

John Dwyer

**T'SOU-KE FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014**

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Lee & Company
CHARTERED ACCOUNTANT

T'SOU-KE FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014

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MANAGEMENT'S REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of T'Sou-ke First Nation are the responsibility of management and have been approved by 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.

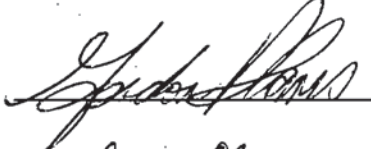
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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, Lee & Company Chartered Accountant, 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 T'Sou-ke First Nation and meet when required.

On behalf of T'Sou-ke First Nation:

 CHIEF

 COUNCILLOR

 COUNCILLOR

COUNCILLOR

August 10, 2014

Lee & Company

CHARTERED ACCOUNTANT

W. Lee, CGA, CA An incorporated professional



INDEPENDENT AUDITOR'S REPORT

TO: THE MEMBERS OF T'SOU-KE FIRST NATION

I have audited the accompanying financial statements of T'Sou-ke First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statement of operations, the consolidated statement of cash flows, and the consolidated statement of changes in net debt 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of T'Sou-ke First Nation as at March 31, 2014 and the consolidated results of its operations, change in its net financial assets (debt) and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

CHARTERED ACCOUNTANT

Victoria, BC
August 10, 2014

T'SOU-KE FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Year ended March 31	
	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Cash and cash equivalents	2,376,685	2,050,970
Accounts receivable	594,839	1,004,259
Trust funds held by Federal Government	2,747	2,733
	<u>2,974,271</u>	<u>3,057,962</u>
LIABILITIES		
Accounts payable and accrued liabilities	557,975	719,545
CIBC Loan	245,123	-
Debt (Note 7)	1,128,615	1,269,465
Other accrued liabilities - CMHC Reserve	354,226	339,016
	<u>2,285,939</u>	<u>2,328,026</u>
NET FINANCIAL ASSETS (DEBT)	<u>688,332</u>	<u>729,936</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	2,578,035	2,748,122
Prepaid expenses	15,531	22,622
Project under development	440,545	-
	<u>3,034,110</u>	<u>2,770,744</u>
ACCUMULATED SURPLUS / DEFICIT	<u>3,722,442</u>	<u>3,500,680</u>

Approved by Chief and Council

 CHIEF

 COUNCILLOR

 COUNCILLOR

____ COUNCILLOR

(See Accompanying Notes)

T'SOU-KE FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS

	Year ended March 31	
	<u>2014</u>	<u>2013</u>
REVENUES		
Federal funding - Aboriginal Affairs and Northern Development Canada	1,417,168	1,579,820
Federal funding - Canada Mortgage and Housing Corporation (CMHC)	536,407	286,211
Adjustment due to mature units, per CMHC	(39,916)	39,916
Federal funding - Other	807,971	423,497
Provincial funding	110,054	441,813
Rent	13,635	15,470
Other	1,451,551	885,259
	<u>4,296,869</u>	<u>3,671,986</u>
EXPENSES		
Administration	445,400	380,535
Fisheries	515,959	457,215
Economic development	644,169	597,735
Education and training	578,444	586,360
Youth and culture	118,273	104,812
FNLM Trust	30,000	31,600
Social development	326,385	276,620
Health services	275,248	281,649
Band	123,225	157,120
Capital projects	471,628	31,033
Social Housing	407,702	285,054
Amortization of capital assets	74,235	70,585
	<u>4,010,668</u>	<u>3,260,318</u>
ANNUAL SURPLUS (DEFICIT)	286,202	411,668

(See Accompanying Notes)

T'SOU-KE FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS

	Year ended March 31	
	<u>2014</u>	<u>2013</u>
ANNUAL SURPLUS (DEFICIT)	286,202	411,668
ACCUMULATED SURPLUS		
Opening balance	3,500,680	3,085,774
Adjustment for CHMC Replacement Reserve	-	3,290
Increase in Equity of Tangible Capital Assets	475,545	-
Transfer of Restricted Surplus	(540,000)	-
Net Ottawa Trust	<u>16</u>	<u>(52)</u>
ACCUMULATED SURPLUS / DEFICIT, at end of year	<u><u>3,722,442</u></u>	<u><u>3,500,680</u></u>

(See Accompanying Notes)

T'SOU-KE FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended March 31	
	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Annual Surplus (Deficit)	286,202	411,668
Add back amortization CMHC	130,852	126,658
Add back amortization operations	74,235	70,585
Add back increase in equity of tangible capital assets	475,545	-
Increase (decrease) in:		
Accounts receivable	409,420	(702,428)
Prepaid expenses	7,092	(2,549)
Accounts payable	(161,570)	545,034
CIBC Loan	245,123	-
Tangible capital assets, net amortization	(35,000)	(24)
Project under development	(440,545)	-
Replacement reserve	15,210	9,654
	<u>1,006,564</u>	<u>458,598</u>
FINANCING ACTIVITIES		
CMHC adjustments	-	3,290
Net Ottawa Trust	15	(47)
Increase (repayment) of long-term debt	(140,850)	(246,633)
	<u>(140,835)</u>	<u>(243,390)</u>
INCREASE (DECREASE) IN CASH DURING YEAR	865,729	215,208
CASH, beginning of year	<u>2,053,703</u>	<u>1,838,495</u>
CASH, end of year	<u><u>2,919,432</u></u>	<u><u>2,053,703</u></u>
REPRESENTED BY:		
Cash	1,996,759	1,674,059
Restricted cash - Ottawa Trust	2,747	2,733
Restricted cash - CMHC	379,926	376,911
Unrestricted GIC Funds	540,000	-
	<u>2,919,432</u>	<u>2,053,703</u>

(See Accompanying Notes)

T'SOU-KE FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)

	Year ended March 31	
	<u>2014</u>	<u>2013</u>
ANNUAL SURPLUS (DEFICIT)	286,202	411,668
Acquisition of tangible capital assets	-	-
Amortization of tangible capital assets	130,852	126,658
(Gain) / loss on sale of tangible capital assets	-	-
Proceeds on sale of tangible capital assets	-	-
Write-downs of tangible capital assets	74,252	70,606
	<u>491,305</u>	<u>608,932</u>
 Acquisition of prepaid expense	 (15,531)	 (22,622)
Use of prepaid expense	22,622	20,073
CMHC adjustment	-	3,290
	<u>7,091</u>	<u>741</u>
 CHANGE IN NET FINANCIAL ASSETS (DEBT)	 498,396	 609,673
 NET FINANCIAL ASSETS (DEBT), beginning of year	 <u>729,936</u>	 <u>120,263</u>
 NET FINANCIAL ASSETS (DEBT), end of year	 <u><u>1,228,332</u></u>	 <u><u>729,936</u></u>

(See Accompanying Notes)

T'SOU-KE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board.

b. Reporting Entity and Principles of Financial Reporting

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:

- T'Sou-ke First Nation Government Administration
- T'Sou-ke First Nation Trusts Fund
- CMHC Fund

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 necessarily been eliminated on the individual schedules.

c. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follow:

General Housing	5%
Furniture and equipment	20%
Computer equipment	20%
Infrastructure	4%

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T'SOU-KE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumption used in estimating provisions for accrued liabilities and estimating the useful lives of tangible capital assets. Actual results could differ from those estimates.

e. Financial Instruments

The carrying amounts for accounts receivable, grants receivable and accounts payable and accrued liabilities approximate fair value because of the short-term nature of these instruments.

f. Revenue Recognition

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.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

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.

Continued . . .

T'SOU-KE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks 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.

2. CONTINGENT LIABILITY

The Band has a contingent liability of \$2,621,021 for various on-reserve housing loan guarantees.

As a result of a T'Sou-ke First Nation member defaulting on a home mortgage to the Toronto-Dominion Bank, T'Sou-ke First Nation is planning on either taking over or paying off the debt. The outstanding mortgage amount as at February 17, 2014 was \$194,935.

3. COMPARATIVE FIGURES

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

4. ECONOMIC DEPENDENCE

The T'Sou-ke First Nation receives a major portion of its revenues pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada.

5. OTTAWA TRUST FUNDS

	March 31, 2013	Additions	Withdrawals	March 31, 2014
Revenue	-	68	-	68
Capital	2,077	602	-	2,679
	2,077	670	-	2,747

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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

T'SOU-KE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014

6. TANGIBLE CAPITAL ASSETS

	Photo-voltaic Systems	Fish Boat	Health Building	Automotive	Office Equipment	Band Hall	Fish Loft	Children's' Centre	Playground Equipment	Social Housing	2014 Total	2013 Total
Cost												
Opening Balance	\$ 780,000	\$ 133,700	\$ 108,190	\$ 62,681	\$ 9,158	\$ 42,502	\$ 59,905	\$ 94,089	\$ 41,350	\$ 3,491,517	\$ 4,823,092	\$ 4,823,092
Additions	-	-	-	35,000	-	-	-	-	-	-	35,000	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	780,000	133,700	108,190	97,681	9,158	42,502	59,905	94,089	41,350	3,491,517	4,858,092	4,823,092
Accumulated Amortization												
Opening Balance	208,000	133,700	43,280	62,681	9,158	36,125	50,915	56,461	41,350	1,433,300	2,074,970	1,877,751
Amortization	52,000	-	5,410	7,000	-	2,125	2,995	4,706	-	130,852	205,088	197,219
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	260,000	133,700	48,690	69,681	9,158	38,250	53,910	61,167	41,350	1,564,151	2,280,057	2,074,970
Net book value	\$ 520,000	\$ -	\$ 59,500	\$ 28,000	\$ -	\$ 4,252	\$ 5,995	\$ 32,922	\$ -	\$ 1,927,366	\$ 2,578,035	\$ 2,748,122

Continued . . .

T'SOU-KE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014

7. LONG-TERM DEBT

	<u>2014</u>	<u>2013</u>
CMHC (#16573172002) Repayable at \$1,032 per month, including interest at 2.31% per annum, matures July 1, 2017	39,713	50,951
CMHC (#16573172003) Repayable at \$2,264 per month, including interest at 1.39% per annum, matures April 1, 2015	29,186	55,622
CMHC (#19360056001) Repayable at \$2,121 per month, including interest at 2.84% per annum, matures April 1, 2015	238,893	257,318
CMHC (#19360056002) Repayable at \$843 per month, including interest at 2.63% per annum, matures June 1, 2016	105,356	112,616
CMHC (#19360056003) Repayable at \$1,724 per month, including interest at 1.65% per annum, matures June 1, 2017	246,100	262,589
CMHC (#19360056004) Repayable at \$1,588 per month including interest at 2.35% per annum, matures September 1, 2018	160,920	175,726
CMHC (#19360056005) Repayable at \$3,150 per month including interest at 2.65% per annum, matures February 1, 2015.	297,554	327,089
CMHC (#19360056006) Repayable at \$861 per month including interest at 2.56% per annum, matures December 1, 2015	140,893	147,554
	<u>1,258,615</u>	<u>1,389,465</u>
Less principal portion due in current year	<u>(130,000)</u>	<u>(120,000)</u>
	<u><u>1,128,615</u></u>	<u><u>1,269,465</u></u>

Continued . . .

T'SOU-KE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014

8. LONG-TERM DEBT (Continued)

Scheduled principal reduction over the next 5 years is estimated as follows:

2015	140,000
2016	150,000
2017	150,000
2018	150,000
2019 and beyond	668,615

9. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2014	2013
Salaries and wages	730,261	723,607
Employee benefits	104,733	108,005
Administration	119,129	101,119
Supplies and services	549,733	491,828
Professional services	67,381	21,249
Insurance, utilities, telephone	176,961	157,552
Other	1,339,988	1,301,319
	<u>3,088,186</u>	<u>2,904,679</u>

T'SOU-KE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014

10. SEGMENT DISCLOSURE

T'Sou-ke First Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by function. For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The segment results for the period are as follows:

	Administration		Fisheries		Economic Development		Education and Training		Youth and Culture		FNLM Trust	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
REVENUES												
Federal funding - Aboriginal Affairs and Northern Development Canada	\$ 249,261	\$ 219,456	\$ -	\$ -	\$ 387,647	\$ 465,032	\$ 362,340	\$ 426,401	\$ -	\$ -	\$ -	\$ -
Federal funding - Canada Mortgage and Housing Corporation (CMHC)	-	-	-	-	-	-	-	-	-	-	-	-
Federal funding - Other	-	-	436,836	29,903	-	-	108,112	105,030	9,600	16,229	-	-
Provincial funding	2,000	2,000	-	397,116	2,000	10,500	8,720	9,073	-	-	-	-
Rent	13,634	15,470	-	-	-	-	-	-	-	-	-	-
Other	175,810	120,086	32,447	26,447	420,516	442,086	59,610	(64,032)	90,054	61,047	655	604
	440,705	357,012	469,283	453,466	810,163	917,618	538,782	476,472	99,654	77,276	655	604
EXPENSES												
Salaries and wages	191,052	185,234	35,071	38,474	164,943	180,876	163,693	170,888	70,567	50,849	-	-
Employee benefits	41,287	48,607	3,476	3,543	7,860	4,122	6,904	7,504	3,201	3,430	-	-
Administration	1,805	2,536	5,435	5,435	8,189	26,854	18,994	20,283	-	-	-	-
Supplies and services	49,838	26,220	17,067	11,966	18,460	5,910	30,137	28,391	6,511	8,303	-	-
Professional services	76,460	15,612	-	4,417	158,618	5,552	-	85	-	-	-	-
Insurance, utilities, telephone	25,386	17,327	18,298	19,867	-	60,434	2,797	3,475	-	-	-	-
Other	59,572	84,999	436,612	373,514	286,101	313,987	355,918	355,734	37,994	42,230	30,000	31,600
	445,400	380,535	515,959	457,215	644,169	597,735	578,443	586,360	118,273	104,812	30,000	31,600
ANNUAL SURPLUS (DEFICIT)	\$ (4,695)	\$ (23,523)	\$ (46,676)	\$ (3,749)	\$ 165,994	\$ 319,883	\$ (39,661)	\$ (109,888)	\$ (18,619)	\$ (27,536)	\$ (29,345)	\$ (30,996)

Continued . . .

T'SOU-KE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014

10. SEGMENT DISCLOSURE (Continued)

	Social Development		Health Services		Band		Capital Projects		Social Housing	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
REVENUES										
Federal funding - Aboriginal Affairs and Northern Development Canada	\$ 336,112	\$ 382,697	\$ 50,725	\$ 55,151	\$ -	\$ -	\$ 31,083	\$ 31,083	\$ -	\$ -
Federal funding - Canada Mortgage and Housing Corporation (CMHC)	-	-	-	-	-	-	-	-	362,121	98,760
Federal funding - Other	-	-	253,423	272,335	-	-	-	-	-	-
Provincial funding	-	-	48,847	23,124	48,487	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	174,286	187,451
Other	-	-	7,803	9,398	187,775	260,928	476,881	28,695	(39,916)	39,916
	<u>336,112</u>	<u>382,697</u>	<u>360,798</u>	<u>360,008</u>	<u>236,262</u>	<u>260,928</u>	<u>507,964</u>	<u>59,778</u>	<u>496,491</u>	<u>326,127</u>
EXPENSES										
Salaries and wages	-	-	92,016	80,248	-	-	-	-	-	-
Employee benefits	-	-	22,633	11,162	-	-	-	-	-	-
Administration	-	-	27,625	32,084	-	-	-	-	32,893	16,464
Supplies and services	-	-	6,876	6,404	2,274	3,289	-	-	-	-
Professional services	-	-	-	-	18,294	33,431	-	-	7,000	6,500
Insurance, utilities, telephone	-	-	2,386	2,328	-	-	-	-	63,756	39,854
Other	326,385	276,620	123,712	149,423	102,657	120,400	471,628	31,033	304,053	222,236
	<u>326,385</u>	<u>276,620</u>	<u>275,248</u>	<u>281,649</u>	<u>123,225</u>	<u>157,120</u>	<u>471,628</u>	<u>31,033</u>	<u>407,702</u>	<u>285,054</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 9,727</u>	<u>\$ 106,077</u>	<u>\$ 85,550</u>	<u>\$ 78,359</u>	<u>\$ 113,037</u>	<u>\$ 103,808</u>	<u>\$ 36,336</u>	<u>\$ 28,745</u>	<u>\$ 88,789</u>	<u>\$ 41,073</u>