
N'QUATQUA FIRST NATION
ANNUAL FINANCIAL REPORT

March 31, 2014

SEIGNEURET & COMPANY
Certified General Accountant

N'QUATQUA FIRST NATION
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MARCH 31, 2014

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FINANCIAL STATEMENTS

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N'QUATQUA FIRST NATION

Box 88
D'Arcy, B.C. V0N 1L0

July 30, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

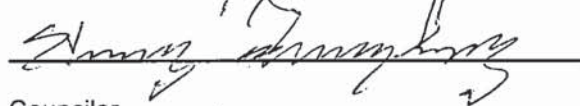
Management is responsible for the integrity and objectivity of these consolidated statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated 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 consolidated financial statements and the external auditor's report.

The external auditors, Seigneuret & Company, Certified General Accountant, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of N'Quatqua First Nation and meet when required.

Chief



Councilor



Councilor



Councilor





SEIGNEUR & COMPANY
CERTIFIED GENERAL ACCOUNTANT²

INDEPENDENT AUDITOR'S REPORT

To: The Members of
N'Quatqua First Nation

I have audited the accompanying consolidated Statement of Financial Position of the N'Quatqua First Nation as at March 31, 2014, the consolidated Statements of Operations, Changes in Net Debt, the consolidated Statement of Cash Flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the N'Quatqua First Nation as at March 31, 2014 and the results of operations, changes in net debt, cash flow of the Nation for the year then ended, in accordance with Canadian public sector accounting standards.

Seigneur & Company
CERTIFIED GENERAL ACCOUNTANT

July 30, 2014

*denotes professional corporation

*Your
success
is our
business*

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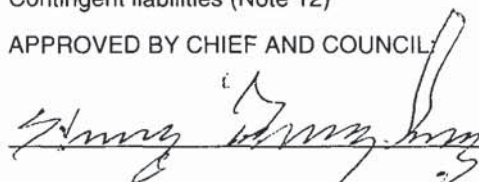
N'QUATQUA FIRST NATION


CONSOLIDATED STATEMENT OF FINANCIAL POSITION MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Cash (Note 2)	\$ 512,434	\$ 569,022
Accounts receivable (Note 3)	1,064,113	823,816
Inventory (Note 4)	22,677	32,275
Restricted cash and deposits (Note 7)	491,868	932,158
Due from government agencies	72,502	42,835
Ottawa Trust funds (Note 14)	<u>519,082</u>	<u>511,416</u>
	<u>2,682,676</u>	<u>2,911,522</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	135,396	130,062
Accounts payable AANDC	11,483	108,562
Deferred revenue (Note 9)	830,668	581,585
Due to replacement reserve fund (Note 11)	-	245,715
Due to operating reserve fund (Note 13)	-	198,211
Long term debt (Note 10)	<u>861,171</u>	<u>977,721</u>
	<u>1,838,718</u>	<u>2,241,856</u>
Net Debt	<u>843,958</u>	<u>669,666</u>
NON-FINANCIAL ASSETS		
Prepaid expenses (Note 5)	34,574	50,220
CMHC Houses held for sale (Note 6)	14	-
Tangible capital assets (Schedule)	<u>3,549,060</u>	<u>3,714,193</u>
	<u>3,583,648</u>	<u>3,764,413</u>
ACCUMULATED SURPLUS	<u>\$ 4,427,606</u>	<u>\$ 4,434,079</u>
Equity in capital assets	\$ 1,099,781	\$ 1,290,589
Equity in Ottawa Trusts (Note 14)	519,082	511,416
Equity in Capital housing assets (A64)	1,139,510	1,406,181
Replacement and Operating reserves	452,392	475,593
Surplus - operations	<u>1,216,841</u>	<u>750,300</u>
ACCUMULATED SURPLUS	<u>\$ 4,427,606</u>	<u>\$ 4,434,079</u>

Contingent liabilities (Note 12)

APPROVED BY CHIEF AND COUNCIL


 Teressa Barney


 J. Curran

N'QUATQUA FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS YEAR ENDED MARCH 31, 2014

	<u>BUDGET 2014</u> (Note 21)	<u>2014</u>	<u>2013</u>
REVENUE			
Federal Government:			
Aboriginal Affairs and Northern Development Canada	\$ 862,383	\$ 843,826	\$ 844,571
Aboriginal Affairs and Northern Development Canada reimbursements (recoveries), prior years	-	-	(159,189)
First Nations Employment Society	-	13,128	13,128
Department of Fisheries	-	63,000	63,000
Health Canada, First Nations and Inuit Health Branch	118,744	133,579	160,249
Southern St'at'imx Health Society	96,897	121,181	142,234
CMHC RRAP	-	-	26,518
CMHC subsidy	-	74,210	104,284
Ministry of Forests	104,672	104,672	104,639
Province of British Columbia	69,975	464,559	114,056
School District #48	260,621	294,100	251,128
Rental income	-	126,838	172,966
First Nations Education Steering Committee	98,201	85,399	19,179
Administration fees	70,000	38,722	61,675
Band rental	12,500	9,875	10,463
Specific Claims	10,000	26,142	4,164
Lower St'at'imc Tribal Council	1,250	1,250	-
BC Hydro contracts	172,165	172,165	132,958
St'at'imc (PC) 2011 Trust (Note 16)	222,846	231,747	-
Childcare fees	15,768	3,151	14,667
Squamish-Lillooet Regional District	10,000	4,202	19,812
Fish sales	-	1,353	-
SFU	-	-	9,928
NEEDCO sales	-	517,083	505,113
St'at'imc Government Services	-	30,000	30,000
St'at'imx gathering	-	-	13,680
Other income	39,728	36,831	24,229
	<u>2,165,750</u>	<u>3,397,013</u>	<u>2,683,452</u>
EXPENDITURE			
Band government	373,945	340,010	335,404
Social services	782,554	545,491	420,395
Economic development	295,922	1,005,538	811,617
Capital projects	-	33,235	-
Education	548,828	526,635	527,568
Health	205,915	156,387	179,442
Housing	-	217,307	279,428
	<u>2,207,164</u>	<u>2,824,603</u>	<u>2,553,854</u>
Allocation to (from) deferred revenue	-	105,869	(8,305)
EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURE	(41,414)	466,541	137,903
OPENING SURPLUS (DEFICIT)	<u>750,300</u>	<u>750,300</u>	<u>612,397</u>
CLOSING SURPLUS (DEFICIT)	<u>\$ 708,886</u>	<u>\$ 1,216,841</u>	<u>\$ 750,300</u>

See accompanying notes to consolidated financial statements.

N'QUATQUA FIRST NATION

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
Annual surplus (deficit)	\$ 466,541	\$ 137,903
Change in equity - Social Housing operating reserve		
Change in equity - Ottawa trust funds	7,666	12,467
Change in equity - Band capital assets	(190,809)	(45,886)
Change in equity - Capital housing assets	(266,672)	(1,430)
Change in replacement and operating reserve	<u>(23,201)</u>	<u>23,708</u>
	<u>(6,475)</u>	<u>126,762</u>
Acquisition of tangible capital assets	(305,846)	(3,933)
CMHC housing units matured from tangible capital assets	266,672	-
Amortization of tangible capital assets	204,307	208,486
Prepaid expenses	15,648	8,352
Acquisition of CMHC houses held for sale	<u>(14)</u>	<u>-</u>
	<u>180,767</u>	<u>212,905</u>
Increase (decrease) in net debt	174,292	339,667
Net debt at beginning of year	<u>669,666</u>	<u>329,999</u>
Net debt at end of year	<u>\$ 843,958</u>	<u>\$ 669,666</u>

See accompanying notes to consolidated financial statements.

N'QUATQUA FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOW YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Excess (Shortfall) of Revenue over Expenditures	\$ 572,410	\$ 137,912
Items not involving cash:		
Amortization	40,146	8,502
Transfers from Deferred Revenue	(105,869)	-
Appropriations to Replacement Reserve fund	<u>27,927</u>	<u>-</u>
	534,614	146,414
Adjustment for Capital and Investment Transactions included in Operations:		
Principal repayments on long term debt	116,548	148,735
Capital assets acquired from operations	<u>-</u>	<u>3,933</u>
	651,162	299,082
Increase (decrease) in:		
Short term investment	-	253,714
Accounts receivable	(240,302)	180,200
Prepaid expenses	15,654	8,345
Inventory	9,598	12,399
Deferred revenue	249,083	(8,305)
Accounts payable	(91,745)	25,536
Due to government agencies	(29,668)	(49,415)
Replacement Reserve Fund	<u>(60,713)</u>	<u>(1,239)</u>
	<u>503,069</u>	<u>720,317</u>
FINANCING ACTIVITIES		
Repayment of long term debt	<u>(116,548)</u>	<u>(148,735)</u>
	<u>(116,548)</u>	<u>(148,735)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(305,846)	(3,933)
Transfer of houses held for sale	(14)	-
Transfer of equity in houses held for sale	(143,198)	-
Change in restricted cash	<u>5,949</u>	<u>(258,465)</u>
	<u>(443,109)</u>	<u>(262,398)</u>
(DECREASE) INCREASE IN CASH	(56,588)	309,184
CASH, beginning of year	<u>569,022</u>	<u>259,838</u>
CASH, end of year	<u><u>\$ 512,434</u></u>	<u><u>\$ 569,022</u></u>
CASH REPRESENTED BY:		
Cash on hand	<u>\$ 512,434</u>	<u>\$ 569,022</u>
	<u><u>\$ 512,434</u></u>	<u><u>\$ 569,022</u></u>
SUPPLEMENTARY INFORMATION:		
Interest paid	\$ 23,537	\$ 29,255
Interest received	9,650	5,730

See accompanying notes to consolidated financial statements.

N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

The financial statements of the N'Quatqua First Nation are prepared in accordance with Canadian generally accepted accounting principles for government entities, as defined in the CICA Public Sector Accounting and Auditing Handbook.

b) Fund Accounting

The N'Quatqua 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 Financial Statements.

c) Reporting Entity and Principles of Financial Reporting

The N'Quatqua First Nation reporting entity includes the Band government and all related entities which are accountable to the Band and are either owned or controlled by the Band. The N'Quatqua First Nation has three wholly-owned incorporated subsidiaries:

- N'Quatqua Logging Co. Ltd.
- N'Quatqua Fisheries Inc.
- NEEDCO N'Quatqua Employment & Economic Development Corporation

These financial statements consolidate the assets, liabilities and results of operations of these corporations.

All inter-entity balances have been eliminated on consolidation.

These corporations do not meet the definition of "government business enterprises" as defined in the CICA Public Sector Accounting and Auditing Handbook.

d) 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 and prepaid expenses.

e) Cash and Cash Equivalents

Cash includes cash on hand and balances with banks net of bank overdraft.

N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

f) Inventory

Inventory, which consists of convenience store products and gasoline, is recorded at the lower of cost or net realizable value. Cost is calculated on a first-in first out basis.

g) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Housing 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. Amortization for other capital assets is provided annually at rates calculated to write off the assets over their estimated useful lives as follows, except in the year of acquisition when one-half of the rate is used.

Non CMHC-sponsored tangible capital assets are amortized at the following rates:

Buildings	4%	straight-line
Fire truck	20%	straight-line
Office furniture and equipment	20%	straight-line
Machinery and equipment	10%	straight-line
Vehicles	20%	straight-line
Sawmill	10%	straight-line
Logging machinery	20%	straight-line
Fencing	10%	straight-line

Tangible capital assets are written down when conditions indicate that they no longer contribute to N'Quatqua First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal 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.

**N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014**

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

h) Net Debt

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

i) Revenue Recognition

All revenue is recorded on the accrual basis whereby 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 and provincial governments is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted by the 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.

Revenue derived from business activities is recognized when services or products are delivered and amounts are determinable and collectible.

j) Replacement Reserve

The Replacement Reserve account is funded by an annual charge against earnings as opposed to an appropriation of surplus. Interest earnings and approved expenditures are charged against the Reserve.

k) Houses Held for Sale to Band Members

The non-CMHC houses held for sale to band members are recorded on the Statement of Financial Position at a total amount equivalent to the principal payments to be made by Band members in order to acquire title to the assets.

CMHC Matured housing units are recorded on the Statement of Financial Position at \$1 per unit pending transfer to Band members when rental arrears fully paid.

l) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the impairment of assets, amortization rates, and allowance for doubtful accounts receivable. Actual results could differ from those reported.

N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

m) Abbreviations

AANDC refers to Aboriginal Affairs and Northern Development Canada.

CMHC refers to Canadian Mortgage and Housing Corporation

HC refers to Health Canada

HRDC refers to Human Resources Development Canada

FNES refers to First Nations Employment Society

SSHS refers to Southern Stl'atl'imx Health Society

VCH refers to Vancouver Coastal Health

2. CASH

	<u>2014</u>	<u>2013</u>
Cash is comprised of the following:		
Bank accounts:		
Band operating and payroll accounts	\$ 275,978	\$ 426,723
BNS - Forestry account	168,240	72,583
Social Housing Program	12,337	21,541
NEEDCO operating accounts	17,422	16,346
N'Quatqua Fisheries Inc. operating accounts	38,245	31,464
N'Quatqua Logging Co. Ltd. operating accounts	<u>212</u>	<u>369</u>
	<u>\$ 512,434</u>	<u>\$ 569,026</u>

N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

3. ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>
Due from Funding Agencies:		
AANDC	\$ -	\$ 34,213
Province of BC	307,630	18,672
S.S.H.S	24,224	32,101
First Nations Employment Society	2,000	-
Health Canada	12,600	-
Squamish Lillooet Regional District	570	482
S.G.S	-	649
H&W Patient Travel	14,278	6,137
CMHC	6,129	25,433
School District #48	56,794	102,747
First Nations Education Steering Committee Society	26,757	300
Interwest Timber	-	10,471
UBC Sauder School	5,100	-
Ottawa Trust	50,000	50,000
	<u>506,082</u>	<u>281,205</u>
Due from Band Members:		
Social Housing, rents receivable	319,086	485,306
Social Housing, rents receivable, matured units	171,084	-
Mortgage and insurance arrears	25,237	24,913
	<u>515,407</u>	<u>510,219</u>
Band Sundry receivables	<u>1,861</u>	<u>1,416</u>
N'Quatqua Fisheries Inc. Accounts receivable	<u>39,750</u>	<u>29,728</u>
NEEDCO Accounts receivable	<u>1,013</u>	<u>1,248</u>
	<u>\$ 1,064,113</u>	<u>\$ 823,816</u>

4. INVENTORY

	<u>2014</u>	<u>2013</u>
Convenience store products	\$ 13,540	\$ 13,196
Gasoline	9,137	19,079
	<u>\$ 22,677</u>	<u>\$ 32,275</u>

N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

5. PREPAID EXPENSES

	<u>2014</u>	<u>2013</u>
Band administration - prepaid insurance	\$ 15,690	\$ 15,114
Post Secondary - living allowances	1,882	2,552
Prepaid social assistance	-	16,767
Social Housing - prepaid insurance	14,966	13,948
N'Quatqua Fisheries Inc. - prepaid insurance	1,008	894
NEEDCO - prepaid insurance	<u>1,027</u>	<u>945</u>
	<u>\$ 34,573</u>	<u>\$ 50,220</u>

6. CMHC HOUSES HELD FOR SALE

CMHC matured units (houses in the CMHC social housing program that have had their mortgages paid in full) are available to the homeowner for purchase for \$1 per unit once any rental arrears are paid in full.

No amortization of matured units is recorded after the mortgages are repaid as title is only being held pending payment of arrears.

7. RESTRICTED CASH AND DEPOSITS

	<u>2014</u>	<u>2013</u>
Replacement Reserve Funds:		
Cash in bank	\$ 24,757	\$ 31,667
Receivable from Social Housing - Operating Accounts	<u>-</u>	<u>236,130</u>
	<u>24,757</u>	<u>267,797</u>
Operating Reserve Fund:		
Receivable from Social Housing - Operating Account	<u>-</u>	<u>198,211</u>
St'at'imc (PC) 2011 Trust bank account. The deposit is restricted to cover future distributions due to Band members. See Note 16.		
	<u>467,111</u>	<u>466,150</u>
	<u>\$ 491,868</u>	<u>\$ 932,158</u>

N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2014</u>	<u>2013</u>
Operating Fund Band Programs:		
Accounts payable	\$ 32,136	\$ 42,132
Due to Health Canada	-	14,151
Accrued wages and benefits	47,943	18,610
Accrued liabilities	22,091	22,091
Social Housing Fund - accounts payable	125	-
Social Housing Fund - accrued mortgage interest	1,539	2,148
Social Housing Fund - Damage deposits	425	425
N'Quatqua Fisheries Inc. - accounts payable	8,970	10,685
N'Quatqua Logging Inc. - accounts payable	3,750	3,750
NEEDCO - accounts payable	18,316	15,969
N'Quatqua First Nation Society	<u>101</u>	<u>101</u>
	<u>\$ 135,396</u>	<u>\$ 130,062</u>

9. DEFERRED REVENUE

	<u>2014</u>	<u>2013</u>
St'at'imc (PC) 2011 Trust - Signing Bonus	\$ 592,317	\$ 581,585
St'at'imc (PC) 2011 Trust - Vehicle purchases	208,573	-
AANDC - Outdoor gym purchase	19,990	-
SSHS - Outdoor gym purchase	<u>2,788</u>	<u>-</u>
	<u>\$ 823,668</u>	<u>\$ 581,585</u>

The surplus of Trust Signing Bonus is deferred to cover the future payments due to Band members.

The funding of the Trust withdrawal for vehicle purchases is deferred and recognized as revenue on the same basis as the amortization of the vehicles.

The funding from AANDC and SSHS for the outdoor gym purchase is deferred and recognized as revenue on the same basis as the amortization of the outdoor gym.

N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

10. MORTGAGES AND LOANS:

	<u>2014</u>	<u>2013</u>
<u>Mortgages on Social Housing Units:</u>		
All Nations Trust Company, loan with payments of \$687 per month including interest at 3.47% with a term of five years renewable on June 1, 2013. The loan is maturing on April 1, 2033 secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	\$ 110,676	\$ 115,418
All Nations Trust Company, loan with payments of \$2,114 per month including annual interest at 1.80% with a term of four years and nine months renewable on July 1, 2016. The loan is maturing on July 1, 2016 and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	57,913	82,000
All Nations Trust Company, loan with payments of \$1,833 per month including annual interest at 2.86% with a term of five years renewable on December 1, 2013. The loan is maturing on October 1, 2018 and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	94,301	113,394
All Nations Trust Company, loan with payments of \$1,453 per month including annual interest at 2.69% with a term of five years renewable on August 1, 2015. The loan is maturing on April 1, 2017 and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	51,564	67,395
All Nations Trust Company, loan with payments of \$738 per month including annual interest at 1.81% with a term of five years renewable on April 1, 2014. The loan is maturing on April 1, 2024 and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	81,633	88,949

N'QUATQUA FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

10. MORTGAGES AND LOANS (CONT'D):

All Nations Trust Company, loan with payments of \$1,743 per month including annual interest at 2.63% with a term of five years renewable on June 1, 2016. The loan is maturing on May 1, 2026 and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada

136,529 153,626

All Nations Trust Company, loan with payments of \$1,199 per month including annual interest at 3.16% with a term of five years renewable on June 1, 2013. The loan is maturing on April 1, 2023 and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada

113,025 124,242

All Nations Trust Company, loan with payments of \$1,515 per month including annual interest at 2.65% with a term of five years renewable on April 1, 2016. The loan is maturing on April 1, 2026 and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada

187,987 201,028

833,628 946,052

Mortgage on Houses Held for Sale to Band Members:

Bank of Montreal loan with payments of \$574 per month including annual interest at 6.25% and secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada.

27,543 31,669

\$ 861,171 \$ 977,721

Principal payments due in each of the next five years are approximately:

2015	\$ 122,203
2016	124,743
2017	110,341
2018	87,217
2019	67,327

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11. REPLACEMENT AND OPERATING RESERVE FUNDS

In accordance with the terms and conditions of the Operating Agreement with CMHC, the Social Housing Program must set aside funds annually for the non-annual expenditures of the Program for the repair 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 Audit Report date, the following amounts have not been deposited to a separate interest bearing account.

Replacement Reserve Fund:	<u>2014</u>	<u>2013</u>
Social Housing I	\$ 44,453	\$ 122,481
Social Housing II	<u>133,570</u>	<u>123,234</u>
Total amount underfunded	<u>\$ 178,023</u>	<u>\$ 245,715</u>

Operating Reserve Fund:

Social Housing II - amount underfunded	<u>198,211</u>	<u>198,211</u>
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The replacement reserve for the social housing units that have matured has been transferred to the Band and will be used for the repair and replacement of worn out assets on the houses that are held for sale.

12. CONTINGENT LIABILITIES

Recoverable Surpluses

The N'Quatqua First Nation is contingently liable for the recovery of surpluses funded as a "set" funding from AANDC:

	<u>2014</u>	<u>2013</u>
Employee pensions	\$ 1,557	\$ -
Child out of parental home allowance	\$ 2,726	\$ 2,347
Social Development - Special Needs	5,227	6,378
Social Development - Basic	38,373	26,878
Social Development - In Home Care	-	4,387
Drinking Water Safety Program	4,913	-

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13. SUBSIDY SURPLUS FUND AND OPERATING RESERVE FUND

In accordance with the terms and conditions of the Operating Agreements entered into with CMHC prior to 1997, the Social Housing Program is permitted to set aside an amount of up to \$500 per housing unit for the purpose of meeting future requirements of income-tested occupants over and above the maximum federal assistance. The Fund may be replenished to its original limit from subsequent operating surpluses. Any surpluses in excess of \$500 per unit is recoverable by CMHC.

In the case of Operating Agreements entered into in 1997 and beyond, Subsidy Surplus Fund is not a condition of the Agreement. Any surplus revenue will be retained by the First Nation within an Operating Reserve Fund which may only be used for the ongoing operating costs of the housing projects committed under 1997 On-Reserve Housing Program. The department representing the 1997 On-Reserve Program is referred to as Social Housing II (D3) while Social Housing I (D2) represents the pre-1997 Operating Agreements.

14. EQUITY IN TRUSTS

	<u>2014</u>	<u>2013</u>
BALANCE, beginning of year	\$ 511,416	\$ 498,949
Additions:		
Interest income and grants	<u>7,666</u>	<u>12,467</u>
	<u>519,082</u>	<u>511,416</u>
Deductions:	<u>-</u>	<u>-</u>
BALANCE, end of year	<u><u>\$ 519,082</u></u>	<u><u>\$ 511,416</u></u>
COMPRISED OF:		
Revenue Trust Fund	\$ 240,058	\$ 232,392
Capital Trust Fund	<u>279,024</u>	<u>279,024</u>
	<u><u>\$ 519,082</u></u>	<u><u>\$ 511,416</u></u>

15. CANADA MORTGAGE AND HOUSING CORPORATION SUBSIDY

The Social Housing Program has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act to reduce mortgage interest expense to enable the project to provide housing to low-income individuals. The amount of assistance received in 2014 was \$74,210 (2013 - \$104,284).

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16. ST'AT'IMC (PC) 2011 TRUST

The St'at'imc Authority reached a comprehensive settlement with the Province of British Columbia and BC Hydro on May 10, 2011. The Settlement Agreement provides compensation for impacts to St'at'imc lands and people in respect of past, present and future hydro development in the St'at'imc territory; as a result, the St'at'imc (PC) 2011 Trust was established to receive the settlement funds.

N'Quatqua is a beneficiary of the Trust and in accordance with the Settlement Agreement and Trust Indenture, the Nation is entitled to receive certain sums of monies from the Trust each year to be used for specific purposes as outlined in a Band Council Resolution.

Available Trust Revenues shall consist of funding received in a fiscal year and unused funding received in previous fiscal years. Expenditures shall consist only of expenses incurred for the purposes stated in the Band Council Resolution which shall be consistent with the purposes specified in the Indenture. The Nation is permitted to expend Trust monies on a basis other than as specified in the Band Council Resolution provided that the expenditures are consistent with the purposes specified in the Indenture.

During the year, the Nation received \$231,747 for the purchase of transit and service vehicles.

17. COMPARATIVE FIGURES

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

18. FAIR VALUE ESTIMATION

The Band's financial instruments consists of cash, accounts receivable, accounts payable and accrued liabilities, amounts due to government agencies, mortgages and loans payable. It is management's opinion that the Band is not exposed to significant interest risk arising from these financial instruments. Exposure to credit risk is also not significant with the exception of Rents Receivable which have a higher credit risk due to the nature of the social housing program. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

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19. SEGMENT DISCLOSURE

The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The following table presents the expenses incurred and the revenue generated by main object of expense and by major revenue type. The segment results for the year are as follows:

	Band Government			Social Services			Economic Development		
	<u>2014</u>	<u>2013</u>	<u>BUDGET</u> <u>2014</u>	<u>2014</u>	<u>2013</u>	<u>BUDGET</u> <u>2014</u>	<u>2014</u>	<u>2013</u>	<u>BUDGET</u> <u>2014</u>
Revenues									
Federal Government	\$ 196,805	\$ 196,187	\$ 196,805	\$ 506,305	\$ 342,319	\$ 512,103	\$ -	\$ 6,586	\$ -
Provincial Government	-	-	-	-	61,942	-	507,512	104,639	110,672
Economic Activities	375	463	500	-	-	-	6,853	10,000	12,000
Net income from investments in government business enterprises	-	-	-	-	-	-	(18,961)	535,113	-
BC Hydro	5,393	5,393	5,393	231,747	-	222,846	166,772	127,565	166,772
Other revenue	42,785	82,776	75,500	36,844	17,401	26,000	8,164	17,325	8,428
Total Revenue	<u>245,358</u>	<u>284,819</u>	<u>278,198</u>	<u>774,896</u>	<u>421,662</u>	<u>760,949</u>	<u>670,340</u>	<u>801,228</u>	<u>297,872</u>
Expenses									
Wages, benefits & subcontracts	164,850	104,935	142,358	134,609	44,240	145,761	277,076	226,191	181,939
Program expenses	68,380	122,864	120,687	368,623	369,533	600,324	74,543	539,259	88,483
Travel & Honoraria	48,485	33,376	46,200	16,526	2,904	17,672	9,820	15,960	17,500
Professional fees	64,295	74,229	64,700	25,733	3,718	18,797	15,055	30,207	8,000
Total Expenses	<u>346,010</u>	<u>335,404</u>	<u>373,945</u>	<u>545,491</u>	<u>420,395</u>	<u>782,554</u>	<u>376,494</u>	<u>811,617</u>	<u>295,922</u>
Annual Surplus (Deficit)	<u>\$ (100,652)</u>	<u>\$ (50,585)</u>	<u>\$ (95,747)</u>	<u>\$ 229,405</u>	<u>\$ 1,267</u>	<u>\$ (21,605)</u>	<u>\$ 293,846</u>	<u>\$ (10,389)</u>	<u>\$ 1,950</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20. SEGMENT DISCLOSURE, continued

	<u>2014</u>	<u>Capital Projects</u> <u>2013</u>	<u>BUDGET</u> <u>2014</u>	<u>2014</u>	<u>Education</u> <u>2013</u>	<u>BUDGET</u> <u>2014</u>	<u>2014</u>	<u>Health</u> <u>2013</u>	<u>BUDGET</u> <u>2014</u>
Revenues									
Federal Government	\$ -	\$ -	\$ -	\$ 273,739	\$ 279,549	\$ 292,296	\$ 199,431	\$ 239,352	\$ 160,311
Provincial Government	-	-	-	61,719	52,114	63,975	-	-	-
Economic Activities	-	-	-	-	-	-	-	-	-
Net income from investments in government business enterprises	-	-	-	-	-	-	-	-	-
BC Hydro	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	328,691	295,484	307,899	6,561	3,101	4,250
Total Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>664,149</u>	<u>627,147</u>	<u>664,170</u>	<u>205,992</u>	<u>242,453</u>	<u>164,561</u>
Expenses									
Wages, benefits & subcontracts	-	-	-	387,902	366,082	385,384	92,657	63,681	100,470
Program expenses	33,235	-	-	125,228	152,343	150,444	60,039	76,596	100,145
Travel & Honoraria	-	-	-	13,505	9,143	13,000	3,691	39,165	5,300
Professional fees	-	-	-	-	-	-	-	-	-
Total Expenses	<u>33,235</u>	<u>-</u>	<u>-</u>	<u>526,635</u>	<u>527,568</u>	<u>548,828</u>	<u>156,387</u>	<u>179,442</u>	<u>205,915</u>
Annual Surplus (Deficit)	<u>\$ (33,235)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,514</u>	<u>\$ 99,579</u>	<u>\$ 115,342</u>	<u>\$ 49,605</u>	<u>\$ 63,011</u>	<u>\$ (41,354)</u>
	<u>2014</u>	<u>Housing</u> <u>2013</u>	<u>BUDGET</u> <u>2014</u>	<u>2014</u>	<u>Culture</u> <u>2013</u>	<u>BUDGET</u> <u>2014</u>	<u>2014</u>	<u>Total</u> <u>2013</u>	<u>BUDGET</u> <u>2014</u>
Revenues									
Federal Government	\$ 74,209	\$ 130,802	\$ -	\$ -	\$ -	\$ -	\$ 1,250,489	\$ 1,194,795	\$ 1,161,515
Provincial Government	-	-	-	-	-	-	569,231	218,695	174,647
Economic Activities	126,839	172,966	-	-	-	-	134,067	183,432	12,500
Net income from investments in government business enterprises	-	-	-	-	-	-	(18,961)	535,113	-
BC Hydro	-	-	-	-	-	-	403,912	132,958	395,011
Other revenue	6,186	2,382	-	-	-	-	429,231	418,469	422,077
Total Revenue	<u>207,234</u>	<u>306,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,767,969</u>	<u>2,683,462</u>	<u>2,165,750</u>
Expenses									
Wages, benefits & subcontracts	-	26,477	-	-	-	-	1,057,094	831,606	955,912
Program expenses	210,872	252,093	-	-	-	-	940,920	1,512,688	1,060,083
Travel & Honoraria	435	858	-	-	-	-	92,462	101,406	99,672
Professional fees	-	-	-	-	-	-	105,083	108,154	91,497
Total Expenses	<u>211,307</u>	<u>279,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,195,559</u>	<u>2,553,854</u>	<u>2,207,164</u>
Annual Surplus (Deficit)	<u>\$ (4,073)</u>	<u>\$ 26,722</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 572,410</u>	<u>\$ 129,608</u>	<u>\$ (41,414)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20. EXPENSES BY OBJECT

	<u>2014</u>	<u>2013</u>
Salaries and wages	\$ 1,306,281	\$ 817,350
Materials and supplies	95,905	39,419
Honoraria	36,500	31,315
Interest	148,025	184,721
Professional services	120,360	131,048
Amortization	40,146	8,502
Travel	64,533	41,811
Operations, maintenance, and utilities	188,453	92,366
Insurance	57,039	47,626
Contract services	166,049	100,342
Social development payments	163,031	201,776
Other	<u>438,281</u>	<u>857,578</u>
	<u>\$ 2,824,603</u>	<u>\$ 2,553,854</u>

21. BUDGETED FIGURES

Unaudited budget figures have been provided for comparative purposes and have been derived from estimates approved by management. However, budget data was not available for all programs.

**N'QUATQUA FIRST NATION
SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED MARCH 31, 2014**

	COST			ACCUMULATED AMORTIZATION			Net Book Value March 31, 2014	Net Book Value March 31, 2013
	Balance, March 31, 2013	Additions	Balance, March 31, 2014	Balance, March 31, 2013	Amortization	March 31, 2014		
Infrastructure - Subdivision construction	\$ 200,355	\$ -	\$ 200,355	\$ -	\$ -	\$ -	\$ 200,355	\$ 200,355
Infrastructure - Water System	44,992	-	44,992	-	-	-	44,992	44,992
Land & buildings	1,674,721	-	1,674,721	767,297	35,658	802,955	871,766	907,424
Gas station	381,595	-	381,595	179,029	8,102	187,131	194,464	202,566
Fire Truck	173,766	-	173,766	173,766	-	173,766	-	-
Land improvement	60,721	-	60,721	-	-	-	60,721	60,721
Office equipment	133,908	1,770	135,678	129,166	1,126	130,292	5,386	4,742
Machinery & equipment	338,383	25,018	363,401	289,704	6,119	295,823	67,578	48,679
Vehicles	108,907	231,748	340,655	103,986	24,159	128,145	212,510	4,921
Computer software	65,131	14,000	79,131	65,131	7,000	72,131	7,000	-
Computer equipment	91,761	8,000	99,761	85,884	1,975	87,859	11,902	5,877
Sawmill	23,920	-	23,920	23,920	-	23,920	-	-
Logging machinery	151,951	-	151,951	151,951	-	151,951	-	-
Outdoor Gym	-	25,309	25,309	-	2,531	2,531	22,778	-
Fencing	<u>2,885</u>	<u>-</u>	<u>2,885</u>	<u>2,885</u>	<u>-</u>	<u>2,885</u>	<u>-</u>	<u>-</u>
Subtotal	3,452,996	305,845	3,758,841	1,972,719	86,670	2,059,389	1,699,452	1,480,277
CMHC Social Housing Capital Assets	4,532,782	(1,558,648)	2,974,134	2,318,424	(1,179,556)	1,138,868	1,835,266	2,214,358
N'Quatqua Fisheries Inc. Equipment	6,286	-	6,286	4,934	270	5,204	1,082	1,352
N'Quatqua Logging Co. Ltd. Property, Plant, & Equipment	308,600	-	308,600	305,669	588	306,257	2,343	2,931
NEEDCO Equipment	<u>60,648</u>	<u>-</u>	<u>60,648</u>	<u>45,373</u>	<u>4,358</u>	<u>49,731</u>	<u>10,917</u>	<u>15,275</u>
Total	<u>\$ 8,361,312</u>	<u>\$ (1,252,803)</u>	<u>\$ 7,108,509</u>	<u>\$ 4,647,119</u>	<u>\$ (1,087,670)</u>	<u>\$ 3,559,449</u>	<u>\$ 3,549,060</u>	<u>\$ 3,714,193</u>