

Consolidated Financial Statements of

SLIAMMON FIRST NATION

Year ended March 31, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Sliammon First Nation (the "First Nation") and all the information in this report are the responsibility of management and have been approved by the Chief and the Council of the First Nation.

The consolidated 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 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, including the consolidated financial position of the First Nation and the results of its consolidated operations and its consolidated cash flows.

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

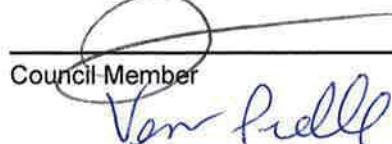
Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the 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 auditors' report. Chief and Council takes this information into consideration when approving the financial statements for issuance to the Members. In addition, Chief and Council also consider the engagement of the First Nation's external auditors.

The consolidated financial statements have been audited by KPMG LLP in accordance with Canadian generally accepted auditing standards on behalf of the Members. KPMG LLP have full access to the First Nation's Chief and Council.

Chief



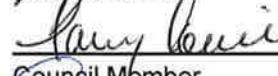
Council Member



Council Member



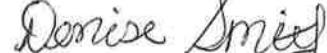
Council Member



Council Member



Council Member



July 24, 2014



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INDEPENDENT AUDITORS' REPORT

To Chief and Council and Members of Sliammon First Nation

We have audited the accompanying consolidated financial statements of Sliammon First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2014, the consolidated statements of operations and accumulated deficit, changes in net debt, remeasurement gains and losses and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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 an 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 risk 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 First Nation'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 First Nation'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 statements present fairly, in all material respects, the consolidated financial position of Sliammon First Nation as at March 31, 2014, and the results of its consolidated operations, its consolidated changes in net debt, its consolidated remeasurement gains and losses and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matter

Without modifying our opinion, we draw attention to note 1(i), which indicates why the consolidated financial statements do not report budget figures, which are required in accordance with Canadian public sector accounting standards.



Chartered Accountants

Kelowna, Canada

July 24, 2014

SLIAMMON FIRST NATION

Consolidated Statement of Financial Position

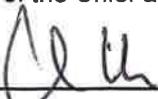
March 31, 2014, with comparative information for 2013

	2014	2013
Financial Assets		
Cash and cash equivalents (note 2)	\$ 2,022,279	\$ 1,680,479
Restricted cash and investments (note 2)	10,524,283	11,118,873
Accounts receivable (note 3)	1,685,743	1,791,122
Investments in business enterprises (note 4)	2,159,140	1,666,926
	16,391,445	16,257,400
Liabilities		
Bank indebtedness (note 5)	90,211	278,209
Accounts payable and accrued liabilities	2,276,679	2,515,601
Deferred revenue (note 6)	10,121,758	9,775,490
Long-term debt (note 7)	13,897,424	14,119,205
Replacement reserve (note 8)	118,153	199,038
	26,504,225	26,887,543
Net debt	(10,112,780)	(10,630,143)
Non-Financial Assets		
Tangible capital assets (note 9)	8,936,180	8,929,510
Prepaid expenses and deposits	152,815	234,683
	9,088,995	9,164,193
Accumulated deficit	\$ (1,023,785)	\$ (1,465,950)
Accumulated deficit is comprised of:		
Accumulated deficit (note 10)	\$ (1,154,670)	\$ (1,465,950)
Accumulated remeasurement gains	130,885	-
	\$ (1,023,785)	\$ (1,465,950)

Contingencies (note 14)

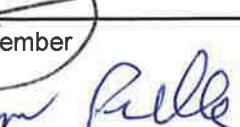
See accompanying notes to consolidated financial statements.

On behalf of the Chief and Council:


Chief

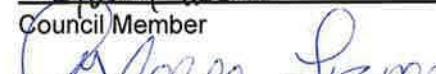

Council Member


Council Member


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SLIAMMON FIRST NATION

Consolidated Statement of Operations and Accumulated Deficit

Year ended March 31, 2014, with comparative information for 2013

	2014 Budget	2014	2013
	(note 1(i))		
Revenue:			
Transfers from other governments:			
Aboriginal Affairs and Northern Development			
Canada	\$ -	\$ 6,294,683	\$ 5,577,833
Province of British Columbia	-	1,403,604	2,108,081
Federal government	-	1,712,014	1,732,673
Canada Mortgage and Housing Corporation			
subsidy	-	38,525	64,709
First Nation Education Steering Committee	-	29,887	105,497
Interest	-	71,837	46,608
Rental	-	437,780	533,672
Lease	-	160,345	155,677
Property and other taxes	-	267,308	271,671
Band support	-	144,686	91,597
Fishing licenses	-	108,124	78,712
Other revenue	-	757,039	670,966
Equity in earnings of business enterprises			
(note 4)	-	737,215	1,281,664
	-	12,163,047	12,719,360
Expenses (Schedule 1):			
Band administration	-	3,316,042	3,484,474
Capital	-	132,270	234,857
Education	-	2,140,835	1,751,147
Fisheries	-	333,970	355,693
Forestry	-	1,421	254,508
Health		2,050,227	2,368,581
Housing	-	465,751	472,866
Land and resources	-	237,438	193,339
Social development	-	1,106,681	1,195,379
Social housing	-	91,382	230,186
Taxation	-	331,766	220,238
Treaty	-	1,643,984	1,362,141
	-	11,851,767	12,123,409
Surplus	-	311,280	595,951
Accumulated deficit, beginning of the year		(1,465,950)	(2,061,901)
Accumulated deficit, end of year	\$ (1,154,670)	\$ (1,465,950)	

See accompanying notes to consolidated financial statements.

SLIAMMON FIRST NATION

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2014, with comparative information for 2013

	2014 Budget	2014	2013
	(note 1(i))		
Surplus	\$ -	\$ 311,280	\$ 595,951
Changes to non-financial assets:			
Acquisition of tangible capital assets	-	(526,032)	(170,074)
Amortization of tangible capital assets	-	517,368	566,545
Net book value of tangible capital assets disposed	-	1,994	25,436
	-	(6,670)	421,907
Net (acquisition) use of prepaid expenses and deposits	-	81,868	(158,116)
		386,478	859,742
Net remeasurement gains		130,885	-
Decrease in net debt	-	517,363	859,742
Net debt, beginning of year	-	(10,630,143)	(11,489,885)
Net debt, end of year	\$ -	\$ (10,112,780)	\$ (10,630,143)

See accompanying notes to consolidated financial statements.

SLIAMMON FIRST NATION

Consolidated Statement of Remeasurement Gains and Loss

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Portfolio investments:		
Accumulated remeasurement gains and losses, beginning of year	\$ -	\$ -
Unrealized gains on portfolio investments (note 2)	130,885	-
Accumulated measurement gains and losses, end of year	\$ 130,885	\$ -

See accompanying notes to consolidated financial statements.

SLIAMMON FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Cash received from Aboriginal Affairs and Northern Development Canada	\$ 5,877,174	\$ 5,390,877
Cash received from grants, property taxes, user fees, rent and other revenue	5,703,468	8,431,635
Cash paid to employees and suppliers	(10,955,340)	(9,859,985)
Interest received	71,837	46,608
Interest paid	<u>(316,319)</u>	<u>(379,205)</u>
	380,820	3,629,930
Financing activities:		
Net (repayment) advances from bank indebtedness	(187,998)	(109,205)
Repayment of long-term debt	(221,781)	(225,977)
Proceeds from long-term debt	-	1,153,620
Increase (decrease) in replacement reserves	<u>(80,885)</u>	<u>(203,992)</u>
	(490,664)	614,446
Capital activities:		
Acquisition of tangible capital assets	(526,032)	(170,074)
Proceeds on disposal of tangible capital assets	7,200	-
	<u>(518,832)</u>	<u>(170,074)</u>
Investing activities:		
Net decrease (increase) in restricted cash and investments	725,475	(3,917,062)
Net (investment in) advances from business enterprises (note 4)	<u>245,001</u>	<u>334,165</u>
	970,476	(3,582,897)
Increase in cash and cash equivalents	341,800	491,405
Cash and cash equivalents, beginning of year	1,680,479	1,189,074
Cash and cash equivalents, end of year	\$ 2,022,279	\$ 1,680,479
Non-cash investing, financing and capital activities:		
Equity in earnings of business enterprises (note 4)	\$ 737,215	\$ 1,281,664
Unrealized gain on investments	130,885	-

See accompanying notes to consolidated financial statements.

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2014

Sliammon First Nation provides local government, education and social development services to its members and was established under the Indian Act (Canada).

1. Basis of presentation and significant accounting policies:

These consolidated financial statements include the assets, liabilities, and results of operations of the Sliammon First Nation (the "First Nation") and all related entities and organizations subject to control by Chief and Council. No inclusion has been made of assets, liabilities, revenue or expenses of First Nation members, individually or collectively, incorporated or unincorporated, that are not controlled by or the responsibility of Chief and Council.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments, as established by the Canadian Public Sector Accounting Board ("PSAB"), which encompasses the following principles:

(a) Fund accounting:

The First Nation uses fund accounting procedures, which results in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been consolidated for presentation in the consolidated financial statements.

(b) Reporting entity and basis of consolidation:

The First Nation's reporting entity includes the Sliammon First Nation government and all related entities, which are accountable for the administration of their financial affairs and resources to the First Nation and are either owned or controlled by the First Nation.

i) Consolidated entities:

These financial statements consolidate the assets, liabilities and results of operations of the following organizations and entities:

- Sliammon Treaty Society
- Tla'Amin Community Health Board Society

All inter-entity transactions and balances have been eliminated on consolidation.

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

1. Basis of presentation and significant accounting policies (continued):

(b) Reporting entity and basis of consolidation (continued):

ii) Investment in government business enterprises:

The First Nation records its investments in government business enterprises (GBE) and government business partnerships (GBP) on a modified equity basis. Under the modified equity basis, the GBE's and GBP's accounting policies are not adjusted to conform with those of the First Nation and inter-organizational transactions and balances are not eliminated. The First Nation recognizes its equity interest in the annual earnings or loss of the GBE's and GBP's in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends or other cash distributions that the First Nation may receive from the GBE's and GBP's will be reflected as deductions in the investment asset account.

The First Nation's government business enterprises investments consist of the following:

Sliammon Development Corporation - 100% interest

Tla'Amin Timber Products Ltd - 100% interest

Grace Harbour Oyster Company Ltd. - 100% interest

The First Nation's government business partnerships investments consist of following partnerships:

Salish Seas Fisheries Limited Partnership - 33% interest

Thichum Forest Products Limited Partnership - 99.99% interest

(c) Cash and cash equivalents:

Cash and cash equivalents includes, cash and investments in highly liquid money market funds, readily convertible to cash.

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

1. Basis of presentation and significant accounting policies (continued):

(d) Revenue recognition:

Government transfers and grant revenue are recognized as the First Nation becomes entitled to the funding under the terms of applicable funding agreements and is recorded in the period in which the resources are used for the purpose specified in the agreements. Restricted funding received which relates to a subsequent fiscal period or which stipulations that give rise to an obligation are reported as deferred revenue until the resources are used for the purpose or purposes specified and/or the stipulations giving rise to an obligation have been met.

Rental and lease revenue is recognized on a monthly basis as income is earned and when collection is reasonable assured. Property and other tax revenues are recognized at the time the taxes are levied.

Other revenue, including sales of goods and provision of services and fishing licenses are recognized in the period the goods or services are provided and the related proceeds are received or receivable.

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

1. Basis of presentation and significant accounting policies (continued):

(e) 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 asset 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. Tangible capital assets under construction are not amortized until the asset is available or use.

Tangible capital assets are amortized annually over their expected useful lives using the declining balance method at the following rates:

Asset	Amount
Buildings and improvements	4%
Infrastructure	4%
Computers and equipment	10-20%
Vessels	20%

When management determines that a tangible capital asset no longer contributes to the First Nation's ability to provide goods and services or that the value of future benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is written down.

All intangible assets and items inherited by right of the First Nation, such as land, forests, water, natural resources and cultural and historic assets, are not recognized in the First Nation's consolidated financial statements.

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

1. Basis of presentation and significant accounting policies (continued):

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of financial and non-financial assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Significant areas requiring management estimates include the recoverable amount of accounts receivable, and the useful lives of and net future economic benefits associated with tangible capital assets. Management reviews these estimates on a periodic basis and at least annually. Where necessary, management makes adjustments to these benefits prospectively.

(g) Segmented disclosure:

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The First Nation has determined the most appropriate basis for classifying segments is by program. Segmented disclosures are provided in note 18 and Schedule 2 to the consolidated financial statements.

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

1. Basis of presentation and significant accounting policies (continued):

(h) Financial instruments:

On April 1, 2013, the First Nation adopted PSAB section 3450 "Financial Instruments". In accordance with the transition provisions of PSAB 3450, the recognition and measurement policy of prior periods have not been changed and, accordingly, prior year financial statements have not been restated. The First Nation's financial instruments accounting policy, as disclosed below, has been applied prospectively from April 1, 2013.

Financial instruments are initially classified upon initial recognition as a fair value or an amortized cost instrument. The fair value category includes investments in equity instruments that are quoted in an active market, and any other items elected by the First Nation to be recorded at fair value. All other financial instruments, including financial instruments with related parties for which fair value cannot be estimated, are recorded at amortized cost. Transaction costs directly attributable to the acquisition or issue of a financial instrument are added to the amortized cost or expensed if related to instruments recorded on a fair value basis. The effective interest rate method is used to measure interest for financial instruments recorded at amortized cost.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss, calculated as the excess of the net recoverable amount of the asset and its carrying value, is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

(i) Budget data:

As no formal budget was approved by Chief and Council for the 2014 fiscal year, budget data has not been presented.

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

2. Unrestricted and restricted cash, cash equivalents and investments:

The First Nation maintains its cash balances in several financial institutions in British Columbia. The Canada Deposit Insurance Corporation (CDIC) insures each of these accounts up to \$100,000. The aggregate funds held in each institution may exceed the CDIC insured limit from time to time and specific funds held by each institution may not be covered by CDIC Insurance. Management does not anticipate any material effect on the consolidated financial position of the First Nation as a result of these concentrations.

Certain cash and cash equivalents have been internally restricted by the First Nation or externally restricted by federal or provincial government authorities for the following specific purposes. Restricted cash and investments includes bank accounts with interest rates ranging from 0.1% to 1.9% and investments in Canadian and Provincial government bonds (stated interest rates of 1.0% to 6.0%, investment trusts, mutual funds, and equity investments that are quoted in an active market.

	2014	2013
Internally restricted:		
Treaty	\$ 1,276	\$ 180,488
Sand replacement	262,167	230,472
Lands and resources	8,886,654	8,556,433
Taxation	739,357	805,490
Elder care facility	12,163	-
Tla'Amin Community Health Board Society - restricted surplus	243,820	335,090
Sliammon Treaty Society - restricted surplus	134,648	685,106
	10,280,085	10,793,079
Externally restricted:		
Social Housing replacement reserve	184,006	264,893
Ottawa Trust	60,192	60,901
	244,198	325,794
	<hr/> \$ 10,524,283	<hr/> \$ 11,118,873

As at March 31, 2014, the total fair value of the First Nation's portfolio investments exceeded their cost amount by \$130,885 (2013 - \$nil), which has been reflected in the First Nation's statement of remeasurement gains and losses.

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

3. Accounts receivable:

	2014	2013
Aboriginal Affairs and Northern Development Canada (AANDC)	\$ 1,175,306	\$ 757,797
Government of Canada	153,514	251,393
Province of British Columbia	-	3,295
Canada Mortgage and Housing Corporation	-	197,937
Other	347,474	580,700
	1,676,294	1,791,122
First Nation members	2,028,111	1,457,666
Less allowance for doubtful accounts		
First Nation members	(2,018,662)	(1,457,666)
	9,449	-
	<hr/> \$ 1,685,743	<hr/> \$ 1,791,122

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

4. Investments in business enterprises:

	2014	2013
Government business enterprises	\$ 1,716,431	\$ 1,487,231
Government business partnerships	442,709	179,695
	<hr/> \$ 2,159,140	<hr/> \$ 1,666,926

The change in the First Nation's investment in business enterprises consists of the following:

	2014	2013
Equity in earnings of business enterprises	\$ 737,215	\$ 1,281,664
Net advances to (from) business enterprises	69,998	(335,165)
Drawings from government business partnerships	(314,999)	-
Net investment in business enterprises	-	1,000
	<hr/> \$ 492,214	<hr/> \$ 947,499

(a) Government business enterprises (GBE):

(i) The First Nation has made investments in to wholly-owned incorporated entities, summarized as follows:

	2014	2013
Sliammon Development Corporation (SDC):		
Investment in shares, at cost	\$ 7	\$ 7
Advances	(48,994)	(128,972)
	<hr/> (48,987)	<hr/> (128,965)
Tla'Amin Timber Products Ltd. (TTP):		
Investment in shares, at cost	30	30
Investment, contributed surplus	450,000	450,000
Advances	57,441	351
Accumulated equity in earnings	1,257,947	1,165,815
	<hr/> 1,765,418	<hr/> 1,616,196
Grace Harbour Oyster Company Ltd. (GHOC):		
Investment in shares, at cost	-	-
	<hr/> \$ 1,716,431	<hr/> \$ 1,487,231

Advances to GBE's are unsecured, non-interest bearing and have no stated terms of repayment.

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

4. Investments in business enterprises (continued):

(a) Government business enterprises (GBE) (continued):

SDC oversees economic opportunities for the Tla'Amin Nation and the purpose of the SDC is to foster the economic and social betterment of the Tla'Amin people. TTP works in partnership with other companies to manage the logging and forestry resources. GHOC is an inactive company that formerly operated an oyster plant. The fiscal year end of each of the GBE's is March 31 and the financial information provided in note 4(a)(ii) is as at and for the periods ended March 31, 2014.

(ii) Financial information for wholly-owned incorporated entities is summarized as follows:

SDC	2014	2013
Balance sheet information:		
Assets	\$ 3,770,764	\$ 3,650,986
Liabilities	4,864,642	5,013,192
Shareholder's deficiency	(1,093,878)	(1,362,186)
Results of operations:		
Revenue	3,924,136	3,831,479
Expenses	3,858,474	3,959,757
Net earnings	65,662	(128,883)

TTP	2014	2013
Balance sheet information:		
Assets	\$ 1,768,168	\$ 2,117,829
Liabilities	60,191	501,984
Shareholder's equity	1,707,977	1,615,845
Results of operations:		
Revenue	53	1,989,402
Expenses (recoveries)	(92,079)	692,742
Net earnings	92,132	1,296,660

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

4. Investments in business enterprises (continued):

(b) Government business partnerships (GBP):

(i) The First Nation's investment in GBP's consists of the following:

	2014	2013
Thichum Forest Products Limited Partnership (TFPLP):		
Partnership equity interest	\$ 212,289	\$ 1,000
Advances	(1,000)	(1,000)
	211,289	-
Salish Seas Fisheries Limited Partnership (SSFLP):		
Partnership equity interest	211,644	171,580
Advances	19,776	8,115
	231,420	179,695
	\$ 442,709	\$ 179,695

Advances to and from GBP's are unsecured, non-interest bearing and have no stated terms of repayment.

TFPLP:

The First Nation and TFPLP formed a limited partnership, TFPLP, in which the First Nation is a limited partner holding 99.99% of units.

SSFLP:

The First Nation, Tsleil-Wauthuth Nation and Musqueam Indian Band formed a limited partnership, SSFLP in which the First Nation is a limited partner holding 33% of units. The First Nation also holds a 33% interest Salish Seas Fisheries General Partner Ltd., which has a net realizable value of \$nil (2013 - \$nil) as at March 31, 2014.

The fiscal year end of the GBP's is March 31 and the financial information provided in note 4(b)(ii) is as at and for the periods ended March 31.

(ii) Financial information relating to the First Nation's GBP investments is as follows:

TFPLP	2014	2013
Balance sheet information:		
Assets	\$ 673,565	\$ 492,579
Liabilities	371,103	401,459
Partnership equity	302,462	91,120
Results of operations:		
Revenues	856,668	-
Expenses	330,327	-
Net earnings	526,341	-

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

4. Investments in business enterprises (continued):

(b) Government business partnerships (GBP) (continued):

SSFLP	2014	2013
Balance sheet information:		
Assets	\$ 637,431	\$ 643,808
Liabilities	2,500	129,014
Partnership equity	634,931	514,794
Results of operations:		
Revenues	368,833	822,414
Expenses	173,696	313,622
Net earnings	195,137	508,792

5. Bank indebtedness:

The First Nation holds an operating line of credit with Bank of Montreal with a credit limit of \$350,000. The line of credit bears interest at the bank's prime rate and is secured by the general security agreement. Advances in excess of the credit limit bear interest at a rate of 21%.

The First Nation holds an operating line of credit with Royal Bank of Canada with a credit limit of \$250,000. The line of credit bears interest at the bank's prime rate plus 1.0% and is secured by the general security agreement.

6. Deferred revenue:

Deferred revenue represents monies received of which the funds are restricted for specific projects or programs and of which the expenses have not yet been incurred.

	2014	2013
Lease revenue	\$ 10,107,942	\$ 9,756,300
Other	13,816	19,190
	\$ 10,121,758	\$ 9,775,490

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

7. Long-term debt:

	2014	2013
Treaty loan payable Advances from AANDC, interest free until the loan becomes due and payable (note 7(a))	\$ 11,116,754	\$ 11,116,754
Social Housing Program Mortgages, secured by a first mortgage over homes and a Ministerial Guarantee from AANDC, repayable in total monthly installments of \$12,083 including interest ranging from 1.62% to 2.61%, maturing between August 2015 to December 2022	501,218	597,454
All Nations Trust Company Mortgage, secured by a general security agreement and first mortgage over houses, repayable in total monthly installments of \$340 including interest at 5.85%, maturing in September 2024	32,055	52,796
Bank of Montreal Mortgages, secured by social assistance payments and assignment of insurance proceeds, repayable in total monthly installments of \$16,431 including interest ranging from 3.8% to 3.97%, maturing in May 2018 and July 2019	2,186,470	2,258,372
John Deere financing Equipment financing, secured by the equipment, repayable in monthly installments of \$2,769 including interest of nil%, maturing February 2016	60,927	93,829
	<hr/>	<hr/>
	\$ 13,897,424	\$ 14,119,205

Scheduled principal payments on long-term debt for the next five years, assuming Bank of Montreal mortgage maturing in July 2014 is renewed on similar terms, are as follows:

2015	\$ 165,405
2016	156,399
2017	151,436
2018	157,383
2019	163,613

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

7. Long-term debt (continued):

(a) Treaty loan payable:

The treaty loan is comprised of advances from AANDC, based on First Nation Loan Agreements. These advances are interest free until the date the loan becomes due and payable at the earliest of the following dates:

- (i) the date a signed treaty takes effect unless otherwise agreed to in the treaty,
- (ii) the later of:
 - the twelfth anniversary of the date of the first loan advanced which occurred in October, 1994,
 - the extension due date; and
- (iii) the date the Federal Minister of AANDC demands payment of the loan due to an event of default.

On August 30, 2005, the First Nation signed an Extension Agreement with the Government of Canada and BCTC to extend the date in clause (ii) above, to October 18, 2016. The First Nation has signed the Treaty agreement, and the effective date is anticipated to be April 2016.

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

8. Replacement reserve:

Under the terms of the agreement with CMHC, the replacement reserve account is to be credited annually by an amount of \$28,070. These funds along with accumulating interest are to be held in a separate bank account. The funds in this account may only be used as approved by CMHC. Withdrawals are credited to accumulated interest first and then principal. As at March 31, the funds in the reserve consisted of the following:

	2014	2013
Balance, beginning of the year	\$ 199,038	\$ 403,030
Contributions	28,070	33,998
Interest	4,267	2,040
Expenses	-	(68,173)
Net matured unit adjustment		
CMHC assessed value	-	47,460
Matured unit adjustment	<u>(113,222)</u>	<u>(219,317)</u>
	(113,222)	(171,857)
Balance, end of year	<u>\$ 118,153</u>	<u>\$ 199,038</u>

The replacement reserve is overfunded by \$65,853 (2013 - \$65,855).

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

9. Tangible capital assets:

March 31, 2014	Buildings and improvements	Infrastructure	Computers & Equipment	Vessels	Total
Cost:					
Beginning of year	\$ 14,166,608	\$ 2,892,539	\$ 1,109,372	\$ 430,961	\$ 18,599,480
Acquisitions	43,578	402,182	17,927	62,345	526,032
Disposals	-	-	-	(24,920)	(24,920)
Balance, end of year	14,210,186	3,294,721	1,127,299	468,386	19,100,592
Accumulated amortization:					
Balance, beginning of year	6,996,876	1,427,311	912,909	332,874	9,669,970
Amortization	362,361	66,653	50,050	38,304	517,368
Disposals	-	-	-	(22,926)	(22,926)
Balance, end of year	7,359,237	1,493,964	962,959	348,252	10,164,412
Net book value, end of year	\$ 6,850,949	\$ 1,800,757	\$ 164,340	\$ 120,134	\$ 8,936,180

Included in buildings and improvements is construction in progress of \$111,369, (2013 - \$125,176), in relation to the new administration building.

March 31, 2013	Buildings and improvements	Infrastructure	Computers & Equipment	Vessels	Total
Costs:					
Balance, beginning of year	\$ 14,158,671	\$ 2,892,539	\$ 972,671	\$ 430,961	\$ 18,454,842
Acquisitions	33,373	-	136,701	-	170,074
Disposals	(25,436)	-	-	-	(25,436)
Balance, end of year	14,166,608	2,892,539	1,109,372	430,961	18,599,480
Accumulated amortization:					
Balance, beginning of year	6,585,878	1,366,260	873,292	277,995	9,103,425
Amortization	410,998	61,051	39,617	54,879	566,545
Disposals	-	-	-	-	-
Balance, end of year	6,996,876	1,427,311	912,909	332,874	9,669,970
Net book value, end of year	\$ 7,169,732	\$ 1,465,228	\$ 196,463	\$ 98,087	\$ 8,929,510

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

10. Accumulated deficit:

	2014	2013
Financial surplus (deficit):		
Unrestricted operating deficit	\$ (7,804,791)	\$ (8,523,908)
<u>Internally restricted surplus (note 11)</u>	434,419	1,069,999
	(7,370,372)	(7,453,909)
Invested in tangible capital assets (note 12)	6,155,510	5,927,058
<u>Externally restricted surplus (note 13)</u>	60,192	60,901
	\$ (1,154,670)	\$ (1,465,950)

11. Internally restricted surplus:

	Beginning balance	Contributions	Interest	Approved Expenses	Ending Balance
Tla'Amin Community					
Health Board Society:					
Capital reserve	\$ 131,661	\$ -	\$ -	\$ -	\$ 131,661
Elder care facility	43,782	-	-	(676)	43,106
Canadian disability resource council	64,647	-	-	-	64,647
Treaty	685,106	358,735	-	(909,193)	134,648
Board discretionary	95,000	-	-	(95,000)	-
Klahanie study	49,803	25,328	-	(14,774)	60,357
	\$ 1,069,999	\$ 384,063	\$ -	\$ (1,019,643)	\$ 434,419

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

12. Invested in tangible capital assets:

(a) Investment in tangible capital assets:

	2014	2013
Tangible capital assets	\$ 8,936,180	\$ 8,929,510
Less financed by:		
Long-term debt	(2,780,670)	(3,002,452)
	<hr/>	<hr/>
	\$ 6,155,510	\$ 5,927,058

(b) Change in invested in tangible capital assets:

	2014	2013
Balance, beginning of year	\$ 5,927,058	\$ 6,197,253
Acquisition of tangible capital assets	526,032	170,074
Amortization of tangible capital assets	(517,368)	(566,545)
Net book value of tangible capital assets		
disposal	(1,993)	(25,436)
Proceeds from long term debt	-	(99,700)
Repayment of long-term debt	221,781	251,412
Balance, end of year	<hr/>	<hr/>
	\$ 6,155,510	\$ 5,927,058

13. Externally restricted surplus:

	Beginning balance	Contributions	Interest	Approved Transfers	Ending Balance
Ottawa Trust Funds	\$ 60,901	\$ 2,450	\$ 778	\$ (3,937)	\$ 60,192

The 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. These funds are restricted in their use, of which the First Nation is generally permitted to use for a purpose that will promote the general progress and welfare of the First Nation and First Nation members. The management of the funds is primarily governed by the sections of the Indian Act.

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

14. Contingencies:

(a) Housing loan guarantees:

The First Nation is contingently liable as guarantor of housing loans for members in the amount of \$1,313,823 (2013 - \$1,419,816) under the Federal Ministerial Loan Guarantee Program.

(b) 2011 referendum:

On July 26, 2011, the First Nation held a referendum, pursuant to which it transferred \$2,309,744 from its Land Lease Investment account to offset a deficit in its Band Administration program. The transfer is to be repaid over a period of 30 years from land lease revenues and the Forest Range Agreement.

15. Related party transactions:

Transactions with GBE's and GBP's (note 4) for the year ended March 31, 2014, included the following:

- (a) The First Nation received rent revenue of \$12,000 (2013 - \$12,000) from SDC.
- (c) The First Nation received funding of \$46,544 (2013 - \$51,544) from AANDC for community economic development that was transferred to SDC. The First Nation has recorded the revenue in AANDC transfers and the related expense in capital expense.
- (d) Sliammon Treaty Society received consulting services from SDC totaling \$45,750 (2013 - \$nil).

These transactions are in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

16. Financial instruments:

(a) Credit risk:

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in a financial loss. The First Nation holds its cash and cash equivalents, with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation (as disclosed in note 2).

(b) Liquidity risk:

Liquidity risk is the risk that the First Nation will not be able to meet its financial obligations as they become due. For the year ended March 31, 2014, mortgages are secured by AANDC or by redirection of AANDC funding. The First Nation monitors the maturity of its financial liabilities and assesses whether it has sufficient cash to settle these financial obligations when due.

The First Nation is subject to non-financial covenants and restrictions in relation to its long-term debt loan and mortgages. As at March 31, 2014, the First Nation was in compliance with these covenants and restrictions.

The following table summarizes the contractual maturities of the Band's financial assets, excluding investments in business enterprises, and liabilities:

In thousands of dollars	March 31, 2014			
	On demand	Up to 1 year	Over 1 year	Total
Financial Assets				
Cash and cash equivalents	\$ 2,022	\$ -	\$ -	\$ 2,022
Restricted cash and marketable securities	10,525	-	-	10,525
Accounts receivable	-	1,686	-	1,686
	12,547	1,686	-	14,233
Financial Liabilities				
Bank indebtedness	90	-	-	90
Accounts payable and accrued liabilities	2,277	-	-	2,277
Long term debt	-	165	13,732	13,897
Replacement reserves	118	-	-	118
	2,485	165	13,732	16,382
Net financial assets	\$ 10,062	\$ 1,521	\$ (13,732)	\$ (2,149)

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

16. Financial instruments (continued):

In thousands of dollars	March 31, 2013			
	On demand	Up to 1 year	Over 1 year	Total
Financial Assets				
Cash and cash equivalents	\$ 1,680	\$ -	\$ -	\$ 1,680
Restricted cash and cash equivalents	11,119	-	-	11,119
Accounts receivable	-	1,791	-	1,791
	12,799	1,791	-	14,590
Financial Liabilities				
Bank indebtedness	278	-	-	278
Accounts payable and accrued liabilities	2,516	-	-	2,516
Long-term debt	-	204	13,915	14,119
Replacement reserves	199	-	-	199
	2,993	204	13,915	17,112
Net financial assets	\$ 9,806	\$ 1,587	\$ (13,915)	\$ (2,522)

(c) Interest rate risk:

Interest rate risk relates to the impact of changes in interest rates on the First Nation's future cash inflows from its investments and future cash outflows on its long-term debt. The First Nation's cash and cash equivalents are held in cash or short term money market instruments, accordingly, the First Nation is not subject to significant interest rate risk in regards to these financial assets.

The First Nation is subject to interest rate risk with respect to its long-term debt, which bears interest at fixed rates as disclosed in note 7. The First Nation manages interest rate risk through negotiations with lenders at origination or renewal of loan agreements.

17. Economic dependence:

The First Nation receives a major portion of its revenues pursuant to a funding agreement with AANDC. Any disruption in this funding could have a negative effect on First Nation operations.

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

18. Segmented information:

Segmented information has been identified based upon lines of service provided by the First Nation. Services are provided by controlled Societies, departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service that have been separately disclosed are summarized below, with activity for the year ended March 31, 2014 summarized in schedule 2.

(a) Band administration

Band administration provides the functions of corporate administration, finance, human resources, legislative services, elected officials and cultural activities.

(b) Capital

Capital provides the function of maintaining parks and lands.

(c) Education

Education is responsible for administering and facilitating education programs such as secondary education, university qualifying credit courses and community education programs.

(d) Fisheries

Fisheries relates to the operations of fishing, licensing, hatcheries and other fisheries related programs.

(e) Forestry

Forestry includes funding for and expenses related to the first nation's forestry licenses, permits, and forestry operations.

(f) Health

Health is operated through Tla'Amin Community Health Board Society, a community organization whose focus is to improve and maintain health, lifestyle and wellness in the First Nation.

(g) Housing

Housing includes revenue and expenses related to rental housing units owned or managed on behalf of others by the First Nation.

SLIAMMON FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2014

18. Segmented information (continued):

(h) Land and resources

Land and resources includes revenue and expenses to maintain the First Nation's land, buildings and infrastructure.

(i) Social Housing Program

The Social Housing Program administers the CMHC program to provide and advocate for secure, affordable housing under the CMHC program.

(j) Social Development

Social development provides social programs to First Nation members.

(k) Taxation

Taxation includes revenues from property tax levies, goods and services tax and funds received from impact benefits and costs related to the administration of the property taxation department.

(l) Treaty

Treaty relates to funding, revenue and expenses relating to the First Nation's treaty negotiations with the governments of Canada and British Columbia.

19. Comparative figures:

Certain 2013 comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted for the current year.