

TLOWITSIS FIRST NATION

FINANCIAL STATEMENTS

MARCH 31, 2014

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TLOWITSIS FIRST NATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
MARCH 31, 2014

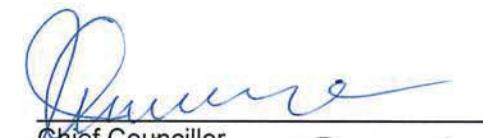
The accompanying financial statements are the responsibility of management. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and necessarily include estimates which are based on management's best judgements.

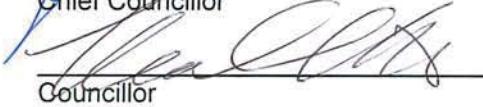
Management is also responsible for implementing and maintaining a system of internal controls designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss and financial records are properly maintained to provide reliable information for the preparation of financial statements.

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

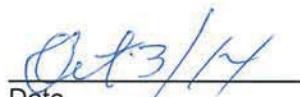
The Chief and Council review the Nation's financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report.

Moeller & Company, an independent firm of Chartered Accountants, has been engaged to examine the financial statements in accordance with Canadian generally accepted auditing standards. Their report stating the scope of their examination and opinion on the financial statements, follows. Moeller & Company have full and free access to the council for information purposes.



Chief Councillor


Councillor



Date


Date

MOELLER & COMPANY

CHARTERED ACCOUNTANTS

Kent A. Moeller, B.A., G.D.P.A., C.A.*
Kyle E. Matthews, B.A., C.A.*
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Independent Auditor's Report

To the Members of Tlowitsis First Nation

We have audited the accompanying financial statements of Tlowitsis First Nation, which comprise the statement of financial position as at March 31, 2014, and the statements of revenue, expenditures and accumulated surplus, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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 First Nation'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 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 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 financial statements present fairly, in all material respects, the financial position of Tlowitsis 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.

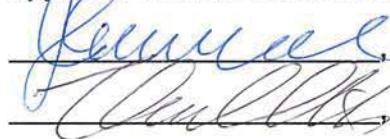
Moeller & Company
Chartered Accountants

Campbell River, British Columbia
September 29, 2014

TLOWITSIS FIRST NATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014

	2014	2013
	\$	\$
Financial Assets		
Cash	2,131,357	1,904,600
Accounts receivable (Note 2)	69,470	55,361
Loans receivable (Note 3)	768,341	808,663
Investments in government business enterprises (Note 4)	197,342	197,341
Investments in government business partnerships (Note 5)	396,107	101,019
<u>Trust funds held by federal government (Note 6)</u>	<u>175,033</u>	<u>169,259</u>
	3,737,650	3,236,243
Liabilities		
Accounts payable (Note 7)	54,268	144,673
Deferred revenue (Note 8)	-	53
<u>Long-term debt (Note 9)</u>	<u>4,946,878</u>	<u>4,585,198</u>
	5,001,146	4,729,924
Net debt	(1,263,496)	(1,493,681)
Non-financial Assets		
Tangible capital assets (Note 10)	426,317	455,539
<u>Prepaid expenses (Note 11)</u>	<u>8,607</u>	<u>11,383</u>
	434,924	466,922
Accumulated Deficit	(828,572)	(1,026,759)

Approved on behalf of the Tlowitsis First Nation

, Chief Councillor
, Councillor

The accompanying notes are an integral part of these financial statements.

TLOWITSIS FIRST NATION
STATEMENT OF REVENUE, EXPENDITURES AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2014

	2014 Budget	2014 Actual	2013 Actual
	\$	\$	\$
Revenue			
Federal Government:			
Aboriginal Affairs and Northern Development Canada	-	402,995	576,095
Ottawa Trust revenue	-	5,774	4,815
Canada Housing and Mortgage Corporation	-	-	12,144
Province of British Columbia	-	164,283	372,238
British Columbia Treaty Commission	90,420	90,420	132,420
Income from government business partnerships	-	295,088	107,581
Rental Income	-	48,064	56,926
Interest income	-	303	-
Other	-	429,643	362,833
	90,420	1,436,570	1,625,052
Expenditures			
Education	-	115,405	78,270
Economic Development	-	278,863	221,344
Housing	-	47,296	28,536
Community Services	-	215,483	244,689
Band Government	560,706	581,336	868,581
	560,706	1,238,383	1,441,420
Annual surplus	(470,286)	198,187	183,632
Deficit at beginning of year	(1,026,759)	(1,026,759)	(1,210,391)
Deficit at end of year	(1,497,045)	(828,572)	(1,026,759)

The accompanying notes are an integral part of these financial statements.

TLOWITSIS FIRST NATION
STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2014

	2014 Budget	2014 Actual	2013
	\$	\$	\$
Annual surplus	(470,286)	198,187	183,632
Acquisition of tangible capital assets	-	(4,658)	(8,436)
Amortization of tangible capital assets	-	33,880	58,710
	-	29,222	50,274
Acquisition of prepaid asset	2,776	(8,607)	(11,383)
Use of prepaid asset	-	11,383	8,430
	2,776	2,776	(2,953)
(Decrease) increase in net financial assets	(467,510)	230,185	230,953
Net debt at beginning of year	(1,493,681)	(1,493,681)	(1,724,634)
Net debt at end of year	(1,961,191)	(1,263,496)	(1,493,681)

The accompanying notes are an integral part of these financial statements.

TLOWITSIS FIRST NATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
	\$	\$
Cash flows from		
Operating activities		
Annual surplus	198,187	183,632
Items not affecting cash		
Amortization of tangible capital assets	33,880	58,710
Income from government business partnerships	(295,088)	(107,581)
	(63,021)	134,761
Change in non-cash operating working capital		
Accounts receivable	(14,109)	22,151
Loans receivable	40,322	(107,701)
Prepaid expenses	2,776	(2,956)
Accounts payable	(90,406)	(77,536)
Deferred revenue	(53)	53
Trust funds held by federal government	(5,774)	(4,815)
	(130,265)	(36,043)
Capital activities		
Purchase of tangible capital assets	(4,658)	(8,436)
Financing activities		
Advances of long-term debt	361,680	384,245
Investing activities		
Purchase of long term investments	-	(190,775)
Increase in cash and cash equivalents	226,757	148,991
Cash and cash equivalents, beginning of year	1,904,600	1,755,609
Cash and cash equivalents, end of year	2,131,357	1,904,600

The accompanying notes are an integral part of these financial statements.

TLOWITSIS FIRST NATION
NOTES TO 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

The following investments in government business partnerships and government business enterprises are included in the financial statements using the modified equity basis of accounting.

Under the modified equity method of accounting, only the investment in the government business entities and the entity's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the entity that are different from those of the Tlowitsis First Nation.

Government business enterprises accounted for on a modified equity basis include:

1. Nanwakolas Business Corporation (20.00%)
2. Chief's Pride Aquaculture Corporation (100.00%)
3. Chief's Pride Seafoods Inc. (100.00%)
4. Happy as a Clam Shellfish Ltd. (100.00%)

Government business partnerships accounted for on a modified equity basis include:

5. A-Tlegay Fisheries Limited Partnership (18.00%)
6. Nanwakolas Forestry Limited Partnership (17.91%)
7. Nanwakolas Carbon Credit Limited Partnership (8.98%)

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and term deposits having a maturity of one year or less at acquisition which are held for the purpose of meeting short-term cash commitments.

(c) Loans receivable

Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. Loans are reviewed on an annual basis by management. Interest income is accrued on loans receivable to the extent it is deemed collectable.

TLOWITSIS FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

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

(d) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets

Amortization is provided for at the following rates and methods:

Buildings	4% Declining balance
Automotive equipment	30% Declining balance
Computer equipment	30-55% Declining balance
Equipment	20% Declining balance
Boat	15% Declining balance

Tangible capital assets are written down when conditions indicate that they no longer contribute to Tlowitsis First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

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.

(e) 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.

(f) Measurement uncertainty

In preparing the financial statements for the First 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 financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

TLOWITSIS FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

2. Accounts receivable

	2014	2013
	\$	\$
Aboriginal Affairs and Northern Development Canada	30,000	30,000
Band members	3,859	4,050
Rent	214	10,467
Ottawa Trust	-	10,844
Other	35,397	-
	69,470	55,361

3. Loans receivable

	2014	2013
	\$	\$
Chief's Pride Seafoods Inc., loan, no specified terms of repayment or stated interest rate.	31,729	542,724
Happy as a Clam Shellfish Ltd., loan, no specified terms of repayment or stated interest rate.	86,274	65,939
Lorne Hotel, no specified terms of repayment, interest at 11%.	100,338	200,000
K & S Schoenfelder, no specified terms of repayment, interest at 9%.	550,000	-
	768,341	808,663

TLOWITSIS FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

4. Investments in government business enterprises

	2014 \$	2013 \$
Nanwakolas Business Corporation	1	1
Chief's Pride Aquaculture Corporation	1	1
Chief's Pride Seafoods Inc.	1	1
Happy as a Clam Shellfish Ltd	197,339	197,338
	197,342	197,341

Nanwakolas Business Corporation has no business activities.

Chief's Pride Aquaculture Corporation operates a shellfish farm.

Chief's Pride Seafoods Inc owns rental property.

Happy as a Clam Shellfish Ltd operates a shellfish farm.

	Nanwakolas Business Corporation	Chief's Pride Aquaculture Corporation	Chief's Pride Seafoods Inc.	Happy as a Clam Shellfish Ltd
Total Assets	\$ 25	\$ 117,203	\$ 11,859	\$ 79,284
Total Liabilities	20	577,140	35,201	117,657
Equity	5	(459,937)	(23,342)	(38,373)
Total liabilities and equity	25	117,203	11,859	79,284

	Nanwakolas Business Corporation	Chief's Pride Aquaculture Corporation	Chief's Pride Seafoods Inc.	Happy as a Clam Shellfish Ltd
Revenue	\$ -	\$ 112,714	\$ 16,074	\$ 80,335
Expenses	-	90,794	34,962	90,565
Net income (loss)	-	21,920	(18,888)	(10,230)

TLOWITSIS FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

5. Investments in government business partnerships

	2014	2013
	\$	\$
A-Tlegay Fisheries Limited Partnership	91,793	180
Nanwakolas Forestry Limited Partnership	161,149	-
Nanwakolas Carbon Credit Limited Partnership	143,165	100,839
	396,107	101,019

A-Tlegay Fisheries Limited Partnership acquires and manages various fishing licenses and quota made available through negotiations with the federal government under the Pacific Integrated Commercial Fisheries Initiative by the Department of Fisheries and Oceans and acquires and leases fishing vessels and equipment.

Nanwakolas Forestry Limited Partnership harvests and manages timber.

Nanwakolas Carbon Credit Limited Partnership verifies and sells carbon credits on the open market.

The following table presents condensed financial information for these commercial enterprises:

	A-Tlegay Fisheries Limited Partnership	Nanwakolas Forestry Limited Partnership	Nanwakolas Carbon Credit Limited Partnership
Total Assets	\$ 534,237	\$ 1,083,179	\$ 1,643,527

Total Liabilities	\$ 24,225	\$ 183,265	\$ 49,398
Equity	510,012	899,914	1,594,129
Total liabilities and equity	\$ 534,237	\$ 1,083,179	\$ 1,643,527

	A-Tlegay Fisheries Limited Partnership	Nanwakolas Forestry Limited Partnership	Nanwakolas Carbon Credit Limited Partnership
Revenue	\$ 652,316	\$ 3,814,183	\$ 978,446
Expenses	143,305	2,900,222	507,113
Net income	509,011	913,961	471,333

TLOWITSIS FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

6. Trust funds held by federal government

	March 31, 2013	Additions, 2014	March 31, 2014
Revenue	\$ 69,636	\$ 5,774	\$ 75,410
Capital	99,623	-	99,623
	<u>169,259</u>	<u>5,774</u>	<u>175,033</u>

The trust funds arise from monies 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 Sections 63 to 69 of the Indian Act.

7. Accounts payable

	2014	2013
Trade payables	\$ 51,483	\$ 137,263
Government remittances payable	2,785	7,410
	<u>54,268</u>	<u>144,673</u>

8. Deferred revenue

	March 31, 2013	Revenue recognized, 2014	March 31, 2014
AANDC - Capital Renovations #10876	\$ 53	\$ (53)	-

TLOWITSIS FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

9. Long-term debt

	2014	2013
	\$	\$
Aboriginal Affairs and Northern Development Canada, repayable as outlined in Sections 13.0 and 14.0 of the First Nations Negotiation Support Agreement	4,946,526	4,584,846
J. Smith, unsecured, no specified terms of repayment or stated interest rate	352	352
	4,946,878	4,585,198

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

2015	352
2019 and thereafter	4,946,526
	4,946,878

TLOWITSIS FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

10. Tangible Capital Assets

	Cost			Accumulated amortization			2014 net book value
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	
	\$	\$	\$	\$	\$	\$	\$
Buildings	797,543	-	797,543	493,978	4,406	498,384	299,159
Automotive equipment	65,449	-	65,449	35,227	9,067	44,294	21,155
Computer equipment	26,945	4,658	31,603	22,827	2,189	25,016	6,587
Equipment	60,952	-	60,952	49,479	2,294	51,773	9,179
Boat	181,074	-	181,074	74,913	15,924	90,837	90,237
	1,131,963	4,658	1,136,621	676,424	33,880	710,304	426,317

	Cost			Accumulated amortization			2013 Net book value
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	
	\$	\$	\$	\$	\$	\$	\$
Buildings	797,543	-	797,543	470,311	23,667	493,978	303,565
Automotive equipment	62,733	2,716	65,449	22,857	12,370	35,227	30,222
Computer equipment	24,238	2,707	26,945	21,380	1,447	22,827	4,118
Equipment	57,939	3,013	60,952	46,987	2,492	49,479	11,473
Boat	181,074	-	181,074	56,179	18,734	74,913	106,161
	1,123,527	8,436	1,131,963	617,714	58,710	676,424	455,539

TLOWITSIS FIRST NATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

11. Prepaid expenses

	2014	2013
	\$	\$
Rent	1,858	1,858
Post Secondary Allowances	5,600	7,900
Vehicle Extended Warranty	1,149	1,625
	<hr/> 8,607	<hr/> 11,383

12. Contingent liabilities

Tlowitsis First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

13. Economic dependence

Tlowitsis First Nation receives a significant portion of its revenue pursuant to a funding agreement with Aboriginal Affairs and Northern Development Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependant on this source of revenue.

14. Budgeted figures

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

15. Comparative amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period.