

Kwikwasut'inuxw Haxwa'mis First Nation

Financial Statements

March 31, 2014

Kwikwasut'inuxw Haxwa'mis First Nation**Consolidated Financial Statements**

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Kwikwasut'inuxw Haxwa'mis First Nation

Management's Statement of Responsibility for Financial Reporting

March 31, 2014

The accompanying consolidated financial statements are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and necessarily include estimates which are based on management's best judgements.

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 consolidated financial statements.

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

McIntosh, Norton, Williams, an independent firm of Certified General Accountants, has been engaged to examine the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their report stating the scope of their examination and opinion on the consolidated financial statements follows.

John Chamberlin
Chief Councillor

July 24/14
Date

Mark Chamberlin
Councillor

July 24, 2014
Date



McINTOSH | NORTON | WILLIAMS
certified general accountants

Independent Auditor's Report

Cory McIntosh, CGA, CAFM, CFP *
Jay R. Norton, FCGA, CAFM *
Michael K. Williams, CGA *
Jason S. Moore, BA, CGA *

*practising as a professional corporation

"It's not what you earn, it's what you keep!"

To the Members of Kwikwasut'inuxw Haxwa'mis First Nation

We have audited the accompanying consolidated financial statements of Kwikwasut'inuxw Haxwa'mis First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the First Nation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kwikwasut'inuxw Haxwa'mis 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.

McINTOSH | NORTON | WILLIAMS
certified general accountants

Port Alberni, British Columbia
July 24, 2014

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Kwikwasut'inuxw Haxwa'mis First Nation**Consolidated Statement of Financial Position**

March 31	2014	2013
	\$	\$
Financial Assets		
Cash	181,450	677,081
Accounts receivable (Note 2)	156,957	127,144
Long term investments (Note 3)	183,385	195,019
Restricted cash (Note 4)	158,847	153,759
	680,639	1,153,003
Liabilities		
Accounts payable	142,725	492,609
Wages and benefits payable	5,992	3,898
Due to T'Se'Kame' Forestry Ltd.	1	1
Due to T'Se'Kame' Forestry Limited Partnership	3,384	9,999
Deferred revenue	58,346	58,346
Committed funds	-	159,824
Long-term debt (Note 6)	225,479	228,424
	435,927	953,101
Net financial assets - Page 2	244,712	199,902
Non-financial Assets		
Prepaid expenses	15,762	13,394
Tangible capital assets (Note 7)	10,251,321	9,706,044
	10,267,083	9,719,438
Accumulated Surplus (Note 9)	10,511,795	9,919,340

Approved on behalf of the Kwikwasut'inuxw Haxwa'mis First Nation

Bob Chamberlin, Chief Councillor
Mark Chamberlin, Councillor

The accompanying notes are an integral part of the financial statements

Kwikwasut'inuxw Haxwa'mis First Nation

Consolidated Statement of Change in Net Financial Assets

For the year ended March 31	2014	2013
	\$	\$
Excess of revenue over expenditures - Page 3	432,633	842,475
Acquisition of tangible capital assets	(954,704)	(1,608,567)
Amortization of tangible capital assets	408,790	441,296
Loss on disposal of tangible capital assets	635	5,828
	(545,279)	(1,161,443)
Acquisition of prepaid asset	(2,368)	(2,818)
Changes in committed funds	159,824	(159,824)
Increase (decrease) in net financial assets	44,810	(481,610)
Net financial assets at beginning of year	199,902	681,512
Net financial assets at end of year - Page 1	244,712	199,902

The accompanying notes are an integral part of the financial statements

Kwikwasut'inuxw Haxwa'mis First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31	2014 Budget	2014 Actual	2013 Actual
	\$	\$	\$
Revenue			
Aboriginal Affairs and Northern Development Canada	673,220	1,317,649	2,169,402
Island Coastal Economic Trust	-	239,445	-
Inter Tribal Health Authority	12,039	216,562	190,744
Province of B.C.	-	149,497	158,738
International Forest Products	-	80,010	18,950
Brinkman Forest Ltd.	-	60,756	27,974
Other revenue	1,380	24,977	23,757
User fees	21,700	23,913	28,502
North Vancouver Island Aboriginal Training Society	-	22,236	8,118
Musamamagw Tsawataineuk Tribal Council	17,541	18,712	20,052
Rental income	-	18,000	18,650
Interest income	648	7,145	9,491
T'Se'Kame' Forestry	-	6,615	12,300
Net income (loss) from T'Se'Kame' Forestry LP	-	3,596	(96,288)
Health Canada	-	3,100	2,000
First Nation Education Steering Committee	-	2,675	6,001
Administration recoveries	-	-	50,000
New Relationship Trust	-	-	25,000
Musgamagw Territorial Marine Management Society	-	-	8,000
Gain on disposal of investment	-	-	722
Net loss from T'Se'Kame' Forestry Ltd.	-	(230)	(250)
	726,528	2,194,658	2,681,863
Expenditures (Note 9)			
Operating Fund	1,005,773	1,762,024	1,839,388
Excess of revenue over expenditures- Page 2	(279,245)	432,633	842,475
Surplus at beginning of year	10,079,164	10,079,162	9,236,687
Surplus at end of year	9,799,919	10,511,795	10,079,162

The accompanying notes are an integral part of the financial statements

Kwikwasut'inuxw Haxwa'mis First Nation**Consolidated Statement of Cash Flows**

For the year ended March 31, 2014	2014	2013
	\$	\$
Cash flows from Operating activities		
Excess of revenue over expenditures		
Items not affecting cash	432,633	842,475
Amortization of tangible capital assets	408,790	441,296
Loss on disposal of tangible capital assets	634	-
	842,057	1,283,771
Change in non-cash operating working capital		
Accounts receivable	(29,813)	230,374
Advances to 674661 B.C. Limited	-	33,875
Prepaid expenses	(2,368)	(2,818)
Restricted cash	(5,088)	(4,228)
Accounts payable	(349,884)	359,473
Deferred revenue	-	(58,572)
Wages and benefits payable	2,094	910
	456,998	1,842,785
Capital activities		
Purchase of capital assets	(954,703)	(1,602,741)
Financing activities		
Decrease in due to T'Se'Kame' Forestry Limited Partnership	(6,615)	-
Proceeds from long term debt	-	232,876
Repayment of long term debt	(2,945)	(4,452)
Long term investments	11,634	110,212
	2,074	338,636
(Decrease) Increase in cash and cash equivalents	(495,631)	578,680
Cash and cash equivalents, beginning of year	677,081	98,401
Cash and cash equivalents, end of year	181,450	677,081

The accompanying notes are an integral part of the financial statements

Kwikwasut'inuxw Haxwa'mis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

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) Fund Accounting

The Kwikwasut'inuxw Haxwa'mis 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.

(b) Reporting Entity Principles of Financial Reporting

The Kwikwasut'inuxw Haxwa'mis First Nation reporting entity includes the Kwikwasut'inuxw Haxwa'mis First Nation Council and all related entities which are accountable to the First Nation and are either owned, directly or indirectly, or controlled by the Kwikwasut'inuxw Haxwa'mis First Nation.

These financial statements report on the assets, liabilities and results of operations for the following funds which use accounting principles that lend themselves to consolidation:

1. Operating Fund
2. Trust Fund
3. Enterprise Fund

All inter-entity balances have been eliminated on summarization, 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.

(c) Comparative Figures

Comparative figures have been reclassified, where applicable, to conform to current presentation.

(d) Revenue Recognition

Funding received under the terms of agreements is recognized as revenue when received. Funding received but not yet expended is included in the applicable statement of operations.

(e) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. Actual results could differ from those estimates.

Kwikwasut'inuxw Haxwa'mis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

2. Accounts Receivable

Accounts receivable are shown net of allowance for doubtful accounts of \$96,576 (2013 - \$96,576).

3. Long Term Investments

	2014	2013
	\$	\$
T'Se'Kame' Forestry Ltd.	(979)	(749)
<u>T'Se'Kame' Forestry Limited Partnership</u>	<u>184,364</u>	<u>195,768</u>
	183,385	195,019

The First Nation owns 100% of the common shares of T'se'kame' Forestry Ltd. (TFL). The investment is recorded on the modified equity basis and is comprised of common shares of \$1 and retained deficit of \$980 (2013 - \$730). The company had assets of \$22 (2012 - \$22) and liabilities of \$1001 (2012 - \$751) as at December 31, 2013; revenues of \$nil (2012 - loss \$10) and expenses of \$250 (2012 - \$250) for the year then ended.

T'Se'Kame' Forestry Limited Partnership (TFLP):

- The general partner of TFLP is TFL owning 0.01% of the partnership units.
- The limited partner of TFLP, owning 99.99% of the partnership units, is Kwicksutaineuk Ah'Kwa'Ah'Mish First Nation Business Trust.
- The First Nation is the sole beneficiary of the Trust.

4. Restricted Cash

	2014	2013
	\$	\$
Ottawa Trust Funds - Revenue	153,133	148,045
<u>Ottawa Trust Funds - Capital</u>	<u>5,714</u>	<u>5,714</u>
	158,847	153,759

5. Long-term Debt

	2014	2013
	\$	\$
Peace Hills Trust housing mortgage, repayable at \$1,340 per month including interest at 4.84%; secured by guarantee of AANDC; renewal date May 2017.	225,479	228,424

Subsequent to the year end the First Nation is planning construction of six more housing units and has secured a \$235,000 mortgage to fund this project; commencement date is unknown at this time.

Kwikwasut'inuxw Haxwa'mis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

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

2015	5,323
2016	220,156
<hr/>	
	225,479
<hr/>	

6. Tangible Capital Assets

Capital assets acquired after March 31, 1986 are recorded at cost and charged to operations in the year the assets were acquired. The First Nation has not capitalized capital assets acquired before April 1, 1986. Amortization is calculated to reflect anticipated life expectancy on a declining balance basis as follows:

	Rate	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
		\$	\$	\$	\$
Buildings	4 %	3,754,956	1,397,118	2,357,838	2,166,404
Computer equipment	30 %	39,810	33,523	6,287	8,983
Construction in progress		4,043,156	-	4,043,156	3,674,842
General equipment	20 %	1,248,798	1,205,613	43,185	53,982
Infrastructure	10 %	6,675,016	2,878,740	3,796,276	3,795,458
Office equipment	20 %	75,887	71,407	4,480	6,234
Vehicles	30 %	8,390	8,291	99	141
		<hr/> 15,846,013	<hr/> 5,594,692	<hr/> 10,251,321	<hr/> 9,706,044

7. Changes in Tangible Capital Assets

	Additions	Disposals	Amortization	Accumulated amortization on disposals
	\$	\$	\$	\$
Buildings	283,765	-	92,331	-
Computer equipment	-	-	2,696	-
Construction in progress	368,315	-	-	-
General equipment	-	-	10,797	-
Infrastructure	302,622	-	301,804	-
Office equipment	-	1,377	1,120	743
Vehicles	-	-	42	-
<hr/> Total - 2014	<hr/> 954,702	<hr/> 1,377	<hr/> 408,790	<hr/> 743
<hr/> Total - 2013	<hr/> 1,602,740	<hr/> -	<hr/> 441,296	<hr/> -

Kwikwasut'inuxw Haxwa'mis First Nation**Notes to Consolidated Financial Statements**

March 31, 2014

8. Accumulated Surplus

Accumulated surplus is comprised of:

	2014	2013
	\$	\$
Restricted		
Trust Fund	158,847	153,758
Unrestricted		
Operating Fund	10,150,167	9,725,991
Enterprise Fund	202,781	199,415
Committed funds	-	(159,824)
	10,352,948	9,765,582
	10,511,795	9,919,340

Kwikwasut'inuxw Haxwa'mis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

9. Expenditures

For the year ended March 31	2014 Budget	2014 Actual	2013 Actual
Amortization	\$ -	\$ 408,790	\$ 441,296
Bad debts	-	2,714	-
Basic needs	11,829	67,380	63,621
Child nutrition	-	1,473	4,693
Community activities	10,600	15,853	25,741
Contract fees	217,772	208,464	284,084
Council travel	10,000	35,014	21,286
Cultural enrichment	-	6,946	6,120
Elder costs	29,040	2,826	14,525
Election costs	-	7,545	2,925
Fuel	174,000	241,186	173,903
Healthy families	17,880	46,409	44,189
Honoraria	62,132	45,041	46,621
Insurance	14,324	14,195	12,272
Interest and bank charges	1,800	4,618	3,866
Interest on long-term debt	-	11,792	10,286
Licenses, dues and fees	63	376	477
Loss on disposal of capital assets	-	633	-
Materials and supplies	14,100	11,818	17,918
Members assistance	-	3,890	10,657
Miscellaneous expenses	400	-	8,411
National child benefit	-	1,584	883
Office expenses	17,310	19,827	15,116
Post secondary costs	-	114,861	128,729
Professional fees	16,700	30,617	64,815
Rent	10,800	9,782	10,923
Repairs and maintenance	39,390	76,450	43,755
Student living allowance, tuition, and travel	-	304	332
Subcontract expenses	3,000	760	9,960
Training	10,616	1,770	15,490
Travel	21,949	36,161	24,403
Utilities and telephone	21,720	36,135	38,625
Wages and benefits	289,253	271,579	268,486
Workshops and meeting costs	15,924	25,232	24,980
	1,005,773	1,762,024	1,839,388

Kwikwasut'inuxw Haxwa'mis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

10. Economic Dependence

Kwikwasut'inuxw Haxwa'mis First Nation receives the majority of its operating revenues in the form of grants and contributions from Aboriginal Affairs and Northern Development Canada. The amount of funding for each fiscal period from these entities is uncertain as the grants and contributions are subject to annual review and negotiation.

11. Financial Instruments

The financial instruments of the First Nation consist of cash, accounts receivable, accounts payable and accrued liabilities, wages and benefits payable, due to government agencies, and long term debt. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

12. Correction of Prior Period Income

The prior year has been adjusted to include investments that were not previously recorded. These investments encompass T'Se'kame' Forestry Ltd. and T'se'kame' Forestry Limited Partnership and the corresponding net income (loss) for those entities' fiscal years ended December 31, 2010, 2011, 2012, and 2013.

	2013
	\$
Long term investments	195,019
Due to related parties	10,000
Other revenue	(13,369)
Net Income (loss) from investments	(96,538)
Excess (deficiency) of revenue over expenditure	(109,907)
Equity beginning of year	400,700
Equity end of year	290,793

13. Related Party Transactions

During the year the First Nation entered into transactions with T'se'kame' Forestry Limited Partnership. The transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the current year the First Nation charged contract fees in the amount of \$6,615 (2013 - \$12,300 for administration fees).