

LAKE BABINE NATION

FINANCIAL STATEMENTS

MARCH 31, 2014

LAKE BABINE NATION

FINANCIAL STATEMENTS

MARCH 31, 2014

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LAKE BABINE NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2014

The accompanying financial statements of Lake Babine Nation for the year ended March 31, 2014 are the responsibility of management. The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting standards 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 judgement of management.

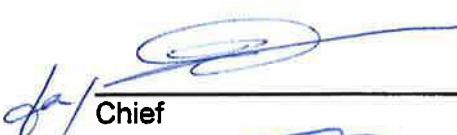
Management is also responsible for implementing and maintaining a system of internal controls designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss and financial records are properly maintained to provide reliable information for the preparation of financial statements.

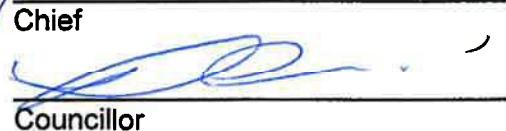
Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The financial statements have been reviewed and approved by Chief and Council.

The Chief and Council review the Nation's financial statements and recommend their approval. 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 annual report, the financial statements and the external auditor's report. (The Chief and Council take this information into consideration when approving the financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.)

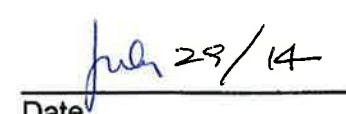
Dean Mason & Company Inc., an independent firm of Chartered Accountants, conduct an independent examination in accordance with Canadian generally accepted auditing standards and express their opinion on the financial statements. The external auditors have full and free access to financial management of Lake Babine Nation and meet when required.

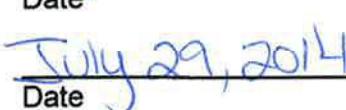
On behalf of Lake Babine Nation:



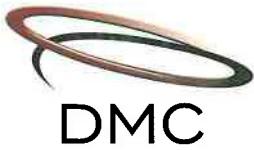
Chief


Councillor



Date: July 29/14


Date: July 29, 2014



Independent Auditor's Report

To the Members of
Lake Babine Nation

We have audited the accompanying financial statements of Lake Babine Nation, which comprise the statement of financial position as at March 31, 2014, and the statements of revenue, expenditures and accumulated surplus, change in net 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's 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 First Nation'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 First Nation'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 qualified audit opinion.

Basis for Qualified Opinion

The activity of Burns Lake Native Development Corporation (BLNDC) has been included in the financial statements on a modified equity basis as described in Note 1. The accountants of BLNDC gave a qualified report on the review engagement done for the June 30, 2013 financial statements. As a result, we are not able to determine whether any adjustments might be necessary to the Investment in BLNDC, other income or ending surplus on Schedule 875 Equity in First Nations. (Please see Note 6 for details on the BLNDC qualification)

Qualified Opinion

Except as noted in the above paragraph, in our opinion, the financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2014 and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Prince George, British Columbia
July 28, 2014

Dean Mason & Company Inc.
CHARTERED ACCOUNTANTS

LAKE BABINE NATION

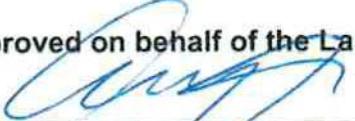
STATEMENT OF FINANCIAL POSITION

MARCH 31, 2014

	2014	2013
FINANCIAL ASSETS		
Cash (Note 3)	\$ 285,390	\$ 536,302
Short term deposits (Note 3)	416,248	913,636
Restricted cash (Note 4)	36,452	36,372
Accounts receivable (Note 5)	2,269,603	1,056,618
Loans receivables (Note 6)	95,872	112,035
Due from government agencies (Note 7)	163,581	122,420
Inventory held for sale (Note 8)	16,536	13,505
Portfolio Investments	-	48,746
Investment in First Nation Entities (Note 9)	4,480,109	4,775,517
Trust Funds (Note 11)	924,468	893,231
	8,688,259	8,508,382
LIABILITIES		
Bank indebtedness (Note 12)	400,756	6,828
Accounts payable and accrued liabilities (Note 13)	1,396,006	1,929,745
Due to government agencies (Note 14)	80,811	78,314
Deferred revenue (Note 15)	898,811	218,487
Long-term debt (Note 16)	10,096,236	10,148,793
Replacement reserves (Note 17)	1,127,985	1,365,115
	14,000,605	13,747,282
NET DEBT	(5,312,346)	(5,238,900)
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 18)	21,940,313	22,787,608
Prepaid expenses	38,271	66,171
	21,978,584	22,853,779
ACCUMULATED SURPLUS (Note 19)	\$16,666,238	\$17,614,879

Contingent Liabilities (Note 20)
Subsequent events (Note 22)

Approved on behalf of the Lake Babine Nation


, Chief


, Councillor

See accompanying notes to these financial statements.

LAKE BABINE NATION
STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2014

	2014 Budget	2014 Actual	2013 Actual
DEFICIENCY OF REVENUE OVER EXPENDITURES	\$ (2,231,737)	\$ (1,001,608)	\$ (2,775,094)
Acquisition of tangible capital assets	(417,543)	(861,752)	(1,661,210)
Amortization of tangible capital assets	-	1,709,047	1,772,141
	1,282,903	847,295	110,931
Acquisition of prepaid asset	(37,522)	(37,522)	15,489
Use of prepaid asset	65,422	65,422	108,522
	27,900	27,900	124,011
Loan Proceeds Repayable	(752,400)	(752,400)	(752,400)
Transfer of tangible capital assets to balance sheet	1,599,888	805,367	1,661,213
	847,488	52,967	908,813
Decrease in net financial assets	(73,446)	(73,446)	(1,631,339)
NET DEBT AT BEGINNING OF YEAR	(5,238,900)	(5,238,900)	(3,607,561)
NET DEBT AT END OF YEAR	\$ (5,312,346)	\$ (5,312,346)	\$ (5,238,900)

See accompanying notes to these financial statements.

LAKE BABINE NATION**STATEMENT OF REVENUE, EXPENDITURES AND ACCUMULATED SURPLUS****FOR THE YEAR ENDED MARCH 31, 2014**

	2014 Budget	2014 Actual	2013 Actual
REVENUE			
Federal government transfers (Note 23)	\$10,263,705	\$14,000,270	\$15,626,017
Provincial government transfers (Note 23)	2,261,623	2,547,381	2,592,148
Administration fee	1,338,612	-	-
Band Generated	6,384,347	4,247,814	5,844,585
Interest income	3,600	40,278	38,696
Miscellaneous	405,000	1,579,007	301,090
Other Aboriginal Groups	133,000	456,385	494,742
Transfer from deferred revenue	-	20,000	20,000
Transfer to deferred revenue	-	(700,323)	-
	20,789,887	22,190,812	24,917,278

See accompanying notes to these financial statements.

LAKE BABINE NATION

STATEMENT OF REVENUE, EXPENDITURES AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2014

	2014 Actual	2013 Actual
EXPENDITURES		
Operations	1,422,907	2,636,321
Education	5,206,456	5,548,897
Economic Development	5,158,367	4,084,762
Social Housing	1,562,014	1,372,417
Health Services	3,354,726	2,933,796
Social Assistance	2,695,751	2,106,912
Capital	840,336	2,635,803
Operations & Maintenance	1,113,277	1,095,869
Fisheries	659,773	1,449,794
Treaty Negotiations	1,008,017	881,366
	23,021,624	22,723,842
RECOVERY	-	(85,826)
REPLACEMENT RESERVE	-	(94,711)
DEFICIENCY OF REVENUE OVER EXPENDITURES BEFORE OTHER ITEMS	(2,231,737)	(627,739)
OTHER ITEMS		
Bad debts- Housing	-	(243,106)
Loss in First Nation Entities	-	(334,530)
Extinguished Replacement Reserve Requirement	-	323,317
Wages - Severance	-	(1,712)
Loss due to theft	-	(69,092)
Loss/(Gain) on investment	-	(48,746)
	-	(373,869)
DEFICIENCY OF REVENUE OVER EXPENDITURES	(2,231,737)	(1,001,608)
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	-	17,614,879
CAPITALIZATION OF TANGIBLE CAPITAL ASSETS	-	805,367
TREATY LOAN	-	(752,400)
ACCUMULATED SURPLUS AT END OF YEAR	\$ (2,231,737)	\$ 16,666,238
		\$ 17,614,879

See accompanying notes to these financial statements.

LAKE BABINE NATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
Cash flows from OPERATING ACTIVITIES		
DEFICIENCY OF REVENUE OVER EXPENDITURES	\$ (1,001,608)	\$ (2,775,094)
Items not affecting cash		
Amortization	1,709,047	1,772,141
Replacement Reserve	(228,606)	(166,666)
Loan proceeds repayable	(752,400)	(752,400)
Capitalization of tangible capital assets	805,367	1,661,213
Write off of other investments	48,746	-
Adjustment for amortization	3,621	-
	584,167	(260,806)
Change in non-cash operating working capital (Note 27.)	(1,080,202)	764,780
	(496,035)	503,974
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(865,367)	(1,661,213)
FINANCING ACTIVITIES		
Proceeds on long term debt	752,400	752,400
Repayment of long term debt	(804,956)	(891,616)
Change in short term financing (net)	393,928	(11,205)
Proceeds from repayment of band member receivables	16,163	4,614
	357,535	(145,807)
INVESTING ACTIVITIES		
Investment in First Nation Controlled Entities	295,408	2,018,343
Replacement reserve	(8,524)	(27,172)
Proceeds from Ottawa Trust Funds	(31,237)	(26,152)
	255,647	1,965,019
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(748,220)	661,973
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,486,310	824,337
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 738,090	\$ 1,486,310
REPRESENTED BY		
Cash	\$ 285,390	\$ 536,302
Short term deposits	416,248	913,636
Restricted cash	36,452	36,372
	\$ 738,090	\$ 1,486,310

See accompanying notes to these financial statements.

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

DESCRIPTION OF OPERATIONS

Lake Babine Nation is a self-governed First Nation Band and operates on Lake Babine Nation traditional territory, located at Burns Lake, BC and area.

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Reporting entity principles of financial reporting

These financial statements report only on the activities of the Lake Babine Nation.

The First Nation reporting entity includes the First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

The First Nation also prepares Financial Statements that summarize the assets, liabilities and results of operations for the following entities:

1. Lake Babine Nation Operating Fund
2. Lake Babine Nation Negotiation Funding Agreements
3. Lake Babine Nation Health Services Fund
4. Lake Babine Nation Fisheries Fund
5. Lake Babine Nation Social Housing Fund

All inter-entity balances have been eliminated, but in order to present the results of operations for each specific fund, transactions amongst funds have not been eliminated on the individual schedules.

These financial statements account for the activities of Burns Lake Native Development Corporation and Lake Babine Economic Development Society, as government business enterprises as defined in the Public Sector Accounting Handbook, using the modified equity method.

(b) Fund accounting

The First Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual, or voluntary actions. The various funds have been amalgamated for the purposes of presentation in the Summary Financial Statements. Detail of the operations of each fund are set out in the supplementary schedules. The First Nation maintains the following funds:

- The Operating Fund which reports the general activities of the First Nation including administration, education, social assistance, operation and maintenance, and other miscellaneous programs.
- The Negotiation Funding Agreements which reports the activities of the BC Treaty Program.
- The Social Housing Fund which reports on the housing assets, rental income and other related activities.
- The Health Services Fund which reports the activities related to the Nation's health programs.
- The Capital Fund which reports the capital assets of the First Nation and their related activities.
- The Fisheries Fund which reports on the activities of the First Nations fishery programs.

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments

The entity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The entity subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash (restricted and unrestricted), accounts receivable, advances from related parties, portfolio investments and trust funds.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, reserves, advances to related parties and long term debt.

Fair value is determined by the price that is quoted in an active market. The most recent quote price becomes its new carrying value. When a quoted price in an active market is not available for an equity instrument that is a portfolio investment, it is measured at cost.

The Nation does not currently have any financial instruments that are measured at fair value.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

(e) Inventories for resale

Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value based on weighted average cost method.

(f) 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.

(g) Loans receivable

Loans receivable are stated at the lower of cost and management's best estimate of net recoverable value. Valuation allowances, which are not required to reduce loans receivable, are based on past events, current conditions and all circumstances known at the date of the preparation of the financial statements. Interest revenue is recognized when earned. Interest revenue is not accrued when the collectability of either principle or interest is not reasonably assured.

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Investments

Investments in Burns Lake Native Development Corporation are accounted for on a modified equity basis.

Investments in Lake Babine Economic Development Society are accounted for on a modified equity basis.

Investments in affiliated First Nation Entity (Woyenne Enterprises Ltd.) are recorded at cost.

Investments in Talok Fisheries Ltd. are accounted for on a modified equity basis.

(i) Trust funds

Trust funds are included as revenue in these statements only to the extent they have been received from the First Nation's trust funds. The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

(j) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets, except for reserve lands, natural resources and cultural resources which are not recorded. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Amortization is provided on the straight-line basis over the estimated useful life of the asset as follows

Buildings and infrastructure	4%
Automotive equipment	30%
Computer equipment	30%
Equipment	20%
Fisheries equipment	20%
Water and sewer	5%
Roads and bridges	5%

Social Housing assets acquired under Canada Mortgage and Housing Corporation ("CMHC") sponsored housing programs are amortized at a rate equivalent to the annual principal reduction in related long-term debt, as required for CMHC reporting purposes, and is recorded as a charge against social housing operations

(k) Impairment of long-lived asset

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as excess of the carrying value of the asset over its fair value.

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Surplus recoveries and deficit funding

Under the terms of funding arrangements, remaining surpluses of certain programs may be recovered by the funding agency, and remaining deficits may be funded by the funding agency.

(m) Replacement reserve

The Replacement Reserve is funded by an annual charge against earnings as opposed to an appropriation of surplus. The funds in this account may only be used as approved by Canada Mortgage and Housing Corporation (CMHC).

(n) Revenue recognition

Revenue and funding are recognized as follows:

- i) Government funding is recognized as revenue when it becomes available under the terms of the applicable funding agreements. Funding received under the funding agreements relating to a subsequent period is reflected as deferred revenue in the year of receipt.
- ii) Logging revenue is recognized upon delivery of logs to mill.
- iii) Housing revenue is recognized based on lower end of market (LEM) rent for CMHC subsidized housing and based on collected receipts for non-subsidized houses. Rents not collected are written off to bad debts.
- iv) Income from investments is recorded on the accrual basis.
- v) Government transfers are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met and reasonable estimates of the amount can be made.

(o) Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or to 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 assets, prepaid expenses and inventory of supplies.

(p) Net Financial Assets

The Nation's financial statements are presented so as to highlight net financial asset as the measurement of financial position. The net debt of the Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

(q) Use of 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 disclosures 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 specifically affected by estimates in these financial statements are allowance for doubtful accounts and accounts receivable impairment. Actual results could differ from those estimates.

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2. CHANGES IN ACCOUNTING POLICIES

Government Transfers

The First Nation adopted Public Sector Accounting Board Standard PS 3410 Government Transfers as described in Note 1(o). The adoption of the accounting policy has been applied retrospectively, for comparative purposes, and does not materially affect the prior or future years financial statements.

3. CASH AND CASH EQUIVALENTS

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Lake Babine Nation 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 with any interest earned to be credited as revenue to the Replacement and Subsidy Fund. Cash and cash equivalents is comprised of the following:

	2014	2013
Externally restricted		
Replacement and Subsidy fund	\$ 36,452	\$ 36,372
Internally restricted		
Guaranteed Investment Certificate - bearing interest at 0.8% per annum, maturing January 19, 2015	187,414	686,693
Guaranteed Investment Certificate - bearing interest at 0.8% per annum, maturing May 18, 2014	228,834	226,943
	416,248	913,636
Unrestricted		
Operating	75,156	436,639
Social Development	-	29,432
Health	-	1,868
Social Housing	74,015	62,058
Treaty Negotiation	136,219	6,305
	285,390	536,302
Total cash and cash equivalents	\$ 738,090	\$ 1,486,310

Subsequent to year end, the Guaranteed Investment Certificate maturing May 18, 2014 has been rolled into a new Guaranteed Investment Certificate maturing in 2015.

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

4. RESTRICTED CASH

Restricted cash balance comprise funds held in a separate bank account which will be used for repairs and maintenance on the Nation owned housing. These funds are restricted as a requirement by the Canadian Mortgage and Housing Corporation (CMHC) and should match to the replacement reserve requirement.

	2014	2013
Restricted Cash - CMHC replacement reserve	<u>\$ 36,452</u>	<u>\$ 36,372</u>

As of March 31, 2014, the restricted cash has been underfunded by \$1,091,667 (2013 - \$1,328,796)

5. ACCOUNTS RECEIVABLE

	2014	2013
Due from funders		
Aboriginal Affairs and Northern Development Canada	\$ 960,694	\$ 483,481
Department of Fisheries and Oceans	122,442	3,600
Canada Mortgage and Housing Corporation	22,007	21,535
First Nation Funding agencies	822,887	498,252
	<u>1,928,030</u>	<u>1,006,868</u>
Due from members		
Rent receivable	1,879,532	1,350,143
Due from others		
Miscellaneous	13,704	15,829
Travel reimbursements	8,822	1,156
	<u>22,526</u>	<u>16,985</u>
Allowance for doubtful accounts - rent receivable	<u>3,830,088</u> <u>(1,560,485)</u>	<u>2,373,996</u> <u>(1,317,378)</u>
	<u><u>\$ 2,269,603</u></u>	<u><u>\$ 1,056,618</u></u>

Amounts due from Nation members (including rent receivable) shown above are unsecured and non-interest bearing.

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

6. LOANS RECEIVABLE

Loans receivable consists of band member loans and payroll advances, these amounts are unsecured and non-interest bearing.

	2014	2013
Payroll advances	\$ 21,028	\$ 16,959
Member loans	<u>74,844</u>	<u>95,076</u>
	<u>\$ 95,872</u>	<u>\$ 112,035</u>

7. DUE FROM GOVERNMENT AGENCIES

	2014	2013
Operations fund - GST rebate	\$ 141,025	\$ 107,630
Health Services fund - GST rebate	14,364	9,067
Social Housing fund - GST rebate	2,366	982
Treaty Negotiation fund - GST rebate	4,923	3,910
Social Development fund - GST rebate	903	831
	<u>\$ 163,581</u>	<u>\$ 122,420</u>

Amounts receivable from the government are for GST rebates, these amounts are for GST paid on travel and amounts charged on items delivered to the First Nation reserve. The First Nation is two years behind on filing of rebate for the GST receivable.

8. INVENTORY HELD FOR RESALE

Inventories held for resale are classified as follows:

	2014	2013
Confectionary	\$ 3,204	\$ 8,025
Fuel and oil	11,110	2,964
Cigarettes and tobacco	2,222	2,516
	<u>\$ 16,536</u>	<u>\$ 13,505</u>

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

9. INVESTMENT IN FIRST NATION ENTITIES

	2014	2013
Burns Lake Native Development Corporation (62.87%)		
BLNDC shares, at cost	\$ 63	\$ 63
BLNDC share of net assets	<u>3,907,657</u>	<u>4,399,767</u>
	<u>3,907,720</u>	<u>4,399,830</u>
Lake Babine Economic Development Society (100%)		
Advances to Lake Babine Economic Development Society	661,028	621,906
Lake Babine Economic Development Society, deficiency in net assets	<u>(188,195)</u>	<u>(246,221)</u>
	<u>472,833</u>	<u>375,685</u>
Woyenne Enterprises Ltd., at cost (100%)	<u>2</u>	<u>2</u>
Talok Fisheries Ltd. (100%)		
Shares at cost (100%)	1	-
TFL share of net assets	<u>99,554</u>	<u>-</u>
Advances from Talok Fisheries Ltd	<u>(1)</u>	<u>-</u>
	<u>99,554</u>	<u>-</u>
	<u>\$ 4,480,109</u>	<u>\$ 4,775,517</u>

Lake Babine Nation holds a 62.87% share ownership interest in Burns Lake Native Development Corporation ("BLNDC"), which in turn holds a 100% interest in Dz'ilh K'az Kwa Development Corporation ("DKKA"), and in Burns Lake Native Logging Ltd. ("BLNL"). DKKA in turn owns 100% of the issued shares of Burns Lake Speciality Wood Ltd. and BLNDC also holds a 15% interest in Babine Forest Products Limited, both accounted for by the cost method. The investment in BLNDC and Woyenne Enterprises Ltd. (an inactive company) is as detailed above.

Lake Babine Economic Development Society is an agent to Lake Babine Nation due to the fact that Chief and Council of Lake Babine Nation still holds significant decision making power within the Society. Therefore, the Society has been accounted for on a modified equity basis as described in Note 1.

Lake Babine Nation holds 1,200 Class "A" Common shares of Talok Fisheries Ltd., which represents a 100% ownership interest.

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

10. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

	Burns Lake Native Development Corporation June 30, 2013	Lake Babine Economic Development Society March 31, 2014	Talok Fisheries Corporation March 31, 2014
Cash	\$ 199,567	\$ 54,950	\$ 322,779
Accounts receivable	87,243	120,544	31,760
Inventory	-	52,667	-
Due to / from funds	255,507	-	-
Prepaid expenses	10,047	-	-
Long term investments	5,853,770	-	-
Tangible capital assets	83,892	295,654	-
Due from related parties	48,466	-	-
Total assets	\$ 6,538,492	\$ 523,815	\$ 354,539
Accounts payable	\$ 67,428	\$ 27,798	\$ 96,744
Due to / from funds	255,507	-	-
Loan payable	-	-	135,000
Income taxes payable	-	-	15,760
Due to government agencies	-	28,428	-
Due to related parties	-	680,873	7,480
Total liabilities	322,935	737,099	254,984
Equity	6,215,557	(213,284)	99,555
Total liabilities and equity	\$ 6,538,492	\$ 523,815	\$ 354,539

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

10. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES, continued

	Burns Lake Native Development Corporation	Lake Babine Economic Development Society	Talok Fisheries Corporation
		March 31, 2014	March 31, 2014
Revenue	\$ 244,821	\$ 3,771,439	\$ 307,438
Cost of Goods Sold	-	3,485,759	-
Expenses	509,196	179,375	192,124
Other charges	518,291	-	-
Income taxes - current	-	-	15,760
 Total expenses	 1,027,487	 3,665,134	 207,884
 Net income	 \$ (782,666)	 \$ 106,305	 \$ 99,554

Burns Lake Native Development Corporation qualification:

The Company has made significant advances to its wholly-owned subsidiary, Burns Lake Native Logging Ltd (BLNL). The review engagement report on BNLN's financial statements for the year ended May 31, 2013 was qualified because the accountants were not able to satisfy themselves on the value of the company's investment in and advances to its wholly-owned subsidiary. Any impairment in the value of those assets could impact BNLN's ability to repay the advance from the Company. As a result of the above, we were unable to determine whether adjustments were required in respect of investments and advances, other income (charges), excess revenue (expenses) for the year, and fund balances at end of year.

Related Party Transaction

Transactions with related parties, if any, are in the normal course of business, and are for fair consideration that is mutually agreed upon by the related parties.

	2014	2013
Payroll expense - Lake Babine Economic Development Society	\$ 233,278	\$ 294,756
Management fee revenue - Talok Fisheries Ltd	7,350	-
 \$ 240,628	 \$ 294,756	

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

11. TRUST FUNDS

The Ottawa Trust Accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

	2014	2013
Capital funds held in trust	\$ 398,686	\$ 398,686
Revenue funds held in trust	\$ 525,782	\$ 494,545
	<hr/> \$ 924,468	<hr/> \$ 893,231

	2014 Revenue	2014 Capital	2014 Total	2013 Total
Surplus, beginning of year	\$ 494,545	\$ 398,686	\$ 893,231	\$ 893,231
Interest earnings	\$ 31,237	-	\$ 31,237	-
Surplus, end of year	<hr/> \$ 525,782	<hr/> \$ 398,686	<hr/> \$ 924,468	<hr/> \$ 893,231

12. BANK INDEBTEDNESS

Bank indebtedness consists of an operating line of credit authorized to \$150,000 bearing interest at prime plus 3.5% per annum, and is unsecured.

	2014	2013
Cheques in excess of cash	\$ 370,756	\$ 6,828
RBC Line of Credit	\$ 30,000	-
	<hr/> \$ 400,756	<hr/> \$ 6,828

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013
Trades accounts payable	\$ 851,231	\$ 787,472
Payroll and benefits	\$ 373,096	\$ 397,911
Accrued payables	\$ 171,682	\$ 744,362
	<hr/> \$ 1,396,009	<hr/> \$ 1,929,745

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

14. DUE TO GOVERNMENT AGENCIES

	2014	2013
Forestry - GST collected on sales	\$ 219,705	\$ 188,673
Forestry - GST paid on purchases	(138,894)	(110,359)
	\$ 80,811	\$ 78,314

The First Nation has forestry activity in which it is required to collect and pay GST on sales and purchases. The First Nation is up to date on all filings for GST for the forestry department.

15. DEFERRED REVENUE

	March 31, 2013	Funding received, 2014	Revenue recognized, 2014	March 31, 2014
Aboriginal Affairs and Northern Development Canada (AANDC)				
Tachet Water (CPMS 7047)	\$ 33,898	\$ -	\$ -	\$ 33,898
Drainage System Capacity Building (CPMS 9309)	29,457	-	-	29,457
<u>NORHA Funding (CPMS 7367)</u>	<u>155,132</u>	<u>-</u>	<u>(20,000)</u>	<u>135,132</u>
	218,487	-	(20,000)	198,487
Other				
Insurance claim (Fort Babine Gym (CPMS#1458)	-	700,324	-	700,324
	\$ 218,487	\$ 700,324	\$ (20,000)	\$ 898,811

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

16. LONG-TERM DEBT

	2014	2013
Lake Babine Nation has signed promissory notes and First Nation Negotiation Support Agreements totaling \$9,427,628 as at March 31, 2014., representing advances made by Canada for negotiations. Repayment provisions for these loans are outlined in Sections 13.0 and 14.0 of the First Nation Negotiation Support Agreement.	\$ 9,427,628	\$ 8,675,228
Mortgage bearing interest at 3.29% per annum, repayable in monthly payments of \$12,376 including interest. The loan is secured by specific property with a net book value of \$351,941. The loan matures on May 01, 2016.	351,941	476,221
Woyenne School-Term loan bearing interest at prime plus 3.05% per annum, repayable in monthly payments of \$2,819 including interest. The loan is secured by specific equipment. The loan matures on October 22, 2018.	135,101	159,889
Mortgage bearing interest at 2.02% per annum, repayable in monthly payments of \$25,162 including interest. The loan is secured by specific property with a net book value of \$367,892. The loan matures on June 01, 2014.	74,754	367,892
Comprehensive claims loan bearing no interest, repayable on demand.	50,000	50,000
Mortgage bearing interest at 3.02% per annum, repayable in monthly payments of \$3,490 including interest. The loan is secured by specific property with a net book value of \$31,057. The loan matures on December 01, 2014.	31,057	71,335
Mortgage bearing interest at 4.54% per annum, repayable in monthly payments of \$12,835 including interest. The loan is secured by specific property with a net book value of \$12,787. The loan matures on April 01, 2014.	12,787	162,560
Term loan bearing interest at prime plus 3.05% per annum, repayable in monthly payments of \$522 including interest. The loan is secured by specific equipment. The loan matures on October 21, 2014.	8,979	14,521
Term loan bearing interest at 7.99% per annum, repayable in monthly payments of \$739 including interest. The loan is secured by specific equipment. The loan matures on March 19, 2014.	10	8,500
Mortgage	-	141,852
Loan	-	9,286
	<u>\$ 10,096,236</u>	<u>\$ 10,148,793</u>

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

16. LONG-TERM DEBT, continued

All of the above residential mortgages are secured by ministerial guarantees provided by Aboriginal Affairs and Northern Development Canada.

Principal portion of long-term debt due within the next five years:

2015	\$ 283,179
2016	163,926
2017	120,812
2018	31,661
2019 and thereafter	9,496,658
	<hr/>
	\$ 10,096,236
	<hr/>

	2014	2013
Interest expense for the year on long-term debt	\$ 34,082	\$ 85,849

17. REPLACEMENT RESERVE

Under the terms of an agreement with Canada Mortgage and Housing Corporation (CMHC), the Nation is required to make annual deposits of at least \$94,711 to a separate replacement reserve to cover the cost of replacing certain items contained in the rental housing projects financed by CMHC. 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 Canada Deposit Insurance Corporation or as otherwise may be approved by CMHC.

	2014	2013
Balance, beginning of year	\$ 1,365,115	\$ 1,558,953
Contributions, required during the year	94,711	104,456
Withdrawals	(8,524)	(27,172)
Extinguished Replacement Reserve Requirement	(323,317)	(271,122)
	<hr/>	
	\$ 1,127,985	\$ 1,365,115
	<hr/>	

As of March 31, 2014, the restricted cash has been underfunded by \$1,091,667 (2013 - \$1,328,796)

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

18. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization				
	Balance, beginning of year	Additions	Balance, end of year	beginning of year	Amortization	Balance, end of year
Land	\$ 4,683,539	\$ 60,000	\$ 4,743,539	\$ -	\$ -	\$ 4,743,539
Buildings and infrastructure	\$ 40,369,213	\$ 381,478	\$ 40,750,691	\$ 31,732,431	\$ 1,083,482	\$ 32,815,913
Automotive equipment	1,106,380	52,218	1,158,598	921,986	60,621	982,607
Computer equipment	531,991	-	531,991	431,393	27,453	458,846
Equipment	2,280,154	95,215	2,375,369	1,756,884	79,725	1,836,609
Fisheries equipment	610,156	-	610,156	335,363	39,524	374,887
Water and sewer	11,029,496	252,744	11,282,240	3,992,777	353,295	4,346,072
Roads and bridges	3,837,145	23,712	3,860,857	2,489,632	68,561	2,558,193
						1,302,664
	\$ 64,448,074	\$ 865,367	\$ 65,313,441	\$ 41,660,466	\$ 1,712,661	\$ 43,373,127
						\$ 21,940,314
	Cost	Accumulated amortization				
	Balance, beginning of year	Additions	Balance, end of year	beginning of year	Amortization	Balance, end of year
Land	\$ 4,683,539	\$ -	\$ 4,683,539	\$ -	\$ -	\$ -
Buildings and infrastructure	\$ 40,369,213	\$ -	\$ 40,369,213	\$ 30,607,308	\$ 1,125,123	\$ 31,732,431
Automotive equipment	1,096,780	\$ 9,600	\$ 1,106,380	\$ 845,016	\$ 76,970	\$ 921,986
Computer equipment	526,155	\$ 5,836	\$ 531,991	\$ 394,343	\$ 37,050	\$ 431,393
Equipment	2,259,951	\$ 20,203	\$ 2,280,154	\$ 1,627,227	\$ 129,657	\$ 1,756,884
Fisheries equipment	585,723	\$ 24,433	\$ 610,156	\$ 289,026	\$ 46,337	\$ 335,363
Water and sewer	9,428,354	\$ 1,601,142	\$ 11,029,496	\$ 3,706,694	\$ 286,083	\$ 3,992,777
Roads and bridges	3,837,145	-	3,837,145	\$ 2,418,710	\$ 70,922	\$ 2,489,632
						1,347,513
	\$ 62,786,860	\$ 1,661,214	\$ 64,448,074	\$ 39,888,324	\$ 1,772,142	\$ 41,660,466
						\$ 22,787,608

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

19. ACCUMULATED SURPLUS

	2014	2013
Restricted		
Equity in Investments in First Nation Entities	\$ 3,761,053	\$ 4,153,609
Equity in Ottawa Trust Funds	<u>1,299,273</u>	<u>1,268,035</u>
	5,060,326	5,421,644
Unrestricted		
Operating equity	<u>11,996,923</u>	12,193,235
	\$ 17,057,249	\$ 17,614,879

20. CONTINGENT LIABILITIES

The Band leases equipment for its head office under operating leases, the minimum annual lease payments total \$27,522 (2013 - \$10,441).

21. ECONOMIC DEPENDENCE

Lake Babine Nation receives a significant portion of its revenue pursuant to a funding agreement with Aboriginal Affairs and Northern Development Canada. The Nation's ability to operate certain programs depends on the continuation of this funding.

22. SUBSEQUENT EVENTS

On April 7, 2014, Lake Babine Nation transferred a majority of its Fisheries Tangible Capital Assets with an approximate value of \$262,826 to Talok Fisheries Ltd., Lake Babine Nation is a majority partner, consideration of \$381,663.

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

23. GOVERNMENT TRANSFERS

2014				
	Operating	Capital	Total	
Federal government transfers				
Aboriginal Affairs and Northern Development Canada	\$ 9,050,836	\$ 940,301	\$ 9,991,137	
Health Canada	3,084,841	-	3,084,841	
Canada Mortgage and Housing Corporation	240,815	-	240,815	
Department of Fisheries and Oceans	683,477	-	683,477	
Total	13,059,969	940,301	14,000,270	
Provincial government transfers	2,547,381	-	2,547,381	
	\$ 15,607,350	\$ 940,301	\$ -	
2013				
	Operating	Capital	Total	
Federal government transfers				
Aboriginal Affairs and Northern Development Canada	\$ 9,187,736	\$ 2,428,990	\$ 11,616,726	
Health Canada	2,904,214	-	2,904,214	
Canada Mortgage and Housing Corporation	276,704	-	276,704	
HRDC	25,000	-	25,000	
Department of Fisheries and Oceans	663,373	-	663,373	
Pacific Integrated Commercial Fisheries Initiative	140,000	-	140,000	
Total	13,197,027	2,428,990	15,626,017	
Provincial government transfers	2,592,147	-	2,592,147	
	\$ 15,789,174	\$ 2,428,990	\$ -	

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

24. SEGMENTED INFORMATION

	2014 Budget	Operations 2014 Actual	2013 Actual	2014 Budget	Education 2014 Actual	2013 Actual	2014 Budget	2014 Actual	Economic Development 2014 Actual	2013 Actual
Revenues										
Aboriginal Affairs & Northern Development Canada	854,102	867,170	989,838	914,080	4,615,694	4,585,139	137,655	137,655	136,575	
Provincial Government	42,228	111,776	264,265	640,997	799,390	642,850	622,898	670,716	690,682	
Other Aboriginal Groups	-	-	2,000	-	323,385	309,703	-	-	-	
Band Generated	-	20,100	43,228	-	34,297	20,259	4,998,400	3,302,340	3,687,853	
Interest income	3,600	40,178	38,258	-	-	-	-	-	-	
Administration fee	1,338,612	-	-	-	-	-	-	-	-	
Other revenue	-	108,435	112,922	-	19,347	65,298	360,000	630,520	58,920	
Total revenue	2,238,542	1,147,659	1,450,511	1,555,077	5,792,113	5,623,249	6,118,953	4,741,230	4,574,030	
Expenses										
Administration fees	5,084	-	320,800	-	-	-	112,180	-	-	
Capital Purchases	6,200	12,690	9,287	12,183	47,218	38,276	41,500	130,656	141,136	
Contracted services	-	3,803	128,853	100	1,664	27,864	3,278,850	2,052,853	2,372,440	
Professional fees	321,520	312,471	315,502	-	400	5,400	271,934	255,128	137,738	
Repairs and maintenance	-	39,801	17,297	44,100	20,693	41,746	-	17,794	6,399	
Travel	72,717	427,423	338,585	85,910	111,157	140,048	73,300	121,478	61,365	
Wages and benefits	618,065	883,771	834,272	1,528,376	1,583,602	1,625,455	842,583	1,167,022	436,150	
Other expenses	399,321	794,738	992,525	3,214,987	3,542,458	3,719,843	538,020	773,686	1,092,625	
Total expenses	1,422,907	2,474,697	2,636,321	5,206,456	5,307,192	5,598,632	5,158,367	4,518,617	4,120,853	
Other income	815,635	(1,327,038)	(1,185,810)	(3,651,379)	484,921	24,617	960,586	222,613	453,177	
Annual surplus (deficit)	815,635	(1,377,496)	(1,629,381)	(3,651,379)	484,921	24,617	960,586	153,521	453,177	

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

24. SEGMENTED INFORMATION, continued

	2014 Budget	2014 Actual	2013 Actual	2013 Budget	2014 Budget	2013 Actual	2014 Budget	2014 Actual	2013 Actual
Revenues									
Aboriginal Affairs & Northern Development Canada	-	-	-	-	-	-	-	2,695,750	2,713,339
Federal Government	348,242	240,815	276,704	3,084,778	3,084,841	2,929,214	-	-	2,738,154
Provincial Government	-	-	15,000	25,000	53,850	-	-	-	-
Other Aboriginal Groups	998,292	881,575	1,118,828	133,000	133,000	183,040	-	-	-
Band Generated	-	100	102	-	-	-	-	-	-
Interest income	-	20,000	20,000	-	-	-	-	-	-
Transfer from deferred revenue	-	3,301	259	45,000	50,650	62,383	-	-	-
Other revenue	-	-	-	-	-	-	-	-	-
Total revenue	1,346,534	1,145,791	1,415,893	3,277,778	3,293,491	3,228,487	2,695,750	2,713,339	2,738,154
Expenses									
Administration fees	81,628	778,451	851,371	218,143	47,982	61,633	266,181	-	-
Amortization	882,336	-	1,912	82,744	-	32,968	6,100	-	-
Capital Purchases	-	-	4,330	-	21,377	73,948	-	-	-
Contracted services	-	1,306	4,330	176,253	187,284	32,875	-	-	-
Professional fees	7,500	4,000	21,771	34,185	45,100	20,343	-	-	-
Repairs and maintenance	374,400	254,757	106,776	572,704	642,481	48,000	28,215	14,943	-
Travel	3,000	19,090	12,510	1,677,968	1,632,194	1,500,408	328,513	224,779	227,698
Wages and benefits	-	202,403	147,654	592,729	529,472	569,140	2,046,957	1,438,319	1,864,270
Other expenses	213,150	270,841	330,549	-	-	-	-	-	-
Total expenses	1,562,014	1,530,848	1,476,873	3,354,726	3,105,258	2,933,796	2,695,751	1,691,313	2,106,911
Other income	(215,480)	(385,057)	(60,980)	(76,948)	188,233	294,691	(1)	1,022,026	631,243
Annual surplus (deficit)	(215,480)	(304,845)	(305,171)	(76,948)	188,233	294,691	(1)	1,022,026	631,243

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

24. SEGMENTED INFORMATION, continued

	2014 Budget	Capital 2014 Actual	2013 Actual	2014 Budget	Operations & Maintenance 2014 Actual	2013 Actual	2014 Budget	Fisheries 2014 Actual	Fisheries 2013 Actual
Revenues									
Aboriginal Affairs & Northern Development Canada	840,336	940,301	2,428,990	713,158	716,978	738,030	-	-	-
Federal Government	-	-	-	-	-	-	675,604	683,477	803,373
Band Generated	-	-	-	387,655	9,503	22,940	-	-	951,480
Interest income	-	-	-	-	-	336	-	-	-
Other revenue	-	-	-	-	-	-	-	64,030	1,305
Total revenue	840,336	940,301	2,428,990	1,100,813	726,481	761,306	675,604	747,507	1,756,158
Expenses									
Administration fees	59,759	-	806,434	761,663	3,084	-	-	12,280	-
Amortization	-	533,367	279	-	-	-	-	77,579	94,704
Capital Purchases	681,470	178,681	1,580,573	-	-	-	-	41,410	5,992
Contracted services	72,814	57,760	247,361	3,520	392	848	-	7,275	43,234
Professional fees	-	625	21,937	102,000	3,520	-	103,748	98,110	168,506
Repairs and maintenance	9,200	11,246	14,600	3,600	146,331	65,234	39,595	38,381	132,957
Travel	9,408	486	-	445,893	430,539	2,477	13,174	47,460	23,326
Wages and benefits	7,685	17,757	9,390	555,180	597,988	345,364	369,880	345,227	64,856
Other expenses	-	-	-	-	-	671,249	45,400	89,269	659,315
Total expenses	840,336	1,606,356	2,635,803	1,113,277	1,181,247	1,095,869	659,773	727,233	1,449,794
Other income	-	(666,055)	(206,813)	(12,464)	(454,766)	(334,563)	15,831	20,274	306,364
Annual surplus (deficit)	-	(666,055)	(206,813)	(12,464)	(454,766)	(334,563)	15,831	20,274	306,364

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

24. SEGMENTED INFORMATION, continued

	Treaty Negotiations			Equity in First Nation Investments			Consolidated totals		
	2014 Budget	2014 Actual	2013 Actual	Budget	2014 Actual	2013 Actual	Budget	2014 Actual	2013 Actual
Revenues									
Aboriginal Affairs & Northern Development Canada	-	-	-	-	-	-	6,155,081	9,991,137	11,616,726
Federal Government	940,500	940,500	940,500	-	-	-	4,108,624	4,009,133	4,009,291
Provincial Government	-	-	-	-	-	-	2,261,623	2,547,381	2,592,147
Other Aboriginal Groups	-	-	-	-	-	-	133,000	456,385	494,743
Band Generated	-	-	-	-	-	-	6,384,347	4,247,815	5,844,588
Interest income	-	-	-	-	-	-	3,600	40,278	38,696
Administration fee	-	-	-	-	-	-	1,338,612	-	-
Transfer from deferred revenue	-	2,400	-	-	-	-	-	20,000	20,000
Other revenue	-	-	-	-	-	-	405,000	878,683	301,087
Total revenue	940,500	942,900	940,500	-	-	-	20,789,887	22,190,812	24,917,278
Expenses									
Administration fees	105,157	-	-	-	-	-	1,184,296	-	-
Amortization	-	2,217	2,771	-	-	-	882,336	1,712,663	1,772,142
Capital Purchases	-	60,194	-	-	-	-	190,137	790,117	140,092
Contracted services	-	8,090	-	-	-	-	3,960,420	2,275,441	4,357,362
Professional fees	190,400	88,755	320,024	-	-	-	1,147,689	1,007,428	1,213,628
Repairs and maintenance	-	833	-	-	-	-	594,280	564,315	303,058
Travel	129,900	89,189	129,998	-	-	-	1,045,791	1,517,524	1,432,560
Wages and benefits	431,510	291,860	284,570	-	-	-	6,252,196	6,761,883	6,067,286
Other expenses	151,050	134,655	143,603	-	-	-	7,764,479	8,189,183	9,656,090
Total expenses	1,008,017	675,793	881,366	-	-	-	23,021,624	22,818,554	24,936,218
Other income	(67,517)	267,107	59,134	-	(334,530)	(2,068,391)	(2,231,737)	(627,742)	(18,940)
Annual surplus (deficit)	(67,517)	267,107	59,134	-	(334,530)	(2,068,391)	(2,231,737)	(1,001,610)	(2,775,093)

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

25. EXPENDITURES BY OBJECT

	2014 Budget	2014 Actual	2013 Actual
Administration fees	\$ 1,184,296	\$ -	\$ -
Advertising	37,091	24,489	23,164
Amortization	882,336	1,712,661	1,772,141
Archival expenses	-	-	38,731
Awards day	21,546	6,896	25,403
Bad debts(recovery)	-	(30,780)	105,179
Bingo expense	-	11,778	7,306
Capital Purchases	190,137	790,117	140,092
Catering	63,704	98,799	80,318
Christmas	60,000	63,665	58,995
Cigarette purchases	-	36,830	41,466
Contracted services	3,960,420	2,275,441	4,357,362
Economic development	96,251	99,984	122,069
Election	-	-	43,293
Emergency	18,700	2,515	4,000
Equipment leases and rentals	60,499	133,924	119,097
Fees	356,830	89,668	627,989
Fees-fuel gas card	41,517	24,718	65,179
Fuel and oil	121,693	327,415	396,867
Honorarium	135,506	414,026	423,471
Incentives	45,500	65,510	88,302
Insurance	198,148	254,497	247,810
Interest and bank charges	39,789	85,290	118,006
Janitorial	1,000	1,694	5,794
Meeting expenses	279,263	153,090	102,918
Municipal services	300,000	266,351	353,000
Office expenses	-	1,158	5,686
Professional development	95,806	47,822	39,617
Professional fees	1,147,689	1,007,429	1,213,627
Property taxes	-	2,569	11,862
Purchases	-	31,374	45,106
Relocation costs	10,000	4,037	10,927
Rent	43,500	59,864	96,436
Repairs and maintenance	594,280	564,312	303,058
Replacement reserve	96,000	-	-
Research	-	-	45,540
Social assistance and support	1,832,281	1,403,023	1,666,685
Supplies	376,774	639,143	661,677
Traditional food	60,000	46,137	62,283
Training	200,721	166,831	252,317
Travel	1,045,791	1,517,526	1,432,560
Tuitions and allowances	2,719,179	3,036,589	2,987,736
Utilities and telephone	425,842	508,307	464,377
Wages and benefits	6,252,196	6,761,883	6,061,287
Water testing	27,339	17,260	17,204
	\$ 22,723,842	\$ 24,745,937	

LAKE BABINE NATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

26. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments.

(a) Credit Risk

The Band is exposed to credit risk from their investment in Lake Babine Economic Development Society ("LBEDS"), which is in the same geographical area and does significant business with members of the Nation. The Nation has advanced significant amounts to LBEDS to assist with start up and construction costs, and payroll, management considers their risk of collection of these receivables to be acceptable and appropriately managed.

(b) Interest rate risk

The band is exposed to interest rate risk. Interest rate risk is the risk that the band has interest rate exposure on its bank contingent liabilities, which are variable based on the bank's prime rates. This exposure may have an effect on its earnings in future periods. The band reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which ahve been relatively stable over the period presented. There are some loans that are at fixed term rates and do not affect interest rate risk. The band does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk to the band is low and is not material.

27. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	2014	2013
Decrease (increase) in Accounts Receivable	\$ (1,254,146)	\$ 397,107
Decrease (increase) in Inventory	(3,031)	7,375
Decrease in Prepaid expenses	27,900	124,010
(Decrease) increase in Accounts payable	(531,239)	256,287
Decrease in Deferred Revenue	680,323	(20,000)
	<hr/> \$ (1,080,193)	<hr/> \$ 764,779

28. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by Chief and Council.

29. COMPARATIVE AMOUNTS

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period.