



Alex E. Palmer, C.P.A., C.A.*
Tammy Leslie, C.P.A., C.G.A., C.A.*

*A Professional Corporation

July 28, 2016

Client # 2L075

Aboriginal Affairs & Northern Development Canada
British Columbia Region
600-1138 Melville Street
Vancouver, BC V6E 4S3

Dear Sir or Madam:

RE: Lyackson First Nation

Please find attached a copy of the Consolidated Financial Statements for Lyackson First Nation for the year ended March 31, 2016.

If anything further is required, please contact our office.

Thank you.

Yours truly,

PALMER LESLIE, Chartered Professional Accountants

A handwritten signature in black ink, appearing to read 'Alex Palmer', with a long horizontal line extending from the end of the signature.

Alex Palmer, C.P.A., C.A.

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LYACKSON FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

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Review Engagement Report

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Review Engagement Report

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Lyackson First Nation have been prepared in accordance with Canadian accounting standards for public sector organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Lyackson First Nation's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Chief and Council is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit Committee reports to the Chief and Council prior to its approval of the financial statements. The Committee also considers, for review by the Chief and Council and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by PALMER LESLIE, Chartered Professional Accountants, in accordance with Canadian accounting standards for public sector organizations.

July 27/2016

July 27/2016

July 27, 2016

Ed Griben
Councilor

Vernica Kinnell
Councilor

Jennique Jones
Councilor

Chemainus, BC
July 26, 2016

Palmer Leslie
Chartered Professional Accountants



Alex E. Palmer, C.P.A., C.A.*
Tammy Leslie, C.P.A., C.G.A., C.A.*

*A Professional Corporation

INDEPENDENT AUDITORS' REPORT

To the Members of Lyackson First Nation

We have audited the accompanying financial statements of Lyackson First Nation, which comprise the consolidated statement of financial position as at March 31, 2016 and the statements of revenues and expenditures, changes in net 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 accounting standards for public sector organizations, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

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Independent Auditors' Report to the Members of Lyackson First Nation (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lyackson First Nation as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for public sector organizations.

Duncan, British Columbia
July 26, 2016

A handwritten signature in dark ink, appearing to read "Palmer Leslie", is written over a horizontal line.

CHARTERED PROFESSIONAL ACCOUNTANTS

Exhibit "A"

**LYACKSON FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016**

	2016	2015
Financial Assets		
Cash	\$ 133,563	\$ 295,668
Restricted cash (Note 3)	1,242,013	1,272,854
Accounts receivable (Note 4)	177,896	126,169
GST recoverable	2,604	498
	<u>1,556,076</u>	<u>1,695,189</u>
Liabilities		
Accounts payable	49,505	150,858
Wages & benefits payable	26,409	29,505
	<u>75,914</u>	<u>180,363</u>
Net financial assets - Exhibit "B"	<u>1,480,162</u>	<u>1,514,826</u>
Non-Financial Assets		
Tangible Capital Assets (Note 5)	242,353	239,234
Prepaid expenses	6,884	13,409
	<u>249,237</u>	<u>252,643</u>
Accumulated Surplus - Exhibit "C"	<u>\$ 1,729,399</u>	<u>\$ 1,767,469</u>

Approved on behalf of the Lyackson First Nation

Chief



Councilor



Councilor



Councilor

Exhibit "B"

**LYACKSON FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2016**

	2016	2015
Deficiency of revenue over expenditures - Exhibit "C"	\$ (38,070)	\$ (97,923)
Acquisition of assets	(45,715)	(30,393)
Sale of assets	21,068	8,500
Gain of sale of assets	(7,015)	(6,497)
Amortization of assets	28,543	41,670
Use of prepaid asset	<u>6,525</u>	<u>(23)</u>
(Increase)/Decrease in net financial assets	(34,664)	(84,666)
Net financial assets at beginning of year	<u>1,514,826</u>	<u>1,599,492</u>
Net assets, end of year - Exhibit "A"	<u>\$ 1,480,162</u>	<u>\$ 1,514,826</u>

LYACKSON FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2016

	Budget (unaudited)	2016	2015
Revenue			
Aboriginal Affairs and Northern Development Canada	\$ 334,347	\$ 336,939	\$ 376,469
Hul'qumi'num Treaty Group	147,500	147,500	147,750
H'ulh'etun Health Society	10,478	9,478	5,000
Province of B.C.	52,000	83,411	85,423
Other grants	500	528	500
Department of Fisheries and Oceans	42,670	42,670	42,670
Interest income	-	25,980	30,738
Coast Salish Employment & Training Society	31,852	33,216	34,352
New Relationship Trust	9,000	9,000	29,000
License distribution	70,487	41,099	15,019
First Nation Education Steering Committee	46,197	51,196	6,615
Parks Canada	-	-	3,372
Kinder Morgan	-	10,076	6,325
Canadian Environmental Assessment	47,031	45,505	30,360
National Energy Board	8,610	8,610	28,310
Transmountain Pipeline	12,000	12,000	-
Port Metro Vancouver	19,500	19,500	50,000
BC Special	-	488	486
Gain on sale of assets	-	7,015	6,497
	<u>832,172</u>	<u>884,211</u>	<u>898,886</u>
Expenditures			
Operating Fund (Schedule 1)	1,162,396	862,281	934,709
Trust Fund member distributions	59,000	60,000	62,100
	<u>1,221,396</u>	<u>922,281</u>	<u>996,809</u>
Deficiency of revenue over expenditures - Exhibits "B" & "D"	(389,224)	(38,070)	(97,923)
Surplus at beginning of year	<u>1,767,469</u>	<u>1,767,469</u>	<u>1,865,392</u>
Surplus at end of year - Exhibit "A" (Note 6)	<u>\$ 1,378,245</u>	<u>\$ 1,729,399</u>	<u>\$ 1,767,469</u>

**LYACKSON FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016**

	2016	2015
Operating transactions		
Deficiency of revenue over expenditures - Exhibit "B"	\$ (38,070)	\$ (97,923)
Non-cash items included in annual surplus/(deficit)		
Amortization of tangible capital assets	28,543	41,670
Gain on sale of assets	<u>(7,015)</u>	<u>(6,497)</u>
	(16,542)	(62,750)
Change in non-cash working capital balances		
Accounts receivable	(51,727)	24,091
GST recoverable	(2,106)	2,263
Prepaid expenses	6,525	(23)
Accounts payable	(101,353)	48,202
Wages & benefits payable	<u>(3,096)</u>	<u>8,013</u>
Cash provided by operating transactions	<u>(168,299)</u>	<u>19,796</u>
Capital transactions		
Acquisition of tangible capital assets	(45,715)	(30,393)
Proceeds from sale of capital assets	<u>21,068</u>	<u>8,500</u>
	<u>(24,647)</u>	<u>(21,893)</u>
Increase (decrease) in cash and cash equivalents	(192,946)	(2,097)
Cash and cash equivalents, beginning of year	<u>1,568,522</u>	<u>1,570,619</u>
Cash and cash equivalents, end of year	<u>\$ 1,375,576</u>	<u>\$ 1,568,522</u>
Represented by:		
Cash	\$ 133,563	\$ 295,668
Restricted cash	<u>1,242,013</u>	<u>1,272,854</u>
	<u>\$ 1,375,576</u>	<u>\$ 1,568,522</u>

LYACKSON FIRST NATION
Notes to Financial Statements
Year Ended March 31, 2016

1. SUMMARY OF 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 Professional Accountants, which encompasses the following principles:

Budget Information

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%	declining balance method
Computer equipment	55%	declining balance method
Computer software	50%	declining balance method
Furniture and fixtures	20%	declining balance method
Housing, trailers and other	10%	declining balance method
Office equipment	20%	declining balance method
Vehicles	30%	declining balance method
Yurts	4%	declining balance method

One-half of the year's amortization is recorded in the year of purchase and none in the year of disposal.

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.

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LYACKSON FIRST NATION
Notes to Financial Statements
Year Ended March 31, 2016

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

Reporting Entity Principles of Financial Reporting

These summary financial statements report only on the activities of the Lyackson First Nation.

Revenue recognition

Lyackson First Nation follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Estimates

The preparation of these financial statements in conformity with Canadian Accounting Standards for Public Sector Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. All estimates are reviewed periodically and adjustments are made to the statements of operations as appropriate in the year they become known.

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.

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

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.

	<u>2016</u>	<u>2015</u>
Ottawa Trust Fund – revenue account	\$ 329,293	\$ 313,140
Ottawa Trust Fund – capital account	<u>912,720</u>	<u>959,714</u>
	<u>\$ 1,242,013</u>	<u>\$ 1,272,854</u>

LYACKSON FIRST NATION
Notes to Financial Statements
Year Ended March 31, 2016

4. ACCOUNTS RECEIVABLE

	2016	2015
Operating Fund		
Canadian Environmental Assessment	\$ 61,661	\$ 30,360
Coast Salish Employment & Training	4,549	5,685
First Nations Education Steering	24,467	1,980
Government of Canada	12,000	-
First Nations Summit Society	-	601
Department of Fisheries & Oceans	3,621	4,268
Hul'qumi'num Fisheries Limited Partnership	-	5,000
Hul'qumi'num Treaty Group	36,117	3,705
Kinder Morgan	-	17,000
National Energy Board	-	28,310
New Relationship Trust	1,000	5,000
Province of BC	27,000	-
Port Metro Vancouver	-	4,000
Sablefish	-	10,000
Other accruals	7,481	10,260
	\$ 177,896	\$ 126,169

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land improvements	\$ 33,295	\$ 544	\$ 32,751	\$ -
Housing, Trailers and other	94,393	82,357	12,036	12,354
Office Equipment	61,925	51,985	9,940	12,425
Motor vehicles	29,010	13,105	15,905	14,967
Computer equipment	59,379	52,305	7,074	14,575
Computer software	43,375	41,707	1,668	3,336
Furniture and fixtures	34,659	23,898	10,761	12,444
Boats	12,319	6,845	5,474	16,274
Yurts	182,688	35,943	146,744	152,859
	\$ 551,043	\$ 308,689	\$ 242,353	\$ 239,234

Interest included in cost of additions in the current year totaled \$nil (2015 - \$nil). All tangible capital assets were amortized in the year. The First Nations recorded amortization of \$28,543 in the current year (2015 - \$41,670).

LYACKSON FIRST NATION
Notes to Financial Statements
Year Ended March 31, 2016

6. ACCUMULATED SURPLUS

	<u>2016</u>	<u>2015</u>
Restricted Trust Fund	\$ 1,242,013	\$ 1,272,854
Unrestricted Operating Fund	<u>487,386</u>	<u>494,615</u>
	<u>\$ 1,729,399</u>	<u>\$ 1,767,469</u>

7. OPERATING LEASE

The First Nation had entered into a long term office rental lease of \$1,144 per month which expired March 31, 2015. The lease agreement has continued on a month to month basis.

8. 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.

9. GOING CONCERN CONSIDERATIONS

The First Nation is economically dependent on the Aboriginal Affairs and Northern Development (AANDC). 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 its full operations.

10. COMPARATIVE FIGURES

Certain prior year balances have been reclassified to conform to the current presentation's format.

11. FINANCIAL INSTRUMENTS

The First Nations's financial instruments consist of cash, accounts receivable, term deposits, accounts payable and accrued, and security deposits. It is the council's opinion that the First Nations is not exposed to significant credit risk, market risk or currency risk arising from these financial instruments as of March 31, 2016.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the First Nation manages exposure through its normal operating and financing activities.

The exposure of the First Nations to interest rate risk arises from its interest bearing term deposit. The First Nations manages its exposure to interest rate risk through contracts stating the guaranteed rate. Fluctuations in market rates of interest on the term deposits do not have a significant impact on the First Nations's results of operations.

LYACKSON FIRST NATION

Expenses

(Schedule 1)

Year Ended March 31, 2016

	2016	2015
Expenses		
Advertising and promotion	\$ -	\$ 554
Amortization	28,543	41,670
Bank charges and interest	2,608	2,323
Boat expense	9,494	8,046
Consulting fees	134,249	152,458
Donations	2,493	200
Education recognition	14,700	15,250
Events	4,478	9,357
Honoraria	30,150	44,100
Insurance	13,009	12,416
Licenses, dues and fees	2,012	483
Materials and supplies	34,896	11,001
Meeting costs	18,558	11,778
Office	16,751	16,356
Professional fees	57,690	67,858
Rent (Note 7)	14,228	13,528
Traditional food expense	13,984	13,621
Training	10,693	8,212
Travel	25,083	27,665
Tuition and books	54,939	127,619
Utilities and telephone	7,675	6,811
Vehicle	3,552	4,233
Wages and benefits	362,496	339,170
	<u>\$ 862,281</u>	<u>\$ 934,709</u>

The accompanying notes form an integral part of these financial statements

Palmer Leslie
Chartered Professional Accountants