

Financial Statements of:

HOMALCO INDIAN BAND

Year ended March 31, 2014

HOMALCO INDIAN BAND
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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Homalco Indian Band and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

Homalco Indian Band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Band's assets are appropriately accounted for and adequately safeguarded.

Homalco Indian Band is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Council also recommends, for review and approval by the Members, the engagement of the external auditors.

The financial statements have been audited by Moeller & Company in accordance with Canadian generally accepted auditing standards on behalf of the members.



The image shows two handwritten signatures. The top signature is 'R. L. Harry' and the bottom signature is 'O. L. Lewis'. Both signatures are placed above horizontal lines. Below the top signature, the word 'Chief' is written. Below the bottom signature, the word 'Councillor' is written.

MOELLER & COMPANY

CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Members of Homalco Indian Band:

Report on the Financial Statements

We have audited the accompanying financial statements of Homalco Indian Band, which comprise the summary statement of financial position as at March 31, 2014, and the summary statements of revenue and expenditure, changes in operating fund equity, changes in net debt 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 financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 Band uses either the modified equity method or cost method of accounting for all of its subsidiaries. Certain subsidiaries prepare financial statements for a period that is not coterminous with the Band. In addition, certain subsidiaries prepare financial statements that are not audited. Refer to Note 1 (f) for a summary of each subsidiary and their chosen reporting period, report type and accounting method. Had we conducted sufficient and appropriate audit procedures on the financial records of each subsidiary we would have been able to determine if any adjustments would have been necessary to investments and gain/loss on the income of each subsidiary.

Qualified Opinion

In our opinion, except for the possible effects described in the Basis for Qualified Opinion paragraph above, the financial statements present fairly, in all material respects, the financial position of Homalco Indian Band as at March 31, 2014 and its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

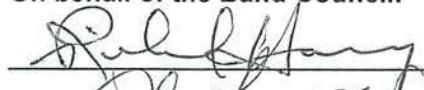
Moeller & Company
Chartered Accountants

Campbell River, Canada
July 26, 2014

HOMALCO INDIAN BAND
SUMMARY STATEMENT OF FINANCIAL POSITION - MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
	\$	\$
Financial Assets		
Cash	387,631	1,452,627
Accounts Receivable (Note 3)	247,067	471,797
Restricted Cash (Note 4)	78,277	75,626
Investments in Government Business Enterprises (Note 5)	109,341	83,975
Investments in Government Business Partnerships (Note 6)	745,280	1,281,909
Loans Receivable (Note 7)	<u>1,276,164</u>	<u>1,505,978</u>
	<u>2,843,760</u>	<u>4,871,912</u>
Liabilities		
Bank Indebtedness (Note 8)	509,679	18,325
Accounts Payable (Note 9)	345,499	1,232,939
Accrued Interest Payable	385	536
Deferred Revenue (Note 10)	200	12,604
Long Term Debt (Note 11)	<u>9,002,756</u>	<u>8,889,733</u>
	<u>9,858,519</u>	<u>10,154,137</u>
Net Financial Assets (Debt)	(7,014,759)	(5,282,225)
Non Financial Assets		
Tangible capital assets (Notes 11 and 12)	7,543,289	8,102,067
Prepaid expenses (Note 13)	<u>61,041</u>	<u>71,900</u>
	<u>7,604,330</u>	<u>8,173,967</u>
Accumulated Surplus	<u>589,571</u>	<u>2,891,742</u>
Contingent Liabilities (Note 18)		

On behalf of the Band Council:




Chief Councillor

Councillor

The accompanying notes are an integral part of these financial statements.

HOMALCO INDIAN BAND
SUMMARY STATEMENT OF REVENUE AND EXPENDITURE
YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
	<u>Budget</u> (Note 17)	<u>Actual</u>
	\$	\$
Revenue		
Aboriginal Affairs and Northern Development Canada	1,583,711	1,595,975
Province of British Columbia	184,203	184,203
Government of Canada	243,960	243,960
British Columbia Treaty Commission	143,720	143,720
Canada Mortgage and Housing Corporation	71,476	71,476
Rent	263,316	286,818
Interest	5,750	11,485
Other	592,773	595,843
Homalco Wildlife Tours - income	---	25,365
Homalco Holdings Limited Partnership - income (loss)	---	<u>(546,628)</u>
	<u>3,088,909</u>	<u>2,612,217</u>
	<u>3,088,909</u>	<u>5,149,473</u>
Expenditure		
Education	599,021	778,463
Health	364,179	347,342
Economic Development	224,497	323,535
Housing	362,400	391,360
Community Services	---	---
Social Services	604,416	664,414
Band Government	1,406,039	2,124,924
Employment Programs	154,155	169,077
Public Works	<u>74,929</u>	<u>115,273</u>
	<u>3,789,636</u>	<u>4,914,388</u>
	<u>3,789,636</u>	<u>4,811,144</u>
Annual Surplus (Deficit)	(700,727)	(2,302,171)
Accumulated Surplus - Beginning Of Year	<u>2,891,742</u>	<u>2,553,413</u>
Accumulated Surplus - End Of Year	<u>2,191,015</u>	<u>589,571</u>
	<u>2,191,015</u>	<u>2,891,742</u>

The accompanying notes are an integral part of these financial statements.

HOMALCO INDIAN BAND
SUMMARY STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31, 2014

	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
	\$	\$
Excess (Deficiency) Of Revenue Over Expenditure	(2,302,171)	338,329
Acquisition of tangible capital assets	---	(403,838)
Amortization of tangible capital assets	<u>558,778</u>	<u>539,325</u>
	(1,743,393)	473,816
 Acquisition of prepaid expense	 (61,041)	 (71,900)
Use of prepaid expense	<u>71,900</u>	<u>62,526</u>
 Change In Net Debt	 (1,732,534)	 464,442
 Net Financial Assets (Net Debt) - Beginning Of Year	 <u>(5,282,225)</u>	 <u>(5,746,667)</u>
 Net Financial Assets (Net Debt) - End Of Year	 <u>(7,014,759)</u>	 <u>(5,282,225)</u>

The accompanying notes are an integral part of these financial statements.

HOMALCO INDIAN BAND
SUMMARY STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
CASH PROVIDED BY (USED IN):	\$	\$
Operating Activities		
Revenue	2,612,217	5,149,473
Expenditure	<u>(4,914,388)</u>	<u>(4,811,144)</u>
	(2,302,171)	338,329
Charges to income not involving cash:		
Amortization	<u>558,778</u>	<u>539,325</u>
	(1,743,393)	877,654
Change in non cash working capital balances related to operations:		
Accounts receivable	224,730	(221,364)
Prepaid expenses	10,859	(9,374)
Accounts payable	<u>(887,440)</u>	<u>100,490</u>
Accrued interest payable	(151)	(1,000)
Deferred revenue	<u>(12,404)</u>	<u>(5,980)</u>
	<u>(2,407,799)</u>	<u>740,426</u>
Financing Activities		
Long term debt incurred	525,406	928,233
Repayment of long term debt	<u>(412,383)</u>	<u>(480,371)</u>
Change in bank indebtedness	<u>491,354</u>	<u>(275,405)</u>
	<u>604,377</u>	<u>172,457</u>
Investing Activities		
Change in investments	741,077	(919,732)
Purchase of property and equipment	<u>---</u>	<u>(403,838)</u>
	<u>741,077</u>	<u>(1,323,570)</u>
Change In Cash During Year	(1,062,345)	(410,687)
Cash - Beginning Of Year	<u>1,528,253</u>	<u>1,938,940</u>
Cash - End Of Year	<u>465,908</u>	<u>1,528,253</u>
Represented By		
Cash	387,631	1,452,627
Restricted cash	<u>78,277</u>	<u>75,626</u>
	<u>465,908</u>	<u>1,528,253</u>

The accompanying notes are an integral part of these financial statements.

HOMALCO INDIAN BAND
NOTES TO THE SUMMARY FINANCIAL STATEMENTS - MARCH 31, 2014

1. Basis Of Presentation And Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

a) Fund Accounting

The Homalco Indian Band uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the Summary Financial Statements. Details of the operations of each fund are set out in the supplementary schedules. The Homalco Indian Band maintains the following funds:

- The Operating Fund which reports the general activities of the Band administration.
- The Capital Fund which reports the tangible capital assets of the Band, together with their relating financing.
- The Trust Fund which reports on trust funds owned by the Band and held by third parties.
- The Social Housing Fund which reports the activities within the Band's social housing program.
- The New Social Housing Fund which reports the activities within the Band's New Social Housing Program.

b) Reporting Entity And Principles Of Financial Reporting

The Homalco Indian Band reporting entity includes the Homalco Indian Band government and all related entities which are accountable to the Band and are either owned or controlled by the Band.

These financial statements consolidate the assets, liabilities and results of operations for the entities which use accounting principles which lend themselves to consolidation. All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

c) 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, prepaid expenses and inventories of supplies.

HOMALCO INDIAN BAND
NOTES TO THE SUMMARY FINANCIAL STATEMENTS - MARCH 31, 2014

d) Tangible Capital Assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Tangible capital assets are reported at net book value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

Tangible capital assets are amortized annually with a corresponding reduction in equity in tangible capital assets. Assets are amortized over their expected useful life using the straight line method at the following rates:

General housing	4%
Buildings and improvements	4%
Equipment	20%
Infrastructure	4%
Boats	15%
Salmon hatchery assets	20%
Vehicles	30%

Social Housing Fund and New Social Housing Fund

Social Housing Fund assets acquired under C.M.H.C. sponsored housing programs are amortized at a rate equivalent to the annual principal reduction in related long term debt, as required for C.M.H.C. reporting purposes.

e) Revenue

All revenue is recorded on the accrual basis whereby the amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue. Funding received under the terms of contribution agreements with the federal government is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted by the federal government for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

HOMALCO INDIAN BAND
NOTES TO THE SUMMARY FINANCIAL STATEMENTS - MARCH 31, 2014

f) Investments

Homalco Indian Band has the following investments:

Government Business Enterprises:

Homalco Wildlife Tours Inc.
Homalco Holdings Inc.

Government Business Partnerships:

Homalco Resources Management Limited Partnership
Homalco Holdings Limited Partnership

g) Measurement Uncertainty

In preparing the financial statements for the government of Homalco Indian Band, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these statements.

2. Economic Dependence

The government of Homalco Indian Band receives a major portion of its revenue from Aboriginal Affairs and Northern Development Canada and Health Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

3. Accounts Receivable	<u>2014</u>	<u>2013</u>
	\$	\$
Aboriginal Affairs and Northern Development Canada	84,447	226,994
Rent	102,524	75,614
Province of British Columbia	---	108,400
Other	<u>60,096</u>	<u>60,789</u>
	<u>247,067</u>	<u>471,797</u>

HOMALCO INDIAN BAND
 NOTES TO THE SUMMARY FINANCIAL STATEMENTS - MARCH 31, 2014

4. Restricted Cash

Trust Funds Held By Government

Trust fund accounts arise from moneys 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.

	March 31 2013	Additions 2014	Withdrawals 2014	March 31 2014
	\$	\$	\$	\$
Revenue	34,198	2,233	---	36,431
Capital	<u>3,452</u>	<u>---</u>	<u>---</u>	<u>3,452</u>
	37,650	2,233	---	39,883
Social Housing Fund Replacement Reserve	<u>37,976</u>	<u>418</u>	<u>---</u>	<u>38,394</u>
	<u>75,626</u>	<u>2,651</u>	<u>---</u>	<u>78,277</u>

	2014	2013
	\$	\$
Homalco Wildlife Tours Ltd.		
Shares	5	5
Accumulated net income	109,335	83,969
Homalco Holdings Inc.		
Shares	1	1
	<u>109,341</u>	<u>83,975</u>

Homalco Wildlife Tours Ltd. ("HWT") operates Wildlife Tours.

Homalco Holdings Inc. ("HH") is general partner of limited partnerships.

The following table presents condensed financial information for these commercial activities.

	<u>HWT</u>	<u>HH</u>
	\$	\$
Assets	174,740	139
Liabilities	<u>65,401</u>	<u>1,770</u>
Equity (Deficiency)	<u>109,339</u>	<u>(1,631)</u>
Total Revenues	313,555	(55)
Total Expenses	<u>288,190</u>	<u>1,199</u>
Net Income (Loss)	<u>25,365</u>	<u>(1,254)</u>

HOMALCO INDIAN BAND
NOTES TO THE SUMMARY FINANCIAL STATEMENTS - MARCH 31, 2014

6. Investments In Government Business Partnerships

	% Ownership	<u>2014</u>	<u>2013</u>
		\$	\$
Homalco Holdings Limited Partnership	99.9%	684,256	1,220,885
Homalco Resources Management Limited Partnership	50.0%	<u>61,024</u>	<u>61,024</u>
		<u>745,280</u>	<u>1,281,909</u>

Homalco Holdings Limited Partnership (“HHLP”) holds interests in various limited partnerships.

Homalco Resources Management Limited Partnership (“HRMLP”) is currently inactive.

The following table presents condensed financial information for these commercial activities.

	<u>2014</u>	
	<u>HHLP</u>	<u>HRMLP</u>
	\$	\$
Assets	684,334	279,406
Liabilities	<u>---</u>	<u>239,115</u>
Equity	<u>684,334</u>	<u>40,291</u>
 Total Revenues	 (539,107)	 ---
Total Expenses	<u>7,575</u>	<u>---</u>
 Net Income	<u>(546,682)</u>	<u>---</u>

HOMALCO INDIAN BAND
 NOTES TO THE SUMMARY FINANCIAL STATEMENTS - MARCH 31, 2014

7. Loans Receivable	<u>2014</u>	<u>2013</u>
	\$	\$
Homalco Trust; no specified terms of repayment or stated interest rate	541,232	526,915
Bute Inlet Development Corporation; no specified terms of repayment or stated interest rate	19,709	17,688
Homalco Forestry Limited Partnership; no specified terms of repayment or stated interest rate	713,375	961,375
Homathco Power Inc.; no specified terms of repayment or stated interest rate	<u>1,848</u>	---
	<u>1,276,164</u>	<u>1,505,978</u>
8. Bank Indebtedness	<u>2014</u>	<u>2013</u>
	\$	\$
TD Canada Trust		
Band - cheques issued in excess of deposits	265,278	---
Band - line of credit, interest at prime plus 1%, payable monthly	137,000	---
Orford - cheques issued in excess of deposits	34,974	1,069
- line of credit, interest at prime plus 1%, payable monthly	56,000	---
Treaty - cheques issued in excess of deposits	<u>16,427</u>	<u>17,256</u>
	<u>509,679</u>	<u>18,325</u>
9. Accounts Payable	<u>2014</u>	<u>2013</u>
	\$	\$
Trade Payables	345,499	1,232,939
Government Remittances Payable	<u>---</u>	---
	<u>345,499</u>	<u>1,232,939</u>

HOMALCO INDIAN BAND
NOTES TO SUMMARY FINANCIAL STATEMENTS - MARCH 31, 2014

10. Deferred Revenue	<u>2014</u>	<u>2013</u>
	\$	\$
Rent	200	12,604
Other	---	---
	<u>200</u>	<u>12,604</u>
11. Long Term Debt	<u>2014</u>	<u>2013</u>
	\$	\$
All Nations Trust Company;		
No. 1, repayable at \$5,957 per month including interest, guaranteed by Canada Mortgage and Housing Corporation	280,768	378,955
No. 2, repayable at \$2,466 per month including interest at 2.26%, guaranteed by Canada Mortgage and Housing Corporation	318,484	340,643
No. 3, repayable at \$2,577 per month including interest at 1.65%, guaranteed by Canada Mortgage and Housing Corporation	487,155	509,859
Aboriginal Affairs and Northern Development Canada; repayable as outlined in the First Nation Negotiation Support Agreement (Note 14)	6,788,968	6,294,088
Homalco Wildlife Tours Inc.; unsecured, no specified terms of repayment or stated interest rate	122,945	92,419
TD Canada Trust;		
Loan #1, repayable at \$20,667 per month plus interest at 4.0%, secured by assets of Band	620,000	868,000
Loan #2, repayable at \$1,778 plus interest at 3.5%, secured by assets of Band	284,445	305,778
090618 BC Ltd.; unsecured, no specified terms of repayment or stated interest rate	1	1
Homalco Holdings Limited Partnership; unsecured, no specified terms of repayment or stated interest rate	<u>99,990</u>	<u>99,990</u>
	<u><u>9,002,756</u></u>	<u><u>8,889,733</u></u>

HOMALCO INDIAN BAND
 NOTES TO THE SUMMARY FINANCIAL STATEMENTS - MARCH 31, 2014

12. Tangible Capital Assets

	Cost				Accumulated Amortization				Net Book Value	
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Amortization	Disposals	Closing Balance	Total 2014	Total 2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
New Social Housing	1,380,439	---	---	1,380,439	188,485	44,863	---	233,348	1,147,091	1,191,954
Old Social Housing	3,227,940	---	---	3,227,940	2,253,915	98,187	---	2,352,102	875,838	974,025
Equipment	476,537	---	---	476,537	389,928	35,957	---	425,885	50,652	86,609
Buildings and Improvements	2,843,699	---	---	2,843,699	328,692	113,748	---	442,440	2,401,259	2,515,007
Boats	109,350	---	---	109,350	104,530	1,522	---	106,052	3,298	4,820
Infrastructure	5,348,376	---	---	5,348,376	2,685,775	213,935	---	2,899,710	2,448,666	2,662,601
General Housing	747,285	---	---	747,285	387,012	29,891	---	416,903	330,382	360,273
Salmon Hatchery	118,308	---	---	118,308	118,308	---	---	118,308	---	---
Land	237,862	---	---	237,862	---	---	---	---	237,862	237,862
Vehicles	82,453	---	---	82,453	13,537	20,675	---	34,212	48,241	68,916
	14,572,249	---	---	14,572,249	6,470,182	558,778	---	7,028,960	7,543,289	8,102,067