

STS'AILES
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014

EXHIBIT

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of STS'AILES have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgements. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of STS'AILES's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Band Council is responsible for ensuring that management fulfils its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Council carries out this responsibility periodically through its Finance Committee. The Finance Committee is appointed by the Council and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Finance Committee reports to Council prior to its approval of the financial statements. The Committee also considers, for review by the Council and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by Daley & Company Chartered Accountants LLP in accordance with Canadian public sector accounting standards.



Chief

Councillor



**DALEY &
COMPANY** LLP

Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

EXHIBIT A1

To the members of STS'AILES

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of STS'AILES, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statement of accumulated surplus, consolidated statement of operations, consolidated statement of change in net debt and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of STS'AILES as at March 31, 2014, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The current year's supplementary information included in Exhibits B1 to B2, C1 to C2, and schedules 1 to 53 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Daley & Company LLP

Chartered Accountants

Kamloops, BC
June 18, 2014

Disclaimer of Liability

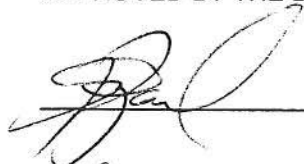
These consolidated financial statements were examined and this Audit Opinion issued solely for the use of STS'AILES. Daley & Company Chartered Accountants LLP makes no representations of any kind to any other person in respect of these consolidated financial statements and accepts no responsibility for their use by any other person in the absence of the written consent of Daley & Company Chartered Accountants LLP.

STS'AILES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
March 31, 2014

FINANCIAL ASSETS	2014	2013
Cash	\$ 97,626	\$ -
Restricted cash (Note A3)	167,389	54,112
Grants and accounts receivable (Note A4)	1,428,276	2,757,281
Investment in jointly controlled entities (Note A5)	575,711	155,956
Long-term investments (Note A6)	1,000	100,000
	<u>2,270,002</u>	<u>3,067,349</u>
LIABILITIES		
Bank indebtedness (Note A7)	-	2,177,612
Accounts payable and accruals (Note A8)	1,494,368	2,724,913
Demand loans (Note A9)	3,924,948	4,250,269
Reforestation obligation	432,110	453,800
Promissory note payable Note A10)	3,419,497	-
Mortgages payable (Note A11)	34,289	1,224,728
Deferred revenue	13,876	11,563
	<u>9,319,088</u>	<u>10,842,885</u>
NET DEBT	<u>(7,049,086)</u>	<u>(7,775,536)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note A12)	12,431,595	13,461,572
Inventory	145,510	116,382
Prepaid expenses	87,644	123,304
	<u>12,664,749</u>	<u>13,701,258</u>
ACCUMULATED SURPLUS (Note A13)	<u>\$ 5,615,663</u>	<u>\$ 5,925,722</u>

COMMITMENTS AND CONTINGENCIES (Note A16)

APPROVED BY THE BAND:

 _____ Chief

 _____ Councillor

STS'AILES
CONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS
Year ended March 31, 2014

	2014	2013
ACCUMULATED SURPLUS, beginning of year:	\$ 5,925,722	\$ 8,603,334
SHORTFALL OF REVENUE OVER EXPENSES	<u>(310,059)</u>	<u>(2,677,612)</u>
ACCUMULATED SURPLUS, end of year	<u>\$ 5,615,663</u>	<u>\$ 5,925,722</u>

See accompanying notes to financial statements.

STS'AILES
CONSOLIDATED STATEMENT OF OPERATIONS
Year ended March 31, 2014

	Budget	2014	2013
REVENUE:			
Aboriginal Affairs and Northern Development Canada	\$ 4,779,674	\$ 4,807,246	\$ 4,860,363
Leases and rentals	300,468	213,553	311,956
CMHC	22,180	9,143	166,548
Province of BC	2,311,217	2,584,055	2,425,883
Consulting and contract	2,359,285	1,751,202	1,005,283
Health Canada	2,239,638	919,972	1,642,884
First Nations Health Authority	-	1,184,602	-
Economic Activities	4,676,031	6,718,607	6,752,168
Other amounts	344,698	271,543	301,313
	<u>17,033,191</u>	<u>18,459,923</u>	<u>17,466,398</u>
EXPENSES:			
Governance	533,125	525,692	764,294
Sts'ailes Administration	1,454,217	1,627,224	1,907,705
Employment and Social Development	1,252,608	1,329,772	1,354,737
Community Development	717,276	513,426	432,913
Housing	525,316	315,606	370,516
Health	1,184,694	1,066,541	1,066,525
Snowoyelh	2,068,920	1,611,527	1,611,579
Education	4,637,589	4,580,366	4,588,879
Economic Development - Sts'ailes Operations	389,069	732,731	943,190
Economic Development - Controlled Entities	4,493,747	6,467,097	7,103,672
	<u>17,256,561</u>	<u>18,769,982</u>	<u>20,144,010</u>
SHORTFALL OF REVENUE OVER EXPENSES	\$ (223,370)	\$ (310,059)	\$ (2,677,612)

See accompanying notes to financial statements.

STS'AILES
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
Year ended March 31, 2014

	Budget	2014	2013
SHORTFALL OF REVENUE			
OVER EXPENSES	\$ (223,370)	\$ (310,059)	\$ (2,677,612)
Acquisition of tangible capital assets	-	(130,183)	(195,249)
Amortization of tangible capital assets (including adjustments)	-	1,160,160	1,298,052
Change in prepaid expenses	-	35,660	277,382
Change in inventory	-	(29,128)	22,328
Loss (gain) on disposal of assets	-	-	32,528
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(223,370)	726,450	(1,242,571)
NET DEBT, beginning of year	(7,775,536)	(7,775,536)	(6,532,965)
NET DEBT, end of year	\$ (7,998,906)	\$ (7,049,086)	\$ (7,775,536)

See accompanying notes to financial statements.

STS'AILES
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended March 31, 2014

	2014	2013
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Shortfall of revenue over expenses	\$ (310,059)	\$ (2,677,612)
Non-cash charges to operations:		
Amortization	1,160,160	1,298,052
(Gain) loss on disposal of assets	-	32,528
(Increase) decrease in:		
Grants and accounts receivable	1,329,005	(812,907)
Prepaid expenses	35,660	277,382
Inventory	(29,128)	22,328
Increase (decrease) in:		
Accounts payable and accruals	(1,230,545)	1,091,077
Reforestation obligation	(21,690)	137,799
Deferred revenue	2,313	(2,247)
Cash flows from (used in) operations	<u>935,716</u>	<u>(633,600)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan proceeds	3,419,497	46,700
Demand loan reduction	(325,321)	(298,998)
Long-term debt reduction	<u>(1,190,439)</u>	<u>(132,058)</u>
Cash flows from (used in) financing	<u>1,903,737</u>	<u>(384,356)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Investment in jointly controlled entities	(419,755)	(155,956)
Impairment of long-term investments	99,000	-
Restricted cash / cash held in trust	<u>(113,277)</u>	<u>(3,480)</u>
Cash flows used in investing	<u>(434,032)</u>	<u>(159,436)</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Acquisition of tangible capital assets	<u>(130,183)</u>	<u>(195,249)</u>
Cash flows used in capital	<u>(130,183)</u>	<u>(195,249)</u>
INCREASE (DECREASE) IN CASH RESOURCES	2,275,238	(1,372,641)
CASH RESOURCES, beginning of year	<u>(2,177,612)</u>	<u>(804,971)</u>
CASH RESOURCES, end of year	\$ 97,626	\$ (2,177,612)

See accompanying notes to financial statements.

STS'AILES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014

NOTE A1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES:

These financial statements have been prepared on the basis of a going concern which assume Sts'ailes will be able to realize its assets and settle its obligations in the normal course of operations. However, due to the significant overall amount of Net Debt of Sts'ailes there is some doubt regarding this assumption. Sts'ailes' financial solvency ratios have also all been deemed unfavourable by Aboriginal Affairs and Northern Development Canada (AANDC), a major funding provider. Sts'ailes has developed a Management Action Plan (MAP) acceptable to AANDC to remedy and recover from the default, and to address its causes and prevent its recurrence. Where the going concern assumption is not appropriate for Sts'ailes' financial statements, adjustments to the carrying values of reported assets and equity would be required and these amounts could be material.

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

a) Fund Accounting:

Sts'ailes 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 consolidated financial statements. Details of the operations of each fund are set out in the supplementary schedules. Sts'ailes maintains the following funds:

- The Sts'ailes Operating Fund which reports the general activities of the Sts'ailes Administration.
- The Trust Fund which reports on trust funds owned by Sts'ailes and held by third parties.
- The Capital Fund which reports the property and equipment of Sts'ailes, together with their related financing.
- The Social Housing Fund Pre-1997 Program which report the social housing assets of Sts'ailes, together with related activities.

b) Reporting Entity and Principles of Financial Reporting:

The Sts'ailes reporting entity includes the Sts'ailes government and all related entities which are accountable to Sts'ailes and are either owned or controlled by Sts'ailes.

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

- Sts'ailes Operating Fund
- Sts'ailes Trust Fund
- Sts'ailes Capital Fund
- Sts'ailes Social Housing Fund - Pre-1997 Program
- Sasquatch Crossing Eco Lodge Ltd.
- Sts'ailes Development Limited Partnership
- Sts'ailes Development Corporation
- Chehalis Indian Band Economic Development Trust

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

Incorporated business entities, which are not controlled by the Sts'ailes and which are not dependent on Sts'ailes for their continuing operations, are included in the consolidated financial statements using the modified equity method. This includes:

- Harrison Salmon Producers Limited Partnership

Long-term investments in non-controlled entities and not subject to significant influence are recorded at cost.

c) Term Deposits:

Term deposits are recorded at cost plus accrued interest.

d) Investments:

Investments are recorded at cost.

STS'AILES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014

NOTE A1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued):

e) Non-financial Assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Debt for the year.

1) Tangible Capital Assets:

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a declining-balance basis over their estimated useful lives as follows:

Major Asset Category:

Buildings	10%
Housing units	10%
Land improvements	10%
Equipment	20%
Automotive equipment	30%

Assets under construction are not amortized until the asset is available for productive use.

Sts'ailes reviews the useful lives and the carrying values of its tangible capital assets at least annually or more frequently if events or changes in circumstances indicate that the assets might be impaired, by reference to the assets' contribution to Sts'ailes' ability to provide services. When assets no longer have any long-term service potential to Sts'ailes, the assets are considered to be impaired. An impairment loss is measured at the amount by which the carrying amount of the assets exceeds their fair value, which is estimated as the expected service potential of the assets.

2) Leases:

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Sts'ailes' interest in reserve lands is not reflected in these financial statements, as no consideration was paid by Sts'ailes to acquire these lands.

f) Accrual Method:

The accrual method is used in accounting for all funds.

g) Replacement Reserve:

The Replacement Reserve account is funded by an annual charge against earnings as opposed to an appropriation of surplus.

h) Deferred Revenue:

Revenue is recorded in the period to which it relates.

STS'AILES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014

NOTE A1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued):

i) Revenue Recognition:

The Sts'ailes derives revenues from a number of sources.

Amounts received from Aboriginal Affairs and Northern Development Canada (AANDC) are reported in accordance with the terms of the funding arrangement. Amounts specified as set funding are reported as revenue as program terms and conditions are met and delivered. Any resulting surpluses are repayable to AANDC and any deficits incurred are refundable by AANDC. Amounts specified as fixed funding are recognized as revenue as program terms and conditions are met and delivered. Any resulting surpluses may be retained by Sts'ailes provided delivery of the program is complete at March 31. Any resulting deficits are the responsibility of Sts'ailes. Grants received from AANDC are unconditional and are reported as revenue when received or receivable and collection is reasonably assured. Amounts received under block funding arrangements are reported as revenue when received or receivable and collection is reasonably assured.

Amounts received from other government departments, both federal and provincial, are reported as revenue in accordance with the terms of the contract or agreement.

Own source revenues derived from such sources as housing rents, resource based revenues, interest income, etc. are reported when received or receivable and collection is reasonably assured.

j) Reforestation Obligation:

A provision is recognized if, as a result of a past event, Sts'ailes has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Timber is harvested under various licenses issued by the Province of British Columbia, which include future requirements for reforestation. The future estimated reforestation obligation is accrued and charged to earnings on the basis of the volume of timber cut. The estimates of reforestation obligation are based upon various judgments and assumptions. Both the precision and reliability of such estimates are subject to uncertainties and, as additional information becomes known, these estimates are subject to change.

k) Use of Estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

NOTE A2. FINANCIAL INSTRUMENTS:

Fair Value of Financial Assets and Financial Liabilities:

The carrying values of grants and accounts receivable, bank indebtedness, accounts payable and accrued liabilities and demand loans approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The carrying value of promissory note payable and long-term debt approximates their fair value as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for similar items.

Interest Risk:

Many demand loans have variable interest rates based on the bank's prime rate, therefore interest expense will vary with changes in the bank's prime rate. All other demand loans, promissory notes and mortgages have fixed interest rates and interest expense will decrease with principal repayment of the loans.

STS'AILES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014

NOTE A2. FINANCIAL INSTRUMENTS (continued):

Credit Risk:

Sts'ailes is exposed to a credit risk by its customers. However, because the majority of revenues is from government agencies, credit risk concentration is reduced to the minimum.

NOTE A3. RESTRICTED CASH:

	2014	2013
Replacement reserve	\$ 19,578	\$ 138
Term deposit - Bank of Montreal	25,394	25,394
Ottawa Trust Funds	31,957	28,580
Secured revenues trust account	90,460	-
	<u>\$ 167,389</u>	<u>\$ 54,112</u>

a) Replacement Reserve Fund:

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Replacement Reserve account is to be credited in the amount of \$4,444 annually plus interest. These funds, along with accumulated interest, must be held in a separate bank account and / or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by Canada Mortgage and Housing Corporation from time to time. Withdrawals are credited to interest first and then principal. In 2009, Sts'ailes transferred \$68,000 from the replacement reserve account to the Sts'ailes operating account.

	2014	2013
Balance, beginning of year	\$ 17,570	\$ 43,559
CMHC adjustment	1,988	-
Allocation for the year	4,444	6,680
Approved expenditures	(6,955)	-
Adjustment due to matured units	(6,881)	(32,669)
	<u>\$ 10,166</u>	<u>\$ 17,570</u>
Balance, end of year	<u>\$ 10,166</u>	<u>\$ 17,570</u>
The Replacement Reserve is represented by:		
Cash	<u>\$ 19,578</u>	<u>\$ 138</u>

b) Term deposit - Bank of Montreal:

Pledged as security in favour of the BC Assets and Land Commission.

c) 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 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.

d) The secured revenues trust account arises from a financing agreement with the First Nations Finance Authority (FNFA). Other revenues of Sts'ailes are deposited into this account to secure funds FNFA has lent to the Sts'ailes. The account is managed by a third party which is required to pay amounts to FNFA under the terms of the borrowing agreement before paying any remaining amount from the account to Sts'ailes.

STS'AILES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE A4. GRANTS AND ACCOUNTS RECEIVABLE:	2014	2013
Grants and accounts receivable:		
Sts'ailes operations:		
Aboriginal Affairs and Northern Development Canada:		
2012/2013 receivable	\$ 256,300	
2011/2012 recovery	(25,392)	
2012/2013 recovery	(81,711)	
2013/2014 deposited in April 2014	<u>146,844</u>	
	\$ 296,041	\$ 815,347
Other amounts under \$50,000	224,120	337,348
The Teal-Jones Group	170,236	-
Department of Fisheries and Oceans	111,526	109,268
Health Canada	106,829	106,829
Sto:Lo Nation	82,421	125,551
First Nations Health Authority	73,000	-
Economic Development Revenues	61,038	68,042
Ministry of Aboriginal Relations and Reconciliation	<u>50,000</u>	-
	<u>1,175,211</u>	<u>1,562,385</u>
Sts'ailes controlled entities:		
Interior Lower Mainland (ILM) Project	176,942	1,112,390
Other amounts under \$50,000	88,467	117,378
Tamihi Logging Co. Ltd.	<u>71,283</u>	<u>10,954</u>
	<u>336,692</u>	<u>1,240,722</u>
	1,511,903	2,803,107
Less allowance for doubtful accounts	<u>(255,077)</u>	<u>(256,590)</u>
	<u>1,256,826</u>	<u>2,546,517</u>
Due from Sts'ailes members:		
Social housing rent receivable (net of allowances)	3,154	52,970
Sts'ailes housing rent receivable (net of allowances)	155,792	150,296
Advances and daycare (net of allowances)	<u>12,504</u>	<u>7,498</u>
	<u>171,450</u>	<u>210,764</u>
	<u>\$ 1,428,276</u>	<u>\$ 2,757,281</u>

STS'AILES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014

NOTE A5. INVESTMENT IN JOINTLY CONTROLLED ENTITIES:	2014	2013
Harrison Salmon Producers Limited Partnership, 50% interest, unsecured, noninterest bearing, no stated terms of repayment. No amounts are due within the year.		
Partnership interest:		
Balance, beginning of year	\$ 89,933	\$ -
Net income allocation	139,019	7,433
Contributions	-	82,500
Balance, end of year	<u>228,952</u>	<u>89,933</u>
Due from Harrison Salmon Producers Limited Partnership - Sts'ailes operations	8,077	2,755
Due to Harrison Salmon Producers Limited Partnership - Sts'ailes Development Limited Partnership	<u>(50,637)</u>	<u>(28,818)</u>
	<u>186,392</u>	<u>63,870</u>
Seabird-Sts'ailes-Cheam ILM Joint Venture, 33% interest, unsecured, noninterest bearing, no stated terms of repayment. No amounts are due within the year. Balances represents 33% proportion of net assets in the joint venture.		
	<u>389,319</u>	<u>92,086</u>
	<u>\$ 575,711</u>	<u>\$ 155,956</u>
Financial information of Harrison Salmon Producers Limited Partnership is as follows:		
Assets	\$ 707,569	\$ 221,863
Liabilities	<u>(250,896)</u>	<u>(42,204)</u>
Equity	<u>\$ 456,673</u>	<u>\$ 179,659</u>
Revenue	\$ 591,137	\$ 465,200
Expenses	<u>(313,098)</u>	<u>(450,542)</u>
Net income	<u>\$ 278,039</u>	<u>\$ 14,658</u>
NOTE A6. LONG-TERM INVESTMENTS:	2014	2013
a) <u>Upland Resources Inc.:</u>		
285,714 Common shares, approximately 1.69% ownership Allowance for impairment	\$ 100,000 <u>(99,000)</u>	\$ 100,000 -
	<u>\$ 1,000</u>	<u>\$ 100,000</u>

STS'AILES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014

NOTE A7. BANK INDEBTEDNESS:

Under a line of credit arrangement with the Bank of Montreal, the Sts'ailes may borrow up to \$1,600,000 and bears interest at the bank's prime rate plus 1.5%. This arrangement does not have a termination date and can be withdrawn at the bank's option.

NOTE A8. ACCOUNTS PAYABLE AND ACCRUALS:

	2014	2013
Sts'ailes operations:		
Other amounts under \$100,000	\$ 408,965	\$ 405,275
Sts'ailes member student loans	163,373	158,692
Wages payable	123,474	123,378
School District #78	-	803,064
	<u>695,812</u>	<u>1,490,409</u>
Sts'ailes controlled entities:		
Accrual for gas station repairs	250,000	250,000
Other amounts under \$100,000	209,630	256,430
Maharg Contracting Ltd.	159,077	343,738
Columbia Fuels	157,075	34,704
Pashco Blasting Ltd.	11,497	114,310
Island Fibre Ltd.	11,277	235,322
	<u>798,556</u>	<u>1,234,504</u>
	<u>\$ 1,494,368</u>	<u>\$ 2,724,913</u>

NOTE A9. DEMAND LOANS:

Sts'ailes Operations:

	2014	2013
Bank of Montreal, admin building loan, repayable in monthly installments of \$2,511 plus interest at the bank's prime rate plus 1%, secured by a general security agreement covering all property of Sts'ailes	\$ 105,429	\$ 138,065
Bank of Montreal, trailer loan, repayable in monthly installments of \$1,399 plus interest at the bank's prime rate plus 1%, secured by a general security agreement covering all property of Sts'ailes	180,275	189,647
Bank of Montreal, elder's centre loan, repayable in monthly installments of \$208 plus interest at the bank's prime rate plus 1%, secured by a general security agreement covering all property of Sts'ailes	10,625	13,125
Bank of Montreal, apartment complex loan, repayable in monthly installments of \$481 plus interest at the bank's prime rate plus 1%, secured by a general security agreement covering all property of Sts'ailes	5,766	11,533
Bank of Montreal, equipment loan, repayable in monthly installments of \$437 including interest at the bank's prime rate plus 1.5%, secured by a general security agreement covering all property of Sts'ailes	1,185	6,250
Bank of Montreal, store loan, repayable in monthly installments of \$4,993 plus interest at the bank's prime rate plus 1%, secured by a general security agreement covering all property of Sts'ailes	120,455	180,367

STS'AILES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014

NOTE A9. DEMAND LOANS (continued):	2014	2013
Bank of Montreal, Telmexw Awtexw loan, advances (to a maximum of \$512,000) interest only payments at the bank's prime rate plus 1.5%, secured by a general security agreement covering all property of Sts'ailes	427,921	427,921
Bank of Montreal, Stonewater loan, repayable in monthly installments of \$12,814 including interest at the bank's prime rate plus 1.5%, secured by a general security agreement covering all property of Sts'ailes	1,208,070	1,305,106
Bank of Montreal, Snowoyelh loan, repayable in monthly installments of \$1,681 including interest at the bank's prime rate plus 1.5%, secured by a general security agreement covering all property of Sts'ailes	176,869	188,796
Bank of Montreal, Lhawathet Lalem mortgage, repayable in monthly installments of \$14,535 including interest at the bank's prime rate plus 1.5%, secured by a general security agreement covering all property of Sts'ailes	1,688,353	1,784,456
Bank of Montreal, school truck loan, repaid during the year	-	5,003
	<u><u>\$ 3,924,948</u></u>	<u><u>\$ 4,250,269</u></u>

Principal repayments due in the ensuing 5 years are approximately as follows:

2015	\$ 330,738
2016	336,627
2017	344,560
2018	279,699
2019	274,085
	<u><u>\$ 1,565,709</u></u>

NOTE A10. PROMISSORY NOTE PAYABLE:	2014	2013
<u>Sts'ailes Operations:</u>		
First Nations Finance Authority: Promissory note payable (interim loan), interest only payments at 2.60%, due the earlier of (a) five years from the first principal amount drawdown, (b) the date of completion of the purpose of the borrowing, and (c) the date upon which the Authority issues debt securities to replace the interim long-term financing provided.	\$ 3,600,000	\$ -
Interim Financing Debt Reserve Fund Investment, the Authority holds a deposit of 5% of the loans advanced in the Debt Reserve Fund. Interest is paid daily at 1.2%	(180,503)	-
	<u><u>\$ 3,419,497</u></u>	<u><u>-</u></u>

STS'AILES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014

NOTE A11. MORTGAGES PAYABLE:	2014	2013
<u>Sasquatch Crossing Eco Lodge Ltd.</u>		
Bank of Montreal, repaid during the year	<u>\$ -</u>	<u>\$ 1,169,000</u>
<u>Social Housing Operations:</u>		
Non-Profit Housing VII - Bank of Montreal mortgage bearing interest at 5.44%, repayable in monthly payments of \$969, due May 2017	34,289	43,963
Non-Profit Housing VIII - Bank of Montreal mortgage bearing interest at 4.94%, repayable in monthly payments of \$1,690, due July 2013	-	11,765
	<u>34,289</u>	<u>55,728</u>
	<u>\$ 34,289</u>	<u>\$ 1,224,728</u>

The Social Housing mortgages are guaranteed by Aboriginal Affairs and Northern Development Canada.

Principal repayments due in the ensuing 4 years are approximately as follows:

2014	\$ 10,131
2015	10,696
2016	11,293
2017	<u>2,169</u>
	<u>\$ 34,289</u>

NOTE A12. TANGIBLE CAPITAL ASSETS:	2014	2013
Tangible capital assets consist of the following:		
Land	\$ 2,332,343	\$ 2,332,343
Buildings	4,779,843	5,146,105
Housing units	730,973	812,192
Land improvements	4,296,240	4,773,600
Automotive equipment	174,770	249,989
Equipment	<u>117,426</u>	<u>147,343</u>
	<u>\$ 12,431,595</u>	<u>\$ 13,461,572</u>

For additional information, see the Consolidated Schedule of Tangible Capital assets (Appendix 1).

STS'AILES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014

NOTE A13. ACCUMULATED SURPLUS:	2014	2013
Accumulated surplus consists of individual fund surpluses and reserves as follows:		
Deficit from operations	<u>\$ (3,174,909)</u>	<u>\$ (5,471,185)</u>
Invested in tangible capital assets	<u>8,472,358</u>	<u>11,076,137</u>
Funded Reserves:		
Replacement Reserve Fund (CMHC) (Note A3)	10,166	17,570
Subsidy Surplus Reserve Fund (CMHC)	1,471	-
Ottawa Trust Funds	<u>31,957</u>	<u>28,580</u>
	<u>43,594</u>	<u>46,150</u>
Internally restricted equity (Note A14)	<u>274,620</u>	<u>274,620</u>
	<u><u>\$ 5,615,663</u></u>	<u><u>\$ 5,925,722</u></u>
NOTE A14. INTERNALLY RESTRICTED EQUITY:	2014	2013
Sts'ailes housing	\$ 81,804	\$ 81,804
Church	171	171
Roads	1,916	1,916
Memorial bench	1,783	1,783
Daycare building	56,000	56,000
Fit up facilities	10,459	10,459
Health program	24,405	24,405
Legacy fund	<u>98,082</u>	<u>98,082</u>
	<u><u>\$ 274,620</u></u>	<u><u>\$ 274,620</u></u>
NOTE A15. CAPITAL FUND:	2014	2013
Tangible capital assets	\$ 12,431,595	\$ 13,461,572
Demand loans and long-term debt included in the Capital fund	<u>(3,959,237)</u>	<u>(2,385,435)</u>
	<u><u>\$ 8,472,358</u></u>	<u><u>\$ 11,076,137</u></u>

STS'AILES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014

NOTE A16. COMMITMENTS AND CONTINGENCIES:

Contingencies:

- a) Sts'ailes receives a portion of its funding under a contribution authority with Aboriginal Affairs and Northern Development Canada which, if unexpended, may be refundable to Aboriginal Affairs and Northern Development Canada. Further, amounts which are overexpended may be reimbursed by Aboriginal Affairs and Northern Development Canada to the Sts'ailes. No amounts have been recorded in the financial statements as refundable or reimbursable for 2014 program results.
- b) A \$3,000,000 guarantee for residential loans granted to Sts'ailes members under the Housing and Loan Program by the Bank of Montreal.
- c) Social Housing Mortgages:
Sts'ailes is guarantor of various Social Housing mortgages, secured by Ministerial guarantees, totaling \$283,552.
- d) Pension Plan:
Sts'ailes and its employees contribute to a defined contribution pension plan. There is no obligation for past service or periods in which an employee was not employed. Total contributions to the plan during the year were \$258,865 (2013 \$258,796).
- e) Sts'ailes has an outstanding balance with the Ministry of Forests on stumpage fees that are to be paid by a number of other companies that have timber cutting agreements with Sts'ailes Development Limited Partnership. However, if these fees are not paid, Sts'ailes will be liable and as a result may have to pay the stumpage fees.
- f) A site inspection was performed at the Chehalis Store & Gas Station as a result of a petroleum odour detected in the water from well #2. Significant equipment deficiencies were found during the inspection and as a result estimated repairs of \$250,000 were accrued during the prior year which remains as at March 31, 2014. It is probable that petroleum contaminated soils will be encountered when excavating for replacement of the underground piping and sumps occurs. This could necessitate costly soil removal work and a prolonged shut down of the gas bar. As no repair work or environmental assessment has been performed to confirm the soil contamination as at the financial statement report date no amounts have been recorded for clean up or other costs as the amounts cannot be reasonably estimated

STS'AILES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014

NOTE A17. SEGMENTED INFORMATION:

The Sts'ailes is a government institution that provides a range of programs and services to its members, including Sts'ailes revenue, administration, social development, education, community development, capital works and natural resources. For management reporting purposes Sts'ailes' operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Sts'ailes services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Sts'ailes Revenue:

The Sts'ailes Revenue department is responsible for administering projects the Sts'ailes is involved in annually and on an on-going basis relating to the overall objectives of Sts'ailes.

Sts'ailes Administration:

Administration supports the development of stable, legitimate and accountable community governments. It also provides overall support of Sts'ailes including advisory services relating to financial management, band government, economic development, community services and technical services.

Employment & Social Development:

Employment & Social Development services provides assistance to community members unable to provide for themselves and their dependents. The services provided by this department include, but are not limited to, income assistance, child and family services, assisted living and early childhood development. Job search and vocational training services are also provided.

Community Development:

Community development supports the construction, operation and basic maintenance of community facilities and services such as water and sewage, roads, electrification, schools and fire protection. It is also responsible for ensuring that the facilities and community services meet recognized standards and are comparable to the services provided to nearby communities by provincial and municipal governments.

Housing:

Housing is responsible for the administration and management of Social Housing units, Sts'ailes-owned housing units and renovation projects for private homeowners.

Health:

Health supports the concept of promoting holistic health, and the Community Health Plan, which is based on health needs identified by a community needs assessment. It provides services to the community with programs such as home and community care, addictions counselling and public health services, as well as children, adult and elder wellness prevention and education programs.

Snowoyelh:

Snowoyelh Resources has three main programs: It supports family healing and growth, ensures the safety and well being of children and provides a treatment centre for healing from addictions.

Education:

Education supports the members in expressing, preserving, developing and promoting its cultural heritage through the establishment and operation of Sts'ailes education centres and programs. It also provides services for students at the elementary/secondary and post secondary level, including; instructional services both on and off reserve as well as support services such as transportation, accommodation, guidance and counselling.

STS'AILES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014

NOTE A17. SEGMENTED INFORMATION (continued):

Economic Development:

Economic Development serves the Sts'ailes people sovereign interests through the creation, ownership and operation of profitable businesses including socio-economic enterprises.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note A1. For additional information see the Statement of Financial Activities - Segmented (Appendix 2).

NOTE A18. ECONOMIC DEPENDENCE:

Sts'ailes receives a major portion of its revenues pursuant to a Funding Arrangement with Aboriginal Affairs and Northern Development Canada.

NOTE A19. COMPARATIVE FIGURES:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

STS'AILES
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
Year ended March 31, 2014

	Land	Buildings	Housing Units	Land Improvements	Automotive Equipment	Equipment	Totals	
							2014	2013
Cost								
Balance, beginning of year	\$ 2,332,343	\$ 11,588,461	\$ 2,118,388	\$ 7,285,898	\$ 1,554,615	\$ 472,436	\$ 25,352,141	\$ 25,227,652
Add: Additions during the year	-	130,183	-	-	-	-	130,183	195,249
Less: Disposals during the year	-	-	-	-	-	-	-	(70,760)
Balance, end of year	2,332,343	11,718,644	2,118,388	7,285,898	1,554,615	472,436	25,482,324	25,352,141
Accumulated amortization								
Balance, beginning of year	-	6,442,356	1,306,196	2,512,298	1,304,626	325,093	11,890,569	10,630,749
Add: Amortization	-	496,445	81,219	477,360	75,219	29,917	1,160,160	1,298,551
Less: Disposals during the year	-	-	-	-	-	-	-	(38,232)
Adjustments	-	-	-	-	-	-	-	(499)
Balance, end of year	-	6,938,801	1,387,415	2,989,658	1,379,845	355,010	13,050,729	11,890,569
Net Book Value of Tangible Capital Assets	\$ 2,332,343	\$ 4,779,843	\$ 730,973	\$ 4,296,240	\$ 174,770	\$ 117,426	\$ 12,431,595	\$ 13,461,572

See accompanying notes to financial statements.

ST/SALES
STATEMENT OF FINANCIAL ACTIVITIES - SEGMENTED
Year ended March 31, 2014

	Governance	St/Alles Administration	Employment & Social Development	Community Development	Housing	Health	Snowyohk	Education	Economic Development		Total 2014	Total 2013
									St/Alles Operations	Controlled Entities		
REVENUE:												
Aboriginal Affairs and Northern Development Canada	\$ 7,814	\$ 528,886	\$ 826,509	\$ 367,102	\$ -	\$ 11,100	\$ -	\$ 2,944,520	\$ 121,315	\$ -	\$ 4,807,246	\$ 4,860,363
Leases and rentals	-	-	-	-	213,553	-	-	-	-	-	213,553	311,956
CMHC	-	-	-	-	9,143	-	-	-	-	-	9,143	166,548
Province of BC	280,734	-	-	-	-	-	878,788	1,374,533	50,000	-	2,584,055	2,425,883
Consulting and contract	840,782	36,265	400,899	116,252	11,054	74,664	15,210	256,076	-	-	1,751,202	1,005,283
Interest	503	-	-	-	-	-	-	-	-	-	503	-
Health Canada	-	-	-	-	-	627,971	242,500	49,501	-	-	919,972	1,642,884
First Nations Health Authority	-	-	-	-	-	627,602	507,500	49,500	-	-	1,184,602	-
Economic Activities	-	-	-	-	-	-	-	-	638,209	6,080,398	6,718,607	6,752,168
Miscellaneous	3,614	27,038	-	-	-	20,158	-	220,230	-	-	271,040	301,313
	<u>1,133,447</u>	<u>592,189</u>	<u>1,227,408</u>	<u>483,354</u>	<u>233,750</u>	<u>1,361,495</u>	<u>1,643,998</u>	<u>4,894,360</u>	<u>809,524</u>	<u>6,080,398</u>	<u>18,459,923</u>	<u>17,466,398</u>
EXPENSES:												
Administration fees (recoveries)	-	(294,793)	37,596	(273,815)	6,392	68,151	78,655	80,226	38,188	-	(259,400)	(284,660)
Amortization	-	1,121,272	-	-	-	-	-	-	-	38,888	1,160,160	1,298,551
Assistance	-	-	677,151	-	-	-	-	-	-	-	677,151	702,854
Automotive	4,198	1,899	1,918	5,843	-	6,343	24,765	82,006	43,963	2,511	173,446	159,386
Bad debts and writedowns	99,000	-	-	-	104,575	-	-	-	-	-	203,575	237,197
Contract services	(30,673)	7,541	31,430	375,370	37,912	79,368	45,756	7,380	153,636	20,036	727,756	887,248
Direct costs	-	-	-	-	-	-	-	-	-	5,044,208	5,044,208	4,827,393
Fees and tuition	-	-	-	-	-	-	-	666,936	-	-	666,936	643,707
Honorarium	111,497	-	1,950	755	-	-	-	-	3,200	-	117,402	151,672
Insurance	1,971	-	-	17,787	26,211	16,950	-	16,409	324	29,814	109,466	92,536
Interest and bank charges	219,958	171	-	20,599	2,635	30	19,515	252	167	86,075	349,402	410,211
Materials and supplies	28,146	82,052	91,554	9,985	14,017	142,040	198,812	636,258	50,469	43,781	1,297,114	1,273,812
Office and other	1,316	26,827	1,592	132	145	2,529	3,525	1,946	4,158	79,357	121,527	38,438
Professional fees	-	66,449	-	-	-	-	-	-	1,412	83,528	151,389	149,687
Repairs and maintenance	50	(2,066)	6,120	91,835	58,579	1,692	17,505	37,128	-	304,142	304,142	1,105,453
Training	18,289	54,269	39,964	14,251	-	24,139	25,093	37,087	225	-	213,317	293,635
Travel	9,534	7,146	11,854	3,836	3,053	55,574	15,941	17,521	8,510	15,492	148,461	147,190
Travel	3,151	9,276	4,984	67,091	4,618	10,051	40,083	106,023	3,241	73,354	321,872	264,529
Utilities	59,255	547,181	423,659	179,757	57,469	659,674	1,141,877	2,891,194	425,238	856,754	7,242,058	7,745,171
Wages and benefits	525,692	1,627,224	1,329,772	513,426	315,606	1,066,541	1,611,527	4,580,366	732,731	6,467,097	18,769,982	20,144,010
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES												
	607,755	(1,035,035)	(102,364)	(30,072)	(81,856)	294,954	32,471	313,994	76,793	(386,699)	(310,059)	(2,677,612)
INTERFUND TRANSFERS												
	(24,004)	163,679	-	33,150	(6,007)	(16,062)	(14,048)	(286,287)	154,023	-	4,444	-
ANNUAL SURPLUS (DEFICIT)	\$ 583,751	\$ (871,356)	\$ (102,364)	\$ 3,078	\$ (87,863)	\$ 278,892	\$ 18,423	\$ 27,707	\$ 230,816	\$ (386,699)	\$ (305,615)	\$ (2,677,612)

See accompanying notes to financial statements.

STS/AILES
STATEMENT OF FINANCIAL ACTIVITIES - SEGMENTED
Year ended March 31, 2013

	Governance	Sts/Ailes Administration	Employment & Social Development	Community Development	Housing	Health	Snowyvalh	Education	Economic Development		Total 2013
									Sts/Ailes Operations	Controlled Entities	
REVENUE:											
Aboriginal Affairs and Northern Development Canada	\$ 7,691	\$ 588,503	\$ 1,005,366	\$ 322,215	\$ -	\$ 15,847	\$ -	\$ 2,833,224	\$ 87,517	\$ -	\$ 4,860,363
Leases and rentals	-	-	-	-	311,206	-	750	-	-	-	311,956
CMHC	-	-	-	-	166,548	-	-	-	-	-	166,548
Province of BC	284,881	-	-	-	-	-	912,263	1,228,739	-	-	2,425,883
Consulting and contract	160,669	22,238	367,475	98,964	1	35,961	26,388	293,587	-	-	1,005,283
Interest	-	-	-	-	-	-	-	-	-	-	-
Health Canada	-	-	-	-	-	966,690	577,194	99,000	-	-	1,642,884
Economic Activities	-	-	-	-	-	-	-	-	660,988	6,091,180	6,752,168
Miscellaneous	7,917	19,080	15,218	-	-	32,105	6,750	220,243	-	-	301,313
	<u>461,158</u>	<u>629,821</u>	<u>1,388,059</u>	<u>421,179</u>	<u>477,755</u>	<u>1,050,603</u>	<u>1,523,345</u>	<u>4,674,793</u>	<u>748,505</u>	<u>6,091,180</u>	<u>17,466,398</u>
EXPENSES:											
Administration fees (recoveries)	-	(287,010)	36,643	(264,811)	5,900	62,909	56,771	91,969	12,969	-	(284,660)
Amortization	-	1,243,316	-	-	-	-	-	-	-	55,235	1,298,551
Assistance	-	-	702,854	-	-	-	-	-	-	-	702,854
Automotive	2,353	152	2,268	16,856	-	(617)	27,750	78,402	32,222	-	159,386
Bad debts and writedowns	183,585	-	-	-	53,612	-	-	-	-	-	237,197
Contract services	19,339	24,125	42,280	227,038	116,848	50,761	84,166	9,338	242,528	70,825	887,248
Direct costs	-	-	-	-	-	-	-	-	-	4,827,393	4,827,393
Fees and tuition	-	-	-	-	-	-	-	643,707	-	-	643,707
Honorarium	143,227	-	4,450	800	-	1,075	499	1,421	200	-	151,672
Insurance	3,096	-	-	25,206	39,227	1,200	-	23,807	-	-	92,536
Interest and bank charges	251,958	2,041	-	27,794	7,202	-	19,129	431	-	101,656	410,211
Materials and supplies	26,116	106,709	101,938	19,792	18,909	159,859	160,282	630,763	49,444	-	1,273,812
Office and other	-	29,064	2,822	475	475	2,614	1,084	1,396	518	-	38,438
Professional fees	-	48,133	-	-	2,000	-	1,332	-	20,279	77,943	149,687
Repairs and maintenance	50	1,832	5,738	108,407	56,124	27,927	11,235	59,625	3,000	831,515	1,105,453
Training	8,035	56,691	33,682	14,300	-	20,107	28,263	131,157	1,400	-	293,635
Travel	23,013	14,087	10,269	(8,407)	3,500	45,041	16,409	24,934	18,344	-	147,190
Utilities	4,519	15,603	5,075	69,836	5,366	11,844	53,889	93,726	4,671	-	264,529
Wages and benefits	99,003	652,972	406,718	195,627	61,353	683,805	1,150,770	2,798,203	557,615	1,139,105	7,745,171
	<u>764,294</u>	<u>1,907,705</u>	<u>1,354,737</u>	<u>432,913</u>	<u>370,516</u>	<u>1,066,525</u>	<u>1,611,579</u>	<u>4,588,879</u>	<u>943,190</u>	<u>7,103,672</u>	<u>20,144,010</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>\$ (303,136)</u>	<u>\$ (1,277,884)</u>	<u>\$ 33,322</u>	<u>\$ (11,734)</u>	<u>\$ 107,239</u>	<u>\$ (15,922)</u>	<u>\$ (88,234)</u>	<u>\$ 85,914</u>	<u>\$ (194,685)</u>	<u>\$ (1,012,492)</u>	<u>\$ (2,677,612)</u>

See accompanying notes to financial statements.