

LOWER NICOLA INDIAN BAND

FINANCIAL STATEMENTS
MARCH 31, 2014

LOWER NICOLA INDIAN BAND

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Lower Nicola Indian Band

March 31, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Lower Nicola Indian Band for the year ended March 31, 2014 and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board (PSAB). Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

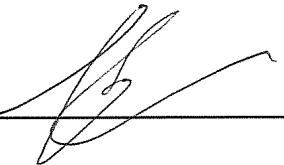
The Lower Nicola Indian Band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Lower Nicola Indian Band's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

The Lower Nicola Indian Band Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Council reviews the First Nation's 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 financial statements and the external auditor's report. The Council approves the financial statements for issuance to the Members. The Council also considers, for review and approval by the Members, the engagement of the external auditors.

The accompanying financial statements have been audited by Reid Hurst Nagy Inc., Certified General Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the Members. Reid Hurst Nagy Inc., Certified General Accountants have full and free access to the books and records of the First Nation.

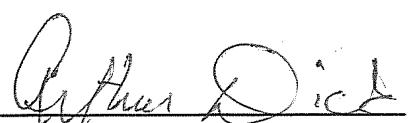
Chief



Date

July 29, 2014

Councilor



July 29, 2014

Date

INDEPENDENT AUDITORS' REPORT

LOWER NICOLA INDIAN BAND

Report on the financial statements

We have audited the accompanying consolidated financial statements of Lower Nicola Indian Band, which comprise the summary statement of financial position as at March 31, 2014, the summary statements of operations, changes 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 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 misstatement, whether due to fraud or error.

Auditors' responsibility

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

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.

Basis for qualified opinion

Beginning April 1, 2009, generally accepted accounting principles for government entities required that the Band record the net value of tangible capital assets in its financial statements. The Band has not applied these new financial statement reporting standards. Because the Band did not provide us with a completed capital asset register reflecting the total cost of tangible capital assets owned by the Band and appropriate accumulated amortization and any impairment attributable to each of those assets, we were unable to determine the net value of the tangible capital assets that should have been recorded as an asset and the related amortization or impairment that should have been recorded as an expense in the current and prior year. Upon adoption of PS 1200 Financial Statement Presentation, the Band did not fully adopt all aspects of the standard as they relate to the aforementioned tangible capital assets as they have reported capital purchases and long-term debt payments as expenses and have not appropriately reported depreciation as an expense.

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Lower Nicola 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 board standards.



REID HURST NAGY INC.
CERTIFIED GENERAL ACCOUNTANTS

KELOWNA, B.C.
JULY 29, 2014

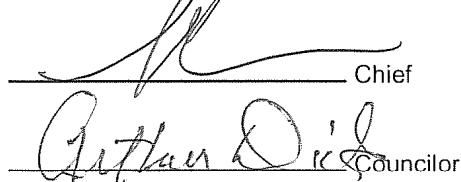
LOWER NICOLA INDIAN BAND

SUMMARY STATEMENT OF FINANCIAL POSITION March 31, 2014

Statement 1

	2014	2013
	\$	\$
ASSETS		
Cash	5,278,566	1,931,322
Restricted cash	1,705,099	1,535,226
Accounts receivable	2,509,960	3,001,812
Rents receivable	281,545	290,496
Investments, Loans and Advances to First Nation Controlled Entities (Note 4)	357,688	402,071
	10,132,858	7,160,927
LIABILITIES		
Bank indebtedness	-	522,591
Accounts payable	3,572,694	2,123,085
Damage deposits payable and rent paid in advance	25,511	24,412
Deferred revenue	127,357	801,788
Long-term debt (Note 5)	4,173,189	5,370,309
	7,898,751	8,842,185
NET FINANCIAL ASSETS (DEBT)	2,234,107	(1,681,258)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 1e, 1f, 1g and Note 2)	16,244,112	17,127,762
Prepaid expenses	159,923	72,500
Inventory (Note 1c)	17,787	17,787
	16,421,822	17,218,049
ACCUMULATED SURPLUS (Note 6)	18,655,929	15,536,791
Represented by:		
Restricted	3,669,969	3,806,219
Unrestricted	14,985,960	11,730,572
	18,655,929	15,536,791

APPROVED ON BEHALF OF
THE LOWER NICOLA INDIAN BAND


Chief
Arthur Dick, Councilor

LOWER NICOLA INDIAN BAND

SUMMARY STATEMENT OF OPERATIONS For the year ended March 31, 2014

Statement 2

	2014 \$	2013 \$
REVENUE		
Aboriginal Affairs and Northern Development Canada	5,374,929	6,715,908
Administration fees	42,194	419,814
B.C. Hydro	2,215,113	15,113
Canada Mortgage and Housing Corporation	90,731	54,925
Capacity and development funding	1,106,528	-
Capital fund additions	1,532,300	1,174,783
Cost recoveries	44,858	70,570
First Nations Education Steering Committee	123,378	104,102
Forest license royalties	-	1,077,906
Forestry	-	179,134
Health Canada / First Nations Health Authority	854,213	893,289
Interior Salish Employment and Training Society	14,480	20,317
Loan proceeds	314,317	1,129,894
Management fees	396,450	86,871
Other income	726,801	1,934,270
Province of B.C.	283,853	677,013
Rental income	445,823	430,342
Share of income (loss) of First Nations Controlled Entities	(44,383)	64,194
Social Housing	1,022,946	858,330
Taxation	1,368,091	1,360,180
Trust fund revenue	150,187	12,150
Western Economic Diversification Canada	-	35,190
Allocation from (to) deferred revenue	674,431	(801,788)
	16,737,240	16,512,507
EXPENDITURES		
Band programs	3,230,295	3,240,443
Education	776,744	840,514
Social development	1,416,819	1,595,118
Health	2,471,636	2,650,542
Job creation	1,312,994	1,663,828
Capital	2,158,912	3,781,296
Social Housing	985,702	2,012,380
Capital fund	1,265,000	1,021,763
	13,618,102	16,805,884
ANNUAL EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES	3,119,138	(293,377)

LOWER NICOLA INDIAN BAND

SUMMARY STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT) March 31, 2014

Statement 3

	2014 \$	2013 \$
ANNUAL EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES	3,119,138	(293,377)
Acquisition of tangible capital assets	(312,649)	(641,906)
Disposition of tangible capital assets	-	22,400
Amortization of tangible capital assets	1,196,299	1,213,286
	4,002,788	300,403
Acquisition of prepaid asset	(159,923)	(72,500)
Acquisition of inventory	-	(847)
Use of prepaid asset	72,500	81,500
	(87,423)	8,153
NET CHANGE IN NET FINANCIAL ASSETS	3,915,365	308,556
NET FINANCIAL DEBT AT BEGINNING OF YEAR	(1,681,258)	(1,989,814)
NET FINANCIAL ASSETS (DEBT) AT END OF YEAR	2,234,107	(1,681,258)

LOWER NICOLA INDIAN BAND

SUMMARY STATEMENT OF CASH FLOWS March 31, 2014

Statement 4

	2014 \$	2013 \$
OPERATING ACTIVITIES		
Excess of revenue over expenditures	3,119,138	(293,377)
Non-operating items:		
Share of income of First Nations Controlled Entities	44,483	(64,194)
Repayment of advances to Nicola Valley Indian Services Association	-	10,000
Depreciation	1,196,299	1,213,286
Changes in non-cash operating net assets	667,063	119,925
	5,026,983	985,640
FINANCING ACTIVITIES		
Repayment of Social Housing long term debt	(237,092)	(271,333)
Repayment of Capital Fund long term debt	(986,520)	(233,425)
Mortgage proceeds	26,495	1,038,028
	(1,197,117)	533,270
INVESTING ACTIVITIES		
Purchase of capital assets	(312,649)	(641,906)
Investment in First Nation Controlled Entities	(100)	-
Proceeds from sale of capital assets	-	22,400
	(312,749)	(619,506)
CHANGES IN CASH DURING YEAR	3,517,117	899,404
CASH AT BEGINNING OF YEAR	2,943,957	2,044,553
CASH AT END OF YEAR	6,461,074	2,943,957
REPRESENTED BY:		
Cash	5,278,566	1,931,322
Restricted Cash	1,705,099	1,535,226
Bank indebtedness	-	(522,591)
	6,461,074	2,943,957

LOWER NICOLA INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

These Summary Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles for government entities, as defined in the CICA Public Sector Accounting and Auditing Handbook, which encompasses the following principles:

a) Fund Accounting

The Lower Nicola 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 Lower Nicola Indian Band maintains the following funds:

- The Operating Fund which reports the general activities of the First Nation Administration.
- The Capital Fund which reports the capital assets of the First Nation, together with their related financing.
- The Social Housing Fund which reports the social housing assets of the First Nation, together with related activities.
- The Trust Fund which reports on trust funds owned by the First Nation and held by third parties.
- The Enterprise Fund which reports the First Nation's investments in related entities.

b) Revenue Recognition

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Statement of Financial Position.

c) Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

d) Reporting Entity and Principles of Financial Reporting

The Lower Nicola Indian Band reporting entity includes the Lower Nicola 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:

- **Lower Nicola Indian Band Operating Fund**
- **Lower Nicola Indian Band Social Housing Fund**
- **Lower Nicola Indian Band Capital Fund**
- **Lower Nicola Indian Band Trust Fund**
- **Lower Nicola Indian Band Enterprise Fund**

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specified fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

LOWER NICOLA INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Reporting Entity and Principles of Financial Reporting, continued

Incorporated business entities, which are owned or controlled by the Lower Nicola Indian Band Council 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. These include:

- **LNIB Holdings Ltd.** (100% owned by the Lower Nicola Indian Band)
- **LNIB Real Estate Developments Ltd.** (100% owned by LNIB Holdings Ltd.)
- **LNIB Energy Ltd.** (100% owned by LNIB Holdings Ltd.)
- **LNIB Energy Limited Partnership.** (99.99% owned by the Lower Nicola Indian Band as the Limited Partner and 0.01% owned by LNIB Energy Ltd. as the General Partner)
- **NAIK Development Corporation** (100% owned by LNIB Holdings Ltd.)
- **NAIK Development Limited Partnership** (99.999% owned by the Lower Nicola Indian Band as the Limited Partner and 0.001% owned by NAIK Development Corporation as the General Partner)
- **Shulus Cattle Co. Ltd.** (100% owned by LNIB Holdings Ltd.)
- **Shulus Cattle Co. Limited Partnership** (99.99% owned by the Lower Nicola Indian Band as the Limited Partner and 0.01% owned by Shulus Cattle Co. Ltd. as the General Partner)
- **LNIB Construction Ltd.** (100% owned by LNIB Holdings Ltd.)
- **Shulus Forest Enterprises Inc.** (100% owned by LNIB Holdings Ltd.)
- **Shulus Forest Limited Partnership.** (99.99% owned by the Lower Nicola Indian Band as the Limited Partner and 0.01% owned by Shulus Forest Enterprises Inc.. as the General Partner)

e) Tangible Capital Assets

Tangible capital assets are expensed at the time of purchase and are also capitalized at cost on the Statement of Financial Position.

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

Tangible Capital assets are depreciated annually with a resulting reduction of equity in tangible capital assets.

Tangible capital assets acquired as part of the Social Housing Fund are recorded as assets of that fund.

f) Tangible Capital Asset Acquired after March 31, 1996

Capital asset expenditures incurred after March 31, 1996 are valued at acquisition cost and recorded in the Capital Fund. Expenditures incurred previous to April 1, 1996 are reflected in the Capital Fund for \$1.

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

Capital assets acquired as part of the Social Housing Fund and Enterprise Fund are recorded as assets of those funds.

LOWER NICOLA INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Depreciation

Capital assets are recorded and depreciated annually with a corresponding reduction in Equity in Capital Assets. Assets are depreciated over their expected useful life using the straight line method at the following rates:

Automotive	5	years straight-line
School automotive	10	years straight-line
Fire truck	10	years straight-line
Logging equipment	5	years straight-line
Buildings and improvements	25	years straight-line
General equipment	5	years straight-line
Infrastructure	25	years straight-line

Social Housing assets acquired under C.M.H.C. sponsored housing programs are being depreciated at a rate equal to the principal reduction on the mortgages of the assets.

h) Comparative Figures

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

i) Economic Dependence

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

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

The Band also receives major funding pursuant to an arrangement with Health Canada, and under which certain surpluses and deficits may be offset, but with the net balance repayable or refundable as the case may be.

LOWER NICOLA INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

NOTE 2: TANGIBLE CAPITAL ASSETS

	Fire Truck	Automotive	School Automotive	Buildings	Computer Equipment	Firefighting Equipment	Logging Equipment	Infrastructure	Social Housing	Total
March 31, 2014										
Cost										
Balance, beginning of year	505,321	939,797	304,658	13,902,889	775,247	144,962	291,950	4,193,729	7,584,171	28,642,724
Acquisitions	-	61,303	88,554	240,231	155,692	-	-	-	-	545,780
Disposals	-	-	-	-	-	-	-	-	(653,778)	(653,778)
Balance, end of year	505,321	1,001,100	393,212	14,143,120	930,939	144,962	291,950	4,193,729	6,930,393	28,534,726
Accumulated amortization										
Balance, beginning of year	317,064	655,341	191,745	5,773,151	556,596	97,860	291,950	1,351,535	2,279,720	11,514,962
Amortization	23,532	102,229	16,398	560,920	76,412	11,966	-	167,750	237,092	1,196,299
Disposals	-	-	-	-	-	-	-	-	(420,647)	(420,647)
Balance, end of year	340,596	757,570	208,143	6,334,071	633,008	109,826	291,950	1,519,285	2,096,165	12,290,614
Net Book Value	164,725	243,530	185,069	7,809,049	297,931	35,136	-	2,674,444	4,834,228	16,244,112
March 31, 2013										
Cost										
Balance, beginning of year	270,000	829,785	215,379	13,603,437	590,355	144,962	291,950	4,193,729	8,643,525	28,783,122
Acquisitions	235,321	110,012	111,679	299,452	184,892	-	-	-	-	941,356
Disposals	-	-	(22,400)	-	-	-	-	-	(1,059,354)	(1,081,754)
Balance, end of year	505,321	939,797	304,658	13,902,889	775,247	144,962	291,950	4,193,729	7,584,171	28,642,724
Accumulated amortization										
Balance, beginning of year	270,000	557,178	176,309	5,223,025	505,152	85,893	291,950	1,183,785	2,768,286	11,061,578
Amortization	47,064	98,163	15,436	550,126	51,444	11,967	-	167,750	271,336	1,213,286
Disposals	-	-	-	-	-	-	-	-	(759,902)	(759,902)
Balance, end of year	317,064	655,341	191,745	5,773,151	556,596	97,860	291,950	1,519,285	2,279,720	11,514,962
Net Book Value	188,257	284,456	112,913	8,129,738	218,651	47,102	-	2,674,444	5,304,451	17,127,762

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LOWER NICOLA INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2014

NOTE 2: TANGIBLE CAPITAL ASSETS, continued

Transitional provisions

Effective January 1, 2007, the band adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the CICA with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets. For year-ends starting after January 1, 2009 Section 3150 – Tangible Capital Assets of the Public Sector Accounting Handbook came into effect.

During 2014, the Band continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of March 31, 2014, the Band has not yet finalized a listing of individual capital assets and values for the asset classes. The accumulation of data for the disclosure requirements under Section 3150 is currently in progress.

NOTE 3: INVESTMENT, LOANS AND ADVANCES TO FIRST NATION CONTROLLED ENTITIES

	2014 \$	2013 \$
Non-controlled entities		
All Nations Trust - shares, at cost	8,710	8,710
Advances to Nicola Valley Indian Services Association	15,001	15,000
	<hr/> 23,711	23,710
	<hr/>	<hr/>
LNIB Construction Ltd. 0% (2013 - 100%)*		
Shares	-	1
Accumulated equity in earnings	-	(197,536)
	<hr/> -	<hr/> (197,535)
	<hr/>	<hr/>
LNIB Holdings Ltd. (100%)		
Shares	100	-
Contributed surplus	129,670	-
Accumulated equity in earnings	(135,920)	-
	<hr/> (6,150)	<hr/> -
	<hr/>	<hr/>
LNIB Real Estate Developments Ltd. 0% (2013 - 100%)		
Shares	-	1
Contributed surplus	-	139,607
Accumulated equity in earnings	-	(1,807)
	<hr/> -	<hr/> 137,801
	<hr/>	<hr/>

LOWER NICOLA INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2014

NOTE 4: INVESTMENT, LOANS AND ADVANCES TO FIRST NATION CONTROLLED ENTITIES, continued

NAIK Development Corporation 0% (2013 - 100%)*

Shares	-	10
Accumulated equity in earnings	-	(61)
	-	(51)

NAIK Development Limited Partnership (99.999%)

Accumulated equity in earnings	340,127	248,690
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Shulus Cattle Co. Ltd. 0% (2013 - 100%)*

Shares, at cost (104 shares, unpaid)	-	-
Contributed surplus	-	1,047,911
Accumulated equity in earnings	-	(882,414)
	-	165,497

Shulus Forest Enterprises Incorporated 0% (2013 - 100%)*

Shares	-	1
Contributed surplus	-	51,800
Accumulated equity in earnings	-	(27,842)
	-	23,959

TOTAL	357,688	402,071
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*Effective July 31, 2013 the shares of these companies were transferred from Lower Nicola Indian Band to LNIB Holdings Ltd. The results of the fiscal 2014 operations are reflected in the balances from LNIB Holdings Ltd.

Financial information for each of the entities for their respective periods ending in the fiscal period is as follows:

	ASSETS \$	LIABILITIES \$	REVENUE \$	NET INCOME (LOSS) \$
Year ended March 31, 2014				
LNIB Holdings Ltd.	-	6,150	-	(135,920)
Year ended March 31, 2014				
NAIK Development Limited Partnership	570,005	229,932	122,262	91,446

LOWER NICOLA INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2014

NOTE 5: LONG-TERM DEBT

	2014 \$	2013 \$
Royal Bank of Canada demand loan, payments of \$1,210 per month plus interest at 3.16% per annum.	5,306	19,414
GMC/Ally Credit loan, payment of \$499 per month including interest at 4.99% per annum, secured by vehicle.	22,413	-
Peace Hills Trust, payments of \$18,002 per month including interest at 5.0% per annum, maturing October 1, 2031, secured by assignment of taxation revenues	534,282	620,310
Peace Hills Trust, payments of \$7,001 per month including interest at 5.0% per annum, maturing September 1, 2011, secured by assignment of taxation revenues.	207,771	241,226
Peace Hills Trust, payments of \$8,258 per month including interest at 5.0% per annum, maturing September 1, 2011, secured by assignment of taxation revenues.	245,087	284,551
Royal Bank of Canada loan, payments of \$3,967 per month including interest at 4.75% per annum, maturing June 14, 2017, secured by a Fire Truck.	143,097	182,864
GMC/Ally Credit loan, payment of \$554 per month including interest at 2.55% per annum, secured by vehicle.	7,098	12,953
Peace Hills Trust demand loan, interest only payments at prime plus 1.0% per annum, secured by an assignment of AANDC funding for the Mameet Dam.	-	750,000
GMC/Ally Credit loan, payment of \$953 per month including interest at 6.0% per annum, secured by the 2012 Dodge Ram.	37,589	46,502
GMC/Ally Credit loan, payment of \$528 per month including interest at 6.24% per annum, secured by the 2012 Chevy Traverse.	21,135	25,988
All Nations Trust Company loan, payment of \$3,893.31 per month including interest at 1.65% per annum, maturing April 1, 2017, secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	131,409	172,619
All Nations Trust Company loan, payment of \$2,841.51 per month including interest at 3.16% per annum, maturing April 1, 2013, secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	-	2,831

LOWER NICOLA INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2014

NOTE 4: LONG-TERM DEBT (continued)

	2014 \$	2013 \$
All Nations Trust Company loan, payment of \$2,196.36 per month including interest at 1.67% per annum, maturing February 1, 2017, secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	74,978	99,866
All Nations Trust Company loan, payment of \$1,989.97 per month including interest at 2.86% per annum, maturing September 1, 2023, secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	198,409	216,527
All Nations Trust Company loan, payment of \$2,314.84 per month including interest at 2.75% per annum, maturing October 1, 2025, secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	275,461	295,408
All Nations Trust Company loan, payment of \$1,717.62 per month including interest at 2.86% per annum, maturing November 1, 2023, secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	173,866	189,433
All Nations Trust Company loan, payment of \$1,443.12 per month including interest at 2.75% per annum, maturing November 1, 2026, secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	175,910	188,233
All Nations Trust Company loan, payment of \$833.14 per month including interest at 2.75% per annum, maturing November 1, 2025, secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	99,748	106,911
All Nations Trust Company loan, payment of \$1,130.61 per month including interest at 3.9% per annum, maturing January 1, 2028, secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	143,739	152,938
All Nations Trust Company loan, payment of \$2,047.19 per month including interest at 3.16% per annum, maturing April 1, 2028, secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	277,971	294,855

LOWER NICOLA INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2014

NOTE 4: LONG-TERM DEBT (continued)

	2014 \$	2013 \$
All Nations Trust Company loan, payment of \$2,883.73 per month including interest at 2.75% per annum, maturing February 1, 2026, secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	351,515	376,139
All Nations Trust Company loan, payment of \$3,590.39 per month including interest at 4.91% per annum, maturing July 1, 2032, secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	506,825	530,181
All Nations Trust Company loan, payment of \$2,767.68 per month including interest at 2.23% per annum, maturing June 1, 2034, secured by a Ministerial Guarantee from Aboriginal Affairs and Northern Development Canada	539,580	560,560
 TOTAL LONG-TERM DEBT	4,173,189	5,370,309

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

	\$
2015	480,214
2016	484,660
2017	503,671
2018	408,228
2019 and beyond	2,296,416
 4,173,189	 4,173,189

LOWER NICOLA INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS For the year ended March 31, 2014

NOTE 6: ACCUMULATED SURPLUS

	2014 \$	2013 \$
Restricted		
Opening balance	3,806,219	3,903,308
Enterprise Fund		
Excess (shortfall) of revenue over expenditures	(44,483)	64,194
Repayment of advances to Nicola Valley Indian Services Association	-	(10,000)
Acquisition of investments	100	-
Social Housing Fund		
Excess (shortfall) of revenue over expenditures	(8,923)	136,019
Housing Unit - matured phases transferred to Lower Nicola Indian Band	(233,131)	(299,452)
Trust Fund		
Excess (shortfall) of revenue over expenditures	150,187	12,150
Closing Balance	3,669,969	3,806,219
Unrestricted		
Opening balance	11,730,572	11,926,860
Operating Fund		
Net revenues	2,708,790	631,309
Capital Fund		
Net revenues	546,598	(827,597)
Closing Balance	14,985,960	11,730,572
TOTAL ACCUMULATED SURPLUS	18,655,929	15,536,791
Represented By:		
Social Housing Fund	2,750,325	2,992,379
Trust Fund	561,956	411,769
Enterprise Fund	357,688	402,071
Operating Fund	4,799,857	2,091,067
Capital Fund	10,186,103	9,639,505
	18,655,929	15,536,791

LOWER NICOLA INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS **For the year ended March 31, 2014**

NOTE 7: REPLACEMENT RESERVE FUND

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage & Housing Corporation, the Housing Program must set aside funds annually for the non-annual expenditures of the Program for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account with any interest earned to be credited as revenue to the Replacement Reserve Fund.

As at the year end date, the Replacement Reserve Fund - old program is overfunded by \$347,881 (2013 - underfunded by \$3,905) and the Replacement Reserve Fund - new program is underfunded by \$16,463 (2013 - underfunded by \$11,001).

NOTE 8: OPERATING RESERVE FUND

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage & Housing Corporation, the Program is to set aside any surplus revenue to an operating reserve for the purpose of meeting future requirements of income listed occupants over and above the maximum federal assistance. The Fund may be replenished to its original limit from subsequent operating surpluses.

As at the year end date, the Fund is underfunded by \$109,725 (2013 - \$84,211).

NOTE 9: CONTINGENT LIABILITIES

Aboriginal Affairs Northern Development Canada

Under the terms of the contribution agreements with Aboriginal Affairs and Northern Development Canada and other governmental departments, certain surpluses may be repayable to the government, and certain deficits may be reimbursable to the Band.

Loan Guarantee

A Government of Canada Ministerial Guarantee has been obtained for loans to certain band members. If these loans default, the Minister may recover the outstanding amounts from the Lower Nicola Indian Band.

The band has guaranteed loans totaling \$288,420.

Legal Claim

At March 31, 2014, the Lower Nicola Indian Band had been named as a defendant in a legal suit brought by a third party. Contingent liabilities, if any, are undeterminable at this time and no provisions have been made in these financial statements for any costs related to the suit.

NOTE 10: TRUST FUNDS

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

LOWER NICOLA INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS **For the year ended March 31, 2014**

NOTE 11: SEGMENTED INFORMATION

The Lower Nicola Indian Band is a First Nations government institution that provides a range of programs and services to its members, including band programs, health, social development, education, job creation, capital works and social housing. For management reporting purposes the First Nation's 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:

The Band Programs department is responsible for administering projects the Band is involved in annually and on an on-going basis relating to the overall objectives of the First Nation and the development of stable, legitimate and accountable community governments. It also provides overall support of the First Nation including advisory services relating to financial management, band government, economic development, community services and technical services.

The Health department oversees the delivery of health programs and initiatives for the betterment of the lives of the members of the First Nation.

Social Development provides assistance to community members unable to provide for themselves and their dependents. The services provided by this department include, but are not limited to, income assistance, child and family services, assisted living and early childhood development.

Education supports the members in expressing, preserving, developing and promoting its cultural heritage through the establishment and operation of First Nation education centres and programs, it also provides services for students at the elementary/secondary and post secondary level, including; instructional services both on and off reserve as well as support services such as transportation, accommodation, guidance and counselling.

Job Creation supports the development of employment opportunities for members of the First Nation.

Capital Projects manages capital projects within the community undertaken to support the growth and/or maintenance of the First Nation's infrastructure.

Social Housing is responsible for the administration and management of Social Housing units.

Other operations include Capital Fund and Enterprise Fund transactions.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

continued on next page...

LOWER NICOLA INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

NOTE 11: SEGMENTED INFORMATION (Continued)

	Band Programs	Health	Social Development	Education	Job Creation	Capital Projects	Other
REVENUE							
Aboriginal Affairs and Northern Development Canada	794,888	-	1,493,177	2,704,880	52,384	329,600	-
Administration	35,366	6,828	-	-	-	-	-
B.C. Hydro	15,113	-	-	-	2,200,000	-	-
Canada Mortgage and Housing Corporation	-	-	-	-	-	90,731	-
Capacity and development funding	-	-	-	-	1,106,528	-	-
Capital fund	-	-	-	-	-	-	1,532,300
Cost recoveries	1,436	1,180	-	13,661	241	28,340	-
First Nations Education Steering Committee	-	-	-	123,378	-	-	-
Forest license royalties	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-
Health Canada / First Nations Health Authority	-	755,193	-	99,020	-	-	-
Interior Salish Employment and Training Society	-	-	-	14,480	-	-	-
Loan proceeds	-	-	-	-	-	314,317	-
Management fees	396,450	-	-	-	-	-	-
Other	271,741	5,333	8,871	66,237	133,480	241,139	-
Province of BC	118,918	-	-	164,935	-	-	-
Rental	355,107	-	-	-	-	90,716	-
Share of income of First Nations Controlled Entities	-	-	-	-	-	-	(44,383)
Social Housing	-	-	-	-	-	-	-
Taxation	1,368,091	-	-	-	-	-	-
Trust fund revenue	-	-	-	-	-	-	150,187
Western Economic Diversification Canada	-	-	-	-	-	-	-
Allocation from (to) deferred revenue	-	-	-	-	-	674,431	-
	3,357,110	768,534	1,502,048	3,186,591	3,492,633	1,769,274	1,638,104
EXPENSES							
Salaries and benefits	1,380,250	478,939	214,199	731,865	238,756	310,805	-
Other	1,850,045	297,805	1,202,620	1,739,771	1,074,238	1,848,107	26,495
Amortization	-	-	-	-	-	-	959,207
	3,230,295	776,744	1,416,819	2,471,636	1,312,994	2,158,912	985,702
	126,815	(8,210)	85,229	714,955	2,179,639	(389,638)	652,402

LOWER NICOLA INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

NOTE 12: EXPENDITURES BY OBJECT

	2014	2013
	\$	\$
Administration	26,680	344,717
Adjustment for matured units in Social Housing Fund	233,131	299,452
Advertising	30,022	24,116
Amortization	1,196,299	1,213,286
Automotive	126,862	180,473
Bad debts	218,395	6,841
Capital asset disposals	-	22,400
Capital purchases in the Operating Fund	233,709	561,169
Committees and meetings	36,699	28,076
Contracted services	581,665	2,104,324
Debt servicing	1,132,862	693,928
Honoraria	245,805	232,199
Insurance	118,265	112,184
Office and general	119,704	152,306
Professional fees	1,300,299	1,673,197
Program expenditures	3,452,891	3,447,244
Proceeds from long-term debt	26,495	1,038,028
Rent and utilities	635,631	576,416
Repairs and maintenance	469,731	458,340
Supplies	320,148	309,004
Wages and benefits	3,112,809	3,328,184
 Total	 13,618,102	 16,805,884