

Skwah First Nation
Financial Statements
March 31, 2015

Skwah First Nation

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For the year ended March 31, 2015

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Management's Responsibility

To the Members of Skwah First Nation

The accompanying financial statements of Skwah First Nation are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Skwah First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP is appointed by the Members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

July 28, 2015

<u>(Originally signed by Denise Klassen)</u>	Administrator	<u>(Originally signed by Robert Combes)</u>	Chief
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Independent Auditors' Report

To the Members of Skwah First Nation:

We have audited the accompanying financial statements of Skwah First Nation, which comprise the statement of financial position as at March 31, 2015, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Skwah First Nation as at March 31, 2015 and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chilliwack, British Columbia

July 28, 2015

MNP LLP

Chartered Professional Accountants

Skwah First Nation
Statement of Financial Position
As at March 31, 2015

	2015	2014
Financial assets		
Cash	300,765	200,996
Accounts receivable	72,864	32,029
Investments <i>(Note 5)</i>	1,609,194	1,390,353
Investments in First Nation entities <i>(Note 6)</i>	280,815	249,577
Funds held in trust <i>(Note 8)</i>	867,927	846,271
Rent to own housing loans <i>(Note 3)</i>	52,558	54,812
Member loans <i>(Note 4)</i>	28,723	47,302
Investment in joint venture <i>(Note 7)</i>	88,913	-
	3,301,759	2,821,340
Liabilities		
Accounts payable and accruals	109,827	52,289
Payroll liabilities	16,702	18,465
Long-term debt <i>(Note 9)</i>	20,410	31,378
	146,939	102,132
Net financial assets	3,154,820	2,719,208
Non-financial assets		
Tangible capital assets <i>(Schedule 1)</i>	1,535,418	1,475,401
Prepaid expenses <i>(Note 10)</i>	63,041	71,076
Total non-financial assets	1,598,459	1,546,477
Accumulated surplus <i>(Note 11)</i>	4,753,279	4,265,685
Approved on behalf of the Board		
<u>(Originally signed by Robert Combes)</u>	Chief	<u>(Originally signed by Lara Mussell)</u>
		Councillor

Skwah First Nation

Statement of Operations and Accumulated Surplus

For the year ended March 31, 2015

	<i>2015 Budget</i>	<i>2015</i>	<i>2014</i>
Revenue			
Aboriginal Affairs and Northern Development Canada	1,771,626	1,728,526	1,474,273
A.A.N.D.C. - prior year reimbursements	-	41,100	19,548
A.A.N.D.C. - prior year recovery	-	(17,652)	-
First Nations Tax Commission	-	10,000	-
Health Canada	-	-	155,954
First Nations Health Authority	329,223	329,223	155,964
Earnings from joint venture	200,000	188,913	-
Province of B.C. - FCRSA	134,476	134,476	145,529
Province of B.C.	164,529	130,010	63,574
Lease revenue	86,000	86,375	85,950
Rental income	56,083	55,928	32,515
First Nations Education Steering Committee	49,728	48,471	43,738
Interest income	41,100	40,825	42,813
School District #33	-	24,395	21,000
Other revenue	21,144	20,032	23,575
National Association of Cultural Education Centres	17,137	19,361	17,137
First Nation trust funds	-	15,144	-
Cigarette sales	13,000	13,025	13,613
Pre-school fees	5,000	4,444	6,677
Sto:lo Nation	4,417	4,417	4,790
B.C. Association of Aboriginal Friendship Centres	668	1,388	5,938
Ch-ihl-kway-uhk Forestry Limited Partnership income (loss)	-	24,398	(21,346)
Ch-ihl-kway-uhk Forestry Ltd. income (loss)	-	316	(243)
Ch-ihl-kway-uhk Tribe Society income	-	5,739	5,473
Centre Creek Limited Partnership income (loss)	-	785	(1,539)
	2,894,131	2,909,639	2,294,933
Expenses			
Administration	401,290	408,436	378,445
Education	836,130	949,075	954,178
Health	350,802	332,390	292,538
Housing	55,083	52,344	31,601
Social Development	396,748	462,531	418,967
Maintenance	326,948	211,135	164,801
Employment	17,770	17,770	22,697
Capital Fund	101,289	111,902	96,126
	2,486,060	2,545,583	2,359,353
Surplus (deficit) before other items	408,071	364,056	(64,420)

Continued on next page

Skwah First Nation

Statement of Operations and Accumulated Surplus

For the year ended March 31, 2015

	2015	2015	2014
Surplus (deficit) before other items <i>(Continued from previous page)</i>	408,071	364,056	(64,420)
Other income (expense)			
Loss on writedown of tangible capital assets	-	(19,163)	-
Insurance proceeds	-	142,700	-
	-	123,537	-
Surplus (deficit)	408,071	487,594	(64,420)
Accumulated surplus, beginning of year	4,265,685	4,265,685	4,330,105
Accumulated surplus, end of year	4,673,756	4,753,279	4,265,685

Skwah First Nation
Statement of Change in Net Financial Assets
For the year ended March 31, 2015

	<i>2015 Budget</i>	<i>2015</i>	<i>2014</i>
Annual surplus (deficit)	306,782	487,594	(64,420)
Amortization of tangible capital assets	101,289	101,289	96,126
Purchase of tangible capital assets	-	(180,470)	(26,150)
Loss on writedown of tangible capital assets	-	19,163	-
	101,289	(60,018)	69,976
Acquisition of prepaid expenses	-	(76,855)	(71,077)
Use of prepaid expenses	-	84,891	61,704
	-	8,036	(9,373)
Increase (decrease) in net financial assets	408,071	435,612	(3,817)
Net financial assets, beginning of year	2,719,208	2,719,208	2,723,025
Net financial assets, end of year	3,127,279	3,154,820	2,719,208

Skwah First Nation
Statement of Cash Flows
For the year ended March 31, 2015

	2015	2014
Cash provided by (used for) the following activities		
Operating activities		
Surplus (deficit)	487,594	(64,420)
Non-cash items		
Amortization	101,289	96,126
Equity income (loss) from investments	(31,238)	17,655
Ottawa Trust income	(21,656)	(24,657)
Loss on writedown of tangible capital assets	19,163	-
Earnings from joint venture	(88,913)	-
	466,239	24,704
Changes in working capital accounts		
Accounts receivable	(40,835)	71,629
Prepaid expenses	8,036	(9,373)
Accounts payable and accruals	57,538	2,047
Payroll liabilities	(1,763)	2,473
	489,215	91,480
Financing activities		
Repayment of long-term debt	(10,968)	(10,102)
Investing activities		
Investment in tangible capital assets	(180,470)	(26,150)
Member loans	18,579	(5,550)
Rent to own housing loans	2,254	13,998
Investment in term deposits	(318,841)	(6,768)
Withdrawal of term deposit	100,000	-
	(378,478)	(24,470)
Increase in cash resources	99,769	56,908
Cash resources, beginning of year	200,996	144,088
Cash resources, end of year	300,765	200,996
Supplementary cash flow information		
Interest paid	2,181	3,047

1. Operations

The Skwah First Nation (the "First Nation") is located in the province of British Columbia, and provides various services to its members. Skwah First Nation includes the Nation's government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

2. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

Basis of presentation

Sources of financing and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Net financial assets

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

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 normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

Investments and Joint Ventures

Skwah First Nation uses the modified equity method to account for its investments in various business partnerships, joint ventures, and corporations whereby the acquisition cost is increased by the First Nation's proportionate share of earnings.

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of Skwah First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Revenue recognition

Government Transfers

Skwah First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Funds held in Ottawa Trust Fund

Due to measurement uncertainty, revenue related to the receipt of funds held in the Ottawa Trust Fund is recognized when it is received.

Joint venture revenue

Joint venture revenue is recognized as revenue when received or receivable as based on the First Nation's allocation of the joint venture's annual performance as agreed to in the joint venture agreement.

Partnership revenue

Partnership revenue is recognized as revenue when received or receivable as based on the First Nation's proportion of the partnership's equity.

Other revenue

Other revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records for all tangible capital assets.

Amortization

Amortization for tangible capital assets is provided using the following straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives:

	Rate
Buildings	40 years
Housing	40 years
Machinery and equipment	10 years
Roads	20 years
Water systems	50 years
Utility systems	50 years
Bridges	40 years
Computers and copiers	4 years
Office furniture	10 years
Vehicles	5 years
Land improvements	30 years

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 revenue and expenses during the reporting period.

Accounts receivable, loans receivable and amounts due from related First Nation entities and departments, are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the First Nation is responsible for.

Long-lived assets and discontinued operations

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

When Skwah First Nation determines that a long-lived asset no longer has any long-term service potential to the First Nation, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write downs are not reversed.

Segments

Skwah First Nation conducts its business through nine reportable segments as described in Note 15. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements.

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2015.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

3. Rent to own housing loans

Skwah First Nation has agreements with various Band members whereby title to the houses in which they reside may be transferred to those individuals upon full payment of the outstanding balance. There were a total of 7 housing loans receivable at March 31, 2015 (2014 - 7 housing loans).

Skwah First Nation
Notes to the Financial Statements
For the year ended March 31, 2015

4. Member loans

Skwah First Nation has member loans receivable for members' excess housing costs, insurance and renovations paid by the Skwah First Nation. There were a total of 16 loans receivable at March 31, 2015 (2014 - 16 loans receivable).

5. Investments

	2015	2014
Certificates of deposit with interest rates ranging from 0.7% to 2.2%, maturing between April 3, 2015 and March 21, 2019.	1,609,194	1,390,353

6. Investments in First Nation entities

The First Nation has investments in the following entities:

	<i>Investment beginning of year</i>	<i>Undistributed earnings</i>	2015 <i>Investment end of year</i>
Ch-ihl-kway-uhk Forestry Limited Partnership (11% share)	18,398	24,398	42,796
Ch-ihl-kway-uhk Forestry Ltd. - share capital	10	-	10
Ch-ihl-kway-uhk Forestry Ltd. (12.5% ownership)	5,749	316	6,065
Ch-ihl-kway-uhk Tribe Society (11% share)	45,768	5,739	51,507
Centre Creek Limited Partnership (11% share)	179,642	785	180,427
Centre Creek Management Limited - share capital	10	-	10
	249,577	31,238	280,815

	<i>Investment beginning of year</i>	<i>Undistributed earnings (loss)</i>	2014 <i>Investment end of year</i>
Ch-ihl-kway-uhk Forestry Limited Partnership (11% share)	39,744	(21,346)	18,398
Ch-ihl-kway-uhk Forest Ltd. - share capital	10	-	10
Ch-ihl-kway-uhk Forestry Ltd. (12.5% ownership)	5,992	(243)	5,749
Ch-ihl-kway-uhk Tribe Society (11% share)	40,295	5,473	45,768
Centre Creek Limited Partnership (11% share)	181,181	(1,539)	179,642
Centre Creek Management Limited - share capital	10	-	10
	267,232	(17,655)	249,577

Skwah First Nation
Notes to the Financial Statements
For the year ended March 31, 2015

Consolidated financial information for Ch-ihl-kway-uhk Forestry Limited Partnership, Ch-ihl-kway-uhk Forest Ltd., and Ch-ihl-kway-uhk Tribe Society are as follows:

	2015	2014
Current assets	848,559	718,095
Property and equipment	239	320
Due from related party	128,897	128,897
	<u>977,695</u>	<u>847,312</u>
Current liabilities	123,920	242,590
Common shares	100	100
Equity, beginning of year	604,622	539,629
Net income	249,053	64,993
Equity, end of year	<u>853,675</u>	<u>604,622</u>
	<u>977,695</u>	<u>847,312</u>
	2015	2014
Revenue	776,423	313,039
Expenses	527,370	248,046
Net income	<u>249,053</u>	<u>64,993</u>

Skwah First Nation investment in Ch-ihl-kway-uhk Forestry Limited Partnership was established for the purpose of developing, operating and participating in various forestry operations and activities in and around Chilliwack, B.C.

Skwah First Nation investment in Ch-ihl-kway-uhk Forestry Ltd. was established as the general partner for Ch-ihl-kway-uhk Forestry Limited Partnership.

Skwah First Nation investment in Ch-ihl-kway-uhk Tribe Society was established for the purpose of property rentals.

Skwah First Nation
Notes to the Financial Statements
For the year ended March 31, 2015

Consolidated financial information for Centre Creek Limited Partnership and Centre Creek Management Limited is as follows:

	2015	2014
Current assets	40,274	27,985
Property and equipment	2,499,512	2,539,492
	<u>2,539,786</u>	<u>2,567,477</u>
Current liabilities	543,170	639,109
Long term debt	433,307	372,196
	<u>976,477</u>	<u>1,011,305</u>
Equity, beginning of year	1,556,172	1,570,162
Net income (loss)	7,137	(13,990)
	<u>1,563,309</u>	<u>1,556,172</u>
	<u>2,539,786</u>	<u>2,567,477</u>

	2015	2014
Revenue	128,900	95,700
Expenses	121,763	109,690
Net income (loss)	<u>7,137</u>	<u>(13,990)</u>

Skwah First Nation investment in Centre Creek Limited Partnership was established for the purpose of purchasing or otherwise acquiring real and personal property of all kinds located in the Chilliwack River Valley. The partnership is also responsible for managing the acquired properties.

Centre Creek Management Limited was established as the general partner of Centre Creek Limited Partnership.

Skwah First Nation
Notes to the Financial Statements
For the year ended March 31, 2015

7. Investment in joint venture

The Skwah Probyn Forestry Management Venture (A Joint Venture) was started to manage, harvest and market logs in the Jones Lake area. Skwah First Nation holds a 50% ownership in the Joint Venture.

A summary of the financial position of the joint venture is as follows:

	2015	2014
Current assets	276,376	140,653
Current liabilities	-	5,703
Reforestation obligation	133,600	-
	133,600	5,703
Venturer's capital, beginning of year	134,950	-
Venturer's contribution	-	140,653
Venturer's withdrawals	(370,000)	-
Net income (loss)	377,826	(5,703)
Venturer's capital, end of year	142,776	134,950
	276,376	140,653
Revenue	3,216,027	-
Expenses	2,838,201	5,703
Net income (loss)	377,826	(5,703)

8. Funds held in Ottawa Trust Fund

Capital and revenue trust moneys are transferred to the First Nation on the authorization of the Minister of Aboriginal Affairs and Northern Development Canada, with the consent of Skwah First Nation's Council.

	2015	2014
Capital Trust		
Balance	568,165	568,165
Revenue Trust		
Balance, beginning of year	278,106	253,449
Interest	20,450	23,463
B.C. Special	1,206	1,194
Balance, end of year	299,762	278,106
	867,927	846,271

Skwah First Nation
Notes to the Financial Statements
For the year ended March 31, 2015

9. Long-term debt

	2015	2014
Coast Capital: school bus loan - blended monthly payments of \$1,096 bearing interest at 8.25% per annum, due November 2016, secured by a specific asset with a net book value of \$16,646.	20,410	31,378

Interest on long-term debt in the current year amounted to \$2,181.

Repayments of long-term debt in each of the next two years are estimated as follows:

	Principal	Interest	Total
2016	11,909	1,240	13,149
2017	8,501	265	8,766
	20,410	1,505	21,915

10. Prepaid expenses

	2015	2014
City of Chilliwack - municipal services	17,129	16,198
Insurance	3,836	3,756
Social development	17,903	16,177
Student allowances and tuition	23,923	34,945
Other	250	-
	63,041	71,076

11. Accumulated surplus

Accumulated surplus consists of the following:

	2015	2014
Equity in Ottawa Trust	867,927	846,271
Equity in tangible capital assets	1,657,708	1,444,022
Unrestricted surplus	2,227,644	1,975,392
	4,753,279	4,265,685

12. Economic dependence

Skwah First Nation receives substantially all of its revenue from various federal and provincial government agencies and is therefore economically dependent on them.

13. Financial Instruments

Skwah First Nation as part of its operations carries a number of financial instruments. It is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the First Nation manages exposure through its normal operating and financing activities.

Skwah First Nation is exposed to interest rate price risk with respect to its term deposits with Royal Bank of Canada (RBC bank) and long-term debt with Coast Capital as they are at fixed interest rates. The First Nation carries ten term deposits with RBC bank and one loan with Coast Capital that are at fixed rates.

14. Segments

Skwah First Nation, receives revenues and incurs expenses from many different projects and sources. For management and reporting purposes, the revenues, expenses and surpluses or deficits are organized by segments. Schedules 3 - 11 disclose the First Nation's revenues and expenses in the following segments:

Administration

Includes general operations, support, and financial management of Skwah First Nation.

Education

Includes revenues and expenses related to primary, secondary and post secondary education of the members of Skwah First Nation.

Health

Includes activities related to the provision of health services within Skwah First Nation.

Housing

Includes rent collection and maintenance related to the homes owned by Skwah First Nation.

Social Development

Includes revenues and expenses relating to the social assistance of the members of Skwah First Nation.

Maintenance

Includes revenues and expenditures related to maintenance of community infrastructure.

Employment

Includes activities related to the growth and revenue producing projects with Skwah First Nation.

Ottawa Trust Fund

Includes funds held in trust by the Government of Canada on behalf of Skwah First Nation.

Capital Fund

Includes revenue and expenditures related to capital projects.