



Loreen J. Falys Inc.
Certified General Accountant

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July 25, 2014

Aboriginal Affairs and Northern Development Canada

British Columbia Region
600 - 1138 Melville Street
Vancouver, BC V6E 4S3

Re: Skawahlook First Nation

Please find attached the following documents:

1. March 31, 2014 Audit
2. March 31, 2014 Schedules
3. Schedule of Wages, Honoraria, Travel and other Remuneration
4. Reconciliation of AANDC funding

If you have any questions or require clarification please do not hesitate to contact me.

Sincerely,

L.J. Falys, CGA

Lf
Encl.

cc: Skawahlook First Nation

Confirmation of receipt:

July 25, 2014

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Skawahlook First Nation

March 31, 2014

SKAWAHLOOK FIRST NATION

Financial Statements

Year Ended March 31, 2014

SKAWAHLOOK FIRST NATION
Consolidated Financial Statements
Year Ended March 31, 2014

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Management's Report

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Skawahlook First Nation for the year ended March 31, 2014 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 judgements of management.

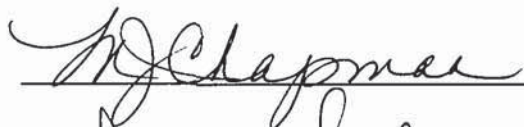
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

Skawahlook First Nation Council is responsible for ensuring that management fulfills its responsibilities of financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

Council meets periodically with management, as well as the external auditor, 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 auditor, Loreen J. Falys, C.G.A., conducts an independent examination, in accordance with Canadian auditing standards, and express her opinion on the consolidated financial statements. The external auditor have full and free access to financial management of Skawahlook First Nation and meet when required.

On behalf of Skawahlook First Nation:



Chief Maureen Chapman



Councillor Debra Schneider

July 21, 2014



Independent Auditor's Report

To the Members Skawahlook First Nation

I have audited the accompanying financial statements of Skawahlook First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the statement of operations, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Managements 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.

Auditor's Responsibility

My responsibility is to express an opinion on these 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 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 auditor's judgement, 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.

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

Certified General Accountant


Chilliwack, BC
July 21, 2014

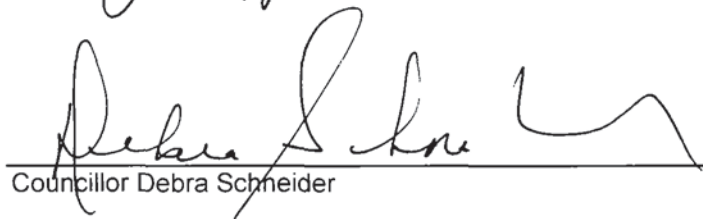
SKAWAHLOOK FIRST NATION
Consolidated Statement of Financial Position
Year Ended March 31, 2014

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	2014	2013
Financial assets		
Cash, unrestricted	\$ 407,811	\$ 128,531
Accounts receivable (Note 2)	12,465	20,302
Ottawa Trust Funds (Note 3)	220	340
Inventory for resale	17,960	14,590
Investment in joint venture (Note 4 & 9)	303,676	334,024
	<u>742,132</u>	<u>497,787</u>
Liabilities		
Accounts payable and accrued liabilities (Note 5)	17,965	15,222
Long-term debt (Note 6)	634,068	700,650
Obligations under capital leases (Note 6)	32,186	42,089
	<u>684,219</u>	<u>757,961</u>
Net financial assets (debt)	<u>57,913</u>	<u>(260,174)</u>
Non-financial assets		
Tangible capital assets (Note 1 & 7)	1,697,882	1,757,238
Prepaid insurance	12,545	5,544
	<u>1,710,427</u>	<u>1,762,782</u>
Accumulated surplus	<u><u>\$ 1,768,340</u></u>	<u><u>\$ 1,502,608</u></u>

APPROVED on behalf of the Council of Skawahlook First Nation:


 Chief Maureen Chapman


 Councillor Debra Schneider

The accompanying notes are an integral part of these financial statements.

L J F

SKAWAHLOOK FIRST NATION
Consolidated Statement of Operations and Accumulated Surplus
Year Ended March 31, 2014

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	2014	Budget	2013
Revenues			
Government transfers:			
Aboriginal Affairs & Northern Development Canada	\$ 505,222	\$ 376,992	\$ 417,032
Province of BC	71,795	53,045	47,849
Other First Nation Governments	11,552	23,250	29,145
Taxation revenue	399,347	151,568	140,615
Business revenue and catering	11,846	-	9,400
Investment income - joint venture (Note 4 & 9)	3,402	-	(11,097)
Interest	286	-	340
	<u>1,003,450</u>	<u>604,855</u>	<u>633,284</u>
Expenses			
Government	493,841	469,917	454,856
Self-Generated	180,064	116,081	90,128
Amortization	63,813	-	64,143
	<u>737,718</u>	<u>585,998</u>	<u>609,127</u>
Annual surplus	265,732	18,857	24,157
Accumulated surplus, beginning of year	<u>1,502,608</u>	<u>1,146,043</u>	<u>1,478,451</u>
Accumulated surplus, end of year	<u><u>\$ 1,768,340</u></u>	<u><u>\$ 1,164,900</u></u>	<u><u>\$ 1,502,608</u></u>
Segment Disclosure (Note 10)			

The accompanying notes are an integral part of these financial statements.

L J F

SKAWAHLOOK FIRST NATION
Consolidated Statement of Changes in Net Debt
Year Ended March 31, 2014

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	2014	2013
Annual surplus	\$ 265,732	\$ 24,157
Acquisition of tangible capital assets	(4,457)	(110,635)
Amortization of tangible capital assets	63,813	64,143
	<u>325,088</u>	<u>(22,335)</u>
Acquisition of prepaid expense	(12,545)	(11,900)
Use of prepaid expenses	5,544	11,899
	<u>(7,001)</u>	<u>(1)</u>
Change in net financial assets (net debt)	318,087	(22,336)
Net asset (debt), beginning of year	<u>(260,174)</u>	<u>(237,838)</u>
Net asset (debt), end of year	<u><u>\$ 57,913</u></u>	<u><u>\$ (260,174)</u></u>

The accompanying notes are an integral part of these financial statements.

L J F

SKAWAHLOOK FIRST NATION
Consolidated Statement of Cash Flows
Year Ended March 31, 2014

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	2014	2013
Operating activities		
Annual Surplus	\$ 265,732	\$ 24,157
Items not affecting cash:		
<i>Amortization of tangible capital assets</i>	63,813	64,143
Net income/loss from government business enterprises	(3,402)	11,097
Change in non-cash charges to operations:		
Accounts receivable	7,837	7,296
Inventory	(3,370)	1,830
Prepaid	(7,001)	1
Accounts payable and accrued liabilities	2,744	(46,571)
Net change in cash from operating activities	<u>326,353</u>	<u>61,953</u>
Capital activities		
Acquisition of tangible capital assets	(4,458)	(110,637)
Financing activities		
<i>Distribution from investment in government business enterprise</i>	33,750	33,750
Increase in long term debt	-	70,214
Repayment of long-term debt	<u>(76,485)</u>	<u>(73,848)</u>
Net change in cash and cash equivalents	279,160	(18,568)
Cash and cash equivalents, beginning of year	<u>128,871</u>	<u>147,440</u>
Cash and cash equivalents, end of year	<u><u>\$ 408,031</u></u>	<u><u>\$ 128,871</u></u>
Represented by:		
Cash - Unrestricted	\$ 407,811	\$ 128,531
Ottawa Trust Funds	<u>220</u>	<u>340</u>
	<u><u>\$ 408,031</u></u>	<u><u>\$ 128,871</u></u>

The accompanying notes are an integral part of these financial statements.

L J F

1. Significant Accounting Policies

a) Basis of Accounting

These consolidated financial statements of Skawahlook First Nation are prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Skawahlook First Nation are as follows:

b) Reporting Entity

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

c) Principles of Consolidation

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

Organizations consolidated in Skawahlook First Nation financial statements include:

- Ruby Creek Art Gallery & Framing Shop

Organization accounted for on a modified equity basis include:

- SHAC Joint Venture

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, prepaid expenses and inventories of supplies.

e) Cash

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

f) Inventory

Inventory, which consists of supplies and goods available for resale, is recorded at the lower of cost and net realizable value.

g) Tangible Capital Assets

Tangible capital assets include acquired, built developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

1. Significant Accounting Policies Cont'd

g) Tangible Capital Assets Cont'd

Tangible capital assets received as contributions are recorded at their fair market value at the date of contribution.

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. If costs could not be determined the asset was set up at the nominal cost of \$1. The cost, less residual value, of the tangible capital assets are amortized on a straight line basis, over the expected useful life of the assets in the following table:

Computer Equipment	4 Years
Furniture, Fixture & Equipment	10 Years
Water Infrastructure - Pumps & Generators	20 Years
Dyking and Drainage Infrastructure	25 Years
Roads Infrastructure & Buildings	40 Years
Water Infrastructure - Wells	60 Years
Water Infrastructure - Mains	80 Years

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

h) Revenue

Revenues are accounted for in the period in which the transactions or events occur that give rise to the revenues. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purposes specified.

Government transfers from the federal and provincial governments are recognized as revenue when the transfers have been authorized, eligibility criteria have been met and a reasonable estimate of the amount can be made.

Rental revenue is recognized monthly as it becomes receivable under the terms of applicable rental agreements. Gas bar revenue is recognized at point of sales. Taxation revenue is recognized in the period in which it is earned. Investment income is recognized when earned.

i) Use of Estimates

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 at the date of the financial statements as well as the reported amounts of revenue and expenses during each period. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent.

j) Recent accounting pronouncements - Liability for Contaminated Sites

In June 2010, the Public Accounting Board (PSAB) issued PS 3260 Liability for Contaminated Sites to establish recognition, measurement and disclosure standards for liabilities associated with the remediation of contaminated sites. The new section defines activities included in a liability for remediation, establishes when to recognize and how to measure a liability for remediation, and provides the related financial statement presentation and disclosure requirements.

PS 3260 is effective for fiscal years beginning on or after April 1, 2014. Skawahlook First Nation has not yet determined the effect of the new section in its financial statements.

SKAWAHLOOK FIRST NATION
Notes to the Financial Statements
Year Ended March 31, 2014

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2. Accounts Receivable

	<u>2014</u>	<u>2013</u>
Sales and taxes receivable	\$ 989	\$ 14,462
Dues from First Nation Governments	11,476	-
Ottawa Trust - BCR Request outstanding	-	5,840
	<u>\$ 12,465</u>	<u>\$ 20,302</u>

3. Ottawa Trust Fund

Trust fund accounts arise from moneys derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

	2014			2013
	Capital	Revenue	Total	Total
Balance , Beginning of Year	\$ -	\$ 340	\$ 340	\$ 6,120
Interest income	-	15	15	139
B.C. Special Distribution	-	205	205	201
Release to Band	-	(340)	(340)	(6,120)
Balance , End of Year	\$ -	\$ 220	\$ 220	\$ 340

4. Investment in Government Business Enterprise

The SHAC Joint Venture was formed on November 23, 2010 for the purpose of managing the Integrated Land Management (ILM) funds received under the terms of the IBA Agreement with BC Hydro. The general nature of the Joint Venture is to invest, manage and distribute the ILM funds for the benefits of the Joint Ventures' member communities in a manner contemplated in the Joint Venture Agreement.

	<u>2014</u>	<u>2013</u>
SHAC Joint Venture - 1/6th ownership	<u>303,676</u>	<u>334,024</u>

The following table presents condensed financial information for this enterprise:

	<u>2014</u>	<u>2013</u>
Cash	\$ 1,752,478	\$ 1,961,192
Accounts receivable	104,324	65,898
Interest receivable	4,801	6,189
Property and equipment	65,153	4,867
	<u>\$ 1,926,756</u>	<u>\$ 2,038,146</u>
Bank indebtedness	\$ 25,000	\$ -
Accounts payable and accruals	27,229	34,002
Deferred revenue	39,750	-
Short-term debt	12,721	-
Ventures' Capital	1,822,056	2,004,144
Total Liabilities and Equity	<u>\$ 1,926,756</u>	<u>\$ 2,038,146</u>
Revenue	\$ 767,572	\$ 573,336
Expenses	747,158	639,920
Net Income (loss)	<u>\$ 20,414</u>	<u>\$ (66,584)</u>

SKAWAHLOOK FIRST NATION
Notes to the Financial Statements
Year Ended March 31, 2014

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5. Accounts Payable & Accrued Liabilities

	<u>2014</u>	<u>2013</u>
Trade payable	\$ 13,951	\$ 8,271
Accrued interest	4,014	6,951
	<u>\$ 17,965</u>	<u>\$ 15,222</u>

6. Long-Term Debt and obligations under Capital Leases

	<u>2014</u>	<u>2013</u>
Royal Bank of Canada: Term loan, repayable by quarterly blended payments of \$19,020 including interest at 4.03% per annum; secured by general security agreement, assignment of receivables and taxation revenue. Loan renews on July 30, 2017.	\$ 616,247	\$ 677,519
Building loan, repayable in monthly payments of \$500 including interest at RB Prime rate plus 0.33%; secured by general security agreement and assignment of accounts receivable, taxation revenue. Loan renews June 21, 2014	17,821 <u>\$ 634,068</u>	23,131 <u>\$ 700,650</u>

Principal payments due in the next five years are approximately as follows:

2015	57,514
2016	59,828
2017	62,235
2018	59,464
2019	61,075
Thereafter	333,952
	<u>\$ 634,068</u>

Obligations under Capital Lease

Royal Bank of Canada

Tractor equipment valued at \$49,517 was purchased using a lease agreement. Payments of \$930.34 are required monthly for 60 months commencing July 24, 2012 and terminated July 24, 2017. Option to purchase at that date will be \$1.

Rental factor for the lease is 0.0187.

	<u>2014</u>	<u>2013</u>
2014	\$ -	\$ 11,164
2015	11,164	11,164
2016	11,164	11,164
2017	11,164	11,164
2018	2,791	2,791
Total minimum lease payments	36,283	47,447
Less amounts representing interest	(4,097)	(5,358)
Present value of net minimum capital lease payments	<u>\$ 32,186</u>	<u>\$ 42,089</u>

7. Tangible Capital Assets

			Administration			Total	Total
	Land	Band Buildings	Band Housing	Infra-Structure	Equipment	2014	2013
Cost							
Opening costs	\$ 36,000	\$ 1,779,864	\$ 106,846	\$ 249,744	\$ 120,597	\$ 2,293,051	\$ 2,182,414
Additions during the year	-	-	-	-	4,458	4,458	110,637
Disposals and write downs	-	-	-	-	(9,068)	(9,068)	-
Closing balance	36,000	1,779,864	106,846	249,744	115,987	2,288,441	2,293,051
Accumulated Amortization							
Opening accum'd amortization	-	349,391	62,716	74,110	49,596	535,813	471,670
Amortization	-	44,533	2,596	7,154	9,530	63,813	64,143
Disposals and write downs	-	-	-	-	(9,068)	(9,068)	-
Closing accum'd amortization	-	393,924	65,312	81,264	50,058	590,558	535,813
Net Book Value	<u>\$ 36,000</u>	<u>\$ 1,385,940</u>	<u>\$ 41,534</u>	<u>\$ 168,480</u>	<u>\$ 65,929</u>	<u>\$ 1,697,882</u>	<u>\$ 1,757,238</u>

8. Contingencies

The Skawahlook First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

SKAWAHLOOK FIRST NATION
Notes to Consolidated Financial Statements
Year Ended March 31, 2013

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9. Segmented Information

Skawahlook receives revenues and incurs expenses from various projects and sources. For management and reporting purposes, the revenues, expenses and surplus or deficits are organized by segments as follows:

	Government			Self-Generated Funds			Tangible Capital Asset		Government Business Enterprise SHAC Joint Venture		Consolidated Total		
	2014	Budget	2013	2014	Budget	2013	2014	2013	2014	2013	2014	Budget	2013
Revenue													
Federal transfers:													
A.A.N.D.C.	\$ 505,222	\$ 376,992	\$ 417,032	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 505,222	\$ 376,992	\$ 417,032
Province of BC	18,750	-	-	53,045	53,045	47,849	-	-	-	-	71,795	53,045	47,849
Other First Nations	11,552	23,250	29,145	-	-	-	-	-	-	-	11,552	23,250	29,145
Self-Generated Revenue	-	-	-	411,193	151,568	150,015	-	-	-	-	411,193	151,568	150,015
Income (Loss) from G.B.E.	-	-	-	-	-	33,750	-	-	3,402	(44,847)	3,402	-	(41,445)
Interest and Sundry Income	-	-	-	286	-	340	-	-	-	-	286	-	340
	<u>535,524</u>	<u>400,242</u>	<u>446,177</u>	<u>464,524</u>	<u>204,613</u>	<u>231,954</u>	<u>-</u>	<u>-</u>	<u>3,402</u>	<u>(44,847)</u>	<u>1,003,450</u>	<u>604,855</u>	<u>633,171</u>
Expenses													
Amortization	-	-	-	-	-	-	63,813	64,143	-	-	63,813	-	64,143
Debt servicing	1,951	17,164	1,581	30,556	72,448	43,844	-	-	-	-	32,507	89,612	43,844
Program & other expenses	304,161	274,997	274,552	149,508	43,633	46,284	-	-	-	-	453,669	318,630	320,836
Wages and benefits	187,729	177,756	178,723	-	-	-	-	-	-	-	187,729	177,756	178,723
	<u>493,841</u>	<u>469,917</u>	<u>454,856</u>	<u>180,064</u>	<u>116,081</u>	<u>90,128</u>	<u>63,813</u>	<u>64,143</u>	<u>-</u>	<u>-</u>	<u>737,718</u>	<u>585,998</u>	<u>606,506</u>
Excess(deficiency) of revenues over expenses	41,683	(69,675)	(8,679)	284,460	88,532	141,826	(63,813)	(64,143)	3,402	(44,847)	265,732	18,857	226,665
Transfer between funds	(12,226)	-	(18,957)	(37,902)	-	(96,064)	83,878	115,021	(33,750)	-	-	-	(15,911)
Accum. Surplus - start of year	(19,081)	(19,181)	8,555	180,117	157,676	134,355	1,007,548	956,670	334,024	378,871	1,502,608	138,495	1,474,129
Accum. Surplus - end of year	<u>\$ 10,376</u>	<u>\$ (88,856)</u>	<u>\$ (19,081)</u>	<u>\$ 426,675</u>	<u>\$ 246,208</u>	<u>\$ 180,117</u>	<u>\$ 1,027,613</u>	<u>\$ 1,007,548</u>	<u>\$303,676</u>	<u>\$334,024</u>	<u>\$ 1,768,340</u>	<u>\$ 157,352</u>	<u>\$ 1,500,000</u>

SKAWAHLOOK FIRST NATION
Notes to the Financial Statements
Year Ended March 31, 2014

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10. Expenses by object

	<u>Budget</u>	<u>2014</u>	<u>2013</u>
Advertising	\$ 400	\$ 487	\$ 414
Amortization	-	63,813	64,143
Bad debts written off	-	3,000	18,520
Band functions/donations and catering	20,000	53,366	17,739
Consulting fees	87,645	160,908	121,286
Debt servicing costs	89,612	32,507	43,844
Honoraria	41,880	41,640	40,675
Insurance	12,489	16,269	12,489
Bank charges	2,628	3,222	4,577
Legal fees	14,000	33,212	13,257
Materials and supplies	32,730	38,153	11,152
Office and general	5,839	3,395	3,837
Professional development	3,600	4,309	3,450
Professional fees	8,300	6,000	8,300
Repairs and maintenance	8,429	18,998	8,429
Security	1,510	1,531	1,510
Telephone	12,200	12,674	12,118
Travel	18,000	19,938	13,193
Utilities	21,983	19,135	21,893
Wages and benefits	188,247	187,729	178,723
Website and computer support	13,764	15,511	6,470
Other	2,742	1,921	3,108
	<u>\$ 585,998</u>	<u>\$ 737,718</u>	<u>\$ 609,127</u>