

Esk'etemc
Consolidated Financial Statements
For the year ended March 31, 2014

Esk'etemc
Consolidated Financial Statements
For the year ended March 31, 2014

	Contents
Management's Responsibility for Financial Reporting	3
Independent Auditor's Report	4 - 5
Consolidated Financial Statements	
Exhibit A - Consolidated Statement of Financial Position	6
Exhibit B - Consolidated Statement of Change in Net Debt	7
Exhibit C - Consolidated Statement of Operations	8 - 10
Exhibit D - Consolidated Statement of Cash Flows	11
Summary of Significant Accounting Policies	12 - 14
Notes to Consolidated Financial Statements	15 - 30

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Esk'etemc are the responsibility of management and have been approved by the Chief and another Band Councillor of the Band Council.

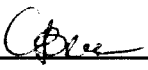
The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management 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.

Esk'etemc 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 Esk'etemc Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. This responsibility is performed through a quorum of the Band's Council.

The Chief and Council review the Band's consolidated 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 auditors' 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 approve the engagement of the external auditors.

The consolidated 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.

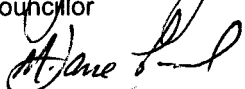
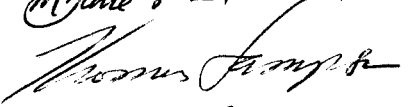



Chief

 Councillor



Councillor



Tel: 250 372 9505
Fax: 250 374 6323
www.bdo.ca

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

Independent Auditor's Report

To the Chief and Council of Esk'etemc

We have audited the accompanying consolidated financial statements of Esk'etemc, which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of change in net debt, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated 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 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 on the net book value of tangible capital assets, the related amortization expense, annual surplus and equity in tangible capital assets has not been determined. In addition, the information provided for Long Term Investments was unaudited, and we were unable to rely on this information to form our audit opinion or satisfy ourselves by alternate means as to the accuracy of this information. Similarly, we were unable to determine the collectability of Members' Accounts Receivable totalling \$539,523. As a result of this limitation in scope we are unable to determine what adjustments, if any, may be required to the value of the Accounts Receivable, Bad Debts, Long Term Investments and Equity thereon may be required.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Esk'etemc 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 sector accounting standards.


Chartered Accountants

Kamloops, British Columbia
August 22, 2014

Esk'etemc

Exhibit A - Consolidated Statement of Financial Position

As at March 31	2014	2013
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 952,048	\$ 379,675
Restricted cash (Note 3)	1,462,820	1,389,989
Marketable securities (Note 4)	1,276,458	1,111,589
Accounts receivable (Note 5)	755,187	602,468
Investments (Note 6)	626,325	466,296
Due from replacement reserve	66,671	-
	<u>5,139,509</u>	<u>3,950,017</u>
Liabilities		
Bank indebtedness (Note 2)	750,000	480,000
Accounts payable (Note 7)	1,084,676	443,787
Deferred revenue (Note 8)	821,819	894,583
Long term debt (Note 9)	8,876,995	8,767,162
	<u>11,533,490</u>	<u>10,585,532</u>
Net Debt	<u>(6,393,981)</u>	<u>(6,635,515)</u>
Non-financial Assets		
Prepaid expenses	49,513	83,367
Inventory	30,611	41,997
Tangible capital assets (Note 10)	10,721,690	11,467,777
Deferred treaty negotiation	7,206,502	6,760,582
	<u>18,008,316</u>	<u>18,353,723</u>
Accumulated Surplus (Note 11)	<u>\$ 11,614,335</u>	<u>\$ 11,718,208</u>


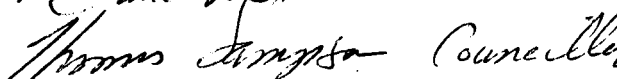


Commitments (Note 12)
Contingencies (Note 13)

Approved on behalf of the Band Council:


 _____, Chief

 (Councillor)
 Councillor


 _____, Councillor

 Councillor
 Councillor
 Councillor
 Councillor

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

Esk'etemc

Exhibit B - Consolidated Statement of Change in Net Debt

For the year ended March 31	2014	2013
Annual surplus - Exhibit C	\$ 122,102	\$ 145,327
Purchases of tangible capital assets	(74,877)	(288,160)
Amortization of tangible capital assets	619,332	622,114
Proceeds on sale of tangible capital assets	-	15,782
Completion of CMHC Housing Phase	201,632	116,812
Repayment of long term debt	(72,032)	-
	674,055	466,548
Change in prepaid expense	33,854	(13,135)
Change in inventory	11,386	24,348
Recognition of deferred treaty negotiation costs	(445,920)	(452,920)
Change in contributed surplus	(201,632)	(116,812)
	(602,312)	(558,519)
Equity change in Ottawa Trust	34,825	29,550
Equity change in investments	10,847	111,601
Equity change in funded reserves	38,007	(6,412)
Equity change in store loan	(12,000)	(108,030)
Equity change in store capital assets	(26,309)	-
Equity change in band capital assets	72,138	-
Completion of Phase 3	(69,819)	-
	47,689	26,709
Decrease in net debt	241,534	80,065
Net debt, beginning of year	(6,635,515)	(6,715,580)
Net debt, end of year	\$ (6,393,981)	\$ (6,635,515)

Esk'etemc

Exhibit C - Consolidated Statement of Operations

For the year ended March 31	2014	2013
Revenue		
Aboriginal Affairs and Northern Development Canada	\$ 4,453,126	\$ 4,186,746
Health Canada	1,028,887	1,029,003
Fisheries and Oceans	53,500	47,500
Canada Mortgage and Housing Corporation	159,808	206,246
FNESC	70,796	90,312
Department of Justice	30,192	31,692
Province of BC	424,133	464,424
Rental income	472,277	492,065
CCATEC	97,367	130,169
BC Hydro	79,738	79,738
Investment income	114,950	76,651
Work Opportunity Program	17,197	12,861
Other revenue	1,955,617	1,215,521
Band revenue	130,929	67,927
	9,088,517	8,130,855
Expenditures		
Restorative Justice Program Dept 1010	53,183	52,799
Community Policing Dept 1020	46,660	36,020
Band Revenue Dept 1030	331,502	342,643
PIDP Dept 1040	760,533	722,047
Economic Development Dept 2060	64,600	41,504
Radio Station Dept 1060	27,718	25,679
Commemoration Dept 1035	91,137	57,939
Band Employee Benefits Dept 1045	128,091	137,904
FN Clean Energy & Capacity Dept 1042	25,110	-
Capacity Development EcDev NRT Dept 1055	30,763	-
Emergency Fund Dept 1070	15,708	-
CCATEC Employment Assistance Services Dept 2030	23,703	20,601
CCATEC Summer Students Dept 2040	8,306	17,163
CCATEC Training on the Job Dept 2050	-	9,528
On The Job Training Dept 2060	-	11,043
Local Education Program Dept 3000	543,302	430,829
Comprehensive Instruction Dept 3020	18,007	20,045
Administration Building (ALC) - Dept 3030	45,938	29,099
Post Secondary Training Dept 3080	322,063	383,929
Provincial Ancillary Services Dept 3090	11,438	23,751
Band School Instruction Dept 3010	940,956	936,248
Fit Up of Education Facilities Dept 3050	-	1,200
FNESC/Education Dept 3060	(20,991)	15,825
O&M-School Dept 3120	-	80,881
MSS-Family Support Worker Dept 4100	43,109	46,253
Adult in Home Care Dept 4000	69,164	69,533
Basic Needs Dept 4010	551,136	571,520
Family Violence Initiative Dept 4080	5,838	8,661
Subtotal expenditures	\$ 4,136,974	\$ 4,092,644

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

Esk'etemc

Exhibit C - Consolidated Statement of Operations - continued

For the year ended March 31	2014	2013
Expenditures carried forward	\$ 4,136,974	\$ 4,092,644
Child out of Parental Home Allowance (COPH) Dept 4090	48,055	68,170
National Child Tax Benefit Dept 4110	55,476	73,067
Service Delivery Dept 4120	58,285	57,849
Special Needs Dept 4130	21,290	20,644
Train & Educ. Support Int. Dept 4150	-	32,106
Daycare Dept 2050	78,135	100,122
Health Programs and Services Dept 5000	331,259	250,915
HIV / AIDS Dept 5320	1,358	1,367
Drinking Water Dept 5500	18,410	17,183
Home & Community Care Dept 5600	130,839	127,593
Community Wellness & Healing Dept 5200	104,539	100,936
Maternal Child Health Dept 5100	91,640	90,934
Community Wellness and Healing Dept 5110	102,283	57,912
Patient Travel Dept 5720	129,556	137,290
Children's Oral Health Initiative Dept 5700	262	3,618
Youth Activities Dept 3130	2,292	841
Aboriginal Diabetes Initiative Dept 5300	6,810	7,778
Communicable Disease Control Dept 5400	61,340	49,678
Aboriginal Fisheries Program Dept 8060	39,030	40,932
Upper Fraser Fisheries Alliance Dept 8065	869	-
Spectra Energy Dept 2000	57,137	58,630
Band Housing Dept 6040	171,452	122,054
FNESC Summer Students Dept 2070	4,886	-
R.R.A.P. Housing Projects Dept 6130	15,277	8,827
CCATEC Bldg Maint. Training Dept 2020	-	4,479
O&M - Municipal Services Dept 7000	335,209	275,037
Referral Process Dept 8040	45,253	36,406
Land Settlement (Treaty) Dept 8020	501,925	471,896
Prosperity Assessment & Review Hearings Dept 8035	16,376	14,856
Parallel Process Dept 8036	13,159	21,120
Treaty Related Measures Dept. 8050	65,000	50,497
Alkali Resource Products (Sawmill) Dept 7040	8,124	-
Dog Creek Ranch Dept 1100	14,486	12,943
Rental 6Plex - Dept 6045	13,042	11,318
Fire Protection Dept 1025	27,635	40,736
Subtotal expenditures	\$ 6,707,663	\$ 6,460,378

Esk'etemc

Exhibit C - Consolidated Statement of Operations - continued

For the year ended March 31	2014	2013
Revenue carried forward	\$ 9,088,517	\$ 8,130,855
Expenditures carried forward	6,707,663	6,460,378
Capital fund repairs and maintenance	667,101	32,155
Social Housing	444,105	472,695
Alkali Enterprises	1,147,546	1,020,300
	8,966,415	7,985,528
Annual Surplus	\$ 122,102	\$ 145,327

Esk'etemc

Exhibit D - Consolidated Statement of Cash Flows

For the year ended March 31	2014	2013
Cash provided by (used for)		
Operating activities		
Cash receipts from various sources	\$ 8,713,851	\$ 8,519,989
Cash for purchase of marketable securities	(164,869)	(285,113)
Cash paid to employees and suppliers	(7,701,972)	(7,322,245)
Interest paid	(84,820)	(93,518)
Cash flows from operating activities	762,190	819,113
Investing activities		
Purchase of tangible capital assets	(74,877)	(288,160)
Change in investments in other entities	(10,846)	(111,601)
Change in equity in Ottawa Trust Funds	34,824	29,548
Cash flows from investing activities	(50,899)	(370,213)
Financing activities		
Repayment of long term debt	(336,087)	(341,066)
Cash flows from financing activities	(336,087)	(341,066)
Net increase in cash and cash equivalents	375,204	107,834
Cash and cash equivalents, beginning of year	1,289,664	1,181,830
Cash and cash equivalents, end of year	\$ 1,664,868	\$ 1,289,664
Represented by:		
Restricted cash	\$ 1,462,820	\$ 1,389,989
Cash	952,048	379,675
Bank indebtedness	(750,000)	(480,000)
	\$ 1,664,868	\$ 1,289,664

Esk'etemc

Summary of Significant Accounting Policies

March 31, 2014

Basis of Presentation	These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for government entities, as defined in the CICA Public Sector Accounting Handbook, which encompasses the following principles.
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 Consolidated Statement of Financial Position.</p> <p>Rental revenue is recognized when a tenant commences occupancy and rent is due. The Band retains all the benefits and risks of ownership of its property and, therefore, accounts for leases with its tenants as operating leases.</p> <p>Periodic revenue is recognized on an accrual basis commencing at the beginning of the month</p>
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.
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.

Esk'etemc

Summary of Significant Accounting Policies

March 31, 2014

Reporting Entity and Principles of Financial Reporting

The Esk'etemc reporting entity includes the Esk'etemc government and all related entities which are accountable to Esk'etemc and are either owned or controlled by Esk'etemc.

The financial statements consolidate the assets, liabilities and results of operations for the following non-incorporated entities:

- Esk'etemc Housing Projects - Social Housing
- Alkali Enterprises

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

Incorporated business entities, which are owned or controlled by the Esk'etemc and which are not dependent on the Band for their continuing operations, are included in the summary financial statements using the modified equity method. These include: Alkali Resource Management Ltd. and EcoLink Forestry Ltd..

Dog Creek Ranch Ltd. is owned by the Esk'etemc and is dependent on the band for their continued operations and as such is consolidated in these financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank overdraft and short-term investment with maturities of three months or less.

Marketable Securities

Marketable securities are recorded at cost. If there is a decline in the value of the marketable securities that is other than temporary, the marketable securities are written down to fair value.

Ottawa Trust Funds

Esk'etemc uses the accrual method of accounting for Ottawa Trust Fund Transactions. Revenue is recognized in the Band when the funds are withdrawn from the Ottawa Trust Funds.

Esk'etemc

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 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 capital assets.

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

Amortization is charged against tangible capital assets and equity in tangible capital assets on a straight-line basis at the following rates:

Automotive	20%
Buildings	5%
Computers	30%
Equipment	20%
Infrastructure	4%
Mobile homes	20%

Social housing assets acquired under Canada Mortgage and Housing Corporation sponsored housing programs are amortized at a rate equivalent to the annual principal reduction in the related long term debt, as required for Canada Mortgage and Housing Corporation reporting purposes.

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 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.

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.

Esk'etemc
Notes to Consolidated Financial Statements

March 31, 2014

1. Economic Dependence

Esk'etemc receives a significant portion of its revenue pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada ("AANDC").

2. Cash and Cash equivalents

	2014	2013
Operating Fund	\$ 496,541	\$ (78,339)
Social Housing	58,010	32,416
Alkali Enterprises	(20,044)	12,853
Short-term deposits	417,541	412,745
	\$ 952,048	\$ 379,675

Esk'etemc has negotiated a line of credit with the Royal Bank of Canada to a maximum of \$600,000 with interest at the bank prime rate plus 0.25%, secured by a general security agreement. As at March 31, 2014, \$5,000 (2013 - \$78,339) of this credit facility was outstanding.

The bank indebtedness for the store is in the form of an operating line payable to the Royal Bank of Canada to a maximum of \$200,000 with interest at the bank prime plus 0.75%, secured by a general security agreement. As at March 31, 2014 \$6,203 (2013 - \$15,193) of this credit facility was outstanding.

Short-term deposits consist of guaranteed investment certificates earning interest at rates ranging from 0.3% to 3.0% per annum and have maturity dates of less than 1 year from the date of the Statement of Financial Position.

Cash is held in one Canadian Chartered Bank and earns interest at the current prevailing rates for business operating accounts.

Esk'etemc

Notes to Consolidated Financial Statements

March 31, 2014

3. Restricted Cash

	2014	2013
Ottawa Trust Funds - Capital	\$ 442,308	\$ 442,308
Ottawa Trust Funds - Revenue	658,117	623,293
	1,100,425	1,065,601
Housing replacement reserve fund	362,395	324,388
	\$ 1,462,820	\$ 1,389,989

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.

In order to provide for replacement of major capital items, the terms of the operating agreements between Esk'etemc and CMHC provide that a replacement reserve fund be established by annual charges to operations in amount prescribed by the agreements. Under these agreements, Esk'etemc is required to segregate annual transfers to reserve funds and interest earned on these funds from other cash. As at March 31, 2014, the replacement reserve and subsidy surplus reserves were fully funded.

4. Marketable Securities

	2014	2013
Operating fund		
Forest and Range and Capital Funds	\$ 297,321	\$ 272,630
Silviculture	979,137	838,959
	\$ 1,276,458	\$ 1,111,589

Marketable securities include mutual funds of which the stated market value as of March 31, 2014 is \$1,276,458 (2013 - \$1,111,589).

Esk'etemc

Notes to Consolidated Financial Statements

March 31, 2014

5. Accounts Receivable

Accounts receivable by program area is summarized as follows:

	2014	2013
Operating Fund		
Accounts receivable	\$ 141,147	\$ 92,364
Grants receivable	3,000	79,454
AANDC receivable	136,981	11,932
Rent receivable	417,130	353,656
Advances receivable	15,930	15,910
	714,188	553,316
Accounts receivable - Housing	576	322
Accounts receivable - Alkali Enterprises	40,423	48,830
	\$ 755,187	\$ 602,468

6. Investments

	2014	2013
Investment in Ecolink Forest Services Ltd.		
100 shares of 200 shares issued, at cost, held by William Chelsea in Trust for Esk'etemc	\$ 100	\$ 100
Shareholder's Loan, due on demand, interest free, unsecured no specific terms of repayment	138,489	163,489
Equity income in Ecolink	314,402	278,555
	452,991	442,144
Investment in Alkali Resource Management Ltd.		
1 share of 1 share issued, at cost, held in Trust by Esk'etemc Band Council	1	1
Investment in Alkali Resource Management Ltd.	136,380	136,380
Equity gain (loss) in Alkali Resource Management Ltd.	36,953	(112,229)
	173,334	24,152
	\$ 626,325	\$ 466,296

Esk'etemc

Notes to Consolidated Financial Statements

March 31, 2014

6. Investments (continued)

Summary of the unaudited financial statements of Alkali Resource Management Ltd. (A.R.M), for the year ended April 30, 2013, and for Ecolink for the year ended December 31, 2013 are as follows:

	A.R.M.	EcoLink
Statement of Financial Position		
Current assets	\$ 436,950	\$ 359,015
Tangible capital assets	75,624	1,750,745
	<u>\$ 512,574</u>	<u>\$ 2,109,760</u>
Current liabilities	\$ 45,214	\$ 675,128
Long term liabilities	-	528,650
Due to related party	430,406	276,978
Share capital	1	200
Surplus	36,953	628,804
	<u>\$ 512,574</u>	<u>\$ 2,109,760</u>
Statement of Operations		
Revenue	\$ 3,559,362	\$ 3,294,888
Expenses	3,442,001	3,223,194
	<u>117,361</u>	<u>71,694</u>
Net income	(80,408)	557,110
Surplus (deficit), beginning of year		
	<u>\$ 36,953</u>	<u>\$ 628,804</u>

7. Accounts Payable

	2014	2013
Accounts payable and accrued liabilities	\$ 1,063,749	\$ 426,866
Accounts payable - Alkali Enterprises	(1,072)	10,310
Accounts payable - Social Housing	21,999	6,611
	<u>\$ 1,084,676</u>	<u>\$ 443,787</u>

Esk'etemc

Notes to Consolidated Financial Statements

March 31, 2014

8. Deferred Revenue

Deferred revenue represents amounts received that relate to a subsequent period. A breakdown of deferred revenue is as follows:

	<u>2014</u>	<u>2013</u>
Aboriginal Affairs and Northern Development Canada		
<u>Operating Fund</u>		
Private school	\$ -	\$ 33,622
GFA	-	44,147
	-	77,769
<u>Capital Fund</u>		
Capital Surplus	22,528	22,528
CPMS#10562	-	28,617
	22,528	128,914
Non AANDC Operating	799,291	765,669
	\$ 821,819	\$ 894,583

Deferred revenue includes an unfunded silviculture liability of \$765,669 (2013 - \$765,669). The unfunded amount is due from Alkali Resource Management Ltd. and relates to logging operations using Esk'etemc forest licences in the year ended April 30, 2013.

Esk'etemc
Notes to Consolidated Financial Statements

March 31, 2014

9. Long Term Debt

	<u>2014</u>	<u>2013</u>
<u>Esk'etemc - Capital Fund</u>		
Royal Bank of Canada demand loan, repayable in monthly instalments of \$1,000 including interest at 3.50%, maturing March 2014	\$ 73,173	\$ 83,188
Royal Bank of Canada demand loan, repayable in monthly instalments of \$2,500 plus interest at 3.50%, maturing April 2014	83,432	113,432
Royal Bank of Canada demand loan, repayable in monthly instalments of \$2,891 including interest at 4.75%, maturing July 2015	36,630	68,753
<u>Esk'etemc Treaty Negotiation Funding</u>		
Aboriginal Affairs and Northern Development Canada loan, secured by promissory notes issued by Council, non-interest bearing, repayable upon earlier of the signing of a treaty between the Band and the Governments of Canada and British Columbia, the twelfth anniversary of the original loan, or the seventh anniversary after signing an agreement in principle	<u>7,206,502</u>	<u>6,760,582</u>
Subtotal	<u>\$ 7,399,737</u>	<u>\$ 7,025,955</u>

Esk'etemc
Notes to Consolidated Financial Statements

March 31, 2014

9. Long Term Debt (continued)

	<u>2014</u>	<u>2013</u>
Capital Fund and Treaty Carried Forward	\$ 7,399,737	\$ 7,025,955
<u>Esk'etemc Housing Authority</u>		
CMHC Direct mortgage, repayable in monthly instalments of \$3,773 including interest at 2.86%, secured by ministerial guarantee, maturing October 2017	140,351	174,978
All Nation Trust Company mortgage, repayable in monthly instalments of \$4,430 including interest at 1.49%, secured by ministerial guarantee, maturing February 2016 151,642		100,391
All Nations Trust Company mortgage, repayable in monthly instalments of \$4,527 including interest at 2.86%, secured by ministerial guarantee, maturing October 2017	184,669	233,174
All Nation Trust Company mortgage, repayable in monthly instalments of \$3,450 including interest at 2.57%, secured by ministerial guarantee, maturing December 2014	215,189	250,592
All Nation Trust Company mortgage, repayable in monthly instalments of \$3,007 including interest at 2.56%, secured by ministerial guarantee, maturing December 2015	213,416	243,647
All Nation Trust Company mortgage, repaid during the year	-	27,739
All Nation Trust Company mortgage, repayable in monthly instalments of \$1,729 including interest at 2.65%, secured by ministerial guarantee, maturing April 2016	131,082	148,133
All Nation Trust Company mortgage, repayable in monthly instalments of \$1,434 including interest at 1.81%, secured by first charge on buildings matures April 2019 secured by ministerial guarantee	289,273	301,143
All Nation Trust Company mortgage, repayable in monthly instalments of \$978 including interest at 2.17%, secured by first charge on buildings, matures December 2015 secured by ministerial guarantee.	202,887	210,159
	1,477,258	1,741,207
	\$ 8,876,995	\$ 8,767,162

Esk'etenc
Notes to Consolidated Financial Statements

March 31, 2014

9. Long Term Debt (continued)

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

2015	\$ 449,330
2016	650,192
2017	484,310
2018	138,501
2019 and thereafter	<u>7,154,662</u>
	<u>\$ 8,876,995</u>

Esk'etemc
Notes to Consolidated Financial Statements

March 31, 2014

10. Tangible Capital Assets

	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Automotive	\$ 986,520	\$ 774,253	\$ 986,520	\$ 705,411
Buildings	6,215,988	2,010,982	6,152,471	1,887,933
Computers	629,533	619,577	629,533	606,988
Equipment	1,384,423	1,215,957	1,327,667	1,140,022
Infrastructure	4,886,595	1,987,193	4,935,071	1,925,056
Mobile homes	359,460	359,460	359,460	359,460
Assets under construction	1,246,433	-	1,246,433	-
	15,708,952	6,967,422	15,637,155	6,624,870
Housing - Buildings	5,064,809	3,376,807	5,685,848	3,532,265
	20,773,761	10,344,229	21,323,003	10,157,135
Alkali Enterprises				
Computers	7,054	6,292	7,054	5,768
Equipment	111,239	100,309	108,159	97,374
Building	441,042	160,576	441,042	151,204
	559,335	267,177	556,255	254,346
	21,333,096	10,611,406	21,879,258	10,411,481
Net book value		\$ 10,721,690		\$ 11,467,777

Assets under construction are not amortized as the assets are not available for use.

Esk'etemc
Notes to Consolidated Financial Statements

March 31, 2014

10. Tangible Capital Assets (continued)

2014

	Automotive	Buildings	Computers	Equipment	Infrastructure	Mobile homes	Assets under construction	Total
Cost, beginning of year	\$ 986,520	\$12,279,362	\$ 636,587	\$ 1,435,825	\$ 4,935,072	\$ 359,460	\$ 1,246,432	\$ 21,879,258
Additions		-	-	3,080	71,797	-	-	74,877
Disposals		(621,039)	-	-	-	-	-	(621,039)
Cost, end of year	\$ 986,520	\$11,658,323	\$ 636,587	\$ 1,438,905	\$ 5,006,869	\$ 359,460	\$ 1,246,432	\$ 21,333,096
Accumulated amortization, beginning of year	\$ 705,411	\$ 5,571,403	\$ 612,756	\$ 1,237,396	\$ 1,925,055	\$ 359,460	\$ -	\$ 10,411,481
Amortization	68,842	386,998	12,589	88,766	62,137	-	-	619,332
Disposals	-	(419,407)	-	-	-	-	-	(419,407)
Accumulated amortization, end of year	\$ 774,253	\$ 5,538,994	\$ 625,345	\$ 1,326,162	\$ 1,987,192	\$ 359,460	\$ -	\$ 10,611,406
Net carrying amount, end of year	\$ 212,267	\$ 6,119,329	\$ 11,242	\$ 112,743	\$ 3,019,677	\$ -	\$ 1,246,432	\$ 10,721,690

Esk'etemc
Notes to Consolidated Financial Statements

March 31, 2014

10. Tangible Capital Assets (continued)

	2013							
	Automotive	Buildings	Computers	Equipment	Infrastructure	Mobile homes	Assets under construction	Total
Cost, beginning of year	\$ 1,074,903	\$13,044,915	\$ 617,695	\$ 1,387,445	\$ 4,935,072	\$ 359,460	\$ 959,057	\$ 22,378,547
Additions	38,072	-	18,892	48,380	-	-	287,375	392,719
Disposals	(126,455)	(765,553)	-	-	-	-	-	(892,008)
Cost, end of year	<u>\$ 986,520</u>	<u>\$12,279,362</u>	<u>\$ 636,587</u>	<u>\$ 1,435,825</u>	<u>\$ 4,935,072</u>	<u>\$ 359,460</u>	<u>\$ 1,246,432</u>	<u>\$ 21,879,258</u>
Accumulated amortization, beginning of year	\$ 761,652	\$ 5,814,779	\$ 601,910	\$ 1,163,397	\$ 1,863,367	\$ 359,460	\$ -	\$ 10,564,565
Amortization	70,214	404,119	10,846	75,247	61,688	-	-	622,114
Disposals	(126,455)	(647,495)	-	(1,248)	-	-	-	775,198
Accumulated amortization, end of year	<u>\$ 705,411</u>	<u>\$ 5,571,403</u>	<u>\$ 612,756</u>	<u>\$ 1,237,396</u>	<u>\$ 1,925,055</u>	<u>\$ 359,460</u>	<u>\$ -</u>	<u>\$ 10,411,481</u>
Net carrying amount, end of year	<u>\$ 281,109</u>	<u>\$ 6,707,959</u>	<u>\$ 23,831</u>	<u>\$ 198,429</u>	<u>\$ 3,010,017</u>	<u>\$ -</u>	<u>\$ 1,246,432</u>	<u>\$ 11,467,777</u>

Esk'etemc
Notes to Consolidated Financial Statements

March 31, 2014

11. Accumulated Surplus

	<u>2014</u>	<u>2013</u>
Funded reserves	\$ 362,395	\$ 324,388
Contributed surplus - housing	184,949	386,581
Equity investments	477,143	466,296
Equity in Ottawa Trust	1,100,425	1,065,601
Equity in capital assets	8,765,098	9,011,774
Surplus	724,325	463,568
	<u>\$ 11,614,335</u>	<u>\$ 11,718,208</u>

12. Commitments

The Council has committed to three equipment leases. Minimum annual lease payments over the next three years, until expiry, are as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
	\$ 44,412	\$ 43,038	\$ 27,079	\$ 114,529

13. Contingencies

Esk'etemc has guaranteed certain band member loans. The total amount guaranteed amounts to \$Nil (2013 - \$ Nil) with \$Nil (2013 - \$Nil) being outstanding as at March 31, 2014.

Esk'etemc has been named in additional lawsuit surrounding an employment issue. The results of the lawsuit are indeterminable at this time.

14. Federal Assistance Payments

Esk'etemc Housing Projects has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56-1 of the *National Housing Act* to reduce mortgage interest expense to 2% to enable the project to provide housing to low income individuals. The amount of the assistance received through March 31, 2014 was \$144,308 (2013 - \$206,246). This assistance will continue, providing the Band is not in default of the agreement.

Esk'etemc

Notes to Consolidated Financial Statements

March 31, 2014

15. Funded Reserves

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Replacement Reserve account is to be credited in the amount of \$59,308 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 Canada and Mortgage and Housing Corporation. Withdrawals are credited to interest first and then principal. As at March 31, 2014, with the exception of the Operating Reserve, Esk'etemc has fully funded these reserves and is in compliance with the agreement.

16. Comparative Figures

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

17. Financial Instruments

Fair Value Risk

Fixed rate debt is subject to interest rate price risk, as the value will fluctuate as a result of changes in market rates.

Concentration of Credit Risk

Concentration of credit risk arises due to the band having cash in excess of the amount insured by Canadian Deposit Insurance Corporation in bank accounts.

Esk'etemc
Notes to Consolidated Financial Statements

March 31, 2014

18. Expenditures by Object

	2014	2013
Advertising	\$ 540	\$ 782
Allocation to replacement reserve	49,443	54,443
Amortization	619,332	622,114
Bad debt	18,545	37,986
Bank charges and interest	84,820	93,518
Capital fund repairs and maintenance	667,101	32,155
Donations	45,243	59,517
Emergency services	-	13,798
Equipment rent	68,797	60,968
Honoraria	103,726	89,744
Insurance	164,799	156,924
Local education and tuition	632,546	561,035
Miscellaneous expense	35,740	10,270
Office	11,482	11,828
Patient travel	103,441	117,836
Professional fees	143,851	145,674
Rent	-	900
Repairs and maintenance	171,739	141,442
Social Assistance	685,254	748,610
Store purchases	888,872	787,021
Student allowances	223,878	262,257
Student recreation	1,974	5,838
Student supplies	16,465	25,202
Subcontracts	395,411	299,608
Supplies and materials	236,410	211,659
Telephone	35,485	36,988
Training	66,677	84,718
Travel	247,094	201,390
Utilities	143,913	154,584
Wages and benefits	3,103,837	2,956,719
	\$ 8,966,415	\$ 7,985,528

Esk'etemc
Notes to Consolidated Financial Statements

March 31, 2014

19. 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.

Administration

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

Operations and 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 of the Band's Members.

Natural Resources and 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.

Esk'etemc
Notes to Consolidated Financial Statements

March 31, 2014

21. Segment Disclosure - continued

2014

	Community Welfare	Administration	Operations & Maintenance	Education	Natural Resources & Economic Development	Capital	Social Housing	Total
Revenue								
AANDC	\$ 893,461	\$ 976,073	\$ 217,424	\$ 1,652,821	\$ -	\$ 713,347	\$ -	\$ 4,453,126
Other	1,076,243	1,275,813	120,607	314,749	1,271,209	-	576,770	4,635,391
Total	1,969,704	2,251,886	338,031	1,967,570	1,271,209	713,347	576,770	9,088,517
Expenditures								
Wages & benefits	802,215	864,708	128,966	1,023,610	191,622	-	92,716	3,103,837
Purchases	1,030,725	783,934	256,090	1,073,871	1,159,579	667,101	271,946	5,243,246
Amortization	-	355,383	-	-	-	-	263,949	619,332
Total	1,832,940	2,004,025	385,056	2,097,481	1,351,201	667,101	628,611	8,966,415
Surplus (deficit)	\$ 136,764	\$ 247,861	\$ (47,025)	\$ (129,911)	\$ (79,992)	\$ 46,246	\$ (51,841)	\$ 122,102

2013

	Community Welfare	Administration	Operations & Maintenance	Education	Natural Resources & Economic Development	Capital	Social Housing	Total
Revenue								
AANDC	\$ 857,101	\$ 1,065,672	\$ 297,968	\$ 1,474,836	\$ 43,359	\$ 447,810	\$ -	\$ 4,186,746
Other	1,098,831	796,479	74,898	225,431	1,082,620	1,780	664,070	3,944,109
Total	1,955,932	1,862,151	372,866	1,700,267	1,125,979	449,590	664,070	8,130,855
Expenditures								
Wages & benefits	776,352	846,624	139,945	918,823	222,659	-	52,316	2,956,719
Purchases	1,117,622	681,705	263,332	986,865	1,043,291	32,156	281,724	4,406,695
Amortization	-	349,867	-	-	-	-	272,247	622,114
Total	1,893,974	1,878,196	403,277	1,905,688	1,265,950	32,156	606,287	7,985,528
Surplus (deficit)	\$ 61,958	\$ (16,045)	\$ (30,411)	\$ (205,421)	\$ (139,971)	\$ 417,434	\$ 57,783	\$ 145,327