

**LAKE COWICHAN FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014**



Lee & Company
CHARTERED ACCOUNTANT

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Lake Cowichan First Nation are the responsibility of management and have been approved by Chief and Executive Director on behalf of Council.

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

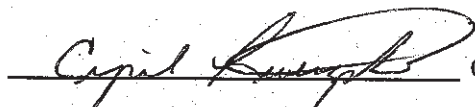
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

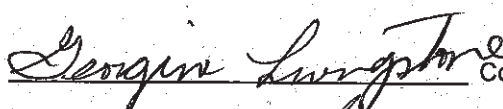
The First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

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

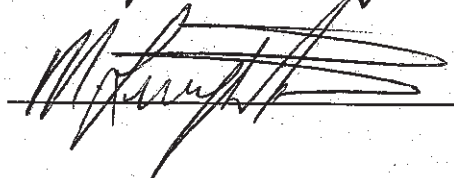
The external auditors, Lee & Company, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Lake Cowichan First Nation and meet when required.

On behalf of Lake Cowichan First Nation:

 Chief

 Councillor

 Councillor

 Councillor

August 8, 2014

Lee & Company

CHARTERED ACCOUNTANT

W. Lee, CGA, CA An incorporated professional



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LAKE COWICHAN FIRST NATION

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of LAKE COWICHAN FIRST NATION which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of operations, 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 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of LAKE COWICHAN FIRST NATION as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

CHARTERED ACCOUNTANT

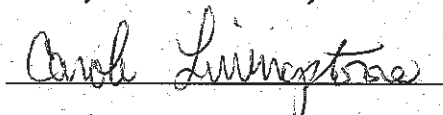
Victoria, BC
August 8, 2014

LAKE COWICHAN FIRST NATION
Consolidated Statement of Financial Position
March 31, 2014

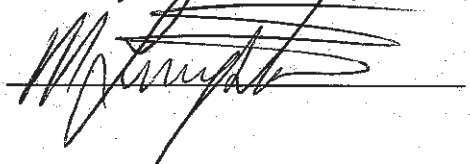
	2014	2013
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	4,715	-
Accounts receivable (Note 3)	58,228	80,223
Ottawa Trust funds (Note 4)	3,259	3,126
Investments (Note 5)	5,000	5,000
	71,202	88,349
LIABILITIES		
Bank indebtedness (Note 2)	-	1,448
Accounts payable and accrued liabilities (Note 6)	99,889	70,456
Deferred capital asset contributions (Note 7)	18,212	-
Reserve funds (Note 1)	9,537	8,311
Long term debt (Note 8)	450,165	460,233
	577,803	540,448
NET FINANCIAL ASSETS (NET DEBT)	(506,601)	(452,099)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	471,482	466,242
Prepaid expenses	5,134	5,597
	476,616	471,839
ACCUMULATED SURPLUS (DEFICIT) (Note 12)	(29,985)	19,740

Approved by Chief and Council

 Chief

 Councillor

 Councillor

 Councillor

LAKE COWICHAN FIRST NATION
Consolidated Statement of Operations
For the year ended March 31, 2014

	Budget	2014	2013
REVENUE			
Federal funding - Aboriginal Affairs and Northern Development Canada	226,642	240,378	191,133
Federal funding - Canada Mortgage and Housing Corporation	9,824	11,224	9,824
Federal funding - Other	122,562	135,488	158,968
Provincial funding	59,152	59,152	36,250
Ottawa Trust	-	133	116
Rent	39,057	40,439	44,765
Other	200,497	183,026	272,206
	657,734	669,840	713,262
EXPENSES			
Governance and administration	182,056	166,458	137,917
Social development	64,529	44,903	71,029
Health services	77,426	71,978	104,496
Education and training	73,508	96,707	85,503
Public works	12,930	10,435	10,326
Lands and treaty	160,100	173,384	236,690
Economic development	98,010	89,112	13,407
Capital projects	-	-	-
Band housing	11,896	18,725	8,460
Social housing	36,482	25,628	25,398
Depreciation	-	22,235	21,907
	716,937	719,565	715,133
ANNUAL SURPLUS (DEFICIT)	(59,203)	(49,725)	(1,871)
ACCUMULATED SURPLUS (DEFICIT), at beginning of year		19,740	20,742
Transfer from (to) reserves		-	869
ACCUMULATED SURPLUS (DEFICIT), at end of year (Note 12)		(29,985)	19,740

LAKE COWICHAN FIRST NATION
Consolidated Statement of Changes in Net Financial Assets (Net Debt)
For the year ended March 31, 2014

	2014	2013
ANNUAL SURPLUS (DEFICIT)	(49,725)	(1,871)
Tangible capital assets		
Acquisition of tangible capital assets	(59,783)	(35,897)
Proceeds on disposal of tangible capital assets	26,297	-
Amortization of tangible capital assets	22,235	21,907
Write-downs on tangible capital assets	-	-
(Gain) loss on disposal of tangible capital assets	6,011	-
	(5,240)	(13,990)
Acquisition of supplies inventories	-	-
Acquisition of prepaid expense	(5,134)	(5,597)
Transfer from (to) reserves	-	869
Consumption of supplies inventories	-	-
Use of prepaid expense	5,597	2,188
	463	(2,540)
CHANGE IN NET FINANCIAL ASSETS (NET DEBT)	(54,502)	(18,401)
NET FINANCIAL ASSETS (NET DEBT), at beginning of year	(452,099)	(433,698)
NET FINANCIAL ASSETS (NET DEBT), at end of year	(506,601)	(452,099)

LAKE COWICHAN FIRST NATION
Consolidated Statement of Cash Flows
For the year ended March 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Annual surplus (deficit)	(49,725)	(1,871)
Items not affecting cash		
Amortization of tangible capital assets	22,235	21,907
(Gain) loss on disposal of tangible capital assets	6,011	-
Transfers from (to) reserves	-	869
Change in non-cash charges to operations		
Accounts receivable	21,995	(41,233)
Ottawa Trust funds	(133)	(116)
Prepaid expenses	462	(3,409)
Accounts payable and accrued liabilities	29,434	8,859
Deferred capital asset contributions	18,212	(9,607)
Reserve funds	1,226	(2,065)
	<u>49,717</u>	<u>(26,666)</u>
CAPITAL TRANSACTIONS		
Proceeds on disposal of tangible capital assets	26,297	-
Acquisition of tangible capital assets	(59,783)	(35,897)
	<u>(33,486)</u>	<u>(35,897)</u>
INVESTING TRANSACTIONS		
Investments	-	-
FINANCING TRANSACTIONS		
Long term debt	(10,068)	11,689
INCREASE (DECREASE) IN CASH DURING YEAR	6,163	(50,874)
CASH, at beginning of year	(1,448)	49,426
CASH, at end of year	<u>4,715</u>	<u>(1,448)</u>
REPRESENTED BY:		
Cash (bank indebtedness)	(2,258)	(8,763)
Cash - restricted by CMHC	6,973	7,315
	<u>4,715</u>	<u>(1,448)</u>

LAKE COWICHAN FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basic of accounting

These consolidated financial statements have been prepared 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.

b. Reporting Entity and Principles of Financial Reporting

These financial statements consolidate the assets, liabilities and results of operations for the following entities, which use accounting principles, which lend themselves to consolidation:

- Lake Cowichan First Nation Government Administration
- Lake Cowichan First Nation Trusts Fund
- CMHC Housing Program

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not

c. Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts 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.

d. Financial Instruments

The carrying amounts for accounts receivable, grants receivable and accounts payable and accrued liabilities approximate fair value because of the short-term nature of these instruments.

e. Investments

Investments are recorded at cost. Investments are written down where there has been a loss in value that is other than a temporary decline.

f. 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. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Social Housing	Equal to loan principal payment
Equipment	20%
Vehicle	20%
Boat	33%

In the year of acquisition, 50% of the normal amortization is recorded. Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

LAKE COWICHAN FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

g. Reserve funds

Reserve funds represent the replacement and operating reserve funds required under the terms of the agreement with Canada Mortgage and Housing Corporation.

h. Revenue Recognition

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing that the transfers are authorized, all eligibility criteria have been met by the Nation, and reasonable estimates of the amounts can be made. Government transfers received for which the Nation has not met all eligibility requirements are recorded as revenue. Government transfers include financial transfer agreement payments, band trust revenue payments, contribution arrangements, and other federal and provincial grants.

Grant revenue is recognized in the financial statements as the related expenditures are incurred and when the terms and conditions of the funding are satisfied. Other income is recorded as revenue when earned.

i. Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumption used in estimating provisions for accrued liabilities and estimating the useful lives of tangible capital assets. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Lake Cowichan 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 and Operating Fund. Cash and cash equivalents is comprised of the following:

	<u>2014</u>	<u>2013</u>
Unrestricted - Operating	(2,258)	(8,763)
Restricted - CMHC	<u>6,973</u>	<u>7,315</u>
	<u>4,715</u>	<u>(1,448)</u>

LAKE COWICHAN FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2014.

3. ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>
Federal government		
Aboriginal Affairs and Northern Development Canada	-	8,009
Other government organizations	32,597	21,283
Canada Mortgage and Housing Corporation	1,519	819
	<u>34,116</u>	<u>30,111</u>
Members		
Rent	3,936	2,972
Social housing	4,137	7,371
	<u>8,073</u>	<u>10,343</u>
Other	<u>16,039</u>	<u>39,769</u>
	<u>58,228</u>	<u>80,223</u>

4. OTTAWA TRUST FUNDS

	<u>March 31, 2013</u>	<u>Additions</u>	<u>Withdrawals</u>	<u>March 31, 2014</u>
Revenue	1,261	133	-	1,394
Capital	1,865	-	-	1,865
	<u>3,126</u>	<u>133</u>	<u>-</u>	<u>3,259</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.

LAKE COWICHAN FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2014

5. INVESTMENTS

	<u>2014</u>	<u>2013</u>
Hul'Q'Umn Num Fisheries Limited Partnership	<u>5,000</u>	<u>5,000</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2014</u>	<u>2013</u>
Aboriginal Affairs and Northern Development Canada	3,141	-
Trade payables	61,999	42,084
Accrued salaries and benefits payable	17,220	12,270
Canada Revenue Agency - Source deductions payable	4,300	4,329
Other accrued liabilities	<u>13,229</u>	<u>11,773</u>
	<u>99,889</u>	<u>70,456</u>

7. DEFERRED CAPITAL ASSETS CONTRIBUTIONS

Deferred capital asset contributions represent government contributions which were provided to assist in the purchase or construction of tangible capital assets.

The changes in the deferred contributions balance for the year are as follows:

	<u>Balance March 31, 2013</u>	<u>Funding Received 2014</u>	<u>Revenue Recognized 2014</u>	<u>Balance March 31, 2014</u>
Department of Fisheries and Oceans Canada	<u>-</u>	<u>18,212</u>	<u>-</u>	<u>18,212</u>

LAKE COWICHAN FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2014

8. LONG TERM DEBT

	<u>2014</u>	<u>2013</u>
All Nations Trust - mortgage repayable at \$2,119 per month including interest @ 2.08%, maturing February 1, 2034. Secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on three housing units.	414,606	431,704
Ford Credit Canada Ltd. - auto loan repayable at \$679 per month including interest at 1.99% per annum. Secured by vehicle, maturing September 17, 2016.	-	28,529
Ford Credit Canada Ltd. - auto loan repayable at \$697 per month including interest at 0% per annum. Secured by vehicle, maturing June 3, 2018.	35,559	-
	<u>450,165</u>	<u>460,233</u>
Portion payable within one year	<u>(25,419)</u>	<u>(25,287)</u>
	<u>424,746</u>	<u>434,946</u>

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

2015	25,419
2016	25,706
2017	26,090
2018	26,460
2019	20,562
Thereafter	325,928

	<u>2014</u>	<u>2013</u>
Interest expense for the year on long-term debt	<u>8,191</u>	<u>8,559</u>

LAKE COWICHAN FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2014

9. TANGIBLE CAPITAL ASSETS

	Social Housing Buildings	Equipment	Vehicle	Boat	2014 Total	2013 Total
Cost						
Opening Balance	491,999	192,273	37,798	-	722,070	686,172
Additions	-	-	41,571	18,212	59,783	35,897
Disposals	-	-	(35,898)	-	(35,898)	-
Write-downs	-	-	-	-	-	-
Closing balance	491,999	192,273	43,471	18,212	745,955	722,069
Accumulated Amortization						
Opening Balance	60,295	191,373	4,160	-	255,828	233,920
Amortization	17,098	600	4,537	-	22,235	21,907
Disposals	-	-	(3,590)	-	(3,590)	-
Write-downs	-	-	-	-	-	-
Closing balance	77,393	191,973	5,107	-	274,473	255,827
Net book value	414,606	300	38,364	18,212	471,482	466,242

10. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2014	2013
Amortization	22,235	21,907
Debt servicing and interest	9,189	11,125
Education and training	28,725	46,071
Other	118,085	147,558
Professional fees	158,448	80,955
Social assistance	15,811	32,508
Travel	30,381	19,170
Wages and benefits	336,691	355,839
	719,565	715,133

LAKE COWICHAN FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2014

11. SEGMENT DISCLOSURE

Lake Cowichan First Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by function. 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:

	Governance and Administration		Social Development		Health Services		Education and Training		Public Works	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
REVENUES										
Federal funding - Aboriginal Affairs and Northern Development Canada	70,499	78,903	53,161	73,927	-	-	23,337	19,546	10,371	8,757
Federal funding - Canada Mortgage and Housing Corporation	-	-	-	-	-	-	-	-	-	-
Federal funding - Other	-	22,500	-	-	92,448	89,739	32,252	46,729	-	-
Provincial funding	-	-	-	-	-	-	16,652	-	-	-
Ottawa Trust	-	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	-	-
Other	29,386	29,125	-	-	10,200	10,689	-	-	64	-
	99,885	130,528	53,161	73,927	102,648	100,428	72,241	66,275	10,435	8,757
EXPENSES										
Wages and benefits	94,257	56,452	26,551	28,192	47,563	95,448	43,927	44,231	2,098	-
Debt servicing	1,355	3,173	-	-	-	-	-	-	-	-
Amortization	4,757	4,687	-	-	-	-	-	-	-	-
Other Expenses	70,846	78,292	18,352	42,837	24,415	9,048	52,780	41,272	8,337	10,326
	171,215	142,604	44,903	71,029	71,978	104,496	96,707	85,503	10,435	10,326
ANNUAL SURPLUS (DEFICIT)	(71,330)	(12,076)	8,258	2,898	30,670	(4,068)	(24,466)	(19,228)	-	(1,569)

LAKE COWICHAN FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2014

11. SEGMENT DISCLOSURE (Continued)

	Lands and Treaty		Economic Development		Capital Projects		Band Housing		Social Housing	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
REVENUES										
Federal funding - Aboriginal Affairs and Northern Development Canada	-	-	83,010	10,000	-	-	-	-	-	-
Federal funding - Canada Mortgage and Housing Corporation	-	-	-	-	-	-	-	-	11,224	9,824
Federal funding - Other	10,788	-	-	-	-	-	-	-	-	-
Provincial funding	42,500	36,250	-	-	-	-	-	-	-	-
Ottawa Trust	133	116	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	14,015	18,341	26,424	26,424
Other	143,376	232,392	-	-	-	-	-	-	-	-
	196,797	268,758	83,010	10,000	-	-	14,015	18,341	37,648	36,248
EXPENSES										
Wages and benefits	109,220	121,901	10,975	4,660	-	-	-	-	2,100	4,954
Debt servicing	-	-	-	-	-	-	-	-	7,834	7,952
Amortization	380	380	-	-	-	-	-	-	17,998	16,840
Other Expenses	64,164	114,789	78,137	8,747	-	-	18,725	8,460	15,694	12,491
	173,764	237,070	89,112	13,407	-	-	18,725	8,460	42,726	42,238
ANNUAL SURPLUS (DEFICIT)	23,033	31,688	(6,102)	(3,407)	-	-	(4,710)	9,881	(5,078)	(5,990)

LAKE COWICHAN FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2014

12. ACCUMULATED SURPLUS (DEFICIT)

	Operating	Trust	Housing	Capital	2014 Total	2013
Accumulated Surplus (Deficit), at the beginning of year	19,505	3,126	(5,121)	2,230	19,740	20,742
Annual Surplus (Deficit)	(44,780)	132	(5,077)	-	(49,725)	(1,871)
Transfers	980	-	-	(980)	-	869
Accumulated Surplus (Deficit), at the beginning of year	(24,295)	3,258	(10,198)	1,250	(29,985)	19,740

13. TREATY NEGOTIATIONS

Treaty negotiations for Lake Cowichan First Nation are being carried on by the Hul'qumi'num Treaty Group. As at March 31, 2014, the Treaty Group is responsible to repay in excess of \$30,110,148 to the Federal Government for advances made under the treaty process.

14. CONTINGENT LIABILITY

Lake Cowichan First Nation has a contingent liability of \$491,999 for various on-reserve housing loan guarantees.

15. ECONOMIC DEPENDENCE

Lake Cowichan First Nation receives a majority portion of its revenue pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada.

16. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.