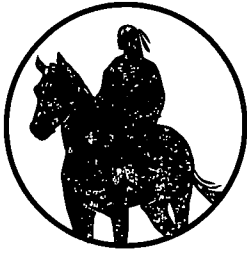


NAZKO FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

**NAZKO FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

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Nazko First Nation

"Building Our Future"

P.O. Box 4129, Quesnel, British Columbia V2J 3J2 • Phone 250-992-9085 Fax 250-992-7982

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Nazko First Nation are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and are ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditors' report.

The external auditors, Bursey Buryn, Chartered Accountants, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion, on the consolidated financial statements. The external auditors have full and free access to financial management of Nazko First Nation and meet when required.

Chief

Councillor

INDEPENDENT AUDITORS' REPORT

To the Members of Nazko First Nation:

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

Management's Responsibility for the 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.

Auditors' Responsibility

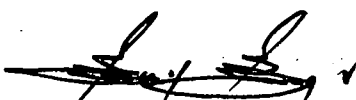
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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' judgement, including the assessment of 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 and fair presentation of the consolidated financial statements in order to design audit procedures that are also 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 evaluation of 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 audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Nazko First Nation as at March 31, 2014 and the results of its operations, change in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.



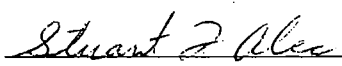
Chartered Accountants
September 30, 2014
Prince George, British Columbia

NAZKO FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2014

	2014	2013
FINANCIAL ASSETS		
Cash	\$ 753,122	\$ 953,331
Accounts receivable (Note 2)	95,572	811,445
Restricted cash (Note 3)	73,257	73,933
Trust assets (Note 4)	13,463	12,218
Loan receivable (Note 5)	100,350	100,350
Investments in government business enterprises (Note 6)	1,509,790	1,173,923
	<u>2,545,554</u>	<u>3,125,200</u>
LIABILITIES		
Bank indebtedness (Note 7)	62,092	-
Term demand loans (Note 8)	545,316	565,461
Accounts payable and accrued liabilities (Note 9)	821,938	1,414,425
Pension and other employee benefits (Note 10)	2,492	710
Unearned revenue	25,245	-
Deferred revenue (Note 11)	11,910	61,193
Long-term debt (Note 12)	6,542,476	6,069,600
Fund reserves (Note 3)	84,603	73,933
	<u>8,096,072</u>	<u>8,185,322</u>
NET DEBT	<u>(5,550,518)</u>	<u>(5,060,122)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	8,746,112	7,636,141
Prepaid expenditures	76,689	69,406
	<u>8,822,801</u>	<u>7,705,547</u>
ACCUMULATED SURPLUS	<u>\$ 3,272,283</u>	<u>\$ 2,645,425</u>
CONTINGENT LIABILITIES (Note 14)		

Approved on behalf of Nazko First Nation:


 Chief


 Councillor

The accompanying notes are an integral part of these consolidated financial statements.

NAZKO FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2014

	Budget	2014	2013
REVENUE			
Aboriginal Affairs and Northern Development			
Canada	\$ 1,355,094	\$ 1,764,383	\$ 4,336,106
Health Canada	1,638,767	1,652,687	1,654,631
Canada Mortgage and Housing Corporation	32,138	44,961	48,314
Other federal government	-	4,500	27,000
Province of British Columbia	205,785	391,698	413,767
Interest, rent and miscellaneous	365,158	333,041	686,201
Trust funds held by federal government (Note 4)	-	1,245	1,166
Net income from investments in government-business enterprises	-	388,486	65,779
	<u>3,596,942</u>	<u>4,581,001</u>	<u>7,232,964</u>
EXPENDITURE			
Economic development	35,633	199,395	146,262
Education	356,602	250,514	268,601
Employment and training	37,488	36,822	193,005
Government development and administration	557,041	637,919	493,702
Health services	678,591	616,644	581,689
Housing	267,763	115,639	181,170
Public works operations and maintenance	138,521	134,221	102,930
Social and community services	586,033	593,977	563,658
Treaty claims and negotiations	803,021	791,874	650,442
Net loss from investments in government business enterprises	-	11,358	281,157
Interest	19,933	19,306	20,777
Amortization	-	371,488	316,888
	<u>3,480,626</u>	<u>3,779,157</u>	<u>3,800,281</u>
ANNUAL SURPLUS	<u>\$ 116,316</u>	801,844	3,432,683
ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF YEAR		2,645,425	(595,871)
RECOVERIES BY GOVERNMENT OF CANADA		(224,269)	(233,541)
DECREASE IN DEFERRED REVENUE		49,283	42,154
ACCUMULATED SURPLUS, END OF YEAR		<u>\$ 3,272,283</u>	<u>\$ 2,645,425</u>

The accompanying notes are an integral part of these consolidated financial statements.

**NAZKO FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
YEAR ENDED MARCH 31, 2014**

	2014	2013
INCREASE IN FINANCIAL POSITION		
Accumulated surplus	\$ 626,858	\$ 3,241,296
Acquisitions of tangible capital assets	(1,481,459)	(4,256,603)
Amortization	371,488	316,888
	<u>(1,109,971)</u>	<u>(3,939,715)</u>
Acquisition of prepaid expenditures	<u>(7,283)</u>	<u>(13,858)</u>
INCREASE IN NET DEBT	(490,396)	(712,277)
NET DEBT, BEGINNING OF YEAR	<u>(5,060,122)</u>	<u>(4,347,845)</u>
NET DEBT, END OF YEAR	<u>\$ (5,550,518)</u>	<u>\$ (5,060,122)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**NAZKO FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2014**

	2014	2013
OPERATING ACTIVITIES		
Increase in accumulated surplus	\$ 626,858	\$ 3,241,296
Items not involving cash		
Amortization	371,488	316,888
Allocation to (from) operations reserve	28,173	(16,827)
Allocation to replacement reserve	9,228	10,455
Net (income) loss from government business enterprises	(377,128)	215,378
	<u>658,619</u>	<u>3,767,190</u>
Cash provided by (used in) operating activities		
Accounts receivable	715,873	(613,919)
Trust assets	(1,245)	(1,166)
Prepaid expenditures	(7,283)	(13,858)
Accounts payable and accrued liabilities	(592,487)	869,367
Pension and other employee benefits	1,782	(2,424)
Unearned revenue	25,245	-
Deferred revenue	(49,283)	(42,154)
	<u>751,221</u>	<u>3,963,036</u>
CAPITAL ACTIVITIES		
Purchase and construction of tangible capital assets	(1,481,459)	(4,256,603)
INVESTING ACTIVITIES		
Loan receivable	-	(100,350)
Advances to related parties	(53,739)	(5,140)
Advances (to) from operations reserve	(16,827)	7,362
Advances to replacement reserve	(9,228)	(10,955)
Purchase of partnership units and share in government business enterprises	-	(10,000)
Withdrawals from partnership equity	95,000	-
	<u>15,206</u>	<u>(119,083)</u>
FINANCING ACTIVITIES		
Proceeds of term demand loans	-	317,174
Repayment of term demand loans	(20,145)	(19,639)
Proceeds of long-term debt	515,520	540,080
Repayment of long-term debt	(42,644)	(48,208)
	<u>452,731</u>	<u>789,407</u>
(DECREASE) INCREASE DURING YEAR	(262,301)	376,757
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	953,331	576,574
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 691,030	\$ 953,331
Cash and cash equivalents consist of:		
Cash	\$ 753,122	\$ 953,331
Bank indebtedness	(62,092)	-
	<u>\$ 691,030</u>	<u>\$ 953,331</u>

The accompanying notes are an integral part of these consolidated financial statements.

NAZKO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for government entities, as defined in the Canadian Institute of Chartered Accountants Public Sector Accounting and Auditing Handbooks, and encompass the following principles:

Reporting Entity and Principles of Financial Reporting

The Nazko First Nation reporting entity includes the Nazko First Nation government and all related entities which are either owned or controlled by the Nazko First Nation.

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise or government business partnership, which are included in these financial statements on a modified equity basis. Inter-entity balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only Nazko First Nation's investment in the government business enterprise or government business partnership and their share of the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Nazko First Nation.

The following controlled entities consolidated in Nazko First Nation's consolidated financial statements include:

- CMHC Social Housing
- First Nation Negotiation Support Agreement

Commercial government business enterprises, which are wholly-owned by Nazko First Nation and which are not dependent on the First Nation for their continuing operations, included in the consolidated financial statements using the modified equity method are as follows:

- Nazko Economic Development Corp.
- Nazko Resource Management Ltd.
- Ndazkhot'en Forest Management Ltd.
- Ndazkhot'en Holdings Ltd.
- Ndazkhot'en Properties Ltd.

NAZKO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Commercial government business partnerships of which Nazko First Nation is the limited partner and which are not dependent on the First Nation for their continuing operations, included in the consolidated financial statements using the modified equity method, are as follows:

- Besikoh Fuel Limited Partnership
- Nazko Logging Limited Partnership

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash on deposit net of cheques issued and outstanding at the reporting date, and short-term deposits with maturity dates of less than 90 days.

Tangible Capital Assets and Amortization

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Transfers of tangible capital assets from related parties are recorded at carrying value.

Tangible capital assets are amortized using the declining balance method at rates calculated to amortize the cost less salvage value as follows:

Automotive and mobile equipment	30%
Band housing	6%
Buildings and infrastructure	4-10%
Computer equipment	30%
Furniture and office equipment	20%
Recreational infrastructure	10%
Site improvements	20%

In the year of acquisition, 50% of the annual amortization is expensed. Assets under construction are not amortized until the asset is available to be put into service.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artefacts, are not recognized as tangible capital assets.

NAZKO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Amortization - Social Housing

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.

Revenue and Expenditure

Revenue and expenditure are recorded using the accrual basis of accounting. Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. Gains are recognized when realized. Items not practically measurable until cash is received are accounted for at that time.

Government transfers are recognized as revenue 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 and 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.

Funding Recoveries and Reimbursements

Funding received from federal government sources in the form of conditional transfer payments are subject to recovery, by the Crown, of unexpended balances or unallowable expenses. The Crown may also reimburse over expenditures upon determining adherence to the terms and conditions of payment for a specified purpose. Recoveries and reimbursements are accounted for when they are paid or payable or received or receivable.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires administration 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 expenditures during the reporting period. Significant areas requiring the use of administration estimates relate to the impairment of assets and rates for amortization. Actual results could differ from those estimates.

NAZKO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

2. ACCOUNTS RECEIVABLE

	2014	2013
Government:		
Aboriginal Affairs and Northern Development Canada	\$ 500	\$ 331,210
Canada Mortgage and Housing Corporation	2,587	2,734
Health Canada	-	300,880
Canada Revenue Agency – GST/HST	32,501	93,259
Province of British Columbia	-	5,730
	<u>35,588</u>	<u>733,813</u>
First Nation members	22,270	44,324
Other	<u>37,714</u>	<u>58,872</u>
	95,572	837,009
Less: allowance for doubtful accounts	-	(25,564)
	<u>\$ 95,572</u>	<u>\$ 811,445</u>

3. RESTRICTED CASH AND FUND RESERVES

Replacement Reserve

Under the terms of the agreements with Canada Mortgage and Housing Corporation, the First Nation must set aside funds in the amount of \$9,228 (2013 - \$10,455) annually for the repair, maintenance and replacement of worn out assets as approved by CMHC. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as may otherwise be approved by CMHC from time to time. At year end the replacement reserve is fully funded and is in compliance with the agreement with CMHC.

NAZKO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

3. RESTRICTED CASH AND FUND RESERVES, continued

Operations Reserve

Under the terms of agreement # 22-217-384 with Canada Mortgage and Housing Corporation, after the payment of all costs and expenditures including the allocation to the Replacement Reserve, any surplus revenue from operations will be retained by the Program within an Operating Reserve Fund. The Program's Operating Reserve Fund may only be used for the ongoing operating costs of Phases committed under the 1997 On-Reserve Program. Accordingly, future years' deficits may be recovered from the Operating Reserve Fund. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as may otherwise be mutually agreed to by Nazko First Nation and CMHC. At year end the program has unfunded reserves of \$11,346 (2013 - \$Nil) and is in technical default of their agreement with CMHC.

4. TRUST ASSETS

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 primarily governed by Sections 63 to 69 of the Indian Act.

	Revenue		Capital		Total 2014	Total 2013
Balance, beginning of year	\$	8,471	\$	3,747	\$ 12,218	\$ 11,052
Interest		361		-	361	269
BC Special		884		-	884	897
Balance, end of year	\$	9,716	\$	3,747	\$ 13,463	\$ 12,218

5. LOAN RECEIVABLE

Loan receivable from Blackwater Camp Services Ltd., a company owned 50% by government business enterprise Nazko Economic Development Corp., is non-interest bearing, unsecured with no set terms of repayment.

NAZKO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

6. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES (APPENDIX A)

	2014	2013
Nazko Economic Development Corp.		
Advances	\$ 149	\$ -
Equity (deficit)	29,191	(35,543)
1 Share	1	1
	<u>29,341</u>	<u>(35,542)</u>
Nazko Logging Limited Partnership		
Advances	265,237	260,412
Equity	1,025,999	931,367
10,000 Partnership units	10,000	10,000
	<u>1,301,236</u>	<u>1,201,779</u>
Besikoh Fuel Limited Partnership		
Contributed surplus	60,000	60,000
Equity (deficit)	64,225	(31,927)
10,000 Partnership units	10,000	10,000
	<u>134,225</u>	<u>38,073</u>
Nazko Resource Management Ltd.		
Deficit	(3)	(3)
3 Shares	3	3
	<u>-</u>	<u>-</u>
Ndazkhot'en Forest Management Ltd.		
1 Share	1	1
Ndazkhot'en Holdings Ltd.		
Advances	8,230	(30,436)
Equity (deficit)	3,765	(34,204)
100 Shares	100	100
	<u>12,095</u>	<u>(64,540)</u>
Ndazkhot'en Properties Ltd.		
Advances	56,734	46,636
Deficit	(23,844)	(12,486)
2 Shares	2	2
	<u>32,892</u>	<u>34,152</u>
	<u>\$ 1,509,790</u>	<u>\$ 1,173,923</u>

NAZKO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

6. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES, continued

Shares and partnership units of the commercial government business enterprises and government business partnerships above are held by Nazko First Nation, as represented by Chief and Council, on behalf of and for the benefit of the Nazko First Nation membership.

Nazko Economic Development Corp. is the general partner in Besikoh Fuel Limited Partnership and Nazko Logging Limited Partnership and holds one partnership unit in each.

Advances due from Nazko Logging Limited Partnership are receivable on demand without interest in 180 days following notice of demand, or in the event a material adverse change is deemed to occur by the First Nation, in 15 days of demand, secured by a general security agreement over the assets of the Limited Partnership, if payment is not received when due, interest at prime plus 1% (March 31, 2014 – 4%) is receivable from the date demanded until actual payment is received. The Nazko First Nation has agreed to a postponement of claim in favour of the Royal Bank of Canada.

Nazko Logging Limited Partnership is actively involved in logging operations in the central interior of British Columbia and employs 6 to 10 members of the First Nation on a regular basis.

Besikoh Fuel Limited Partnership is operating a cardlock fuel depot in the central interior region of British Columbia and employs 2 to 3 members of the First Nation on a regular basis.

Nazko Resource Management Ltd. is currently inactive.

Ndazkhot'en Forest Management Ltd. holds forest licenses with annual cuts provided to Nazko Logging Limited Partnership for no consideration. All assets, liabilities, revenues, expenses and contingencies relating to the use of these licenses are recognized in Nazko Logging Limited Partnership financial statements.

Ndazkhot'en Holdings Ltd. acts as a bare trustee on behalf of Nazko First Nation and its membership to hold title and related financing of the First Nation administrative building.

Advances due (to) from Ndazkhot'en Holdings Ltd. are unsecured, non-interest bearing with no scheduled terms of repayment.

Advances due from Ndazkhot'en Properties Ltd. are unsecured, non-interest bearing with no scheduled terms of repayment.

NAZKO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

6. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES, continued

Ndazkhot'en Properties Ltd. acts as a bare trustee on behalf of Nazko First Nation and its membership to hold title to incremental treaty lands for economic development. Besikoh Fuel Limited Partnership and Blackwater Camp Services Ltd. are located on these lands. Nazko Economic Development Corp. is a 50% shareholder in Blackwater Camp Services Ltd.

Condensed financial information for the commercial government business enterprises and government business partnerships is presented in Appendix A to the financial statements.

7. BANK INDEBTEDNESS

Bank indebtedness consists of cheques issued in excess of funds on deposit on a revolving line of credit authorized to \$100,000, bearing interest at prime plus 1.50% (March 31, 2014 - 4.5%), secured by a general security agreement.

8. TERM DEMAND LOANS

Term demand loan repayable in monthly instalments of \$2,188 including interest at 2.56%, secured by equipment with a net book value of \$232,059, maturing on September 24, 2016

2014 2013

\$ 228,142 \$ 248,287

Term demand loan, interest-only payments at prime plus 2% (March 31, 2014 - 5%), secured by assignment of accounts receivable from Health Canada, maturing on December 31, 2014

317,174 317,174

\$ 545,316 \$ 565,461

NAZKO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

8. TERM DEMAND LOANS, continued

Provided the lender does not demand repayment of the loans in full, principal repayments due in each of the next five years are scheduled as follows:

2015	\$ 337,853
2016	21,199
2017	21,758
2018	22,319
2019	<u>22,894</u>
	<u>\$ 426,023</u>

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013
Trade payables	\$ 514,254	\$ 1,135,230
AANDC and Health Canada recoveries payable	221,404	177,970
Accrued wages and payroll deductions payable	33,725	28,023
Other accrued liabilities	<u>52,555</u>	<u>73,202</u>
	<u>\$ 821,938</u>	<u>\$ 1,414,425</u>

10. PENSION PLAN

The First Nation began a defined contribution pension plan for eligible members of its staff on March 1, 2012. Members are required to contribute a minimum of 5% of their salary and the First Nation contributes 5% of their basic salary, which contributions are directed to the member's contribution account. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. Nazko First Nation contributed during the year \$29,208 (2013 - \$37,526) for retirement benefits.

NAZKO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

11. DEFERRED REVENUE

Nazko First Nation has recorded the following surpluses as deferred revenue to be used in the completion of capital projects:

	2014	2013
ACRS 2007 - Project #8808	\$ 492	\$ 492
Municipal Phone Services - Project #4465	11,418	11,418
FNIF Comprehensive Community Planning - Project #9805	-	19,758
Drinking Water Supply and Treatment IR#20 - Project #7321	-	20,525
Climate Change - Biomass Energy	-	9,000
	<u>\$ 11,910</u>	<u>\$ 61,193</u>

12. LONG-TERM DEBT

	2014	2013
Mortgage, repayable in monthly instalments of \$2,942 including interest at 1.64% per annum, secured by a Government of Canada ministerial guarantee, due to renew December 2016	\$ 543,650	\$ 569,839
Mortgage, repayable in monthly instalments of \$945 including interest at 2.04% per annum, secured by a Government of Canada ministerial guarantee, due to renew March 2019	185,022	192,438
Mortgage	-	9,039
Balance forward	<u>\$ 728,672</u>	<u>\$ 771,316</u>

NAZKO FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

12. LONG-TERM DEBT, continued

	2014	2013
Balance forward	\$ 728,672	\$ 771,316
<p>Nazko First Nation has signed loan agreements representing advances made by Canada for treaty negotiations. Repayment provisions for these loans are outlined in Section 13.0 and 14.0 of the Nazko First Nation Negotiation Support Agreement. Pursuant to the Agreement with the Commission and Canada this loan becomes repayable upon the earlier of:</p> <p>a) the date a treaty signed by the Negotiating Parties takes effect unless otherwise agreed in the treaty;</p> <p>b) the extended due date of the first loan advance by Canada to the First Nation under the earliest First Nation Funding Agreement (December 21, 1995), which date is December 21, 2017; and</p> <p>d) the date the Federal Minister demands payment of the loan due to an event of default under this Agreement or under any First Nation Funding Agreement</p>		
	<u>5,813,804</u>	<u>5,298,284</u>
	<u>\$ 6,542,476</u>	<u>\$ 6,069,600</u>

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

2015	\$ 34,230
2016	34,827
2017	35,434
2018	36,052
2019	<u>36,680</u>
	<u>\$ 177,223</u>

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13. TANGIBLE CAPITAL ASSETS (Appendix B)

			2014	2013
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Automotive and mobile equipment	\$ 221,548	\$ 171,001	\$ 50,547	\$ 61,399
Buildings	3,287,328	575,446	2,711,882	1,533,595
Computer equipment	188,089	140,700	47,389	69,936
Furniture and office equipment	93,048	73,443	19,605	24,506
Housing	2,275,129	1,008,023	1,267,106	1,347,152
Infrastructure	5,490,062	1,136,290	4,353,772	4,253,042
Recreational infrastructure	325,755	167,336	158,419	176,021
Site improvements	189,936	57,544	132,392	165,490
Land	5,000	-	5,000	5,000
	\$12,075,895	\$ 3,329,783	\$ 8,746,112	\$ 7,636,141

Assets under construction included in Buildings and Infrastructure, in the amount of \$2,374,190 (2013 - \$1,172,969) and \$317,554 (2013 - \$81,000) respectively, are not currently being amortized. Construction is anticipated to be completed in 2014-2015.

14. CONTINGENT LIABILITIES

Under the terms of agreements with Aboriginal Affairs and Northern Development Canada and other government agencies, certain surpluses may be recoverable and so repayable to the government. The amount of the liability related to current year funding, if any, of the First Nation is not determinable at this time.

The First Nation has guaranteed loans advanced to Nazko Logging Limited Partnership to a maximum amount of \$745,000 plus interest at prime plus 5%, and capital assets under capital lease in the amount of \$779,140.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14. CONTINGENT LIABILITIES, continued

Under Canada Mortgage and Housing Corporation On-reserve Residential Rehabilitation Assistance Program (RRAP) agreements, the Nazko First Nation has guaranteed loans totaling \$47,600 that will be forgiven at the rate of \$793 per month beginning on April 1, 2012, under the following conditions:

- the First Nation must continue to own and operate the property;
- the property must be occupied by band members with a total household income at or below the income threshold established by CMHC.

If the First Nation fails to comply with the terms of the loans, the whole balance including any part of the loan which has not been forgiven shall become due and payable on demand, including interest at 5.375% per annum calculated half yearly not in advance, from the date of failure to comply.

15. RECONCILIATION OF AANDC FUNDING AGREEMENT REVENUE

Pursuant to the instructions provided by Aboriginal Affairs and Northern Development Canada Year End Reporting Handbook for funding agreements covering fiscal period 2013-2014, the following reconciliation has been prepared:

Recipient total as per 2013/2014 AANDC funding confirmation	\$ 1,764,383
Adjustments	<u> -</u>
Recipient total as per financial statements	<u>\$ 1,764,383</u>

16. ECONOMIC DEPENDENCE

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17. GOVERNMENT TRANSFERS

	2014			2013		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Federal government transfers:						
Aboriginal Affairs and Northern Development Canada	\$ 1,531,244	\$ 233,139	\$ 1,764,383	\$ 1,398,886	\$ 2,937,220	\$ 4,336,106
Health Canada	584,624	1,068,063	1,652,687	567,499	1,087,132	1,654,631
Canada Mortgage and Housing Corporation	44,961	-	44,961	48,314	-	48,314
Other	4,500	-	4,500	27,000	-	27,000
	2,165,329	1,301,202	3,466,531	2,041,699	4,024,352	6,066,051
Provincial government transfers	391,698	-	391,698	413,767	-	413,767
	<u>\$ 2,557,027</u>	<u>\$ 1,301,202</u>	<u>\$ 3,858,229</u>	<u>\$ 2,455,466</u>	<u>\$ 4,024,352</u>	<u>\$ 6,479,818</u>

18. RELATED PARTY TRANSACTIONS

During the year, the First Nation paid rent in the amount of \$133,600 (2013 - \$156,899) to Ndazkhot'en Holdings Ltd., at fair market value in the normal course of operations.

At June 1, 2011 Nazko First Nation transferred the assets and liabilities of the Nazko Logging enterprise to Nazko Logging Limited Partnership in exchange for 10,000 units of equity and a promissory note receivable in the amount of \$1,839,900 secured by a general security agreement over the assets of the Limited Partnership resulting in an unrealized gain on disposal of \$1,511,461.

As the transfer was negotiated between non-arm's length parties, the unrealized gain has not been recognized in these consolidated financial statements, thereby reducing the advances receivable from Nazko Logging Limited Partnership reported in Note 6 to the consolidated financial statements accordingly.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19. FINANCIAL INSTRUMENTS

The First Nation has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include the following:

Credit Risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The First Nation has a history of dealing with its funding agencies and customer base and does not believe it is exposed to an unusual level of credit risk with respect to its accounts receivable.

The First Nation maintains its cash and deposits with a single federally regulated Canadian financial institution, and thus has not experienced any change in risk exposure.

Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The First Nation's long-term debt is at fixed rates of interest therefore, a change in market interest rates has no impact to cash flows required to service this debt. The term demand loan subject to a floating rate of interest based on prime plus a margin may expose the First Nation to interest rate risk due to fluctuations in the prime rate. The First Nation maintains an operating line of credit subject to floating rates of interest, a change in the variable rate can impact cash flow to service the debt when such debt is outstanding. There has been no change to the risk exposure from 2013 and there is expected to be no substantive change in the next fiscal period.

20. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.