

LHEIDLI T'ENNEH BAND
FINANCIAL STATEMENTS
March 31, 2014

LHEIDLI T'ENNEH BAND

INDEX

For the year ended March 31, 2014

	<u>Page</u>
SUMMARY FINANCIAL STATEMENTS	
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2-3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Financial Activities and Accumulated Surplus	5
Statement of Change in Net Financial Assets	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-24

LHEIDLI T'ENNEH BAND

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The accompanying financial information of Lheidli T'enneh Band and all the information in this annual report for the year ended March 31, 2014 are the responsibility of management and have been approved by the Chief and Council on behalf of the Band.


The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since it includes 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 financial statements are presented fairly, in all material respects.

The Lheidli T'enneh Band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Nation's assets are appropriately accounted for and adequately safeguarded.


The Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

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 audits, 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 auditors 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.

The financial statements have been audited by RHB Schmitz de Grace, Chartered Accountants, in accordance with Canadian generally accepted auditing standards and their audit report outlines the scope of their examination and their opinion on the financial information.


Chief

August 12/2014
Date


Councillor

August 12/14
Date

RHB SCHMITZ de GRACE
Chartered Accountants

RHB SCHMITZ de GRACE

Chartered Accountants

Partners

- Lynn Ross, CPA, CA
- Norm Hildebrandt, CPA, CA
- Allison Beswick, CPA, CA

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- Denotes professional corporation

INDEPENDENT AUDITORS' REPORT

To the Members of Lheidli T'enneh Band

We have audited the accompanying financial statements of Lheidli T'enneh Band, which comprise the statement of financial position as at March 31, 2014 and the statements of financial activities and accumulated surplus, change in net financial assets and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

RHB SCHMITZ de GRACE

Chartered Accountants

Partners

- Lynn Ross, CPA, CA
- Norm Hildebrandt, CPA, CA
- Allison Beswick, CPA, CA

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INDEPENDENT AUDITORS' REPORT, continued

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Lheidli T'enneh Band as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The financial statements of Lheidli T'enneh Band for the year ended March 31, 2013 were audited by another auditor who expressed a qualified opinion on those statements July 29, 2013.

The qualified opinion related to the valuation of the investment in FNLP (PTP). The investment was not susceptible to satisfactory audit procedures as the December 31, 2013 financial statements had not yet been released. Accordingly, the verification related to this investment was limited to the amounts recorded in the records of the Nation. They were not able to determine whether any adjustments might be necessary.

Prince George, BC
July 15, 2014

Chartered Accountants

LHEIDLI T'ENNEH BAND
STATEMENT OF FINANCIAL POSITION


March 31, 2014

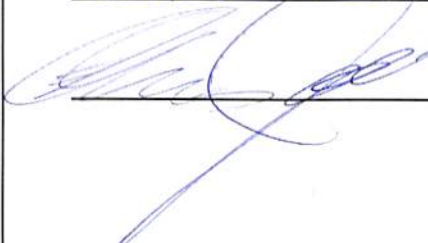
ASSETS

	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Cash	\$ 1,222,378	\$ 468,788
Accounts receivable (Note 3)	265,949	216,933
Inventory held for sale	17,125	13,215
Long-term investments (Note 4)	4,020,312	2,431,540
Advances to related parties (Note 5)	166,128	526,618
Investment in Government Business Entities (GBE) (Note 6)	1	1
Promissory note receivable (Note 9)	2,131,279	2,027,546
Ottawa trust funds (Note 10)	2,086	2,992
Restricted cash (Note 11)	516,934	477,637
	<u>8,342,192</u>	<u>6,165,270</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 12)	280,866	491,256
Advances from related parties (Note 13)	239,088	514,161
Long-term debt (Note 14)	1,003,839	991,794
Treaty loan (Note 15)	6,343,525	6,343,525
Replacement reserves (Note 16)	362,166	354,300
	<u>8,229,484</u>	<u>8,695,036</u>
NET FINANCIAL ASSETS (NET DEBT)	<u>112,708</u>	<u>(2,529,765)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 17)	3,988,171	4,008,511
Prepaid expenses	67,736	26,210
	<u>4,055,907</u>	<u>4,034,721</u>
ACCUMULATED SURPLUS	<u>\$ 4,168,615</u>	<u>\$ 1,504,956</u>

CONTINGENT LIABILITY (Note 18)

Approved on behalf of the Lheidli T'enneh Band

 Chief

 Councillor

RHB SCHMITZ de GRACE
Chartered Accountants

LHEIDLI T'ENNEH BAND

STATEMENT OF FINANCIAL ACTIVITIES AND ACCUMULATED SURPLUS

For the year ended March 31, 2014

	2014		2013
	Budget	Actual	Actual
REVENUE			
Federal government:			
Aboriginal Affairs & Northern Development Canada	\$ 1,115,706	\$ 1,161,104	\$ 996,952
Department of Fisheries and Oceans	131,267	154,280	199,138
Canadian Mortgage and Housing Corporation	71,162	68,090	80,636
Government of Canada	96,725	299,801	-
Health Canada	157,529	161,529	128,044
Provincial government	2,757	420,725	455,436
Other aboriginal groups	77,097	74,953	27,212
Band generated	560,000	548,245	508,007
Donations	47,667	406,706	53,861
Administrative fees	80,000	208,795	49,081
Wage replacement	-	374	41,749
Other revenues (Note 25)	1,596,270	2,322,523	949,045
	<u>3,936,180</u>	<u>5,827,125</u>	<u>3,489,161</u>
EXPENSES			
Administration	610,000	1,271,941	888,567
Education and training	429,230	404,523	297,955
Social assistance	194,634	162,679	268,164
Health	155,423	159,816	112,184
Capital	-	99,886	121,261
Housing	191,950	333,293	336,072
Economic development	1,442,335	994,253	245,628
Lands	295,804	231,870	247,595
Treaty	184,185	124,668	209,537
Fisheries	137,267	159,175	195,840
Public Works	177,722	220,308	102,610
Community interests	28,500	42,885	5,073
Children and families	138,507	118,305	101,128
Band generated	515,000	501,034	489,538
	<u>4,500,557</u>	<u>4,824,636</u>	<u>3,621,152</u>
RECOVERY	<u>-</u>	<u>(63,120)</u>	<u>(21,295)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	(564,377)	939,369	(153,286)
OTHER ITEMS			
Gain on disposal of tangible capital assets		134,117	-
Gain on disposal of tangible capital assets		1,400	-
Equity in Tano T'enneh Limited Partnership		1,622,872	175,139
Obligation in equity in Lheit Lit'en Development Corporation		(34,099)	(43,363)
		<u>1,724,290</u>	<u>131,776</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES		2,663,659	(21,509)
ACCUMULATED SURPLUS AT BEGINNING OF THE YEAR		<u>1,504,956</u>	<u>1,526,465</u>
ACCUMULATED SURPLUS AT THE END OF THE YEAR		<u>\$ 4,168,615</u>	<u>\$ 1,504,956</u>

See notes to the financial statements.

LHEIDLI T'ENNEH BAND

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

March 31, 2014

	2014		2013
	Budget	Actual	Actual
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>(564,377)</u>	<u>\$ 2,663,659</u>	<u>\$ (21,509)</u>
Acquisition of tangible capital assets	-	(214,071)	(337,862)
Amortization of tangible capital assets	-	220,292	217,832
Gain on disposal of tangible capital assets	-	(134,117)	-
Proceeds from disposal of tangible capital assets	-	148,236	-
	-	20,340	(120,030)
(Acquisition) use of prepaid expenses	-	(41,526)	6,283
Increase (decrease) in net financial assets	<u>(564,377)</u>	2,642,473	(135,256)
NET DEBT AT BEGINNING OF THE YEAR		<u>(2,529,765)</u>	<u>(2,394,509)</u>
NET FINANCIAL ASSETS (NET DEBT) AT END OF THE YEAR		<u>\$ 112,708</u>	<u>\$ (2,529,765)</u>

LHEIDLI T'ENNEH BAND
STATEMENT OF CASH FLOWS
For the year ended March 31, 2014

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 2,663,659	\$ (21,509)
Items not affecting cash:		
Amortization of tangible capital assets	220,292	217,832
Gain on disposal of tangible capital assets	(134,117)	-
Gain on disposal of tangible capital assets	(1,400)	-
Equity in Lheit Lit'en Development Corporation	34,099	43,363
Equity in Tano T'enneh Limited Partnership	(1,622,872)	(175,139)
	<u>1,159,661</u>	<u>64,547</u>
Changes in non-cash working capital items:		
Accounts receivable	(49,015)	89,525
Prepaid expenses	(41,526)	6,283
Accounts payable and accrued liabilities	(210,390)	231,894
Inventory held for sale	(3,910)	(5,628)
Ottawa trust funds	906	(22)
Advances from related parties	(275,073)	(46,286)
	<u>580,653</u>	<u>340,313</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	12,045	(103,328)
Increase in promissory note receivable	(103,733)	(98,684)
Repayment of short-term financing	-	(322,217)
Advances to related parties	360,490	60,956
	<u>268,802</u>	<u>(463,273)</u>
INVESTING ACTIVITIES		
Repayment of investment in Tano T'enneh Limited Partnership	-	850,000
Acquisition of tangible capital assets	(214,071)	(337,861)
Proceeds on disposal of tangible capital asset	1,400	-
Proceeds on disposal of tangible capital asset	148,237	-
Additions to reserves	22,926	22,926
Drawings from reserves	(15,060)	(2,471)
	<u>(56,568)</u>	<u>532,594</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>792,887</u>	<u>409,634</u>
CASH AT BEGINNING OF THE YEAR	<u>946,425</u>	<u>536,791</u>
CASH AT END OF THE YEAR	<u><u>\$ 1,739,312</u></u>	<u><u>\$ 946,425</u></u>
REPRESENTED BY		
Cash	\$ 1,222,378	\$ 468,788
Restricted cash	516,934	477,637
	<u><u>\$ 1,739,312</u></u>	<u><u>\$ 946,425</u></u>

See notes to the financial statements.

RHB SCHMITZ de GRACE
Chartered Accountants

LHEIDLI T'ENNEH BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

1. DESCRIPTION OF OPERATIONS

Lheidli T'enneh Band is a self-governed First Nations Band and operates on the Lheidli T'enneh First Nation reserve in Prince George, BC. Its head office is located in Prince George, BC with off-reserve aboriginal communities are also located throughout the North East and Southern areas of Prince George.

2. SIGNIFICANT ACCOUNTING POLICIES

These summary financial statements have been prepared in accordance with Canadian generally accepted accounting principles for government entities, as defined in the CICA Public Sector Accounting and Auditing Handbook, which encompasses the following principles:

Fund Accounting

Lheidli T'enneh Band ("the Band") 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 consolidated Summary Financial Statements. Detail of the operations of each fund are set out in the supplementary schedules. The Band maintains the following funds:

- The Operating Fund which reports the general activities of the Bands administration.
- The Capital Fund which reports the capital assets of the First Nation not included in the other funds, together with their related activities.
- The Trust Fund which reports on the trust funds of the Band and held by third parties.
- The CMHC Housing Fund which reports on activities within the CMHC Housing Program.
- The Enterprise Fund which reports the First Nation's investment in self-supporting commercial entities.

Reporting Entity Principles of Financial Reporting

These financial statements report only on the activities of the Lheidli T'enneh Band.

Lheidli T'enneh Band's reporting entity includes the Band and all related entities which are accountable to the Band and are either owned or controlled by the Band.

These financial statements consolidate the assets, liabilities and results of operations for the following entities which lend themselves to consolidation:

1. Operations Fund
2. Capital Fund
3. Trust Fund
4. CMHC Housing Fund
5. Enterprise Fund

LHEIDLI T'ENNEH BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES, continued

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

Investments in Government Business Entities

Incorporated business entities, which are wholly-owned by Lheidli T'enneh Band, are accounted for in the financial statements using the modified equity method and include Lheit Lit'en Development Corp. and Tano T'enneh Limited Partnership.

Government partnerships, in which Lheidli T'enneh Band has an ownership interest, are accounted for in the financial statements using the modified equity method. This includes Tano T'enneh Limited Partnership.

Tangible Capital Assets

Tangible capital assets are recorded except for reserve lands, natural resources and cultural resources which are not recorded.

Amortization on capital projects in progress will commence when the projects are complete and the assets are considered available for use.

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

Automotive Equipment	5 years	Straight-line
Boats and fisheries equipment	10 years	Straight-line
Buildings	30 years	Straight-line
Computer equipment	3 years	Straight-line
Fuel tanks	20 years	Straight-line
Land improvements	50 years	Straight-line
Machinery and equipment	10 years	Straight-line
Office furniture and equipment	8 years	Straight-line
Portable classrooms	15 years	Straight-line
Recreation site	20 years	Straight-line
Roads	50 years	Straight-line
Signage	10 years	Straight-line
Social housing	25 years	Straight-line
Water systems	30 years	Straight-line
Website development	10 years	Straight-line

LHEIDLI T'ENNEH BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Financial Instruments

Measurement of financial instruments

The Nation initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Band subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value of these financial instruments are recognized in net income.

Financial assets measured at amortized cost include, cash (restricted and unrestricted), accounts receivable, and trust funds.

The entity has designated investments in Government Business Entities to be measured at fair value.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, reserves and long-term debt.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

The Band's transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period occurred. The carrying amount of the financial instruments that will not be subsequently measured at fair value is adjusted for transaction costs directly attributable to the origination, issuance or assumption of these instruments.

Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is measured using the average weighted cost method.

LHEIDLI T'ENNEH BAND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue Recognition

Revenue and expenses are recorded using the accrual basis of accounting. Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. Gains are recognized when realized. Items not practically measureable until cash is received are accounted for at that time.

Investments

Investments with significant influence are accounted for on a modified equity basis. Portfolio investments are accounted for on a cost basis.

Measurement Uncertainty

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

Recoveries of Funding and Agency Reimbursements

Funding received from federal government sources in the form of conditional transfer payments are subject to recovery by the Crown. The Crown may also reimburse expenses upon determining adherence to the terms and conditions of payment for a specific purpose. Recoveries and reimbursements are accounted for in the period they are recovered or received.

LHEIDLI T'ENNEH BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

3. ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>
Kinder Morgan Trans Mountain Pipeline Project	\$ 60,000	\$ -
Federal Government	57,422	80,113
Receiver General	49,585	34,273
Rental Revenue	29,114	136,361
Lazy F-D Ranches	17,089	-
Northern Gateway Pipeline	16,867	-
All Nations Trust	14,934	-
Other Accounts Receivable	11,419	12,238
PG Canada Winter Games Society	10,000	-
PGNAETA	5,445	3,647
New Relationship Trust	4,320	-
Union of BC Municipalities	4,000	4,000
Band Member Loans	2,962	675
Aboriginal Affairs & Northern Development Canada	-	6,320
Canada Forest Products Ltd.	-	34,346
	<u>283,157</u>	311,973
Allowance for doubtful accounts	<u>(17,208)</u>	<u>(95,040)</u>
	<u><u>\$ 265,949</u></u>	<u><u>\$ 216,933</u></u>

LHEIDLI T'ENNEH BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

4. LONG-TERM INVESTMENTS

	<u>2014</u>	<u>2013</u>
Investment in Lheit Lit'en Development Corporation (Note 7)	\$ (785,817)	\$ (751,718)
Investments in Tano T'enneh Limited Partnership (Note 8)	4,806,128	3,183,257
FN (PTP) Group Limited Partnership (606 Units)(Note 6)	<u>1</u>	<u>1</u>
	<u><u>\$ 4,020,312</u></u>	<u><u>\$ 2,431,540</u></u>

5. ADVANCES TO RELATED PARTIES

	<u>2014</u>	<u>2013</u>
LTN Education Fund	\$ -	\$ 10,469
Tano T'enneh Limited Partnership	166,128	166,016
CMHC Social Housing	<u>-</u>	<u>350,133</u>
	<u><u>\$ 166,128</u></u>	<u><u>\$ 526,618</u></u>

Advances to Lheit Lit'en Development Corporation, a wholly owned subsidiary of Lheidli T'enneh Band are unsecured, non-interest bearing with no set terms of repayment.

Advances to LTN Education Fund, a wholly owned subsidiary of Lheit Lit'en Development Corporation are unsecured, non-interest bearing with no set terms of repayment.

Advances to Tano T'enneh Limited Partnership, a related party, are unsecured, non-interest bearing with no set terms of repayment.

6. INVESTMENT IN FN (PTP) GROUP LIMITED PARTNERSHIP

Lheidli T'enneh Band owns 1 common share in FN (PTP) Group Limited Partnership. This investment has been accounted for on a cost basis.

LHEIDLI T'ENNEH BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

7. INVESTMENT IN LHEIT LIT'EN DEVELOPMENT CORPORATION

The fiscal year end of Lheit Lit'en Development Corporation is March 31. The financial summary of Lheit Lit'en Development Corporation from the March 31, 2014 unaudited financial statements are summarized as follows:

Lheit Lit'en Development Corporation is a wholly owned subsidiary of the Band, which in turn holds a 100% interest in Chunzoolh Forest Products Limited. Financial statements for this controlled entity are available for review.

CURRENT ASSETS

Cash	\$ 269,065	\$ 273,111
GST receivable	15	-
Due from related parties	1,734,192	1,734,667
Property, plant and equipment	4,492	6,417
Promissory note receivable	1,918,827	1,825,435
	<u>3,926,591</u>	<u>3,839,630</u>

CURRENT LIABILITY

Accounts payable	358,607	360,609
Due from related parties	622,171	622,171
Investment in related party	1,600,348	1,581,019
Promissory note payable	2,131,279	2,027,546
	<u>4,712,405</u>	<u>4,591,345</u>

NET EQUITY AS PER BALANCE SHEET (Note 4)	<u>\$ (785,817)</u>	<u>\$ (751,718)</u>
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REVENUE AND EXPENSES

Revenue	93,393	88,847
Expenses	108,163	100,200
Loss in equity of Chunzoolh Forest Products Ltd.	<u>(19,329)</u>	<u>(23,281)</u>

NET LOSS	<u>\$ (34,099)</u>	<u>\$ (34,634)</u>
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LHEIDLI T'ENNEH BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

8. INVESTMENT IN TANO T'ENNEH LIMITED PARTNERSHIP

Lheidli T'enneh Band owns 2,229,142 partnership units amounting to a 99.99% ownership interest in Tano T'enneh Limited Partnership, which in turn holds a 50% interest in LTN Contracting Ltd.

The financial statements of LTN Contracting Ltd. have been prepared by another accounting firm in the form of a Review Engagement.

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and short-term deposits	\$ 979,912	\$ 48,211
Accounts receivable	243,725	-
Advances to related parties	3,475,222	3,431,121
Investment in subsidiary	294,789	252,395
Timber harvest contracts	41,546	83,546
	<u>5,035,194</u>	<u>3,815,273</u>
LIABILITIES		
Accounts payable and accrued liabilities	3,500	54,318
Due to government agencies	39,314	66,247
Silviculture liabilities	145,808	345,436
Advances from related party	40,444	166,016
	<u>229,066</u>	<u>632,017</u>
NET EQUITY AS PER BALANCE SHEET (Note 4)	<u>\$ 4,806,128</u>	<u>\$ 3,183,256</u>
REVENUE AND EXPENSES		
Revenue	1,674,086	400,732
Expenses	93,608	254,425
Equity earnings in subsidiary	42,394	44,051
NET INCOME	<u>\$ 1,622,872</u>	<u>\$ 190,358</u>

9. PROMISSORY NOTE RECEIVABLE

The promissory note receivable from Lheit Lit'en Development Corporation is unsecured, bearing interest at prime plus 2.0% per annum, with no set terms of repayment. 2014 - \$2,131,279 (2013 - \$2,027,546).

LHEIDLI T'ENNEH BAND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

10. OTTAWA TRUST FUNDS

	<u>2014</u>	<u>2013</u>
Surplus, beginning of the year	\$ 2,992	\$ 2,970
Interest earnings	80	906
Transfer to First Nations Land Management revenues	<u>(986)</u>	<u>(884)</u>
	<u>\$ 2,086</u>	<u>\$ 2,992</u>

11. RESTRICTED CASH

	<u>2014</u>	<u>2013</u>
Funded replacement reserve		
Under the terms of the Nation's Housing Agreement with Canada Mortgage and Housing Corporation (CMHC), a separate replacement reserve account is maintained. The funds in this account may only be used for repairs and maintenance as approved by CMHC.	\$ 395,320	\$ 371,825
Consists of funds dedicated to dispute resolution of issues arising under the terms of the Settlement Negotiation Agreement.	<u>121,614</u>	<u>105,812</u>
	<u>\$ 516,934</u>	<u>\$ 477,637</u>

LHEIDLI T'ENNEH BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2014</u>	<u>2013</u>
Trade accounts payable	\$ 174,422	\$ 321,296
Accrued accounts payable	28,433	96,984
Accrued wages	46,379	36,633
Accrued interest payable	1,365	3,082
Employee deductions payable	-	15,851
Vacation payable	27,112	17,410
Other accounts payable	<u>3,155</u>	<u>-</u>
	<u><u>\$ 280,866</u></u>	<u><u>\$ 491,256</u></u>

13. ADVANCES FROM RELATED PARTIES

	<u>2014</u>	<u>2013</u>
Chunzoolh Forest Products Ltd.	\$ 228,024	\$ 229,013
Lheit Lit'en Development Corporation	11,064	11,158
CMHC Social Housing	<u>-</u>	<u>273,990</u>
	<u><u>\$ 239,088</u></u>	<u><u>\$ 514,161</u></u>

Advances from Chunzoolh Forest Products Limited, a wholly owned subsidiary of Lheit Lit'en Development Corporation, are unsecured, non-interest bearing with no set terms of repayment.

Advances from Lheit Lit'en Development Corporation, a wholly owned subsidiary of Lheidli T'enneh Band, are unsecured, non-interest bearing with no set terms of repayment.

LHEIDLI T'ENNEH BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

14. LONG-TERM DEBT

	<u>2014</u>	<u>2013</u>
CMHC mortgage, repayable in monthly instalments of \$2,567 including interest at 2.57% per annum, maturing on August 1, 2024, secured by a Ministerial guarantee and social housing with a net book value of \$887,643.00	\$ 282,002	\$ 305,334
CMHC mortgage, repayable in monthly instalments of \$1,054 including interest at 1.39% per annum, maturing on August 1, 2027, secured by a Ministerial guarantee and social housing with a net book value of \$887,643.	154,896	165,329
CMHC mortgage, repayable in monthly instalments of \$2,080 including interest at 1.65% per annum, maturing on May 1, 2017, secured by a Ministerial guarantee and social housing with a net book value of \$887,643.	77,086	100,608
Royal Bank mortgage, repayable in monthly instalments of \$1,165 including interest at 4.25% per annum, maturing on November 2, 2013, secured by a Ministerial guarantee and social housing with a net book value of \$887,643.	56,684	68,221
Royal Bank mortgage, repayable in monthly instalments of \$1,934 including interest at 3.24% per annum, maturing on April 1, 2014, secured by a Ministerial guarantee and social housing with a net book value of \$887,643.	46,597	68,100
CMHC mortgage, repayable in monthly instalments of \$2,554 including interest at 2.54% per annum, maturing on December 1, 2023, secured by a Ministerial guarantee and social housing with a net book value of \$887,643.	260,890	284,202
GMC 2500 loan, repayable in monthly instalments of \$975 including interest at 3.5% per annum, maturing on Septmeber 30, 2016.	50,568	-
Dodge Ram 550 loan, repayable in monthly instalments of \$1,409.86 including interest at 3.5% per annum, maturing on January 9, 2019.	75,116	-
	<u>\$ 1,003,839</u>	<u>\$ 991,794</u>

RHB SCHMITZ de GRACE
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LHEIDLI T'ENNEH BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

14. LONG-TERM DEBT, continued

Should the bank not demand repayment of the demand loans, principal portion of long-term debt due within the next five years:

2015	\$ 173,246
2016	\$ 166,863
2017	\$ 122,525
2018	\$ 104,990
2019	\$ 85,674

15. TREATY LOAN

Treaty loan is an Aboriginal Affairs and Northern Development Canada, promissory note, representing advances for negotiations with the British Columbia Treaty Commission. Repayment provisions for these loans are outlined in Sections 13.0 and 14.0 of the Negotiation Support Agreement. It is a non-interest bearing loan to pay out over a 10-year period after the signing of Final Agreement between Lheidli T'enneh Band, the Government of Canada and the Government of British Columbia.

16. REPLACEMENT RESERVES

Under the terms of an agreement with Canada Mortgage and Housing Corporation (CMHC), the Band is required to make annual deposits of \$22,926 to a replacement reserve bank account to cover the cost of replacing certain capital items in the rental housing projects financed by CMHC. Similarly, an operating reserve must be established to fund the ongoing operating costs of the rental housing projects financed by CMHC. As at March 31, 2014, the replacement reserve was over funded.

	<u>2014</u>	<u>2013</u>
Balance, beginning of the year	\$ 354,300	\$ 333,845
Contributions required during the year	22,926	22,926
Disbursement for capital purchases	<u>(15,060)</u>	<u>(2,471)</u>
	<u>\$ 362,166</u>	<u>\$ 354,300</u>

LHEIDLI T'ENNEH BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

17. TANGIBLE CAPITAL ASSETS

	2014			Accumulated	Net Book
	Cost	Additions	Disposals	amortization	Value
Automotive equipment	\$ 28,185	\$ 127,768	\$ -	\$ 29,691	\$ 126,262
Boats & fisheries equipment	106,372	-	-	73,245	33,127
Buildings	245,614	-	-	136,246	109,368
Capital projects in progress	1,309,470	75,538	-	-	1,385,008
Computer equipment	80,176	-	-	71,425	8,751
Fuel tanks	207,268	-	-	108,816	98,452
Land improvements	251,442	-	-	81,131	170,311
Machinery and equipment	110,749	-	-	105,016	5,733
Office furniture and equipment	51,167	10,765	-	23,327	38,607
Portable classrooms	108,265	-	-	52,183	56,082
Recreation site	295,656	-	-	59,040	236,616
Roads	1,050,665	-	-	572,045	478,620
Signage	40,724	-	-	13,846	26,878
Social housing	2,414,749	-	50,315	1,577,828	786,606
Water systems	1,040,725	-	-	622,690	418,035
Website development	14,718	-	-	5,003	9,715
	<u>\$ 7,355,945</u>	<u>\$ 214,071</u>	<u>\$ 50,315</u>	<u>\$ 3,531,532</u>	<u>\$ 3,988,171</u>

RHB SCHMITZ de GRACE
Chartered Accountants

LHEIDLI T'ENNEH BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

17. TANGIBLE CAPITAL ASSETS, continued

	2013				
	Cost	Additions	Disposals	Accumulated amortization	Net Book Value
Automotive equipment	\$ 28,185	\$ -	\$ -	\$ 21,185	\$ 7,000
Boats & fisheries equipment	106,372	-	-	68,726	37,646
Buildings	245,614	-	-	128,059	117,555
Capital projects in progress	1,000,661	308,808	-	-	1,309,470
Computer equipment	66,574	13,602	-	62,377	17,799
Fuel tanks	207,268	-	-	98,452	108,816
Land improvements	251,422	-	-	76,102	175,340
Machinery and equipment	105,354	5,395	-	104,583	6,166
Office furniture and equipment	41,110	10,057	-	19,162	32,005
Portable classrooms	108,265	-	-	44,535	63,730
Recreation site	295,656	-	-	44,257	251,399
Roads	1,050,665	-	-	551,031	499,634
Signage	40,724	-	-	10,181	30,543
Social housing	2,414,749	-	-	1,527,106	887,643
Water systems	1,040,725	-	-	587,999	452,726
Website development	14,718	-	-	3,680	11,039
	<u>\$ 7,018,062</u>	<u>\$ 337,862</u>	<u>\$ -</u>	<u>\$ 3,347,435</u>	<u>\$ 4,008,511</u>

18. CONTINGENT LIABILITY

Lheidli T'enneh Band has a demand revolving credit facility agreement with the Royal Bank of Canada for \$300,000 bearing interest at prime plus 1.25% per annum. This facility revolves in increments of \$25,000 and is secured by a general security agreement with a fixed charge over equipment. At March 31, 2014 the full \$25,000 was available.

LHEIDLI T'ENNEH BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

19. B.C. TREATY COMMISSION FUND

In August 1994, the member of the Band entered into a loan agreement to finance treaty negotiations with the Government of Canada and the Province of British Columbia. The specific terms of repayment are contained in Section 4.6.1 of the agreement, but the understanding is that upon reaching a final settlement, the entire debt will be repaid from the settlement.

20. CANADA MORTGAGE AND HOUSING CORPORATION SUBSIDY

The Band has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 95 (previously 56.1) of the National Housing Act to reduce mortgage interest expense to as low as 2.0% per annum to enable the projects to provide housing to low income individuals. The amount of assistance received in the year was \$68,090 (2013 - \$80,636).

21. FINANCIAL INSTRUMENT RISKS

Risks and concentrations

The Nation is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the company's risk exposure as at March 31, 2014.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Band is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and long-term debt.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Band's main credit risks relate to its accounts receivable. The Band provides credit to its client in the normal course of operations.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

LHEIDLI T'ENNEH BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

21. FINANCIAL INSTRUMENT RISKS, continued

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Nation has no significant transactions completed in foreign currencies.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Band is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Band to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Floating rate instruments subject the Band to related cash flow risk.

Other price risk

Other price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Band is not exposed to significant other price risk.

23. COMPARATIVE AMOUNTS

Prior year figures have been audited by another firm of accountants. Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period.

24. AANDC FUNDING RECONCILIATION

Total AANDC funding per statement of financial activities and accumulated surplus	\$ 1,161,104
02305-002 - BASIC NEEDS RECOVERY	<u>(22,008)</u>
Total AANDC Funding per 2013 - 2014 PAYE report	<u><u>\$ 1,139,096</u></u>

LHEIDLI T'ENNEH BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

25. OTHER REVENUE

	<u>2014</u>	<u>2013</u>
Ministry of Children and Families	\$ 96,724	\$ -
Shuttle Van Revenue	1,671	130
BC Treaty Commission - Contribution	135,620	119,320
Property Tax Revenue	32,747	77,595
Rental Income	152,481	178,140
FN Education Steering Committee	1,780	15,712
Pacific Northern Gas Ltd.	52,716	-
EnBridge - Northern Gateway Pipeline	94,867	16,867
Capacity Funding	89,350	68,000
Property Tax	51,738	-
Status Card Sales	2,670	1,345
Hay Sales	36,438	-
Trans Mountain Pipeline	60,000	35,000
Interest Income	106,645	99,049
Pacific Trails Pipeline LP	155,627	233,441
Graymont Projects	177,300	-
Grant Revenue	41,300	-
Backhoe Revenue	150	-
Van Rental Revenue	90	480
Miscellaneous Income	12,746	53,685
Upper Fraser Fisheries Conservation	10,200	9,900
New Relationship Trust	21,280	1,600
Fund Raising	4,012	16,392
Trailer Revenue	11,625	12,000
Elders Gathering 2013	221,508	7,410
Referral Revenue	220,596	2,979
Coastal Gas Link Projects	431,500	-
LTN Contracting - Education Fund	90,985	-
INAC Recovery Adjustment	7,905	-
Cash Over/Under	252	-
	<u>\$ 2,322,523</u>	<u>\$ 949,045</u>

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