

'Namgis First Nation

Financial Statements

March 31, 2014

'Namgis First Nation

Consolidated Financial Statements

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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.

Debra Jeunise

Chief Councillor

August 13, 2014

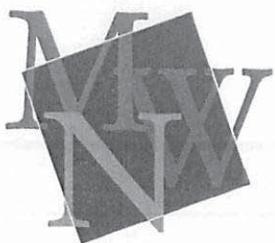
Date

Arthur Thaughnasy

Councillor

August 13, 2014

Date



McINTOSH | NORTON | WILLIAMS
certified general accountants

Cory McIntosh, CGA, CAFM, CFP *
Jay R. Norton, FCGA, CAFM *
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*practising as a professional corporation

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

Independent Auditor's Report

To the Members of 'Namgis First Nation

We have audited the accompanying consolidated financial statements of 'Namgis 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

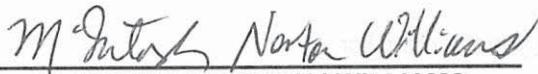
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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 'Namgis 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
August 13, 2014

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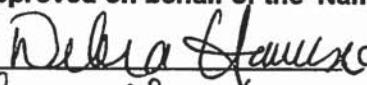
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'Namgis First Nation

Consolidated Statement of Financial Position

March 31	2014	2013 Restated (Note 19)
	\$	\$
Financial Assets		
Cash and term deposits (Note 3)	7,814,761	7,399,787
Restricted cash and deposits (Note 3)	856,588	686,672
Accounts receivable	763,801	1,172,657
Inventory (Note 4)	19,284	36,446
<u>Long-term investments (Note 5)</u>	<u>5,959,401</u>	<u>7,267,382</u>
	15,413,835	16,562,944
Liabilities		
Accounts payable	691,020	1,012,996
Deferred revenue (Note 6)	17,854	103,231
Security Deposit	4,246	3,340
Reserves (Note 7)	963,199	876,251
<u>Long-term debt (Note 8)</u>	<u>20,364,857</u>	<u>19,652,676</u>
	22,041,176	21,648,494
Net debt	(6,627,341)	(5,085,550)
Non-financial Assets		
Capital assets (Note 9)	14,477,020	14,897,739
<u>Prepaid expenses</u>	<u>148,992</u>	<u>92,905</u>
	14,626,012	14,990,644
Accumulated Surplus (Note 13)	7,998,671	9,905,094
Contingent liabilities (Note 15)		

Approved on behalf of the 'Namgis First Nation

 Chief Councillor
 Councillor

The accompanying notes are an integral part of the financial statements

'Namgis First Nation

Consolidated Statement of Change in Net Debt

For the year ended March 31

	2014	2013
		Restated (Note 19)
	\$	\$
Deficiency of revenue over expenditures	(1,906,423)	(1,101,680)
Acquisition of tangible capital assets	(860,209)	(500,337)
Amortization of tangible capital assets	1,169,528	1,187,189
Loss on disposal of capital assets	111,399	57,751
	420,718	744,603
Acquisition of prepaid asset	(56,086)	-
Use of prepaid asset	-	28,867
	(56,086)	28,867
Decrease in net financial assets	(1,541,791)	(328,210)
Net debt at beginning of year	(5,085,550)	(4,757,340)
Net debt at end of year	(6,627,341)	(5,085,550)

The accompanying notes are an integral part of the financial statements

'Namgis First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31	2014 Budget	2014 Actual	2013 Actual Restated (Note 19)
	\$	\$	\$
Revenue			
Aboriginal Affairs and Northern Development Canada	4,597,480	4,858,862	4,707,725
Health Canada	3,070,790	3,196,613	3,203,262
Other	1,648,108	1,820,937	2,254,091
Province of B.C.	1,225,815	1,764,458	1,687,291
Sales	1,321,787	1,483,501	1,441,350
Rental Income	497,904	584,443	537,814
Fisheries & Oceans	500,541	527,928	563,661
Nimpkish Fisheries Service	-	343,769	76,654
Licence lease	165,000	229,411	154,157
North Vancouver Island Aboriginal Training Society	126,038	159,788	165,577
First Nation Education Steering Committee	99,233	118,522	111,685
Interest income	50,000	102,569	73,632
Municipal services	103,682	91,762	103,675
School District #85	79,520	79,520	83,396
Canada Mortgage and Housing Corporation	-	22,575	107,558
Share of net income(loss) of enterprises	-	(878,064)	(436,478)
	13,485,898	14,506,594	14,835,050
Expenditures (Note 16)	14,603,317	16,413,017	15,936,730
Deficiency of revenue over expenditures			
	(1,117,419)	(1,906,423)	(1,101,680)
Surplus at beginning of year	9,905,094	9,905,094	11,006,774
Surplus at end of year	8,787,675	7,998,671	9,905,094

The accompanying notes are an integral part of the financial statements

'Namgis First Nation

Consolidated Statement of Cash Flows

For the year ended March 31, 2014

2014

2013
Restated
(Note 19)

	\$	\$
Cash flows from Operating activities		
Deficiency of revenue over expenditures	(1,906,423)	(1,101,680)
Items not affecting cash		
Amortization	1,169,528	1,187,189
Loss on disposal	111,399	57,751
Share of losses (income) of government business enterprises, net	878,064	436,478
	252,568	579,738
Change in non-cash operating working capital		
Accounts receivable	408,856	1,276,237
Inventory	17,162	504
Prepaid expenses	(56,087)	28,867
Accounts payable	(321,976)	(601,310)
Deferred revenue	(85,377)	65,302
Reserves	86,948	107,683
	302,094	1,457,021
Capital activities		
Acquisition of capital assets	(860,208)	(500,335)
Financing activities		
Security Deposit	906	(500)
Long-term debt	712,181	648,282
	713,087	647,782
Investing activities		
Advances from (to) Government Business Enterprises	429,917	(609,004)
Increase in cash and cash equivalents	584,890	995,464
Cash and cash equivalents, beginning of year	8,086,459	7,090,995
Cash and cash equivalents, end of year	8,671,349	8,086,459
Represented by		
Cash and term deposits	7,814,761	7,399,787
Restricted cash and deposits	856,588	686,672
	8,671,349	8,086,459

The accompanying notes are an integral part of the financial statements

'Namgis 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) Reporting entity principles of financial reporting

These financial statements consolidate the assets, liabilities and results of operations for the 'Namgis First Nation ("First Nation") government and all related entities which are either owned or controlled by the First Nation. The entities that are included in the consolidated financial statements are as follows:

1. 'Namgis First Nation Government
2. 'Namgis First Nation Trust Funds
3. 'Namgis First Nation Social Housing Programs
4. 'Namgis Substance Abuse Treatment Centre Society
5. 'Namgis First Nation Holding Company Ltd.

All inter-entity assets and liabilities have been eliminated, but transactions between funds have been shown on the individual fund schedules.

(b) Government Business Enterprises

Commercial enterprises that are owned, controlled or subject to significant influence by the Nation and meet the definition of a government business enterprise are included in the consolidated financial statements using the modified equity method. These include:

- Atli Resources Corporation
- Atli Resources Limited Partnership
- Kwagis Power Limited Partnership
- 'Namgis Power Corporation
- 'Namgis Sand & Gravel Ltd.
- Orca Sand and Gravel Limited Partnership
- Wa'as Hydro GP Inc.
- Wa'as Power Limited Partnership
- Kuterra Limited Partnership
- Kuterra General Partner Inc.
- Mama'omas Limited Partnership
- 'Namgis Excavating Limited Partnership

'Namgis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

1. Basis of Presentation and Significant Accounting Policies (continued)

(c) Fund accounting

'Namgis 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 in the Consolidated Financial Statements. The Nation maintains the following funds:

- Revenue and Capital Projects and Revolving Housing Funds, which report the general activities and capital assets of the First Nation, together with their related financing
- The Social Housing Fund, which reports the Social Housing assets of the First Nation, together with the related activities
- Government Trust Funds, which reports on trust funds owned by the First Nation and held by the Government of Canada

(d) 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 tangible capital assets, prepaid expenses and inventories of supplies.

(e) Financial instruments

The First Nation's financial instruments consist of cash and term deposits, accounts receivable, restricted cash and deposits, funds held in trust by government, investment in First Nation affiliated entities, accounts payable and accrued liabilities, security deposits and down payments and long-term debt. It is Council's opinion that the First Nation is not exposed to significant interest rate and credit risks arising from these financial instruments and that the carrying values approximate fair values.

(f) Inventory

Inventories are valued at the lower of cost and net realizable value.

'Namgis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

1. Basis of Presentation and Significant Accounting Policies (continued)

(g) Tangible capital assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, where the useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Tangible capital asset policies of government business enterprises entities that are consolidated in the financial statements are not adjusted to conform to First Nation policies. Policies that could differ include amortization rates, estimates of useful lives and dollar thresholds for capitalization.

Certain assets which have historical or cultural value, including works of art historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

Social Housing

Social Housing housing units are amortized at a rate equivalent to the annual principal reduction in related long-term debt.

'Namgis First Nation Government

Tangible capital assets, other than the tangible capital assets of its Social Housing Programs, are amortized over their estimated useful lives on the declining-balance method, as disclosed in Notes 9, 10 and 12.

(h) Revenue recognition

Revenue from government funding agencies is recognized as it becomes receivable under the terms of the applicable funding agreement. Funding that is restricted by a funding agency as to its use is recognized as the funds are spent on the particular project. The total unspent portion of funding is recorded as deferred revenue.

(i) Budget

Draft budgets are prepared early in the fiscal year and are reviewed and approved by the appropriate boards and committees. They are then reviewed by the First Nation's Finance Committee, who recommends their adoption to Chief and Council. Later in the fiscal year, the budgets are updated to reflect funding and expenditure changes. The revised budgets go through the same approval process as the draft budgets. The committees that review the budgets include the Education Board and Health Board.

(j) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the year reported. Actual results could differ from those estimates.

'Namgis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

1. Basis of Presentation and Significant Accounting Policies (continued)

(k) Comparative figures

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

2. Economic Dependence

The First Nation receives a substantial portion of its revenues from Aboriginal Affairs and Northern Development Canada and Health Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

'Namgis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

3. Cash and term deposits

	2014	2013
	\$	\$
Externally restricted:		
Social Housing - Pre-1997 "Old" Program	74,075	153,229
Social Housing - Post 1997 "New" Program	87,653	85,357
Ottawa Trust Funds	15,103	49,749
Internally restricted:		
Sewage Treatment Plant	17,279	17,184
Fishing License Program	662,477	381,153
Unrestricted:		
Social Housing - Pre-1997 "Old" Program	67,306	15,536
Social Housing - Post 1997 "New" Program	16,362	11,462
Operating Fund	7,731,094	7,372,789
	8,671,349	8,086,459

The First Nation has unused letter of credit and operating loan credit facilities with Coastal Community Credit Union of \$20,000 and \$200,000, respectively. The interest rate on the letter of credit is at the Credit Union's prime rate per annum. The interest rate on the operating loan is at the Credit Union's prime rate plus .5% per annum. Both are secured by cash collateral equal to the amount of any borrowings.

a) Social Housing funds held in Replacement, Subsidy Surplus and Operating Reserves according to the terms of the agreements with CMHC under Section 95 of the National Housing Act of Canada are presented on the Statements of Funded Reserves with the Social Housing Fund financial information.

Under the terms of the agreements with CMHC these funds, along with accumulated interest, must be held in separate bank accounts and/or invested in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise may be mutually agreed to by the First Nation and CMHC. Withdrawals from the reserves are credited to interest first and then to principal.

At the year end, the funds in the reserves consisted of cash and term deposits.

Pre-1997 ("Old") Social Housing Program

Under the terms of the agreement with CMHC, the Replacement Reserve account must be credited by up to \$6,810 annually. The funds in the account may only be used as approved by CMHC.

Under the terms of the agreement with CMHC, excess Federal assistance payments received may be retained in a Subsidy Surplus Reserve up to a maximum of \$500 per unit plus interest. The funds in this account may only be used to meet future subsidy requirements of income-tested occupants over and above the maximum Federal assistance. At year end there were no funds in the Subsidy Surplus Reserve.

"New" Social Housing Program

Under the terms of the agreement with CMHC, the Replacement Reserve account must be credited by up to \$6,000 annually. The funds in the account may only be used as approved by CMHC.

Under terms of the agreement with CMHC, operating surpluses may be retained in an Operating Reserve. The funds in this reserve may only be used for the ongoing operating costs of the program. Accordingly, future years' deficits may be recovered from the Operating Reserve fund.

'Namgis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

3. Cash and term deposits (continued)

- b) The Nation leases out several different types of fishing licenses. Surplus lease revenues are placed in a fund for purchasing additional licenses.
- c) In 2011 the Nation signed an Operation and Maintenance Contribution Agreement with the Village of Alert Bay regarding the sharing of the Nation's wastewater treatment plant operating costs. The Nation agreed to place any surplus funds, up to a maximum of \$50,000, into an operating reserve. Operating reserve funds are to be used in years when treatment plant operating costs exceed revenues.

4. Inventory

	2014	2013
	\$	\$
Tobacco Outlet	2,198	4,720
Gas Station	17,086	31,726
	<hr/> 19,284	<hr/> 36,446

5. Long-term investments

	2014	2013
	\$	\$
Investment in Orca Sand & Gravel	5,194,855	5,615,717
Investment in Kwagis Power	2,525	2,525
Investment in Atli Resources LP	804,106	573,176
Investment in Wa'as Power	2,525	2,525
Investment in Kuterra Limited Partnership	(274,703)	886,290
Investment in 'Namgis Excavating LP	(388)	47,302
Investment in Mama'omas LP	230,481	139,847
	<hr/> 5,959,401	<hr/> 7,267,382

Orca Sand & Gravel Limited Partnership

On April 1, 2005 the First Nation and Polaris Minerals Corporation ("Polaris") formed the Orca Sand & Gravel Limited Partnership to develop a sand and gravel pit adjacent to the Cluxewe River. The First Nation has a 12% interest in the Partnership.

The First Nation formed 'Namgis Sand & Gravel Ltd. to hold its 12% interest in Orca Sand & Gravel Ltd., the Partnership's General Partner. Pursuant to a loan agreement entered into on April 1, 2005 and amended March 31, 2010, 'Namgis Sand & Gravel Ltd. also acts as borrower regarding advances made by Quality Sand & Gravel Ltd. ("Quality"), a subsidiary of Polaris, to finance the First Nation's required contributions to the Partnership. As at March 31, 2013, Quality has advanced \$11,558,783 (2012 - \$11,558,783) to the First Nation (Note 8).

'Namgis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

5. Long-term investments, continued

Kwagis Power Limited Partnership

On October 26, 2006 the First Nation and Brookfield Power Inc. ('Brookfield') formed the Kwagis Power Limited Partnership to design, develop, construct, maintain, own, operate and manage a 41.5MW run of river hydroelectric power generation facility within the Kokish River watershed near Beaver Cove, British Columbia. The First Nation has 25% interest in the Partnership. The fiscal year end of the Partnership is December 31.

The First Nation formed 'Namgis Power Corporation ("Namgis Power") to hold it's 25% interest in Kwagis Power GP Inc., the Partnership's General Partner.

The liability of the First Nation for the Partnership's liabilities is limited to the amount of the First Nation's contribution of capital for its Limited Partnership Units, plus its share of the undistributed income of the Partnership. Following the full payment of the subscription price for it's Limited Partnership units, the First Nation will not be liable for any further calls for assessments or further contributions to the Partnership.

Pursuant to an equity loan agreement between the First Nation and Brookfield, Brookfield has agreed to provide, or arrange for the provision of a loan to the First Nation, to finance the purchase of additional units in the Limited Partnership during the period from the date of the Loan Agreement to the fifth anniversary of the date of commencement of commercial operation of the project. The loan is to be repaid in full by the fifteenth anniversary. The lender has no recourse against the First Nation or 'Namgis Power for the repayment of the advances except as to the distributions from the Partnership to which the First Nation is entitled.

On April 22, 2010 the Limited Partnership signed an Electricity Purchase Agreement with B.C. Hydro. The term is for forty years after the Commercial operation date of the hydro power generation facility. No construction decision has been made. The harmonized Canadian Environmental Assessment Process is underway.

Wa'as Power Limited Partnership

On November 9, 2007 the First Nation and Brookfield Power Inc. formed the Wa'as Power Limited Partnership to design, develop, construct, maintain, own, operate and manage a hydroelectric power generation facility on Clint Creek, which flows into Woss Lake, near Woss, British Columbia. The First Nation has a 15% interest in the Partnership. The fiscal year end of the Partnership is December 31.

'Namgis Power, wholly-owned by the First Nation, holds a 25% interest in Wa'as Hydro GP Inc., the Partnership's General Partner.

The liability of the First Nation for the Partnership's liabilities is limited to the amount of the First Nation's contribution of capital for its Limited Partnership Units, plus its share of the undistributed income of the Partnership. Following the full payment of the subscription price for its Limited Partnership units, the First Nation will not be liable for any further calls for assessments or further contributions to the Partnership.

An equity loan agreement between the First Nation and Brookfield is being negotiated.

The Limited Partnership has not yet received the environmental certificates necessary for the project to proceed. No further work is being done on the project until economic conditions improve.

'Namgis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

5. Long-term investments, continued

Atli Resources Limited Partnership and Atli Resources Corporation

In 2007 the First Nation set up Atli Resources Limited Partnership to carry out logging activities in the First Nation's Traditional Territory. The Nation formed Atli Resources Corporation to act as the Partnership's General Partner. In 2008 a Non-Renewable Forest License for 228,000 cubic meters was secured.

Atli Resources Limited Partnership had assets of \$1,106,501 and liabilities of \$302,764 as at March 31, 2014 and revenues of \$2,995,369 and a net income of \$730,930 for the year then ended.

Kuterra Limited Partnership

In 2012 the First Nation set up Kuterra Limited Partnership to construct and operate a land-based, closed containment recirculating aquaculture system (RAS) for Atlantic salmon.

Kuterra Limited Partnership had assets of \$7,948,416 and liabilities of \$8,232,720 as at March 31, 2014 and revenues of \$12,241 and a net loss of \$1,203,677 for the year then ended.

Namgis Excavating Limited Partnership

Namgis Excavating Limited Partnership was established in 2012 bid on heavy equipment work related to construction of the hydro-electric project on the Kokish River. Namgis Excavating Limited Partnership had assets of \$328 and liabilities of \$900 as at March 31, 2014 and revenues of \$28,690 and a net income of \$26,082 for the year then ended.

Mama'omas Limited Partnership

Mama'omas Limited Partnership was established in 2012 to manage fishing licences that the Nation was given access to by the Department of Fisheries and Oceans through two different programs. The business is still in the startup phase and has mainly consisted of training activities. Mama'omas Limited Partnership had assets of \$233,909 and liabilities of \$17,673 as at March 31, 2014 and revenues of \$290,727 and a net income of \$2,507 for the year then ended.

'Namgis First Nation**Notes to Consolidated Financial Statements**

March 31, 2014

6. Deferred revenue

Funding that is restricted as to its use is recognized as revenue as funds are spent. The unspent funding is recorded as deferred revenue. Deferred revenue at March 31 is as follows:

	2014	2013
	\$	\$
Aboriginal Affairs and Northern Development Canada		
'Namgis House Demolition	14,214	14,214
Lift Station	-	74,133
Vancouver Island Health Authority	1,950	5,000
Social Housing prepaid rents	1,690	3,695
Kayak lease fees	-	6,189
	<hr/> 17,854	<hr/> 103,231

7. Reserves

	2014	2013
	\$	\$
Fishing License Program	864,426	683,845
Replacement Reserve - "Old" Social Housing	8,018	108,014
Replacement Reserve - "New" Social Housing	53,894	53,550
Operating Reserve - "New" Social Housing	36,861	30,842
	<hr/> 963,199	<hr/> 876,251

'Namgis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

8. Long-term debt

	2014 \$	2013 \$
Quality Sand & Gravel Ltd. - loan payable, including interest payable of \$3,526,446 (see note below)	11,558,783	11,558,783
Government of Canada - loan payable under BC Treaty Process (see note below)	8,579,009	7,824,449
All Nations Trust Company mortgage payable in monthly instalments of \$3,390 including interest at 4.64% per annum, maturing September 1, 2013	-	19,992
All Nations Trust Company mortgage payable in monthly instalments of \$1,137 including interest at 2.57% per annum, maturing December 1, 2014	70,926	82,596
All Nations Trust Company - mortgage payable in monthly instalments of \$1,136 including interest at 1.81% per annum, maturing April 1, 2014.	156,139	166,856
 <u>Current portion</u>	 20,364,857	 19,652,676
	81,843	42,129
	 20,283,014	 19,610,547

Quality Sand & Gravel Ltd.

The loan payable to Quality Sand & Gravel Ltd. is repayable from amounts distributable from Orca Sand & Gravel Limited Partnership (Note 5). The lender has no recourse against the Nation or 'Namgis Sand & Gravel Ltd. for repayment of the advances except as to the distributions from the Partnership to which the Nation is entitled. Pursuant to the loan agreement, should the Partnership terminate the sand and gravel project, the lender will forgive the entire amount owing by the Nation and 'Namgis Sand & Gravel Ltd.

On March 31, 2010, the First Nation signed a "First Amendment to Loan Agreement" with Quality Sand & Gravel Ltd. amending the loan agreement dated April 1, 2005. Pursuant to the amending agreement, interest is to be accrued on the loan as follows:

- (i) Interest has been suspended on all loans effective September 30, 2009. No interest shall accrue on the loans until the date that is one year after the end of the first fiscal year in which the Orca quarry has shipped four million metric tonnes of product.
- (ii) Commencing on the date that is one year after the end of the first fiscal year in which the Orca quarry has shipped four million metric tonnes of product, the loans and any accrued and unpaid interest will accrue interest at a rate per annum equal to six percent.

'Namgis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

8. Long-term debt, continued

Treaty Loan

'Namgis First Nation has signed First Nation Negotiation Support Agreements resulting in loans totaling \$8,579,009 (2013 - \$7,824,449), made by Canada for treaty negotiations. Repayment provisions for these loans are outlined in Sections 13.0 and 14.0 of the First Nations Negotiation Support Agreements. Under the Agreements, the loan advances are without interest until the loans become due and payable.

On March 6, 2008 the First Nation signed an extension agreement with the British Columbia Treaty Commission and Canada, which extended the date the loans are due and payable, under section 13.1 (b) or 13.1 (c) of the First Nation Negotiation Support Agreements, to January 6, 2015.

Principal due within each of the next five years and thereafter on long-term debt is approximately as follows:

2015	81,843
2016	145,222
2017	-
2018	-
2019 and thereafter	20,137,792
<hr/>	
	20,364,857

'Namgis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

9. Tangible Capital Assets

Tangible capital assets are amortized over their estimated useful lives on the declining balance method, at the annual rates indicated below. One-half of the amortization rates are applied to assets acquired during the year. Assets are not amortized in the year of disposition.

	Rate	Balance, beginning of year	Additions	Disposals	Balance, end of year	\$	\$	\$	\$	\$	\$	\$	Accumulated amortization		Balance, end of year	\$	\$
													2014	2013			
Net book value																	
Land		\$ 619,178	\$ -	\$ -	\$ 619,178	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 619,178	\$ 619,178	\$ 619,178	\$ 619,178	\$ 619,178
Buildings	10%	17,473,024	377,439	-	17,850,463	13,306,478	435,527	-	-	-	-	-	13,742,005	4,108,458	4,166,546	4,166,546	4,166,546
Automotive	30%	1,254,592	110,333	-	1,364,925	1,019,917	86,953	-	-	-	-	-	1,106,870	258,055	234,675	234,675	234,675
Computer Equipment	30%	1,292,472	23,843	-	1,316,315	1,103,773	60,186	-	-	-	-	-	1,163,959	152,356	188,699	188,699	188,699
Office Furniture & Equipment	10%	607,126	44,047	-	651,173	435,189	19,396	-	-	-	-	-	454,585	196,588	171,937	171,937	171,937
Other Equipment	20%	1,344,226	84,479	-	1,428,705	1,126,792	51,935	-	-	-	-	-	1,178,727	249,978	217,434	217,434	217,434
Boats & Motors	15%	234,444	-	-	234,444	91,104	21,501	-	-	-	-	-	112,605	121,839	143,340	143,340	143,340
Water & Sewer	5%	5,294,225	81,298	-	5,375,523	3,637,102	84,889	-	-	-	-	-	3,721,991	1,653,532	1,657,123	1,657,123	1,657,123
Roads	4%	1,803,002	-	-	1,803,002	915,269	35,509	-	-	-	-	-	950,778	852,224	887,733	887,733	887,733
Other Infrastructure	4%	3,373,123	-	-	3,373,123	548,506	112,984	-	-	-	-	-	661,490	2,711,633	2,824,617	2,824,617	2,824,617
Gas Station Equipment	20%	245,000	-	-	245,000	110,152	26,970	-	-	-	-	-	137,122	107,878	134,848	134,848	134,848
Revolving Housing (Note 10)		8,640,262	641,319	-	9,281,581	5,695,520	705,081	-	-	-	-	-	6,400,601	2,880,980	2,944,742	2,944,742	2,944,742
Social Housing (Note 11)		1,338,831	-	(573,776)	765,055	670,494	42,378	(478,931)	233,941	-	-	-	531,114	668,337			
Substance Abuse Treatment Centre (Note 12)		136,497	2,206	-	138,703	97,966	7,530	-	105,496	-	-	-	33,207	38,531			
		43,656,002	1,364,964	(573,776)	44,447,190	28,758,262	1,690,839	(478,931)	29,970,170	-	-	-	14,477,020	14,897,740			

On June 1, 2007 the Nation signed a lease agreement with the Village of Alert Bay whereby the fire truck is leased to the Village of Alert Bay for a lease payment of \$1 per year. The term of the lease is fifty years or until the Nation sells or otherwise disposes of the fire truck.

During 2014, 3 houses with a net book value of \$94,845 were transferred from social housing to revolving housing.

'Namgis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

10. Tangible Capital Assets - Revolving Housing Program

Old Agreement Houses

Prior to March 31, 1988 under the 'Namgis Revolving Housing Program, the First Nation would build a house for a First Nation member, who would then assume title of the home and would owe the First Nation monies equal to the costs of construction. The First Nation member would then accumulate equity in the home by repaying the initial loan. Houses built using these agreements are called "Old Agreement Houses". These houses are not amortized.

Licence to Occupy Houses

Since April 1, 1988, First Nation members are required to sign a twenty-five year "Licence to Occupy" housing agreement, in which case title to the house remains with the First Nation until the costs of construction are repaid in full to the Revolving Housing Program. Houses built under these agreements are called "Licence to Occupy Houses".

Rentals

The Revolving Housing Program also provides rental accommodation to First Nation members. First Nation owned rental stock includes eight single family houses, two duplexes, two triplexes and four apartment buildings with thirteen apartment units. In addition, the First Nation has leased two houses and a duplex off reserve available as rental accommodation for First Nation members and non-members.

The net investment in the 'Namgis Revolving Housing Program represents expenditures, net of applicable amortization.

		2014		2013
		Accumulated Cost	Net book amortization	Net book value
		\$	\$	\$
Houses	6,791,540	5,170,089	1,621,451	1,583,333
Major repair projects	724,952	-	724,952	767,942
Lot clearing	8,034	-	8,034	8,034
Yalis Apartments	464,458	441,879	22,579	25,088
Rental Houses	513,279	346,072	167,207	185,786
Duplexes	322,764	223,253	99,511	110,567
Triplexes	374,312	219,308	155,004	181,750
Smitty's Lot	36,792	-	36,792	36,792
Smitty's Hill	45,450	-	45,450	45,450
	9,281,581	6,400,601	2,880,980	2,944,742

Capital assets of the Revolving Housing Program, other than Old Agreement Houses, are amortized over their estimated useful lives on the declining balance method, at an annual rate of 10%. One-half of the amortization rate is applied to assets acquired during the year.

'Namgis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

11. Tangible Capital Assets - Social Housing Program

The First Nation operates two separate social housing programs:

Pre-1997 ("Old") Program

Eighteen houses were constructed with funds borrowed from financial institutions pursuant to Section 95 of the National Housing Act ("NHA"), under the Pre-1997 On-Reserve Program provisions. The mortgage for the first five houses was paid off in 2006. Those houses have been transferred to the Revolving Housing Program Program (Note 10).

"New" Program

Three duplexes were constructed with funds borrowed from financial institutions pursuant to Section 95 of the National Housing Act, under the 1997 On-Reserve Program.

		2014		2013
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
<u>Pre-1997 ("Old") Program</u>				
Phase II	-	-	-	114,837
Phase III	244,051	132,573	111,478	123,147
<u>"New" Program</u>				
Phase I	521,004	101,368	419,636	430,353
	765,055	233,941	531,114	668,337

Amortization is provided on houses and duplexes at a rate equal to the annual principal reduction of the related mortgage insured by CMHC (Note 8). The land on which the houses and duplexes are situated is owned by the First Nation.

'Namgis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

12. Tangible Capital Assets - 'Namgis Substance Abuse Treatment Centre Society

	Rate	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Vehicles	30%	29,413	27,549	1,864	2,663
Computer Equipment	30%	29,039	25,909	3,130	3,029
Office Furniture & Equipment	10%	14,459	8,950	5,509	6,122
Other Equipment	20%	57,592	38,615	18,977	22,576
Shed	10%	8,200	4,473	3,727	4,141
		138,703	105,496	33,207	38,531

Capital assets are amortized over their estimated useful lives on the declining-balance method, at the annual rates indicated. One-half of the amortization rates are applied to assets acquired during the year. Assets are not amortized in the year of disposition.

The 'Namgis Substance Abuse Treatment Centre Society was incorporated in March 2003. On April 1, 2003 the First Nation transferred all the moveable assets in its treatment centre to the Society when the Society entered into a Health Transfer Agreement with Health Canada. The assets were transferred at values mutually agreed upon by the First Nation and Health Canada.

13. Accumulated surplus

	2014	2013
	\$	\$
Restricted		
Trust Fund	15,103	49,749
Unrestricted		
Fund balances	(7,464,398)	(5,970,959)
Provision for Capital Assets	14,373,316	14,751,654
Investment in Limited Partnership	1,074,650	1,074,650
	7,983,568	9,855,345
	7,998,671	9,905,094

14. Commitments

The First Nation is committed to expenditures for the demolition of the 'Namgis House building. Unspent funding for this commitment of \$14,214 has been recorded as deferred revenue (Note 6).

'Namgis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

15. Contingent Liabilities

- a) 'Namgis First Nation has guaranteed loans from Nuu-chah-nulth Economic Development Corporation to Kuterra Limited Partnership for \$1,734,091.
- b) 'Namgis First Nation has guaranteed a loan to Kuterra Limited Partnership from the Greater Vancouver Community Assistance Foundation for \$500,000.
- c) Effective January 25, 2001, the First Nation entered into a \$488,300 loan agreement with Canada Mortgage and Housing Corporation to finance the construction of a residential care facility (Hilikalas). The loan proceeds were received in the 2001 and 2002 fiscal years. The loan is forgivable over the fifteen-year term of the agreement provided the First Nation is not in default under the agreement and continues to own and use the facility as a residential care facility.

As the First Nation has and intends to continue to comply with the loan agreement, the loan has been classified as a conditional grant, with loan proceeds recognized as revenue as the funds are received under the terms of the agreement. No liability has been recorded in the financial statements. The balance of the unrecorded, contingent loan payable as at March 31, 2014 is \$65,107 (2013 - \$97,660).

- d) Since fiscal 2008, the First Nation and individual band members entered into loan agreements totaling \$173,481 with Canada Mortgage and Housing Corporation to finance renovations under the On-Reserve Residential Rehabilitation Assistance Program (RRAP). The loan proceeds were received in the 2009, 2010 and 2013 fiscal years. The loans are forgivable over the terms of the agreements (between 1 and 5 years) provided the First Nation is not in default under the agreement and that the band members continue to own and occupy their houses during the term. As the First Nation has and intends to continue to comply with the loan agreement, the loan has been classified as a conditional grant, with loan proceeds recognized as revenue as the funds are received under the terms of the agreement. No liability has been recorded in the financial statements. The balance of contingent loan payable as at March 31, 2014 is \$61,279 (2013 - \$95,365).

'Namgis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

16. Expenditures

For the year ended March 31	2014 Budget	2014 Actual	2013 Actual
	\$	\$	\$
Expenditures			
Amortization	1,244,940	1,323,306	1,244,940
Contractors and consulting	1,106,017	1,306,589	1,129,028
Contributions to other entities	-	1,330,851	1,692,432
Cost of goods sold	458,250	462,318	443,401
Insurance, licenses and dues	190,460	180,305	188,251
Interest charges	17,000	20,086	25,285
Office and miscellaneous	860,651	989,730	906,941
Professional fees	235,420	254,720	278,682
Program Costs	1,199,713	1,874,777	1,298,470
Rent and operating costs	162,929	201,965	192,746
Repairs and maintenance	574,413	131,599	348,241
Social Assistance	1,075,690	1,047,865	1,064,418
Travel and vehicle	539,535	531,753	522,662
Utilities and telephone	545,994	542,927	517,837
Wages and benefits	6,392,305	6,214,226	6,083,396
	14,603,317	16,413,017	15,936,730

17. Due from Band Members

The following amounts, due from First Nation members, are included in accounts receivable:

	2014	2013
	\$	\$
Garbage		
Garbage	45,274	41,470
Moorage	44,159	43,114
Sundry	26,164	19,563
Teacherages	1,400	1,300
Travel advances	2,574	1,823
Utilities	21,162	20,519
Revolving Housing	7,175	15,676
Social Housing	13,200	24,352
	161,108	167,817

'Namgis First Nation

Notes to Consolidated Financial Statements

March 31, 2014

18. Related Party Transactions

The First Nation engages in a wide variety of transactions with its members, member owned organizations, and business enterprises. These transactions are all carried out at the exchange amount and in the normal course of operations.

19. Correction of Prior Period Income

During the year, the First Nation made corrections to the prior period for the following:

- record transfer of funds from social housing replacement reserve for maturing units
- record contribution to social housing fund for deficit and adjustments related to maturing units
- record repairs and maintenance expenses as a charge against the replacement reserve in social housing

	Opening Balance	Adjustment	Revised Balance
	\$	\$	\$
Reserves	924,604	(48,353)	876,251
Contribution to Related Entities	1,737,856	(45,424)	1,692,432
Repairs and maintenance	351,179	(2,938)	348,241

20. Aboriginal Affairs and Northern Development Canada Supplementary Information

These financial statements include supplementary information required by Aboriginal Affairs and Northern Development Canada. The required information is presented on pages 112 - 114. As each program is an accumulation of a number of related activities the specific amounts reflected in the supplementary information may not necessarily be identifiable except by revenue and expenditure category.