

Yale First Nation
Financial Statements
March 31, 2014

Yale First Nation Contents

For the year ended March 31, 2014

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Management's Responsibility

To the Members of Yale First Nation:

The accompanying financial statements of Yale First Nation are the responsibility of management and have been approved by the 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 Yale 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, an independent firm of Chartered Accountants, 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.

November 24, 2014

<u>Original Signed by Peter Moreno</u>	Councillor	<u>Original Signed by Elsie Kipp</u>	Administrator
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Independent Auditors' Report

To the Members of Yale First Nation:

We have audited the accompanying financial statements of Yale First Nation, 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 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 statement.

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

Basis for Qualified Opinion

The financial statements do not include budgeted information. The exclusion of such information is a departure from Canadian public sector accounting standards as the comparison of budgeted to actual results is a significant measurement of performance.

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 Yale First Nation as at March 31, 2014 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chilliwack, British Columbia

November 24, 2014

MNP LLP
Chartered Accountants

Yale First Nation
Statement of Financial Position
As at March 31, 2014

	2014	2013 <i>Restated (Note 13)</i>
Financial assets		
Cash	581,944	727,964
Accounts receivable (Note 4)	1,808,120	1,734,697
Investments in Nation partnerships (Note 5)	36,522	3,881
Funds held in Ottawa Trust Account (Note 6)	92,386	85,814
Replacement reserve fund (Note 7)	28,522	-
Treaty negotiation costs (Note 8)	7,797,354	7,797,354
	10,344,848	10,349,710
Liabilities		
Accounts payable and accruals (Note 9)	1,051,384	1,371,301
Long-term debt (Note 10)	8,026,864	8,039,621
	9,078,248	9,410,922
Net financial assets	1,266,600	938,788
Contingencies (Note 11)		
Non-financial assets		
Tangible capital assets (Schedule 1)	1,036,291	1,051,912
Prepaid expenses	21,910	21,137
Total non-financial assets	1,058,201	1,073,049
Accumulated surplus (Note 12)	2,324,801	2,011,837
Approved on behalf of the Council		
<i>Original Signed by Peter Moreno</i>	Councillor	<i>Original Signed by Vanessa Peters</i>
		Councillor

Yale First Nation

Statement of Operations and Accumulated Surplus

For the year ended March 31, 2014

	2014	2013 <i>Restated</i> <i>(Note 13)</i>
Revenue		
Aboriginal Affairs and Northern Development Canada	1,578,510	2,183,634
Health Canada (PA1200034) (Note 18)	179,861	169,274
Canada Mortgage and Housing Corporation (Note 14)	7,103	7,679
BC Hydro and ILM Project	7,336,619	1,914,796
British Columbia Treaty Commission	246,080	301,080
Department of Fisheries and Oceans	182,617	180,487
CP Rail	250,000	-
Other revenue	74,923	63,499
Kinder Morgan project	69,966	-
Province of BC	43,545	69,671
Qualark test fishery	64,852	-
Rental income	57,867	58,122
Earnings from investment in Nation partnerships (Note 5), (Note 13)	32,641	3,881
Sto:lo Nation Human Resource Centre	9,207	18,316
Interest income	6,188	1,958
First Nation Education Steering Committee	2,451	64
BC Special income	383	384
	10,142,813	4,972,845
Expenses		
Administration and Education	1,310,216	2,397,078
Health and Social Development	416,703	392,256
Treaty	666,511	616,185
Housing	73,601	60,095
Capital Projects and Maintenance	96,444	1,194,201
Economic Development and Employment	7,234,344	2,022,222
Other Programs	32,030	32,372
	9,829,849	6,714,409
Surplus (deficit) before other items	312,964	(1,741,564)
Other expense		
Recoveries from prior years	-	(138)
Surplus (deficit)	312,964	(1,741,702)
Accumulated surplus, beginning of year	1,350,616	3,078,013
Retroactive change in accounting policy (Note 3)	657,340	675,526
Correction of an error (Note 13)	3,881	-
Accumulated surplus, beginning of year, as restated	2,011,837	3,753,539
Accumulated surplus, end of year (Note 12)	2,324,801	2,011,837

The accompanying notes are an integral part of these financial statements

Yale First Nation
Statement of Change in Net Financial Assets
For the year ended March 31, 2014

	2014	<i>2013 Restated (Note 13)</i>
Annual operating surplus (deficit)	312,964	(1,741,702)
Purchases of tangible capital assets	(16,410)	(736)
Amortization of tangible capital assets	32,030	32,372
Acquisition of prepaid expenses	(23,901)	(21,137)
Use of prepaid expenses	23,129	-
Increase (decrease) in net financial assets	327,812	(1,731,203)
Net financial assets, beginning of year	938,788	2,669,991
Net financial assets, end of year	1,266,600	938,788

The accompanying notes are an integral part of these financial statements

Yale First Nation
Statement of Cash Flows
For the year ended March 31, 2014

	2014	<i>2013 Restated (Note 13)</i>
Cash provided by (used for) the following activities		
Operating activities		
Surplus (deficit)	312,964	(1,741,702)
Non-cash items		
Amortization	32,030	32,371
Earnings from investment in Nation partnerships	(32,641)	(3,881)
Ottawa trust transactions	(6,572)	(2,343)
	305,781	(1,715,555)
Changes in working capital accounts		
Accounts receivable	(73,423)	(1,536,848)
Prepaid expenses	(772)	(21,137)
Accounts payable and accruals	(319,917)	937,810
Replacement reserve	(28,522)	-
	(116,853)	(2,335,730)
Financing activities		
Repayment of long-term debt	(12,757)	(12,048)
Capital activities		
Purchases of tangible capital assets	(16,410)	(736)
Decrease in cash resources	(146,020)	(2,348,514)
Cash resources, beginning of year	727,964	3,076,478
Cash resources, end of year	581,944	727,964
Supplementary cash flow information		
Interest paid	6,241	7,592

1. Operations

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

2. Significant accounting policies

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

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses 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.

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.

Net financial assets

The 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.

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 \$5,000 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. Cost is based on historical cost accounting records for tangible capital assets. Contributed tangible capital assets are recorded at their fair value at the date of contribution.

Amortization

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	Method	Rate
Band Housing	straight-line	40 years
Machinery and Equipment	straight-line	10 years
Roads, Streets, Bridges	straight-line	50,75 years
Water and Sewer	straight-line	50,75 years

2. Significant accounting policies *(Continued from previous page)*

Revenue recognition

Funding

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

Government Transfers

The 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.

Other Revenue

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

Long-lived assets

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 the First Nation determines that a long-lived asset no longer has any long-term service potential to the 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.

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 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.

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of 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.

2. Significant accounting policies *(Continued from previous page)*

Segments

The First Nation conducts its business through seven reportable segments: Administration and Education; Health and Social Development; Treaty; Housing; Capital Projects and Maintenance; Economic Development and Employment; and Other Programs. 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.

Recent accounting pronouncements

Liability for contaminated sites

In June 2010, the Public Sector 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. The First Nation has not yet determined the effect of the new section in its financial statements.

Financial instruments

In June 2011, the Public Sector Accounting Board (PSAB) issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2015. Earlier adoption is permitted.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. The First Nation does not expect the adoption of these new standards to have a material impact on its financial statements.

3. Change in accounting policy

Effective April 1, 2013, the Nation changed its accounting policy related to tangible capital assets to adopt PS 3150 Tangible Capital Assets. As a result of the adoption, tangible capital assets must be capitalized and amortized. For the year ended March 31, 2014, the change resulted in an increase in tangible capital assets of \$947,185 and an increase in amortization of \$16,964. The change in accounting policy has been applied retrospectively with restatement of prior years. The cumulative effect in the prior year, as of April 1, 2013 is to increase tangible capital assets by \$947,185, increase amortization by \$17,672 and to increase the opening accumulated surplus by \$675,526.

4. Accounts receivable

Included in accounts receivable are member loans totaling \$119,930 (2013 - \$125,560).

Accounts receivable also includes \$519,752 payable to Yale First Nation from Flatiron - Graham, a joint venture, relating to the Interior to Lower Mainland Transmission project.

Yale First Nation
Notes to the Financial Statements
For the year ended March 31, 2014

5. Investments in First Nation partnerships and business entities

Yale First Nation has a 33% investment in Cascade Lower Canyon Community Forest Partnership. Summary financial information for the First Nation business partnership, accounted for using the modified equity method, for their respective year-end is as follows:

	<i>As at March 31, 2014</i>	<i>As at March 31, 2013</i>
Assets		
Due from Lower Canyon Community Forest General Partner	173,425	23,379
Total assets	173,425	23,379
Liabilities		
Accounts payable and accruals	18,712	9,093
Grants payable	42,500	-
Partners' capital	112,213	14,286
Total liabilities	173,425	23,379
Total revenue	234,775	25,010
Total expenses	136,848	7,596
Net income	97,927	17,414

6. Funds held in Ottawa Trust Account

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 the First Nation's Council.

	2014	2013
Capital Trust		
Balance	48,802	48,802
Revenue Trust		
Balance, beginning of year	37,012	34,670
Interest	6,189	1,958
BC Special income	383	384
Balance, end of year	43,584	37,012
	92,386	85,814

7. Replacement reserve

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the First Nation established a replacement reserve, funded by an annual allocation of \$3,000, to ensure maintenance and replacement of buildings financed by CMHC. At March 31, 2014, \$28,522 has been set aside to fund this reserve (2013 - \$0). The unfunded portion at March 31, 2014 is \$2,230 (2013 - \$28,550).

In accordance with terms of the agreements, CMHC reserve moneys must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal.

8. Treaty Negotiation Costs

Loan advances from Aboriginal Affairs and Northern Development Canada for treaty negotiations are reported as long-term debt together with a corresponding asset for accumulated treaty negotiation costs. In each year, the new loan amount is transferred to the Treaty Negotiations segment.

9. Accounts payable and accruals

Accounts payable and accruals include government payroll remittances payable of \$4,245.

Also presented in this balance is \$38,580 of recoverable funding payable to Aboriginal Affairs and Northern Development Canada.

10. Long-term debt

	2014	2013
Housing Project III - All Nations Trust (interest rate 2.35%, due September 1, 2018, monthly payments for \$1,556 and secured by first mortgage on homes and Ministerial guarantee of the Ministry of Aboriginal Affairs and Northern Development Canada)	229,510	242,267
Promissory Notes - Aboriginal Affairs and Northern Development Canada (for Treaty Negotiations); Repayment provisions for these loans are outlined in Sections 13.0 and 14.0 of the First Nation Negotiation Support Agreement.	7,797,354	7,797,354
	8,026,864	8,039,621

Principal repayments on long-term debt in each of the next five years, assuming all term debt is subject to contractual terms of repayment, are estimated as follows:

2015	13,456
2016	13,774
2017	14,100
2018	14,433
2019	14,755

11. Contingent liabilities

The First Nation has been named as defendant in a lawsuit on behalf of a former contractor, seeking to recover damages allegedly sustained by them as a result of monies owed pursuant to subcontracts.

The Nation has also been named as defendant in a lawsuit on behalf of employees previously employed by the Nation, as a result of claims of alleged wrongful dismissal.

These lawsuits remain at an early stage, and as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of these lawsuits or to estimate the loss, if any, which may result. Any amount awarded as a result of this action will be recorded when reasonably estimable. The Nation's insurers have been advised of these claims and are cooperating with the Nation in the defense of these lawsuits subject to policy deductibles, limits, and terms and conditions.

The Yale First Nation may also be contingently liable in respect of guaranteed housing mortgages which total \$877,455 (2013 - \$917,011).

12. Accumulated surplus

Accumulated surplus is comprised of the following:

	2014	<i>2013 Restated</i>
Operating surplus	1,464,882	1,087,827
Capital surplus	736,781	809,645
Ottawa trust surplus	92,386	85,815
Replacement reserve surplus	30,752	28,550
	2,324,801	2,011,837

13. Correction of an error

During the year, the First Nation determined that a 33% investment in Cascade Lower Canyon Community Forest Partnership had not been recorded in the previous year. At March 31, 2013 this investment had a balance of \$3,881. The effect of this correction was to increase investments in Nation partnerships and earnings from investment in Nation partnerships in the amount of \$3,881. The retroactive application of this correction of an error did not have a material impact on the results of operations and financial condition of the First Nation.

14. Federal Assistance payments

The program has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act to reduce mortgage interest expense to approximately two percent to enable the project to provide housing to low income individuals. The amount of assistance received in 2014 is \$7,103 (2013 - \$7,679).

15. Economic dependence

Yale First Nation receives a significant portion of its revenue from Aboriginal Affairs and Northern Development Canada (AANDC) as a result of agreements entered into with the Government of Canada. These agreements are administered by AANDC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these agreements.

16. Financial Instruments

The Yale First Nation's financial instruments consist of cash, receivables, accounts payable, accrued liabilities and long-term debt. It is management's opinion that the Yale First Nation is not exposed to significant currency, credit or interest rate risk arising from these financial instruments. The fair value of the instruments are recorded at amortized cost, unless otherwise noted.

17. Budget information

Budget information has not been presented in the program schedules as formal budgets are not available for all programs.

18. Transition from Health Canada to FNHA

Health Canada has transferred its funding responsibilities to First Nations Health Authority (FNHA) in accordance with a Three Party Novation Agreement signed by Her Majesty the Queen in Right of Canada, First Nations Health Authority, and Yale First Nation.

The FNHA and Yale First Nation are deemed to have entered into a new agreement between themselves commencing on October 1, 2013, having terms that are identical to those of the previous agreement between Health Canada and Yale First Nation.

The new Health Funding Contribution Agreement has had no impact on the First Nation's financial position or operations. The allocation of funds received from Health Canada and FNHA, together with expenses associated with the contributions, are as follows:

	<i>Health Canada</i>	<i>FNHA</i>	<i>Total</i>
Revenue	74,262	105,599	179,861
Expenses	(74,262)	(105,599)	(179,861)
	-	-	-

19. First Nations Financial Transparency Act

The First Nation is required to post its consolidated financial statements on a website and submit the consolidated financial statements to AANDC by July 29, 2014. As the audit report is dated after this date, the First Nation is in violation of this requirement. The possible effect of this violation has not yet been determined.