

**NESKONLITH INDIAN BAND**  
**SUMMARY FINANCIAL STATEMENTS**

**March 31, 2014**

**EXHIBIT**

***SUMMARY FINANCIAL STATEMENTS:***

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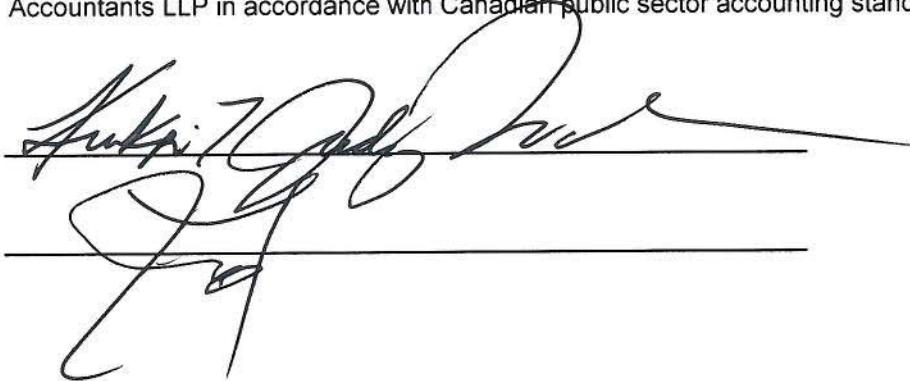
**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The financial statements of Neskonlith Indian Band have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgements. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The Band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Band's assets are appropriately accounted for and adequately safeguarded.

The Band Council is responsible for ensuring that management fulfils its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Council carries out this responsibility periodically through its Finance Committee. The Finance Committee is appointed by the Council and meets weekly with management and periodically with the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Finance Committee reports to Council prior to its approval of the financial statements. The Committee also considers, for review by the Council and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by Daley & Company Chartered Accountants LLP in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read "Neskonlith Indian Band", is placed over two horizontal lines. The signature is fluid and cursive, with a large, stylized 'N' at the beginning.



#### INDEPENDENT AUDITORS' REPORT

To the Members,  
NESKONLITH INDIAN BAND

EXHIBIT A1

##### *Report on the Financial Statements*

We have audited the accompanying financial statements of NESKONLITH INDIAN BAND, which comprise the summary statement of financial position as at March 31, 2014, and the summary statement of accumulated surplus, summary statement of operations, summary statement of changes in net debt and summary statement of 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 financial statements that are free from material misstatements, whether due to fraud or error.

##### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we 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.

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 financial statements present fairly, in all material respects, the financial position of NESKONLITH INDIAN BAND as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

##### *Other Matters*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The current year's supplementary information included in Exhibits B1 to B3, C1 to C2, D1 to D2 and schedules 1 to 45 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the summary financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Daley & Company LLP*  
Chartered Accountants

Kamloops, BC  
July 15, 2014

##### *Disclaimer of Liability*

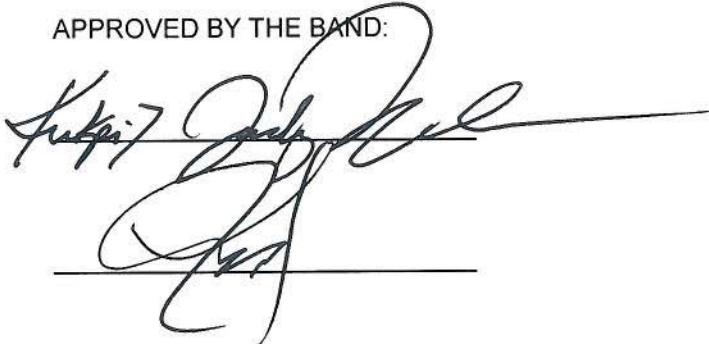
These financial statements were examined and this Audit Opinion issued solely for the use of NESKONLITH INDIAN BAND. Daley & Company Chartered Accountants LLP makes no representations of any kind to any other person in respect of these financial statements and accepts no responsibility for their use by any other person in the absence of the written consent of Daley & Company Chartered Accountants LLP.

**NESKONLITH INDIAN BAND**  
**SUMMARY STATEMENT OF FINANCIAL POSITION**  
**March 31, 2014**

<b>FINANCIAL ASSETS</b>	<b>2014</b>	<b>2013</b>
Cash	\$ 914,772	\$ 366,407
Restricted cash (Note A3)	1,375,843	1,206,565
Grants and accounts receivable	552,713	753,078
Security deposit	3,372	-
Investments (Note A4)	<u>294,730</u>	<u>(5,481)</u>
	<u>3,141,430</u>	<u>2,320,569</u>
<b>LIABILITIES</b>		
Accounts payable and accruals	1,113,197	1,243,374
Deferred revenue (Note A5)	87,508	30,989
Demand loans (Note A6)	445,054	521,553
Mortgages payable (Note A7)	<u>1,570,595</u>	<u>1,741,645</u>
	<u>3,216,354</u>	<u>3,537,561</u>
	<u>(74,924)</u>	<u>(1,216,992)</u>
<b>NET DEBT</b>		
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	17,326	42,968
Tangible capital assets (Note A8)	<u>3,238,509</u>	<u>3,615,721</u>
	<u>3,255,835</u>	<u>3,658,689</u>
<b>ACCUMULATED SURPLUS (Note A9)</b>	<b>\$ 3,180,911</b>	<b>\$ 2,441,697</b>

## COMMITMENTS AND CONTINGENCIES (Note A11)

APPROVED BY THE BAND:



**NESKONLITH INDIAN BAND**  
**SUMMARY STATEMENT OF ACCUMULATED SURPLUS**  
**Year ended March 31, 2014**

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	<b>2014</b>	2013
ACCUMULATED SURPLUS, beginning of year	\$ 2,441,697	\$ 2,918,376
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>739,214</u>	<u>(476,679)</u>
<b>ACCUMULATED SURPLUS, end of year</b>	<b>\$ 3,180,911</b>	<b>\$ 2,441,697</b>

**NESKONLITH INDIAN BAND**  
**SUMMARY STATEMENT OF OPERATIONS**  
**Year ended March 31, 2014**

	Budget	2014	2013
<b>REVENUE:</b>			
Aboriginal Affairs and Northern Development Canada	\$ 2,803,805	<b>2,932,884</b>	\$ 2,465,875
Health Canada / First Nations Health Authority	432,664	<b>372,659</b>	377,602
First Nations Education Steering Committee	100,194	<b>112,768</b>	122,497
Province of British Columbia	552,387	<b>536,481</b>	428,464
Leases and rentals	301,325	<b>338,616</b>	344,742
Income - Ottawa Trust Funds	-	<b>128,169</b>	18,956
Canada Mortgage and Housing Corporation	93,584	<b>93,584</b>	105,865
Income from investment in government business enterprise	-	<b>289,830</b>	-
Interest and investment income	-	<b>1,459</b>	1,305
Other income	<u>1,955,524</u>	<u><b>2,158,367</b></u>	<u>1,898,265</u>
	<u>6,239,483</u>	<u><b>6,964,817</b></u>	<u>5,763,571</u>
<b>EXPENSES:</b>			
Administration	766,360	<b>1,204,472</b>	816,128
Community Welfare	672,839	<b>509,490</b>	581,292
Operations & Maintenance	391,300	<b>434,291</b>	385,898
Education	956,368	<b>1,260,158</b>	1,196,712
Economic Development	326,779	<b>296,304</b>	276,149
Health Services	474,545	<b>428,201</b>	453,352
Government - Tmicw	1,645,027	<b>1,657,640</b>	1,909,351
Capital	-	-	197,560
Social Housing	<u>333,529</u>	<u><b>435,047</b></u>	<u>423,808</u>
	<u>5,566,747</u>	<u><b>6,225,603</b></u>	<u>6,240,250</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	<b>\$ 672,736</b>	<b>\$ 739,214</b>	<b>\$ (476,679)</b>

**NESKONLITH INDIAN BAND**  
**SUMMARY STATEMENT OF CHANGE IN NET DEBT**  
**Year ended March 31, 2014**

	Budget	2014	2013
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ 672,736	\$ 739,214	\$ (476,679)
Acquisition of tangible capital assets	-	(122,747)	(148,497)
Amortization of tangible capital assets	-	498,709	480,641
Change in prepaid expenses	-	25,641	63,103
Proceeds on sale of tangible capital assets	-	1,493	-
Gain on sale of tangible capital assets	-	(242)	-
DECREASE (INCREASE) IN NET DEBT	672,736	1,142,068	(81,432)
NET DEBT, beginning of year	<u>(1,216,992)</u>	<u>(1,216,992)</u>	<u>(1,135,560)</u>
NET DEBT, end of year	<u>\$ (544,256)</u>	<u>\$ (74,924)</u>	<u>\$ (1,216,992)</u>

**NESKONLITH INDIAN BAND**  
**SUMMARY STATEMENT OF CASH FLOWS**  
**Year ended March 31, 2014**

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess (shortfall) of revenue over expenses	\$ 739,214	\$ (476,679)
Non-operating items:		
Amortization	498,709	480,641
(Increase) decrease in:		
Grants and accounts receivable	200,365	239,248
Prepaid expenses	25,642	63,103
Security deposits	(3,372)	-
Increase (decrease) in:		
Accounts payable and accruals	(130,178)	213,114
Deferred revenue	56,519	30,989
Cash flows from operations	<u>1,386,899</u>	<u>550,416</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Restricted cash	(169,278)	(70,201)
New borrowings	20,000	49,204
Repayment of demand loans and mortgages payable	(267,549)	(245,313)
Cash flows used in financing	<u>(416,827)</u>	<u>(266,310)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investments	(300,211)	(18,283)
Cash flows from investing	<u>(300,211)</u>	<u>(18,283)</u>
<b>CASH FLOWS FROM CAPITAL ACTIVITIES:</b>		
Proceeds on disposal of property and equipment	1,493	-
Gain on sale of tangible capital assets	(242)	-
Purchase of tangible capital assets	(122,747)	(148,497)
Cash flows used in capital	<u>(121,496)</u>	<u>(148,497)</u>
<b>INCREASE IN CASH</b>	<b>548,365</b>	<b>117,326</b>
<b>CASH, beginning of year</b>	<b>366,407</b>	<b>249,081</b>
<b>CASH, end of year</b>	<b>\$ 914,772</b>	<b>\$ 366,407</b>

**NESKONLITH INDIAN BAND**  
**NOTES TO SUMMARY FINANCIAL STATEMENTS**  
**March 31, 2014**

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**NOTE A1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES:**

These summary financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

**a) Fund Accounting:**

The Neskonlith Indian Band 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. Details of the operations of each fund are set out in the supplementary schedules. The Neskonlith Indian Band maintains the following funds:

- The Band Operating Fund which reports the general activities of the First Nation Administration.
- The Trust Fund which reports on trust funds owned by the First Nation and held by third parties.
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- The Capital Fund which reports the property and equipment of the First Nation, together with their related financing.
- The Social Housing Fund Pre-1997 and Post-1996 which reports the social housing assets of the First Nation, together with related activities.

**b) Reporting Entity and Principles of Financial Reporting:**

The Neskonlith Indian Band reporting entity includes the Neskonlith Indian Band 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:

- Neskonlith Indian Band Operating Fund
- Neskonlith Indian Band Trust Fund
- Neskonlith Indian Band Capital Fund
- Neskonlith Indian Band Social Housing Pre-1997 Fund
- Neskonlith Indian Band Social Housing Post-1996 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.

Incorporated business entities, which are owned or controlled by the Neskonlith Indian Band and which are not dependent on the First Nation for their continuing operations, are included in the summary financial statements using the modified equity method. This includes:

- Sk'atsin Resources Ltd.
- Sk'atsin Resources Limited Liability Partnership

Investments in non-controlled entities and subject to significant influence are included in the summary financial statements using the modified equity method. These include:

- Sexqeltkemc Enterprises Inc.
- Sexqeltkemc Limited Partnership

Investments in non-controlled entities and not subject to significant influence are recorded at cost.

Notes that provide additional information regarding the entities are disclosed with each entity and form an integral part of these financial statements.

**NESKONLITH INDIAN BAND**  
**NOTES TO SUMMARY FINANCIAL STATEMENTS**  
**March 31, 2014**

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**NOTE A1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Non-financial Assets:**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Debt for the year.

**a) 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 are amortized on a straight-line basis over their estimated useful lives as follows:

**Major Asset Category:**

Buildings	7%
Fencing	10%
Automotive equipment	20%
Furniture and equipment	20%
Infrastructure	20%

Assets under construction are not amortized until the asset is available for productive use.

The Band reviews the useful lives and the carrying values of its tangible capital assets at least annually or more frequently if events or changes in circumstances indicate that the assets might be impaired, by reference to the assets' contribution to the Band's ability to provide services. When assets no longer have any long-term service potential to the Band, the assets are considered to be impaired. An impairment loss is measured at the amount by which the carrying amount of the assets exceeds their fair value, which is estimated as the expected service potential of the assets.

The Band's interest in reserve lands is not reflected in these financial statements, as no consideration was paid by the Band to acquire these lands.

**b) Contributions of Tangible Capital Assets:**

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

**c) Leases:**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

**d) Investments:**

Investments in non-controlled entities and not subject to significant influence are recorded at cost.

**e) Accrual Method:**

The Band utilizes accrual accounting.

**f) Deferred Revenue:**

Revenue is recorded in the period to which it relates.

**NESKONLITH INDIAN BAND  
NOTES TO SUMMARY FINANCIAL STATEMENTS  
March 31, 2014**

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**NOTE A1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued):**

**g) Revenue Recognition:**

The Neskonlith Indian Band derives revenues from a number of sources.

Amounts received from Aboriginal Affairs and Northern Development Canada (AANDC) are reported in accordance with the terms of the funding arrangement. Amounts specified as set contributions are reported as revenue as program terms and conditions are met and delivered. Any resulting surpluses are repayable to AANDC and any deficits incurred are refundable by AANDC. Amounts specified as fixed contributions are recognized as revenue as program terms and conditions are met and delivered. Any resulting surpluses may be retained by the Band provided delivery of the program is complete at March 31. Any resulting deficits are the responsibility of the Band. Grants received from AANDC are unconditional and are reported as revenue when received or receivable and collection is reasonably assured.

Amounts received from other government departments, both federal and provincial, are reported as revenue in accordance with the terms of the contract or agreement.

Own source revenues derived from such sources as housing rents, resource based revenues, interest income, and property taxes, etc. are reported when received or receivable and collection is reasonably assured.

Timber processing revenue is recognized on a completed-project basis.

**h) Replacement Reserve:**

The Replacement Reserve is funded by an annual charge against earnings as opposed to an appropriation of surplus.

**i) Operating Reserve:**

The Operating Reserve account is funded by an allocation of the excess or shortfall of annual minimum revenue contribution and CMHC subsidies over current eligible expenditures.

**j) Uses 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 amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

**NOTE A2. FINANCIAL INSTRUMENTS:**

**Fair Value of Financial Assets and Financial Liabilities:**

The carrying values of cash (including internally and externally restricted amounts), grants and accounts receivable, accounts payable and accrued liabilities and demand loans approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The carrying value of mortgages payable approximates its fair value as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for similar items.

It is not practicable to determine the fair value of investments due to the limited amount of comparable market information available.

**NESKONLITH INDIAN BAND**  
**NOTES TO SUMMARY FINANCIAL STATEMENTS**  
**March 31, 2014**

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**NOTE A2. FINANCIAL INSTRUMENTS (continued):**

Credit Risk:

The Band is exposed to a credit risk by its customers. However, because the majority of revenues is from government agencies, credit risk concentration is reduced to the minimum.

Interest Rate Risk:

Demand loans have both fixed and variable interest rates based on the bank's prime rate, therefore the interest expense will vary with changes in the bank's prime rate. Mortgages payable has fixed rates; therefore interest expense will decrease with principal repayment of the mortgage and interest risk is reduced to the minimum.

**NOTE A3. RESTRICTED CASH:**

	2014	2013
Replacement Reserve	\$ 447,037	\$ 405,928
Operating Reserve	38,383	38,383
Ottawa Trust Funds	<u>890,423</u>	<u>762,254</u>
	<u><u>\$ 1,375,843</u></u>	<u><u>\$ 1,206,565</u></u>

a) 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 \$44,464 annually plus interest. 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 Canada Mortgage and Housing Corporation from time to time. Withdrawals are credited to interest first and then principal.

	2014	2013
Balance, beginning of year	<u>\$ 416,768</u>	<u>\$ 410,890</u>
CMHC opening balance adjustment *	-	21,324
Allocation during the year	44,464	44,464
Interest on account	1,458	1,305
Adjustment due to matured units	-	(56,124)
Approved expenditures	<u>(7,019)</u>	<u>(5,091)</u>
	<u><u>38,903</u></u>	<u><u>5,878</u></u>
Balance, end of year	<u><u>\$ 455,671</u></u>	<u><u>\$ 416,768</u></u>

The Replacement Reserve is represented by:

Cash	<u><u>\$ 447,037</u></u>	<u><u>\$ 405,928</u></u>
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\* This adjustment relates to prior year replacement reserve expenditures claimed that did not meet the criteria pursuant to the operating agreement with CMHC.

**NESKONLITH INDIAN BAND**  
**NOTES TO SUMMARY FINANCIAL STATEMENTS**  
**March 31, 2014**

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**NOTE A3. RESTRICTED CASH (continued):**

b) Operating Reserve:

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Operating Reserve account is to be credited in the amount of any accumulated surplus plus interest. 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 Canada Mortgage and Housing Corporation from time to time.

	2014	2013
Balance, beginning of year	<u>\$ 119,003</u>	<u>\$ 118,990</u>
Allocation for the year	<u>9,066</u>	<u>6,541</u>
CMHC opening balance adjustment *	<u>21</u>	<u>(6,528)</u>
	<u><b>9,087</b></u>	<u><b>13</b></u>
Balance, end of year	<u><b>\$ 128,090</b></u>	<u><b>\$ 119,003</b></u>
The Operating Reserve is represented by:		
Cash	<u><b>\$ 38,383</b></u>	<u><b>\$ 38,383</b></u>

\* This adjustment relates to prior year replacement reserve expenditures claimed that did not meet the criteria pursuant to the operating agreement with CMHC.

c) Ottawa 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 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.

**NOTE A4. INVESTMENTS:**

	2014	2013
All Nations Trust Company:		
2,000 Class A shares, par value \$1	<u>\$ 4,000</u>	<u>\$ 4,000</u>
Secwepemc Economic Development Corporation:		
1 Common share, par value \$1	<u>1</u>	<u>1</u>
Sk'atsin Resources Ltd.:		
100 Class A common shares, par value \$1	<u>100</u>	<u>100</u>
Advances, unsecured, noninterest bearing, no stated terms of repayment	<u>40,314</u>	<u>34,243</u>
	<u><b>40,414</b></u>	<u><b>34,343</b></u>

Financial information for Sk'atsin Resources Ltd.:

	2014	2013
Assets	<u>\$ 12,814</u>	<u>\$ 215</u>
Liabilities	<u>(40,314)</u>	<u>(34,243)</u>
Equity	<u><b>\$ (27,500)</b></u>	<u><b>\$ (34,028)</b></u>
Revenue	<u>\$ 12,814</u>	<u>\$ -</u>
Expenses	<u>7,167</u>	<u>32,650</u>
Net income (loss)	<u><b>\$ 5,647</b></u>	<u><b>\$ (32,650)</b></u>

**NESKONLITH INDIAN BAND**  
**NOTES TO SUMMARY FINANCIAL STATEMENTS**  
**March 31, 2014**

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NOTE A4. INVESTMENTS (continued):	2014	2013
Sk'atsin Resources Limited Liability Partnership:		
Capital account - 99% interest	99	-
Advances, unsecured, noninterest bearing, no stated terms of repayment	<u>4,211</u>	-
	<u><u>4,310</u></u>	<u><u>-</u></u>

Sk'atsin Resources Limited Liability Partnership is domiciled in Canada and has a registered office at PO Box 318, Chase, BC. The Partnership is engaged in resource and economic development opportunities. The Partnership is controlled by Neskonlith Indian Band (99%). Net income of the Partnership is allocated to the respective Partners annually. The Partnership was formed on January 21, 2014; however no activity has started in the Partnership as of March 31, 2014.

Sexqeltkemc Enterprises Inc. (33%):		
10 Common shares, par value \$1	10	10
Advances, unsecured, noninterest bearing, no stated terms of repayment	<u>(10)</u>	<u>(10)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

Sexqeltkemc Limited Partnership:		
Capital account - 33% interest	10	10
Advances, unsecured, noninterest bearing, no stated terms of repayment	<u>10,000</u>	<u>10,000</u>
Accumulated equity in income (losses)	<u>235,995</u>	<u>(53,835)</u>
	<u><u>246,005</u></u>	<u><u>(43,825)</u></u>
	<u><u>\$ 294,730</u></u>	<u><u>\$ (5,481)</u></u>

Financial information for Sexqeltkemc Limited Partnership:

	Total	Band's Share 2014	Band's Share 2013
Current Assets	\$ 2,525,966	\$ 841,906	\$ 298,859
Long-term Assets	5,995	1,998	5,044
Current Liabilities	<u>(1,793,876)</u>	<u>(597,899)</u>	<u>(347,728)</u>
Partner's Capital (Deficiency)	<u><u>\$ 738,085</u></u>	<u><u>\$ 246,005</u></u>	<u><u>\$ (43,825)</u></u>
Revenues	\$ 3,701,268	\$ 1,233,633	\$ 864,305
Expenses	<u>2,831,692</u>	<u>943,803</u>	<u>878,636</u>
Net Income	<u><u>\$ 869,576</u></u>	<u><u>\$ 289,830</u></u>	<u><u>\$ (14,331)</u></u>

Sexqeltkemc Limited Partnership is domiciled near Chase, British Columbia. The Partnership is a business entity comprised of representative members from the Adams Lake, Neskonlith and Splatsin people. The Partnership's object is to recognize, develop and secure business and employment opportunities within the traditional boundaries of the Sexqeltkemc te Secwepemc. Net earnings of the Partnership are allocated to the respective Partners annually.

**NESKONLITH INDIAN BAND**  
**NOTES TO SUMMARY FINANCIAL STATEMENTS**  
**March 31, 2014**

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NOTE A5. DEFERRED REVENUE:	2014	2013
Revenue amounts deferred are summarized as follows:		
<u>Band Operations:</u>		
BC Hydro - Interim Capacity Funding	\$      -	\$ 10,000
<u>Social Housing Operations:</u>		
Social Housing Operation - Post-1996 - insurance proceeds	87,508	-
<u>Sexgeltkemc Lakes Division:</u>		
Deferred revenue	-      20,989	20,989
	<u>\$ 87,508</u>	<u>\$ 30,989</u>
NOTE A6. DEMAND LOANS:	2014	2013
<u>Operating Fund:</u>		
Community Futures Development Corporation, repayable in blended monthly installments of \$75 including interest at 9% per annum, unsecured	\$ 5,952	\$ 6,299
Royal Bank of Canada, demand loan, repayable in monthly installments of \$1,415 including interest at 4.75%, secured by a general security agreement, due June 2015	20,579	36,183
	<u>26,531</u>	<u>42,482</u>
<u>Capital Fund:</u>		
Royal Bank of Canada, demand loan, repayable in monthly installments of \$2,308 including interest at 3.07%, secured by a general security agreement, due June 2017	293,483	311,863
Royal Bank of Canada, demand loan, repayable in monthly installments of \$460 including interest at 4.50%, secured by a general security agreement, due October 2017	18,060	-
Royal Bank of Canada, demand loan, repayable in monthly installments of \$609 including interest at 3.69%, secured by a general security agreement, due January 2015	38,345	44,119
Community Futures Development Corporation, demand loan, repayable in monthly installments of \$1,556 including interest at 9.0%, unsecured	41,901	56,096
Royal Bank of Canada, demand loan, repayable in monthly installments of \$1,459 including interest at 4.25%, secured by a general security agreement, due October 2015	26,734	44,035
Royal Bank of Canada, demand loan, repaid during the year	-	22,958
	<u>418,523</u>	<u>479,071</u>
	<u>\$ 445,054</u>	<u>\$ 521,553</u>

Principal repayments due in the ensuing 4 years are approximately as follows:

2015	\$ 116,636
2016	55,818
2017	34,788
2018	237,812

**NESKONLITH INDIAN BAND**  
**NOTES TO SUMMARY FINANCIAL STATEMENTS**  
**March 31, 2014**

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NOTE A7. MORTGAGES PAYABLE:	2014	2013
<u><b>Social Housing Operation - Pre-1997 mortgages:</b></u>		
Royal Bank of Canada, repaid during the year	\$ -	\$ 121,435
All Nations Trust Company, repayable in monthly installments of \$1,985 including interest at 2.02% per annum, secured by buildings with a carrying value of \$224,267, due August 2018	<b>100,577</b>	-
All Nations Trust Company, repayable in monthly installments of \$2,356 including interest at 2.37% per annum, secured by buildings with a carrying value of \$224,641, due May 2016	<b>59,658</b>	86,179
All Nations Trust Company, repayable in monthly installments of \$2,157 including interest at 1.65% per annum, secured by buildings with a carrying value of \$359,870, due June 2017	<b>195,765</b>	218,226
All Nations Trust Company, repayable in monthly installments of \$2,796 including interest at 3.47% per annum, secured by buildings with a carrying value of \$436,747, due June 2018	<b>263,822</b>	289,389
	<b><u>619,822</u></b>	<b><u>715,229</u></b>
<u><b>Social Housing Operation - Post-1996 mortgages:</b></u>		
All Nations Trust Company, repayable in monthly installments of \$2,474 including interest at 2.63% per annum, secured by buildings with a carrying value of \$362,133, due August 2014	<b>264,807</b>	287,252
All Nations Trust Company, repayable in monthly installments of \$2,578 including interest at 1.67% per annum, secured by buildings with a carrying value of \$497,876, due June 2018	<b>334,236</b>	358,663
All Nations Trust Company, repayable in monthly installments of \$3,193 including interest at 2.61% per annum, secured by buildings with a carrying value of \$509,645, due September 2014	<b>351,730</b>	380,501
	<b><u>950,773</u></b>	<b><u>1,026,416</u></b>
	<b><u>\$ 1,570,595</u></b>	<b><u>\$ 1,741,645</u></b>

The Social Housing mortgages are guaranteed by Aboriginal Affairs and Northern Development Canada.

Principal repayments due in the ensuing 5 years are approximately as follows:

2015	\$ 740,644
2016	126,463
2017	105,108
2018	204,333
2019	394,047

**NESKONLITH INDIAN BAND**  
**NOTES TO SUMMARY FINANCIAL STATEMENTS**  
**March 31, 2014**

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**NOTE A8. TANGIBLE CAPITAL ASSETS:**

	<b>2014</b>	2013
Tangible capital assets consist of the following:		
Buildings	\$ 350,853	\$ 470,669
Automotive equipment	86,352	90,618
Furniture and equipment	81,537	71,343
Fencing	67,108	78,082
Infrastructure	37,480	-
Social Housing	<u>2,615,179</u>	<u>2,905,009</u>
	<b><u>\$ 3,238,509</u></b>	<b><u>\$ 3,615,721</u></b>

For additional information, see the Summary Schedule of Tangible Capital assets (Appendix 1).

**NOTE A9. ACCUMULATED SURPLUS:**

	<b>2014</b>	2013
Accumulated surplus consists of individual fund surpluses and reserves as follows:		
Surplus (deficit) from operations	<u>\$ 453,116</u>	<u>\$ (255,454)</u>
Invested in investments	<u>4,220</u>	<u>4,121</u>
Invested in tangible capital assets	<u>1,249,391</u>	<u>1,395,005</u>
Funded Reserves:		
Operating Reserve Fund (CMHC) (Note A3)	128,090	119,003
Replacement Reserve Fund (CMHC) (Note A3)	455,671	416,768
Ottawa Trust Funds (Note A3)	<u>890,423</u>	<u>762,254</u>
	<u>1,474,184</u>	<u>1,298,025</u>
	<b><u>\$ 3,180,911</u></b>	<b><u>\$ 2,441,697</u></b>

**NOTE A10. FEDERAL ASSISTANCE PAYMENTS:**

The Neskonlith Indian Band Housing Project has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56-1 of the National Housing Act to reduce mortgage interest expense to 2% to enable the project to provide housing to low income individuals. The amount of assistance received through March 31, 2014 was \$93,584 (2013 - \$105,865). This assistance will continue, providing the Band is not in default of the agreement.

**NOTE A11. COMMITMENTS AND CONTINGENCIES:**

Commitments:

The Band leases office equipment under long-term lease agreements the longest of which expires May 2020.

Future minimum lease payments as at March 31, 2014, are as follows:

2015	\$ 17,364
2016	17,364
2017	10,439
2018	7,068
2019	7,068
2020	<u>2,228</u>
	<b><u>\$ 61,531</u></b>

**NESKONLITH INDIAN BAND**  
**NOTES TO SUMMARY FINANCIAL STATEMENTS**  
**March 31, 2014**

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**NOTE A11. COMMITMENTS AND CONTINGENCIES (continued):**

Contingencies:

a) Social Housing:

The Band is guarantor of Social Housing loans aggregating \$1,643,484 made by Canada Mortgage and Housing Corporation.

b) Pension Plan:

The Band and its employees contribute to a defined contribution pension plan. There is no obligation for past service or periods in which an employee was not employed. Total contributions to the plan during the year were \$39,060 (2013 \$37,962).

c) Aboriginal Affairs and Northern Development Canada Funding:

The Band receives a portion of its funding under a contribution agreement with Aboriginal Affairs and Northern Development Canada (AANDC) which, if unexpended, may be refundable to AANDC. Further, amounts which are overexpended may be reimbursed by AANDC to the Band. No amounts have been recorded in the financial statements as refundable or reimbursable.

d) Unused Credit Facilities:

Under a line of credit with the Royal Bank of Canada, the Band may borrow up to \$75,000 on such terms as the Band and bank may mutually agree upon. The line of credit bears interest at the Bank's prime rate plus 1.5%. This arrangement does not have a termination date and can be withdrawn at the bank's option. At March 31, 2014, the unused portion of the credit line was \$75,000.

**NOTE A12. SEGMENTED INFORMATION:**

The Neskonlith Indian Band is a First Nations government institution that provides a range of programs and services to its members, including administration, community welfare, operations and maintenance, education, economic development, health services, natural resources, capital and social housing. For management reporting purposes the First Nations operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

First Nation services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

**Administration**

Administration relates to the operations of the Neskonlith Indian Band itself and cannot be directly attributed to a specific segment.

**Community Welfare**

Community Welfare provides services to help the Members by providing a variety of programs, community services and social assistance.

**Operations and Maintenance**

Operations and maintenance provides services relating to the development, maintenance and service of the Neskonlith Indian Band's assets, infrastructure and common property.

**Education**

Education provides educational services through the operations of an on reserve school, post secondary education support and the operations of various other educational programs. The goal of this segment is to enhance the educational opportunities of the Neskonlith Indian Band's Members.

**Economic Development**

Economic development provides for the development of economic opportunities to the Members.

**NESKONLITH INDIAN BAND**  
**NOTES TO SUMMARY FINANCIAL STATEMENTS**  
**March 31, 2014**

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**NOTE A12. SEGMENTED INFORMATION (continued):**

**Health Services**

Health services provides for health-related services and programs to the Members.

**Government - Tmicw**

Government - Tmicw provides exploration of natural resources and development of natural resource revenues.

**Capital**

Capital provides for the development of new capital projects and infrastructure programs on the reserve.

**Social Housing**

Social housing provides for social housing to the Members.

The accounting policies used in these segments are consistent with those followed in the preparation of the summary financial statements as disclosed in Note A1. For additional information see the Statement of Financial Activities - Segmented (Appendix 2).

**NOTE A13. RELATED PARTY TRANSACTIONS:**

During the year, the Band earned, \$175 (2013 - \$8,303) for Consulting services and \$2,195 (2013 - \$1,656) for reimbursable travel from Sexqeltkemc Limited Partnership, a significantly influenced partnership.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**NOTE A14. ECONOMIC DEPENDENCE:**

The Band receives revenues pursuant to a Funding Agreement with Aboriginal Affairs and Northern Development Canada. In the current fiscal year, funding from Aboriginal Affairs and Northern Development Canada accounted for 42% (2013 - 43%) of the Band's gross revenues.

**NOTE A15. CASH FLOW INFORMATION:**

During the year, the Band paid interest on demand loans and mortgages payable of \$57,205 (2013 \$79,832) and received interest of \$24,716 (2013 \$20,261).

**NESKONLITH INDIAN BAND**  
**SUMMARY SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
Year ended March 31, 2014

	Buildings	Automotive Equipment	Furniture and Equipment	Fencing	Infrastructure	Social Housing	2014	2013
Cost								
Balance, beginning of year	\$ 2,380,540	\$ 326,903	\$ 662,515	\$ 109,742	\$ 5,699,069	\$ 4,538,341	\$ 13,717,110	\$ 13,590,169
Add: Additions during the year	16,270	25,199	39,633	-	41,645	-	122,747	148,497
Less: Disposals during the year	-	(2,500)	-	-	-	-	(2,500)	(21,556)
Balance, end of year	<u>2,396,810</u>	<u>349,602</u>	<u>702,148</u>	<u>109,742</u>	<u>5,740,714</u>	<u>4,538,341</u>	<u>13,837,357</u>	<u>13,717,110</u>
Accumulated amortization								
Balance, beginning of year	1,909,871	236,285	591,172	31,660	5,699,069	1,633,332	10,101,389	9,642,304
Add: Amortization	136,086	28,215	29,439	10,974	4,165	289,830	498,709	480,641
Less: Disposals during the year	-	(1,250)	-	-	-	-	(1,250)	(21,556)
Balance, end of year	<u>2,045,957</u>	<u>263,250</u>	<u>620,611</u>	<u>42,634</u>	<u>5,703,234</u>	<u>1,923,162</u>	<u>10,598,848</u>	<u>10,101,389</u>
Net Book Value of Tangible Capital Assets	<u>\$ 350,853</u>	<u>\$ 86,352</u>	<u>\$ 81,537</u>	<u>\$ 67,108</u>	<u>\$ 37,480</u>	<u>\$ 2,615,179</u>	<u>\$ 3,238,509</u>	<u>\$ 3,615,721</u>

See accompanying notes to financial statements.

**NESKONLITH INDIAN BAND**  
**STATEMENT OF FINANCIAL ACTIVITIES - SEGMENTED**  
**Year ended March 31, 2014**

	Administration	Community Welfare	Operations & maintenance	Education	Economic development	Health Services	Government - Tmio(w)	Capital	Social Housing	Total 2014	Total 2013
<b>REVENUE:</b>											
Aboriginal Affairs and Northern Development Canada	\$ 375,323	\$ 679,044	\$ 390,731	\$ 1,172,756	\$ 217,989	\$ 6,889	\$ -	\$ 90,152	\$ 2,932,884	\$ 2,465,875	
Leases and rentals	85,537	-	-	-	-	-	-	-	253,079	338,616	
CMHC	-	-	-	-	-	-	-	-	93,584	93,584	
Province of BC	34,233	-	-	-	-	34,512	467,736	-	-	536,481	
Consulting and contract	-	-	-	-	-	-	1,100,965	-	-	1,100,965	
Interest and tax penalties	128,169	-	-	-	-	-	-	-	-	254,492	
Health Canada / First Nations Health Authority	-	-	1,670	-	-	372,659	-	-	-	374,329	
Admin recoveries	156,480	-	-	-	-	16,000	72,385	-	-	244,865	
Miscellaneous	76,608	337	377,362	133,161	101,835	31,600	818,487	-	-	190,822	
	<b>856,350</b>	<b>679,381</b>	<b>429,763</b>	<b>1,305,917</b>	<b>319,824</b>	<b>461,660</b>	<b>2,459,573</b>	<b>90,152</b>	<b>14,075</b>	<b>1,213,465</b>	<b>1,575,448</b>
<b>EXPENSES:</b>											
Advertising	-	-	-	-	-	-	-	-	-	7,371	-
Administration fees	8,549	-	9,719	57,548	17,266	40,844	133,574	-	41,401	308,901	251,469
Amortization	208,878	-	405,918	-	-	-	-	-	289,830	498,708	480,641
Assistance	-	-	-	138,032	-	-	-	-	-	543,950	596,106
Community development	-	-	59,390	-	10,000	-	-	-	-	10,000	12,516
Contract services	6,637	-	-	6,043	94,494	9,892	442,268	-	-	618,724	993,880
Education	-	-	-	543,875	-	-	-	-	-	543,875	535,606
Gifts and donations	-	-	-	50	-	-	19,987	-	-	20,037	21,754
Honorarium	475	-	-	6,683	-	-	356,897	-	-	364,055	377,945
Insurance	19,677	430	4,160	5,003	-	2,834	9,356	-	23,557	65,017	68,681
Leases	1,872	-	-	-	-	5,449	5,025	-	-	12,346	9,758
Licences, dues and fees	900	-	35	-	-	1,102	100,595	-	-	102,632	(5,349)
Interest on demand loans and mortgages payable	10,860	-	-	1,667	-	534	6,769	-	37,375	57,205	79,832
Materials and supplies	12,240	-	14,348	25,859	17,183	20,309	16,560	-	84	106,583	219,469
Meetings	-	-	-	188	-	-	43,904	-	-	44,092	12,266
Office and other	390,120	-	-	30,044	83	182	59,384	-	-	479,813	134,555
Professional fees	36,500	-	-	-	-	-	119,676	-	6,096	162,272	153,566
Programs	2,249	-	68,971	32,990	-	15,344	95,379	-	-	214,933	277,755
Repairs and maintenance	848	-	35,346	12,223	-	-	10,007	-	36,704	95,128	91,795
Telephone	20,397	240	4,234	6,169	360	6,974	7,298	-	-	45,672	39,730
Training	10,618	116	1,215	20,131	32,243	1,290	7,998	-	-	73,611	10,173
Travel	8,347	1,033	5,109	27,703	9,941	27,172	20,537	-	-	99,842	122,884
Utilities	4,599	-	53,100	6,189	4,771	3,149	-	-	-	71,808	54,147
Wages and benefits	460,706	101,753	178,664	329,761	124,734	291,504	191,906	-	-	1,679,028	1,602,071
	<b>1,204,472</b>	<b>509,490</b>	<b>434,291</b>	<b>1,260,158</b>	<b>296,304</b>	<b>428,201</b>	<b>1,657,640</b>	<b>-</b>	<b>435,047</b>	<b>6,225,603</b>	<b>6,240,250</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	<b>\$ (348,122)</b>	<b>\$ 169,891</b>	<b>\$ (4,528)</b>	<b>\$ 45,759</b>	<b>\$ 23,520</b>	<b>\$ 33,459</b>	<b>\$ 801,933</b>	<b>\$ 90,152</b>	<b>\$ (72,850)</b>	<b>\$ 739,214</b>	<b>\$ (476,679)</b>

See accompanying notes to financial statements.

**NESKONLITH INDIAN BAND**  
**STATEMENT OF FINANCIAL ACTIVITIES - SEGMENTED**  
Year ended March 31, 2013

	Administration	Community Welfare	Operations & Maintenance	Education	Economic Development	Health Services	Government - Tmicw	Capital	Social Housing	Total 2013
<b>REVENUE:</b>										
Aboriginal Affairs and Northern Development Canada	\$ 336,100	\$ 568,696	\$ 366,527	\$ 1,038,909	\$ 148,634	\$ 7,009	\$ -	\$ -	\$ 259,086	\$ 2,465,875
Leases and rentals	85,656	-	-	-	-	-	-	-	105,865	344,742
CMHC	-	-	-	-	-	34,512	313,441	-	-	105,865
Province of BC	80,511	-	-	-	-	-	251,392	-	-	428,464
Consulting and contract	3,100	-	-	-	-	-	-	-	-	254,492
Interest and tax penalties	18,956	-	-	-	-	-	-	-	1,305	20,261
Health Canada	-	1,623	-	-	-	375,979	-	-	-	377,602
Admin recoveries	177,814	-	-	-	-	500	12,508	-	-	190,822
Miscellaneous	96,557	535	6,689	202,964	56,866	43,957	1,167,880	-	-	1,575,448
	<b>798,694</b>	<b>569,231</b>	<b>374,839</b>	<b>1,241,873</b>	<b>205,500</b>	<b>461,957</b>	<b>1,745,221</b>	<b>-</b>	<b>366,256</b>	<b>5,763,571</b>
<b>EXPENSES:</b>										
Administration fees	190,811	-	16,542	41,477	3,117	36,680	108,653	-	45,000	251,469
Amortization	-	470,856	-	-	-	-	-	-	289,830	480,641
Assistance	-	-	9,427	125,250	-	-	-	-	-	596,106
Community development	9,809	-	-	4,323	66,871	46,861	659,029	197,560	-	12,516
Contract services	-	-	-	535,606	-	-	-	-	-	993,880
Education	275	-	-	2,433	-	-	19,046	-	-	535,606
Gifts and donations	-	-	-	7,721	6,013	-	364,211	-	-	21,754
Honorarium	-	18,129	498	19,226	3,388	-	139	3,150	-	377,945
Insurance	5,731	-	-	4,027	-	-	-	-	24,151	68,681
Leases	1,495	-	-	-	-	-	(6,844)	-	-	9,758
Licences, dues and fees	-	-	-	-	-	-	-	-	-	(5,349)
Interest on demand loans and mortgages payable	13,860	-	1,709	1,459	-	-	8,379	-	54,425	79,832
Materials and supplies	23,102	2,855	14,815	34,171	11,078	62,013	71,435	-	-	219,469
Meetings	600	-	-	162	-	-	11,504	-	-	12,266
Office and other	30,186	-	-	10,033	99	98	94,050	-	89	134,555
Professional fees	33,691	-	-	-	-	-	114,725	-	5,150	153,566
Programs	13,845	-	61,103	23,744	-	28,561	150,502	-	-	277,755
Repairs and maintenance	23,828	-	33,516	9,487	-	-	19,801	-	5,163	91,795
Telephone	14,576	323	4,089	6,008	-	6,371	8,363	-	-	39,730
Training	859	225	2,615	23,793	60,490	3,365	17,826	-	-	109,173
Travel	12,600	174	17,187	28,920	8,437	35,012	20,554	-	-	122,884
Utilities	6,894	-	39,529	3,016	-	4,566	142	-	-	54,147
Wages and benefits	415,837	106,361	166,140	331,694	120,044	217,170	244,825	-	-	1,602,071
	<b>816,128</b>	<b>581,292</b>	<b>385,898</b>	<b>1,196,712</b>	<b>276,149</b>	<b>453,352</b>	<b>1,909,351</b>	<b>197,560</b>	<b>423,808</b>	<b>6,240,250</b>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ (17,434)	\$ (12,061)	\$ (11,059)	\$ 45,161	\$ (70,649)	\$ 8,605	\$ (164,130)	\$ (197,560)	\$ (57,552)	\$ (476,679)

See accompanying notes to financial statements.