

# **OSOYOOS INDIAN BAND**

## **FINANCIAL STATEMENTS**

**March 31, 2014**

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## INDEPENDENT AUDITORS' REPORT

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To the Members of Osoyoos Indian Band:

We have audited the accompanying financial statements of Osoyoos Indian Band, which comprise the consolidated statement of financial position of Osoyoos Indian Band as at March 31, 2014 and the consolidated statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. Except as explained in the following paragraphs, 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. We are expressing reservations of opinion for the following reasons:

a) The information disclosed in Note 6 related to investments in wholly owned subsidiary companies and limited partnerships has been obtained from unaudited financial statements of the subsidiary companies and limited partnerships. We were not engaged to express an opinion on these unaudited financial statements and accordingly we are unable to express an opinion on this information nor determine whether adjustments to the Band financial statements might be necessary.

(1)

Independent Auditor's Report to the Members of Osoyoos Indian Band *(continued)*

b) The financial information of the Osoyoos Indian Band Housing Program, which has been included in these consolidated financial statements, was audited in accordance with the basis of accounting required by Section 95 of the Canada Mortgage and Housing Corporation.

In our opinion, except for adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the matters described in (a) and (b) of the preceding paragraphs, these consolidated financial statements present fairly, in all material respects, the financial position of the Band as at March 31, 2014 and the results of its operations, changes in its net financial assets and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Penticton, British Columbia  
July 25, 2014

*White Kennedy LLP*  
CHARTERED ACCOUNTANTS





# OSOYOOS INDIAN BAND

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## MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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The accompanying financial statements of the Osoyoos Indian Band 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 judgments 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.

The Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council meet periodically with management, as well as the external auditors, 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 auditors, White Kennedy LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of the Osoyoos Indian Band and meet when required.

On Behalf of Osoyoos Indian Band:

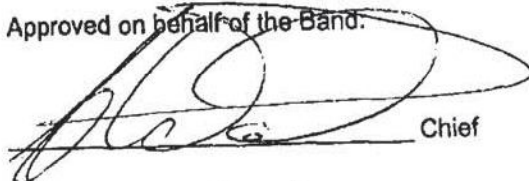
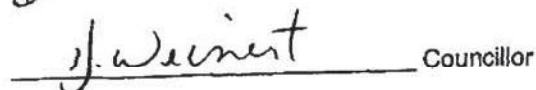
  
CHIEF

**OSOYOOS INDIAN BAND****CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at March 31, 2014, With Comparative Figures for 2013

	2014	2013
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and short term deposits (Note 2)	6,648,973	7,582,527
Accounts receivable (Note 3)	569,518	1,076,602
Trust funds held by federal government (Note 4)	1,578,301	5,533,549
Portfolio investments (Note 5)	1,549,387	1,658,769
Investments in government business enterprises (Note 6)	18,671,526	12,573,112
	<u>29,017,705</u>	<u>28,424,559</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 7)	966,259	1,503,617
Deferred revenue	175,555	3,291
Long term debt (Note 8)	3,778,362	3,464,153
	<u>4,920,176</u>	<u>4,971,061</u>
<b>NET FINANCIAL ASSETS</b>	<u>24,097,529</u>	<u>23,453,498</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	-	366
Tangible capital assets (Schedule 2)	9,739,308	9,422,286
	<u>9,739,308</u>	<u>9,422,652</u>
<b>ACCUMULATED SURPLUS (Note 14)</b>	<u>33,836,837</u>	<u>32,876,150</u>
<b>CONTINGENT LIABILITIES (Note 9)</b>		

Approved on behalf of the Band:

  
Chief  
Councillor

**OSOYOOS INDIAN BAND****CONSOLIDATED STATEMENT OF OPERATIONS**

For the Year Ended March 31, 2014, With Comparative Figures for 2013

	Budget (Unaudited)	2014	2013
	\$	\$	\$
<b>REVENUE</b>			
AANDC	3,001,757	3,439,118	2,779,152
Income from business enterprises	-	2,477,218	2,056,601
Taxation	1,921,834	1,866,423	1,738,686
Other revenue	2,077,469	1,835,113	986,214
Health Canada	503,313	665,580	664,915
Housing revenue	-	566,270	593,014
Province	126,115	310,333	89,538
Contributions	31,554	260,170	141,204
Rentals and leases	234,088	243,042	126,799
Investment income	98,300	153,601	153,286
Okanagan training and development	124,858	120,766	107,666
	<u>8,119,288</u>	<u>11,937,634</u>	<u>9,437,075</u>
<b>EXPENSES</b>			
Wages and benefits	2,121,826	2,198,813	2,012,616
Education	1,760,816	1,881,740	1,336,540
Community and economic development	1,982,665	1,834,853	1,938,790
Social assistance and housing	326,151	786,437	342,142
Distributions	562,100	601,753	3,144,686
Repairs and maintenance	510,381	478,430	267,812
Amortization	235,000	471,168	582,067
Office and sundry	515,785	458,627	565,630
Travel	499,809	455,411	333,597
Promotion, recreation, and cultural services	428,278	415,656	519,066
Basic needs	325,696	310,292	344,300
Housing expenses	-	305,332	238,267
Protection services	246,000	201,441	159,431
Loss on investments	94,447	181,453	100,807
Professional fees	182,289	167,173	261,458
Water and sanitation systems	128,045	95,341	103,491
Miscellaneous expenses	156,055	27,455	93,369
Interest	7,000	7,297	5,446
	<u>10,082,343</u>	<u>10,878,672</u>	<u>12,349,515</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<u>(1,963,055)</u>	<u>1,058,962</u>	<u>(2,912,440)</u>
Surplus clawbacks	-	(7,132)	(9,762)
Transfers	-	(91,143)	93,100
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>	<u>(1,963,055)</u>	<u>960,687</u>	<u>(2,829,102)</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>32,876,150</u>	<u>32,876,150</u>	<u>35,705,252</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>30,913,095</u>	<u>33,836,837</u>	<u>32,876,150</u>



**OSOYOOS INDIAN BAND****CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**

For the Year Ended March 31, 2014, With Comparative Figures for 2013

	2014	2013
	\$	\$
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>	<b>960,687</b>	<b>(2,829,102)</b>
Acquisition of tangible capital assets	(890,686)	(167,722)
Proceeds on disposal of tangible capital assets	143,206	483,064
Amortization of tangible capital assets	471,168	582,067
Gain on disposal of tangible capital assets	(40,710)	(21,095)
	(317,022)	876,314
Acquisition (use) of prepaid expenses	366	30,931
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	<b>644,031</b>	<b>(1,921,857)</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>23,453,498</b>	<b>25,375,355</b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>24,097,529</b>	<b>23,453,498</b>

**OSOYOOS INDIAN BAND****CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Year Ended March 31, 2014, With Comparative Figures for 2013

	<u>2014</u>	<u>2013</u>
	<u>\$</u>	<u>\$</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess (shortfall) of revenue over expenditures	<b>960,687</b>	(2,829,102)
Amortization	<b>471,168</b>	582,067
Gain on disposal of tangible capital assets	<b>(40,710)</b>	(21,095)
	<u><b>1,391,145</b></u>	<u>(2,268,130)</u>
 Change in non-cash working capital:		
Accounts receivable	<b>507,084</b>	(196,078)
Prepaid expenses	<b>366</b>	30,931
Accounts payable and accrued liabilities	<b>(537,359)</b>	703,968
Deferred revenue	<b>172,264</b>	-
	<u><b>142,355</b></u>	<u>538,821</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances (repayment) of long term debt	<b>314,209</b>	(140,265)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of tangible capital assets	<b>(890,686)</b>	(167,722)
Proceeds from disposal of tangible capital assets	<b>143,206</b>	483,064
Advances from (to) portfolio investments	<b>109,382</b>	(59,637)
Advances from (to) investments in subsidiaries	<b>(6,098,414)</b>	9,836,775
Increase (decrease) of trust and reserve funds	<b>3,919,324</b>	(3,547,272)
	<u><b>(2,817,188)</b></u>	<u>6,545,208</u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	<b>(969,479)</b>	4,675,634
 CASH, beginning of year	<b>6,073,796</b>	1,398,162
 CASH, end of year	<u><b>5,104,317</b></u>	<u>6,073,796</u>



# **OSOYOOS INDIAN BAND**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2014

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### **Nature of Operations**

The Osoyoos Indian Band is an Indian Band subject to the provisions of the Indian Act of Canada.

### **1. Summary of Significant Accounting Policies**

#### **BASIS OF PRESENTATION**

The Band records accounting transactions using the fund accounting method generally in use for municipal organizations. A fund (branch) is determined for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Each fund has its own schedule of Revenue and Expenditures and Surplus which presents the results of operations and changes in surplus for the fund. The Band Council transfers amounts between funds as considered necessary. The financial position of the Band is shown on the statement of financial position which includes the assets, liabilities and equity of all funds presented in the financial statements.

The Band's incorporated business enterprises and its investments in limited partnerships have been accounted for using the modified equity method.

#### **PRINCIPLES OF CONSOLIDATION**

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprises, which are included in the Consolidated Financial Statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only the Osoyoos Indian Band's investment in the government business enterprises and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of the Osoyoos Indian Band.

#### **LOANS**

Loans received and repaid for the operation of specific branches are recorded as revenue and expenditures respectively.

# OSOYOOS INDIAN BAND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2014

### 1. Summary of Significant Accounting Policies (Continued)

#### TANGIBLE CAPITAL ASSETS

Property and equipment, when acquired, are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

Property and equipment relating to the Osoyoos Indian Band Housing Program are recorded using the fund accounting principles applied by Indian Band Housing Programs in Canada and guidelines prescribed by the Canada Mortgage and Housing Corporation. Indian Reserve Land is recorded at its appraised value on the date of contribution to the Program on the pre-1997 projects and is not recorded for the post-1996 projects. Buildings and appliances are recorded at cost. Amortization on buildings is provided for annually in an amount equal to the principal reduction of the mortgage on each associated project. No amortization is provided on appliances, however, provision for future replacement of appliances is provided for through the Replacement Reserve.

Amortization on the remaining property and equipment is provided on the declining balance method and is charged against equity in property and equipment, at the following annual rates:

Automotive equipment	30%
Furniture and equipment	20%
Computer hardware	55%
Computer software	100%
Trailers	30%
Buildings	4%
Sewer system	4%
Water system	4%
Roads	8%

#### INVESTMENTS IN SUBSIDIARIES

The Band records its investment in and income from its subsidiaries on a modified equity basis as an addition to the investment and on the statement of operations. The amount of equity income to be accrued is determined at December 31 each year.

When advances or other amounts receivable from subsidiaries are determined to be uncollectible, the Band reduces the investment and related equity in investment on the balance sheet by the amount determined to be uncollectible.

#### INVESTMENTS IN LIMITED PARTNERSHIPS

The Band records its investment in and income from its limited partnerships on a modified equity basis as an addition to the investment and on the statement of operations. The amount of equity income to be accrued is determined at December 31 each year.

#### PORTFOLIO INVESTMENTS

Portfolio investments are recorded at cost. Portfolio investments are written down where there has been a loss in value that is other than a temporary decline.

# **OSOYOOS INDIAN BAND**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2014

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### **1. Summary of Significant Accounting Policies (Continued)**

#### **REVENUE RECOGNITION**

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue and recognized as revenue in the fiscal year the related expenses are incurred.

Revenue for services provided is recognized when the service is rendered. Lump sum payments for long term land leases are recognized as revenue in the year that the funds are received.

#### **MANAGEMENT ESTIMATES**

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 amounts and revenues and expenditures during the reported periods. Actual results could differ from those estimates.

#### **REPLACEMENT RESERVE**

The replacement reserve account is funded by an annual charge against operations in an amount determined by Canada Mortgage and Housing Corporation.

#### **OPERATING RESERVE**

The operating reserve account is funded by surplus revenue from housing projects committed to under the 1997 On-Reserve Program.

#### **COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.



## OSOYOOS INDIAN BAND

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2014

#### 2. Cash and Short Term Deposits

Under the terms of an agreement with Canada Mortgage and Housing Corporation, the Osoyoos Indian Band must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account, and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation. Cash and Cash equivalents is comprised of the following:

	2014	2013
	\$	\$
<b>Restricted</b>		
Housing Replacement Reserve	576,111	904,585
Taxation Capital Development Reserve	523,246	346,028
Taxation Contingency Reserve	85,361	-
Housing Operating Reserve	359,938	258,118
	<u>1,544,656</u>	<u>1,508,731</u>
<b>Unrestricted</b>		
Current accounts	<u>5,104,317</u>	<u>6,073,796</u>
Total Cash and Cash Equivalents	<u>6,648,973</u>	<u>7,582,527</u>

#### 3. Accounts Receivable

	2014	2013
	\$	\$
Accounts receivable	381,692	931,141
Amounts due from band members	<u>187,826</u>	<u>145,461</u>
Total Accounts Receivable	<u>569,518</u>	<u>1,076,602</u>

#### 4. Funds Held in Trust by Federal Government

Funds are held in trust for the Band by the Department of Aboriginal Affairs and Northern Development Canada. These amounts are presented as restricted equity in the members' equity section of the consolidated statement of financial position. The Department of Aboriginal Affairs and Northern Development Canada administers these funds and has reported transactions as follows:

	2014	2013
	\$	\$
<b>Capital Fund</b>		
Balance, beginning of year	442,505	204,913
Contributions	-	1,191,000
Budget transfer	<u>(63,529)</u>	<u>(953,408)</u>
Balance, end of year	<u>378,976</u>	<u>442,505</u>

**OSOYOOS INDIAN BAND****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2014

**4. Funds Held in Trust by Federal Government (Continued)**

## Revenue Fund

Balance, beginning of year	5,091,044	1,942,381
Constellation Brands Canada Inc.	1,001,374	992,102
Spirit Ridge Vineyard Resort	238,636	-
Cherry Grove Estates	116,888	114,437
Mark Anthony Group	107,470	107,470
Andrew Peller Limited	94,000	87,000
CDR Limited Partnership	74,100	225,600
Interest	33,650	91,636
Spirit Ridge Residence Club Limited Partnership	19,887	-
Rogers Communications Inc.	10,063	8,750
BC Special Interest	1,243	1,214
Province of BC	-	10,800,000
Osoyoos Indian Band Holdings Limited Partnership	-	328,905
Sec 35 OCPC Transfer	-	17,792
Withdrawals	(5,589,030)	(9,626,243)
Balance, end of year	1,199,325	5,091,044
Total Funds Held in Trust by Federal Government	1,578,301	5,533,549

**5. Portfolio Investments**

	2014	2013
	\$	\$
BMO Nesbitt Burns - 7th Generation Trust / Elders Fund (quoted market value \$1,561,769)	1,539,377	1,648,759
All Nations Trust shares	10,010	10,010
Total Investments	1,549,387	1,658,769

# OSOYOOS INDIAN BAND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2014

### 6. Investments in Government Business Enterprises

All companies are wholly owned subsidiaries of Osoyoos Indian Band Development Corporation, which is wholly owned by Osoyoos Indian Band, except for Nk'Mip Cellars Inc. which is 51% owned by Osoyoos Indian Band Development Corporation and CDR GP Inc. and CDR LP which is 25% owned by Osoyoos Indian Band. Nk'Mip Desert Heritage Centre Ltd and Senkulmen Utilities Ltd. are owned 100% by Osoyoos Indian Band. The Osoyoos Indian Band also owns 99.99% of each of the Limited Partnerships.

	Advances	Retained Earnings	2014	2013
	\$	\$	\$	\$
Osoyoos Indian Band Development Corporation	3,071,156	2,676,742	5,747,898	5,691,298
Nk'Mip Utilities Ltd.	-	572,167	572,167	558,533
Senkulmen Utilities Ltd.	590,105	(50,785)	539,320	817,418
Nk'Mip Cellars Inc.	-	288,723	288,723	230,977
Senkulmen Projects Ltd.	-	1,748	1,748	1,748
Nk'Mip Campground and R.V. Park Ltd.	-	1,671	1,671	1,497
Nk'Mip Vineyards Ltd.	-	1,619	1,619	1,594
Osoyoos Indian Band Holdings Corporation	-	1,547	1,547	1,345
Nk'Mip Forestry Corp.	-	1,222	1,222	1,190
Nk'Mip (Inkameep) Convenience Store Ltd.	-	1,218	1,218	1,215
CDR GP Inc.	-	250	250	250
Nk'Mip Management Services Ltd.	-	-	-	(10,103)
Nk'Mip Desert Heritage Centre Ltd.	479,326	(480,829)	(1,503)	(1,503)
Oliver Read-Mix Ltd.	-	(9,032)	(9,032)	(9,046)
Nk'Mip Canyon Desert Golf Course Ltd.	-	(962,736)	(962,736)	(962,936)
	4,140,587	2,043,525	6,184,112	6,323,477

### Total Investments in Government Business Enterprises

	2014	2013
	\$	\$
Investments in and advances to wholly owned subsidiary companies	6,184,112	6,323,477
Nk'Mip Campground and R.V. Park Limited Liability Partnership	3,998,018	3,655,728
Osoyoos Indian Band Holdings Limited Liability Partnership	3,625,891	(1,360,361)
Nk'Mip Canyon Desert Golf Course Limited Liability Partnership	1,495,158	1,594,458
Oliver Read-Mix Limited Liability Partnership	919,013	782,682
Nk'Mip Vineyards Limited Liability Partnership	686,834	544,501
Nk'Mip Desert Heritage Centre Limited Liability Partnership	475,902	300,616
Nk'Mip Convenience Store Limited Liability Partnership	386,057	354,830
CDR Limited Partnership	380,250	440,250
Nk'Mip Forestry Limited Liability Partnership	285,019	63,174
Osoyoos Indian Band Development Limited Liability Partnership	272,403	27,279
Senkulmen Projects Limited Liability Partnership	(37,131)	(153,522)
	18,671,526	12,573,112



**OSOYOOS INDIAN BAND****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2014

**7. Accounts Payable and Accrued Liabilities**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Trade payables	<b>661,421</b>	1,297,099
Accrued salaries and benefits payable	<b>298,098</b>	204,972
Other accrued liabilities	<b>6,740</b>	1,546
Total Accounts Payable and Accrued Liabilities	<b>966,259</b>	1,503,617

**8. Long Term Debt**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
All Nations Trust Company Project #15 mortgage bearing interest at 1.7% per annum, repayable in monthly blended payments of \$2,702. The loan matures on August 1, 2016 and is secured by first mortgage over Project 15 properties with a carrying value of \$269,966, due August 2016.	<b>76,701</b>	107,535
All Nations Trust Company Project #16 loan bearing interest at 2.65% per annum, repayable in monthly blended payments of \$2,250. The loan matures on December 1, 2019 and is secured by first mortgage over Project 16 properties with a carrying value of \$291,855, renewable February 2015.	<b>143,873</b>	166,751
All Nations Trust Company Project #17, mortgage bearing interest at 1.81% per annum, repayable in monthly blended payments of \$2,107. The loan matures on April 1, 2019 and is secured by first mortgage over Project 17 properties with a carrying value of \$253,038, renewable April 2014.	<b>122,737</b>	145,585
All Nations Trust Company Project #18, mortgage bearing interest at 2.65% per annum, repayable in monthly blended payments of \$2,485. The loan matures on January 1, 2021 and is secured by first mortgage over Project 18 properties with a carrying value of \$317,381, renewable April 2016.	<b>186,260</b>	210,813
All Nations Trust Company Project #19, mortgage bearing interest at 1.65% per annum, repayable in monthly blended payments of \$1,424. The loan matures on May 1, 2022 and is secured by first mortgage over Project 19 properties with a carrying value of \$203,017, renewable June 2017.	<b>130,479</b>	145,287

## OSOYOOS INDIAN BAND

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2014

#### 8. Long Term Debt (Continued)

All Nations Trust Company Project #20, mortgage bearing interest at 1.67% per annum, repayable in monthly blended payments of \$1,357. The loan matures on June 1, 2023 and is secured by first mortgage over Project 20 properties with a carrying value of \$215,225, renewable June 2018.	<b>139,522</b>	153,096
All Nations Trust Company Project #21, mortgage bearing interest at 1.81% per annum, repayable in monthly blended payments of \$1,890. The loan matures on May 1, 2024 and is secured by first mortgage over Project 21 properties with a carrying value of \$317,664, renewable April 2014.	<b>210,492</b>	229,188
All Nations Trust Company Project #22, mortgage bearing interest at 2.84% per annum, repayable in monthly blended payments of \$3,148. The loan matures on April 1, 2025 and is secured by first mortgage over Project 22 properties with a carrying value of \$519,196, renewable April 2015.	<b>359,168</b>	386,386
All Nations Trust Company Project #23, mortgage bearing interest at 2.63% per annum, repayable in monthly blended payments of \$2,838. The loan matures on June 1, 2026 and is secured by first mortgage over Project 23 properties with a carrying value of \$471,232, renewable June 2016.	<b>356,579</b>	380,956
All Nations Trust Company Project #24, mortgage bearing interest at 2.11% per annum, repayable in monthly blended payments of \$2,826. The loan matures on December 1, 2033 and is secured by first mortgage over Project 24 properties with a carrying value of \$674,649, renewable January 2019.	<b>547,820</b>	568,878
All Nations Trust Company Project #25, mortgage bearing interest at 1.62% per annum, repayable in monthly blended payments of \$1,935. The loan matures on March 1, 2023 and is secured by first mortgage over Project 25 properties with a carrying value of \$172,997, renewable March 2018.	<b>194,413</b>	214,322
All Nations Trust Company Project #26, mortgage bearing interest at 1.65% per annum, repayable in monthly blended payments of \$2,819. The loan matures on September 1, 2036 and is secured by first mortgage over Project 26 properties with a carrying value of \$811,497, renewable September 2016.	<b>632,132</b>	655,356
All Nations Trust Company Project #27 mortgage bearing interest at 2.08% per annum, repayable in monthly blended payments of \$2,958. The loan matures on February 1, 2039 and is secured by first mortgage over Project 27 properties with a carrying value of \$692,327, renewable February 2019.	<b>678,186</b>	-
RBC Youth Centre demand loan, repaid during the year.	-	100,000
	<b>3,778,362</b>	<b>3,464,153</b>

## **OSOYOOS INDIAN BAND**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2014

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#### **8. Long Term Debt (Continued)**

Principal repayments over the next five years are estimated as follows:

	\$
2015	292,590
2016	298,798
2017	286,144
2018	278,635
2019	284,703
Subsequent	<u>2,337,492</u>
	<u>3,778,362</u>

#### **9. Contingent Liabilities**

Under the terms of the contribution agreements with the Department of Aboriginal Affairs and Northern Development Canada and other government departments, certain surpluses may be repayable to the government.

The Band has provided loan guarantees to various Band members in the amount of \$100,000.

The Band has also provided loan guarantees for other companies and limited partnerships related to the Band in the amount of \$22,989,000.

The Band has signed a standby letter of credit in the amount of \$419,900.

#### **10. Income Taxes**

The Band is considered to be a municipality and as such is exempt from income taxes under Section 149(1)(c) of the Income Tax Act.



**OSOYOOS INDIAN BAND****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2014

**11. Related Party Transactions**

Related Party	Relationship	Type of transaction	Received (Paid)	
			2014	2013
			\$	\$
Nk'Mip Canyon Desert Golf Course LLP	Partnership	Sales	(31,249)	(26,930)
Nk'Mip Convenience Store LLP	Partnership	Sales	(18,473)	(26,003)
Nk'Mip Desert Heritage Centre LLP	Partnership	Taxation contribution	287,335	100,000
		Sales	(1,176)	-
Oliver Read-Mix LLP	Partnership	Sales	(13,675)	(11,193)
		Cost of sales	22,950	37,089
Osoyoos Indian Band Development LLP	Partnership	Administration	14,400	181,015
Nk'Mip Utilities Ltd.	Subsidiary	Taxation contribution	100,000	197,077
Senkulmen Utilities Ltd.	Subsidiary	Taxation contribution	-	200,000
Nk'Mip Forestry LLP	Partnership	Grazing license	3,949	6,487
Nk'Mip Campground and RV Park LLP	Partnership	Sales	(2,691)	-

These transactions were carried out in the normal course of business at their exchange value which approximates fair value.

## **OSOYOOS INDIAN BAND**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2014

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#### **12. Financial instruments**

##### **Credit Risk**

Credit risk arises from the possibility that a counter party will fail to perform its obligations. The Band is exposed to credit risk from customers. In order to reduce its credit risk, the Band reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Band has a significant number of customers which minimizes concentration of credit risk.

##### **Fair Value**

The Band's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

The fair value of the amounts due from wholly owned subsidiary companies and limited liability partnership investments are less than carrying value, as the amounts are non-interest bearing. As the amounts have no terms of repayment, the fair value cannot be calculated with any degree of certainty.

The carrying value of the long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the Band for debt with similar terms.

##### **Interest Rate**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Band manages exposure through its normal operating and financing activities.

#### **13. Pension Agreement**

The band provides a defined contribution plan for eligible members of its staff. Members contribute 5% of their salary which is matched by the band. Additional voluntary contributions can also be made by each member. The Osoyoos Indian Band contributed \$40,863 (2013 - \$42,287) to this plan during the year.

**OSOYOOS INDIAN BAND****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2014

**14. Accumulated Surplus**

	<u>2014</u>	<u>2013</u>
	\$	\$
<b>Unrestricted surplus</b>		
Operating Fund	15,090,069	12,590,094
Enterprise Fund	9,662,865	7,185,644
Physical Assets Fund	5,960,944	6,058,132
	<u>30,713,878</u>	<u>25,833,870</u>
<b>Restricted surplus</b>		
Revenue Trust Fund	1,199,325	5,091,044
Replacement Reserve	576,111	904,585
Taxation Capital Development Reserve	523,248	346,028
Capital Trust Fund	378,976	442,505
Operating Reserve	359,938	258,118
Taxation Contingency Reserve	85,361	-
	<u>3,122,959</u>	<u>7,042,280</u>
<b>Total Accumulated Surplus</b>	<u>33,836,837</u>	<u>32,876,150</u>