LYACKSON FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

INDEX

PALMER LESLIE
CHARTERED ACCOUNTANTS

Alex E. Palmer, B.Sc. , C.A. *
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*a professional corporation

To the Members of
Lyackson First Nation
Chemainus, BC

AUDITORS' REPORT

We have audited the accompanying consolidated financial statements of Lyackson 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 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 of 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 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.

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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 Lyackson 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.

Duncan, BC
July 22, 2014

Chartered Accountants

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Exhibit "A"

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

	2014	2013
Financial Assets		
Cash	$ 267,600	$ 64,218
Restricted cash (Note 3)	1,303,019	1,475,245
Accounts receivable (Note 4)	150,260	197,722
GST/HST recoverable	2,761	8,879
	1,723,640	1,746,064
Liabilities		
Accounts payable	102,656	135,044
Wages & benefits payable	21,492	16,658
	124,148	151,702
Net financial assets - Exhibit "C"	1,599,492	1,594,362
Non-Financial Assets		
Capital assets (Note 5)	252,514	290,137
Prepaid expenses	13,386	17,906
	265,900	308,043
Accumulated Surplus - Exhibit "B"	$ 1,865,392	$ 1,902,405

Approved on behalf of the Lyackson First Nation

Chief

Councilor

Councilor

Councilor

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Exhibit "B"

LYACKSON FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
Revenue		
Aboriginal Affairs and Northern Development Canada	$ 230,639	$ 333,799
Hul'qumi'num Treaty Group	147,750	127,750
H'ulh'etun Health Society	27,669	-
Province of B.C.	79,359	86,776
Other grants	77,000	81,844
First Nations Early Childhood Development Council	-	51,874
Department of Fisheries and Oceans	42,670	41,610
Interest income	38,483	34,979
Vancouver Island Health Authority	-	34,000
Coast Salish Employment & Training Society	26,852	31,852
Other revenue	14,757	30,654
New Relationship Trust	34,000	29,400
License distribution	18,758	16,560
Food fish	-	11,046
First Nation Education Steering Committee	5,978	9,841
Parks Canada	2,000	6,000
ParticipACTION	195	-
Kinder Morgan	85,675	-
BC Special	491	496
	832,276	928,481
Expenditures (Note 7)		
Operating Fund	808,089	930,164
Trust Fund	61,200	33,000
	869,289	963,164
Deficiency of revenue over expenditures - Exhibits "C" & "D"	(37,013)	(34,683)
Surplus at beginning of year	1,902,405	1,937,088
Surplus at end of year - Exhibit "A"	$ 1,865,392	$ 1,902,405

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CHARTERED ACCOUNTANTS

Exhibit "C"

LYACKSON FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
Deficiency of revenue over expenditures - Exhibit "B"	$ (37,013)	$ (34,683)
Acquisition of tangible capital assets	(8,332)	(57,889)
Amortization of tangible capital assets	45,955	33,592
Use of prepaid asset	4,520	2,541
(Increase)/Decrease in net financial assets	5,130	(56,439)
Net financial assets at beginning of year	1,594,362	1,650,801
Net assets, end of year - Exhibit "A"	$ 1,599,492	$ 1,594,362

Exhibit "D"

LYACKSON FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
Operating transactions		
Deficiency of revenue over expenditures - Exhibit "B"	$ (37,013)	$ (34,683)
Non-cash items included in annual surplus/(deficit)		
Amortization of tangible capital assets	45,955	33,592
	8,942	(1,091)
Change in non-cash working capital balances		
Accounts receivable	47,462	(17,986)
GST/HST recoverable	6,118	(8,879)
Prepaid expenses	4,520	2,541
Accounts payable	(32,388)	26,405
Wages & benefits payable	4,834	(4,690)
Cash provided by operating transactions	39,488	(3,700)
Capital transactions		
Acquisition of tangible capital assets	(8,332)	(57,889)
Decrease in cash and cash equivalents	31,156	(61,589)
Cash and cash equivalents, beginning of year	1,539,463	1,601,052
Cash and cash equivalents, end of year	$ 1,570,619	$ 1,539,463
Represented by:		
Cash	$ 267,600	$ 64,218
Restricted cash	1,303,019	1,475,245
	$ 1,570,619	$ 1,539,463

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These summarized 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, which encompasses the following principles:

Fund Accounting
The Lyackson First Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual, or voluntary actions. The various funds have been amalgamated for the purposes of presentation in the summary financial statements

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

The Operating Fund reports the general and local Government activities of the First Nation Administration.

The Trust Fund reports on trust funds owned by the First Nation and held by third parties.

Reporting Entity Principles of Financial Reporting
These summary financial statements report only on the activities of the Lyackson First Nation.

Revenue Recognition
Revenue is recognized as it becomes receivable under the terms of applicable funding agreements.

Funding received but not yet expended is included in the applicable statement of revenue and expenses.

Use of Estimates
The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

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

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, cont'd

Budget Information
Generally Accepted Accounting Principles as defined in the Public Sector Accounting Handbook require that budget information be provided. This information in the current year has been provided where available and relevant.

The budget figures were not audited nor reviewed, but compiled from information provided by First Nation Management.

Tangible Capital Assets
The acquisition costs of tangible capital assets and payments on capital debt, which are not funded from capital financing sources, are funded by the applicable revenue source in the year of acquisition. These expenditures are also recorded as an addition to the assets of the Capital Fund with a corresponding increase in Equity in Capital Assets.

Tangible Capital Assets are amortized annually with a corresponding reduction in Equity in Capital Assets. Assets are amortized over their expected useful life using the declining balance method at the following rates:

Boats	15%
Computer equipment	30%
Computer software	50%
Furniture and fixtures	20%
Housing, trailers and other	10%
Office equipment	20%
Vehicles	30%
Yurts	4%

In the year of acquisition, amortization is recorded at one-half of the above stated rates and no amortization is taken in the year of disposition.

2. TRANSFERS

All transfers between funds have been approved by the Council with an appropriate Band Council Resolution having been affected where required.

3. RESTRICTED CASH

	2014	2013
Ottawa Trust Fund – revenue account	$ 281,917	$ 242,943
Ottawa Trust Fund – capital account	1,021,102	1,232,302
	$ 1,303,019	$ 1,475,245

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3. RESTRICTED CASH, cont'd

Ottawa Trust Funds

The Ottawa 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. They are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

4. ACCOUNTS RECEIVABLE

Operating Fund	2014	2013
Canadian Environmental Assessment	$ -	$ 8,200
Coast Salish Employment & Training	2,401	3,162
Cowichan Tribes	5,601	-
First Nations Education Steering	1,751	5,000
First Nations Summit Society	1,241	-
Department of Fisheries & Oceans	8,534	42, 670
H'ulh'etun Health Society	5,000	16,560
Hul'qumi'num Fisheries Limited Partnership	59	6,100
Hul'qumi'num Treaty Group	3,695	-
Kinder Morgan	102,675	-
New Relationship Trust	6,320	6,000
Parks Canada	2,386	5,000
Province of BC	-	57,596
Other accruals	10,597	47,434
	$ 150,260	$ 197,722

5. TANGIBLE CAPITAL ASSETS

Operating Fund	Cost	Accumulated Amortization	Net Book Value 2014	Net Book Value 2013
Boats	$ 33,705	$ 14,559	$ 19,146	$ 22,525
Computer equipment	45,689	38,535	7,154	15,898
Computer software	39,071	39,071	-	12,531
Furniture and fixtures	33,764	18,209	15,555	19,444
Housing, trailers and other	94,294	70,827	23,467	26,074
Office Equipment	61,924	46,394	15,530	10,039
Vehicles	30,121	17,687	12,434	17,763
Yurts	182,688	23,460	159,228	165,863
	$ 521,256	$ 268,742	$ 252,514	$ 290,137

Interest included in cost of additions in the year ended March 31, 2014 totaled $nil (2013 - $nil). All tangible capital assets were amortized in the year. Amortization of $45,995 was recorded in the current year (2013 - $33,592).

6. ACCUMULATED SURPLUS

	2014	2013
Restricted		
Trust Fund	$ 1,303,019	$ 1,475,245
Unrestricted		
Operating Fund	562,373	427,160
	$ 1,865,392	$ 1,902,405

7. EXPENDITURES BY OBJECT

	2014	2013
Expenditures		
Advertising	$ 21	$ 1,251
Amortization	45,955	33,592
Banking charges and interest	2,391	-
Boat expense	8,255	6,684
Consultant	62,050	90,457
Donations	4,173	3,800
Election expense	-	798
Events	604	401
Food fish expense	10,530	4,939
Freight and postage	-	1,898
Honoraria	38,600	42,289
Insurance	11,603	5,382
Licenses, dues and fees	1,823	2,156
Materials and supplies	10,479	49,374
Meeting costs	15,444	22,707
Membership distribution	61,200	73,200
Office	19,203	31,705
Professional fees	33,317	51,803
Rent	11,328	13,735
Student allowances	11,300	17,050
Subcontracts	-	3,583
Training	600	-
Travel	27,808	39,456
Tuition and books – post-secondary	138,344	127,305
Utilities and telephone	9,017	10,130
Vehicle	8,658	12,508
Wages and benefits	336,586	316,961
	$ 869,289	$ 963,164

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8. OPERATING LEASE

The First Nation has entered into a long term rental lease of $944 per month which expired in July 2013. The lease agreement has continued on a month to month basis. A revised lease was signed subsequent to year end on May 1, 2014 for $1,144 per month expiring March 31, 2015.

9. RESTRICTED EQUITY IN FINANCIAL ASSETS

Certain program surpluses are restricted as to their use. They may be committed to the continuation of the particular program, subject to recovery by the applicable funding agency, or generally accessible for limited purposes only and not available for use in general operations.

10. GOING CONCERN CONSIDERATIONS

The First Nation is economically dependent on the Department of Indian Affairs (DIA or INAC). The funding to the First Nation is expected to last in the foreseeable future, however, if funding is lost, the First Nation could not continue operations.

11. COMPARATIVE FIGURES

The comparative balances have been reclassified where necessary to the current financial statement format.

The comparative figures were audited by another firm of public accountants.

12. FINANCIAL INSTRUMENTS

The First Nation's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. It is the First Nation Management's opinion that the First Nation is not exposed to significant interest rate, credit, or currency risk arising from these financial instruments

Held for trading
Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition of adoption of CICA (PSAB) 3450 Financial Instruments - Recognition and Measurement, even if that instrument would otherwise satisfy the definition of held for trading. The District has classified the following assets and liabilities as held for trading: cash.

The First Nation's held for trading instruments are initially recognized at their fair value. Any gain/loss arising as a result of the difference between the carrying amount and their fair value is recognized in net income. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are not recorded on the settlement date. Held for trading financial instruments are subsequently measured at their fair value. Net gains and losses arising from changes in fair value are recognized immediately in income.

12. FINANCIAL INSTRUMENTS, cont'd

Loans and receivables

The First Nation has classified the following financial assets as loans and receivables: accounts receivable and GST/HST recoverable. The assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell items are recorded on the settlement date. Total interest income, calculated using the effective interest rate method, is recognized in total income.

Other financial liabilities

The First Nation has classified the following financial liabilities as other financial liabilities: accounts payable and wages and benefits payable. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date. Total interest expense (if any) is calculated using the effective interest rate method and would be recognized in net income.