 31 2014 | As at Mar. 31 2015 | As at Mar. 31 2015 | As at Mar. 31 2015 | |
| | | | | | | | Total |
| Assets | | | | | | | |
| Current | \$ 1,156,310 | \$ 1,210,010 | \$ 126,781 | \$ 906,622 | \$ 487,957 | \$ 924,105 | \$ 4,811,785 |
| Non-current | 3,293,023 | 1,091,164 | 323,398 | 3,574,750 | 542,991 | 229 | 8,825,555 |
| | 4,449,333 | 2,301,174 | 450,179 | 4,481,372 | 1,030,948 | 924,334 | 13,637,340 |
| | | | | | | | 14,230,662 |
| Liabilities | | | | | | | |
| Current | 2,259,845 | 103,281 | 59,770 | 904,679 | 211,063 | - | 3,538,638 |
| Non-current | 821,135 | - | - | 1,292,646 | 305,784 | 925,739 | 3,345,304 |
| | 3,080,980 | 103,281 | 59,770 | 2,197,325 | 516,847 | 925,739 | 6,883,942 |
| Equity | | | | | | | |
| | 1,368,353 | 2,197,893 | 390,409 | 2,284,047 | 514,101 | (1,405) | 6,753,398 |
| | 4,449,333 | 2,301,174 | 450,179 | 4,481,372 | 1,030,948 | 924,334 | 13,637,340 |
| | | | | | | | 14,230,662 |
| Revenue | 9,985,223 | 1,938,699 | 1,648,712 | 1,200,000 | 529,952 | 82 | 15,302,668 |
| Expenditures | 11,382,090 | 1,881,092 | 1,976,297 | 376,479 | 460,175 | 1,613 | 16,077,746 |
| Total income (loss) | (1,396,867) | 57,607 | (327,585) | 823,521 | 69,777 | (1,531) | (775,078) |
| Allocation | \$ (1,396,728) | \$ 9,601 | \$ (109,194) | \$ 823,439 | \$ 34,888 | - | \$ (637,994) |
| | | | | | | | \$ 1,188,153 |

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2015

8. Related Party Transactions

During the year, there were no transactions with 4 Evergreen Resources Limited Partnership (2014 - \$102,000 for donations).

During the year, Saulteau First Nations paid accounting and other fees on behalf of Saulteau Camp Services Limited Partnership in the amount of \$132,304 (2014 - \$3,600). This was conducted in the normal course of operations and measured at the estimated carrying amount which approximates fair value.

During the year, Saulteau First Nations revenue in the amount of \$924,128 (2014 - \$nil) was deposited into the Saulteau Camp Services GP Limited bank account in error. In addition, Saulteau First Nations paid accounting fees on behalf of Saulteau Camp Services GP Limited in the amount of \$1,611 (2014 - \$nil). This was conducted in the normal course of operations and measured at the estimated carrying amount which approximates fair value.

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2015

9. Tangible Capital Assets

| | 2015 | | | | |
|---|--|--------------------------|-----------------------------------|--------------------------|-----------------------------|
| | Machinery and Equipment | | Engineering Structures | Automotive | Total |
| | Buildings | Equipment | | | |
| Cost, beginning of year | \$16,795,796 | \$ 171,779 | \$ 4,494,294 | \$ 124,717 | \$ 21,586,586 |
| Additions | | 66,467 | | 104,004 | 234,826 |
| Write-downs | (451,553) | | | | (451,553) |
| Cost, end of year | <u>16,344,243</u> | <u>238,246</u> | <u>4,558,649</u> | <u>228,721</u> | <u>21,369,859</u> |
| Accumulated amortization, beginning of year | 4,218,368 | 59,738 | 3,033,878 | 62,663 | 7,374,647 |
| Amortization | 323,012 | 11,579 | 154,469 | 17,672 | 506,732 |
| Write-downs | (16,516) | | | | (16,516) |
| Accumulated amortization, end of year | <u>4,524,864</u> | <u>71,317</u> | <u>3,188,347</u> | <u>80,335</u> | <u>7,864,863</u> |
| Net carrying amount, end of year | <u><u>\$11,819,379</u></u> | <u><u>\$ 166,929</u></u> | <u><u>\$ 1,370,302</u></u> | <u><u>\$ 148,386</u></u> | <u><u>\$ 13,504,996</u></u> |
| | 2014 | | | | |
| | Machinery and Equipment | | Engineering Structures | Automotive | Total |
| | Buildings | Equipment | | | |
| Cost, beginning of year | \$15,734,968 | \$ 105,321 | \$ 4,366,389 | \$ 124,717 | \$ 20,331,395 |
| Additions | 1,060,828 | 66,458 | | 127,905 | 1,255,191 |
| Cost, end of year | <u>16,795,796</u> | <u>171,779</u> | <u>4,494,294</u> | <u>124,717</u> | <u>21,586,586</u> |
| Accumulated amortization, beginning of year | 3,895,152 | 52,590 | 2,877,277 | 50,191 | 6,875,210 |
| Amortization | 323,216 | 7,148 | 156,601 | 12,472 | 499,437 |
| Accumulated amortization, end of year | <u>4,218,368</u> | <u>59,738</u> | <u>3,033,878</u> | <u>62,663</u> | <u>7,374,647</u> |
| Net carrying amount, end of year | <u><u>\$12,577,428</u></u> | <u><u>\$ 112,041</u></u> | <u><u>\$ 1,460,416</u></u> | <u><u>\$ 62,054</u></u> | <u><u>\$ 14,211,939</u></u> |

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2015

10. Accounts Payable and Accrued Liabilities

| | 2015 | 2014 |
|--|-------------------|-------------------|
| Trade payables | \$ 438,370 | \$ 379,826 |
| Accrued liabilities | 212,394 | 170,930 |
| GST payable | 137,682 | - |
| Accrued salaries and employee benefits payable | - | 41,250 |
| WCB payable | 2,102 | 1,994 |
| Vacation payable and overtime | 82,413 | 78,696 |
| Other accounts payable | 8,725 | 6,952 |
| | \$ 881,686 | \$ 679,648 |

11. Deferred Revenue

Deferred revenue represents funding received for programs that were not completed during the year.

| | Balance, beginning of the year | Contributed | Recognized | Balance, end of the year |
|----------------------------|--------------------------------------|-------------|--------------------|--------------------------------|
| AANDC Capital Surplus | \$ 47,941 | \$ - | \$ (47,941) | \$ - |
| Peace River Coal Agreement | 67,804 | - | - | 67,804 |
| Elders Fund | 17,170 | - | (2,377) | 14,793 |
| Wildfire Protection | 16,475 | - | - | 16,475 |
| | \$ 149,390 | \$ - | \$ (50,318) | \$ 99,072 |

12. Demand Loan

The First Nation has an authorized revolving loan with approval up to \$225,000, of which \$nil was drawn. These amounts bear interest at prime plus 1.25%. The First Nation also has a Visa credit card with approval up to \$25,000, of which \$nil was drawn at year end. The loans are secured by the assets of the Band and authorized through Band Council Resolution.

13. Pension Plan

The Band and certain of its employees contribute to the Saulteau First Nations Pension Plan (the "Plan"). The Plan is a defined contribution plan. The Band administers the Plan through Manulife, including the payment of pension benefits on behalf of the employer and employees in accordance with the federal legislation. Contributions to the plan are based on fixed percentages of a participant's contributions up to a maximum amount per participant.

During the year, the Band paid \$19,648 (2014 - \$16,538) to the Plan on behalf of its employees.

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2015

14. Long-term Debt

| | 2015 | 2014 |
|--|-------------------------|-------------------------|
| Capital Fund | | |
| Toronto Dominion Bank loan payable, bearing interest at 5.26% per annum, payable in monthly instalments of \$4,058, due 2015. | \$ 229,454 | \$ 265,188 |
| Toronto Dominion Bank loan payable, bearing interest at 5.28% per annum payable in monthly instalments of \$4,404, due 2015. | 211,546 | 252,176 |
| Toronto Dominion Bank loan payable, bearing interest at 5.26% per annum, payable in monthly instalments of \$3,946, due 2015. | 229,047 | 263,497 |
| Canadian Imperial Bank of Commerce loan payable, bearing interest at 6.70% per annum, payable in monthly instalments of \$337, due 2021. | 26,408 | 26,787 |
| Canadian Imperial Bank of Commerce loan payable, bearing interest at 5.34% per annum, payable in monthly instalments of \$291, due 2016. | 35,799 | 37,367 |
| Royal Bank of Canada loan payable, bearing interest at 3.25% per annum, payable in monthly instalments of \$6,622 after the amounts are fully withdrawn, due 2034. | 1,314,043 | 1,350,284 |
| Royal Bank of Canada loan payable, bearing interest at prime + 1% per annum, repayable in monthly instalments of \$5,590, due 2018. | 165,113 | 224,318 |
| Royal Bank of Canada loan payable, bearing interest at 2.80% per annum. repayable in monthly instalments of \$690, due 2031. | 110,218 | 115,347 |
| Toyota credit loan payable, bearing interest at 1.99% per annum, payable in monthly instalments of \$593, due December 2019. | 32,230 | - |
| Toyota credit loan payable, bearing interest at 0.99% per annum payable in monthly instalments of \$663, due March 2018. | 23,493 | - |
| | <u>2,377,351</u> | <u>2,534,964</u> |

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2015

14. Long-term Debt (continued)

| | | |
|---|---------------------|---------------------|
| Total Capital Fund | 2,377,351 | 2,534,964 |
| Social Housing Fund | | |
| Canada Housing Mortgage loan payable, bearing interest at 2.57% per annum, payable in monthly instalments of \$2,405, repaid during the year. | - 16,694 | |
| Canada Housing Mortgage loan payable, bearing interest at 2.65% per annum, payable in monthly instalments of \$1,602, due 2026. | 182,239 | 196,459 |
| Canada Housing Mortgage loan payable, bearing interest at 1.92% per annum, payable in monthly instalments of \$1,892, due 2019. | 91,106 | 111,918 |
| | 273,345 | 325,071 |
| | 2,650,696 | 2,860,035 |
| Less: current portion | (274,560) | (269,327) |
| | \$ 2,376,136 | \$ 2,590,708 |

All mortgages are secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada. Principal repayments on long-term debt for the next five years and thereafter are as follows, assuming mortgages are renewed on similar terms:

| | |
|------------|---------------------|
| 2016 | \$ 274,560 |
| 2017 | 286,156 |
| 2018 | 270,331 |
| 2019 | 233,064 |
| 2020 | 196,058 |
| Thereafter | 1,390,527 |
| | \$ 2,650,696 |

15. Loan Guarantees

Saulteau First Nations has guaranteed a line of credit for 4 Evergreen Resources Limited Partnership for up to \$1,500,000 with an interest rate of prime + 5% per annum. At March 31, 2015, the balance owing was \$815,000.

In addition, Saulteau First Nations has guaranteed a line of credit for Twin Sisters Native Plants Nursery Limited Partnership in the amount of \$250,000 with an interest rate of prime + 2.3% per annum. At March 31, 2015, the balance owing was \$nil.

Saulteau First Nations Notes to Consolidated Financial Statements

March 31, 2015

16. Economic Dependence

Saulteau First Nations receives a major portion of its revenue from government funding resources. The nature and extent of this revenue is of such significance that the Band is economically dependent on this source of revenue.

17. Comparative Figures

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

18. Federal Assistance Payments

The Social Housing Fund receives federal assistance through CMHC, pursuant to Section 56.1 of the National Housing Act, to reduce mortgage interest expense to 2% to enable the project to provide housing to low income individuals. The amount of the assistance received for the year ended March 31, 2015 was \$36,123 (2014 - \$47,494).

19. Budget

The Budget Band Council Resolution adopted by Council was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of administration fee revenue billed between programs to reduce current year expenditures in excess of current year revenues. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Budget adopted by Council with adjustments as follows:

| | <u>March 31, 2015</u> |
|--|-----------------------|
| Budget Bylaw surplus for the year | \$ 1,026,913 |
| Add: | |
| Capital expenditures | 127,320 |
| Admin expense | 478,425 |
| Less: | |
| Admin revenue | <u>(739,171)</u> |
| Budget surplus per statement of operations | <u>\$ 893,487</u> |

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2015

20. Government Transfers

| | Operating | Capital | 2015 Total | Operating | Capital | 2014 Total |
|--|---------------------|-------------------|---------------------|---------------------|-------------------|---------------------|
| Federal Government Transfers | | | | | | |
| Aboriginal Affairs and Northern Development Canada | 2,102,988 | 533,726 | 2,636,714 | 2,133,206 | 211,568 | 2,344,774 |
| First Nations Health Authority | 837,236 | - | 837,236 | 792,450 | - | 792,450 |
| Canada Mortgage and Housing Corporation | - | 36,123 | 36,123 | 17,913 | 47,494 | 65,407 |
| Treaty Land Entitlement | 140,326 | - | 140,326 | 336,626 | - | 336,626 |
| Other | - | - | - | 23,870 | - | 23,870 |
| | 3,080,550 | 569,849 | 3,650,399 | 3,304,065 | 259,062 | 3,563,127 |
| Provincial Government Transfers | | | | | | |
| | 557,136 | - | 557,136 | 194,950 | - | 194,950 |
| Total | \$ 3,637,686 | \$ 569,849 | \$ 4,207,535 | \$ 3,499,015 | \$ 259,062 | \$ 3,758,077 |

Saulteau First Nations
Notes to Consolidated Financial Statements

March 31, 2015

21. Statement of Expenditures by Object

| | 2015 | (Restated) 2014 |
|--|---------------------|---------------------|
| Expenditures | | |
| Advertising and recruitment | \$ 23,692 | \$ 25,045 |
| Amortization | 506,732 | 499,436 |
| Appliances | 9,469 | 1,967 |
| Bad debts | 174,853 | 491,798 |
| Bank charges | 7,837 | 16,116 |
| Community events | 28,568 | 26,968 |
| Contract services | 1,877,716 | 2,217,173 |
| Cost of retail operations | 87,713 | 87,549 |
| Direct social assistance | 280,275 | 337,857 |
| Donations | 39,234 | 34,844 |
| Equipment rental | 37,200 | 22,000 |
| Equipment purchases | 4,378 | 19,594 |
| Garbage collections | 42,943 | 33,540 |
| Honoraria | 99,977 | 150,697 |
| Insurance | 107,607 | 82,661 |
| Interest on long term debt | 105,591 | 276,417 |
| Meetings | 84,877 | 58,506 |
| Office and miscellaneous | 82,790 | 108,348 |
| Professional fees | 1,063,207 | 957,728 |
| Program resources | 409,965 | 367,740 |
| Property tax | 9,266 | 3,308 |
| Renovations, repairs and maintenance | 560,145 | 182,579 |
| Salaries and benefits | 2,714,126 | 2,436,784 |
| Septic tank services | - | 20,075 |
| Student allowance and transportation | 448,183 | 353,779 |
| Telephone | 75,603 | 79,391 |
| Travel and accommodation | 270,772 | 300,860 |
| Transportation | 60,513 | 88,902 |
| Utilities | 60,687 | 81,250 |
| Vehicles O&M | 22,231 | 22,865 |
| Workshops and training | 108,442 | 91,480 |
| Write off of capital asset | 435,037 | - |
| Total expenditures for the year | \$ 9,839,629 | \$ 9,477,257 |

Saulteau First Nations Notes to Consolidated Financial Statements

March 31, 2015

22. Segmented Information

Saulteau First Nations is a First Nation organization that provides a wide range of services to its members including social, education, health, housing, public works and economic activities. For management reporting purposes, the Band's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives with special regulations, restrictions or limitations. Services are provided by programs and their activities are reported in these funds. Certain programs have been separately disclosed in the segmented information, along with the services they provide, are detailed in the Schedule of Segmented Financial Activities.

Administration

The Administration Services program provides administration support to other band operated programs and services.

Economic Development

The Economic Development program includes various general projects as well as land use activities.

Education

The Education program provides services to eligible First Nations students enrolled in elementary/secondary education programs and eligible post-secondary education programs.

Family and Social Development

The Family and Social Development program provides financial benefits and services to individuals and families, resident on reserve, who are in need.

Housing

The Housing program provides on-reserve housing to eligible members under the CMHC housing programs for First Nations.

Public Works

The Public Works program is responsible for the construction and maintenance of public spaces within the community.

Health Services

The Band provides health programs and services under an agreement with Health Canada/First Nations Health Authority, and the Province of British Columbia.

Enterprise Fund

The Enterprise Fund includes the operations of the government business entities of Saulteau First Nations as well as camp operations and oil and gas projects.

Recreation and Culture

The Recreation and Culture program includes the organization of community activities and cultural events.