

Yale First Nation
Consolidated Financial Statements
March 31, 2016

Yale First Nation

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For the year ended March 31, 2016

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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 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 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.

Ribeyre Chang Haylock Ltd. 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 18, 2016

[original signed by Elsie Kipp]

Administrator

INDEPENDENT AUDITORS' REPORT

To: The Members of Yale First Nation

Yale First Nation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **Yale First Nation**, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net financial assets, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The prior year amounts were audited by another chartered professional accounting firm.

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 prescribed for governments as recommended by the Public Sector Accounting Board, 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 **Yale First Nation** as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board.

Port Coquitlam, B.C.
July 18, 2016

Ribeyre Chan Haylock
Chartered Professional Accountants

Yale First Nation
Consolidated Statement of Financial Position
As at March 31, 2016

	2016	2015
Financial assets		
Cash	1,015,548	1,252,052
Accounts receivable (Note 3)	859,979	709,430
Investments in Nation partnerships (Note 4)	361,657	175,978
Funds held in Ottawa Trust Account (Note 5)	96,388	95,004
Replacement reserve fund (Note 6)	31,428	31,428
Treaty negotiation costs (Note 7)	7,797,354	7,797,354
	10,162,354	10,061,246
Liabilities		
Accounts payable and accruals (Note 8)	566,226	392,888
Long-term debt (Note 9)	8,149,422	8,013,408
	8,715,648	8,406,296
Net financial assets	1,446,706	1,654,950
Contingencies (Note 10)		
Non-financial assets		
Tangible capital assets (Schedule 1)	1,356,650	1,017,302
Prepaid expenses	17,862	23,485
Total non-financial assets	1,374,512	1,040,787
Accumulated surplus (Note 11)	2,821,218	2,695,737
Approved on behalf of the Council		
<u>[original signed by Ken Hansen]</u>	Chief	<u>[original signed by Vanessa Peters]</u> Councillor

Yale First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2016

	<i>Schedules</i>	<i>2016 Budget</i>	<i>2016</i>	<i>2015</i>
Revenue				
Indigenous and Northern Affairs Canada		598,143	1,429,261	1,971,958
First Nation Health Authority		187,918	253,581	188,929
Canada Mortgage and Housing Corporation (Note 12)		7,000	6,692	6,692
Kinder Morgan Project		300,000	367,788	116,621
BC Hydro and ILM Project		-	187,835	1,910,304
Qualark Test Fishery		-	148,675	96,825
Province of BC		39,000	126,972	16,000
Log processing sales		-	20,000	157,196
Department of Fisheries and Oceans		90,000	90,000	167,250
Rental Income		58,500	53,544	59,459
Sto:lo Nation Human Resource Centre		29,648	24,055	21,172
Other Revenue		-	18,532	79,593
New Relationship Trust		-	5,000	-
Interest Income		3,800	2,217	4,050
BC Special income		385	383	384
First Nation Education Steering Committee		-	-	2,614
British Columbia Treaty Commission		-	-	261,080
Earnings from investment in Nation partnerships		50,000	185,679	128,794
Accrued Funding Recoveries		-	(148,237)	(29,554)
		1,364,394	2,771,977	5,159,367
Expenses				
Administration & Education	3	571,678	568,330	714,679
Health & Social Development	4	425,464	432,482	401,313
Treaty	5	383,177	303,793	776,538
Housing	6	79,320	311,184	84,836
Capital Projects & Maintenance	7	62,002	471,707	62,123
Economic Development & Employment	8	555,420	519,808	2,764,913
Other Programs	9	32,000	39,192	34,195
		2,109,061	2,646,496	4,838,597
Surplus (deficit)		(744,667)	125,481	320,770
Accumulated operating surplus, beginning of year		2,695,737	2,695,737	2,374,967
Accumulated surplus, end of year		1,951,070	2,821,218	2,695,737

The accompanying notes are an integral part of these financial statements

Yale First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2016

	<i>2016 Budget</i>	<i>2016</i>	<i>2015</i>
Annual surplus	(744,667)	125,481	320,770
Purchases of tangible capital assets	-	(378,539)	(15,205)
Amortization of tangible capital assets	32,000	39,192	34,195
Acquisition of prepaid expenses	-	(17,866)	(23,486)
Use of prepaid expenses	-	23,488	21,911
Increase (decrease) in net debt	(712,667)	(208,244)	338,185
Net financial assets, beginning of year	1,654,950	1,654,950	1,316,765
Net financial assets, end of year	942,283	1,446,706	1,654,950

Yale First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating activities		
Surplus (deficit)	125,481	320,770
Non-cash items		
Amortization	39,192	34,195
Earnings from investment in Nation partnerships	(185,679)	(128,794)
Ottawa trust transactions	(1,383)	(2,618)
	(22,389)	223,553
Changes in working capital accounts		
Accounts receivable	(150,549)	1,138,194
Prepaid expenses	5,622	(1,575)
Accounts payable and accruals	173,337	(658,497)
Replacement reserve fund	-	(2,906)
	6,021	698,769
Financing activities		
Advances of long-term debt	157,160	-
Repayment of long-term debt	(21,146)	(13,456)
	136,014	(13,456)
Capital activities		
Purchases of tangible capital assets	(378,539)	(15,205)
Increase (decrease) in cash resources	(236,504)	670,108
Cash resources, beginning of year	1,252,052	581,944
Cash resources, end of year	1,015,548	1,252,052
Supplementary cash flow information		
Interest paid	2,217	4,050

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 consolidated 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

Tangible capital assets are initially recorded at cost based on historical cost accounting records. 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 and Buildings	straight-line	40 years
Machinery and Equipment	straight-line	10 years
Roads, Streets and 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 consolidated 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 consolidated 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)*

Liability for contaminated sites

A liability for remediation of contaminated sites is recognized at the best estimate of the amount required to remediate the contaminated sites 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, 2016.

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.

Segments

The First Nation conducts its business through seven reportable segments: Administration & Education; Health & Social Development; Treaty; Housing; Capital Projects & Maintenance; Economic Development & 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 consolidated financial statements.

3. Accounts receivable

Accounts receivable also includes \$517,072 receivable Flatiron - Graham, a joint venture, relating to the Interior to Lower Mainland Transmission project.

4. Investments in First Nation partnerships

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, 2016</i>	<i>As at March 31, 2015</i>
Assets		
Cash	1,176,721	421,233
Accounts receivable	2,080	123,298
Due from Lower Canyon Community Forest General Partner	3,827	2,462
Total assets	1,182,628	546,993
Liabilities		
Accounts payable and accruals	94,978	16,399
Partners' capital	-	530,594
Total liabilities	94,978	546,993
	1,087,650	-
Total revenue	861,545	430,174
Total expenses	304,489	42,843
Net income	557,056	387,331

Yale First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

5. Funds held in Ottawa Trust Account

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

	2016	2015
Capital Trust		
Balance	48,802	48,802
Revenue Trust		
Balance, beginning of year	46,202	43,584
Interest	1,001	2,234
BC Special income	383	384
Balance, end of year	47,586	46,202
	96,388	95,004

6. Replacement reserve fund

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, 2016, \$31,428 has been set aside to fund this reserve (2015 - \$31,428). The replacement reserve was overfunded \$2,780 at March 31, 2016 (2015 - \$3,701).

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.

7. Treaty negotiation costs

Loan advances from Indigenous and Northern Affairs Canada for treaty negotiations are reported as long-term debt together with a corresponding asset for accumulated treaty negotiation costs.

8. Accounts payable and accruals

Accounts payable and accruals include government payroll remittances payable of \$40,756 (2015 - \$18,979).

Also presented in this balance is \$135,811 of recoverable funding payable to Indigenous and Northern Affairs Canada (2015 - \$61,174).

Yale First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

9. Long-term debt

	2016	2015
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 Indigenous and Northern Affairs Canada.	202,292	216,054
Promissory Notes - Indigenous and Northern Affairs 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
Band Administration Building - RBC demand loan (interest at prime rate + 1.5%, with monthly payments of \$1,205, secured by a general security agreement)	149,776	-
	8,149,422	8,013,408

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:

2017	22,997
2018	23,703
2019	24,433
2020	25,187
2021	25,967

10. Contingent liabilities

The First Nation may also be contingently liable in respect of guaranteed housing mortgages which total \$591,317 (2015 - \$621,303).

11. Accumulated surplus

Accumulated surplus is comprised of the following:

	2016	2015
Operating surplus	1,691,601	1,771,759
Capital surplus	1,004,582	801,248
Ottawa trust surplus	96,387	95,003
Replacement reserve surplus	28,648	27,727
	2,821,218	2,695,737

12. Federal Assistance payments

The First Nation 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 2016 is \$6,692 (2015 - \$6,692).

13. Economic dependence

Yale First Nation receives a significant portion of its revenue from Indigenous and Northern Affairs Canada (INAC) as a result of agreements entered into with the Government of Canada. These agreements are administered by INAC 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.

14. 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.