TSARTLIP FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended MARCH 31, 2015

Bryjolfson & Company
Certified General Accountant

TSARTLIP FIRST NATION
INDEX TO FINANCIAL STATEMENTS
MARCH 31, 2015

CONTENT

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: June 23, 2015

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, 2015, 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, 2015, 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

June 1, 2015
Victoria, BC

TSARTLIP FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
March 31, 2015

	2015 Actual $	2014 Actual $
Financial assets		
Restricted Cash, Note 8	461,007	456,698
Trust funds held by federal government, Note 5	165,030	195,765
Accounts Receivable, Note 3	902,479	1,206,670
	1,528,516	1,859,133
Liabilities		
Bank indebtedness	400,413	603,652
Accounts payable and accrued liabilities	77,519	500,797
Reserve accounts	572,810	508,349
Long Term Debt, Note 6	5,430,904	2,823,287
	6,481,646	4,436,085
Net financial assets (net debt)	(4,953,130)	(2,576,952)
Non-financial assets		
Tangible capital assets - Note 4	8,842,111	6,263,107
Prepaid Expenses	58,652	77,885
Inventory	101,620	1,134
	9,002,383	6,342,126
Accumulated surplus - Note 10	4,049,253	3,765,174

Approved by:

Chief	Councillor
Councillor	Councillor
Councillor	Councillor

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

TSARTLIP FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended March 31, 2015

	Budget	2015	2014
REVENUES			
Aboriginal Affairs (AANDC)	9,908,777	$9,923,429	$10,829,388
Prior Year AANDC Recovery	-	(14,652)	(135,379)
Health Canada	1,000,285	1,037,991	913,147
Canada Mortgage and Housing Corp.	79,764	79,764	75,409
CSETS	205,418	211,789	203,721
Ottawa Trust – interest/grants	6,887	6,887	7,653
Rental income	300,000	296,357	302,634
Other	4,518,114	4,930,645	1,028,383
Capital amortization contribution	-	-	181,809
	16,019,245	16,472,210	13,406,765
EXPENDITURES			
Administration	702,651	761,940	801,867
Operations and Maintenance	493,674	567,029	618,416
Health	1,193,034	1,227,802	1,110,730
Social Development	1,514,393	1,580,803	1,512,383
Capital Operations	2,541,248	2,962,624	1,264,700
Education	6,788,930	6,803,768	6,874,843
Economic Development and Jobs	257,737	283,325	299,312
Housing	300,309	295,108	305,414
Band Generated	2,227,269	2,343,210	458,100
Ottawa Trust	-	37,522	-
	16,019,245	16,863,131	13,245,765
ANNUAL SURPLUS/(DEFICIT)	-	(390,921)	161,000
BALANCE, BEGINNING OF YEAR		14,871	(146,129)
BALANCE, END OF YEAR		$ (376,050)	$ 14,871

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, 2015

	2015 Actual $	2014 Actual $
Excess (shortfall) of revenue over expenditures	(390,921)	161,000
Acquisition of tangible capital assets Capital Fund	(2,262,402)	-
Amortization of tangible capital assets	358,398	309,092
	(2,294,925)	470,092
Net consumption (acquisition) of supplies inventory	19,233	1,620
Net use of (acquisition) prepaid expenses	(100,486)	(77,884)
	(81,253)	(76,264)
Change in Net Financial Assets/Net Debt	(2,376,178)	393,828
Net Debt, at beginning of year	(2,576,952)	(2,970,780)
Net debt, end of year	(4,953,130)	(2,576,952)

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, 2015

	2015 Actual $	2014 Actual $
Operating transactions		
Annual surplus (deficit)	(390,921)	161,000
Non cash items including amortization	358,397	309,092
Accounts receivable	304,191	663,431
Prepaid expenses	19,233	(77,885)
Accounts payable	(423,278)	(1,078,597)
Inventory	(100,486)	1,620
Reserve	64,461	17,917
Ottawa Trust	30,735	(7,653)
Deferred revenue	-	(181,810)
Cash provided by operating activities	(137,668)	(192,885)
Capital Transactions		
Cash used to acquire tangible capital assets	(2,262,402)	-
Financing Transactions		
First Nations debt issues	2,775,097	-
First Nations debt retirement	(167,479)	(138,830)
Cash used in financing transactions	2,607,618	(138,830)
Increase in cash and cash equivalents	207,548	(331,715)
Cash and equivalents – Beginning of year	(146,954)	184,761
Cash and equivalents – End of year	60,594	(146,954)
REPRESENTED BY:		
CASH – Unrestricted	-	-
CASH (Bank indebtedness)	(400,413)	(603,652)
CASH – Restricted	461,007	456,698
	60,594	(146,954)

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

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.

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

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

	2015	2014
Rents - housing	$ 221,031	$ 229,248
Housing loan	75,147	76,643
Funding agencies	74,452	199,692
National Energy Board	25,000	-
Province of B.C.	35,000	-
TACC	135,000	-
Developer Fee – Gowdy Rd.	300,000	300,000
Other	36,849	401,087
	$ 902,479	$1,206,670

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2015	Net Book Value 2014
Land	739,367	-	739,367	$ 64,367
Housing	872,624	349,833	522,791	542,224
Administration Building	1,200,000	421,510	778,490	810,927
Health Equipment	49,092	42,928	6,164	7,705
Health Building	2,671,362	310,685	2,360,677	2,484,923
Equipment	204,713	188,979	15,734	19,667
Store Building	1,422,340	28,447	1,393,893	-
Store Equipment	252,970	25,297	227,673	-
	7,412,468	1,367,679	6,044,789	3,929,813
CMHC Housing	3,606,067	808,745	2,797,322	2,333,294
TOTALS	$11,018,535	$2,176,424	$8,842,111	$6,263,107

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.

	Opening Balance	Additions	Withdrawals	2015	2014
Revenue	32,616	6,787	37,522	1,881	32,616
Capital	163,149	-	-	163,149	163,149
Fund Total	195,765	6,787	37,522	165,030	195,765

6. LONG-TERM DEBT

	2015	2014
All Nations Trust loan repayable @ $1,572 per month including including interest @ 6.29%. Secured by a mortgage on buildings	160,688	171,432
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%	84,233	86,691
Bank of Montreal demand loan used for building innovative housing, being amortized over 20 years repayable @ $1,645 per month including interest @ prime plus 1.5%	222,311	231,871
Bank of Montreal demand loan non-revolving for the building of the community health centre, repayable @2,353 per month plus interest at prime plus 1%	395,294	-
Bank of Montreal demand loan non-revolving to assist with the construction of the gas bar and convenience store, repayable @$13,014 principal and interest, to revert to interest only commencing February 2015 to October 2015 at prime plus 1.25%, at which time repayment is over 167 months and subject to review	1,697,319	-
Tale'awtxw Aboriginal Capital Corporation, loan to assist with construction of gas bar and convenience store, repayable @$1,092 per month, repayment over 80 months, interest at 12%, subject to a 40% grant if the borrower meets the terms of the commitment letter and has repaid sixty per cent (60%) of the principal and required interest	73,738	-
Canada Mortgage and Housing Corporation Mortgages, secured by ministerial guarantees from AANDC and first mortgages on social housing units.		
- Loan #220-95475001 repayable @ $2,344 per month, including interest at 1.12%	263,981	287,119
- Loan #220-95475002 repayable @ $2,587 per month, including interest at 2.75%	290,565	313,306
- Loan #220-95475003 repayable @ $2,651 per month, including interest at 1.53%	390,083	415,734

6. LONG-TERM DEBT (Cont'd)

	2015	2014
- Loan #220-95475004 repayable @ $6,722 per month, including interest at 2.51%	1,268,811	1,317,134
- Loan #220-96475001 repayable @ $2,393 per month, including interest at 1.6%	583,882	-
	5,430,905	2,823,287
Less current portion	(219,000)	(149,800)
	$5,211,905	$2,673,487

Principal repayments required over the next five years:

2016	$ 219,000	2019	$ 320,000
2017	$ 260,000	2020 and thereafter	$4,296,905
2018	$ 335,000		

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

	2015	2014
Comprised of the following:		
Mayne Island logging funds	$309,054	$306,306
CMHC reserve funds	151,953	150,392
	$461,007	$456,698

9. EXPENSES BY OBJECT

	2015	2014
Wages	$ 971,067	$ 847,165
Benefits	161,228	142,725
Amortization	358,398	309,092
Contracts	2,169,369	1,276,894
Cost of sales	1,556,040	-
Government transfers	7,042,892	7,074,824
Materials and supplies	287,695	243,483
Other	2,310,572	2,024,759
Professional fees	672,513	78,077
Social Assistance	1,333,357	1,248,746
	$16,863,131	$13,245,765

10. ACCUMULATED SURPLUS

Accumulated surplus represents operational surplus/(deficit) and government contributions provided to assist in the purchase or construction of tangible capital assets.

The change in accumulated surplus balance for the year is as follows:

	Operations	Equity in Assets	2015 Total
Balance, beginning of year	14,871	3,750,303	3,765,174
Additions: lands held in trust	-	675,000	675,000
Less: deficit in operations	(390,921)	-	(390,921)
Adjustment: band asset amortization *	186,901	(186,901)	-
Balance, end of year	(189,149)	4,238,402	4,049,253

* Amortization of assets that have been fully funded by government in previous years are allocated to equity in capital assets.

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 $3,231,114 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.

13. SEGMENTED DISCLOSURE

Tsartlip First Nation
Schedule of Segmented Operations
For the Year Ended March 31, 2015
(unaudited)
2015

	Admin.	Operations & Maintc.	Health	Social Develop.	Capital	Education	Economic Dev.	CMHC Housing	Band Generated	Ottawa Trust	TOTAL
Revenue											
AANDC	603,812	493,674	-	1,514,393	464,520	6,773,676	58,702	-	-	-	9,908,777
Health Canada / FNHA	-	-	1,037,991	-	-	-	-	-	-	-	1,037,991
CMHC	-	-	-	-	-	-	-	79,764	-	-	79,764
CSETS	-	-	-	-	-	-	211,789	-	-	-	211,789
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Other	196,651	130,617	214,102	447	2,457,097	30,092	12,363	215,344	1,970,289	6,887	5,233,889
	800,463	624,291	1,252,093	1,514,840	2,921,617	6,803,768	282,854	295,108	1,970,289	6,887	16,472,210
Expenditure											
Salaries and benefits	161,772	35,891	365,317	159,440	54,180	-	121,297	11,140	131,581	-	1,040,618
Amortization	-	-	-	-	-	-	-	123,064	235,334	-	358,398
Direct Assistance	-	-	-	1,333,357	-	-	-	-	-	-	1,333,357
Education Flow-through	-	-	-	-	-	6,773,676	-	-	-	-	6,773,676
Other	600,168	531,138	862,485	88,006	2,908,444	30,092	162,028	160,904	1,976,295	37,522	7,357,082
	761,940	567,029	1,227,802	1,580,803	2,962,624	6,803,768	283,325	295,108	2,343,210	37,522	16,863,131
Excess (deficiency) of revenue for the year	38,523	57,262	24,291	-65,963	-41,007	-	-471	-	-372,921	-30,635	-390,921