

KLAHOOSE FIRST NATION

FINANCIAL STATEMENTS
MARCH 31, 2014

KLAHOOSE FIRST NATION

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March 31, 2014

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Klahoose First Nation

March 31, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Klahoose First Nation for the year ended March 31, 2014 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 generally accepted accounting principles as prescribed by the Public Sector Accounting Board (PSAB). Financial statements are not precise since they include certain amounts based on estimates and judgments. 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.

The Klahoose First Nation 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 Klahoose First Nation's assets are appropriately accounted for and adequately safeguarded.

The Klahoose First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Council reviews the First Nation's 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 financial statements and the external auditor's report. The Council approves the financial statements for issuance to the Members. The Council also considers, for review and approval by the Members, the engagement of the external auditors.

The accompanying financial statements have been audited by Reid Hurst Nagy Inc., Certified General Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the Members. Reid Hurst Nagy Inc., Certified General Accountants have full and free access to the books and records of the First Nation.



Chief

July 29th /2014

Date



Administrator

July 29/14

Date

INDEPENDENT AUDITORS' REPORT

KLAHOOSE FIRST NATION

Report on the financial statements

We have audited the accompanying summary financial statements of Klahoose First Nation, which comprise the summary statement of financial position as at March 31, 2014, the summary 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 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 summary 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 auditors' 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 auditors consider internal controls 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 controls.

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 audit opinion.

Basis for qualified opinion

Beginning April 1, 2009, generally accepted accounting principles for government entities required that the Band record the net value of tangible capital assets in its financial statements. The Band has not applied these new financial statement reporting standards. Because the Band did not provide us with a completed capital asset register reflecting the total cost of tangible capital assets owned by the Band and appropriate accumulated amortization and any impairment attributable to each of those assets, we were unable to determine the net value of the tangible capital assets that should have been recorded as an asset and the related amortization or impairment that should have been recorded as an expense in the current and prior year. Upon adoption of PS 1200 Financial Statement Presentation, the Band did not fully adopt all aspects of the standard as they relate to the aforementioned tangible capital assets as they have reported capital purchases and long-term debt payments as expenses and have failed to appropriately report depreciation as an expense.

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the summary financial statements present fairly, in all material respects, the financial position of Klahoose First Nation as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

REID HURST NAGY INC.
CERTIFIED GENERAL ACCOUNTANTS

RICHMOND, B.C.
JULY 29, 2014

KLAHOOSE FIRST NATION

SUMMARY STATEMENT OF FINANCIAL POSITION
March 31, 2014

Statement 1

	2014	2013
	\$	\$
ASSETS		
Cash	1,886,107	1,963,110
Restricted cash	832,354	834,274
Ottawa Trust Fund (Note 5)	527,702	506,304
Rents receivable	230,821	249,108
Accounts receivable	541,441	110,724
Inventory	3,417	2,437
Due from First Nation Controlled Entities	-	13,515
Investment in First Nation Controlled Entities (Note 4)	8,264,969	7,857,961
Deferred support negotiation expenses	3,035,477	2,736,373
	15,322,288	14,273,806
LIABILITIES		
Accounts payable	231,989	56,771
Due to First Nation Controlled Entities	17,239	-
Long-term debt (Note 6)	9,035,714	9,004,379
	9,284,942	9,061,150
NET FINANCIAL ASSETS		
	6,037,346	5,212,656
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 2 & 3)	9,492,557	9,417,748
Prepaid expenses	4,390	9,529
	9,496,947	9,427,277
EQUITY (Note 9)		
Restricted	2,352,985	2,479,859
Unrestricted	13,181,308	12,160,074
	15,534,293	14,639,933

APPROVED ON BEHALF OF
 THE KLAHOOSE FIRST NATION

 Chief

 Councilor

The notes to the financial statements are an integral part thereof.

KLAHOOSE FIRST NATION

SUMMARY STATEMENT OF OPERATIONS For the year ended March 31, 2014

Statement 2

	2014	2013
	\$	\$
REVENUE		
Aboriginal Affairs and Northern Development Canada	881,626	645,162
Capital fund additions	912,470	448,779
Distributions from First Nation Limited Partnership	-	542,000
First Nations Education Steering Committee	6,707	10,823
Fisheries and Oceans Canada	81,120	84,528
Forestry agreement	120,348	142,852
Health Canada	226,269	233,727
Interest income	77,985	137,508
Klahoose First Nation Social Housing	148,985	163,328
Miscellaneous	482,164	185,914
Ottawa Trust Funds	21,398	6,630
Rental	27,146	15,481
Repayment of loan to First Nation Controlled Entity	670,000	383,625
Road use agreement	1,176,604	1,300,000
Sales	235,819	33,936
School District # 47	-	106,944
School District # 72	6,000	12,000
Share of income of First Nation Controlled Entities	407,008	317,715
Treaty negotiation support agreement	181,500	214,951
Youth Trust fund additions	152,648	170,273
	5,815,797	5,156,176
EXPENDITURES		
Band programs	1,298,042	1,252,760
Education	300,139	258,549
Job Creation	719,768	294,536
Health	229,036	257,508
Social Development	113,423	134,851
Capital Projects	1,130,963	1,095,748
Social Housing	401,876	79,776
Capital fund	498,661	499,232
Treaty negotiation support agreement	181,500	214,951
Youth Trust fund	48,029	20,625
	4,921,437	4,108,536
ANNUAL EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES	894,360	1,047,640

The notes to the financial statements are an integral part thereof.

KLAHOOSE FIRST NATION**SUMMARY STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**
March 31, 2014**Statement 3**

	2014 \$	2013 \$
ANNUAL EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES	894,360	1,047,640
Acquisition of tangible capital assets	(573,470)	(111,279)
Amortization of tangible capital assets	498,661	490,472
Disposition of tangible capital assets	-	8,760
	819,551	1,435,593
Acquisition of prepaid asset	(4,390)	(9,529)
Use of prepaid asset	9,529	6,044
	5,139	(3,485)
NET CHANGE IN NET FINANCIAL ASSETS	824,690	1,432,108
NET FINANCIAL ASSETS AT BEGINNING OF THE YEAR	5,212,656	3,780,548
NET FINANCIAL ASSETS AT END OF THE YEAR	6,037,346	5,212,656

The notes to the financial statements are an integral part thereof.

KLAHOOSE FIRST NATION

SUMMARY STATEMENT OF CASH FLOWS
March 31, 2014

Statement 4

	2014	2013
	\$	\$
OPERATING ACTIVITIES		
Excess (shortfall) of revenue over expenditures	894,360	1,047,640
Non-operating items:		
Share of income (loss) of First Nations Controlled Entities	(357,008)	(849,716)
Depreciation	498,661	490,472
Changes in non-cash operating net assets	(532,157)	311,383
	503,856	999,779
FINANCING ACTIVITIES		
Repayment of long-term debt - Social Housing	(76,365)	(72,661)
Repayment of long-term debt - other programs	(37,500)	(337,469)
Loan proceeds - Capital Fund	-	8,760
Loan proceeds - First Nation Negation Support	145,200	169,920
Advances to First Nation Controlled Entities	13,515	9,999
	44,850	(221,451)
INVESTING ACTIVITIES		
Purchase of capital assets	(573,470)	(111,279)
CHANGES IN CASH DURING YEAR		
	(24,764)	667,049
CASH AT BEGINNING OF YEAR	3,303,688	2,636,639
CASH AT END OF YEAR	3,278,924	3,303,688
REPRESENTED BY:		
Cash	1,886,107	1,963,110
Ottawa Trust Funds	527,702	506,304
Restricted Cash	832,354	834,274
	3,246,163	3,303,688

The notes to the financial statements are an integral part thereof.

KLAHOOSE FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

These Summary Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles for government entities, as defined in the CICA Public Sector Accounting and Auditing Handbook, which encompasses the following principles:

a) Fund Accounting

The Klahoose First Nation 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 Klahoose First Nation maintains the following funds:

- The Operating Fund which reports the general activities of the First Nation Administration.
- The Capital Fund which reports the capital assets of the First Nation, together with their related financing.
- The Social Housing Fund which reports the social housing assets of the First Nation, together with related activities.
- The Trust Fund which reports on trust funds owned by the First Nation and held by third parties.
- The First Nation Negotiation Support Agreement Fund which reports activity regarding the First Nation's Negotiations Support Agreement.
- The Enterprise Fund which reports the First Nation's investments in related entities.
- The Youth Trust Fund holds distribution payments in trust for youth until the age of maturity.

b) Reporting Entity and Principles of Financial Reporting

The Klahoose First Nation reporting entity includes the Klahoose First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

These financial statements consolidate the assets, liabilities and results of operations for the following entities which use accounting principles which lend themselves to consolidation:

- Klahoose First Nation Operating Fund
- Klahoose First Nation Social Housing Fund
- Klahoose First Nation Capital Fund
- Klahoose First Nation Trust Fund
- Klahoose First Nation Negotiation Support Agreement Fund
- Klahoose First Nation Enterprise Fund
- Klahoose First Nation Youth Trust Fund

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specified fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

KLAHOOSE FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2014

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Reporting Entity and Principles of Financial Reporting (continued)

Business entities, which are owned or controlled by the Klahoose First Nation Council and which are not dependent on the First Nation for their continuing operations, are included in the summary financial statements using the modified equity method. These include:

Qathen Xwegus Management Corporation
Klahoose Shellfish Limited Partnership
Klahoose Forestry Limited Partnership
Klahoose Forestry No.2 Limited Partnership
Klahoose Resort Limited Partnership

c) Tangible Capital Assets

Tangible capital asset expenditures incurred after March 31, 1996 are valued at acquisition cost and recorded in the Capital Fund. Expenditures incurred previous to April 1, 1996 are not reflected in the Capital Fund.

The acquisition costs of tangible capital assets and payments on capital debt, which are not funded from capital financing sources, are charged to operations and matched with the applicable revenue source in the year of expenditure. These expenditures are also recorded as an addition to assets of the Capital Fund with a corresponding increase in Equity and Tangible Capital Assets.

Tangible capital assets acquired as part of the Social Housing Fund and Enterprise Fund are recorded as assets of those funds.

d) Depreciation

Tangible capital assets are recorded and depreciated annually with a corresponding reduction in Equity in Capital Assets. Assets are depreciated over their expected useful life using the straight-line method at the following rates:

Automotive	5 years straight-line
Building	20 years straight-line
Computer Equipment	3 years straight-line
Equipment and furniture	5 years straight-line
Infrastructure	10 and 20 years straight-line

Social Housing assets acquired under C.M.H.C. sponsored housing programs are not being depreciated.

e) Revenue Recognition

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding 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 Summary Statement of Financial Position.

KLAHOOSE FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2014

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)**f) Inventory**

Inventory is recorded at the lower of cost and net realizable value. Cost is determined on a first in, first out basis.

NOTE 2: TANGIBLE CAPITAL ASSETS

In September 2006, the CICA issued amendments to the recommendation in Section 3150 Tangible Capital Assets. PS 3150 established standards on how to account for and report tangible capital assets in government financial statements. The amendments to this Section consisted of expanding its scope to include governments thereby requiring such governments to capitalize and amortize their tangible capital assets. Revised PS 3150 is effective for interim and annual financial statements of local governments with fiscal year beginning on or after January 31, 2009.

In February 2007, the CICA revised PSG-7 Tangible Capital Assets of Governments to provide governments with transitional guidance on reporting tangible capital asset information in their financial statements prior to adoption of PS 3150. This guideline requires local governments to disclose the cost, additions, disposals, impairment, amortization, and accumulated amortization for each major category of tangible capital assets.

Klahoose First Nation has not yet begun the process of accumulating all of the relevant information required for identifying and reporting tangible capital assets in accordance with the guidance in PS 3150. Therefore, the First Nation cannot provide the disclosure requirements under PSG-7 related to the amortization for some of its categories of tangible capital assets. The First Nation is planning to implement the new requirements for the year ending March 31, 2015.

NOTE 3: TANGIBLE CAPITAL ASSETS

	<u>COST</u> \$	<u>ACCUMULATED DEPRECIATION</u> \$	<u>2014 NET</u> \$	<u>2013 NET</u> \$
Automotive	16,000	3,000	13,000	6,300
Computer equipment	64,963	64,963	-	-
Dock	318,869	125,652	193,217	225,104
Equipment and furniture	159,898	116,793	43,105	57,406
Infrastructure	569,062	337,260	231,802	260,255
Buildings	9,149,631	1,660,520	7,489,111	7,044,861
Social housing	1,522,322	-	1,522,322	1,823,822
	10,278,423	2,308,188	9,492,557	9,417,748

KLAHOOSE FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

NOTE 4: INVESTMENT IN FIRST NATION CONTROLLED ENTITIES

	2014 \$	2013 \$
QATHEN XWEGUS MANAGEMENT CORPORATION (100%)		
Shares	1	1
Accumulated equity (deficit) in earnings	(1,187,469)	(1,073,134)
	(1,187,468)	(1,073,133)
KLAHOOSE FORESTRY LIMITED PARTNERSHIP (100%)		
Advances	874,680	1,544,957
Accumulated equity in earnings	8,980,905	7,648,550
	9,855,585	9,193,507
KLAHOOSE FORESTRY NO.2 LIMITED PARTNERSHIP (100%)		
Contributions	59,940	-
Accumulated equity in earnings	(9,596)	-
	50,344	-
KLAHOOSE SHELLFISH LIMITED PARTNERSHIP (100%)		
Accumulated equity in earnings	(370,489)	(238,469)
KLAHOOSE RESORT LIMITED PARTNERSHIP (100%)		
Contributions	-	9,999
Accumulated equity in earnings	(128,536)	(33,943)
	(128,536)	(23,944)
T'OOQ WOODWORKS INC. (100%)		
Shares	1	-
Accumulated equity (deficit) in earnings	45,532	-
	45,533	-
TOTAL	8,264,969	7,857,961

KLAHOOSE FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2014

NOTE 5: INVESTMENT IN FIRST NATION CONTROLLED ENTITIES (continued)

Shares are held in trust by specified Band members under trust agreements.

Financial information for each of the entities for their respective periods ending in 2014 are as follows:

	ASSETS \$	LIABILITIES \$	REVENUE \$	NET INCOME (LOSS) \$
Year ended March 31, 2014 Qathen Xwegus Management Corporation	821,595	2,009,063	556,905	(114,335)
Year ended March 31, 2014 Klahoose Forestry Limited Partnership	10,788,322	1,806,553	6,853,403	1,332,488
Year ended March 31, 2014 Klahoose Shellfish Limited Partnership	134,910	505,465	23,473	(132,033)
Year ended March 31, 2014 Klahoose Resort Limited Partnership	197,351	325,899	323	(104,602)
Year ended March 31, 2014 Klahoose Forestry NO.2 Limited Partnership	50,022	79	-	(10,057)
Year ended March 31, 2014 T'QOQ Woodworks Inc.	47,933	2,400	81,666	45,532

NOTE 5: TRUST FUNDS

The Ottawa Trust accounts 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 and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

KLAHOOSE FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2014

NOTE 6: LONG-TERM DEBT

	2014 \$	2013 \$
All Nations Trust Company - repayable in monthly instalments of \$1,391 including interest at 3.16% per annum, maturing May 2018, secured by a Ministerial Guarantee from AANDC	64,739	79,477
All Nations Trust Company - repayable in monthly instalments of \$1,354 including interest at 2.76% per annum, maturing March 2020, secured by a Ministerial Guarantee from AANDC	89,775	103,353
All Nations Trust Company - repayable in monthly instalments of \$1,327 including interest at 1.53% per annum, maturing August 2020, secured by a Ministerial Guarantee from AANDC	125,692	139,584
All Nations Trust Company - repayable in monthly instalments of \$1,316 including interest at 1.64% per annum, maturing September 2022, secured by a Ministerial Guarantee from AANDC	97,344	111,454
All Nations Trust Company - repayable in monthly instalments of \$1,694 including interest at 2.66% per annum, maturing March 2014, secured by a Ministerial Guarantee from AANDC	-	20,047
Government of Canada - promissory notes without interest for advances by Canada for treaty negotiations. Repayment provisions for these loans are outlined in sections 13.0 and 14.0 of the First Nation Negotiation Support Agreement	3,036,289	2,891,089
Bank of Montreal - interest payments only during construction with principal and interest payments to commence upon completion. Interest is at prime plus 1.75%. Secured by a general security agreement.	5,100,000	5,400,000
Bank of Montreal - repayable in monthly instalments of \$3,125 plus interest at prime plus 1.75% per annum. Secured by a general security agreement.	221,875	259,375
Bank of Montreal - interest payments only during construction with principal and interest payments to commence upon completion. Interest is at prime plus 1.75%. Secured by a general security agreement.	300,000	-
	9,035,714	9,004,379

FUTURE PRINCIPAL REPAYMENTS

The estimated principal payments for the next five years are as follows:

	\$
2015	695,860
2016	396,977
2017	398,116
2018	399,064
2019 and beyond	7,145,697
	9,035,714

KLAHOOSE FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

NOTE 7: SEGMENTED INFORMATION

	Band Programs	Education	Job Creation	Health	Social Dev't	Capital Projects	Social Housing	Other	Treaty Negotiation	Total 2014	Total 2013
REVENUE											
Aboriginal Affairs and Northern Development Canada	199,916	129,556	17,697	-	97,404	437,053	-	-	881,626	645,162	
Capital fund additions	-	-	-	-	-	-	-	-	912,470	448,779	
Distributions from First Nation Limited Partnership	-	-	6,707	-	-	-	-	-	-	542,000	
First Nations Education Steering Committee	-	-	-	-	-	-	-	-	6,707	10,823	
Fisheries and Oceans Canada	-	-	81,120	-	-	-	-	-	81,120	84,528	
Forestry agreement	120,348	-	-	-	-	-	-	-	120,348	142,852	
Health Canada	-	-	-	-	-	-	-	-	226,269	233,727	
Interest income	77,985	-	-	-	-	-	-	-	77,985	137,508	
Klahoose First Nation Social Housing	-	-	-	-	-	-	-	-	148,985	163,328	
Miscellaneous	151,981	1,135	322,115	6,000	933	-	-	-	482,164	185,914	
Ottawa Trust fund	-	-	-	-	-	-	-	-	21,398	21,398	
Rental	27,146	-	-	-	-	-	-	-	27,146	6,630	
Repayment of loan to First Nation Controlled Entity	670,000	-	-	-	-	-	-	-	670,000	383,625	
Road use agreement	1,176,604	-	-	-	-	-	-	-	1,176,604	1,300,000	
Sales	235,819	-	-	-	-	-	-	-	235,819	33,936	
School District #47	-	-	6,000	-	-	-	-	-	-	106,944	
Share of income of First Nation Controlled Entities	-	-	-	-	-	-	-	-	6,000	12,000	
Treaty negotiation support agreement	-	-	-	-	-	-	-	-	407,008	317,715	
Youth Trust fund additions	-	-	-	-	-	-	-	-	152,648	181,500	
	2,659,799	143,398	420,932	232,269	98,337	437,053	148,985	1,493,524	181,500	5,815,797	5,156,176
EXPENSES											
Salaries and benefits	200,214	46,149	112,961	135,660	39,176	172,919	-	-	707,079	937,570	
Other	1,097,829	253,989	606,807	93,376	74,247	958,044	401,876	48,029	181,500	3,715,697	2,680,494
Amortization	-	-	-	-	-	-	-	498,661	-	498,661	490,472
	1,298,043	300,138	719,768	229,036	113,423	1,130,963	401,876	546,690	181,500	4,921,437	4,108,536
	1,361,756	(156,740)	(298,836)	3,233	(15,086)	(693,910)	(252,891)	946,834	-	894,360	1,047,640

KLAHOOSE FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2014

NOTE 8: EXPENDITURES BY OBJECT

	2014 \$	2013 \$
Administration	43,765	45,461
Adjustment for matured units in Social Housing Fund	(18,846)	-
Amortization	498,661	490,472
Automotive	2,139	2,696
Contracted services	543,595	2,300
Honoraria	9,450	24,225
Insurance	37,802	41,633
Office and general	659,660	648,325
Professional fees	240,122	120,309
Program expenditures	1,954,722	1,554,675
Rent and utilities	79,094	79,644
Repairs and maintenance	71,463	57,445
Supplies	39,142	50,423
Travel	53,589	53,358
Wages and benefits	707,079	937,570
 Total	 4,921,437	 4,108,536

KLAHOOSE FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2014

NOTE 9: EQUITY

	2014 \$	2013 \$
Restricted		
Social Housing Fund	173,700	201,456
Social Housing Fund - Equity in Housing Facilities	1,144,803	1,369,938
Ottawa Trust Funds	527,702	506,304
Youth Trust Funds	506,780	402,161
	2,352,985	2,479,859
Unrestricted		
Operating Fund	2,567,979	2,367,562
Capital Fund	2,348,360	1,934,551
Enterprise Fund	8,264,969	7,857,961
	13,181,308	12,160,074
TOTAL EQUITY	15,534,293	14,639,933

NOTE 10: REPLACEMENT RESERVE FUND

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage & Housing Corporation, the Housing Program must set aside funds annually for the non-annual expenditures of the Program for the repair, maintenance and replacement of worn out assets.

These funds are to be held in a separate interest-bearing bank account or term deposit with the interest earned to be credited as revenue to the Replacement Reserve Fund. As at the Statement of Financial Position date, funds totaling \$138,121 (2013 - \$207,455) segregated for this purpose, are still to be deposited to a separate interest-bearing account.

NOTE 11: SUBSIDY SURPLUS FUND

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage & Housing Corporation, the Program is allowed to set aside an amount of \$500 per housing unit for the purpose of meeting future requirements of income listed occupants over and above the maximum federal assistance.

These funds are to be held in a separate interest-bearing bank account or term deposit with the interest earned to be credited as revenue to the Subsidy Surplus Fund. As at the Statement of Financial Position date, the fund has a balance of zero.

KLAHOOSE FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

NOTE 12: CONTINGENT LIABILITIES

a) The First Nation is contingently liable (with Qathen Xwegus Management Corporation) as the guarantor of a demand loan for Klahoose Forestry Limited partnership. This guarantee is a requirement of the lenders. The First Nation will be required to perform under the guarantee in the event that Klahoose Forestry Limited Partnership is not able to make scheduled payments of interest and principal as they become due. The First Nation's maximum potential liability under the guarantee is \$1,800,000. Klahoose Forestry Limited Partnership has fully repaid the demand loan as at March 31, 2014.

The loan is secured by the following:

- Promissory note to the lender
- General security agreement
- General assignment of book debts