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**MOWACHAHT/MUCHALAHT FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2014



Mowachah/Muchalaht First Nation

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Mowachah/Muchalaht First Nation are the responsibility of management and have been approved by the Council of Chiefs.

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 Council of Chiefs 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 Council of Chiefs 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 Mowachah/Muchalaht First Nation and meet when required.

On behalf of Mowachah/Muchalaht First Nation :

July 29, 2014

INDEPENDENT AUDITOR'S REPORT

**To the Members,
Mowachah/Muchalaht First Nation**

We have audited the accompanying financial statements of Mowachah/Muchalaht First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statement of operations, changes in net financial assets and cash flows for the year then ended, and the notes to the consolidated financial statements.

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 for governments, 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 are 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 Mowachah/Muchalaht First Nation as at March 31, 2014, and of the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards for governments.



Chartered Accountants

Campbell River, BC
July 29, 2014

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MOWACHAHT/MUCHALAHT FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED MARCH 31, 2014

	Notes	2014 \$	2013 \$
Financial Assets			
Cash and cash equivalents	3	2,064,616	1,853,368
Accounts receivable	4	233,097	211,793
Funds held in trust by government	5	1,531,567	1,410,385
Investment in government business entities	6 & 20	1,041,249	1,044,173
		<u>4,870,529</u>	<u>4,519,719</u>
Liabilities			
Accounts payable and accrued liabilities	7	446,489	432,377
Employee benefit obligations	8	37,763	27,438
Due to related entities	9	8,392	39,915
Deferred revenues	10	225,692	439,434
Long-term debt	11	<u>3,135,182</u>	<u>3,229,675</u>
		3,853,518	4,168,839
Net Financial Assets		<u>1,017,011</u>	<u>350,880</u>
Non-Financial Assets			
Deferred expenditures	12	28,353	42,304
Capital assets	13	<u>5,139,294</u>	<u>5,856,946</u>
		5,167,647	5,899,250
Accumulated Surplus	14 & 20	<u>6,184,658</u>	<u>6,250,130</u>
Contingent liabilities (Note 15)			

APPROVED ON BEHALF OF THE COUNCIL OF CHIEFS





MOWACHAHT/MUCHALAHT FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2014

	2014 Budget (Note 19) \$	2014 \$	2013 \$
Revenues			
Nuu-chah-nulth Tribal Council	1,455,301	2,310,569	2,404,219
Province of British Columbia	408,734	332,108	466,385
CMHC	0	116,128	89,669
First Nations Education Steering Committee	1,250	43,402	53,977
Minister of Justice and Attorney General	30,012	30,012	30,012
Canadian Food Inspection Agency	0	13,310	12,339
Other sources:			
Government business entities	0	282,076	273,128
Rental income	62,000	168,172	169,964
Aquaculture Cooperation Agreement	0	137,991	245,093
Road use permits	0	78,345	58,310
Miscellaneous	14,844	76,132	81,983
Interest	10,000	65,765	59,932
User fees	45,000	49,369	63,891
Housing agreement receipts	0	25,170	58,101
Lease income	485,311	44,225	38,117
Marina & tourism revenue	0	30,753	23,868
Gain on disposal of assets	0	5,000	0
Heber River & CMT contracts and fees	0	0	239,882
Timber permit bond released	0	0	25,000
	<u>2,512,452</u>	<u>3,808,527</u>	<u>4,393,870</u>
Expenses			
Administration	815,576	739,279	634,846
Public works	320,375	299,992	341,088
Health programs	370,463	711,998	946,226
Education programs	292,116	304,046	327,492
Community development programs	296,433	464,576	647,370
Economic development programs	10,000	81,369	158,086
Capital projects	0	214,300	167,556
Housing programs	65,000	256,248	219,290
Treaty negotiations	0	9	30,730
Government business entities	0	1,549	1,879
Amortization and loss on disposal of assets	0	800,633	795,389
	<u>2,169,963</u>	<u>3,873,999</u>	<u>4,269,952</u>
Annual Surplus (Deficit)	<u>342,489</u>	<u>(65,472)</u>	<u>123,918</u>
Surplus at Beginning of Year	6,250,130	6,250,130	6,126,212
Surplus at End of Year (Note 14)	<u>6,592,619</u>	<u>6,184,658</u>	<u>6,250,130</u>
Segment Disclosure (Note 21)			

See accompanying notes to the consolidated financial statements.

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MOWACHAHT/MUCHLAHT FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2014

	2014 \$	2013 \$
Annual Surplus (Deficit)	(65,472)	123,918
Tangible capital assets		
Acquisition of capital assets	(82,981)	(38,458)
Amortization of capital assets	800,633	795,389
Proceeds on disposal of capital assets	5,000	0
Loss (gain) on disposal of capital assets	(5,000)	0
	<u>717,652</u>	<u>756,931</u>
Consumption (acquisition) of deferred expenses	<u>13,951</u>	<u>656</u>
	<u>13,951</u>	<u>656</u>
Change in Net Financial Assets	666,131	881,505
Net Financial Assets (Debt) at Beginning of Year	<u>350,880</u>	<u>(530,625)</u>
Net Financial Assets at End of Year	<u><u>1,017,011</u></u>	<u><u>350,880</u></u>

See accompanying notes to the consolidated financial statements.

MOWACHAHT/MUCHALAHT FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2014

	2014 \$	2013 \$
Operating Transactions		
Annual surplus (deficit) ¹	(65,472)	123,918
Non-cash items included in annual surplus (deficit)	398,924	396,252
Changes in working capital accounts	(228,181)	271,777
	<u>105,271</u>	<u>791,947</u>
Capital Transactions		
Purchase of capital assets	(82,981)	(38,458)
	<u>(82,981)</u>	<u>(38,458)</u>
Investing Transactions		
Investment in band business enterprises	(1,649)	(1,879)
Recovery from band business enterprises	285,100	0
	<u>283,451</u>	<u>(1,879)</u>
Financing Transactions		
Repayment of long term debt	(94,493)	(81,819)
	<u>(94,493)</u>	<u>(81,819)</u>
Increase (Decrease) in Cash and Equivalents	211,248	669,791
Cash and Equivalents at Beginning of Year	<u>1,853,368</u>	<u>1,183,577</u>
Cash and Equivalents at End of Year	<u><u>2,064,616</u></u>	<u><u>1,853,368</u></u>
Represented by:		
Cash and short term investments	2,064,616	1,853,368
	<u><u>2,064,616</u></u>	<u><u>1,853,368</u></u>

¹ Interest received during the year was \$65,765 (2013 - \$59,932). Interest paid during the year was \$32,493 (2013 - \$43,042). 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 in the amount of \$32,336 (2013 - \$41,537) plus the change in the accrued interest payable in the amount of \$157 (2013 - \$1,505).

MOWACHAHT/MUCHALAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been 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, which encompass the following principles:

a) Reporting Entity

The Mowachah/Muchalaht First Nation reporting entity includes the Mowachah/Muchalaht First Nation government and all related entities that are either owned or controlled by the Nation. 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. 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:

- Mowachah/Muchalaht First Nation government administration
- Mowachah/Muchalaht First Nation housing programs

Modified Equity Method

This method reports only a Government's investment in and the net income or loss of the organization. No adjustment is made for accounting policies of the enterprise that are different from those of the Nation. 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:

- 447839 BC Ltd.
- Nootka First Nation Forest Products Ltd.
- Mowachah/Muchalaht Shellfish Corporation Ltd.
- Matchlee General Partner Ltd.
- Matchlee Limited Partnership
- Nu-u-chah-nulth Seafood Limited Partnership

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED 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 for resale. Non-financial assets include capital assets and prepaid expenses.

d) Cash

Cash and cash equivalents include cash on hand, balances with banks net of bank overdraft and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments. Cash and cash equivalents are recorded at cost.

e) Financial Instruments

The First 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 First Nation is not exposed to significant currency or credit risks arising from these financial instruments. The First Nation is exposed to interest rate risk on its long term debt which is based on fluctuations in prime interest rates. The First 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 significantly impacted the cash flows during the year.

f) Capital Assets

Property, equipment and infrastructure expenditures incurred after March 31, 1987 are valued at acquisition cost.. Expenditures incurred previous to April 1, 1987 were charged to operations in the year of acquisition.

The acquisition cost of physical 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 capital assets.

Physical assets are amortized annually. Assets are amortized over their expected useful life using the straight line method at the following rates:

Paving	4%
Buildings, housing and improvements	5%
Community infrastructure	5%
Office and recreation equipment	10%
Marine equipment	15%
General, computer equipment and software	20%
Automotive equipment	30%

In the year of acquisition, 50% of the normal amortization is recorded.

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Employee Benefit Obligations

The Nation maintains a defined contribution pension plan for its staff. Expenses for this plan are equal to the Nation's required contribution for the year.

h) Net Debt

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

i) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

j) Comparative Figures

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

k) Measurement Uncertainty

In preparing the consolidated financial statements for Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimates include valuation allowances for accounts receivable and amortization of capital assets. Actual results could differ from these estimates.

2. ECONOMIC DEPENDENCE

The First Nation receives the major portion of its operating revenues pursuant to an agreement referred to as "Canada First Nation Funding Agreement" (CFNFA) which continued to March 31, 2014. A new funding agreement with Aboriginal Affairs and Northern Development Canada and the Nuu-chah-nulth Tribal Council has been entered into commencing April 1, 2014.

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

3. CASH AND CASH EQUIVALENTS

Replacement Reserve - Under the terms of agreements with Canada Mortgage and Housing Corporation, Mowachah/Muchalaht First Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Replacement Reserve Fund.

Operating Reserve - Under the terms of the agreements with Canada Mortgage and Housing Corporation, excess federal assistance payments received are be retained in subsidy surplus and operating reserve accounts. The reserves are to be comprised of monies deposited in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in this account may only be used to meet future program requirements.

Cash and cash equivalents is comprised of the following:

	2014	2013
	\$	\$
Externally restricted		
Treaty account	124,438	123,132
Replacement reserve	32,075	72,851
Operating reserve	62,550	88,830
	<u>219,063</u>	<u>284,813</u>
Unrestricted		
General account	1,658,577	1,488,868
Cash and other accounts	186,976	79,687
	<u>1,845,553</u>	<u>1,568,555</u>
Total Cash and Cash Equivalents	<u>2,064,616</u>	<u>1,853,368</u>

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2014 \$	2013 \$
Due from members:		
Staff & Council loans and advances	50,948	47,510
Member loans	92,795	71,980
Member rent and utility arrears	119,003	114,068
	262,746	233,558
Less: Allowance for doubtful accounts	(243,349)	(233,558)
	19,397	0
Due from others:		
Nuu-chah-nulth Tribal Council	66,310	141,290
Government ministries and agencies	108,672	43,491
C.M.H.C.	8,615	6,065
Sales tax recoveries	9,331	16,662
General receivables	49,985	33,498
	242,913	241,006
Less: Allowance for doubtful accounts	(29,213)	(29,213)
	213,700	211,793
Net accounts receivable	233,097	211,793

During the previous year, the Nation entered into a series of Housing Arrears Write-Off and Remaining Rental Arrears Repayment Agreements with members which resulted in the reduction of the rent and utility arrears and a corresponding reduction in the allowance for doubtful accounts of \$791,711.

5. 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	1,150,172	121,182	0	1,271,354
Capital accounts	260,213	0	0	260,213
	1,410,385	121,182	0	1,531,567

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

6. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES & PARTNERSHIPS

The Nation owns 100% of the shares of 447839 BC Ltd., Nootka First Nation Forest Products Ltd., Mowachah/Muchalaht Shellfish Corporation Ltd. and Matchlee General Partner Ltd..

The Nation has limited partner interests of 99.9% in the Matchlee Limited Partnership and 16.67% in the Nuu-chah-nulth Seafood Limited Partnership.

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

	2014 \$	2013 \$
447839 BC Ltd.	6	6
Nootka First Nation Forest Products Ltd.	70	70
Mowachah/Muchalaht Shellfish Corporation Ltd.	0	0
Matchlee General Partner Ltd.	0	0
Matchlee Limited Partnership	756,486	881,534
Nuu-chah-nulth Seafood Limited Partnership (Note 20)	284,687	162,563
	<u>1,041,249</u>	<u>1,044,173</u>

The following table presents condensed and summarized financial information for the most recent year ends for these commercial enterprises:

DESCRIPTION	Government Business Enterprises	Government Business Partnerships
Assets		
Current	60,148	3,713,708
Capital & Other	1	62,098
	<u>60,149</u>	<u>3,775,806</u>
Liabilities		
Current	59,522	1,308,910
Long Term	1,362,925	0
	<u>1,422,447</u>	<u>1,308,910</u>
Partner's Interest	n/a	1,425,723
Net Assets (Liabilities)	<u>(1,362,298)</u>	<u>1,041,173</u>
Total Revenues	12,467	3,651,485
Total Expenses	13,476	2,758,713
Net Income (Loss) for the Year	<u>(1,009)</u>	<u>892,772</u>

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013
	\$	\$
Trade payables	103,170	271,950
Accrued salaries and benefits payable	46,452	43,080
Nuu-chah-nulth Tribal Council	216,658	53,010
Other accrued liabilities	80,209	64,337
	<u>446,489</u>	<u>432,377</u>

8. EMPLOYEE BENEFIT OBLIGATIONS

	2014	2013
	\$	\$
Vacation and overtime	35,309	24,339
Pension plan contributions	2,454	3,099
	<u>37,763</u>	<u>27,438</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 5% of their salary up to a maximum of \$3,250 per annum of their basic salary. The Nation contributes 5% which contributions 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 \$5,130 (2013- \$5,860) for retirement benefits. The Nation does not have any other obligations with regards to the pension plan as at March 31, 2014.

9. DUE TO RELATED ENTITIES

	2014	2013
	\$	\$
Current Operating Advances due to (from):		
Matchlee Limited Partnership	0	32,126
447839 BC Ltd.	(620)	(1,586)
Nootka First Nation Forest Products Ltd.	9,012	9,375
	<u>8,392</u>	<u>39,915</u>

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

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

10. DEFERRED REVENUES

	2013 \$	Funding received \$	Revenue Recognized \$	2014 \$
Nuu-chah-nulth Tribal Council				
Medical Travel	2,311	0	(2,311)	0
ACRS School Repairs	38,570	0	(34,927)	3,643
Capital Infrastructure	311,404	0	(171,323)	140,081
	<u>352,285</u>	<u>0</u>	<u>(208,561)</u>	<u>143,724</u>
Provincial Government				
Ministry of Agriculture and Lands	81,968	0	0	81,968
Ministry of Public Safety and Solicitor General - Aboriginal Justice Program	5,181	0	(5,181)	0
	<u>87,149</u>	<u>0</u>	<u>(5,181)</u>	<u>81,968</u>
	<u>439,434</u>	<u>0</u>	<u>(213,742)</u>	<u>225,692</u>

11. LONG-TERM DEBT

	2014 \$	2013 \$
All Nations Trust Company		
Term Loan (CMHC Phase 1)	181,850	230,764
Term Loan (CMHC Phase 2)	172,491	183,760
Term Loan (CMHC Phase 3)	941,040	975,350
Nuu-chah-nulth Tribal Council (BC Treaty Commission)		
Treaty Negotiation Loan	<u>1,839,801</u>	<u>1,839,801</u>
	<u>3,135,182</u>	<u>3,229,675</u>

a) All Nations Trust Company - Term Loan (CMHC Phase 1)

The First Nation has entered into a loan for the construction of 12 housing units referred to as CMHC Phase 1 with the All Nations Trust Company which is repayable in monthly blended payments of \$4,349, including interest based on 59 month amortization with an interest rate of 1.61% per annum. The loan matures on October 1, 2017.

b) All Nations Trust Company - Term Loan (CMHC Phase 2)

The First Nation has entered into a loan for the construction of 6 housing units referred to as CMHC Phase 2 with the All Nations Trust Company which is repayable in monthly blended payments of \$1,191, including interest based on 180 month amortization with an interest rate of 1.71% per annum. The loan matures on September 1, 2017.

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

11. LONG-TERM DEBT (continued)

c) All Nations Trust Company - Term Loan (CMHC Phase 3)

The First Nation has entered into a loan for the construction of 9 housing units referred to as CMHC Phase 3 with the All Nations Trust Company which is repayable in monthly blended payments of \$4,893, including interest based on 300 month amortization with an interest rate of 2.57% per annum. The loan matures on December 1, 2014.

d) Nuu-chah-nulth Tribal Council (BC Treaty Commission)- Treaty Negotiation Loan

The Nation has entered into a loan for funding of treaty negotiations with the BC Treaty Commission through the Nuu-chah-nulth Tribal Council which is repayable only from the earlier of September 2, 2016, the date of signing a treaty, seven years from the date of signing an Agreement-in-Principal or on the date the loan agreement is terminated. The loan remains interest free until it becomes due and payable. Once the loan is due and payable interest will be charged at a rate equal to that charged by the Consolidated Revenue Fund to provincial crown corporations.

Anticipated annual principal repayments over the next five years are as follows:

Year ended March 31, 2015	\$96,163
Year ended March 31, 2016	\$98,118
Year ended March 31, 2017	\$100,065
Year ended March 31, 2018	\$82,284
Year ended March 31, 2019	\$51,156

12. DEFERRED EXPENDITURES

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

	2014	2013
	\$	\$
Prepaid Social Assistance payments	9,275	18,710
Prepaid expenditures	19,078	23,594
	<u>28,353</u>	<u>42,304</u>

MOWACHAHT/MUCHALAHT FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

13. CAPITAL ASSETS

	Cost	Additions	Disposals	Accumulated amortization	2014 Net book value
Community infrastructure	5,271,801	4,400	0	4,471,648	804,553
Community buildings	6,661,296	30,051	88,143	4,013,075	2,590,129
C.M.H.C. Housing	3,513,956	0	0	1,919,049	1,594,907
General equipment	115,096	31,966	8,065	95,532	43,465
Marine equipment	138,813	870	4,206	80,252	55,225
Computer equipment	83,522	2,314	51,705	12,468	21,663
Community facility equip.	42,754	0	0	42,754	0
Office equipment	44,065	13,380	0	28,093	29,352
Vehicles	126,203	0	13,049	113,154	0
	15,997,506	82,981	165,168	10,776,025	5,139,294

	Cost	Additions	Disposals	Accumulated amortization	2013 Net book value
Community infrastructure	5,271,801	0	0	4,213,550	1,058,251
Community buildings	6,661,296	0	0	3,771,809	2,889,487
C.M.H.C. Housing	3,513,956	0	0	1,743,351	1,770,605
General equipment	115,096	0	0	93,089	22,007
Marine equipment	138,813	0	0	68,686	70,127
Computer equipment	59,201	24,321	0	58,054	25,468
Community facility equip.	42,754	0	0	42,429	325
Office equipment	29,928	14,137	0	24,160	19,905
Vehicles	126,203	0	0	125,432	771
	15,959,048	38,458	0	10,140,560	5,856,946

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14. ACCUMULATED SURPLUS

	2014 \$	2013 \$
Externally Restricted:		
Capital projects	17,507	0
Funds held in trust by government	1,531,567	1,410,385
Housing replacement reserve	32,075	43,586
Housing operating reserve	62,550	80,190
Treaty negotiation funds	78,833	78,842
	<u>1,722,532</u>	<u>1,613,003</u>
Internally Restricted:		
Invested in tangible capital assets	2,004,112	2,627,271
Invested in government business entities	1,041,249	1,044,173
Other internally restricted:		
Health & Family Services	296,457	277,906
Education	205,051	206,783
Economic Opportunity Fund	169,001	126,710
	<u>3,715,870</u>	<u>4,282,843</u>
Unrestricted surplus	746,256	354,284
Accumulated surplus at end of year	<u><u>6,184,658</u></u>	<u><u>6,250,130</u></u>

15. CONTINGENT LIABILITIES

The Nation has entered into contribution agreements with the Nuu-chah-nulth Tribal Council 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.

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16. SCHEDULE OF EXPENDITURES BY OBJECT

The following is a summary of expenses by object:

	2014 \$	2013 \$
Wages and payroll costs	850,877	946,953
Direct member benefits	385,503	564,142
Contract & subcontract costs	275,543	367,222
Honoraria	257,715	226,554
Travel	181,800	168,720
Repairs and maintenance	114,822	167,014
Consulting & professional fees	173,840	166,153
Residential construction costs	126,610	136,770
Utilities	123,076	120,072
Medical travel	98,138	99,778
Training	8,869	99,039
Insurance	77,923	78,851
Social Program costs	66,065	77,139
Materials and supplies	48,645	46,424
Interest and bank charges	32,336	43,042
Telecommunications	35,799	37,131
Meeting and workshop costs	46,527	34,954
Miscellaneous	27,583	25,897
Vehicle costs	17,555	18,521
Equipment costs	37,934	15,332
Infrastructure work	74,866	16,944
Investments - Share of net loss	1,549	1,879
Amortization	800,633	795,389
Bad debts (recovery)	9,791	16,032
	<u>3,873,999</u>	<u>4,269,952</u>

17. GOVERNMENT TRANSFERS

	2014 \$	2013 \$
Revenue		
Nuu-chah-nulth Tribal Council	2,310,569	2,404,219
Canada Mortgage and Housing Corporation	116,128	89,669
Minister of Justice and Attorney General	30,012	30,012
Canadian Food Inspection Agency	13,310	12,339
Province of British Columbia	332,108	516,756
	<u>2,802,127</u>	<u>3,052,995</u>

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18. RELATED PARTY TRANSACTIONS

The following summarizes the Nation's related party transactions for the year:

	2014	2013
	\$	\$
Revenue		
Contracts and fees		
Matchlee Limited Partnership	0	67,000
Expenses		
Public Works - utilities		
Matchlee Limited Partnership	0	5,957
Community development programs - contract costs		
Matchlee Limited Partnership	0	4,262

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for sales of services or supply of product or services.

19. BUDGET FIGURES

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Council of Chiefs

20. PRIOR PERIOD ADJUSTMENT

The participation of the Nation in the Nuu-chah-nulth Seafood Limited Partnership was not identified during the prior year, resulting in an understatement of the modified equity adjustment for the Nation's share of income earned by the Nuu-chah-nulth Seafood Limited Partnership and the balance of the investment in government business entities of \$162,563 in the year ended March 31, 2013. The results for 2013 have been restated to reflect both the income from government business entities and the investment in government business entities.

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21. 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.

Public Works

Public Works 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.

Treaty

Treaty contains activities associated with the treaty negotiations between the Nation, the province and the federal government.

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: