

**Nicomen Indian Band**  
**Financial Statements**  
*March 31, 2015*

# Nicomen Indian Band

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# Management's Responsibility

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To the Members of Nicomen Indian Band:

The accompanying financial statements of Nicomen Indian Band are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Nicomen Indian Band Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the Band's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

September 11, 2015

<u>Original Signed by Ursula Drynock</u>	Chief	<u>Original Signed by Jeff Munroe</u>	Band Manager
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## Independent Auditors' Report

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To the Members of Nicomen Indian Band:

We have audited the accompanying financial statements of Nicomen Indian Band, which comprise the statement of financial position as at March 31, 2015 and the statements of operations and accumulated surplus, changes in net financial assets 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 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 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 qualified audit opinion.

### *Basis for Qualified Opinion*

Beginning January 1, 2009, Canadian public sector accounting standards require that the Band record the net value of tangible capital assets in its financial statements. The Band has not applied these new financial reporting standards. As a result, non-profit housing assets are overstated by \$26,607 and amortization expense is overstated by \$4,812. The Band did not provide us with a completed capital assets register for the remaining assets reflecting the total cost of tangible capital assets owned and appropriate accumulated amortization and any impairment attributable to each of the remaining assets, therefore we were unable to determine the net value of these remaining 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 years.

The financial statements do not include budgeted information. The exclusion of such information is a departure from Canadian public sector accounting standards as the comparison of budgeted to actual results is a significant measurement of performance.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly in all material respects the financial position of Nicomen Indian Band as at March 31, 2015 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chilliwack, British Columbia

September 11, 2015

*MNP LLP*

Chartered Professional Accountants

**Nicomen Indian Band**  
**Statement of Financial Position**  
*As at March 31, 2015*

	<b>2015</b>	<b>2014</b>
<b>Financial assets</b>		
Cash	<b>48,231</b>	549,296
Accounts receivable	<b>52,444</b>	85,926
Funds held in trust (Note 3)	<b>476,895</b>	460,845
Replacement reserve (Note 4)	<b>17,961</b>	-
Long-term investments (Note 5)	<b>11,190</b>	11,190
	<b>606,721</b>	1,107,257
<b>Liabilities</b>		
Accounts payable and accruals (Note 6)	<b>90,318</b>	81,131
Deferred revenue (Note 7)	<b>8,340</b>	26,653
Long-term debt (Note 8)	<b>126,960</b>	145,057
	<b>225,618</b>	252,841
<b>Net financial assets</b>	<b>381,103</b>	854,416
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	<b>469,671</b>	467,192
Prepaid expenses	<b>3,940</b>	13,573
	<b>473,611</b>	480,765
<b>Accumulated surplus (Note 9)</b>	<b>854,714</b>	1,335,181
<b>Approved on behalf of the Council</b>		
<u>Original Signed by Ursula Drynock</u>	<b>Chief</b>	<u>Original Signed by Samantha Adams</u> <b>Councilor</b>

**Nicomen Indian Band**  
**Statement of Operations and Accumulated Surplus**  
*For the year ended March 31, 2015*

	<i>Schedules</i>	<b>2015</b>	<b>2014</b>
<b>Revenue</b>			
Aboriginal Affairs and Northern Development Canada		<b>388,622</b>	442,536
Department of Fisheries and Oceans		<b>26,500</b>	32,750
Canada Mortgage and Housing Corporation		<b>18,879</b>	-
Ministry of Forests		<b>167,904</b>	40,600
Other Revenue		<b>57,399</b>	98,143
Kwoiek Creek Resources Limited Partnership		<b>52,115</b>	14,500
Interior Salish Employment and Training Society		<b>22,778</b>	37,346
Rental Income		<b>20,971</b>	33,800
Union of BC Municipalities		<b>11,243</b>	96,157
Interest Income - Ottawa Trust		<b>11,114</b>	12,629
CPR - Ottawa Trust		<b>4,628</b>	8,938
Squianny Family Centre		<b>4,500</b>	8,518
BC Special - Ottawa Trust		<b>308</b>	308
Nlaka'pamux Legacy Trust		-	300,000
Nlha'7kapmx Child and Family		-	2,000
Highland Valley Copper		-	21,160
Accrued Funding Recovery Adjustment		<b>(61,597)</b>	(34,203)
		<b>725,364</b>	1,115,182
<b>Expenses</b>			
Administration	3	<b>690,470</b>	446,277
Education and Economic Development	4	<b>184,262</b>	283,624
Social Development and Health	5	<b>120,659</b>	148,745
Capital Projects	6	<b>22,714</b>	22,043
Maintenance	7	<b>42,577</b>	58,928
Employment	8	<b>49,277</b>	64,654
Housing	9	<b>48,238</b>	17,270
Other	10	<b>47,634</b>	43,714
		<b>1,205,831</b>	1,085,255
<b>Surplus (deficit)</b>		<b>(480,467)</b>	29,927
<b>Accumulated surplus, beginning of year</b>		<b>1,335,181</b>	1,305,254
<b>Accumulated surplus, end of year</b>		<b>854,714</b>	1,335,181

**Nicomen Indian Band**  
**Statement of Change in Net Financial Assets**  
*For the year ended March 31, 2015*

	<b>2015</b>	<b>2014</b>
<b>Annual surplus (deficit)</b>	<b>(480,467)</b>	29,927
Purchases of tangible capital assets	<b>(50,113)</b>	-
Amortization of tangible capital assets	<b>47,634</b>	43,714
	<b>(2,479)</b>	43,714
Acquisition of prepaid expenses	<b>(3,940)</b>	(13,573)
Use of prepaid expenses	<b>13,573</b>	7,085
	<b>9,633</b>	(6,488)
<b>Increase (decrease) in net financial assets</b>	<b>(473,313)</b>	67,153
<b>Net financial assets, beginning of year</b>	<b>854,416</b>	787,263
<b>Net financial assets, end of year</b>	<b>381,103</b>	854,416

**Nicomen Indian Band**  
**Statement of Cash Flows**  
*For the year ended March 31, 2015*

	2015	2014
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Annual Surplus (deficit)	(480,467)	29,927
Non-cash items		
Amortization	47,634	43,714
Income in Ottawa Trust	(16,051)	(21,876)
	(448,884)	51,765
Changes in working capital accounts		
Accounts receivable	33,482	(22,603)
Prepaid expenses	9,633	(6,488)
Replacement reserve	(17,961)	-
Accounts payable and accruals	9,188	27,603
Deferred revenue	(18,313)	(16,086)
	(432,855)	34,191
<b>Financing activities</b>		
Repayment of long-term debt	(18,097)	(17,799)
<b>Capital activities</b>		
Purchases of tangible capital assets	(50,113)	-
<b>Increase (decrease) in cash resources</b>	(501,065)	16,392
<b>Cash resources, beginning of year</b>	549,296	532,904
<b>Cash resources, end of year</b>	48,231	549,296
<b>Supplementary cash flow information</b>		
Interest paid	2,277	2,575



**1. Operations**

The Nicomen Indian Band (the "Band") is located in the province of British Columbia. Nicomen Indian Band includes the Band's government and all related entities that are accountable to the Band and are either owned or controlled by the Band.

**2. Significant accounting policies**

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

***Basis of presentation***

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

***Asset classification***

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

***Net financial assets***

The Band's financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the Band is determined by its financial assets less its liabilities. Net financial assets is comprised of two components, non-financial assets and accumulated surplus.

***Cash resources***

Cash resources include balances with banks and short-term investments with maturities of three months or less.

***Tangible capital assets***

Tangible capital assets are initially recorded at cost based on historical cost accounting records for all tangible capital assets. Contributed tangible assets are recorded at their fair value at the date of contribution.

***Amortization***

Non-profit housing assets acquired under Canada Mortgage and Housing Corporation ("CMHC") sponsored programs are amortized over their estimated useful lives at a rate equivalent to the annual principal reduction in the related long-term debt. Amortization for other tangible capital assets is provided using the declining balance method at rates intended to amortize the cost of the assets over their estimated useful lives:

	Method	Rate
Buildings	declining balance	20 %
Domestic Water System	declining balance	20 %
Equipment	declining balance	20 %

***Long-lived assets and discontinued operations***

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

When the Band determines that a long-lived asset no longer has any long-term service potential to the Band, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

**2. Significant accounting policies** *(Continued from previous page)*

***Funds held in Ottawa Trust Fund***

Funds held in trust on behalf of Band members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other Band tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

***Portfolio investments***

Long-term investments in entities that are not owned, controlled or influenced by the Band are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

***Revenue recognition***

**Government Transfers**

The Band recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Band recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

**Externally restricted revenue**

The Band recognizes externally restricted inflows as revenue in the period the resources are used for the purposes specified in accordance with an agreement or legislation. Until this time, the Band records externally restricted inflows in deferred revenue.

**Funds held in Ottawa Trust Fund**

Due to measurement uncertainty, revenue related to the receipt of funds held in the Ottawa Trust Fund is recognized when it is received.

**Other revenue**

Other revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

***Measurement uncertainty***

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

***Recent accounting pronouncements***

**Financial instruments**

In June 2011, the Public Sector Accounting Board (PSAB) issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2016. Earlier adoption is permitted.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. The Band has not yet determined the effect of these new standards on its financial statements.

**2. Significant accounting policies** *(Continued from previous page)*

**Segments**

The Band conducts its business through eight reportable segments: Administration, Education and Economic Development, Social Development and Health, Capital Projects, Maintenance, Employment, Housing and Other. These operating segments are established by senior management to facilitate the achievement of the Band's long-term objectives to aid in resource allocation decisions and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements.

**3. Funds held in trust**

Capital and revenue trust monies are transferred to the Band on the authorization of the Minister of Aboriginal Affairs and Northern Development Canada, with the consent of the Band's Council.

	2015	2014
<b>Capital Trust</b>		
Balance, beginning and end of year	<b>219,273</b>	219,273
<b>Revenue Trust</b>		
Balance, beginning of year	<b>241,572</b>	219,697
Interest	<b>11,114</b>	12,629
Canada Pacific Railway	<b>4,628</b>	8,938
BC Special Distribution	<b>308</b>	308
Balance, end of year	<b>257,622</b>	241,572
	<b>476,895</b>	460,845

**4. Replacement reserve**

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the Band established a replacement reserve funded by an annual allocation of \$6,142, to ensure maintenance and replacement of buildings financed by CMHC. At March 31, 2015, \$17,961 (2014 - \$Nil) has been set aside to fund this reserve. The unfunded portion at March 31, 2015 was \$29,879 (2014 *Restated* - \$41,698).

In accordance with terms of the agreements, CMHC reserve moneys must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal.

**5. Long-term investments**

Long-term investments consist of 5,595 Class A common shares of All Nations Trust Company and are recorded at cost.

**Nicomen Indian Band**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2015*

**6. Accounts payable and accruals**

Included in accounts payable and accruals are government remittances payable of \$10,060 (2014 - \$3,664).

**7. Deferred revenue**

Recognition of revenue was deferred for the following programs until related costs are incurred. These deferred revenues are committed to the programs based on funding agency guidelines and/or management policies:

	2015	2014
Subdivision Design - Project 3463	-	18,313
Skeesht Health Society - Diabetic Members	<b>8,340</b>	8,340
	<b>8,340</b>	26,653

**8. Long-term debt**

	2015	2014
Non-Profit Housing IV All Nations Trust mortgage; payments of \$1,697 per month, including interest at 1.67% per annum; renewal date of April 1, 2017; maturity date of October 1, 2021	<b>126,960</b>	145,057

Principal repayments on long-term debt in each of the next five years, assuming term debt is subject to contractual terms of repayment and long-term debt subject to refinancing is renewed, are estimated as follows:

2016	18,396
2017	18,706
2018	19,020
2019	19,341
2020	19,666

Long-term debt for housing projects is secured by Ministerial guarantees of the Minister of Aboriginal Affairs and Northern Development Canada.

**9. Accumulated surplus**

Accumulated surplus is comprised of the following:

	2015	2014 <i>Restated (Note 14)</i>
Operating surplus (deficit)	<b>(12,732)</b>	510,503
Capital surplus	<b>342,710</b>	322,135
Ottawa trust surplus	<b>476,896</b>	460,845
Replacement reserve surplus	<b>47,840</b>	41,698
	<b>854,714</b>	1,335,181

**10. Economic dependence**

Nicomen Indian Band receives a significant portion of its revenue from Aboriginal Affairs and Northern Development Canada (AANDC) as a result of agreements entered into with the Government of Canada. These agreements are administered by AANDC under the terms and conditions of the Indian Act. The ability of the Band to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these agreements.

**11. Financial Instruments**

The Nicomen Indian Band's financial instruments consist of cash, receivables, marketable securities, accounts payable, accrued liabilities and long-term debt. It is management's opinion that the Nicomen Indian Band is not exposed to significant currency, credit, or interest rate risk arising from these financial instruments. The fair value of the instruments approximates their carrying values, unless otherwise noted.

**12. Segments**

The Nicomen Indian Band receives revenues and incurs expenses from various projects and sources. For management and reporting purposes, the revenues, expenses and surplus or deficits are organized by segments. Schedules 3 to 10 disclose the Band's revenues and expenses in the following segments:

*Administration*

Includes general operations, support and financial management of the Band.

*Education and Economic Development*

Includes revenues and expenses related to primary, secondary and post secondary education of the members of the Band and activities related to the growth of revenue producing projects with the Band.

*Social Development and Health*

Includes revenues and expenses relating to the social assistance of the members of the Band and the provision of health services within the Band

*Capital Projects*

Includes revenues and expenditures related to capital projects.

*Maintenance*

Includes revenues and expenditures related to ongoing community maintenance.

*Employment*

Includes revenues and expenses related to employment programs of the Band.

*Housing*

Includes rent collection and maintenance related to the mortgaged homes owned by the Band.

*Other*

Includes revenues and expenses related to the Ottawa Trust fund and other activities not related to another segment.

**13. First Nations Financial Transparency Act**

The First Nation is required to post its consolidated financial statements on a website and submit the consolidated financial statements to AANDC by July 29, 2015. As the audit report is dated after this date, the First Nation is in violation of this requirement. The possible effect of this violation has not yet been determined.

**14. Correction of an error**

During the year, the Band determined that an adjustment was required to the CMHC replacement reserve as a result of matured CMHC housing units in 2007. The effect of this correction was a decrease in replacement reserve equity and an increase in administration segment equity of \$54,209 at March 31, 2014.

**Nicomen Indian Band**  
**Schedule 1 - Schedule of Tangible Capital Assets**  
*For the year ended March 31, 2015*

	<i>Equipment</i>	<i>Domestic Water System</i>	<i>Buildings</i>	<i>2015</i>	<i>2014</i>
<b>Cost</b>					
Balance, beginning of year	396,034	444,331	940,006	1,780,371	1,780,371
Acquisition of tangible capital assets	-	18,072	32,041	50,113	-
Balance, end of year	396,034	462,403	972,047	1,830,484	1,780,371
<b>Accumulated amortization</b>					
Balance, beginning of year	287,547	444,331	581,301	1,313,179	1,269,465
Annual amortization	22,601	-	25,033	47,634	43,714
Balance, end of year	310,148	444,331	606,334	1,360,813	1,313,179
<b>Net book value of tangible capital assets</b>	<b>85,886</b>	<b>18,072</b>	<b>365,713</b>	<b>469,671</b>	<b>467,192</b>
2014 Net book value of tangible capital assets 2014	108,487	-	358,705	467,192	

**Nicomen Indian Band**  
**Schedule 2 - Schedule of Consolidated Expenses by Object**  
*For the year ended March 31, 2015*

	<b>2015</b>	<b>2014</b>
<b>Consolidated expenses by object</b>		
Administration	<b>37,744</b>	47,828
Advertising	<b>4,638</b>	4,719
Allocation	<b>20,127</b>	26,580
Amortization	<b>47,634</b>	43,714
Audit	<b>23,750</b>	24,000
Bad debts	<b>48,722</b>	-
Bank charges and interest	<b>1,015</b>	142
Basic needs	<b>70,047</b>	84,059
Benefits	<b>2,055</b>	2,430
Education travel, training and honoraria	<b>11,461</b>	26,485
Contracted services	<b>33,385</b>	17,616
Elections	-	5,450
Funeral	-	45,044
Garbage removal	<b>1,000</b>	1,000
Honoraria	<b>11,100</b>	10,800
In-home care	<b>5,533</b>	9,251
In-home care - service delivery	<b>1,423</b>	1,698
Indian registry costs	<b>949</b>	995
Insurance	<b>25,845</b>	10,110
Management fees	<b>11,333</b>	16,729
Materials	<b>1,094</b>	7,331
Miscellaneous	<b>9,511</b>	9,950
Mortgage payments	<b>2,277</b>	2,551
Office supplies	<b>3,637</b>	3,722
Professional fees	<b>26,214</b>	18,148
Rent	<b>5,858</b>	7,066
Repairs and maintenance	<b>13,643</b>	40,548
Salaries and benefits	<b>583,142</b>	462,828
Special needs	<b>600</b>	2,486
Student expenses	-	2,843
Subcontracts	<b>20,613</b>	33,063
Supplies	<b>63,583</b>	39,432
Telephone	<b>20,101</b>	13,181
Training	<b>53,306</b>	15,740
Travel	<b>41,802</b>	38,148
Vehicle	<b>7,097</b>	7,412
Workshops	<b>400</b>	2,156
Administration charged to other functions	<b>(4,808)</b>	-
	<b>1,205,831</b>	1,085,255