

POPKUM INDIAN BAND

Financial Statements

Year Ended

March 31, 2014

POPKUM INDIAN BAND
March 31, 2014
Management's Responsibility

To the members of Popkum Indian Band

The accompanying financial statements of Popkum Indian Band are the responsibility of management and have been approved by the Chief.

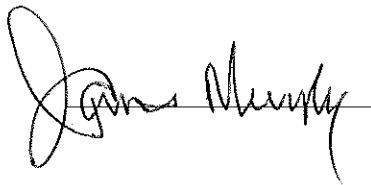
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate 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 the transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

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

Upper Valley Accounting Corporation, an independent Chartered Professional Accounting firm, is appointed by the chief 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 Chief and management to discuss the audit findings.

September 9th, 2015

A handwritten signature in dark ink, appearing to read 'James Murphy', written over a horizontal line.

Chief James Murphy

POPKUM INDIAN BAND

March 31, 2014

Independent Auditor's Report

To the Members of the Popkum Indian Band:

I have audited the accompanying financial statements of the Popkum Indian Band, which comprise the statement of financial position as at March 31, 2014, and the statements of operations and accumulated surplus, changes 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 my 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 my 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 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 involves evaluation 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 qualified audit opinion.

Basis for Qualified Opinion

While the band only has ten members, and the transactions are limited, there are not enough source documents available to provide an unqualified opinion the financial statements. A majority of the invoices have been confirmed, namely legal and planning expenses, however other expenses have no source documents other than cancelled cheques. There is no formal procedure for approving expenditures and no formal tracking system. I am confident that he expenses have been recorded correctly and the fact that the chief signs all cheques provides a high enough level of assurance. A formal process (like using cheque requisition forms) and keeping supporting source documents would facilitate an un-qualified opinion.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly in all material respects the financial position of the Popkum Indian Band as of March 31, 2014, and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The supplementary schedules are Unaudited and included for informational purposes and have only been audited to the extent of the financial statements taken as a whole.

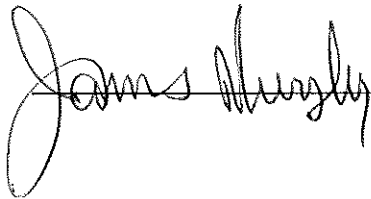

Jesse Smith**Chartered Professional Accountant****September 9th, 2015****9-45345 Chehalis Drive, Chilliwack B.C.**

Popkum Indian Band

Consolidated Statement of Financial Position
March 31, 2014

| | <u>2014</u> <u>Audited</u> | <u>2013</u> <u>Un-Audited</u> |
|-----------------------------|-------------------------------|----------------------------------|
| Financial assets | | |
| Cash | 58.42 | 15,987.08 |
| Accounts receivable | 4,624.00 | 7,373.00 |
| Band Capital Account | 6.54 | 6.54 |
| Band Trust Account | 3,178.88 | 11,925.35 |
| | <u>7,867.84</u> | <u>35,291.97</u> |
| Liabilities | | |
| Accounts Payable | 14,913.16 | 21,286.00 |
| Long-term debt | 54,757.28 | 54,757.28 |
| | <u>69,670.44</u> | <u>76,043.28</u> |
| Net Financial Assets | - 61,802.60 | - 40,751.31 |
| Non-financial assets | | |
| Tangible capital assets | - | 54,757.28 |
| | <u>-</u> | <u>54,757.28</u> |
| Accumulated surplus | - 61,802.60 | 14,005.97 |

Approved on behalf of the Council



Chief James Murphy

Popkum Indian Band

Statement of Operations and Accumulated Surplus
March 31, 2014

| | 2014 | 2014 | 2013 |
|---|--------------|---------------|--------------|
| | Budget | Audited | Un-Audited |
| Revenue: | | | |
| AANDC | \$ 24,835.00 | \$ 24,835.00 | \$ 24,835.00 |
| Income from Specific Claims | 55,480.00 | 55,480.00 | 75,420.00 |
| Dirt track property rental | 15,000.00 | 15,000.00 | 5,220.00 |
| Property Tax Revenue | 14,000.00 | 14,000.00 | - |
| Sign rental income | 8,500.00 | 8,513.00 | - |
| Other Income | 800.00 | 600.00 | 1,084.95 |
| Income from Band Trust | 250.00 | 253.53 | 9,603.94 |
| | 118,865.00 | 118,681.53 | 116,163.89 |
| Expenses: | | | |
| Band Support | 66,000.00 | 66,454.02 | 26,179.74 |
| Specific Claims | 55,480.00 | 73,278.80 | 75,420.00 |
| Band Capital | - | 54,757.28 | - |
| | 121,480.00 | 194,490.10 | 101,599.74 |
| Surplus before transfers | - 2,615.00 | - 75,808.57 | 14,564.15 |
| Program transfers | | | |
| Transfer from Trust Fund | | 9,000.00 | |
| Transfer to Specific Claims | | - 17,798.80 | |
| Transfer to Band Support | | - 9,000.00 | |
| Transfer from Band Support | | 17,798.80 | |
| Surplus | - 2,615.00 | - 75,808.57 | 14,564.15 |
| Beginning Year Accumulated Surpluses | | | |
| Band Support | | 2,074.08 | - 2,886.13 |
| Specific Claims | | - | - |
| Band Trust | | 11,925.35 | 2,321.41 |
| Band Capital | | 6.54 | 6.54 |
| Accumulated surplus, end of year | -\$ 2,615.00 | -\$ 61,802.60 | \$ 14,005.97 |

Popkum Indian Band

Statement of Change in Net Financial Assets
March 31, 2014

| | <u>2014</u> <u>Audited</u> | <u>2013</u> <u>Un-audited</u> |
|---|-------------------------------|----------------------------------|
| Annual Surplus | - 75,808.57 | 14,564.15 |
| Loss on Disposal of Capital Assets | 54,757.28 | |
| | <u>- 21,051.29</u> | <u>14,564.15</u> |
| Net financial assets, beginning of year | - 40,751.31 | -55,315.46 |
| Net financial assets, end of year | - 61,802.60 | -40,751.31 |

Popkum Indian Band

Statement of Cash Flows

For the Year Ended March 31, 2014

| | 2014 | 2013 |
|--|-------------|------------|
| | Audited | Un-Audited |
| Annual operating surplus | - 75,808.57 | 14,564.15 |
| Cash Flows From (Used) In Operating Activities | | |
| Accounts receivable | - 2,749.00 | 7,373.00 |
| Accounts Payable | 6,372.84 | - 397.00 |
| | 3,623.84 | 6,976.00 |
| Cash flows From Investing Activities: | | |
| Loss on disposal of capital assets | - 54,757.28 | |
| Change in Band Trust Account | - 8,746.47 | 9,603.94 |
| | - 63,503.75 | 9,603.94 |
| Increase (Decrease) In Cash For The Period | - 15,928.66 | - 2,015.79 |
| Cash and Equivalents, Beginning of the Year | 15,987.08 | 18,002.87 |
| Cash and Equivalents, End of the Year | 58.42 | 15,987.08 |
| Consisting of: | | |
| Cash | 58.42 | 15,987.08 |
| Supplementary information | | |
| Interest earned term deposits | 253.53 | 9,603.94 |

Popkum Indian Band

Notes to Financial Statements

Year Ending March 31, 2014

1. Operations

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

2. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for public sector entities 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.

Tangible capital assets

Prior to April 1, 1996, acquired tangible capital assets were recognized as operating expenditures and not reported in the capital fund.

Subsequent to March 31, 1996, tangible capital assets acquired in excess of \$250 are reported in the capital fund. On acquisition, the costs to acquire tangible capital assets are reported as expenditures in the operating fund with a corresponding contribution recognized in the capital fund. The cost is based on historical cost accounting records. Contributed tangible capital assets are recorded at fair value at the date of contribution.

Currently the band has no tangible capital assets. See note below for disclosure of the disposal of the house on band property.

Amortization

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

When a tangible capital asset no longer has any long-term service potential, the excess of its net carrying amount over its residual value is recognized as an expense in the statement of operations. The below notes are amortization rates for capital assets that are most likely to be acquired by the band in the future.

Popkum Indian Band

Notes to Financial Statements

Year Ending March 31, 2014

| | Rate |
|----------------------------|----------|
| Automotive equipment | 5 years |
| Buildings | 20 years |
| Computer equipment | 2 years |
| Tools and office equipment | 3 years |
| Contracting equipment | 5 years |
| Signs | 5 years |
| Paving | 10 years |

Funds held in Band Trust Fund

Funds held in trust on behalf of Band members by the Government of Canada in the Ottawa Trust Fund are reported on the balance sheet with an offsetting amount in accumulated surplus. Trust monies consist of:

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

Revenue recognition

Funding

Revenue is recognized as it becomes receivable under the terms of applicable government funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the balance sheet in the year of receipt.

Other revenues

Forestry and land use revenues, typically classified as property tax revenues by the band are recognized in the period in which the external party accessed the Band's land.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period.

Disposals: Band house

In 2014 the Band wrote off the house located on Band property under PS 3150.31 as the house is not livable and cannot be used for its intended purpose as a dwelling. No other use for the house is possible. This write-down is reflected in the Band Operations.

Significant Events: Land claim

In 2014 the band was involved in an action against the Queen ("Popkum First Nation v. the Queen 2014 SCT6"). In July of 2014 the presiding judge found in favor of the Band. The claim was surrounding Popkum's claim as one of the seven tribes belonging to the Seabird Island group. In the future there are likely to be funds awarded to the band as a result of this action. However the amount of these funds is not readily determinable at the date of the audited financial statements. No receivable can be recorded at this time. These funds will be recognized as revenue during the period in which they are received.

Recent accounting pronouncements:**Tangible capital assets**

In September 2006, the Public Sector Accounting Board (PSAB) issued amendments to the recommendations in Section 3150 Tangible Capital Assets. PS 3150 established standards on how to account for and report tangible capital assets in financial statements. The amendments to this Section consisted of expanding its scope to include local governments thereby requiring such governments to capitalize and amortize their tangible capital assets. As a result of the Department of Indian and Northern Affairs requiring First Nations to apply Canadian public sector accounting standards, the Band must follow the requirements in this section. Revised PS 3150 is effective for interim and annual financial statements of local governments with fiscal years beginning on or after January 31, 2009.

In February 2007, PSAB revised PSG-7 Tangible Capital Assets of Local Governments with transitional guidance on reporting tangible capital asset information in their financial statements prior to adoption of PS 3150. This guideline requires local governments to disclose the cost, additions, disposals, impairment, amortization, and accumulated amortization of each category of tangible capital assets.

Currently the Popkum Indian Band has no tangible capital assets. There is only one derelict building on the reserve that has been deemed to have zero value.

Government transfers

In March 2011, the Public Sector Accounting Board replaced and revised the existing section PS 3410 Government Transfers with a newly amended section PS 3410. Newly issued PS 3410 establishes standards on how to account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. This sections permits a recipient government to recognize government transfers as revenue when the transfer is authorized by the transferring government, unless the transfer creates a liability for the recipient. A liability is created as a result of the recipient government not yet meeting eligibility criteria or the existence of stipulations in the transfer agreement. When a government transfer results in recognition of a liability, revenue is recognized by a recipient government as the liability is settled. A transferring government recognizes an expense when the transfer is authorized and the recipient has meet all eligibility criteria.

As a result of the Department of Indian and Northern Affairs requiring First Nations to apply Canadian public sector accounting standards, the Band must follow the requirements of this

section. Newly revised and issued PS 3410 may be applied prospectively or retroactively and is affective for fiscal years beginning on or after April 01, 2012; however earlier adoption is encouraged. PS 3410 has been adopted prospectively and the adoption has not had any material impact on its financial statements.

First Nations Financial Transparency Act

On March 27, 2013, the *First Nations Financial Transparency Act* received Royal Assent in Parliament. The legislation has resulted in basic First Nations financial information being published on the Aboriginal Affairs and Northern Development website as of July 2014. According to the legislation, First Nations have 120 days after the end of the financial year to publish the documents online.

The *First Nations Financial Transparency Act* requires that 581 First Nations, defined as an Indian band under the *Indian Act*, make their audited consolidated financial statements and a Schedule of Remuneration and Expenses of chief and council available to their members as well as publish it on a website. These financial documents include:

- audited consolidated financial statements
- the Schedule of Remuneration and Expenses
- the auditor's written report respecting the consolidated financial statements
- The auditor's report or the review engagement report, as the case may be, respecting the Schedule of Remuneration and Expenses.

As well, starting in 2014-2015 and in compliance with the legislation, the Minister of Aboriginal Affairs and Northern Development is now required to publish, on the departmental website, the audited consolidated financial statement and the Schedule of Remuneration and Expenses of chief and council for each First Nation, when received.

This legislation was part of the Government's commitment in the 2011 Speech from the Throne to support democratic, transparent and accountable First Nation governments by requiring the public disclosure of remuneration and expenses of chiefs and councillors and First Nations' audited consolidated financial statements.

Popkum First Nation is now required to provide audited financial statements where previously they were not required to.

Popkum Indian Band

Notes to Financial Statements
Year Ending March 31, 2014

3. Tangible capital assets

| | Cost | Additions | Disposals | Accumulated amortization | 2014 Net book value |
|-----------|-------------|-----------|-----------|--------------------------|---------------------|
| Buildings | \$54,757.28 | - | 54,757.28 | - | - |

| | Cost | Additions | Disposals | Accumulated amortization | 2013 Net book value |
|-----------|-------------|-----------|-----------|--------------------------|---------------------|
| Buildings | \$54,757.28 | - | - | - | \$54,757.28 |

Amortization expense of \$ (2013- \$15,203) was recorded in Administration expense.

2. Accumulated surplus

Accumulated surplus consists of the following:

| | 2014 Audited | 2013 Un-audited |
|-----------------|--------------------|--------------------|
| Band Support | - 10,230.74 | 2,074.08 |
| Specific Claims | - | - |
| Band Trust | 3,178.88 | 11,925.35 |
| Band Capital | -54,750.74 | 6.54 |
| | <u>- 61,802.60</u> | <u>14,005.97</u> |

Popkum Indian Band

Schedule 1 - Schedule of Consolidated Revenue and Expenses and Surplus
Year Ending March 31, 2014

| Program | Schedule | AANDC Revenue | Other Revenue | Total Revenue | Total Expenses | Transfers to/(from) | Current Operating Surplus (Deficit) |
|----------------|----------|------------------|------------------|------------------|-------------------|------------------------|--|
| Band Support | 3 | 24,835.00 | 38,113.00 | 62,948.00 | 66,454.02 | - 8,798.80 | 12,304.82 |
| Special Claims | 4 | 55,480.00 | - | 55,480.00 | 73,278.80 | 17,798.80 | - |
| Band Trust | 5 | - | 253.53 | 253.53 | - | - 9,000.00 | 8,746.47 |
| Band Capital | 6 | - | - | - | 54,757.25 | - | - |
| | | 80,315.00 | 38,366.53 | 118,681.53 | 194,490.10 | - | -75,808.57 |

Popkum Indian Band

Schedule 2 – Statement of Consolidated Expense by Object
For the Year Ended March 31, 2014

| | 2014 | 2013 |
|------------------------------------|------------|------------|
| | Audited | Un-Audited |
| Member Distributions | 18,750.00 | - |
| Bank Charges | 170.79 | 214.70 |
| Supplies | - | 427.22 |
| Rent | 13,475.00 | 12,250.00 |
| Maintenance - Grounds | 14,679.10 | - |
| Honorarium | 13,750.00 | 9,350.00 |
| Travel | 1,503.69 | 537.82 |
| Telephone & Utilities | 1,750.44 | - |
| Professional Fees | 2,375.00 | 2,000.00 |
| Youth Workshops | - | 1,000.00 |
| Wages | - | 400.00 |
| Legal fees | 73,278.80 | 75,420.00 |
| Loss on disposal of capital assets | 54,757.28 | |
| Total Expense | 194,490.10 | 101,599.74 |