

**Penticton Indian Band
Consolidated Financial Statements
For the year ended March 31, 2014**

Penticton Indian Band
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For the year ended March 31, 2014

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Penticton Indian Band are the responsibility of management and have been approved by the Chief and another Band Councilor on behalf of the Band Council.

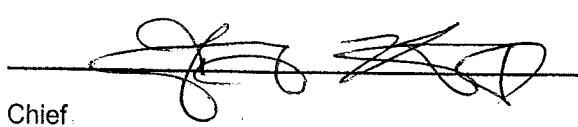
These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

Penticton Indian Band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable costs. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Band's assets are appropriately accounted for and adequately safeguarded.

Penticton Indian Band is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. Council carries out this responsibility principally through its Finance Committee.

The Finance Committee, composed of Council Members, reviews the Band's consolidated financial statements and recommends their approval to Council. The Committee meets 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 annual report, consolidated financial statements and external auditor's report. The Committee reports its findings to the Council for consideration when approving the consolidated financial statements for issuance to the members. The Committee also considers, for review by the Council, the engagement of the external auditors.

The consolidated financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. BDO Canada LLP have full and free access to the Band Council.



Chief



Band Councilor

Independent Auditor's Report

**To the Chief and Council
Penticton Indian Band**

We have audited the accompanying consolidated financial statements of Penticton Indian Band, which comprise the consolidated statement of financial position as at March 31, 2014, the consolidated statements of operations, change 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from 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.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Penticton Indian Band as at March 31, 2014, and the results of its operations, change in net financial assets, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

These consolidated financial statements include unaudited supplementary schedules which present detailed program revenues and expenditures and have been prepared to assist management of Penticton Indian Band to meet the reporting requirements of various funding agencies. Our report is intended solely for management of Penticton Indian Band and various funding agencies. As a result, the consolidated financial statements should not be distributed to or used by other parties.

Penticton Indian Band has also prepared another set of consolidated financial statements for the year ended March 31, 2014 in accordance with Canadian public sector accounting standards. However, these consolidated financial statements do not include unaudited supplementary schedules. Our audit report on the other set of consolidated financial statements was issued to the members of Penticton Indian Band and was dated August 19, 2014.

BDO Canada LLP
Chartered Accountants

Penticton, British Columbia
August 19, 2014

Penticton Indian Band
Consolidated Statement of Financial Position

<u>March 31</u>	<u>2014</u>	<u>2013</u>
Financial assets		
Cash and cash equivalents (Note 2)	\$ 142,759	\$ 660,513
Short term investments (Note 2)	2,652,169	1,794,516
Accounts receivable (Note 4)	1,261,475	1,823,698
Investment in Band owned entities	6,987,608	5,098,297
Funds held in trust (Note 3)	275,400	275,400
Loans receivable from band members (Note 5)	<u>141,050</u>	<u>122,387</u>
	<u>11,460,461</u>	<u>9,774,811</u>
Liabilities		
Accounts payable and accrued liabilities (Note 6)	2,386,249	2,214,054
Line of credit (Note 10)	435,000	-
Deferred revenue (Note 7)	49,865	189,324
Long-term debt (Note 12)	<u>5,675,077</u>	<u>4,657,461</u>
	<u>8,546,191</u>	<u>7,060,839</u>
Net financial assets	<u>2,914,270</u>	<u>2,713,972</u>
Non-financial assets		
Prepaid expenses	101,484	61,467
Tangible capital assets (Note 11)	<u>25,923,223</u>	<u>20,999,778</u>
	<u>26,024,707</u>	<u>21,061,245</u>
Accumulated surplus	<u>\$ 28,938,977</u>	<u>\$ 23,775,217</u>

Contingencies (Note 16)

Approved by Council


 Chief


 Band Councilor


 Chief Financial Officer

Penticton Indian Band
Consolidated Statement of Operations

<u>For the year ended March 31</u>	<u>Budget</u>	<u>2014</u>	<u>2013</u>
Revenues			
Federal Government			
Aboriginal Affairs and Northern Dev. Canada	\$ 5,446,617	\$ 9,977,307	\$ 6,688,020
Canada Mortgage and Housing Corporation	445,288	211,337	193,119
Government of Canada	20,000	-	24,980
Health Canada/First Nations Health Authority	1,447,307	1,459,544	927,762
Provincial Government			
First Nations Education Steering Committee	68,032	254,831	158,772
Okanagan Training & Development Council	157,295	109,540	112,490
Province of British Columbia	473,034	807,823	986,705
Other			
Housing charges and rental	394,809	337,940	339,330
Interest and investment income	5,000	1,376,487	10,070
Other contracts and miscellaneous	1,410,029	1,519,655	1,437,906
Property taxes	804,000	690,690	688,587
Royalties	106,820	320,621	202,416
Total revenues for the year	10,778,231	17,065,775	11,770,157
Total expenditures for the year (Schedule)	10,217,619	13,091,201	11,816,331
Excess (deficiency) of revenue for the year	560,612	3,974,574	(46,174)
Net income from Band owned entities (Note 18)		1,189,186	195,055
Annual surplus		5,163,760	148,881
Accumulated surplus, beginning of year		23,775,217	23,626,336
Accumulated surplus, end of year		\$ 28,938,977	\$ 23,775,217

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Penticton Indian Band
Consolidated Statement of Operations

<u>For the year ended March 31</u>	<u>Budget</u>	<u>2014</u>	<u>2013</u>
Expenditures (Note 21)			
Administration	\$ 2,156,935	\$ 2,742,692	\$ 2,891,139
Community health	1,174,353	1,226,702	1,202,580
Economic development	-	-	675,149
Education	3,705,821	3,388,321	3,251,636
Forestry	-	264,149	24,480
Housing	628,281	610,975	579,029
Land, estate and membership	359,290	388,448	337,858
PIBDC	-	1,670,647	-
Public works	343,739	735,593	855,243
O.N.T.E.H	-	630,675	625,800
Social development	1,849,200	1,432,999	1,373,417
Total expenditures for the year	\$ 10,217,619	\$ 13,091,201	\$ 11,816,331

Penticton Indian Band
Consolidated Statement of Change in Net Financial Assets

<u>For the year ended March 31</u>	<u>2014</u>	<u>2013</u>
Annual surplus	\$ 5,163,760	\$ 148,881
Acquisition of tangible capital assets	(6,054,979)	(2,474,466)
Amortization of tangible capital assets	1,130,893	1,120,291
Disposal of tangible capital assets	641	-
	<u>(4,923,445)</u>	<u>(1,354,175)</u>
Acquisition of prepaid expenses	(40,017)	(61,467)
Net change in net financial assets	200,298	(1,266,761)
Net financial assets, beginning of year	2,713,972	3,980,733
Net financial assets, end of year	\$ 2,914,270	\$ 2,713,972

**Penticton Indian Band
Consolidated Statement of Cash Flows**

For the year ended March 31 2014 2013

Cash flows from operating activities		
Cash received during the year	\$ 17,466,091	\$ 11,104,603
Cash paid to suppliers and employees	(11,718,570)	(9,913,823)
Interest paid	(109,557)	(89,662)
Interest received	22,448	10,604
	<u>5,660,412</u>	<u>1,111,722</u>
Cash flows from financing activities		
Increase in line of credit	435,000	-
Net proceeds of long-term debt	1,017,617	1,224,874
	<u>1,452,617</u>	<u>1,224,874</u>
Cash flows from investing activities		
Purchase of tangible capital assets	(6,054,338)	(2,474,466)
Loans receivable	(18,663)	(6,369)
Equity pickup from Enterprise Fund	-	195,055
Decrease (increase) in investment in Enterprise Fund	(700,129)	231,233
	<u>(6,773,130)</u>	<u>(2,054,547)</u>
Increase in cash flows for the year	339,899	282,049
Cash and cash equivalents, beginning of year	2,730,429	2,448,380
Cash and cash equivalents, end of year	\$ 3,070,328	\$ 2,730,429
Represented by:		
Unrestricted (Note 2)	\$ 245,363	\$ 764,113
Restricted (Note 2)	2,549,565	1,690,916
	<u>2,794,928</u>	<u>2,455,029</u>
Trust funds	275,400	275,400
	<u>\$ 3,070,328</u>	<u>\$ 2,730,429</u>

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2014

1. Summary of Significant Accounting Policies

Nature of Business	Penticton Indian Band provides services and support to its band members. Penticton Indian Band is an Indian Band and, as such, is exempt from income tax under section 87 of the Indian Act.
Basis of Accounting	These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments, as recommended by the Public Sector Accounting Board.
Reporting Entity	The Penticton Indian Band reporting entity includes the Penticton Indian Band government and all related entities that are controlled by the First Nation.
Principles of Consolidation	All controlled entities are fully consolidated by the government reporting entity. Other business enterprises and partnerships which meet the definition of a government business enterprise or partnership are accounted for on the modified equity basis of accounting. Entities that fall under the consolidated basis of accounting are fully consolidated on a line-by-line basis with inter-organizational balances and transactions eliminated. The following entities are accounted for on a consolidation basis: <i>Okanagan Nations Family Intervention Services Society Penticton Indian Band Development Corporation Ltd.</i>
	Other entities that are accounted for on the modified equity basis of accounting includes the cost of the Penticton Indian Band's investment in the entities including the proportionate share of earnings. Under the modified equity basis of accounting inter-organizational balances are not eliminated. The following entities are accounted for on a modified equity basis: <i>Coyote Cruises Limited Partnership Westhills Aggregates Limited Partnership Skaha Hills Development Limited Partnership West Riverside Construction Limited Partnership</i>
Asset Classification	Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, and prepaid expenses.

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2014

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents	Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less. Cash and cash equivalents on the Consolidated Statement of Cash Flows is represented by cash, short term investments and funds held in trust as disclosed on the Consolidated Statement of Financial Position.
Short-term Investments	Short-term investments include guaranteed investment certificates and mutual funds maturing at various times during the next fiscal year. These investments are recorded at cost.
Financial Instruments	<p>The Band carries a number of financial instruments. Unless otherwise noted, it is management's opinion that the Band is not exposed to significant interest, currency or credit risks arising from these financial instruments.</p> <p>The fair values of these financial instruments approximate their carrying values, unless otherwise noted.</p>
Interest Income	Interest income on loans receivable and on funds held in trust are recorded as revenue when received by the Band.
Revenue Recognition	<p>Revenue in the Operating Fund is recognized as it becomes receivable under the terms of applicable funding agreements. Revenue received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Summary Statement of Financial Position.</p> <p>The taxation period is based on the calendar year January through December. Taxation revenue is billed in June and is due at the end of July each year.</p> <p>Taxation arrears and interest revenue are recognized at the time of issuing overdue property tax notices to the rate payers for the fiscal year based on the time overdue.</p> <p>Rental revenue is recognized when the services are provided to tenants, and collection is reasonably assured. When rental payments are received in advance of contracted services, the Band records this as deferred revenue.</p> <p>Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when the transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.</p>

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2014

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Segmented Information

Penticton Indian Band is a First Nation organization that provides a wide range of services to its members including social, education, health, housing, public works and economic activities. For management reporting purposes, the Band's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives with special regulations, restrictions or limitations. Services are provided by programs and their activities are reported in these funds. Certain programs have been separately disclosed in the segmented information, along with the services they provide, are detailed in the Schedule of Segmented Operations.

Administration Services

The Administration Services program provides administration support to other band operated programs and services.

Social Development

The Social Development program provides financial benefits and services to individuals and families, resident on reserve, who are in need.

Education

The Education program provides services to eligible First Nations students enrolled in elementary/secondary education programs and eligible post-secondary education programs.

Forestry

The Forestry program is a management initiative that includes monitoring and enhancement projects.

Community Health

The Band provides health programs and services under an agreement with Health Canada, and the Province of British Columbia.

Housing

The Housing program provides on-reserve housing to eligible members under the CMHC housing programs for First Nations.

Land, Estates and Memberships Program

The Land, Estates and Memberships program negotiates and implements land claim and self-government agreements on behalf of the Band.

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2014

1. Summary of Significant Accounting Policies (continued)

Segmented Information (continued)

Public Works

The Public Works program is responsible for the construction and maintenance of public spaces within the community.

Economic Development Program

The Economic Development program provides planning and capacity development initiatives under agreements with the Province of British Columbia.

Okanagan Nation Family Intervention and Services Society (ONTEH)

The ONTEH program is a Band-run organization that operates a transition house.

Penticton Indian Band Development Corporation (PIBDC)

The PIBDC program is a Band-run organization that invests in development opportunities.

Tangible Capital Assets and Amortization

Tangible capital assets are valued at acquisition cost less accumulated amortization and are recorded in the Capital Fund. Purchase of tangible capital assets are recorded as an addition to the assets of the Capital Fund. Amortization is charged against capital assets based on the estimated useful life of the asset as follows:

Capital Fund

- Automotive equipment	- 20% straight line
- Buildings	- 5% straight line
- Equipment	- 20% - 50% straight line
- Land improvements	- 5 - 20% straight line

O.N.T.E.H. Fund

- Automotive equipment	- 30% declining balance
- Computer equipment	- 45 - 55% declining balance
- Leasehold improvements	- 5 years straight line
- Machinery and equipment	- 20% declining balance

PIBDC Fund

- Computer equipment	- 55% declining balance
- Machinery and equipment	- 20% declining balance

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2014

2. Cash and Short-term Investments

	2014	2013
Consists of:		
Cash	\$ 142,759	\$ 660,513
Term deposits	104,287	105,287
Mutual funds	<u>2,547,882</u>	<u>1,689,229</u>
	\$ 2,794,928	\$ 2,455,029
Restricted		
Ottawa trust funds	\$ 1,684	\$ 1,684
Social housing reserves	730,372	723,222
Band capital trust funds	483,267	350,817
Band revenue trust funds	900,292	304,932
Capital contingency fund	409,797	297,071
Stabilization fund	<u>24,153</u>	<u>13,190</u>
	2,549,565	1,690,916
Unrestricted	245,363	764,113
	\$ 2,794,928	\$ 2,455,029

The Royal Bank of Canada has provided a line of credit to a maximum of \$400,000, bearing interest at the bank's prime rate plus 0.5% per annum and secured by a general security agreement providing a floating charge over band receivables.

In 2004, the Band removed their funds from the Ottawa trust funds and have set up a separate trust fund account administered by the Band Council. Any funds received from natural resources are restricted to capital expenditures, while other funds are not.

Term deposits and mutual funds are held at the Royal Bank of Canada. Term deposits consist of three one-year cashable GICs at rates varying from 1.00-1.20% per annum, maturing between June 2014 and March 2015.

The stabilization fund is designed to hold any surplus monies remaining in the taxation fund at the end of the fiscal year as specified in the Expenditure By-law Annual Budget Schedule, and may be applied towards the operation and administration costs for the next fiscal year.

The capital contingency fund is designed to be used as designated by Chief and Council from time to time for extraordinary capital expenditures which benefit or service rate payers and requires an annual contribution of ten percent (10%) of the annual gross taxes.

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2014

3. Funds Held in Trust

As at March 31, 2014, funds were held for Penticton Indian Band as follows:

	2014	2013
Raymond J. Richardson, Barrister and Solicitor	\$ 275,400	\$ 275,400

Peace Hills Trust (Minors Trust) holds \$82,865 (2013 - \$104,235) on deposit in a Minors Trust fund for minor band members.

The Band holds \$35,396 (2013 - \$35,396) as a GIC in trust for Robert Bevis.

4. Accounts Receivable

	2014	2013
Operating Fund		
Aboriginal Affairs and Northern Development Canada	\$ 25,050	\$ 100,050
Other	898,948	562,863
Property taxes	264,009	275,014
Social Housing Fund		
Accounts receivable (Net of allowance of \$297,405)	57,210	152,480
Canada Mortgage and Housing Corporation	-	716,633
O.N.T.E.H. Fund	312	16,658
PIBDC Fund	15,946	-
Net accounts receivable	\$ 1,261,475	\$ 1,823,698

5. Loans Receivable from Band Members

	2014	2013
Members' loans receivable	\$ 141,050	\$ 122,387

Loans receivable from Band Members are non interest bearing, unsecured, and due on demand.

6. Accounts Payable and Accrued Liabilities

	2014	2013
Trade payables	\$ 1,958,948	\$ 1,595,729
Accrued liabilities	104,663	98,751
AANDC Funding Surplus	-	193,919
Accrued salaries and employee benefits payable	322,638	325,655
	\$ 2,386,249	\$ 2,214,054

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2014

7. Deferred Revenue

	2014	2013
Operating fund		
First Nations Education Steering Committee	\$ -	\$ 64,129
Other	<u>49,865</u>	<u>125,195</u>
	\$ 49,865	\$ 189,324

8. Collections for Other Governments

The Band collects taxation revenue on behalf of other entities for government services as follows:

	2014	2013
BC Assessment Authority	\$ 15,981	\$ 14,641
Regional District Okanagan-Similkameen	<u>45,520</u>	<u>193,435</u>
Hospital	<u>64,213</u>	<u>56,846</u>
Sewer	<u>38,992</u>	-
Library	<u>55,721</u>	48,153
Fire protection	<u>168,485</u>	-
	\$ 388,912	\$ 313,075

9. Property Taxes

	2014	2013
Gross property taxation revenue	\$ 973,005	\$ 978,349
Less: Home owner grants	<u>(282,315)</u>	<u>(289,762)</u>
Net property taxation revenue	\$ 690,690	\$ 688,587

10. Line of Credit

Penticton Indian Band Development Corporation has two lines of credit with Royal Bank of Canada (RBC). The first of these has a credit limit of \$500,000, an interest rate of 3.5% per annum and requires monthly payments of interest only. The second has a credit limit of \$300,000, an interest rate of 3.5% per annum and require monthly payments of interest only. The total outstanding amount for each line of credit is \$230,000 and \$205,000 respectively.

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2014

11. Tangible Capital Assets

	2014											
	Automotive Equipment	Buildings	Equipment	Land	Improvements	Roads	Water, Sewer, Drainage	Work in Process	Social Housing	ONTEH	PIBDC	Total
Cost, beginning of year	\$ 697,797	\$ 17,432,878	\$ 2,513,332	\$ 260,000	\$ 1,058,719	\$ 3,216,192	\$ 4,582,339	\$ 2,561,635	\$ 4,649,177	\$ 161,508	\$ 19,514	\$ 37,153,091
Additions	23,820	33,121	111,771	-	-	-	3,445,072	2,331,630	2,263,782	80,797	622	8,280,615
Disposals	(2,566)	-	-	-	-	-	-	-	(7,554)	-	-	(10,120)
Transfers from WIP	-	-	-	-	-	-	-	-	(2,241,088)	-	-	(2,241,088)
Cost, end of year	<u>719,051</u>	<u>17,465,999</u>	<u>2,625,103</u>	<u>260,000</u>	<u>1,058,719</u>	<u>3,216,192</u>	<u>8,027,411</u>	<u>2,652,177</u>	<u>6,912,959</u>	<u>234,751</u>	<u>20,136</u>	<u>43,192,498</u>
Accumulated amortization, beginning of year	602,170	7,063,994	1,947,414	-	917,207	2,081,449	1,867,173	-	1,555,333	99,059	14,062	16,147,861
Amortization	26,886	483,548	105,028	-	52,936	69,926	152,387	-	216,291	22,596	1,295	1,130,893
Disposals	(1,925)	-	-	-	-	-	-	-	(7,554)	-	-	(9,479)
Accumulated amortization, end of year	<u>627,131</u>	<u>7,547,542</u>	<u>2,052,442</u>	<u>-</u>	<u>970,143</u>	<u>2,151,375</u>	<u>2,019,560</u>	<u>-</u>	<u>1,771,624</u>	<u>114,101</u>	<u>15,357</u>	<u>17,269,275</u>
Net carrying amount, end of year	<u>\$ 91,920</u>	<u>\$ 9,918,457</u>	<u>\$ 572,661</u>	<u>\$ 260,000</u>	<u>\$ 88,576</u>	<u>\$ 1,064,817</u>	<u>\$ 6,007,951</u>	<u>\$ 2,652,177</u>	<u>\$ 5,141,335</u>	<u>\$ 120,650</u>	<u>\$ 4,779</u>	<u>\$ 25,923,223</u>

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2014

11. Tangible Capital Assets

	2013									
	Automotive Equipment	Buildings	Equipment	Land Improvements	Roads	Water, Sewer, Drainage	Work in Process	Social Housing	ONTEH	Total
Cost, beginning of year	\$ 663,895	\$ 17,346,661	\$ 2,438,768	\$ 260,000	\$ 1,050,494	\$ 3,216,192	\$ 4,540,513	\$ 384,476	\$ 4,649,177	\$ 108,935
Additions	33,902	86,217	74,564	-	8,225	-	41,826	2,177,159	-	52,573
Cost, end of year	<u>697,797</u>	<u>17,432,878</u>	<u>2,513,332</u>	<u>260,000</u>	<u>1,058,719</u>	<u>3,216,192</u>	<u>4,582,339</u>	<u>2,561,635</u>	<u>4,649,177</u>	<u>161,508</u>
Accumulated amortization, beginning of year	566,957	6,494,633	1,858,116	-	864,271	2,011,522	1,771,546	-	1,358,889	87,574
Amortization	35,213	569,361	89,298	-	52,936	69,927	95,627	-	196,444	11,485
Accumulated amortization, end of year	<u>602,170</u>	<u>7,063,994</u>	<u>1,947,414</u>	<u>-</u>	<u>917,207</u>	<u>2,081,449</u>	<u>1,867,173</u>	<u>-</u>	<u>1,555,333</u>	<u>99,059</u>
Net carrying amount, end of year	<u>\$ 95,627</u>	<u>\$ 10,368,884</u>	<u>\$ 565,918</u>	<u>\$ 260,000</u>	<u>\$ 141,512</u>	<u>\$ 1,134,743</u>	<u>\$ 2,715,166</u>	<u>\$ 2,561,635</u>	<u>\$ 3,093,844</u>	<u>\$ 62,449</u>
										<u>\$ 20,999,778</u>

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2014

12. Long-term Debt

	2014	2013
Operating Fund		
RBC loan - repayable at \$4,205 monthly, including interest at 3.5% per annum, due on demand, matured March 2014, loan was being renewed as at year end date.	\$ 490,920	\$ 523,568
Capital Fund		
RBC loan - repayable at \$1,951 monthly, including interest at 4.18% per annum, due on demand, maturing June 2016, secured by specific asset.	50,550	72,122
RBC loan - repayable at \$527 monthly, including interest at 3.5% per annum, due on demand, matured March 2014, loan was being renewed as at year end date.	22,957	28,369
RBC loan - repayable at \$3,905 monthly, including interest at prime plus 3.5% per annum, due on demand, matured March 2014, loan was being renewed as at year end date.	250,473	287,876
RBC loan - repayable at \$500 monthly, including interest at 4.95% per annum, due on demand, maturing June 2017, secured by specific asset.	27,214	31,743
RBC loan - repayable at \$565 monthly, including interest at 4.95% per annum, due on demand, maturing July 2017, secured by specific asset.	20,822	26,418
RBC loan - repayable at \$927 monthly, including interest at 4.25% per annum, due on demand, maturing March 2018, secured by specific asset.	40,826	50,000
RBC loan - accruing interest at Royal Bank prime rate plus 0.6% per annum, due on demand, maturing October 2014.	1,074,170	-
Social Housing Fund		
All Nations Trust mortgage - repayable at \$4,713 monthly, including interest at 1.81% per annum, maturing April 2014.	4,706	60,353
All Nations Trust mortgage - repayable at \$2,817 monthly, including interest at 2.57% per annum, maturing November 2019.	178,153	207,001
All Nations Trust mortgage - repayable at \$2,821 monthly, including interest at 2.65% per annum, maturing January 2020.	211,489	239,366
 Balance carried forward	 \$ 2,372,280	 \$ 1,526,816

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2014

12. Long-term Debt (continued)

Balance brought forward	\$ 2,372,280	\$ 1,526,816
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Social Housing Fund (continued)

All Nations Trust mortgage - repayable at \$1,473 monthly, including interest at 2.61% per annum, maturing June 2026.	185,232	197,914
All Nations Trust Company - repayable at \$2,553 monthly including interest at 2.40% per annum, maturing October 2025.	309,701	332,638
All Nations Trust Company - repayable at \$1,244 monthly including interest at 1.64% per annum, maturing December 2031.	229,811	240,882
All Nations Trust Company - repayable at \$2,552 monthly including interest at 1.65% per annum, maturing May 2028.	386,717	410,763
All Nations Trust Company - repayable at \$2,607 monthly including interest at 2.39% per annum, maturing Sept 2035.	520,214	538,886
All Nations Trust Company - repayable at \$7,914 monthly including interest at 2.14% per annum, maturing Oct 2038.	1,619,030	1,409,562

Penticton Indian Band Development Corporation

All Nations Trust Company - repayable at \$1,553 monthly including interest at 8.25% per annum, maturing Dec 2017.	52,092	-
	\$ 5,675,077	\$ 4,657,461

All Social Housing mortgages are secured by a ministerial guarantee from AANDC.

Principal repayments on long-term debt for the next five years and thereafter are estimated as follows, assuming mortgages are renewed on similar terms:

2015	\$ 2,203,605
2016	227,121
2017	233,503
2018	224,539
2019	226,303
Thereafter	2,560,006
	\$ 5,675,077

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2014

13. Housing Reserves

	2014	2013
Replacement reserve	\$ 401,419	\$ 365,310
Operating reserve	<u>689,892</u>	<u>645,162</u>
	<u>\$ 1,091,311</u>	<u>\$ 1,010,472</u>

Under the terms of the agreement with CMHC, the Replacement Reserve account is to be credited in the amount of \$50,399 annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the CDIC or as may otherwise be approved by CMHC. Withdrawals are credited to interest first and then principal.

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Operating Reserve account is to be credited with any surplus amount in phase 6 to 14, based on the minimum rent calculation.

14. Federal Assistance Payments

The Social Housing Fund receives federal assistance through CMHC, pursuant to Section 56.1 of the National Housing Act, to reduce mortgage interest expense to 2% to enable the project to provide housing to low income individuals. The amount of the assistance received for the year ended March 31, 2014 was \$211,337 (2013 - \$177,119).

15. Related Party Transactions

During the year, transactions with business entities which the Band owns and controls, and that are not disclosed separately in these financial statements are as follows:

- (a) Contribution of \$795,349 (2013 - \$675,149) made to Penticton Indian Band Development Corporation Ltd.;
- (b) Royalties revenue of \$320,621 (2013 - \$202,416), as well as a distribution of profit of \$150,000 (2013 - \$200,000) received from Westhills Aggregates Limited Partnership;
- (c) Sales of \$195,386 (2013 - \$150,055) from Westhills Aggregates Limited Partnership; and
- (d) Contribution of \$534,800 (2013 - \$533,187) made to ONTEH.

These transactions are in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties. The transactions not in the normal course of operations are recorded at the carrying amount.

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2014

16. Contingencies

The Band has sued the Canadian Pacific Railway (CPR) and Canada for the return of land to reserve status that was taken from the Reserve for railway purposes and have now ceased to be used for that purpose. The Band is actively negotiating a settlement that would see most of the lands returned to the Band's Reserve.

The Band commenced legal action against some of its members claiming that these members are in trespass because of their claiming rights to several parcels of general Band lands.

AANDC has provided ministerial loan guarantees to various financial institutions for certain loans to the Band and individual band members. The Band is contingently liable for these loans and has provided repayment agreements to AANDC in the event of default.

The Band has guaranteed bank loans of Westhills Aggregates Limited Partnership in the amount of \$1,000,000 and has also provided a general security agreement and postponement of debt for this amount.

The Band has guaranteed an operating line of credit on behalf of Coyote Cruises Limited Partnership in the amount of \$50,000 and has also provided a general security agreement and postponement of debt for this amount.

17. Economic Dependence

Penticton Indian Band receives a major portion of its revenues pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada (AANDC).

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2014

18. Band Owned Entities

				2014	2013	
	Skaha Hills	Westhills Aggregates	Snpinktn Forestry	Coyote Cruises	Other	Total
Assets						
Current	\$ 380,447	\$ 3,769,776	\$ 914,100	\$ 8,578	\$ 1,302	\$ 3,304,896
Non-current	6,375	2,014,318	550,316	103,762	-	2,674,771
	\$ 386,822	\$ 5,784,094	\$ 1,464,416	\$ 112,340	\$ 1,302	\$ 7,748,974
Liabilities						
Current	\$ 45,647	\$ 116,700	\$ 69,028	\$ 23,875	\$ 12,786	\$ 268,036
Non-current	-	-	496,687	30,630	407,181	934,498
	45,647	116,700	565,715	54,505	419,967	1,202,534
Equity (deficit)	341,175	5,667,394	898,701	57,835	(418,665)	6,546,440
	\$ 386,822	\$ 5,784,094	\$ 1,464,416	\$ 112,340	\$ 1,302	\$ 7,748,974
Revenue	\$ -	\$ 4,049,474	\$ 4,800,592	\$ 265,039	\$ -	\$ 9,115,105
Expenditures	58,825	3,359,365	4,194,140	299,085	14,504	7,925,919
	\$ (58,825)	\$ 690,109	\$ 606,452	\$ (34,046)	\$ (14,504)	\$ 1,189,186
						\$ 195,055

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2014

20. Budget

The Budget Band Council Resolution adopted by Council on September 24, 2013 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Budget adopted by Council on September 24, 2013 with adjustments as follows:

	2014
Budget Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	4,312,828
Admin expense	-
Less:	
Budgeted transfers from accumulated surplus	<u>(3,752,216)</u>
Budget surplus per statement of operations	<u>\$ 560,612</u>

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2014

21. Statement of Expenditures by Object

	2014	2013
Administration	\$ 24,883	\$ -
Advertising and promotion	209,450	4,676
Amortization	1,130,893	1,120,291
Bad debts	132,735	268,458
Bank charges	45,362	4,930
Contract services	1,282,357	1,030,388
Contribution to Penticton Indian Band Development Corporation Ltd.	-	675,149
Direct social assistance	915,917	902,098
Honoraria	128,478	141,094
Insurance	96,035	47,788
Interest on long-term debt	109,557	89,662
Loan and lease payments	35,941	29,037
Local education agreement	1,128,705	1,118,975
Materials, supplies and services	421,746	526,637
Office	224,677	158,288
Professional fees	1,812,848	511,972
Rental of facilities and equipment	5,511	8,435
Repairs and maintenance	132,763	115,551
Salaries and benefits	4,101,515	4,017,561
Student allowance	215,023	223,958
Telephone and utilities	220,617	196,115
Travel and meetings	309,903	277,505
Tuition	152,339	148,151
Vehicle	103,271	76,450
Workshops, seminars and training	150,675	123,162
Total expenditure for the year	\$ 13,091,201	\$ 11,816,331