

WE WAI KAI NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

CAPE MUDGE BAND COUNCIL

690 Headstart Crescent
Campbell River, BC
V9H 1V1



Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of We Wai Kai Nation are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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

The Chief and Council 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 consolidated financial statements and the external auditor's report.

The external auditors, Allemekinders & Company Chartered Accountants, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of We Wai Kai Nation and meet when required.

On behalf of We Wai Kai Nation:



Chief Ralph Dick
October 15, 2014

INDEPENDENT AUDITOR'S REPORT

To the Members, We Wai Kai Nation

We have audited the accompanying financial statements of the We Wai Kai Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statement of operations, changes in net debt and cash flow 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 generally accepted accounting principles, 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 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 qualified audit opinion.

Basis for Qualified Opinion

The accounting policy for the recording, measurement and valuation of capital assets as outlined in Note 1 to the financial statements was not modified during the year to adopt the changes in Canadian generally accepted accounting standards for tangible capital assets which is now applicable. If the changes to Canadian generally accepted accounting standards for tangible capital assets had been implemented, capital assets, accumulated surplus, and the annual amortization of capital assets would be materially different.

ALLEMEKINDERS & COMPANY

CHARTERED ACCOUNTANTS

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the We Wai Kai Nation as at March 31, 2014, and of the results of its operations and cash flows for the year then ended in accordance with Generally accepted accounting principles.

Allemekinders & Company
Chartered Accountants

Campbell River, BC
October 15, 2014

WE WAI KAI NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED MARCH 31, 2014

	Notes	2014 \$	2013 \$
Financial Assets			
Cash and cash equivalents	3	5,014,193	1,982,257
Accounts receivable	4	182,289	405,659
Inventory	5	3,162	3,622
Funds held in trust by government	6	116,303	115,898
Due from (to) related entities	7	279,293	273,317
Note receivable	8	308,206	496,231
Investment in business enterprises	9 & 10	<u>6,562,883</u>	<u>6,718,782</u>
		<u>12,466,329</u>	<u>9,995,766</u>
Liabilities			
Accounts payable and accrued liabilities	11	497,918	436,700
Employee benefit obligations	12	86,231	75,111
Deposits held in trust	13	0	3,000
Deferred revenues	14	98,248	121,405
Long-term debt	15	3,824,415	3,162,437
Capital lease obligations	16	<u>24,302</u>	<u>31,944</u>
		<u>4,531,114</u>	<u>3,830,597</u>
Net Financial Assets		<u>7,935,215</u>	<u>6,165,169</u>
Non-Financial Assets			
Deferred expenditures	18	41,987	40,643
Tangible capital assets	17	<u>14,687,533</u>	<u>14,371,076</u>
Net Non-Financial Assets		<u>14,729,520</u>	<u>14,411,719</u>
Accumulated Surplus	19	<u>22,664,735</u>	<u>20,576,888</u>

Contingent Liabilities & Commitments (Notes 20)

APPROVED ON BEHALF OF COUNCIL

Ralph Dach

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WE WAI KAI NATION
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2014

	2014		
	Budget (Note 25)	Actual	2013
	\$	\$	\$
Revenues			
BC Hydro	3,554,400	3,548,400	2,294,375
Aboriginal Affairs and Northern Development	3,579,736	3,520,141	3,832,869
Province of British Columbia	425,600	422,985	563,078
Health Canada	152,500	103,003	143,683
North Vancouver Island Aboriginal Training	88,200	89,582	88,725
First Nations Education Steering Committee	32,000	71,649	76,659
Kwakiutl District Council	69,000	62,932	74,159
Canada Mortgage and Housing Corporation	0	3,250	12,750
BC Association of Aboriginal Friendship Centres	0	0	52,094
Laichwiltach Treaty Society	0	0	31,887
Other sources:			
Lease and rental income	405,378	400,100	365,241
Net Income earned by business enterprises	750,000	0	345,094
Tobacco sales & fees	298,500	262,533	293,772
Administrative recoveries/reimbursements	122,780	149,267	136,395
Interest income	40,100	51,252	53,338
Taxation income	26,846	26,845	0
User fees	0	22,846	24,483
Contract income	0	9,300	23,437
Gain on disposal of assets	0	8,496	327,920
Miscellaneous	17,641	22,335	58,642
	<u>9,562,681</u>	<u>8,774,916</u>	<u>8,798,601</u>
Expenses			
Core governmental programs	3,066,109	2,985,277	3,101,343
Health programs	453,200	413,525	412,247
Community development programs	299,238	299,315	261,618
Job creation programs	101,800	120,390	132,830
Economic development programs	621,800	732,831	849,156
Capital projects	266,807	559,811	572,056
Trusts and reserves	0	1,137	0
Net Loss earned by business enterprises	0	385,055	0
Writedown in investment in business enterprise	0	446,908	0
Amortization and loss on disposal of assets	0	742,820	751,581
	<u>4,808,954</u>	<u>6,687,069</u>	<u>6,080,831</u>
Annual Surplus			
	4,753,727	2,087,847	2,717,770
Surplus at Beginning of Year	<u>20,576,888</u>	<u>20,576,888</u>	<u>17,859,118</u>
Surplus at End of Year (Note 19)	<u>25,330,615</u>	<u>22,664,735</u>	<u>20,576,888</u>
Segment Disclosure (Note 23)			

WE WAI KAI NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2014

	2014		
	Budget \$	Actual \$	2013 \$
Annual Surplus (Deficit)	4,753,727	2,087,847	2,717,770
Tangible capital assets			
Eliminations from annual surplus			
Amortization of capital assets	0	742,820	751,581
Loss on disposal of capital assets	0	0	0
Gain on disposal of capital assets	0	(8,496)	(327,920)
Recognition of capital transactions			
Acquisition of capital assets	(1,014,899)	(1,059,277)	(219,694)
Proceeds on sale of capital assets	0	8,496	500,000
	(1,014,899)	(316,457)	703,967
Consumption/(acquisition) of deferred expenses			
	0	(1,344)	11,182
	0	(1,344)	11,182
Change in Net Financial Assets	3,738,828	1,770,046	3,432,919
Net Financial Assets at beginning of year	6,165,169	6,165,169	2,732,250
Net Financial Assets at end of year	9,903,997	7,935,215	6,165,169

WE WAI KAI NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2014

	2014 \$	2013 \$
Operating Transactions		
Annual surplus (deficit) ¹	2,136,057	2,717,770
Non-cash items included in annual surplus	1,512,344	73,451
Changes in working capital accounts	<u>262,691</u>	<u>43,188</u>
	<u>3,911,092</u>	<u>2,834,409</u>
Capital Transactions		
Purchase of capital assets	(1,059,277)	(219,694)
Proceeds on disposal of capital assets	<u>8,496</u>	<u>500,000</u>
	<u>(1,050,781)</u>	<u>280,306</u>
Investing Transactions		
Recovery of note receivable	188,025	177,545
Investment in band controlled entities	(1,356,678)	(1,294,460)
Recovery of investment in band controlled entities	<u>680,614</u>	<u>200,000</u>
Transfer from funds in trust in Ottawa Trusts	<u>5,328</u>	<u>5,178</u>
	<u>(482,711)</u>	<u>(911,737)</u>
Financing Transactions		
Proceeds from debt	1,053,000	0
Repayment of debt	(391,022)	(372,047)
Repayment of obligations under capital leases	<u>(7,642)</u>	<u>(8,056)</u>
	<u>654,336</u>	<u>(380,103)</u>
Increase (Decrease) in Cash and Equivalents	3,031,936	1,822,875
Cash and Equivalents at Beginning of Year	1,982,257	159,382
Cash and Equivalents at End of Year	<u>5,014,193</u>	<u>1,982,257</u>
Represented by:		
Cash and short term investments	5,014,193	1,982,257
Bank indebtedness	<u>0</u>	<u>0</u>
	<u>5,014,193</u>	<u>1,982,257</u>

¹ Interest received during the year was \$51,252 (2013 - \$53,338). Interest paid during the year was \$120,924 (2013 - \$132,643). Interest received is made up of the interest income from the Statement of Operations. Interest paid is made up of the interest expense from the Statement of Operations.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, which encompass the following principles:

a) Reporting Entity

The We Wai Kai Nation reporting entity includes the We Wai Kai Nation government and all related entities that are either owned or controlled by the Nation. The We Wai Kai Nation is referred to by Aboriginal Affairs and Northern Development Canada as the Cape Mudge Indian Band. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. Control exists regardless of whether the government chooses not to exercise its power to govern so long as it has the ability to govern. Control must exist at the financial statement date, without the need to amend agreements.

b) Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise or partnership. These enterprises are included in the Consolidated Financial Statements on a modified equity basis.

Consolidation Method

This method combines the accounts of distinct organizations. It requires uniform accounting policies for the organizations. Inter-organizational balances and transactions are eliminated under this method. The method reports the organizations as if they were one organization. The organizations included through the consolidation method are:

- We Wai Kai Nation government administration
- WWK Holdings Society

Modified Equity Method

This method reports only a Government's investment in and the net income or loss of the organization. In addition, any amounts receivable or payable are consolidated in the financial statements after eliminating any intercompany transactions and balances. The organizations included through the modified equity method are:

- A'tlegay Fisheries Limited Partnership
- Cape Mudge Campsites Ltd.
- Cape Mudge Developments Ltd.
- Cape Mudge Forestry Ltd.
- Cape Mudge Resort Ltd.
- Kerdan Hotel Ltd.
- Laich-Kwil-Tach Environmental Assessment Partnership
- Middle Point Harbour Limited Partnership
- Quinsam LFRC Limited Partnership
- Quinsam Liquor Store Ltd.
- Quinsam Reserve Leasing Inc.
- Quinsam Properties BT Inc.
- Quinsam Service Station Partnership
- WWK Forestry (LPGP) Ltd.
- WWK Forestry Limited Partnership
- We Wai Kai Seafood Corporation

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES - continued

c) 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 held for resale. Non-financial assets include capital assets and prepaid expenses.

d) Basis of presentation

Sources of financing and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

e) Cash

Cash resources includes balances with banks, short-term investments with maturities of three months or less and bank overdraft balances. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

f) Portfolio investments

Long-term investments in entities that are not majority owned or controlled by the Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment and include:

- Leqwa Enterprises Ltd.
- MP Port Management (GP) Ltd.
- Quadra Links Limited
- Quinsam LFRC (GP) Ltd.
- WWK & P Holdings Ltd.

g) Financial Instruments

The Nation's financial instruments consist of cash, accounts receivable, temporary and long-term investments, accounts payable, amounts due to (from) related parties and long-term debt. Unless otherwise noted, it is management's opinion that the Nation is not exposed to significant currency or credit risks arising from these financial instruments. The Nation is exposed to interest rate risk on its long term debt which is based on fluctuations in prime interest rates. The Nation does not use any hedges or contracts to manage the exposure to interest rate fluctuations. A 1% change in interest rates would not have impacted the cash flow but would have increased the interest cost and decreased the principal repayment by \$30,773 during the year.

h) Inventory

Inventory, which consists of goods available for resale, is recorded at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES - continued

i) Tangible Capital Assets

Property, equipment and infrastructure expenditures incurred after March 31, 1987 are valued at acquisition cost and recorded in the Capital Fund. Expenditures incurred previous to April 1, 1987 were charged to operations in the year of acquisition and are not reflected in the Capital Fund.

The acquisition cost of tangible capital assets and payments on capital debt, which are not funded from capital financing sources, are charged to operations and matched with the applicable revenue source in the year of expenditure. These expenditures are also recorded as an addition to assets in the Capital Fund with a corresponding increase in Equity in Capital Assets.

Tangible capital assets are amortized annually with a corresponding reduction in Equity in Capital Assets over their expected useful life using the straight line method at the following rates:

Buildings and Improvements	4%
General and Other Equipment	20%
Infrastructure	4%

In the year of acquisition, 50% of the normal amortization is recorded. Planning and other consulting fees expended from capital financing, which relate to no particular project, are amortized 100% in the year of expenditure.

j) Funds held in trust

Fund held in trust on behalf of Nation members by the Government of Canada are reported on the statement of financial position with an offsetting amount in members' equity. Trust monies consist of:

- Capital trust monies derived from non-renewable resource transactions on the sale of land or other Nation capital assets prior to the implementation of the Land Code in the 2009-10 fiscal year, and
- Revenue trust monies generated primarily through interest earned on deposits held in trust.

k) Net Financial Assets

The Nation's financial statements are presented so as to highlight net financial assets (or debt) as the measurement of financial position. The net financial assets of the Nation is determined by its financial assets less its liabilities.

l) Revenue Recognition

Revenue is recognized on an accrual basis whereby amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue.

Funding received under the terms of contribution agreements with the federal government is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted by the federal government for a stated purpose, such as a specific program or the purchase of capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

Annual levies for property taxation are recorded as taxation income when levied.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES - continued

m) Comparative Figures

Prior year's comparative figures have been reclassified where necessary to conform with the current year's presentation.

n) Budget Amounts

Budget amounts have been derived initially from the official budget adopted by Council at the beginning of the current year, supplemented with additional information for any new programs adopted since the official budget, where information is available.

o) Measurement Uncertainty

These financial statements have been prepared in accordance with accounting practices generally accepted in Canada. In preparing these financial statements, management has made estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

p) Fund Accounting

The We Wai Kai Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal contract, contractual or voluntary actions. The various funds have been amalgamated for purposes of presentation in the consolidated financial statements. Details of the financial position and operations of each fund are set out in the supplementary schedules. The We Wai Kai Nation maintains the following funds:

- The Operating Fund which reports the general activities of the We Wai Kai Nation Administration.
- The Capital Fund which reports the capital assets of the We Wai Kai Nation, together with the details on related financing.
- The Trusts and Reserve Fund which reports the activities of the Ottawa Trust Accounts, and the Lands and Natural Resources Trust which was established under the Land Code.
- The Enterprise Fund which represents the Nation's investment in controlled commercial entities which are self-supporting.

2. ECONOMIC DEPENDENCE

The Nation receives a significant portion of its operating revenue pursuant to a Federal Transfer Arrangement with Aboriginal Affairs and Northern Development Canada. The current agreement is a five year agreement which expires March 31, 2017.

Funding is based on a master budget which is part of the agreement. The Nation is permitted to use any surpluses at its own discretion, provided the terms and conditions of the agreement are met, but must also take responsibility for any deficits.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

3. CASH AND CASH EQUIVALENTS

The general bank account has an overdraft facility in the amount of \$200,000 (2013 - \$200,000) with interest at prime plus 0.5% (2013 - prime plus 0.5%).

Cash and cash equivalents are comprised of the following:

	2014	2013
	\$	\$
Externally restricted		
FNFA Debt Reserve Fund	52,711	0
	<u>52,711</u>	<u>0</u>
Internally restricted		
Impact benefits agreement account	3,570,521	575,359
Lands & Natural Resources trust funds	603,649	0
Forest & range contribution and revenue sharing	139,184	171,690
	<u>4,313,354</u>	<u>747,049</u>
Unrestricted		
Operating	648,128	1,235,208
Overdraft	0	0
	<u>648,128</u>	<u>1,235,208</u>
Total Cash and Cash Equivalents	<u>5,014,193</u>	<u>1,982,257</u>
Reported as:		
Cash and cash equivalents	5,014,193	1,982,257
Bank indebtedness	0	0
	<u>5,014,193</u>	<u>1,982,257</u>

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2014	2013
	\$	\$
Due from members:		
First Nation Members		
• User Fees	184,632	176,253
• Loans	28,025	20,525
Allowance for doubtful accounts	<u>(197,481)</u>	<u>(188,929)</u>
	<u>15,176</u>	<u>7,849</u>
Due from others:		
Aboriginal Affairs and Northern Development Canada	4,612	165,900
Health and Welfare Canada	1,875	65,813
Province of British Columbia & Agencies	38,755	22,726
BC Hydro	0	5,611
Kwakiutl District Council	11,820	12,340
North Vancouver Island Aboriginal Training Society	0	9,206
Nuyumbalees Society	70,555	70,555
Other First Nations and Agencies	0	22,210
Lease receivables	31,989	34,252
Logging Deposit and Proceeds	2,000	27,000
Sales tax recoverable	3,697	1,046
General accounts	<u>72,365</u>	<u>31,706</u>
	<u>237,668</u>	<u>468,365</u>
Allowance for doubtful accounts	<u>(70,555)</u>	<u>(70,555)</u>
	<u>167,113</u>	<u>397,810</u>
Net accounts receivable	<u>182,289</u>	<u>405,659</u>

5. INVENTORY

	2014	2013
	\$	\$
Tobacco Products for Resale	3,162	3,622
	<u>3,162</u>	<u>3,622</u>

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

6. FUNDS HELD IN TRUST BY GOVERNMENT

Trust fund accounts arise from moneys 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. The management of these funds is primarily governed by Section 63 to 69 of the Indian Act.

	2013 \$	Additions \$	Withdrawals \$	2014 \$
Revenue accounts	3,818	5,733	(5,328)	4,223
Capital accounts	112,080	0	0	112,080
	115,898	0	(5,328)	116,303

7. DUE FROM (TO) RELATED ENTITIES

	2014 \$	2013 \$
Current Operating Advances due from (to):		
Cape Mudge Campsites Ltd.	87,004	72,164
Cape Mudge Developments Ltd.	14,116	(30,335)
Cape Mudge Resort Ltd.	0	36,537
Kerdan Hotel Ltd.	0	885
Middle Point Harbour Limited Partnership	1,495	1,200
Quinsam LFRC Limited Partnership	339	1,225
Quinsam Liquor Store Ltd	16,764	0
Quinsam Service Station Partnership	131,959	175,377
WWK Forestry (LPGP) Ltd.	0	1,299
WWK Forestry Limited Partnership	<u>27,616</u>	<u>14,965</u>
	279,293	273,317

Current operating advances to related entities have been funded from working capital and are unsecured, non-interest bearing and due on demand.

8. NOTE RECEIVABLE

	2014 \$	2013 \$
Quinsam Service Station Partnership	308,206	496,231
	308,206	496,231

The Nation has extended a loan to the Quinsam Service Station Partnership on the sale of the constructed service station facility to the Partnership with repayment in monthly blended payments of \$17,700, including interest based on 52 month amortization with an interest rate of 6% per annum.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

9. INVESTMENT IN BUSINESS ENTERPRISES

The Nation's investments in non-controlling investments, government business enterprises and partnerships consist of the following:

	2014	2013
	\$	\$
Non-Controlling Interest Investments		
Leqwa Enterprises Inc.	1	1
MP Port Management (GP) Ltd.	0	0
Quadra Links Limited	25,000	25,000
Quinsam LFRC (GP) Ltd.	0	2,989
WWK & P Holdings Ltd.	374,579	240,050
	399,580	268,040
Investments in Business Enterprises		
Cape Mudge Campsites Ltd.	112,862	166,877
Cape Mudge Developments Ltd.	228,190	219,352
Cape Mudge Forestry Ltd.	1	1
Cape Mudge Resort Ltd.	141,860	132,733
Kerdan Hotel Ltd.	1,073,494	1,567,000
Quinsam Liquor Store Ltd.	560,493	0
Quinsam Properties BT Inc.	1	1
Quinsam Reserve Leasing Ltd.	1	1
We Wai Kai Forestry (LPGP) Ltd.	100	100
We Wai Kai Seafood Corporation	361,029	1,324,912
	2,478,031	3,410,977
Investments & Earnings in Business Partnerships		
A-Tlegay Fisheries Limited Partnership	140,239	275
Laich-Kwil-Tach Environmental Assessment Limited Partnership	530,955	0
Quinsam LFRC Limited Partnership	13,683	48,000
Quinsam Service Station Partnership	1,989,035	1,872,420
Middle Point Harbour Limited Partnership	576,409	565,820
WWK Forestry Limited Partnership	434,951	553,250
	3,685,272	3,039,765
Net Investment in Business Enterprises	6,562,883	6,718,782

a) Loans to Business Enterprises

Loans to Cape Mudge Developments Ltd., Cape Mudge Campsites Ltd., Cape Mudge Resort Ltd. and Kerdan Hotel Ltd. are non-interest bearing and have no specific terms of repayment.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

9. INVESTMENT IN BUSINESS ENTERPRISES (continued)

b) Shareholdings in Business Enterprises

100% of the issued shares in the following companies are held in trust for the We Wai Kai Nation:

Cape Mudge Campsites Ltd.
Cape Mudge Developments Ltd.
Cape Mudge Forestry Ltd.
Cape Mudge Resort Ltd.
Kerdan Hotel Ltd.
Quinsam Liquor Store Ltd.
Quinsam Properties BT Inc.
Quinsam Reserve Leasing Inc.
We Wai Kai Seafood Corporation
WWK Forestry (LPGP) Ltd.

The WWK Holdings Society is controlled by Chief & Council of the We Wai Kai Nation.

c) Interests in Business Partnerships

The interest in the A-Tlegay Fisheries Limited Partnership consists of a 27.5% interest as a limited partner.

The interest in the Laich-Kwil-Tach Environmental Assessment Limited Partnership consists of a 49.995% interest as a limited partner.

The interest in the Quinsam LFRC Limited Partnership consists of a 48% interest as a limited partner with Quinsam LFRC (GP) Ltd. holding a 1% interest as a general partner.

The interest in the Quinsam Service Station Partnership consists of a 99% interest in the partnership.

The interest in the Middle Point Harbour Limited Partnership consists of a 51% interest as a limited partner.

The interest in the WWK Forestry Limited Partnership consists of a 99% interest as a limited partner with WWK Forestry (LPGP) Ltd. holding a 1% interest as a general partner.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

10. RESULTS OF OPERATIONS OF BUSINESS ENTERPRISES & PARTNERSHIPS

DESCRIPTION	Retail Goods & Services Businesses	Natural Resource Businesses	Industrial Businesses
Fiscal Year Ends	Oct 31/13 - Mar 31/14	Mar 31/14	Mar 31/14
Assets			
Current	1,705,171	1,993,889	99,782
Capital & Other	3,183,103	1,017,779	3,466,096
	4,888,274	3,011,668	3,565,878
Liabilities			
Current	1,235,299	352,413	180,419
Long Term	3,620,451	2,220,729	2,275,059
Partner's Interest	8,754	756,822	533,991
	4,864,504	3,329,964	2,989,469
Net Assets (Liabilities)	23,770	(318,296)	576,409
Total Revenues	19,727,284	1,543,578	415,303
Total Expenses	19,191,752	1,322,722	443,560
Net Income (Loss) for the Year	535,532	220,856	(28,257)

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013
	\$	\$
Trade payables	295,969	295,142
Accrued salaries and benefits payable	32,758	25,220
Sales taxes payable	1,604	21,737
Other accrued liabilities	167,587	94,601
	497,918	436,700

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

12. EMPLOYEE BENEFIT OBLIGATIONS

	2014 \$	2013 \$
Vacation and overtime	86,231	68,124
Pension plan contributions	0	6,987
	<u>86,231</u>	<u>75,111</u>

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

Pension plan

The Nation provides a defined contribution plan for eligible members of its staff. Members are required to contribute between 3% and 9% of their basic salary. The Nation contributes matching contributions which are directed to the member's contribution account. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. The Nation contributed during the year \$46,723 (2013- \$49,260) for retirement benefits. The Nation does not have any other obligations with regards to the pension plan as at March 31, 2014.

13. DEPOSITS HELD IN TRUST

	2014 \$	2013 \$
Housing Application Deposits	0	3,000
	<u>0</u>	<u>3,000</u>

The housing application deposits are held on behalf of Band Members and are non-interest bearing.

14. DEFERRED REVENUES

Deferred revenues consist of the following:

	2013 \$	Funding received (repaid) \$	Revenue Recognized \$	2014 \$
Sources:				
AANDC - Lands & Resources	107,474	279,536	(296,144)	90,866
Brighter Futures	0	66,114	(58,732)	7,382
Deferred Property Leases	13,931	0	(13,931)	0
	<u>121,405</u>	<u>345,650</u>	<u>(368,807)</u>	<u>98,248</u>

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

15. LONG-TERM DEBT

	2014	2013
	\$	\$
RBC Royal Bank		
Term Loan (Consolidated Loan)	2,339,352	2,680,695
Term Loan (Quinsam LRS)	432,063	481,743
First Nations Finance Authority (FNFA)		
Term Loan	1,053,000	0
	3,824,415	3,162,438

a) RBC Royal Bank - Term Loan (Consolidated Loan)

The Nation has entered into a consolidation loan with RBC Royal Bank which is repayable in monthly blended payments of \$36,700, including interest based on 120 month amortization with an interest rate of prime plus 0.9% per annum.

b) RBC Royal Bank - Term Loan (Quinsam LRS)

The Nation has entered into a loan for the construction of the Liquor Retail Store on the Quinsam Reserve with RBC Royal Bank which is repayable in monthly blended payments of \$5,633, including interest based on 120 month amortization with an interest rate of prime plus 0.9% per annum.

c) RBC Royal Bank - Term Loan's Security

The RBC Royal Bank Term Loans are secured by a General Security Agreement, an assignment of revenues under the Interim Forestry Agreement and guarantees from band controlled entities as follows:

WWK Holdings Society	\$1,095,000
Kerdan Hotel Ltd.	\$795,000
Quinsam Service Station Partnership	\$1,500,000
Quinsam Properties BT Inc.	\$1,500,000
Quinsam Reserve Leasing Inc.	\$1,500,000

d) First Nations Finance Authority (FNFA) - Term Loan

The Nation has entered into a loan for the acquisition of property with the FNFA which is repayable in semi-annual interest payments of \$19,954 and annual principal payments of \$35,362. Interest is calculated at 3.79% and compounded semi-annually.

Future scheduled principal reduction on long term debt is as follows:

Year ended March 31, 2015	\$442,450
Year ended March 31, 2016	\$458,438
Year ended March 31, 2017	\$475,412
Year ended March 31, 2018	\$492,884
Year ended March 31, 2019	\$511,050

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

16. CAPITAL LEASE OBLIGATIONS

	2014	2013
	\$	\$
RBC Royal Bank		
- implicit lease rate of 4.24%	24,302	31,944
- due March 2017		
- monthly payments of \$741		
- secured by liquor store coolers with a book value of \$29,170		
	<hr/>	<hr/>
	24,302	31,944

Minimum lease payments related to the obligation under capital lease are as follows:

2015	8,892
2016	8,892
2017	8,892
2018	0
	<hr/>
	26,676
Less: imputed interest	<hr/>
Balance of obligation	24,302

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

17. TANGIBLE CAPITAL ASSETS

	Cost \$	Additions \$	Disposals \$	Accumulated amortization \$	2014 Net book value \$
Land held for development	1,680,346	1,016,080	0	0	2,696,426
Band Buildings	6,272,886	0	0	2,005,870	4,267,016
Infrastructures:					
• Subdivisions	9,232,599	0	0	2,405,510	6,827,089
• Roads	1,208,141	0	0	674,417	533,724
• Water Systems	257,490	0	0	96,780	160,710
• Sewer Systems	218,456	0	0	131,398	87,058
• Pool Complex	14,378	0	0	10,638	3,740
Automotive & vessels	295,993	36,697	5,000	279,724	47,966
General equipment	42,134	6,500	0	28,695	19,939
Equipment under capital lease	48,618	0	0	19,448	29,170
Office equipment	67,303	0	0	58,745	8,558
Computer equipment	26,551	0	0	20,414	6,137
	19,364,895	1,059,277	5,000	5,731,639	14,687,533

	Cost \$	Additions \$	Disposals \$	Accumulated amortization \$	2013 Net book value \$
Land held for development	1,680,346	172,080	172,080	0	1,680,346
Band Buildings	6,270,499	2,387	0	1,754,955	4,517,931
Infrastructures:					
• Subdivisions	9,232,599	0	0	2,036,207	7,196,392
• Roads	1,208,141	0	0	626,092	582,049
• Water Systems	224,925	32,565	0	86,480	171,010
• Sewer Systems	218,456	0	0	122,661	95,795
• Pool Complex	14,378	0	0	10,063	4,315
Automotive & vessels	295,993	0	0	253,913	42,080
General equipment	40,634	1,500	0	21,645	20,489
Equipment under capital lease	48,618	0	0	9,724	38,894
Office equipment	64,909	2,394	0	53,419	13,884
Computer equipment	26,294	8,768	8,511	18,660	7,891
	19,325,792	219,694	180,591	4,993,819	14,371,076

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

18. DEFERRED EXPENDITURES

Deferred expenditures represent payments made before March 31, 2014 which will be funded from future year's revenues.

	2014 \$	2013 \$
Social Assistance Payments	7,809	12,014
Prepaid Student Allowances	31,745	26,875
Miscellaneous	2,433	1,754
	41,987	40,643

19. ACCUMULATED SURPLUS

	2014 \$	2013 \$
Internally Restricted:		
Invested in tangible capital assets	10,838,816	11,176,695
Invested in business enterprises	6,871,089	7,215,013
Other internally restricted:		
Fisheries Trust	0	566,322
	17,709,905	18,958,030
Externally Restricted:		
Capital projects	0	134,021
Funds held in trust by government	116,303	115,898
Taxation Contingency Reserve	1,880	0
FNFA Debt Reserve Fund	52,711	0
Trust & Reserves balances	603,649	499,226
	774,543	749,145
Unrestricted surplus (deficit)	4,180,287	869,713
Accumulated surplus at end of year	22,664,735	20,576,888

20. CONTINGENT LIABILITIES AND COMMITMENTS

The Nation has entered into contribution agreements with the Aboriginal Affairs and Northern Development Canada, Health Canada and various federal and provincial government departments. Funding received under these contribution agreements is subject to repayment if the Nation fails to comply with the terms and conditions of the agreements.

In addition, in the normal course of its operations, the Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on Nation's financial statements.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

20. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Additional contingencies and commitments include the following:

a) Mortgage Guarantees

The Nation is contingently liable with respect to Ministerial guarantees for "On Reserve Housing Loans" to various financial institutions. The outstanding balances on these guaranteed loans is \$3,370,990 (2013 - \$2,725,347).

b) Commitment to Fund Controlled Entities and Repay Debt Related to Investment

The Nation's investment policy in related corporations includes a commitment to advance working capital for operating purposes as required. The amount of future working capital requirements is unknown at this time and will depend upon the results of ongoing entity operations.

c) British Columbia Treaty Commission Agreement

The We Wai Kai Nation, as a Kwakiutl First Nation, has authorized the Laich-Kwil-Tach Treaty Society (formerly Hamatla Treaty Society) to represent its interest in negotiations with Canada and British Columbia, as contemplated by the British Columbia Treaty Commission Agreement.

The Society has received loans pursuant to a Negotiation Loan Management Agreement between the Society and the British Columbia Treaty Commissioners.

The agreement states "Amounts payable to the Kwakiutl First Nations pursuant to a treaty may be set off against debts incurred pursuant to this Agreement with the Society".

Information supplied by the Society indicates that from any proceeds received under a treaty settlement, the We Wai Kai Nation is responsible for a loan amount of \$,3721,809 as of March 31, 2014 (2013 - \$3,559,222).

21. SUBSEQUENT EVENTS

Subsequent to the end of the year, the Nation obtained additional financing of \$2,500,000 from the First Nations Finance Authority which financed a loan to a newly incorporated company (1012577 B.C. Ltd.), beneficially owned by the Nation, for the purpose of acquiring a debt instrument held by the Coastal Community Credit Union over the Middle Point Harbour Limited Partnership as represented by its general partner, MP Port Management (GP) Ltd.. 1012577 B.C. Ltd. has appointed a receiver in respect of the acquired debt instrument to enforce the security provided and recover the balance owed.

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

22. SCHEDULE OF EXPENDITURES BY OBJECT

The following is a summary of expenses by object:

	2014	2013
	\$	\$
Wages and payroll costs	1,406,298	1,307,846
Amortization	742,820	751,581
Direct member benefits	559,009	586,669
Social Program costs	496,238	471,094
Contract & subcontract costs	402,117	319,997
Infrastructure construction costs	390,584	300,528
Honoraria	253,325	258,255
Travel	221,705	244,749
Consulting & professional fees	206,943	429,767
Tuition and books	194,757	221,548
Repairs and maintenance	168,886	202,312
Utilities	180,831	177,091
Materials and supplies	152,921	172,633
Interest and bank charges	120,924	132,643
Residential construction costs	119,226	273,914
Miscellaneous	63,165	43,903
Medical travel	43,777	53,121
Telecommunications	38,971	39,994
Insurance	33,158	22,438
Equipment costs	28,727	16,179
Donations and gifts	16,449	19,733
Training	14,275	34,836
Net losses and writedowns of investments	<u>831,963</u>	<u>0</u>
	<u><u>6,687,069</u></u>	<u><u>6,080,831</u></u>

WE WAI KAI NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

23. SEGMENT DISCLOSURE

The Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by program. Programs were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, restrictions or limitations. These activities can also be categorized into segments. The following segments have been identified and as such are separately disclosed:

General Administration

General Administration contains activities that are needed to manage and administer the Nation's organization.

Community Services

Community Services contains all activities that relate to the operations, maintenance, development, construction and financing of buildings, infrastructure and land of the Nation.

Housing

Housing contains activities that relate to on reserve housing.

Health & Social Development

Health & Social Development contains activities that provide health services, medical services, financial support or support by other means to members that is aimed at developing both the individual as well as the community.

Education

Education contains activities that provide education and facilitate educational opportunities to members for primary, secondary schooling and adult vocational training.

Community & Economic Development

Community & Economic Development contains activities that are involved in the development of the community and the development and operation of economic opportunities.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The segment results for the period are as follows:

WE WAI KAI NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

23. SEGMENT DISCLOSURE (continued)

Year ended March 31, 2014:

	General Administration	Community Services	Housing	Health & Social Development	Education	Community & Economic Development	Eliminations	Consolidated Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
AANDC	956,849	541,046	89,006	562,545	996,600	374,095	0	3,520,141
Federal	0	0	3,250	103,003	0	0	0	106,253
Provincial	0	0	0	24,261	0	3,947,124	0	3,971,385
Other	195,882	73,080	0	150,195	16,838	889,567	(148,425)	1,177,137
	1,152,731	614,126	92,256	840,004	1,013,438	5,210,786	(148,425)	8,774,916
Expenses								
Salaries and benefits	471,725	45,542	0	528,976	80,886	279,169	0	1,406,298
Interest	0	0	0	0	0	120,924	0	120,924
Amortization	0	742,820	0	0	0	0	0	742,820
Other	679,126	783,610	116,478	349,512	1,015,655	1,621,071	(148,425)	4,417,027
	1,150,851	1,571,972	116,478	878,488	1,096,541	2,021,164	(148,425)	6,687,069
Transfers	0	(30,920)	0	19,415	83,103	(71,598)	0	0
Annual Surplus (Deficit)	1,880	(988,766)	(24,222)	(19,069)	0	3,118,024	0	2,087,847

WE WAI KAI NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

23. SEGMENT DISCLOSURE (continued)

Year ended March 31, 2013:

	General Administration	Community Services	Housing	Health & Social Development	Education	Community & Economic Development	Eliminations	Consolidated Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
AANDC	3,052,237	61,428	368,630	5,112	0	345,462	0	3,832,869
Federal	0	0	12,750	143,683	0	0	0	156,433
Provincial	0	0	0	27,039	0	2,830,414	0	2,857,453
Other	168,038	30,634	0	222,703	24,670	1,634,453	(128,652)	1,951,846
	3,220,275	92,062	381,380	398,537	24,670	4,810,329	(128,652)	8,798,601
Expenses								
Salaries and benefits	447,688	31,106	0	494,745	68,976	265,331	0	1,307,846
Interest	0	0	0	0	0	132,643	0	132,643
Amortization	0	751,581	0	0	0	0	0	751,581
Other	713,161	687,657	259,467	423,944	1,055,354	877,830	(128,652)	3,888,761
	1,160,849	1,470,344	259,467	918,689	1,124,330	1,275,804	(128,652)	6,080,831
Transfers	(2,048,264)	705,812	(119,912)	534,438	1,099,660	(171,734)	0	0
Annual Surplus (Deficit)	11,162	(672,470)	2,001	14,286	0	3,362,791	0	2,717,770