

Tseshahat First Nation

Financial Statements

March 31, 2014

Tseshahat First Nation

Consolidated

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Tseshah First Nation

Management's Statement of Responsibility for Financial Reporting

March 31, 2014

The accompanying consolidated financial statements of Tseshah First Nation for the year ended March 31, 2014 are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and necessarily include estimates which are based on management's best judgements.

Management is also responsible for implementing and maintaining a system of internal controls designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The consolidated financial statements have been reviewed and approved by Chief and Council.

McIntosh, Norton, Williams, an independent firm of Certified General Accountants, has been engaged to examine the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their report stating the scope of their examination and opinion on the consolidated financial statements, follows.



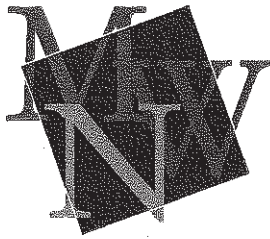
Chief Councillor

July 31, 2014

Date

Councillor

Date



McINTOSH | NORTON | WILLIAMS
certified general accountants

Independent Auditor's Report

Cory McIntosh, CGA, CAFM, CFP *

Jay R. Norton, FCGA, CAFM *

Michael K. Williams, CGA *

Jason S. Moore, BA, CGA *

**practising as a professional corporation*

"It's not what you earn, it's what you keep!"

To the Members of Tseshaht First Nation

We have audited the accompanying consolidated financial statements of Tseshaht 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 debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tseshaht 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.

McINTOSH | NORTON | WILLIAMS
certified general accountants

Port Alberni, British Columbia
July 30, 2014

Qualicum Beach
102-222 Second Ave., W.
Qualicum Beach, BC V9K 0A4
Tel: 250.752.6996
Fax: 250.752.1071
Toll Free: 1.877.752.6996

www.mnwcga.com
info@mnwcga.com

Port Alberni
2nd Floor, 4445 Gertrude Street
Port Alberni, BC V9Y 6J7
Tel: 250.724.0185
Fax: 250.724.1774
Toll Free: 1.866.724.0185

Tseshah First Nation
Consolidated Statement of Financial Position

March 31	2014	2013
	\$	\$
Financial Assets		
Cash	2,562,960	920,217
Accounts receivable (Note 3)	990,548	1,092,852
GST recoverable	22,820	19,301
Restricted cash (Note 4)	1,642,288	1,551,294
Short-term investments	178,759	533,398
Long-term investments (Note 5)	5,727,339	5,885,715
	11,124,714	10,002,777
Liabilities		
Accounts payable	1,585,455	1,460,997
GST Payable	5,700	-
Deferred Revenue (Note 7)	822,354	360,367
Committed Funds (Note 8)	1,001,769	850,116
Wages & Benefits Payable	165,640	149,986
Reserves (Note 9)	330,342	278,202
Long-term debt (Note 10)	12,767,179	13,326,784
	16,678,439	16,426,452
Net debt	(5,553,725)	(6,423,675)
Non-financial Assets		
Capital assets (Note 12)	18,527,544	18,769,988
Prepaid expenses	121,394	538,474
Inventory (Note 14)	207,924	215,695
	18,856,862	19,524,157
Accumulated Surplus (Note 15)	13,303,137	13,100,482

Contingent liabilities (Note 16)

Approved on behalf of the Chief and Council

 Chief Councillor

_____, Councillor

The accompanying notes are an integral part of the financial statements

Tseshahat First Nation**Consolidated Statement of Change in Net Debt**

For the year ended March 31	2014	2013
	\$	\$
Excess of revenue over expenditures	354,308	1,441,699
Acquisition of tangible capital assets	(1,265,357)	(3,019,901)
Amortization of tangible capital assets	1,485,836	1,412,358
Net book value of assets disposed	21,965	-
	242,444	(1,607,543)
Use of prepaid asset	417,080	238,261
Use of inventory	7,771	83,523
Change in committed funds	(151,653)	(59,693)
Increase in net financial assets	869,950	96,247
Net debt at beginning of year	(6,423,675)	(6,519,922)
Net debt at end of year	(5,553,725)	(6,423,675)

The accompanying notes are an integral part of the financial statements

Tseshaht First Nation**Consolidated Statement of Operations and Accumulated Surplus****For the year ended March 31**

	2014 Budget	2014 Actual	2013 Actual
	\$	\$	\$
Revenue			
Sales	25,000	8,306,662	8,426,882
Nuu-chah-nulth Tribal Council - CFNFA	2,981,095	2,712,065	2,945,444
Nuu-chah-nulth Tribal Council - non CFNFA	363,566	1,601,981	1,911,487
Rental Income	87,600	494,556	501,948
Province of B.C.	146,000	411,075	594,550
Other revenue	87,570	331,836	239,527
Government of Canada	223,800	233,562	218,453
Fish license fees	190,991	226,311	206,917
Fees	1,298,400	187,675	304,626
Canada Mortgage and Housing	11,250	177,132	185,632
Nuu-chah-nulth Employment & Training Board	86,501	79,351	80,876
Interest income	1,200	61,912	59,659
Lease Income	5,600	58,300	74,800
First Nation Education Steering Committee	-	29,784	69,270
Vancouver Island Health Authority	-	19,000	19,000
Nuu-chah-nulth Economic Development Corporation	-	18,821	249,364
Administration recoveries	49,279	4,211	154,403
Other grants	4,000	4,000	26,000
BC Special	-	2,580	2,580
Work Opportunity program	5,640	-	-
Share of net income (loss) of enterprises	-	70,283	847,408
	5,567,492	15,031,097	17,118,826
Expenditures (Note 17)			
Operating Fund	5,001,233	5,792,435	6,504,899
Trust Fund	-	8,000	9,000
Social Housing Fund	-	490,452	498,050
Enterprise Fund	-	8,284,780	8,573,018
Treaty Fund	-	101,122	92,160
	5,001,233	14,676,789	15,677,127
Excess of revenue over expenditures	566,259	354,308	1,441,699
Surplus at beginning of year	13,950,598	13,950,598	12,508,899
Surplus at end of year	14,516,857	14,304,906	13,950,598

The accompanying notes are an integral part of the financial statements

Tseshah First Nation

Consolidated Statement of Cash Flows

For the year ended March 31, 2014	2014	2013
	\$	\$
Cash flows from		
Operating activities		
Excess of revenue over expenditures	354,308	1,441,699
Items not affecting cash		
Amortization	1,483,850	1,412,358
	1,838,158	2,854,057
Change in non-cash operating working capital	669,449	504,460
	2,507,607	3,358,517
Capital activities		
Acquisition of capital assets	(1,263,371)	(2,947,901)
Proceeds from sale of capital assets	21,965	-
	(1,241,406)	(2,947,901)
Financing activities		
Long-term debt	(559,606)	471,180
Reserves	52,140	80,039
Deferred Revenue	461,987	46,536
	(45,479)	597,755
Investing activities		
(Increase) decrease in investments	158,376	(934,898)
Increase in cash and cash equivalents	1,379,098	73,473
Cash and cash equivalents, beginning of year	3,004,909	2,931,436
Cash and cash equivalents, end of year	4,384,007	3,004,909
Represented by		
Cash	2,562,960	920,217
Restricted cash	1,642,288	1,551,294
Short-term investments	178,759	533,398
	4,384,007	3,004,909

The accompanying notes are an integral part of the financial statements

Tseshaht First Nation

Notes to Consolidated Financial Statements

March 31, 2014

1. Basis of Presentation and Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Fund Accounting

The Tseshaht 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 purposes of presentation in the Summary Financial Statements.

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

- Operating Fund
- Trust Fund
- Social Housing Fund
- Enterprise Fund
- Treaty Fund

(b) Reporting Entity Principles of Financial Reporting

The Tseshaht First Nation reporting entity includes all related entities which are accountable to the First Nation, and which are either owned, directly or indirectly, or controlled by the Tseshaht First Nation except Tsisha Investments Ltd. and Tseshaht Development Society. These entities are inactive and financial statements have not been prepared. Commercial entities owned or controlled by the First Nation are consolidated on a modified equity basis.

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.

Readers of the Financial Statements should refer to the consolidated Financial Statements.

(c) Comparative Figures

Comparative figures have been reclassified, where applicable, to conform to current presentation.

(d) Revenue Recognition

Funding received under the terms of agreements is recognized as revenue when received. Funding received but not yet expended is included in the applicable statement of revenue and expenditure.

(e) Short term investments

Short term investments are all term deposits or bonds recorded at cost plus accrued interest. These term deposits have been pledged as security for certain loans with the Bank of Montreal.

Tseshah First Nation

Notes to Consolidated Financial Statements

March 31, 2014

1. Basis of Presentation and Significant Accounting Policies (continued)

(f) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

(g) Tangible Capital Assets

Amortization of assets is calculated to reflect anticipated life expectancy on a straight line basis as follows:

Automotive equipment	5 years Straight line
Community Buildings	20 years Straight line
Computer Equipment	3 years Straight line
Housing	20 years Straight line
Infrastructure	20 years Straight line
Office equipment	5 years Straight line
Other equipment	5 years Straight line
Paving	10 years Straight line
Shellfish licenses	20 years Straight line

Tseshah Market assets:

Buildings	5% Declining balance
Gas equipment	6% Declining balance
Equipment and fixtures	20% Declining balance
Gas bar	20% Declining balance
Parking lot	8% Declining balance
Water and septic system	6% Declining balance
Smallwares	100% Declining balance

The social housing assets are amortized equal to the principal repayment on the related mortgage as required by Canada Mortgage and Housing.

2. Economic Dependence

Tseshah First Nation receives a significant portion of its operating revenue pursuant to an agreement referred to as the Canada First Nation Funding Agreement (CFNFA). This agreement has been entered into by the Nuuchahnulth Tribal Council, its member First Nations and Aboriginal Affairs and Northern Development Canada. The current agreement covers the period April 1, 2008 to March 31, 2013.

3. Accounts Receivable

Accounts receivable are shown net of allowance for doubtful accounts of \$232,768 (2013 - \$266,777).

Tseshahat First Nation

Notes to Consolidated Financial Statements

March 31, 2014

4. Restricted Cash

Restricted cash is comprised of:

	2014	2013
	\$	\$
Ottawa trust - revenue	58,402	52,066
Ottawa trust - capital	78,605	78,605
Trust bank	20,290	28,162
Trust investments	902,808	879,120
Social Housing Replacement reserve bank	232,366	198,934
Social Housing Operating reserve bank	99,817	64,407
Tseshahat Market	250,000	250,000
	1,642,288	1,551,294

The Tseshahat Market restricted cash consists of a reserve fund established by the board of directors for future fuel system upgrades and expansion.

5. Long-term investments

Investments are comprised of investments in and advances to subsidiaries. Subsidiaries controlled by the First Nation are consolidated in these financial statements on the modified equity basis.

	2014	2013
	\$	\$
Coast Forest Management Ltd.	25,000	25,000
Equis Forest Products Ltd.	124,184	245,477
Tseshahat Somass Society	2,042,260	2,042,260
Tsisha Investments Ltd.	(99,870)	(99,870)
Shahowis Holdings Ltd.	2,746	2,746
Forestry Market Logging Contract	-	2,100,000
Omoah Forestry LLP	2,459,131	-
CISAA Forestry Corporation	306,553	343,878
Ekoolthaht Marine LLP	6,012	(34,002)
Tseshahat Forestry Corporation	492,294	217,471
Tseshahat Economic Development Corporation	232,451	676,851
Tseshahat Fisheries Corporation	330	-
Omoah Forestry Corporation	(644)	104
CISAA Forestry Corporation	10,860	10,609
Ekoolthaht Marine Corporation	126,032	355,191
	5,727,339	5,885,715

The First Nation owns 100% of the Tseshahat Somass Society. The Society was registered in 2006 and purchased land on the Somass River adjacent to reserve lands owned by the First Nation. The investment consists of advances to the Society for the purchase of the land.

Tseshahat First Nation

Notes to Consolidated Financial Statements

March 31, 2014

5. Long-term investments, continued

The First Nation owns 51% of the common shares of Equis Forest Products Ltd. The investment is comprised of share costs and advances receivable of \$4,217 plus share of accumulated earnings of \$119,967. The company had assets of \$820,261 and liabilities of \$584,929 as at October 31, 2013 and revenues of \$467,416 and cost of sales and expenses of \$713,358 for the year then ended.

Shahowis Holdings Ltd. is owned 100% by the First Nation. The company is not active and the investment consists of advances for expenses paid by the First Nation on behalf of the company.

Tsisha Investments Ltd. is owned 100% by the First Nation. The investment consists of advances from the company of \$100,000 earned on the sale of shares in Tsemac Manufacturing Ltd. less expenses paid on behalf of the company by the First Nation. The company is not active and has not prepared financial statements.

The First Nation owned a Market Logging Contract with Western Forest Products Ltd. for logging in Tree Farm License #44 located at Great Central Lake near Port Alberni, BC. The Market Logging Contract was purchased from a private enterprise, recorded at cost and was transferred to Omoah Forestry LLP during the year ended March 31, 2014 for \$2,100,000.

The First Nation owns 30% of the common voting shares of Coast Forest Management Ltd. The investment is comprised of \$25,000 for the common shares recorded at cost.

The First Nation owns 100% of the common voting shares of Omoah Forestry Corporation through Tseshahat Forestry Corporation. The investment is comprised of share costs of \$1 plus advances receivable of \$2,623 and share of accumulated losses of \$3,266. The company had assets of \$58 and liabilities of \$3,323 as at March 31, 2014 and revenues of \$nil and expenses of \$1,941 for the year then ended.

The First Nation is a limited liability partner in Omoah Forestry LLP receiving 99.99% of the profits. The investment is comprised of partnership unit costs of \$999 plus advances receivable of \$2,218,329 and share of accumulated income of \$239,803. The partnership had assets of \$2,580,294 and liabilities of \$2,339,251 as at March 31, 2014 and revenues of \$1,016,566 and cost of sales and expenses of \$776,523 for the year then ended.

The First Nation owns 100% of the common voting shares of Cisaa Forestry Corporation through Tseshahat Forestry Corporation. The investment is comprised of share costs of \$1 plus advances receivable of \$12,741 and share of accumulated losses of \$1,881. The company had assets of \$871 and liabilities of \$2,751 as at March 31, 2014 and revenues of \$742 and expenses of \$1,291 for the year then ended.

The First Nation is a limited liability partner in Cisaa Forestry LLP receiving 99.99% of the profits. The investment is comprised of partnership unit costs of \$999 plus share of accumulated profits of \$1,035,815 less advances payable of \$730,261. The partnership had assets of \$756,692 and liabilities of \$535,123 as at March 31, 2014 and revenues of \$2,185,843 and cost of sales and expenses of \$1,973,961 for the year then ended.

The First Nation owns 100% of the common voting shares of Ekoolthaht Marine Corporation through Tseshahat Forestry Corporation. The investment is comprised of share costs of \$1 plus advances receivable of \$367,473 and share of accumulated income of \$241,442. The company had assets of \$450,780 and liabilities of \$372,992 as at March 31, 2014 and revenues of \$18,713 and expenses of

Tseshahht First Nation

Notes to Consolidated Financial Statements

March 31, 2014

5. Long-term investments, continued

\$255,262 for the year then ended.

The First Nation is a limited liability partner in Ekoolthaht Marine LLP receiving 99.99% of the profits. The investment is comprised of partnership unit costs of \$999 plus advances receivable of \$17,842 less share of accumulated losses of \$12,829. The partnership had assets of \$30,882 and liabilities of \$1,666 as at March 31, 2014 and revenues of \$23,056 and expenses of \$17,602 for the year then ended.

The First Nation owns 100% of the common shares of Tseshahht Forestry Corporation. The investment is comprised of share costs of \$1, accumulated losses of \$246,479 plus advances receivable of \$738,772. The company had assets of \$561,184 and liabilities of \$807,663 as at March 31, 2014 and revenues of \$335,404 and expenses of \$356,900 for the year then ended.

The First Nation owns 100% of the common shares of Tseshahht Economic Development Corporation. The investment is comprised of share costs of \$1, plus advances receivable of \$232,450. The company had assets of \$1,727,819 and liabilities of \$1,728,905 as at March 31, 2014 related to development of a hydro-electric project.

6. Demand Loan

Demand loan consists of a \$737,500 line of credit from the Bank of Montreal with an interest rate of prime plus 1.875%; secured by a general security agreement. As at March 31, 2014, the balance in the line of credit was nil (2013 - nil).

7. Deferred Revenue

Deferred revenue consists of contributions and revenue received in the fiscal year which applies to a subsequent fiscal year (2014 - \$478,387; 2013 - \$3,596) and rent deposits (2014 - \$15,727; 2013 - \$16,620). Deferred revenue also includes grants (net of amortization) for the purpose of acquiring capital assets at Tseshahht Market. The grants are being amortized at the same rate as the capital assets to which they relate.

	2014	2013
	\$	\$
Deferred grants - beginning of year	340,151	279,670
Grants received during the year	14,313	86,278
Applied to income	(26,224)	(25,797)
	<u>328,240</u>	<u>340,151</u>

Tseshah First Nation

Notes to Consolidated Financial Statements

March 31, 2014

8. Committed Funds

The equity in the following programs is committed for projects which continued or commenced subsequent to March 31, 2014.

	2014	2013
	\$	\$
Education	55,772	68,237
Capital	816,945	781,879
Member Services	14,909	-
Aboriginal Society Development Initiatives	102,470	-
Band Administered Housing	11,673	-
	1,001,769	850,116

9. Reserves

Reserves are comprised of the Social Housing replacement reserves and operating reserve in the amount of \$330,342 (2013 - \$278,202). These funds are a requirement of the agreements with Canada Mortgage and Housing Corporation and can only be accessed under the terms of the agreements.

10. Long-term debt

	2014	2013
	\$	\$
Bank of Montreal social housing mortgage, repayable at \$4,394 per month including interest at 2.50% per annum, secured by guarantee of Aboriginal Affairs and Northern Development Canada ("AANDC"), matures October 2013.	-	30,754
All Nations Trust social housing mortgage, repayable at \$15,971 per month including interest at 2.17%; secured by guarantee of AANDC; matures March 2014.	3,076,844	3,200,709
All Nations Trust social housing mortgage, repayable at \$7,616 per month including interest at 1.65%; secured by guarantee of AANDC; matures September 2016.	1,712,482	1,775,149
Bank of Montreal, interest only payments at prime plus 1.875% per annum, secured by a fixed charge against logging assets; due on demand. Periodic principal repayments from proceeds of sale of logging assets plus 50% of logging profits quarterly. Repayment terms are subject to periodic review. See additional note below*.	1,017,757	1,047,947

Tseshah First Nation

Notes to Consolidated Financial Statements

March 31, 2014

10. Long-term debt, continued

	2014 \$	2013 \$
Bank of Montreal loan, repayable at \$14,583 per month plus interest calculated at prime plus 1.875% per annum; secured by a promissory note and a charge against specific assets; due on demand. Repayment terms are subject to periodic review. See additional note below*.	2,847,500	3,017,500
Nuu-chah-nulth Economic Development Corporation ("NEDC"), repayable at \$899 per month including interest at 7% per annum, matures March, 2014.	-	10,144
NEDC, repayable at \$1,124 per month including interest at 7% per annum, matures March, 2014.	3,287	16,122
NEDC, repayable at \$421 per month including interest at 7% per annum, matures September 2013.	-	2,394
NEDC, forgivable at \$1 for every \$1 of principal paid on the preceding loan.	-	2,380
NEDC, repayable at \$561 per month including interest at 12% per annum, matures April 2022.	35,056	37,496
NEDC, forgivable at \$1 for every \$1 of principal paid on the preceding loan.	20,648	23,040
NEDC, repayable at \$675 per month including interest at 8% per annum, matures April 2019.	34,568	39,736
NEDC, repayable at \$10,642 per month including interest at 6% per annum, matures January, 2027.	1,156,129	1,221,147
NEDC, repayable at \$703 per month including interest at 6% per annum, matures May 2014.	-	9,355
NEDC, forgivable at \$1 for every \$1 of principal paid on the preceding loan.	-	4,455
NEDC, repayable at \$331 per month including interest at 6% per annum, matures August 2013.	-	2,448
NEDC, forgivable at \$1 for every \$1 of principal paid on the preceding loan.	-	2,448
NEDC, repayable at \$718 per month including interest at 6% per annum, matures May 2015.	15,866	31,144

Tseshahat First Nation

Notes to Consolidated Financial Statements

March 31, 2014

10. Long-term debt, continued

	2014 \$	2013 \$
Parkland Industries Ltd. incentive loan bearing interest at 0% per annum. The loan is forgivable at a rate of \$0.004 for every litre of light petroleum purchased by the Tseshahat Market. The loan matures in 2017 and is secured by a firm and irrevocable letter of credit.	25,537	41,812
Nuu-chah-nulth Tribal Council Treaty loan, for details see note 11.	2,810,604	2,810,604
NEDC, repayable at \$345 per month including interest at 8% per annum, matures June 2016.	8,477	-
NEDC, forgivable at \$1 for every \$1 of principal paid on the preceding loan.	2,424	-
	12,767,179	13,326,784

All NEDC loans are secured by certain assets, an assignment of CFNFA funds and insurance and a general security agreement.

*Although Bank of Montreal loans are due on demand, it is not anticipated that payments will be in excess of the required amount. The terms of these loans are subject to periodic review and subject to change.

Principal portion of long-term debt due within the next five years:

2015	466,484
2016	471,677
2017	1,995,538
2018	410,604
2019 and thereafter	9,422,876
	12,767,179

Tseshaht First Nation

Notes to Consolidated Financial Statements

March 31, 2014

11. Treaty Loan from Nuu-chah-nulth Tribal Council

The First Nation has received funds from the Nuu-chah-nulth Tribal Council pursuant to an agreement the Tribal Council had negotiated on its behalf with the Federal Department of Aboriginal Affairs and Northern Development Canada and the provincial British Columbia Treaty Commission. Under the terms of that agreement, the Tribal Council received both loaned and contributed funds, which it subsequently reloaned and contributed to the First Nation.

The funds are to be used solely for the purpose of treaty negotiations. Repayment provisions for this loan are outlined in the First Nation Negotiation Support Agreement between Aboriginal Affairs and Northern Development Canada, the Nuu-chah-nulth Tribal Council and the First Nation.

12. Tangible Capital Assets

	2014		2013
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Automotive	172,632	136,862	35,770
Boat	152,061	39,716	112,345
Community Buildings	18,575,020	9,957,657	8,617,363
Computer Equipment	134,587	108,998	25,589
Housing	2,183,659	1,913,012	270,647
Infrastructure	6,242,104	3,753,409	2,488,695
Office equipment	146,503	134,901	11,602
Other equipment	1,719,697	1,278,772	440,925
Paving	19,000	14,250	4,750
Shellfish licenses	10,914	6,551	4,363
Social Housing	6,878,639	793,299	6,085,340
Thunderbird Poles	44,035	12,529	31,506
Dock and Gazebo	419,658	21,009	398,649
	36,698,509	18,170,965	18,527,544
			18,769,988

Infrastructure projects totaling \$288,538 were still under construction at March 31, 2014 and, as a result, no amortization has been recorded.

Tseshah First Nation

Notes to Consolidated Financial Statements

March 31, 2014

13. Changes in Tangible Capital Assets

	Additions	Disposals	Amortization	Accumulated Amortization on Disposals
	\$	\$	\$	\$
Automotive	585	-	16,021	-
Boat	33,717	-	13,520	-
Community Buildings	65,211	21,965	842,801	-
Computer Equipment	14,150	-	15,404	-
Dock and Gazebo	25,164	-	21,009	-
Housing	890,977	-	67,697	-
Infrastructure	642,324	-	209,473	-
Office equipment	4,227	-	5,712	-
Other equipment	41,353	-	59,971	-
Paving	-	-	1,900	-
Shellfish licenses	-	-	546	-
Social Housing	436,640	890,977	228,483	693,476
Thunderbird Poles	-	-	1,313	-
Total - 2014	2,154,348	912,942	1,483,850	693,476
Total - 2013	2,947,901	-	1,412,358	-

During the year ended March 31, 2014, social housing houses with a cost of \$890,977 and accumulated amortization of \$693,476 were transferred to housing when the mortgage was fully paid.

14. Inventory

Inventory is valued at the lower of cost and net realizable value.

Tseshaht First Nation

Notes to Consolidated Financial Statements

March 31, 2014

15. Accumulated surplus

	2014 \$	2013 \$
Restricted		
Trust Fund	1,060,105	1,037,954
Unrestricted		
Operating Fund	11,276,973	11,091,475
Social Housing Fund	-	(40,158)
Enterprise Fund	3,749,530	3,693,568
Treaty Fund	(2,808,471)	(2,707,357)
Contributed equity	25,000	25,000
	12,243,032	12,062,528
	13,303,137	13,100,482

Tseshahat First Nation

Notes to Consolidated Financial Statements

March 31, 2014

16. Contingent Liabilities

- (a) The First Nation is contingently liable for guarantees of mortgages of Members' residences situated on reserve. The total amount of such mortgages at March 31, 2014 is \$392,018 (2013 - \$488,323).
- (b) The First Nation has guaranteed letters of credit for Tseshahat Market issued to suppliers in the amount of \$92,500.
- (c) The First Nation has entered into an agreement to guarantee mortgages of Members' residences on reserve to a limit of \$3,000,000. The total amount of outstanding guarantees as at March 31, 2014 is \$1,248,527 (2013 - \$1,302,527).
- (d) The First Nation is liable for the costs of the future removal of fuel storage tanks and site restoration at the Tseshahat Market. These costs cannot be reasonably estimated at this time.
- (e) The First Nation is currently involved in a dispute with a contractor related to outstanding invoices to an entity owned by the First Nation. The invoices total \$93,400 and relate to prior years. The outcome of this dispute is not determinable and no amount has been included in these financial statements. The contractor also owes the First Nation \$72,201 and has been included in allowance for doubtful accounts at March 31, 2014. Management estimates that, in the worst case, the two amounts will be offset against each other.
- (f) The First Nation is involved in some substantial logging contracts through their controlled entities. Estimated future costs for possible cleanup of roads and waste have not been accounted for in these financial statements. Future costs, should they occur, will be charged against logging operations in the year they are incurred.
- (g) The First Nation has received funding from CMHC to provide major renovations to the homes of certain of its members. This funding becomes repayable in the event that the member does not remain in the house for a period of five years.
- (h) The First Nation is involved in legal actions. The estimated costs are \$38,500 at the date these financial statements are released and have been recorded in wages payable.

17. Summary Expenditures

Expenditures are reflected on the Consolidated Statement of Operations after elimination of inter-fund transactions. Inter-fund amounts eliminated from expenditures for the current year are as follows:

	Fund Expenditures \$	Inter-fund Amounts \$	Summary Expenditures \$
Operating Fund	5,897,649	(105,214)	5,792,435
Trust Fund	8,000	-	8,000
Social Housing Fund	574,624	(84,172)	490,452
Enterprise Fund	8,284,780	-	8,284,780
Treaty Fund	101,122	-	101,122
	14,866,175	(189,386)	14,676,789

Tseshah First Nation

Notes to Consolidated Financial Statements

March 31, 2014

18. Expenditures by Object For the year ended March 31

	2014 Budget	2014 Actual	2013 Actual
	\$	\$	\$
Expenditures			
Advertising	8,000	30,589	43,699
Amortization	-	1,473,317	1,406,402
Bad debts	-	20,915	105,498
Capital Purchases - minor	23,886	-	-
Contributions to other	-	121,371	43,593
Cost of goods sold	-	6,853,404	6,709,867
Cultural Promotion	6,000	78,312	30,692
Custom Election Code	-	7,060	13,867
Fire protection	46,197	63,766	61,830
Food fish expense	15,000	6,645	16,060
Honoraria	184,000	156,941	159,587
Infrastructure	35,000	38,501	177,837
Insurance, licenses and dues	60,344	143,874	131,348
Interest and bank charges	12,310	50,668	114,880
Interest on long-term debt	270,052	299,585	251,874
Management fees	-	-	26,000
Meeting costs	14,000	11,315	15,875
Miscellaneous	36,232	60,872	89,519
National Child Benefit	138,610	136,304	109,136
Newsletter	10,000	7,716	9,595
Office expenses	58,000	72,506	73,345
Other expense	2,500	3,807	11,363
Professional fees	112,120	208,982	399,133
Program Costs	48,050	63,703	170,785
Property Taxes	-	9,528	8,575
Rent	5,400	-	-
Repairs and maintenance	210,655	415,157	552,924
Social Assistance	944,296	542,294	800,325
Student allowances	15,000	15,425	18,360
Subcontracts	67,362	189,194	370,023
Supplies	198,116	82,671	71,501
Training	18,376	25,049	12,773
Transfer to operating reserve	-	16,915	22,921
Transfer to replacement reserve	-	60,011	60,082
Transfers to band members	-	8,000	9,000
Travel	215,285	123,021	127,869
Tuition - Elementary/Secondary	446,794	446,794	378,557
Utilities and telephone	306,665	376,308	388,372
Vehicle	46,816	55,304	45,534
Wages and benefits	1,444,167	2,400,965	2,638,526
Workshops	2,000	-	-
	5,001,233	14,676,789	15,677,127

Tseshah First Nation

Notes to Consolidated Financial Statements

March 31, 2014

19. Correction of Prior Period Income

During the year, the First Nation made corrections to prior periods for the following:

- correct cost of construction of social housing units which was understated in the prior year
- correct recovery of social development basic funding which was understated in the prior year

	Opening Balance \$	Adjustment \$	Revised Balance \$
Accounts payable	1,392,320	68,677	1,460,997
Surplus at beginning of year	14,019,275	(68,677)	13,950,598
Cost of construction	5,890	43,593	49,483
Nuu-chah-nulth Tribal Council - CFNFA	2,970,528	(25,084)	2,945,444

20. Related Party Transactions

The First Nation engages in a wide variety of transactions with its members, member owned organizations, and business enterprises. These transactions are all carried out at the exchange amount and in the normal course of operations.

21. Aboriginal Affairs and Northern Development Canada Supplementary Information

These financial statements include supplementary information required by Aboriginal Affairs and Northern Development Canada. The required information is presented on pages 45 - 53. The amounts reflected in the supplementary information are referenced by page number to a particular program in these financial statements. As each program is an accumulation of a number of related activities the specific amounts reflected in the supplementary information may not necessarily be identifiable except by revenue and expenditure category.