

July 30, 2014

Aboriginal Affairs and Northern Development Canada

Att'n: John Dwyer
600 - 1138 Melville Street
Vancouver, BC V6E 4S3

Dear John Dwyer:

Re: Malahat First Nation

AANDC - 2013-2014 Audited Financial Statements & First Nations Financial Transparency Act Requirements

Enclosed herewith are the signed Audited Financial Statements, Unaudited Program Schedules and Annex Schedules for the year ended March 31, 2014 for the Malahat First Nation.

As required we have enclosed the following:

i. First Package

1. Audited Consolidated Financial Statements and Notes
2. Schedule of Remuneration and Expenses of Chief and Councillors (Annex B)

ii. Second Package

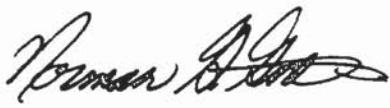
3. Unaudited Program Schedules of Revenue and Expenses and Fund Balance by Program (Annex A)
4. Schedule of Remuneration and Expenses of Unelected Senior Officials (Annex C)
5. Management Letter

Please don't hesitate to contact our office should you require additional information.

Thank you.

Yours truly,

MORROW & CO



Norman G. Grdina, CFE, CAFM, CPA, CGA



David Leung, B Comm, CPA, CGA

Enclosures

2014 JUL 30 PM 3:20

MALAHAT FIRST NATION

FIRST PACKAGE

MARCH 31, 2014

2014 JUL 30 PM 3:20

Morrow
& Co.

MALAHAT FIRST NATION

MARCH 31, 2014

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CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

MALAHAT FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

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MALAHAT FIRST NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING MARCH 31, 2014

The accompanying consolidated financial statements of **Malahat First Nation** are the responsibility of management and have been approved by Chief and 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 CPA Canada and as such include amounts that are the best estimates and judgments of management.

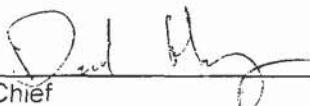
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The 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 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.

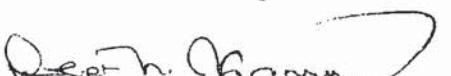
The external auditors, Morrow & Co., conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to the financial management of **Malahat First Nation** and meet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

On behalf of **Malahat First Nation**:



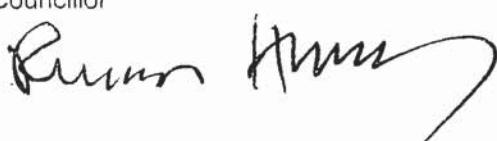
Chief

Date



Councillor

Date



Auditor

Independent Auditor's Report

To the Members of **Malahat First Nation**

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **Malahat First Nation**, which comprise the consolidated statement of financial position as at **March 31, 2014**, and the consolidated statements of revenue and expenses, change in net financial assets (debt), accumulated surplus 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 qualified audit opinion.

Basis for Qualified Opinion

Malahat First Nation holds a 20% investment in Salish Strait Seafoods Ltd and 99.99% investment in Malahat Forest (2012) Limited Partnership. We were unable to satisfy ourselves as to the carrying value of these investments because these entities have not had audited financial statements prepared since incorporation and the 2013-2014 financial statements were not available at the date of this audit report. Consequently, we were not able to determine whether any adjustments might be necessary to the investment in Government Business Enterprises and Government Business Partnerships and the net income (loss) from Government Business Enterprises and Government Business Partnerships.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, present fairly, in all material respects, the financial position of the **Malahat First Nation** as at **March 31, 2014** and the results of its operations, the changes in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Morrow & Co.

Vancouver, B.C.
July 22, 2014

CERTIFIED GENERAL ACCOUNTANTS

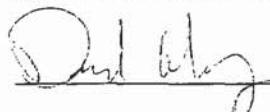
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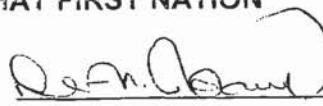
MALAHAT FIRST NATION

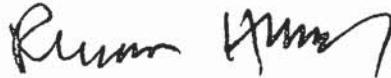
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2014

	2014	2013 Restated
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 108,584	\$ 147,477
Accounts receivable (Note 5)	95,182	414,941
Investment in government business enterprises (Note 6)	89,570	89,570
Investment in government business partnerships	6,820	-
Trust Funds (Note 8)	1,139,181	1,222,734
	1,439,337	1,874,722
LIABILITIES		
Accounts payable and accrued liabilities (Note 9)	307,501	276,421
Deferred revenue (Note 10)	37,870	38,530
Long-term debt (Note 12)	1,108,271	901,154
	1,453,642	1,216,105
NET FINANCIAL ASSETS (DEBT)	(14,305)	658,617
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	2,546,171	1,822,236
Prepaid expenses	30,128	29,927
	2,576,299	1,852,163
ACCUMULATED SURPLUS	\$ 2,561,994	\$ 2,510,780
FUND BALANCES		
Operating Fund	\$ 257,228	\$ 327,545
Ottawa Trust Fund	1,139,181	1,222,734
Housing - Operating Reserve	20,078	18,087
Housing - Replacement Reserve	60,716	60,903
Tangible Capital Assets	1,084,791	881,511
ACCUMULATED SURPLUS	\$ 2,561,994	\$ 2,510,780

APPROVED ON BEHALF OF THE MALAHAT FIRST NATION

, Chief

, Councillor



The accompanying notes are an integral part of the financial statements

MALAHAT FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT) FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013 Restated
ANNUAL SURPLUS	\$ 51,214	\$ 241,242
Acquisition of tangible capital assets	(833,575)	(772,744)
Amortization of tangible capital assets	109,640	83,062
	(723,935)	(689,682)
Acquisition of prepaid assets	(30,128)	(29,927)
Use of prepaid assets	29,927	32,150
	(201)	2,223
DECREASE IN NET FINANCIAL ASSETS	(672,922)	(446,217)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	658,617	1,104,834
NET FINANCIAL ASSETS, END OF YEAR	\$ (14,305)	\$ 658,617

MALAHAT FIRST NATION

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES FOR THE YEAR ENDED MARCH 31, 2014

	2014 Budget	2014 Actual	2013 Actual Restated
REVENUE			
AANDC	\$ 560,075	\$ 701,424	\$ 832,929
Canada Mortgage and Housing Corporation	-	44,386	620,289
Fisheries and Oceans Canada	44,880	44,880	44,880
Health Canada	9,500	8,875	5,020
Natural Resources Canada	29,037	31,940	4,466
Ottawa Trust Fund - Interest income	-	15,725	29,214
Parks Canada	-	2,000	6,000
Province of BC	-	60,723	-
Coast Salish Employment & Training Society	74,732	74,732	74,732
Te'mexw Treaty Association	30,000	36,000	30,500
New Relationship Trust	27,500	29,000	26,950
Net income from Government Business Enterprises	-	-	49,932
Net income from Government Business Partnership	-	523,881	-
Rental income	-	69,630	27,768
Other	1,444,206	754,230	862,834
Deferred revenue	-	31,446	(27,176)
	2,219,930	2,428,872	2,588,338
EXPENSES			
Indian Government Services	828,556	922,265	576,886
Treaty Negotiation	33,000	41,879	10,747
Housing	-	395,440	898,210
Education	277,424	193,072	163,912
Employment and Training	103,769	109,594	79,198
Social Development	249,812	313,426	292,723
Economic Development	145,380	129,920	164,368
Community Infrastructure	623,914	355,062	169,155
Health	9,500	8,875	5,020
Ottawa Trust Fund	-	100,000	70,000
Housing - Replacement Reserve	-	11,405	7,498
Tangible Capital Assets	-	109,640	83,062
	2,271,355	2,690,578	2,520,779
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER	(51,425)	(261,706)	67,559
OTHER			
Acquisition of tangible capital assets	-	520,038	751,172
Principal repayment on long-term debt	-	44,860	22,112
Proceed from long-term debt	-	(251,978)	(599,601)
	-	312,920	173,683
ANNUAL SURPLUS	\$ (51,425)	\$ 51,214	\$ 241,242

The accompanying notes are an integral part of the financial statements

MALAHAT FIRST NATION

CONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013 Restated
ACCUMULATED SURPLUS, BEGINNING OF YEAR		
As previously stated	\$ 2,460,848	\$ 2,269,538
Prior period adjustment	49,932	-
As restated	2,510,780	2,269,538
ANNUAL SURPLUS	51,214	241,242
ACCUMULATED SURPLUS, END OF YEAR	\$ 2,561,994	\$ 2,510,780

MALAHAT FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013 Restated
OPERATING ACTIVITIES		
Annual surplus	\$ 51,214	\$ 241,242
Items not affecting cash:		
Amortization	109,640	83,062
	160,854	324,304
Change in non-cash items on statement of financial position:		
Accounts receivable	319,759	(330,443)
Prepaid expenses	(201)	2,223
Investment in government business enterprises	-	(49,933)
Investment in government business partnerships	(6,820)	-
Accounts payable and accrued liabilities	31,079	134,453
Deferred revenue	(660)	27,176
	504,011	107,780
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(833,575)	(772,744)
FINANCING ACTIVITIES		
Principal repayment on long-term debt	(44,860)	(22,112)
Proceed from long-term debt	251,978	599,601
	207,118	577,489
INVESTING ACTIVITIES		
Funds held in trust	83,553	40,786
DECREASE IN CASH AND CASH EQUIVALENTS	(38,893)	(46,689)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	147,477	194,166
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 108,584	\$ 147,477

MALAHAT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

1. NATURE OF OPERATIONS

Malahat First Nation (the "First Nation") is an Indian Band as defined by the Indian Act. The First Nation manages various programs offered by Aboriginal Affairs and Northern Development Canada (AANDC) and other funding agents to benefit its members. The First Nation also represents its members in the negotiation of treaty settlements and specific land claims.

2. 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 CPA Canada.

(a) Principles of Consolidation

The First Nation uses the modified equity method for reporting the investments in commercial enterprises which meet the definition of government business enterprises. The modified equity method reports a commercial enterprise's net assets as an investment on the Statement of Financial Position. The net income of the commercial enterprise is reported as investment income on the Statement of Operations. Inter-organizational transactions and balances are not eliminated. The accounting policies of commercial organizations are not adjusted to conform to those of other government organizations. The commercial enterprises that are included through modified equity method are:

Commercial enterprises accounted for on a modified equity basis include:

1. Malahat Forestry Services Inc. - a wholly owned subsidiary which has been dormant since it was incorporated in April 2009,
2. Malahat Nation Land Corporation - a wholly owned subsidiary which has been dormant since it was incorporated in February 2013,
3. Salish Strait Seafoods Ltd. - a 20% owned subsidiary which was incorporated in April 2011.
4. Malahat Economic Development Ltd. - a wholly owned subsidiary and the company shares are held in trust by Malahat Nation Economic Trust. The company was incorporated in December 2012. The company is acting as the investment holding company for the First Nation and owns Malahat Forestry (2012) Ltd., Malahat Tenure Holding Ltd. and Malahat Aquaculture Ltd.
5. Malahat Forestry (2012) Ltd. - an indirect wholly owned subsidiary and the company share is solely owned by Malahat Economic Development Ltd. The company was incorporated in December 2012 and owns 0.01% of Malahat Forest (2012) Limited Partnership. The company is acting as the general partner of the limited partnership.
6. Malahat Tenure Holding Ltd. - an indirectly wholly owned subsidiary and the company is solely owned by Malahat Economic Development Ltd. The company was incorporated in December 2012 and owns 0.01% of Malahat Tenure Holding Limited Partnership. The company is acting as the general partner of the limited partnership and holding the forest licence for the forestry operation.

MALAHAT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Malahat Aquaculture Ltd. - an indirectly wholly owned subsidiary and the company is solely owned by Malahat Economic Development Ltd. The company was incorporated in March 2014 and owns 0.01% of Malahat Aquaculture Limited Partnership. The company is acting as the general partner of the limited partnership.

Business partnerships accounted for on a modified equity basis include:

1. Malahat Forest (2012) Limited Partnership - an indirectly wholly owned limited partnership and 99.99% of partnership shares are held in trust by Malahat Nation Business Trust as a limited partner.
2. Malahat Tenure Holding Limited Partnership - an indirectly wholly owned limited partnership and 99.99% of partnership shares are held in trust by Malahat Nation Business Trust as a limited partner.
3. Malahat Aquaculture Limited Partnership - an indirectly wholly owned limited partnership and 99.99% of partnership shares are held in trust by Malahat Nation Business Trust as a limited partner. The limited partnership has entered into an agreement with a third party to develop aquaculture business by holding 30% share of Mill Bal Aquaculture Holdings Ltd.

(b) 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, which may be consumed in normal operations and are not for resale. Non-financial assets include prepaid expenses and tangible capital assets.

(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) Trust Funds

Trust funds are included as revenue in these statements only to the extent they have been received from the First Nation's trust funds. 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 and 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.

MALAHAT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Deferred Revenue

Under the terms of the contribution agreement between the First Nation, AANDC and certain other agencies, the First Nation may be liable to repay any contributed funds either not expended or not expended in accordance with the agreement. On the other hand, any deficit, supported by claims eligible for reimbursement under the terms and conditions of the funding agreements, may be reimbursed by the contributor subject to the program's terms and conditions. The First Nation has recorded all known unexpended contribution funds as deferred revenue and/or accounts payable.

(f) Long-term Debt

Loan proceeds related to the financing of tangible capital assets are recorded as revenue in the appropriate fund. The loan amount is also recorded as a liability on the Statement of Financial Position and as a reduction in the Tangible Capital Asset Fund.

Debt payments, including principal and interest, are charged to the fund to which they relate. Principal reductions are reflected as a reduction in the liability with an offsetting increase in the Tangible Capital Assets Fund.

(g) Net Financial Assets (Debt)

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

(h) 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. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Malahat First Nation's incremental cost of borrowing.

Except for assets related to CMHC Housing, which are amortized at a rate equivalent to the annual principal reduction in the related long-term debt, as required by the operating agreement with CMHC, amortization is recorded as a reduction to the Tangible Capital Assets Fund and is provided for using the following methods at rates designed to amortize over the estimated useful life of the assets as follows:

MALAHAT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Buildings	20 years Straight line
Automotive equipment	5 years Straight line
Equipment	5 years Straight line
Canoes	15 % Declining balance
Infrastructure	20 years Straight line

Tangible capital assets are written down when conditions indicate that they no longer contribute to the 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 statement of operations.

Contributed tangible 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 tangible 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.

(i) Revenue Recognition

Government Funding

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

First Nation Capital and Revenue Trust Funds

The First Nation recognizes revenues of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

Housing Rental Income

Rental revenue is recorded in the year it is earned. At the end of each year management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

Own Source Revenue

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.

MALAHAT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(j) Financial Instruments

The First Nation's financial instruments consist of cash and cash equivalents, funds held in trust, accounts receivable, accounts payable and accrued liabilities and long-term debt. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, credit or currency risks arising from these financial instruments.

(k) Measurement Uncertainty

In preparing the consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimates include allowance for doubtful accounts and amortization. Actual results could differ from these estimates.

(l) Segments

The First Nation conducts its business through a number of operating segments as described in Note 18. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives, to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

MALAHAT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

3. CASH AND CASH EQUIVALENTS

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Malahat 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 Apartment Replacement and Subsidy Fund. Cash and cash equivalents is comprised of the following:

	2014	2013
Externally restricted:		
Operating reserve	\$ 18,102	\$ 6,194
Replacement reserve	60,911	61,098
Term deposit as collateral for long-term debt	44,300	-
	123,313	67,292
Unrestricted:		
Cash and banks	(9,729)	80,185
Demand loan	(5,000)	-
	(14,729)	80,185
Total Cash and Cash Equivalents	\$ 108,584	\$ 147,477

Externally restricted - Operating Reserve

Under the terms of the agreements with CMHC, excess revenues over expenditures for the Post 1996 phases may be retained in an Operating Reserve. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds may be used to offset future deficits. Withdrawals are credited to interest first and then principal. At the year end, the reserve was under funded by \$1,975 (2013: under funded by \$11,892).

Externally restricted - Replacement Reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the replacement reserve account is to be credited in the amount of \$11,040 (2013: \$6,000) annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. At year end, the reserve was over funded by \$195 (2013: over funded by \$195).

MALAHAT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

4. CREDIT FACILITIES

The First Nation has arrangements with the following credit facilities:

- a) A revolving demand facility with the Royal Bank of Canada in the amount of \$50,000 bearing interest at the bank's prime rate plus 1.5% per annum. As at March 31, 2014, the First Nation had an outstanding balance of \$5,000 from the credit facility.
- b) A Visa facility bearing interest at 19.99% per annum in the amount of \$15,000 with the Royal Bank of Canada. As of March 31, 2014, the First Nation had assigned the maximum facility to five Visa cards and a balance of \$514 (2012: \$9,350) remained outstanding and was included as part of the accounts payable and accrued liabilities balance.
- c) A pre-approved loan with First Nation Marketing Housing Fund in the amount of \$600,000. As at March 31, 2014, the First Nation has not drawn on the loan.

5. ACCOUNTS RECEIVABLE

	2014	2013
Due from members		
Rent receivable	\$ -	\$ 480
Other	3,475	-
	3,475	480
 Due from Government and other Government Organizations:		
AANDC	-	24,418
CMHC Loan proceeds	10,382	28,269
CMHC Subsidy	3,699	1,724
Fisheries and Oceans Canada	4,488	4,488
GST Public Service Bodies ' Rebate	6,375	10,403
Parks Canada	2,000	-
	26,944	69,302
 Due from others:		
Iron River Forest Products	-	206,239
Saanich Nations Goldstream	-	108,000
Te'mexw Treaty Association	5,400	2,550
Other	37,497	22,474
Coast Salish Employment & Training Society	5,896	5,896
First Nation Education Steering Committee	15,970	-
	64,763	345,159
	\$ 95,182	\$ 414,941

MALAHAT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

6. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

The First Nation's investment in government business enterprises consist of the following:

	2014	2013	
		Restated	
Malahat Forestry Services Inc. (Inactive)	\$ 2	\$ 2	
Malahat Nation Land Corporation (Inactive)	1	1	
Salish Strait Seafoods Ltd.	89,567	89,567	
	\$ 89,570	\$ 89,570	

The 2013-2014 financial information for Salish Strait Seafoods Ltd. is not available at the date of this audit report.

The financial information for Malahat Economic Development Ltd., Malahat Forest (2012) Ltd., Malahat Tenure Holding Ltd. and Malahat Aquaculture Ltd. is not available at the date of this audit report. According to management, except for Malahat Forestry (2012) Ltd., the other commercial enterprises do not have any financial activities except for entering into business contracts where operations will be commencing in the fiscal year 2015.

7. INVESTMENT IN GOVERNMENT BUSINESS PARTNERSHIPS

	2014 Assets	2014 Liabilities	2014 Net Income	2014 Investment
Malahat Forestry (2012) LP	\$ 110,962	\$ 104,142	\$ 523,933	\$ 6,820

The financial information for Malahat Tenure Holding Limited Partnership and Malahat Aquaculture Limited Partnership is not available at the date of this audit report. According to management, these limited partnerships do not have any financial activities except for entering into business contracts where operations will be commencing in the fiscal year 2015.

MALAHAT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

8. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

Capital and revenue trust 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. The trust monies are transferred to the First Nation on the authorization of AANDC with the consent of the First Nation's Council.

	2014 Revenue	2014 Capital	2014 Total	2013 Total
Surplus, beginning of year	\$ 1,075,340	\$ 147,394	\$ 1,222,734	\$ 1,263,520
Withdrawals	-	(100,000)	(100,000)	(70,000)
Interest earnings	-	15,724	15,724	29,214
BC Special	-	723	723	-
 Surplus, end of year	 \$ 1,075,340	 \$ 63,841	 \$ 1,139,181	 \$ 1,222,734

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013
Accounts payable and accrued liabilities	\$ 239,485	\$ 247,713
Due to Malahat Forest Service (2012) Ltd.	45,571	-
Due to government agencies	10,951	22,728
Vacation payable	6,840	2,432
Pension payable	4,654	2,559
Wages payable	-	989
 \$ 307,501	 \$ 276,421	

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

The First Nation provides a defined contribution plan for eligible members of its staff. Members are required to contribute 5% of their salary and the First Nation is required to match their contribution of 5%. The amount of the retirement benefit to be received by the employees will be the amount of the retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. The First Nation contributed during the year \$23,033 (2013: \$10,897) for retirement benefits. The First Nation does not have any other obligations with regards to the pension plan as at March 31, 2014.

MALAHAT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

10. DEFERRED REVENUE

	March 31, 2013	Funding received, 2014	Revenue recognized, 2014	March 31, 2014
Federal government:				
AANDC Capital Surplus	\$ 7,760	\$ -	\$ -	\$ 7,760
AANDC CPMS#9801	50	-	(50)	-
AANDC CPMS#10564	822	-	-	822
AANDC CPMS#10870	5,660	-	(5,660)	-
Basic Needs	1,870	-	-	1,870
COPH	-	12,911	(6,179)	6,732
In - Home Care	5,789	-	(5,789)	-
Post Secondary Education	15,386	-	-	15,386
Prevention Projects	300	-	-	300
TESI	893	-	(893)	-
	38,530	12,911	(18,571)	32,870
Other				
Success by 6	-	5,000	-	5,000
	\$ 38,530	\$ 17,911	\$ (18,571)	\$ 37,870

11. TANGIBLE CAPITAL ASSETS

	Rate	Cost	2014 Accumulated amortization	Net book value	2013 Net book value
Buildings	\$	897,360	\$ 236,151	\$ 661,209	\$ 427,426
Automotive equipment		11,000	5,500	5,500	7,700
Equipment		29,209	24,025	5,184	11,025
Canoes		13,025	9,576	3,449	4,057
Infrastructure		523,926	179,782	344,144	370,343
Social housing		1,344,835	419,444	925,391	962,113
Construction in progress		601,294	-	601,294	39,572
		\$ 3,420,649	\$ 874,478	\$ 2,546,171	\$ 1,822,236

MALAHAT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

12. LONG-TERM DEBT

	2014	2013
All Nations Trust Company - repayable at \$2,238 per month including interest at 2.63% per annum. The loan will be renewed on June 1, 2016 and will mature in February 2026. It is secured by a first mortgage on housing units and a Ministerial Guarantee.	\$ 274,693	\$ 294,086
Loan advance from CMHC On-Reserve Residential Rehabilitation Assistance Program will be earned by the First Nation over 5 years at the rate of \$267 per month beginning on August 1, 2010. The unearned forgivable loan plus interest at 6.25% per annum will become due and payable if the First Nation sells or transfers the property before the maturity date on August 1, 2015.	4,267	7,467
Loan advance from Peace Hill Trust has a 15 years term, maturing June 1, 2028. The loan is repayable at \$2,065 per month including interest at 5.50% per annum. The loan is guaranteed by the First Nation Market Housing Fund with a collateral of a term deposit for the amount \$24,800.	247,039	-
All Nations Trust Company - repayable at \$2,490 per month including interest at 1.68% per annum. The loan will be renewed on April 1, 2018 and will mature in April 2038. It is secured by a first mortgage on housing units and a Ministerial Guarantee.	582,272	599,601
 Current portion	 1,108,271	 901,154
	55,602	22,465
	 \$ 1,052,669	 \$ 878,689
 Principal portion of long-term debt due within the next five years:		
2015	\$ 55,602	
2016	54,971	
2017	55,463	
2018	57,079	
2019 and thereafter	885,156	
	 \$ 1,108,271	

MALAHAT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

13. FEDERAL ASSISTANCE PAYMENTS

Under the terms of the agreement with CMHC, pursuant to Section 95 of the National Housing Act, CMHC will provide federal assistance to the First Nation for social housing operations and financing. The level of assistance will be reviewed according to the interest rate at the time of the mortgage renewal. The amount of assistance received for the year ended March 31, 2014 was \$44,386 (2013: \$20,688).

14. MINIMUM REVENUE CONTRIBUTION

The First Nation is required to guarantee an annual Minimum Revenue Contribution as determined by CMHC. If the First Nation does not assess the annual minimum rent from the tenants, it is required to contribute additional funds to make up the annual minimum rent contribution requirement. The annual minimum rent contribution is \$51,348 (2013: 27,768).

15. ECONOMIC DEPENDENCE

Malahat First Nation receives a significant portion of its revenue pursuant to a funding agreement with AANDC. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

16. CONTRACTUAL OBLIGATIONS

The First Nation's total commitment for the next four years under a business equipment lease is as follows:

	Total
2014	\$ 3,780
2015	3,780
2016	3,780
2017	1,890
	\$ 13,230

17. CONTINGENCIES

The following contingencies existed as at March 31, 2014:

- a) AANDC Ministerial Guarantees for loans to the First Nation and individual Band members in the amount of \$858,403.
- b) Royal Bank of Canada credit facilities to qualified members of the First Nation with total advances not to exceed \$750,000. Funding under this program is restricted to the purchase, construction or improvement of housing on the Reserve or to refinance loans advanced by another financial institution for that purpose. The First Nation is required to provide a separate guarantee for each qualified borrower. The maximum individual amount available is \$150,000 with a \$10,000 minimum amount required. The First Nation has not been required to provide any guarantee related to this credit facility since initializations of the program on May 13, 2009.

MALAHAT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

18. EXPENSES BY OBJECT

	2014 Budget	2014 Actual	2013 Actual
EXPENSES			
Wages and benefits	\$ 746,167	\$ 807,895	\$ 560,391
Construction cost	478,991	520,037	747,486
Professional fees	247,813	242,991	185,011
Income support and shelter allowance	140,203	209,833	178,001
Amortization	-	109,640	83,062
Administration fees	98,859	108,499	90,200
Withdrawal	-	100,000	70,000
Materials and supplies	26,202	87,477	82,562
Travel	44,557	56,998	30,244
Repairs and maintenance	84,778	47,439	108,700
Student allowance	72,000	41,903	82,280
Utilities and telephone	38,700	39,125	33,009
Principal payments on loans	-	37,200	18,911
Insurance	28,500	33,988	31,321
National Child Benefit	35,684	31,914	28,671
Interest and bank charges	3,600	31,315	9,593
Per capita distribution	31,500	26,400	26,000
Training	8,934	24,136	12,276
Honorariums	18,000	19,120	18,000
Roads	-	16,661	-
Information technology	21,000	16,587	17,490
In - home care	15,007	15,736	13,234
Allocation to Replacement Reserve Fund	-	11,040	6,000
Special allowance	6,363	8,872	6,325
Equipment rental	6,637	8,782	11,467
Fees and licenses	-	7,469	5,798
Meals and meetings	5,000	6,315	16,401
Financial support	12,911	6,179	12,839
Vehicle	4,046	3,958	2,182
Tuition	10,000	3,887	6,375
Family violence prevention	2,532	2,532	1,261
Community engagement	-	1,765	-
Computer equipment and software	-	1,672	3,000
Communications	1,500	1,500	-
Bad debts	-	1,223	5,507
Funerals	-	490	8,994
CMHC Minimum Revenue Contribution Shortfall	-	-	6,220
Office	-	-	1,566
Cultural events	-	-	402
Program expense	81,871	-	-
	\$ 2,271,355	\$ 2,690,578	\$ 2,520,779

MALAHAT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

19. SEGMENTED INFORMATION

	Indian Government Services			Treaty Negotiation			Housing		
	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual
Revenues									
AANDC	\$ 15,934	\$ 185,307	\$ 212,864	-\$	-\$	-\$	-\$	\$ 62,016	\$ 113,160
AANDC - reimbursement (recovery)	667,300	236,011	386,046	30,000	36,000	30,000	30,000	-\$	(5,660)
Other revenue								319,680	652,729
Total revenue	823,234	421,318	598,910	30,000	36,000	30,000	30,000	-\$	760,229
Expenses									
Wages and benefits	439,495	551,303	312,446	-\$	-\$	-\$	-\$	-\$	5,889
Construction cost	3,991	110,102	81,382	17,500	38,879	4,000	-\$	271,855	743,486
Professional fees	138,837	38,214	15,200	3,000	3,000	-\$	-\$	5,500	20,832
Administration fees	33,650	43,178	26,920	-\$	-\$	-\$	-\$	10,883	3,600
Materials and supplies	14,800	44,835	23,289	-\$	-\$	2,127	-\$	-\$	2,349
Travel	35,057	162,726	134,633	117,649	12,500	4,620	-\$	633	121,421
Other expenses								107,202	
Total expenses	828,556	922,265	576,886	33,000	41,879	10,747	-\$	395,440	898,210
Annual surplus (deficit)	\$ (5,322)	\$ (500,947)	\$ 22,024	\$ (3,000)	\$ (5,879)	\$ 19,263	\$ -	\$ (13,744)	\$ (137,981)

MALAHAT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

19. SEGMENTED INFORMATION, continued

	Education		Employment and Training		Social Development				
	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual
Revenues									
AANDC	\$ 111,618	\$ 125,424	\$ 125,596	\$ -	\$ -	\$ -	\$ 219,709	\$ 240,153	\$ 261,912
AANDC - reimbursement (recovery)	-	-	(15,386)	-	-	-	-	25,836	(6,080)
Natural Resources Canada	155,806	47,676	57,719	29,037	31,940	4,466	-	-	-
Other revenue				74,732	74,732	9,000	(50)		
Total revenue	267,424	173,100	167,929	103,769	106,672	79,198	228,709	265,939	255,832
Expenses									
Wages and benefits	100,870	66,293	42,601	85,076	76,465	55,716	37,112	32,281	33,130
Professional fees	63,800	23,353	-	6,401	4,780	-	-	-	-
Income support and shelter allowance							140,203	209,833	178,001
Administration fees	24,000	17,210	18,917	7,308	7,308	6,386	-	3,770	6,677
Materials and supplies	3,070	32,750	15,549	234	389	14,060	-	923	80
Travel		4,261	-		80	36	-	1,293	2,101
Other expenses	85,684	49,205	86,845	4,750	20,572	3,000	72,497	65,326	72,734
Total expenses	277,424	193,072	163,912	103,769	109,594	79,198	249,812	313,426	292,723
Annual surplus (deficit)	\$ (10,000)	\$ (19,972)	\$ 4,017	\$ -	\$ (2,922)	\$ -	\$ (21,103)	\$ (47,487)	\$ (36,891)

MALAHAT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

19. SEGMENTED INFORMATION, continued

	Economic Development			Community Infrastructure			Health		
	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual
Revenues									
AANDC	\$ 12,500	\$ 12,609	\$ 12,609	\$ 60,314	\$ 75,915	\$ 106,788	\$ -	\$ -	\$ -
AANDC - reimbursement (recovery)	-	-	-	(50)	(50)	(50)	-	-	-
Health Canada	-	-	-	-	-	-	9,500	8,875	5,020
Fisheries and Oceans Canada	44,880	44,880	44,880	-	-	-	-	-	-
Net income from Government	-	-	49,932	-	-	-	-	-	-
Business Enterprises	-	-	-	-	-	-	-	-	-
Other revenue	76,000	618,456	381,069	563,600	265,781	60,627	-	-	-
Total revenue	133,380	675,945	488,490	623,914	331,646	167,365	9,500	8,875	5,020
Expenses									
Wages and benefits	44,650	52,159	68,242	32,790	26,460	38,872	6,174	2,936	3,495
Construction cost	-	-	-	475,000	248,182	-	-	-	-
Professional fees	21,275	51,128	49,481	-	5,927	33,316	-	3,323	-
Administration fees	19,735	20,715	26,470	10,008	6,241	12,950	1,158	1,158	-
Materials and supplies	1,920	278	4,228	6,178	8,499	18,296	-	1,458	1,079
Travel	9,500	4,530	1,500	-	2,000	557	-	-	-
Other expenses	48,300	1,110	14,447	99,938	57,753	65,164	2,168	-	446
Total expenses	145,380	129,920	164,368	623,914	355,062	169,155	9,500	8,875	5,020
Annual surplus (deficit)	\$ (12,000)	\$ 546,025	\$ 324,122	\$ -	\$ (23,416)	\$ (1,790)	\$ -	\$ -	\$ -

MALAHAT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

19. SEGMENTED INFORMATION, continued

	Ottawa Trust Fund			Housing - Operating Reserve			Housing - Replacement Reserve		
	2014	2014	2013	2014	2014	2013	2014	2014	2013
	Budget	Actual	Actual	Budget	Actual	Actual	Budget	Actual	Actual
Revenues									
Ottawa Trust Fund - Interest income	\$ -	\$ 15,725	\$ 29,214	\$ -	\$ -	\$ 16	\$ -	\$ -	\$ -
Other revenue		722	-	16,447	29,214	-	16	44	-
Total revenue							44	-	11,218
Expenses									
Withdrawal		100,000	70,000						
Other expenses		-	-						
Total expenses		100,000	70,000						
Annual surplus (deficit)		\$ -	\$ (83,553)	\$ (40,786)	-	\$ 16	\$ 44	\$ (187)	\$ (1,391)

MALAHAT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

19. SEGMENTED INFORMATION, continued

	Tangible Capital Assets			Consolidated totals		
	2014 Budget	2014 Actual	2013 Actual	2014 Budget	2014 Actual	2013 Actual
Revenues						
AANDC	\$ -	\$ -	\$ -	\$ 560,075	\$ 701,424	\$ 832,929
AANDC - reimbursement (recovery)						(27,176)
Health Canada				9,500	25,786	5,020
Fisheries and Oceans Canada				44,880	8,875	44,880
Natural Resources Canada				29,037	44,880	4,466
Ottawa Trust Fund - Interest income						29,214
Net income from Government Business Enterprises						49,932
Other revenue				1,576,438	1,600,242	1,649,073
Total revenue				2,219,930	2,428,872	2,588,338
Expenses						
Wages and benefits				746,167	807,897	560,391
Construction cost				478,991	520,037	747,486
Professional fees				247,813	242,992	185,011
Income support and shelter allowance				140,203	209,833	178,001
Administration fees				98,859	108,499	90,200
Withdrawal					100,000	70,000
Materials and supplies				26,202	87,475	82,561
Travel				44,557	56,999	30,243
Other expenses				488,563	556,846	576,886
Total expenses				109,640	83,062	2,271,355
Annual surplus (deficit)	\$ -	\$ -	\$ 203,280	\$ 90,621	\$ (51,425)	\$ 51,214