

Upper Nicola Indian Band
Financial Statements
For the year ended March 31, 2014

Upper Nicola Indian Band
Financial Statements
For the year ended March 31, 2014

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Management's Responsibility for Financial Reporting

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

The financial statements have been prepared by management in accordance with Canadian public accounting standards. 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 Upper 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 Band's assets are appropriately accounted for and adequately safeguarded.

The Upper 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. Council carries out this responsibility principally through its Finance committee.

The Chief and Council review the Band's financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Chief and Council takes this information into consideration when approving the financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. BDO Canada LLP has full access to the Band Council.



Chief

Councillor



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BDO Canada LLP
300 - 272 Victoria Street
Kamloops BC V2C 1Z6 Canada

Independent Auditor's Report

To the Members of Upper Nicola Indian Band

We have audited the accompanying financial statements of Upper Nicola Indian Band, which comprise the statement of financial position as at March 31, 2014 and the statements of change in net assets, financial activity 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.

Auditor's 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 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 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

As noted in the Summary of Significant Accounting Policies regarding tangible capital assets, the Social Housing tangible capital assets are required by Canada Mortgage and Housing Corporation to be amortized at a rate equivalent to the annual principal reduction of the related long term debt. This amortization policy is not in accordance with Canadian public sector accounting standards, which require that tangible capital assets be amortized over their estimated useful lives. The effect of this departure has not been determined on the net book value of tangible capital assets, the related amortization expense, annual surplus and equity in tangible capital assets.



Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Upper Nicola Indian Band as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public accounting standards.

Other Matters

Upper Nicola Indian Band has also prepared another set of financial statements for the year ended March 31, 2014 in accordance with Canadian public sector accounting standards. However, these financial statements include unaudited supplementary exhibits and schedules which present detailed program revenues and expenditures prepared to assist management of Upper Nicola Indian Band to meet the reporting requirements of various funding agencies. In addition, these financial statements have expanded disclosures for Chief and Council. Our audit report on the other set of financial statements was issued to Chief and Council of Upper Nicola Indian Band and was dated July 29, 2014.

A handwritten signature in black ink that reads 'BDO Canada LLP'. The signature is written in a cursive, flowing style.

Chartered Accountants

Kamloops, British Columbia
July 29, 2014

Upper Nicola Indian Band

Exhibit A - Statement of Financial Position

As at March 31 2014 2013

Financial Assets

| | | |
|--------------------------------|------------------|------------------|
| Cash (Note 1) | \$ 6,159,287 | \$ 6,985,899 |
| Restricted cash (Note 2) | 776,249 | 753,418 |
| Temporary investments (Note 3) | 29,000 | - |
| Accounts receivable (Note 4) | 1,224,434 | 870,571 |
| Investments (Note 5) | 948,753 | 816,624 |
| | <u>9,137,723</u> | <u>9,426,512</u> |

Liabilities

| | | |
|---|------------------|------------------|
| Accounts payable (Note 6) | 2,046,054 | 2,552,316 |
| Deferred revenue (Note 7) | 483,492 | 536,522 |
| Long-term debt (Note 8) | 1,392,758 | 1,421,107 |
| Obligations under capital leases (Note 9) | 36,286 | 80,064 |
| Upper Nicola Trust | 122,154 | 208,850 |
| Funded reserves | 31,424 | 31,424 |
| | <u>4,112,168</u> | <u>4,830,283</u> |

Net Financial Assets

5,025,555 4,596,229

Non-financial Assets

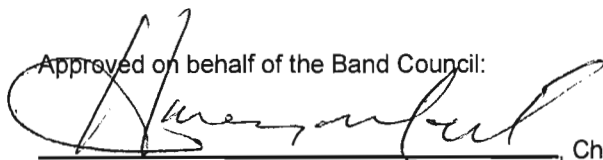
| | | |
|-----------------------------------|------------------|------------------|
| Prepaid expenses | 24,510 | 53,022 |
| Tangible capital assets (Note 10) | 8,671,789 | 7,330,354 |
| | <u>8,696,299</u> | <u>7,383,376</u> |

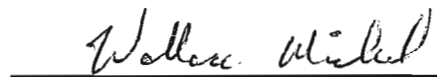
Accumulated Surplus (Note 15)

\$ 13,721,854 \$ 11,979,605

Commitments (Note 17)
Contingencies (Note 18)

Approved on behalf of the Band Council:

 Chief

 Councillor

Upper Nicola Indian Band
Exhibit B - Statement of Change in Net Financial Assets

| | 2014 | 2013 |
|---|---------------------|---------------------|
| Annual surplus (deficit) | \$ 1,555,205 | \$ (655,552) |
| Acquisition of tangible capital assets (Note 10) | (2,185,422) | (222,253) |
| Amortization of tangible capital assets (Note 10) | 843,987 | 788,685 |
| Disposal of tangible capital assets | 32,084 | - |
| | 245,854 | (89,120) |
| Change in prepaid expenses | 28,512 | 8,212 |
| Equity change in Ottawa Trust Funds | 22,831 | 27,611 |
| Equity change in investments | 132,129 | 114,774 |
| | 154,960 | 142,385 |
| Change in net financial assets | 429,326 | 61,477 |
| Net financial assets, beginning of year | 4,596,229 | 4,534,752 |
| Net financial assets, end of year | \$ 5,025,555 | \$ 4,596,229 |

Upper Nicola Indian Band

Exhibit C - Statement of Financial Activity

| For the year ended March 31 | Budget | 2014 | 2013 |
|---|--------|--------------|--------------|
| Revenue | | | |
| Aboriginal Affairs and Northern Development | \$ - | \$ 4,944,591 | \$ 3,221,065 |
| Canada Mortgage and Housing Corporation | - | 57,893 | 61,906 |
| Health and Welfare Canada | - | 795,493 | 1,091,263 |
| First Nations Health Authority | - | 538,621 | - |
| Housing | - | 137,609 | 131,173 |
| Other | - | 2,261,947 | 3,737,477 |
| | - | 8,736,154 | 8,242,884 |
| Expenses | | | |
| Community Welfare | - | 1,595,775 | 1,367,401 |
| Band Support | - | 1,508,069 | 1,315,885 |
| Operations & Maintenance | - | 1,202,924 | 1,128,625 |
| Education | - | 1,846,695 | 1,897,501 |
| Natural Resources and Economic Development | - | 735,548 | 2,420,614 |
| Capital | - | 37,793 | 510,957 |
| Social Housing | - | 254,145 | 257,453 |
| | - | 7,180,949 | 8,898,436 |
| Annual surplus (deficit) | \$ - | \$ 1,555,205 | \$ (655,552) |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Upper Nicola Indian Band

Exhibit D - Statement of Cash Flows

| For the year ended March 31 | 2014 | 2013 |
|---|---------------------|---------------------|
| Cash provided by (used for) | | |
| Operating activities | | |
| Cash receipts from funders | \$ 8,295,105 | \$ 8,635,850 |
| Cash paid to employees and suppliers | (6,778,598) | (7,982,687) |
| Interest paid | (36,112) | (49,464) |
| Cash flows from operating activities | 1,480,395 | 603,699 |
| Capital activity | | |
| Change in tangible capital assets | (2,148,183) | (222,253) |
| Investing activities | | |
| Change in Upper Nicola Trust | (86,696) | (52,489) |
| Increase in restricted cash balances | (22,831) | (27,611) |
| Change in equity in Ottawa Trust Funds | 22,831 | 27,611 |
| Increase in investments | (132,129) | (114,774) |
| Change in equity in investments | 132,129 | 114,774 |
| Cash flows from investing activities | (86,696) | (52,489) |
| Financing activity | | |
| Repayment of long-term debt | (72,128) | (131,863) |
| Net increase (decrease) in cash | (826,612) | 197,094 |
| Cash, beginning of year | 6,985,899 | 6,788,805 |
| Cash, end of year | \$ 6,159,287 | \$ 6,985,899 |

Upper Nicola Indian Band

Summary of Significant Accounting Policies

March 31, 2014

| | |
|------------------------------|---|
| Basis of Presentation | These financial statements have been prepared, in all material respects, in accordance with Canadian public sector accounting standards for government entities as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) which encompass the following policies. |
| Revenue Recognition | <p>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.</p> <p>Rental revenue is recognized as it becomes receivable under the terms of the rental agreement.</p> <p>All other revenue is recognized in the period in which the events that give rise to the revenue occurs.</p> |
| Ottawa Trust Funds | Upper Nicola Indian Band uses the accrual method of accounting for Ottawa Trust Fund revenues earned in the Fund. Trust monies are recognized in revenue of the Band upon withdrawal from the Ottawa Trust Fund. |
| Rents Receivable | Canada Mortgage and Housing Corporation (CMHC) does not allow or recognize bad debts recorded in the financial statements of Social Housing and will not subsidize rental arrears. |
| Government Transfers | Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made. |
| Deferred Revenue | Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of financial activity in the year in which it is used for the specified purpose. |
| Loans | Loans issued and loans repaid under the fund accounting method are recorded as expenditures and revenue respectively. Loans which become uncollectible are removed from equity in the year they are first considered doubtful. |

Upper Nicola Indian Band

Summary of Significant Accounting Policies

March 31, 2014

Tangible Capital Assets Tangible capital assets are stated at cost less accumulated amortization and are recorded in the Capital Fund. The acquisition costs of tangible capital assets and payments on capital debt which are not funded from capital financing sources are charged to operations through interfund transfers 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 in tangible capital assets.

Amortization is charged on a straight-line basis at the following rates:

| | |
|-------------------------|-----|
| Automotive | 25% |
| Bridges | 4% |
| Buildings | 5% |
| Furniture and equipment | 20% |
| Infrastructure | 4% |
| Television site | 5% |

Social housing assets acquired under CMHC sponsored housing programs are amortized at a rate equivalent to the annual principal reduction in related long-term debt, as required for CMHC reporting purposes. Tangible capital assets acquired as part of the Social Housing Fund are recorded as assets of those funds.

Impairment of Long-lived Assets

In the event that facts and circumstances indicate that the Band's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. The Band considers that no circumstances exist that would require such an evaluation.

Leased Assets

Leases entered into that transfer substantially all of the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with the tangible capital assets owned by the Band, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make assumptions and estimates that have an effect on 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 year. Actual results could be different from those estimates, as additional information becomes available in the future.

Upper Nicola Indian Band

Summary of Significant Accounting Policies

March 31, 2014

Financial Instruments

The Band recognizes and measures financial assets and financial liabilities on the statement of financial position when it becomes a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are recorded on a trade date or settlement date basis. All financial instruments are measured at fair value on initial recognition. Financial instruments are subsequently measured at amortized cost as the Band has not entered into any derivative contracts and it does not hold any investments in equity instruments quoted on an active market. Since no financial instruments are measured at fair value after initial recognition, a Statement of Remeasurement Gains and Losses has not been presented in these financial statements.

Investments

The Band accounts for its investments in Stuwix Resources Joint Venture and Stuwix Resources Ltd. using the modified equity method. Under this method, the cost of the investments are adjusted by earnings or losses of the entities from the date of acquisition. Any losses in excess of equity invested are not recorded as this would create a negative investment balance. In such circumstances, no income inclusion would be recorded until these unrecognized losses have been eliminated.

Inter-entity balances and transactions are not eliminated under the modified equity method.

Other investments are recorded on the cost basis.

Upper Nicola Indian Band Notes to Financial Statements

March 31, 2014

1. Cash

| | 2014 | 2013 |
|------------------------|---------------------|---------------------|
| Band Operations | | |
| Band operations | \$ (142,054) | \$ 707,036 |
| Education | - | 200 |
| Other | 5,700,000 | 6,000,000 |
| Resource development | 601,341 | 277,263 |
| Social development | - | 1,400 |
| | \$ 6,159,287 | \$ 6,985,899 |

2. Restricted Cash

| | 2014 | 2013 |
|-------------------------------|-------------------|-------------------|
| Ottawa Trust Funds | \$ 744,825 | \$ 721,994 |
| Social Housing Fund | | |
| Replacement reserve (Note 12) | 31,424 | 31,424 |
| | \$ 776,249 | \$ 753,418 |

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.

These funds are restricted in their use. The Band is permitted to use its revenue for any purpose that will promote the general progress and welfare of the Band and Band members. The expenditures of capital funds requires the consent of Aboriginal Affairs and Northern Development Canada and generally must be for projects of a capital nature. Withdrawals of revenue or capital funds are recorded as revenue in the applicable fund where the monies are expended.

Upper Nicola Indian Band Notes to Financial Statements

March 31, 2014

3. Temporary Investments

During the year, the Band invested in two GIC's held in a Canadian financial institution. The GIC's earn interest at a rate of 0.8% per year and mature in May 2014 and March 2015 respectively.

4. Accounts Receivable

Accounts receivable by program area is summarized as follows:

| | 2014 | 2013 |
|---------------------------------------|---------------------|-------------------|
| Operating Fund | | |
| Band operations | \$ 732,771 | \$ 1,027,770 |
| Less: Allowance for doubtful accounts | (598,103) | (671,833) |
| | <u>134,668</u> | <u>355,937</u> |
| Education | 91,565 | 112,674 |
| Less: Allowance for doubtful accounts | (11,625) | (35,005) |
| | <u>79,940</u> | <u>77,669</u> |
| Social Development | 540,729 | (175) |
| Other operating funds | 498,061 | 488,243 |
| Less: Allowance for doubtful accounts | (28,584) | (72,029) |
| | <u>469,477</u> | <u>416,214</u> |
| | <u>1,224,814</u> | <u>849,645</u> |
| Social Housing Fund | | |
| Social Housing | (380) | 20,926 |
| | <u>\$ 1,224,434</u> | <u>\$ 870,571</u> |

Upper Nicola Indian Band Notes to Financial Statements

March 31, 2014

5. Investments

| | 2014 | 2013 |
|---|-------------------|-------------------|
| All Nations Trust Company | \$ 24,000 | \$ 24,000 |
| Nicola Valley Indian Services Association | 338,762 | 328,895 |
| Nicola Tribal Association | 13,598 | 13,598 |
| Stuwix Resources Joint Venture | 572,393 | 450,131 |
| | <u>\$ 948,753</u> | <u>\$ 816,624</u> |

Upper Nicola Indian Band has a non-controlling interest in the Nicola Valley Indian Services Association and Nicola Tribal Association.

Upper Nicola Indian Band has a non-controlling interest in Stuwix Resources Joint Venture. During the year, the Joint Venture paid, under normal terms of trade, \$217,848 (2013 - \$182,051) for contract services provided. Summary of the financial statements of Stuwix Resources Joint Venture for the year ended March 31, 2014 is as follows:

Balance Sheet

| | |
|--------------------------|---------------------|
| Current assets | \$ 9,228,400 |
| Tangible capital assets | <u>101,759</u> |
| | <u>\$ 9,330,159</u> |
| Current liabilities | \$ 584,875 |
| Reforestation obligation | 4,363,904 |
| Venturers' equity | <u>4,381,380</u> |
| | <u>\$ 9,330,159</u> |

Statement of Operations

| | |
|----------------------------|---------------------|
| Revenue | \$ 14,124,160 |
| Expenses | <u>13,146,065</u> |
| Net income | 978,095 |
| Surplus, beginning of year | <u>3,403,285</u> |
| Surplus, end of year | <u>\$ 4,381,380</u> |

Upper Nicola Indian Band Notes to Financial Statements

March 31, 2014

5. Investments (continued)

Upper Nicola Indian Band has a non-controlling interest in Stuwix Resources Ltd. Summary of the financial statements of Stuwix Resources Ltd. for the year ended March 31, 2014 is as follows:

Balance Sheet

| | |
|---------------------|-------------------|
| Current assets | \$ 220,907 |
| Current liabilities | \$ 263,768 |
| Share capital | 8 |
| Deficit | (42,869) |
| | <u>\$ 220,907</u> |

Statement of Operations

| | |
|----------------------------|--------------------|
| Revenue | \$ 119,265 |
| Expenses | 161,246 |
| | <u>(41,981)</u> |
| Net loss | (888) |
| Deficit, beginning of year | (888) |
| Deficit, end of year | <u>\$ (42,869)</u> |

6. Accounts Payable

| | 2014 | 2013 |
|--|---------------------|---------------------|
| Operating Fund | | |
| Band operations | \$ 1,294,643 | \$ 1,081,575 |
| Education | 500 | 1,407 |
| Local education agreement | 3,273 | 459,739 |
| Other | - | 574 |
| Resource development | (435) | 169,930 |
| Silviculture liability | 189,220 | 295,807 |
| Social development | - | 10,653 |
| | <u>1,487,201</u> | 2,019,685 |
| Social Housing Fund | | |
| Accounts payable and accrued liabilities | 558,853 | 532,631 |
| | <u>\$ 2,046,054</u> | <u>\$ 2,552,316</u> |

Upper Nicola Indian Band Notes to Financial Statements

March 31, 2014

7. Deferred Revenue

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|-------------------|
| Operating fund - BC Hydro | \$ 305,556 | \$ 171,011 |
| Operating fund - Daycare | 4,520 | 5,715 |
| Operating fund - Education development | 13,125 | - |
| Operating fund - Health | - | 346,996 |
| Operating fund - Social development | 10,000 | 10,000 |
| Operating fund - Travel | 6,260 | 2,800 |
| Operating fund - Various | 144,031 | - |
| | <u>\$ 483,492</u> | <u>\$ 536,522</u> |

8. Long-term Debt

| | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|
|--|-------------|-------------|

Operating Fund

Demand loans, payable in monthly installments of \$3,306, including interest ranging from 3.25% to 4.00% per annum, maturing April and September 2018

| | |
|----------------|----------------|
| <u>243,512</u> | <u>189,759</u> |
|----------------|----------------|

Social Housing Fund

Social Housing mortgages repayable in monthly installments of \$9,031, including interest ranging from 1.62% to 2.76% per annum, due between June 2015 and March 2018. The loans are secured by a ministerial guarantee

| | |
|---------------------|---------------------|
| <u>1,149,246</u> | <u>1,231,348</u> |
| <u>\$ 1,392,758</u> | <u>\$ 1,421,107</u> |

The estimated principal repayments on the above long-term debt required over the next four years are as follows:

| | |
|------|---------------------|
| 2015 | \$ 115,651 |
| 2016 | 640,673 |
| 2017 | 327,352 |
| 2018 | <u>309,082</u> |
| | <u>\$ 1,392,758</u> |

Upper Nicola Indian Band Notes to Financial Statements

March 31, 2014

9. Obligation Under Capital Leases

| | <u>2014</u> | <u>2013</u> |
|--|------------------|------------------|
| Capital lease, repayable in monthly instalments of \$3,170 per month, including implicit interest at 6.45% per annum, maturing March 2015, secured by specific equipment | \$ 36,286 | \$ 70,575 |
| Capital lease, repaid in the year | - | 9,489 |
| | <u>\$ 36,286</u> | <u>\$ 80,064</u> |

Upper Nicola Indian Band is required to make the following future minimum lease payments on capital lease obligations over the next year:

| | |
|-----------------------|------------------|
| 2015 | \$ 37,324 |
| Less imputed interest | <u>(1,038)</u> |
| | <u>\$ 36,286</u> |

Upper Nicola Indian Band Notes to Financial Statements

March 31, 2014

10. Tangible Capital Assets

| | 2014 | | 2013 | |
|-----------------------------------|-------------------|-----------------------------|------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Capital Fund | | | | |
| Automotive equipment | \$ 853,117 | \$ 696,858 | \$ 743,037 | 620,274 |
| Buildings | 8,412,657 | 6,004,749 | 8,412,657 | 5,580,782 |
| Education paintings | 15,000 | - | 15,000 | - |
| Furniture and equipment | 1,162,735 | 1,081,437 | 1,173,358 | 1,088,815 |
| Infrastructure | 5,579,530 | 3,762,123 | 5,547,430 | 3,539,584 |
| Infrastructure under construction | 2,009,217 | - | - | - |
| Land | 32,594 | - | 32,594 | - |
| Quilchena TV site | 90,266 | 90,266 | 90,266 | 90,266 |
| Spahomin bridge | 38,100 | 25,199 | 38,100 | 23,675 |
| | 18,193,216 | 11,660,632 | 16,052,442 | 10,943,396 |
| Social Housing Fund | | | | |
| Buildings and equipment | 3,024,560 | 1,066,535 | 3,024,560 | 984,432 |
| Land | 181,180 | - | 181,180 | - |
| | 3,205,740 | 1,066,535 | 3,205,740 | 984,432 |
| | 21,398,956 | 12,727,167 | 19,258,182 | 11,927,828 |
| | | \$ 8,671,789 | | \$ 7,330,354 |

Included in automotive equipment are assets acquired under capital leases, with a cost of \$197,265 (2013 - \$197,265) and accumulated amortization of \$173,440 (2013 - \$124,124).

Upper Nicola Indian Band
Notes to Financial Statements

March 31, 2014

10. Tangible Capital Assets (continued)

| | 2014 | | | | | | | | | |
|---|-------------------------|---------------|------------------------|-------------------------------|----------------|---|------------|----------------------|--------------------|---------------|
| | Automotive equipment | Building | Education paintings | Furniture and equipment | Infrastructure | Infrastructure under construction | Land | Quilchena TV site | Spahomin Bridge | Total |
| Cost, beginning of year | \$ 743,037 | \$ 11,437,217 | \$ 15,000 | \$ 1,173,357 | \$ 5,547,430 | \$ - | \$ 213,774 | \$ 90,266 | \$ 38,100 | \$ 19,258,181 |
| Additions | 110,080 | - | - | 34,025 | 32,100 | 2,009,217 | - | - | - | 2,185,422 |
| Disposals | - | - | - | (44,647) | - | - | - | - | - | (44,647) |
| Cost, end of year | \$ 853,117 | \$ 11,437,217 | \$ 15,000 | \$ 1,162,735 | \$ 5,579,530 | \$ 2,009,217 | \$ 213,774 | \$ 90,266 | \$ 38,100 | \$ 21,398,956 |
| Accumulated amortization, beginning of year | \$ 620,272 | \$ 6,565,215 | \$ - | \$ 1,088,815 | \$ 3,539,584 | \$ - | \$ - | \$ 90,266 | \$ 23,675 | \$ 11,927,827 |
| Amortization | 76,586 | 506,069 | - | 37,269 | 222,539 | - | - | - | 1,524 | 843,987 |
| Disposals | - | - | - | (44,647) | - | - | - | - | - | (44,647) |
| Accumulated amortization, end of year | \$ 696,858 | \$ 7,071,284 | \$ - | \$ 1,081,437 | \$ 3,762,123 | \$ - | \$ - | \$ 90,266 | \$ 25,199 | \$ 12,727,167 |
| Net carrying amount, end of year | \$ 156,259 | \$ 4,365,933 | \$ 15,000 | \$ 81,298 | \$ 1,817,407 | \$ 2,009,217 | \$ 213,774 | \$ - | \$ 12,901 | \$ 8,671,789 |

Upper Nicola Indian Band
Notes to Financial Statements

March 31, 2014

10. Tangible Capital Assets (continued)

| | | | | | | | | | | | 2013 |
|---|-------------------------|---------------|------------------------|-------------------------------|--------------------------------|---|------------|----------------------|--------------------|---------------|------|
| | Automotive equipment | Buildings | Education paintings | Furniture and equipment | Infrastructure construction | Infrastructure under construction | Land | Quilchena TV site | Spahomin Bridge | Total | |
| Cost, beginning of year | \$ 688,443 | \$ 10,656,403 | \$ 15,000 | \$ 1,142,319 | \$ 5,547,430 | \$ 644,193 | \$ 213,774 | \$ 90,266 | \$ 38,100 | \$ 19,035,928 | |
| Additions | 54,594 | - | - | 31,038 | - | 136,621 | - | - | - | 222,253 | |
| Transfers | - | 780,814 | - | - | - | (780,814) | - | - | - | - | |
| Cost, end of year | \$ 743,037 | \$ 11,437,217 | \$ 15,000 | \$ 1,173,357 | \$ 5,547,430 | \$ - | \$ 213,774 | \$ 90,266 | \$ 38,100 | \$ 19,258,181 | |
| Accumulated amortization, beginning of year | \$ 560,420 | \$ 6,115,653 | \$ - | \$ 1,032,965 | \$ 3,317,687 | \$ - | \$ - | \$ 90,266 | \$ 22,151 | \$ 11,139,142 | |
| Amortization | 59,852 | 449,562 | - | 55,850 | 221,897 | - | - | - | 1,524 | 788,685 | |
| Accumulated amortization, end of year | \$ 620,272 | \$ 6,565,215 | \$ - | \$ 1,088,815 | \$ 3,539,584 | \$ - | \$ - | \$ 90,266 | \$ 23,675 | \$ 11,927,827 | |
| Net carrying amount, end of year | \$ 122,765 | \$ 4,872,002 | \$ 15,000 | \$ 84,542 | \$ 2,007,846 | \$ - | \$ 213,774 | \$ - | \$ 14,425 | \$ 7,330,354 | |

Upper Nicola Indian Band Notes to Financial Statements

March 31, 2014

11. Federal Assistance Payments

The Upper Nicola Indian Band Housing Management has received federal assistance through CMHC pursuant to Section 56-1 of the *National Housing Act* to enable the project to provide housing to low income individuals. The amount of the assistance received through Upper Nicola Indian Band as of March 31, 2014 was \$57,893 (2013 - \$61,906). The Band is currently in default of the agreement as reserves are not fully funded.

12. Replacement Reserve

Under the terms of the agreement with CMHC, the Replacement Reserve account is to be credited in the amount of \$18,587 annually. These funds along with accumulating interest are to be held in a separate bank account. The funds in this account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal. The replacement reserve has been fully funded since year end for both phases of Social Housing.

13. Subsidy Surplus Reserve

Under the terms of the agreement with CMHC, excess federal assistance payments received may be retained in a Subsidy Surplus Reserve up to a maximum of \$500 per unit plus interest. The funds in this account may only be used to meet future subsidy requirements or income-tested occupants over and above the maximum federal assistance. Withdrawals are credited to interest first and then principal. When the fund has attained the maximum of \$500 per unit, up to 10% of the excess assistance during a year may be transferred to other projects owned by the Band requiring additional assistance if they are within the same area and are assisted under the same program. The Subsidy Surplus Reserve is unfunded as at March 31, 2014.

14. Economic Dependence

The Upper Nicola Band receives a major portion of its revenue pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada.

Upper Nicola Indian Band Notes to Financial Statements

March 31, 2014

15. Accumulated Surplus

| | <u>2014</u> | <u>2013</u> |
|-----------------------------------|----------------------|----------------------|
| Equity in financial assets | | |
| Equity in investments | \$ 948,753 | \$ 816,624 |
| Equity in Ottawa Trust Funds | 744,825 | 721,994 |
| Surplus | <u>4,834,628</u> | <u>4,413,569</u> |
| | <u>6,528,206</u> | <u>5,952,187</u> |
| Equity in non-financial assets | | |
| Equity in tangible capital assets | <u>7,193,648</u> | <u>6,027,418</u> |
| | <u>\$ 13,721,854</u> | <u>\$ 11,979,605</u> |

Equity in tangible capital assets is comprised of the following:

| | <u>2014</u> | <u>2013</u> |
|---------------------|---------------------|---------------------|
| Capital Fund | \$ 6,685,479 | \$ 5,038,058 |
| Social Housing Fund | <u>508,169</u> | <u>989,360</u> |
| | <u>\$ 7,193,648</u> | <u>\$ 6,027,418</u> |

Upper Nicola Indian Band

Notes to Financial Statements

March 31, 2014

16. Segment Disclosure

The Band is a diversified First Nations organization that provides a wide range of services to its members. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Community Welfare

This service area provides services to help the members by providing a variety of programs, community services and social assistance.

Band Support

This item relates to the revenues and expenses that relate to the operations of the Band itself and cannot be directly attributed to specific segments.

Operations & Maintenance

This service area provides services relating to the development, maintenance and service of the Band's assets, infrastructure and common property.

Education

This service area 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 for the Band members.

Natural Resources & Economic Development

This service area provides for the development of economic opportunities to the members, along with the exploration of the development of natural resource revenues.

Capital

This service area provides for the development of new capital projects and infrastructure programs on the reserve.

Social Housing

This service area provides for social housing to the members.

Upper Nicola Indian Band
Notes to Financial Statements

March 31, 2014

16. Segment Disclosure (continued)

2014

| | Community Welfare | Band Support | Operations & Maintenance | Education | Natural Resources & Economic Development | Capital | Social Housing | Total |
|---------------------|----------------------|--------------|-----------------------------|--------------|---|--------------|-------------------|--------------|
| Revenue | | | | | | | | |
| AANDC | \$ 500,610 | \$ 458,154 | \$ 288,570 | \$ 1,450,094 | \$ 47,163 | \$ 2,200,000 | \$ - | \$ 4,944,591 |
| Other | 1,402,831 | 1,022,498 | 95,443 | 242,019 | 778,823 | 31,846 | 218,103 | 3,791,563 |
| | 1,903,441 | 1,480,652 | 384,013 | 1,692,113 | 825,986 | 2,231,846 | 218,103 | 8,736,154 |
| Expenditures | | | | | | | | |
| Wages & benefits | 580,037 | 604,218 | 142,595 | 572,674 | 441,771 | - | 35,269 | 2,376,564 |
| Purchases | 1,015,738 | 903,851 | 1,060,329 | 1,274,021 | 293,777 | 37,793 | 218,876 | 4,804,385 |
| | 1,595,775 | 1,508,069 | 1,202,924 | 1,846,695 | 735,548 | 37,793 | 254,145 | 7,180,949 |
| Surplus (deficit) | \$ 307,666 | \$ (27,417) | \$ (818,911) | \$ (154,582) | \$ 90,438 | \$ 2,194,053 | \$ (36,042) | \$ 1,555,205 |

2013

| | Community Welfare | Band Support | Operations & Maintenance | Education | Natural Resources & Economic Development | Capital | Social Housing | Total |
|---------------------|----------------------|--------------|-----------------------------|--------------|---|--------------|-------------------|--------------|
| Revenue | | | | | | | | |
| AANDC | \$ 538,077 | \$ 436,878 | \$ 233,560 | \$ 1,705,387 | \$ 47,163 | \$ 260,000 | \$ - | \$ 3,221,065 |
| Other | 1,128,129 | 559,983 | 29,857 | 298,045 | 2,653,532 | 140,129 | 212,144 | 5,021,819 |
| | 1,666,206 | 996,861 | 263,417 | 2,003,432 | 2,700,695 | 400,129 | 212,144 | 8,242,884 |
| Expenditures | | | | | | | | |
| Wages & benefits | 83,724 | 632,671 | 123,925 | 500,593 | 365,227 | - | 33,038 | 1,739,178 |
| Purchases | 1,283,677 | 683,214 | 1,004,700 | 1,396,908 | 2,055,387 | 510,957 | 224,415 | 7,159,258 |
| | 1,367,401 | 1,315,885 | 1,128,625 | 1,897,501 | 2,420,614 | 510,957 | 257,453 | 8,898,436 |
| Surplus (deficit) | \$ 298,805 | \$ (319,024) | \$ (865,208) | \$ 105,931 | \$ 280,081 | \$ (110,828) | \$ (45,309) | \$ (655,552) |

Upper Nicola Indian Band Notes to Financial Statements

March 31, 2014

17. Commitments

The Upper Nicola Band is required to make the following future minimum lease payments on operating lease obligations over the next four years:

| | |
|------|-------------------|
| 2015 | \$ 43,362 |
| 2016 | 41,529 |
| 2017 | 40,113 |
| 2018 | <u>7,456</u> |
| | <u>\$ 132,460</u> |

18. Contingencies

Upper Nicola Band has guaranteed certain band member loans with Aboriginal Affairs and Northern Development Canada.

19. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.