

LHTAKO DENE NATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Members,
Lhtako Dene Nation,

We have audited the accompanying financial statements of the **Lhtako Dene Nation**, which comprise the Statement of Financial Position as at March 31, 2015 and the Statements of Changes in Net Financial Assets, Operations, and Cash Flows for the year then ended, and notes comprising 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the **Lhtako Dene Nation** as at March 31, 2015, and the results of its changes in net financial assets, operations, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Quesnel, British Columbia
July 23, 2015

Fraser Bevz Broughton
Chartered Accountants LLP
Fraser Bevz Broughton
Chartered Accountants LLP


LHTAKO DENE NATION


2.

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2015

	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash (note 4)	\$ 392,960	\$ 351,889
Cash restricted as to use (note 5)	115,953	115,975
Accounts receivable (note 6)	166,755	83,002
Trust funds held by Canada (note 7)	805,928	860,951
Investment in Castle Mountain Hydro Ltd. (note 8)	<u>250,000</u>	<u>-</u>
	<u>1,731,596</u>	<u>1,411,817</u>
LIABILITIES		
Bank advances (note 9)	250,000	64,695
Accounts payable and accrued liabilities (note 10)	104,176	128,339
Deferred revenue (note 11)	123,451	95,193
Forgivable loans (note 12)	23,000	34,860
Provision for silviculture responsibility	107,631	107,631
Long term debt (note 13)	<u>290,426</u>	<u>356,527</u>
	<u>898,684</u>	<u>787,245</u>
NET FINANCIAL ASSETS	<u>832,912</u>	<u>624,572</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 14)	1,977,785	2,118,358
Prepaid expenses	<u>23,104</u>	<u>17,452</u>
	<u>2,000,889</u>	<u>2,135,810</u>
MEMBERS' EQUITY	\$ <u>2,833,801</u>	\$ <u>2,760,382</u>
MEMBERS' EQUITY		
Unrestricted (note 15) - page 4.1	\$ 2,684,456	\$ 2,618,295
Replacement reserve (note 16)	<u>149,345</u>	<u>142,087</u>
	\$ <u>2,833,801</u>	\$ <u>2,760,382</u>

Approved on Behalf of the Lhtako Dene Nation


Chief


Councillor

See accompanying notes.

LHTAKO DENE NATION

3.

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**FOR THE YEAR ENDED MARCH 31, 2015**

	<u>2015</u>	<u>2014</u>
NET REVENUE FOR THE YEAR	\$ 66,161	\$ (122,350)
Amortization	140,573	134,266
Net contribution by replacement reserve	7,258	3,800
Increase in prepaid expenses	(5,652)	(5,011)
Tangible capital asset acquisitions	<u>-</u>	<u>(72,073)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	208,340	(61,368)
NET FINANCIAL ASSETS - Beginning of year	<u>624,572</u>	<u>675,940</u>
NET FINANCIAL ASSETS - End of year	\$ <u>832,912</u>	\$ <u>624,572</u>

See accompanying notes.

LHTAKO DENE NATION

4.1

STATEMENT OF OPERATIONS**FOR THE YEAR ENDED MARCH 31, 2015**

	Budget <u>2015</u> (unaudited)	<u>2015</u>	<u>2014</u>
REVENUES - page 4.2	\$ 1,370,166	\$ 1,600,503	\$ 1,499,486
DEFERRED REVENUE FROM PRIOR YEAR	-	95,193	89,419
DEFERRED REVENUE TO FOLLOWING YEAR	<u>-</u>	<u>(123,451)</u>	<u>(95,193)</u>
	1,370,166	1,572,245	1,493,712
EXPENSES - page 4.2	<u>1,342,674</u>	<u>1,460,005</u>	<u>1,431,430</u>
NET REVENUE BEFORE THE FOLLOWING	<u>27,492</u>	<u>112,240</u>	<u>62,282</u>
OTHER INCOME (EXPENSES)			
Gain on disposal of tangible capital assets	-	-	30,000
Recovery by AANDC	-	(27,657)	(130,344)
Recovery by Health Canada	<u>-</u>	<u>(18,422)</u>	<u>(84,288)</u>
	<u>-</u>	<u>(46,079)</u>	<u>(184,632)</u>
NET REVENUE FOR THE YEAR	<u>27,492</u>	<u>66,161</u>	<u>(122,350)</u>
MEMBERS' EQUITY - Beginning of year	2,608,295	2,608,295	2,730,645
PRIOR YEAR ADJUSTMENT (note 23)			
Correction of Bank advances misstatement	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
MEMBERS' EQUITY - As restated - Beginning of year	<u>2,618,295</u>	<u>2,618,295</u>	<u>2,740,645</u>
MEMBERS' EQUITY - End of year - to page 2	\$ <u>2,645,787</u>	\$ <u>2,684,456</u>	\$ <u>2,618,295</u>

See accompanying notes.

LHTAKO DENE NATION

4.2

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2015

	Budget 2015 (unaudited)	2015	2014
REVENUES			
Federal Government			
AANDC - Operating	\$ 700,007	\$ 700,007	\$ 639,635
AANDC - Capital	35,374	35,374	18,348
First Nations Health Authority	194,225	194,225	92,035
Health Canada	-	-	92,035
CMHC	11,860	32,291	59,677
CCATEC	39,500	38,748	6,157
Fisheries	4,500	4,500	4,500
Province of British Columbia	259,700	259,700	260,810
Forestry	-	97,021	-
Rentals	12,000	65,937	73,833
CH2M Hill Energy	55,000	50,255	-
Spanish Mountain Gold Mines	18,000	-	15,295
FNESC	2,000	2,840	21,548
West Fraser Mills Ltd.	-	25,000	38,062
Interest	20,000	27,925	24,008
College of New Caledonia	-	18,463	-
Trans-Mountain Pipelines	-	-	25,000
New Relationships Trust	-	9,000	20,400
Other	<u>18,000</u>	<u>39,217</u>	<u>108,143</u>
TOTAL REVENUES - to page 4.1	\$ <u>1,370,166</u>	\$ <u>1,600,503</u>	\$ <u>1,499,486</u>
EXPENSES			
Administration	\$ 383,025	\$ 408,209	\$ 359,115
Amortization	-	140,573	134,266
Capital projects	35,374	7,146	8,810
Education	84,400	81,029	86,108
Health and well-being	180,130	156,660	209,928
Social housing	-	51,054	41,539
Natural resources	127,728	116,817	90,064
Public works	97,700	89,707	120,378
Social development	<u>434,317</u>	<u>408,810</u>	<u>381,222</u>
TOTAL EXPENSES - to page 4.1	\$ <u>1,342,674</u>	\$ <u>1,460,005</u>	\$ <u>1,431,430</u>

See accompanying notes.

LHTAKO DENE NATION

5.

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED MARCH 31, 2015

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Net revenue for the year	\$ 66,161	\$ (122,350)
Items not involving cash:		
Gain on sale of tangible capital assets	-	(30,000)
Amortization	140,573	134,266
Changes in non-cash operating items:		
Increase in replacement reserve	7,258	3,800
Decrease in cash restricted as to use	22	24
Increase (decrease) in accounts receivable	(83,753)	125,851
Increase in deferred revenue	28,258	5,774
Decrease in accounts payable and accrued liabilities	(24,163)	(12,997)
Decrease in provision for silviculture responsibility	-	(7,477)
Increase in prepaid expenses	<u>(5,652)</u>	<u>(5,011)</u>
	<u>128,704</u>	<u>91,880</u>
Cash flows from (used in) investing activities:		
Decrease (Increase) in trust funds held by Canada	55,023	(48,768)
Purchase of Investment in Castle Mountain Hydro Ltd.	<u>(250,000)</u>	<u>-</u>
	<u>(194,977)</u>	<u>(48,768)</u>
Cash flows from (used in) financing activities:		
Increase in bank advances	185,305	34,695
Decrease in forgivable loans	(11,860)	(11,860)
Repayment of long term debt	<u>(66,101)</u>	<u>(57,123)</u>
	<u>107,344</u>	<u>(34,288)</u>
Cash flows from (used in) capital activities:		
Proceeds on sale of tangible capital assets	-	30,000
Tangible capital asset acquisitions	<u>-</u>	<u>(72,073)</u>
	<u>-</u>	<u>(42,073)</u>
INCREASE (DECREASE) IN CASH	41,071	(33,249)
CASH - Beginning of year	<u>351,889</u>	<u>385,138</u>
CASH - End of year	\$ <u>392,960</u>	\$ <u>351,889</u>

See accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED MARCH 31, 2015****1. PURPOSE**

The Lhtako Dene Nation (the "Nation"), also known as the Red Bluff Indian Band, is an Indian Band of the Carrier Nation located in the Cariboo Region of British Columbia.

2. BASIS OF PRESENTATION

In order to satisfy the requirements of the year-end reporting handbook of Aboriginal Affairs and Northern Development Canada (AANDC) these financial statements have been prepared in accordance with Canadian public sector accounting standards, as defined in the Canadian Institute of Chartered Professional Accountants Public Sector Accounting Handbook, which encompasses the following:

- a. The focus of PSAB statements is on the financial position of the Lhtako Dene Nation and the changes thereto. The Statement of Financial Position includes all the assets and liabilities of the Nation. Financial assets are economic resources controlled by the Nation as a result of past transactions from which future economic benefits may be obtained. Liabilities are present obligations of the Nation to others arising from past transactions, the settlement of which is expected to result in the future sacrifice of economic benefits.

- b. Fund Accounting

The Lhtako Dene Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the financial statements. Details of the operation of each fund are set out in the supplementary schedules. The Nation maintains the following funds:

- The Operations Fund which reports the general activities of the Nation.
- The Capital Fund which reports the capital projects of the Nation together with their related financing, other than those capital projects funded by CMHC.
- The Trust Fund which reports on the trust funds owned by the Nation and held by third parties.
- The CMHC Housing Fund which reports assets, liabilities, revenues, expenses and reserves specifically related to housing funded by CMHC.

- c. Reporting Entity and Principles of Financial Reporting

The Lhtako Dene Nation reporting entity includes the Nation Government and all related entities which are accountable to the Nation Chief and Council and are either owned or controlled by the Nation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

2. BASIS OF PRESENTATION (continued)

The financial statements include the assets, liabilities and results of operations for the following entities which use accounting principles which lend themselves to consolidation:

- Nation government administration (operating and capital funds)
- Nation Trust Fund (comprising the Trust Funds Held by Canada)
- Nation CMHC Housing Fund

3. SIGNIFICANT ACCOUNTING POLICIES

a. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand less outstanding cheques and deposits. When outstanding cheques are in excess of cash on hand, the excess is reported in bank indebtedness.

c. Investments

Investments are reflected at cost.

c. Tangible Capital Assets

Tangible capital assets are non-financial assets having physical substance that:

- Are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible assets;
- Have useful economic lives extending beyond an accounting period;
- Are to be used on a continuing basis; and
- Are not for sale in the ordinary course of operations.

Tangible capital assets purchased are recorded at cost. Tangible capital assets contributed are recorded at their fair market value as at the date of contribution.

Tangible capital assets are amortized over their expected useful life using the declining balance method at the following rates:

Buildings	4%
Community infrastructures	4%
Computer equipment	30%
Automotive equipment	30%
Office furniture and equipment	20%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Tangible Capital Assets (continued)

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write downs are accounted for as expenses in the consolidated statement of operations.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

d. Amortization - CMHC Social Housing

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 related long-term debt, as required for CMHC reporting purposes.

e. Deferred Revenue

The Nation records committed surpluses in the capital fund to be used in the completion of ongoing capital projects as deferred revenue.

f. Surplus Recoveries and Deficit Funding

Under the terms of various funding agreements, remaining surpluses of certain programs may be recovered by the funding agency, and remaining deficits may be funded by the funding agency.

g. Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that give rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impractical.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Revenue Recognition (continued)

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

h. 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 revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the impairment of assets, and rates for depreciation and amortization. Actual results could differ from those estimates.

4.	CASH		<u>2015</u>	<u>2014</u>
	Cash includes the following:			
	Unrestricted operating accounts:			
	Operations	\$	360,904	\$ 305,445
	CMHC		<u>32,056</u>	<u>46,444</u>
		\$	<u>392,960</u>	\$ <u>351,889</u>
5.	RESTRICTED CASH			
	CMHC Replacement Reserve	\$	422	\$ 444
	Silviculture responsibility deposits		<u>115,531</u>	<u>115,531</u>
		\$	<u>115,953</u>	\$ <u>115,975</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

5. RESTRICTED CASH (continued)

Under the terms of the Nation's Social Housing Agreement with CMHC, a separate replacement reserve account is maintained. The funds in this account may only be used for repairs and maintenance in accordance with the operating agreement.

6. ACCOUNTS RECEIVABLE		<u>2015</u>		<u>2014</u>
Nation members	\$	22,527	\$	22,931
Geronimo Squinas		<u>64,186</u>		<u>64,186</u>
		<u>86,713</u>		<u>87,117</u>
Others:				
Federal Government:				
CMHC		5,684		-
AANDC		76,994		-
CCATEC		6,500		6,157
Craig Buchan		177,338		177,338
Bruce Clement		30,000		30,000
Dene Development		10,000		10,000
All Other		<u>15,450</u>		<u>14,314</u>
		<u>321,966</u>		<u>237,809</u>
		408,679		324,926
Allowance for doubtful accounts		<u>241,924</u>		<u>241,924</u>
	\$	<u>166,755</u>	\$	<u>83,002</u>
7. TRUST FUNDS HELD BY CANADA				
Revenue	\$	145,829	\$	200,852
Capital		<u>660,099</u>		<u>660,099</u>
	\$	<u>805,928</u>	\$	<u>860,951</u>

The Ottawa Trust Accounts arise from monies from capital or revenue sources as outlined in Section 62 of the *Indian Act*. These funds are held in trust in the consolidated revenue fund of the Government of Canada and are subject to audit by the office of the Auditor General of Canada. The management of these funds is governed primarily by Sections 63 and 69 of the *Indian Act*.

Funds on deposit in the Ottawa Trust Accounts may be withdrawn by Nation Council Resolution.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

		<u>2015</u>	<u>2014</u>
8.	Investment in Castle Mountain Hydro Ltd.		
	Cost	\$ <u>250,000</u>	\$ <u>-</u>

The Nation owns 25 Class A shares, 250 Class F share and 500 Class H shares in the share capital of Castle Mountain Hydro Ltd. This represents a 2.5 % equity interest.

The Nation is a signatory to the shareholders' agreement in force.

9.	BANK ADVANCES	<u>2015</u>	<u>2014</u>
	Outstanding cheques	\$ -	\$ 14,695
	Revolving line of credit	-	50,000
	Demand Loan	<u>250,000</u>	<u>-</u>
		\$ <u>250,000</u>	\$ <u>64,695</u>

The Nation has a revolving line of credit with the Royal Bank of Canada with an authorized limit of \$100,000. Outstanding advances on the line of credit bear interest at prime plus 1.5%. The Nation has provided a general security agreement as security.

The demand loan, used to acquire the Nation's investment in Castle Mountain Hydro Ltd., bears interest at prime plus 1.1%. The loan is secured by assignment of guaranteed investment certificates owned by the Nation.

The Bank's prime rate as at March 31, 2015 was 3%.

10.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	<u>2015</u>	<u>2014</u>
	AANDC	\$ 33,392	\$ 11,846
	Trade accounts	9,718	55,661
	Carrier Chilcotin Tribal Council	27,096	27,096
	Accrued payrolls	15,970	15,736
	Accrued accounts	<u>18,000</u>	<u>18,000</u>
		\$ <u>104,176</u>	\$ <u>128,339</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

11.	DEFERRED REVENUE		<u>2015</u>		<u>2014</u>
	Sewage collection Dragon Lake	\$	71,249	\$	71,249
	Housing approach		12,600		12,600
	Unearned rent - Band		4,478		4,478
	Category 2 mould renovation project		1,092		1,092
	Mould remediation, CPMS 10911		25,345		-
	Drainage and water systems		8,277		5,364
	ACRS Group 2		<u>410</u>		<u>410</u>
		\$	<u>123,451</u>	\$	<u>95,193</u>

12. FORGIVABLE LOANS

CMHC RRAP	\$	<u>23,000</u>	\$	<u>34,860</u>
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During the year the Nation received loans under the CMHC Critical Repairs Program. The loans are forgivable over the remainder of their five year term.

Amounts forgivable are as follows:

2016	\$	11,892
2017		9,563
2018		<u>1,545</u>
	\$	<u>23,000</u>

13.	LONG-TERM DEBT		<u>2015</u>		<u>2014</u>
	Royal Bank of Canada				
	Mortgage repayable in monthly instalments of \$3,611 including interest at 2.28% per annum, secured by certain assets and a Government of Canada ministerial guarantee, due to renew December 1, 2017	\$	112,006	\$	149,905
	Mortgage repayable in monthly instalments of \$2,076 including interest at 2.57% per annum, secured by certain assets, due to renew February 1, 2015		<u>121,979</u>		<u>142,936</u>
	Carried forward	\$	<u>223,985</u>	\$	<u>292,841</u>

LHTAKO DENE NATION

6.8

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

13.	LONG-TERM DEBT (continued)		<u>2015</u>		<u>2014</u>
	Brought forward	\$	223,985	\$	292,841
	Demand loan repayable in monthly instalments of \$546 including interest at 2.72%, due to renew December 1, 2017		51,898		56,976
	Mortgage repayable in monthly instalments of \$196 including interest at 3.14% per annum, secured by certain assets and a Government of Canada ministerial guarantee		<u>4,543</u>		<u>6,710</u>
		\$	<u>290,426</u>	\$	<u>356,527</u>

Principal repayments due in each of the next five years are scheduled as follows:

2016	\$	70,692
2017		72,430
2018		57,332
2019		29,482
2020		30,227
Thereafter		<u>30,263</u>
	\$	<u>290,426</u>

14.	TANGIBLE CAPITAL ASSETS				
		Cost	Accumulated Amortization	Net Book Value	
				<u>2015</u>	<u>2014</u>
	Buildings and infrastructure	\$ 3,038,508	\$ 1,336,513	\$ 1,701,995	\$ 1,772,911
	Equipment	132,327	92,481	39,846	49,807
	Computer equipment	31,241	29,282	1,959	2,799
	CMHC housing	<u>893,453</u>	<u>659,468</u>	<u>233,985</u>	<u>292,841</u>
		\$ <u>4,095,529</u>	\$ <u>2,117,744</u>	\$ <u>1,977,785</u>	\$ <u>2,118,358</u>

During the year ended March 31, 2015 the Nation made no tangible capital asset purchases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

14. TANGIBLE CAPITAL ASSETS (continued)

There were no write-downs of tangible capital assets during the year ended March 31, 2015 (2014 - NIL).

DETAILS OF ACCUMULATED AMORTIZATION:	Balance as at April 1, 2014	2015 Provision	Balance as at March 31, 2015
Buildings and infrastructure	\$ 1,265,597	\$ 70,916	\$ 1,336,513
Equipment	82,520	9,961	92,481
Computer equipment	28,442	840	29,282
CMHC housing	<u>600,612</u>	<u>58,856</u>	<u>659,468</u>
	\$ <u>1,977,171</u>	\$ <u>140,573</u>	\$ <u>2,117,744</u>

15. MEMBERS' EQUITY

Operations Fund	\$ 2,268,694	\$ 2,121,537
Capital Fund	(19,809)	(31,639)
Investment Fund	3,393	3,393
Trust Fund	805,928	860,951
CMHC Housing Fund	<u>(373,750)</u>	<u>(335,947)</u>
	\$ <u>2,684,456</u>	\$ <u>2,618,295</u>

16. REPLACEMENT RESERVE

Balance	\$ <u>149,345</u>	\$ <u>142,087</u>
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Under the terms of the Nation's Housing agreement with CMHC, a separate replacement reserve account is to be maintained. The funds in this account may only be used for repairs and maintenance as approved by CMHC. As at March 31, 2015, the Nation had unfunded reserves of \$148,923 (2014 - \$141,643), and is in technical default of its agreement with CMHC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

17. CONTINGENT LIABILITIES**Government Funded Programs**

Under the terms of agreements with Aboriginal Affairs and Northern Development Canada and other government agencies, certain surpluses may be recoverable and therefore repayable to the government. Other than funding repayable amounts already recorded in these financial statements, the amount of additional liability, if any, of the Nation is not determinable at this time.

Membership Loan Guarantee

The Nation has also guaranteed the housing program loans with CMHC, aggregating \$116,582 as at March 31, 2015.

18. ECONOMIC DEPENDENCE

The Nation receives a significant portion of its revenues pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada. The Nation's ability to continue operations would be severely hampered should this funding be discontinued.

19. RECONCILIATION OF AANDC FUNDING AGREEMENT REVENUE

Pursuant to the requirements prescribed by the Aboriginal Affairs and Northern Development Canada Year-End Reporting Handbook for First Nations, Tribal Councils and First Nation Political Organizations, the following reconciliation has been prepared:

Recipient total as per 2014/2015 AANDC funding confirmation	\$	<u>735,381</u>
AANDC revenue reported on Statement of Operations		
Operating	\$	700,007
Capital		<u>35,374</u>
	\$	<u>735,381</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Nation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Nation's risk exposure and concentration as of March 31, 2015.

The Nation's financial instruments consist of cash, cash restricted to use, accounts receivable, trust funds held by Canada, bank advances, accounts payable and accrued liabilities and long term debt. Unless otherwise noted, it is management's opinion that the Nation is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The Nation is exposed to financial risk that arises from the credit quality of the entities to which it provides services and the potential that a counter party will fail to perform its obligation. The Nation is exposed to credit risk from tenants. An allowance for doubtful accounts is established based upon factors surrounding the credit of specific accounts, historical trends and other information. Credit risk arises from the possibility that the entities to which the Nation provided services may experience financial difficulty and be unable to fulfil their obligations. The Nation has a number of tenants which minimizes the concentration of credit risk.

21. EXPENSES BY OBJECT

	<u>2015</u>	<u>2014</u>
Salaries, wages and benefits	\$ 197,057	\$ 105,198
Materials and supplies	94,794	83,635
Contracted services	459,805	407,658
Rent, maintenance and utilities	45,259	83,067
Honoraria	96,950	102,143
Insurance	19,668	20,989
Tuition	51,090	67,466
Interest	23,852	19,327
Amortization	140,573	134,266
Travel	51,009	85,687
Social assistance	276,398	321,144
All other service delivery costs	<u>3,550</u>	<u>900</u>
	\$ <u>1,460,005</u>	\$ <u>1,431,430</u>

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED MARCH 31, 2015****22. Adoption of New Accounting Standards**

Effective April 1, 2014, the Nation adopted new accounting standard PS3260 – Liability for Contaminated Sites. PS3260 was established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. The new standard requires recognition of a liability when a number of conditions are met.

The Nation has reviewed the recognition requirements and has concluded it has no liability for the remediation of any sites.

23. Prior Year Adjustment

The Nation has retroactively corrected a misstatement of bank advances. The adjustment of \$10,000 reduced the Nation's bank advances liability and decreased Band Support Fund deficit.