

TSARTLIP FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended MARCH 31, 2014

Package #1

TSARTLIP FIRST NATION
INDEX TO FINANCIAL STATEMENTS
MARCH 31, 2014

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TSARTLIP FIRST NATION
P.O. Box 70
Brentwood Bay, B.C.
V8M 1R3

Management's Statement of Responsibility

The accompanying consolidated financial statements of Tsartlip 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 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.

Chief and Council are 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.

Chief and Council meet periodically with management, as well as the external auditor, 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 financial statements and the external auditor's report.

The external auditors, Brynjolfson & 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 Tsartlip First Nations and meet when required.

On behalf of Tsartlip First Nation:



Band Administrator

Date: July 14, 2014



Brynjolfson & Co. Ltd.
Certified General Accountant

797 Kona Crescent
Victoria, B.C. V8X 4N9
(Tel: 250-727-7169)
(E-mail: pbrynjolfson@aol.com)

INDEPENDENT AUDITOR'S REPORT

To the Members of
Tsartlip First Nation:

I have audited the accompanying financial statements of the Tsartlip First Nation, which comprises the consolidated statement of financial position as at March 31, 2014, and the consolidated statement of operations, consolidated statement of change in net debt, and consolidated statement of cash flow 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 generally accepted accounting principles, 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 an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 consider internal control relevant to the entity's preparation of 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 financial statements present fairly, in all materials respects, the financial position of Tsartlip First Nation as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

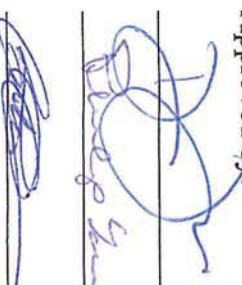
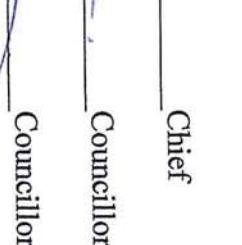
The supplementary information contained in the accompanying schedules is presented for purposes of additional information to the membership and Aboriginal Affairs and Northern Development Canada and do not form part of the financial statements. The schedules have not been audited other than in the course of my audit of the financial statements to the extent necessary to allow me to render an opinion thereon.

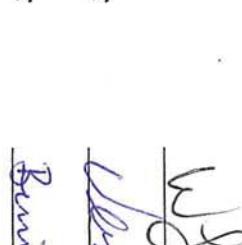
Brynjolfson & Co.
Certified General Accountant

TSARTLIP FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
March 31, 2014

	2014 Actual \$	2013 Actual \$
Financial assets		
Cash	-	50,043
Restricted Cash, Note 8	456,698	587,427
Trust funds held by federal government, Note 5	195,765	188,112
Accounts Receivable, Note 3	<u>1,206,670</u>	<u>1,870,101</u>
	<u>1,859,133</u>	<u>2,695,683</u>
Liabilities		
Bank indebtedness	603,652	452,709
Accounts payable and accrued liabilities	500,797	1,579,395
Deferred capital asset contributions, Note 10	3,750,303	3,932,113
Replacement Reserves	508,349	490,432
Long Term Debt, Note 6	<u>2,823,287</u>	<u>2,962,117</u>
	<u>8,186,388</u>	<u>9,416,766</u>
Net financial assets (net debt)	 (6,327,255)	 (6,721,083)
Non-financial assets		
Tangible capital assets - Note 4	6,263,107	6,572,200
Prepaid Expenses	77,885	-
Inventory	<u>1,134</u>	<u>2,754</u>
	<u>6,342,126</u>	<u>6,574,954</u>
Accumulated surplus	 <u>14,871</u>	 (146,129)

Approved by:


Chief 
W. J. M. Councillor


Denise Gauthier Councillor


Bonnie Smith Councillor

TSARTLIP FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended March 31, 2014

	<u>2014</u>	<u>2013</u>
REVENUES		
Aboriginal Affairs and Northern Development Canada	\$10,829,388	\$9,473,503
Prior Year AANDC Adjustment and Recovery	(135,379)	(108,658)
Health Canada	913,147	895,480
Canada Mortgage and Housing Corporation	75,409	91,097
CSETs	203,721	202,918
Ottawa Trust – interest/grants	7,653	6,596
Rental income	302,634	253,800
Other	1,028,383	1,092,433
Deferred revenue - capital contribution recognized	<u>181,809</u>	<u>142,223</u>
	<u>13,406,765</u>	<u>12,049,392</u>
EXPENDITURES		
Administration	801,867	879,274
Operations and Maintenance	618,416	898,787
Health	1,110,730	1,083,384
Social Development	1,512,383	1,585,734
Capital Operations	1,264,700	1,194,995
Education	6,874,843	6,448,598
Economic Development and Job Creation	299,312	330,324
CMHC Housing	305,414	352,836
Band Generated	458,100	285,379
Adjustment – capital asset contribution	<u>(946,536)</u>	<u>(946,536)</u>
	<u>13,245,765</u>	<u>12,112,775</u>
ANNUAL SURPLUS/(DEFICIT)		
	161,000	(63,383)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>(146,129)</u>	<u>(82,746)</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 14,871</u>	<u>\$ (146,129)</u>

The accompanying notes and supplementary schedules are an integral part of these consolidated financial statements.

TSARTLIP FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
For the year ended March 31, 2014

	2014 Actual \$	2013 Actual \$
Excess (shortfall) of revenue over expenditures	161,000	(36,345)
Transfer to operating reserve	-	(27,038)
Acquisition of tangible capital assets Capital Fund	-	(2,672,779)
Amortization of tangible capital assets charged against Capital Fund	309,092	239,873
Building under construction	—	1,640,539
	<u>470,092</u>	<u>(855,750)</u>
Net consumption (acquisition) of supplies inventory	1,620	2,760
Use of (acquisition) prepaid expenses	<u>(77,884)</u> <u>(76,264)</u>	<u>4,130</u> <u>6,890</u>
Change in Net Financial Assets/Net Debt	393,828	(848,860)
Net Debt, at beginning of year	<u>(6,721,083)</u>	<u>(5,872,223)</u>
Net debt, end of year	<u>(6,327,255)</u>	<u>(6,721,083)</u>

The accompanying notes and supplementary schedules are an integral part of these consolidated financial statements.

TSARTLIP FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOW
For the Year Ended March 31, 2014

	2014	2013
	Actual	Actual
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	161,000	(36,345)
Items not requiring a current outlay of cash:		
- Amortization	309,092	239,873
- Transfer to operating reserve	-	(27,038)
Increase (decrease) in:		
- Accounts receivable	663,431	(1,126,632)
- Prepaid expenses	(77,885)	4,130
- Accounts payable	(1,078,597)	1,002,740
- Inventory	1,620	2,761
- Reserve	17,917	64,939
- Capital assets	-	(2,672,779)
- Building under construction	-	1,640,539
- Ottawa Trust	(7,653)	(6,596)
- Deferred revenue	(181,810)	857,777
Cash provided by operating activities	<u>(192,885)</u>	<u>(56,631)</u>
FINANCING ACTIVITIES		
Increase (decrease) of long-term debt	<u>(138,830)</u>	<u>(140,053)</u>
INCREASE (DECREASE) IN CASH DURING YEAR		
CASH – Beginning of year	<u>184,761</u>	<u>381,445</u>
CASH – End of year	<u>184,761</u>	<u>184,761</u>
REPRESENTED BY:		
CASH – Unrestricted	-	50,043
CASH (Bank indebtedness)	(603,652)	(452,709)
CASH – Restricted	<u>456,698</u>	<u>587,427</u>
	<u>(146,954)</u>	<u>184,761</u>

The accompanying notes and supplementary schedules are an integral part of these consolidated financial statements.

TSARTLIP FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These Summary Financial Statements have been prepared in accordance with generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

The Tsartlip First Nation reporting entity includes the Tsartlip First Nation government and all related entities that are controlled by the First Nation.

a) Fund Accounting

Tsartlip 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 purpose of presentation in the Summary Financial Statements.

b) Reporting Entity and Principles of Financial Reporting

The reporting entity includes the Tsartlip First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

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

- Tsartlip First Nation Government Administration and Capital
- Tsartlip First Nation Trust Funds
- Tsartlip First Nation Social 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 necessary been eliminated on the individual schedules.

c) 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, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, prepaid expenses and inventories of supplies.

TSARTLIP FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

d) Cash

Cash includes cash on hand and balances with banks net of bank overdraft.

e) Tangible Capital Assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Tangible capital assets are reported at net book value. Contributions received specifically to assist in the acquisition of tangible capital assets are reported as deferred revenue and amortized to income at the same rate as the related asset.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artefacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

f) Amortization

Tangible capital assets are amortized over their expected useful life using the diminishing balance method at the following rates:

General Housing	5%
Buildings and improvements	4%
General equipment	20%
Infrastructure	4%

Social Housing assets acquired under CMHC sponsored housing programs are amortized at a rate equivalent to annual principal reduction in related long term debt, as required for CMHC reporting purposes.

g) Net Debt

The First Nation's 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 liabilities less its financial assets. Net debt is comprised of two components, non-financial and accumulated surplus.

h) Revenue Recognition

All revenue is recorded on the accrual basis whereby amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue. Funding received under the terms of contribution agreements with the federal government is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted by the federal government for a stated purpose, such

TSARTLIP FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

i) Measurement Uncertainty

In preparing financial statements for the government of Tsartlip First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Significant areas of estimation include allowance for doubtful accounts, estimated useful lives of tangible capital assets, impairment of long-lived assets, accrued liabilities, and disclosure of contingencies. Actual results could differ from those estimates.

j) Financial Instruments

Tsartlip First Nation's financial instrument consists of cash, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that Tsartlip First Nation is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

2. ECONOMIC DEPENDENCE

The government of Tsartlip First Nation receives a major portion of its revenue from Aboriginal Affairs and Northern Development Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

3. ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>
Due from members:		
Rent	\$ 229,248	\$ 251,761
Housing loan	76,643	78,466
Due from other	<u>900,779</u>	<u>1,539,874</u>
	<u>\$ 1,206,670</u>	<u>\$1,870,101</u>

TSARTLIP FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

4. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	Net Book Value <u>2014</u>	Net Book Value <u>2013</u>
Land	64,367	-	64,367	\$ 64,367
Housing	872,624	330,400	542,224	448,800
Administration Building	1,200,000	389,073	810,927	844,716
Health Equipment	49,092	41,387	7,705	9,631
Health Building	2,671,362	186,439	2,484,923	2,615,709
Equipment	204,713	185,046	19,667	24,584
	<u>5,062,158</u>	<u>1,132,345</u>	<u>3,929,813</u>	<u>4,007,807</u>
CMHC Housing	<u>3,018,975</u>	<u>685,681</u>	<u>2,333,294</u>	<u>2,564,392</u>
TOTALS	<u>\$8,081,133</u>	<u>\$1,818,026</u>	<u>\$6,263,107</u>	<u>\$6,572,199</u>

5. TRUST FUNDS

The Ottawa Trust Accounts 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 Section 63 to 69 of the Indian Act.

	<u>Opening Balance</u>	<u>Additions</u>	<u>Withdrawals</u>	<u>2014</u>	<u>2013</u>
Revenue	24,963	7,653	-	32,616	24,963
Capital	<u>163,149</u>	<u>7,653</u>	<u>-</u>	<u>163,149</u>	<u>163,149</u>
Fund Total	<u>188,112</u>	<u>7,653</u>	<u>-</u>	<u>195,765</u>	<u>188,112</u>

TSARTLIP FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

6. LONG-TERM DEBT

	<u>2014</u>	<u>2013</u>
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All Nations Trust loan repayable @ \$1,572 per month including including interest @ 6.29%. Secured by a mortgage on buildings

171,432

180,201

Bank of Montreal loan for the building of a new house to replace member's home destroyed by fire. Due on demand but is being amortized over 25 years. Repayable @ \$542 per month including interest @ prime + 1.75%

86,691

89,013

Bank of Montreal demand loan being amortized over 20 years, repayable @ 1,645 per month including interest @ prime plus 1.5%

231,871

240,954

Canada Mortgage and Housing Corporation Mortgages, secured by ministerial guarantees from AANDC and first mortgages on thirty-two housing units.

- Loan #165-75250003 repayable @ \$1,723 per month, including interest at 1.84%
- Loan #220-95475001 repayable @ \$2,525 per month, including interest at 2.65%
- Loan #220-95475002 repayable @ \$2,587 per month, including interest at 2.75%
- Loan #220-95475003 repayable @ \$2,651 per month, including interest at 1.55%
- Loan #220-95475004 repayable @ \$6,722 per month, including interest at 2.51%

1,720

287,119

309,529

313,306

335,435

415,734

440,998

1,317,134

1,364,267

2,823,287

2,962,117

Less current portion

(149,800)

(138,830)

\$2,673,487

\$2,823,287

Principal repayments required over the next five years:

2015	\$ 149,800	2018	\$ 160,600
2016	\$ 153,300	2019 and thereafter	\$ 2,202,687
2017	\$ 156,900		

TSARTLIP FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

7. SOCIAL HOUSING RESERVES

a) Replacement Reserve

Under the terms of the agreement with CMHC, a replacement reserve is maintained to provide for future asset replacement. These funds, along with accumulated interest, must be held in a separate bank account. Use of these funds is restricted to expenditures approved by CMHC.

b) Subsidy Surplus Reserve

Under the terms of the agreement with CMHC, express federal assistance payments received may be retained in a subsidy surplus reserve up to a maximum of \$500 per unit. These funds, along with accumulated interest, must be held in a separate bank account. The funds in this account may only be used to meet future subsidy requirements.

c) Operating Reserve

Under the terms of the agreement with CMHC (Section 95, Post 1997 on Reserve Program), any surplus revenue will be retained within an Operating Reserve. These funds, along with accumulated interest, must be held in a separate bank account. Use of these funds is restricted to ongoing operating costs of housing projects committed under the Post 1997 On Reserve Program.

8. RESTRICTED CASH

	<u>2014</u>	<u>2013</u>
Comprised of the following		
Mayne Island logging funds	\$ 306,306	\$438,356
CMHC reserve funds	<u>150,392</u>	<u>149,071</u>
	<u><u>\$456,698</u></u>	<u><u>\$587,427</u></u>

9. EXPENSES BY OBJECT

	<u>2014</u>	<u>2013</u>
Wages	\$ 847,165	\$ 803,076
Benefits	142,725	132,513
Amortization	309,092	239,873
Materials and supplies	243,483	289,737
Professional fees	78,077	131,526
Contracts	1,276,894	1,034,668
Government transfers	7,074,824	8,319,979
Other	<u>3,273,505</u>	<u>1,161,403</u>
	<u><u>\$13,245,765</u></u>	<u><u>\$12,112,775</u></u>

TSARTLIP FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

10. DEFERRED CAPITAL ASSET 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>2014</u>	<u>2013</u>
Balance, beginning of year	3,932,113	1,579,856
Additions	-	1,000,000
Prior period adjustment (reclassified from accumulated surplus)	-	1,494,480
Amounts amortized to revenue	<u>(181,810)</u>	<u>(142,223)</u>
Balance, end of year	<u><u>3,750,303</u></u>	<u><u>3,932,113</u></u>

11. CONTINGENT LIABILITIES

- a) Restricted unexpended surpluses can be recovered by the funding agency.
- b) The First Nation is contingently liable for a portion of the liabilities of the WSANEC School Board, a tribal school that is funded by the four First Nations. No outstanding liabilities have been determined at this time.
- c) The First Nation has Ministerial Guarantees for loan balances outstanding. The contingent liability as at year-end amounts to \$2,634,798, as per confirmation provided by Aboriginal Affairs and Northern Development Canada.

12. COMPARATIVE FIGURES

Prior year's comparative amounts have been reclassified where necessary to conform to the current year's presentation.