

TSECYCUM FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

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Reconciliation of SFGF to FNITP

2014 AUG 29 AM 9:10



Alex E. Palmer, B.Sc., C.A.*
Tammy Leslie, C.G.A., C.A.*

Herman Godefroy, C.G.A.*
*a professional corporation

**To the Members of
Tseyecum First Nation**

AUDITORS' REPORT

We have audited the accompanying consolidated financial statements of Tseyecum First Nation, which comprise the Consolidated Statement of Financial Position as at March 31, 2014 and the Consolidated Statements of Operations and Accumulated Surplus, Change in Net Financial Debts and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

To the Members of
Tseycum First Nation
Auditors' Report
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tseycum First Nation as at March 31, 2014, and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.



Duncan, BC
August 15, 2014

Chartered Accountants

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

	2014	2013
Financial Assets		
Cash and cash equivalents (Note 7)	\$ 352,929	\$ 233,367
Accounts receivable (Note 4)	115,373	324,819
Portfolio investments (Note 5)	3	3
	<hr/> 468,305	<hr/> 558,189
Liabilities		
Accounts payable and accrued liabilities	75,199	192,476
Bank loans (Notes 9 &16)	683,318	734,744
Accrued payroll and benefits	7,416	5,403
	<hr/> 765,933	<hr/> 932,623
Net Debt - Exhibit "C"	<hr/> (297,628)	<hr/> (374,434)
Non-Financial Assets		
Tangible capital assets (Notes 1 & 10)	5,168,222	5,402,141
Deferred expenditures (Note 6)	39,405	20,817
	<hr/> 5,207,627	<hr/> 5,422,958
Accumulated Surplus - Exhibit "B"	<hr/> \$ 4,909,999	<hr/> \$ 5,048,524

Chief Van Jacob
Chief

Josephine Jose
Councilor

Verrietta & Harlie
Councilor

Councilor

Exhibit "B"

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

	2014	2013
Revenue		
Federal Government:		
Aboriginal Affairs and Northern Development Canada	\$ 647,308	\$ 1,555,843
Department of Fisheries and Oceans	40,090	40,090
Mortgage and Housing Corporation	41,962	43,909
Parks Canada	17,315	11,465
Provincial Government	10,323	15,273
Coast Salish Employment and Training Society	53,138	53,138
Crab license lease	35,000	-
First Nation Education Steering Committee	2,953	8,204
Vancouver Island Health Authority	-	15,000
Victoria Native Friendship Centre	3,398	-
Intertribal Health Authority	225,707	222,163
Tsartlip First Nation	45,831	45,831
BC Hydro	2,000	2,000
First Nations Health Authority	-	10,000
South Island Wellness	3,395	-
New Relationship Trust	-	25,000
BCAAFC	-	52,093
Interest	4,126	6,362
Rent	101,253	102,967
Trust funds held by Federal Gov't (Note 7)	680	427
Economic activities - other	17,751	116,851
	<hr/> \$ 1,252,230	<hr/> \$ 2,326,616
Expenses		
Amortization	241,410	232,943
Operating fund (net of cost allocations) (Note 11)	1,066,898	1,179,285
Social housing (net of cost allocations) (Note 11)	82,447	73,163
General capital fund (net of cost allocations) (Note 11)	-	172,721
	<hr/> 1,390,755	<hr/> 1,658,112
Annual surplus/(deficit) - Exhibits "C" & "D"	(138,525)	668,504
 SURPLUS, beginning of year	 5,048,524	 4,380,020
Accumulated Surplus/(Deficit), end of year - Exhibit "A"	<hr/> \$ 4,909,999	<hr/> \$ 5,048,524

Exhibit "C"

**TSEYCUM FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2014**

	2014	2013
Annual Surplus - Exhibit "B"	\$ (138,525)	\$ 668,504
Acquisition of tangible capital assets	(7,491)	(901,286)
Amortization of tangible capital assets	241,410	232,943
Use of prepaid expenses	<u>(18,588)</u>	<u>(4,976)</u>
(Increase)/Decrease in net debt	76,806	(4,815)
Net debt, beginning of year	<u>(374,434)</u>	<u>(369,619)</u>
Net debt, end of year - Exhibit "A"	<u>\$ (297,628)</u>	<u>\$ (374,434)</u>

Exhibit "D"

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

	2014	2013
Operating transactions		
Annual Surplus - Exhibit "B"	\$ (138,525)	\$ 668,504
Non-cash items included in annual surplus/(deficit)		
Amortization of tangible capital assets	241,410	232,943
	<u>102,885</u>	<u>901,447</u>
Change in non-cash working capital balances		
Accounts receivable	209,446	(25,321)
Deferred expenditures	(18,588)	(4,976)
Accounts payable and accrued liabilities	(117,277)	(107,020)
Accrued payroll and benefits	2,013	(2,342)
Cash provided by operating transactions	<u>178,479</u>	<u>761,788</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(7,491)</u>	<u>(901,276)</u>
Financing transactions		
(Recovery)/Advance of promissory note	-	(279,935)
Repayment of loans	<u>(51,426)</u>	<u>(83,475)</u>
Cash applied to financing transactions	<u>(51,426)</u>	<u>(363,410)</u>
Increase/(decrease) in cash and cash equivalents	119,562	(502,898)
Cash and cash equivalents, beginning of year	233,367	736,265
Cash and cash equivalents, end of year	<u>\$ 352,929</u>	<u>\$ 233,367</u>
Represented by:		
Cash and cash equivalents	<u>\$ 352,929</u>	<u>\$ 233,367</u>

TSEYCUM FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These summarized 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, which encompasses the following principles:

Fund Accounting

The assets and liabilities have been segregated by fund in respective statements of financial position. Operating results are reported by schedule for the purpose of providing information relating to specific objectives, as determined by statutory requirement, management needs or pursuant to various fiscal arrangements entered into by the First Nation.

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

The Social Housing Fund reports the activities within the First Nation sponsored Social Housing Program.

The Enterprise Fund reports the results of activities for independent commercial entities owned by the First Nation.

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

The Capital Fund reports the capital asset transactions of the First Nation, including information as to the source and application of financing.

Saanich Indian School Board

Tseycum First Nation has permitted Aboriginal Affairs and Northern Development Canada to allocate its education funding to the Saanich Indian School Board. Aboriginal Affairs and Northern Development Canada has contributed these monies directly to the School Board. Tseycum First Nation is not responsible for the activities of the school.

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 First Nation 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.

*Palmer Leslie
Chartered Accountants*

TSEYCUM FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

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

Tangible Capital Assets

Buildings, infrastructure and equipment expenditures incurred after March 31, 2000 were valued at acquisition cost and were recorded in the Capital Fund. With the exception of Band Owned Housing and Social Housing, expenditures incurred previous to April 1, 2000 were charged to operations in the year of acquisition and had not been reflected in the Capital Fund.

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

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

Buildings	4%
Community Infrastructure	4%
Equipment	20%
General Housing	5%
Computers	100%

In the year of acquisition 50% of the normal amortization is recorded.

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 assets and accumulated surplus.

Revenue Recognition

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

Funding received which relates to the following fiscal period is reflected as deferred revenue on the Statement of Financial Position.

Funding which is received and recorded as revenue in the current period, but which is committed to expenditures in the subsequent period or is subject to recovery by the funding agency, is classified as a restricted surplus.

*Palmer Leslie
Chartered Accountants*

TSEYKUM FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

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

Measurement Uncertainty

In preparing the financial statements for the government of Tseykum 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 period. The main estimates used in preparing these financial statements include allowance for doubtful accounts and accrued liabilities. Actual results could differ from these estimates.

2. ECONOMIC DEPENDENCE

The First Nation received a major portion of its operating revenues pursuant to an agreement referred to as "The Comprehensive Funding Arrangement". This agreement has been entered into by Tseykum First Nation and Aboriginal Affairs and Northern Development Canada. It is expected that the agreement will be renewed on an annual basis.

Funding is based on an annual budget which is agreed to by the parties and consists of flexible transfer payments and contribution payments. In the case of the flexible transfer payments, the First Nation is permitted to use surpluses at its own discretion, provided the terms and conditions of the agreement are met, but must take responsibility for any deficits. In the case of the contribution payments, any surpluses must be returned to Aboriginal Affairs and Northern Development Canada.

3. TRANSFERS

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

Palmer Leslie
Chartered Accountant

TSEYCUM FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

4. ACCOUNTS RECEIVABLE

	2014	2013
Operating Fund		
Band Members	\$ 13,827	\$ 20,927
Government of Canada		
Parks Canada	2,750	1,465
Aboriginal Affairs and Northern Development Canada	15,430	18,224
Department of Fisheries and Oceans	8,018	4,009
Goods and Services Tax	1,760	990
Child Maintenance	(582)	(497)
Province of British Columbia	6,963	6,700
Goldstream Specific Claim Settlement	3,000	165,440
Coast Salish Employment and Training Society	12,576	25,017
Tsartlip First Nation	-	13,758
First Nation Entities	-	1,190
Miscellaneous	<u>1,858</u>	<u>7,592</u>
	65,600	264,815
Social Housing Fund		
Rent	<u>49,773</u>	<u>60,004</u>
	<u><u>\$ 115,373</u></u>	<u><u>\$ 324,819</u></u>

5. PORTFOLIO INVESTMENTS

	2014	2013
Long Term Investments	<u>\$ 3</u>	<u>\$ 3</u>

This corporation is a subsidiary of the First Nation and was incorporated under the British Columbia Company Act on July 26, 2001. The company's year end is March 31. The company is presently inactive and its only asset is a trailer. All operating expenses for the asset are paid by the First Nation and are reflected in these financial statements.

Palmer Leslie
Chartered Accountants

TSEYCUM FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

6. DEFERRED EXPENDITURES

Deferred expenditures consist of the following payments made in the current year which are related to activities in the next fiscal period.

	2014	2013
Prepaid Insurance	\$ 20,235	\$ -
Prepaid Honoraria	4,350	1,700
Social Development payments	<u>14,820</u>	<u>19,117</u>
	<u><u>\$ 39,405</u></u>	<u><u>\$ 20,817</u></u>

7. RESTRICTED CASH

Ottawa Trust Funds	\$ 5,301	\$ 4,621
Replacement Reserve	<u>154,550</u>	<u>20,115</u>
	<u><u>\$ 159,851</u></u>	<u><u>\$ 24,736</u></u>

Ottawa Trust Funds

The Ottawa Trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada 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.

	Opening Balance	Additions	Withdrawals	Closing Balance 2014	2013
Revenue	\$ 4,022	\$ 680	-	\$ 4,702	\$ 4,022
Capital	599	-	-	<u>599</u>	<u>599</u>
				<u><u>\$ 5,301</u></u>	<u><u>\$ 4,621</u></u>

*Palmer Leslie
Chartered Accountants*

TSEYCUM FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

7. RESTRICTED CASH cont'd

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 \$13,556 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.

Subsidy Surplus Reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation, excess federal assistance payments received may be retained in a subsidy surplus reserve up to a maximum of \$500 per unit plus interest. The reserve is to be comprised of monies deposited 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 this account may only be used to meet future subsidy requirements of income tested occupants over and above the maximum federal assistance. At year end, this Reserve was not funded.

8. USE OF ESTIMATES

The preparation of financial statements in accordance with Generally Accepted Accounting Principles for the Public Sector Accounting Board requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the collectibility of accounts receivable, deferred revenues and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

TSEYCUM FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

9. LONG TERM DEBT

Lender	Loan	Interest Rate	Compounding	Maturity Date	Monthly Payment	2014	2013
Band Owned Housing Loans							
The following loans are secured by a Ministerial Guarantee utilizing the Ottawa Trust Funds as security:							
Royal Bank	Demand Loan	2.61%	Semi-Annual	Dec. 2017	\$ 1,056	\$ 88,812	\$ 99,006
Social Housing Loans							
The following loans are governed by the Canada Mortgage and Housing Corporation funding arrangement and are secured by Ministerial Guarantee utilizing the Ottawa Trust Funds as security:							
CMHC – Royal Bank	Demand Loan	2.47%	Semi-Annual	July 2017	\$ 2,270	\$ 87,078	\$ 111,822
CMHC - Royal Bank	Demand Loan	3.54%	Semi-Annual	Oct. 2018	\$ 2,996	\$ 507,428	\$ 523,916
TOTAL GROSS DEBT					<u>\$ 6,322</u>	<u>\$ 683,318</u>	<u>\$ 734,744</u>

Palmer Leslie
Chartered Accountants

TSEYCUM FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

9. LONG TERM DEBT cont'd

FUTURE SCHEDULED PRINCIPAL REDUCTION	2015	2016	2017	2018	2019	Beyond
Band Owned Housing Loans						
Royal Bank	\$ 10,478	\$ 10,755	\$ 11,039	\$ 11,330	\$ 11,630	\$ 33,581
Social Housing Loans						
CMHC – Royal Bank	25,378	26,012	26,661	9,027	-	-
CMHC – Royal Bank	<u>18,282</u>	<u>18,940</u>	<u>19,621</u>	<u>20,327</u>	<u>21,059</u>	<u>409,198</u>
TOTAL	<u>\$ 54,138</u>	<u>\$ 55,707</u>	<u>\$ 57,321</u>	<u>\$ 40,684</u>	<u>\$ 32,689</u>	<u>\$ 442,779</u>

Palmer Leslie
Chartered Accountants

TSEYCUM FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

10. TANGIBLE CAPITAL ASSETS

	Cost Mar. 31, 2013	Additions	Dispositions/ Transfers	Cost Mar. 31, 2014
Operating Fund				
Band Housing	\$ 2,238,492	\$ -	\$ -	\$ 2,238,492
Multi Purpose Building and Longhouse	223,505	-	-	223,505
Portables	140,652	-	-	140,652
Drainage Improvements	582,516	-	-	582,516
Water Mains and Road Upgrades	960,304	-	-	960,304
Infrastructure	729,966	-	-	729,966
Sewer Systems	522,045	-	-	522,045
Foreshore Project	167,773	-	-	167,773
General Equipment	111,037	7,491	-	118,528
Marine Equipment	34,885	-	-	34,885
Vehicle Equipment	22,991	-	-	22,991
Office Equipment	76,699	-	-	76,699
Computer Equipment	31,715	-	-	31,715
	<u>5,842,580</u>	<u>7,491</u>	<u>-</u>	<u>5,850,071</u>
Social Housing Fund				
Buildings and Equipment	<u>1,146,538</u>	<u>-</u>	<u>-</u>	<u>1,146,538</u>
	<u><u>\$ 6,989,118</u></u>	<u><u>\$ 7,491</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,996,609</u></u>
	Accumulated Amortization	Amortization	Dispositions/ Transfers	Accumulated Amortization
Operating Fund				
Band Housing	\$ 330,840	\$ 76,305	\$ -	\$ 407,145
Multi Purpose Building and Longhouse	86,042	5,099	-	91,141
Portables	42,963	6,856	-	49,819
Drainage Improvements	138,950	17,743	-	156,693
Water Mains and Road Upgrades	41,383	36,757	-	78,140
Infrastructure	111,433	24,743	-	136,176
Sewer Systems	176,482	13,823	-	190,305
Foreshore Project	52,802	4,599	-	57,401
General Equipment	72,576	8,442	-	81,018
Marine Equipment	25,523	1,872	-	27,395
Vehicle Equipment	3,449	5,863	-	9,312
Office Equipment	64,792	2,381	-	67,173
Computer Equipment	31,715	-	-	31,715
	<u>1,178,950</u>	<u>204,483</u>	<u>-</u>	<u>1,383,433</u>
Social Housing Fund				
Buildings and Equipment	<u>408,027</u>	<u>36,927</u>	<u>-</u>	<u>444,954</u>
	<u><u>\$ 1,586,977</u></u>	<u><u>\$ 241,410</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,828,387</u></u>
Net Book Value	<u><u>\$ 5,402,141</u></u>			<u><u>\$ 5,168,222</u></u>

Palmer Leslie
Chartered Accountants

TSEYCUM FIRST NATION**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2014****10. TANGIBLE CAPITAL ASSETS cont'd**

Interest included in cost of additions in the year ended March 31, 2014 totaled \$nil (2013 - \$nil). All tangible capital assets were amortized in the year.

11. EXPENDITURES BY OBJECT

	2014	2013
Operating fund		
Advertising and donations	\$1,201	\$335
Bad debt recovery	(55,013)	(48,804)
Basic needs	295,768	311,363
Bank charges and interest	3,709	3,347
Bereavement	3,600	3,223
Contract - general	83,699	141,930
Equipment lease	3,932	11,697
Equipment purchases	7,491	-
Honoraria	84,390	74,475
Insurance	12,751	14,225
Management planning	2,750	-
Materials and supplies	22,784	40,875
Meetings	18,332	5,194
Membership pay-out	5,200	4,900
Mortgage interest	12,702	13,551
Office licenses and dues	1,783	6,573
Professional fees	36,140	64,036
Programs	159,919	166,326
Repairs and maintenance	35,717	8,163
Training	1,853	6,001
Travel	14,844	10,697
Telephone	19,551	16,310
Utilities	21,279	36,745
Wages and benefits	282,297	291,746
Cost allocations	<u>(9,781)</u>	<u>(3,623)</u>
	<u>\$ 1,066,898</u>	<u>\$ 1,179,285</u>
General Capital fund		
Cost allocations	<u>\$ -</u>	<u>\$ 172,721</u>

Palmer Leslie
Chartered Accountants



TSEYCUM FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

11. EXPENDITURES BY OBJECT Cont'd

Social Housing

Contract – general	\$ 8,080	\$ 826
Insurance	8,753	8,462
Materials and supplies	5,661	2,990
Mortgage interest	63,946	66,078
Professional fees	3,550	3,000
Programs	-	565
Replacement Reserve	13,556	13,556
Repairs and maintenance	2,549	2,088
Travel	8	-
Utilities	31,132	24,919
Cost allocations	(54,788)	(49,321)
	<u>\$ 82,447</u>	<u>\$ 73,163</u>

12. RESTRICTED EQUITY IN FINANCIAL ASSETS

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

13. DEFICIT RECOVERY AND GOING CONCERN CONSIDERATIONS

The First Nation is economically dependent on the Department of Aboriginal Affairs and Northern Development Canada (AANDC). The funding to the First Nation is expected to last in the foreseeable future, however, if funding is lost, the First Nation could not continue operations.

14. RELATED PARTIES

At year end, payroll advances and loans to Elected Officials of the First Nation totaled \$11,216 (2013 - \$2,690).

The First Nation has guaranteed three members' mortgages for new homes built on the reserve in prior years. The balances in the three mortgages at March 31, 2014 are \$80,147.33, \$54,736.25 and \$28,282.73 (2013 - \$171,027). Should any of the members default on their loan, the title to the home would revert to the First Nation. Two of the homes were appraised at \$298,000 and \$285,000 respectively at March 31, 2007.

15. COMPARATIVE FIGURES

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

Palmer Leslie
Chartered Accountants

TSEYCUM FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

16. FINANCIAL INSTRUMENTS

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

Held for trading

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

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

Loans and receivables

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

Other financial liabilities

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