



Lhoosk'uz Dene Government
Financial Statements

March 31, 2014



Lhoosk'uz Dene Government
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For the year ended March 31, 2014

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SUMMARY FINANCIAL STATEMENTS

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Lhoosk'uz Dene Government
MARCH 31, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Lhoosk'uz Dene Government are the responsibility of management and have been approved by Chief and Council

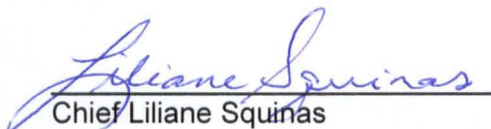
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are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

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

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 auditor's report.

The external auditors, Ribeyre & Company 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 Lhoosk'uz Dene Government and meet when required.


Chief Liliane Squinas

Chartered Accountants

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* Ted Ribeyre Ltd. operating as

INDEPENDENT AUDITOR'S REPORT

To: The Members of Lhoosk'uz Dene Government

Lhoosk'uz Dene Government**Report on the Financial Statements**

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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, the financial statements present fairly, in all material respects, the financial position of **Lhoosk'uz Dene Government** as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Port Coquitlam, B.C.
July 22, 2014

Chartered Accountants

Lhoosk'uz Dene Government

SUMMARY STATEMENT OF FINANCIAL POSITION

| As at March 31, 2014 | Statement 1 | |
|--|---------------------|---------------------|
| | 2014 | 2013 |
| Financial assets | | |
| Cash - Note 3 | \$ 346,917 | \$ 213,713 |
| Accounts receivable - Note 4 | 428,543 | 102,061 |
| Investments - Note 5 | 1,582,289 | 1,357,221 |
| Trust moneys - Note 6 | 39,620 | 38,025 |
| | 2,397,369 | 1,711,020 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 303,466 | 141,009 |
| Government balances payable | 51,517 | 51,325 |
| Deferred revenue | 4,615 | 4,884 |
| | 359,598 | 197,218 |
| Net financial assets | 2,037,771 | 1,513,802 |
| Non-financial assets | | |
| Tangible capital assets - Note 7 | 3,285,517 | 3,369,448 |
| Prepaid expenses and deposits | 8,196 | 8,823 |
| | 3,293,713 | 3,378,271 |
| Accumulated surplus - Note 8 | \$ 5,331,484 | \$ 4,892,073 |

See accompanying notes

On behalf of Chief and Council:





Lhoosk'uz Dene Government

SUMMARY STATEMENT OF OPERATIONS

For the year ended March 31, 2014

Statement 2

| | 2014 | 2013 |
|---|---------------------|---------------------|
| Revenue | | |
| Aboriginal Affairs and Northern Development Canada | \$ 1,216,369 | \$ 1,046,773 |
| Health Canada / FNHA | 371,491 | 388,111 |
| Cariboo Chilcotin Aboriginal Training Education Centre | 74,586 | 51,628 |
| Contribution from New Gold Inc. | 692,345 | 196,315 |
| Revenue from forestry activities | 369,089 | 348,276 |
| Miscellaneous income | 323,421 | 551,755 |
| Trust income | 1,595 | 1,382 |
| Province of British Columbia | - | 5,000 |
| Investment gain | 121,128 | 500,926 |
| First Nation Education Steering Committee | 96,369 | 73,983 |
| | 3,266,393 | 3,164,149 |
| Expenses | | |
| Local government services | 321,130 | 462,936 |
| Community infrastructure | 231,651 | 286,535 |
| Cultural services | 8,484 | - |
| Economic development | 848,107 | 494,258 |
| Education and training | 527,782 | 344,746 |
| Health | 414,664 | 362,223 |
| Social programs | 180,757 | 167,970 |
| Capital projects | 241,623 | 327,100 |
| | 2,774,198 | 2,445,768 |
| Annual surplus | 492,195 | 718,381 |
| Accumulated surplus, beginning of year | 4,892,073 | 4,183,879 |
| Reimbursements (recoveries) | (52,784) | (10,187) |
| Accumulated surplus, end of year | \$ 5,331,484 | \$ 4,892,073 |

See accompanying notes

Lhoosk'uz Dene Government

SUMMARY STATEMENT OF NET FINANCIAL ASSETS

For the year ended March 31, 2014

Statement 3

| | 2014 | 2013 |
|--|---------------------|---------------------|
| Annual surplus | \$ 492,195 | \$ 718,381 |
| Recoveries in the year | (52,784) | (10,187) |
| | 439,411 | 708,194 |
| Changes in tangible capital assets | | |
| Acquisition of tangible capital assets | (55,406) | (257,485) |
| Amortization of tangible capital assets | 139,337 | 142,214 |
| Cost of assets disposed of in the year | - | 31,191 |
| | 83,931 | (84,080) |
| Changes in other non-financial assets | | |
| Prepaid expenses and deposits | 627 | 878 |
| | 627 | 878 |
| Increase in net financial assets | 523,969 | 624,992 |
| Net financial assets at beginning of year | 1,513,802 | 888,810 |
| Net financial assets at end of year | \$ 2,037,771 | \$ 1,513,802 |

See accompanying notes

Lhoosk'uz Dene Government
SUMMARY STATEMENT OF CASH FLOWS

For the year ended March 31, 2014

Statement 4

| | 2014 | 2013 |
|--|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Revenue received | \$ 2,905,635 | \$ 2,873,736 |
| Expenses paid | (2,471,585) | (2,201,907) |
| Cash provided by operating activities | 434,050 | 671,829 |
| INVESTING ACTIVITIES | | |
| Advances to investments | (245,440) | (254,629) |
| Purchase and construction of capital assets | (55,406) | (226,294) |
| Cash used in investing activities | (300,846) | (480,923) |
| Increase in cash during the year | 133,204 | 190,906 |
| Cash, beginning of year | 213,713 | 22,807 |
| Cash, end of year | \$ 346,917 | \$ 213,713 |

See accompanying notes

Lhoosk'uz Dene Government

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

See Auditor's Report

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These Summary Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the CICA Public Sector Accounting and Auditing Handbook, which encompasses the following principles.

a) Fund accounting

The Lhoosk'uz Dene Government 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 Summary Financial Statements. Details of the operations of each fund are set out in the supplementary schedules. The Lhoosk'uz Dene Government maintains the following funds:

- The Operating Fund which reports the general activities of the First Nation administration,
- The Trust Fund which reports on trust funds owned by the First Nation and held by a third party,
- The Investment Fund which reports the Band's investments in related entities.

b) Reporting entity and principles of financial reporting

The Lhoosk'uz Dene Government reporting entity includes the Lhoosk'uz Dene Government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

These financial statements consolidate the assets, liabilities and results of operation for the following entities which use accounting principles which lend themselves to consolidation:

- Lhoosk'uz Dene Government Operating Fund,
- Lhoosk'uz Dene Government Trust Fund,
- Lhoosk'uz Dene Government Investment Fund.

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 necessarily been eliminated on the individual schedules.

Dene Development Corp., a company Lhoosk'uz Dene Government holds a 33.3% interest in, is included in the summary financial statements using the modified equity method.

Lhoosk'uz Dene Government

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

See Auditor's Report

1. Continued ...

b) Reporting entity and principles of financial reporting

Lhoosk'uz Dene Forest Company Limited, 0886366 B.C. Ltd. and Kluskus Management Holdings Ltd., companies Lhoosk'uz Dene Government holds a 100% interest in, are included in the summary financial statements using the modified equity method.

c) Financial assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not consumption in the normal course of operations. The indicator of net debt is determined by deducting the financial assets of the Lhoosk'uz Dene Government from its liabilities. Financial assets are primarily measured at historical cost.

d) Non-financial assets

Fixed assets and other non-financial assets are accounted for as assets by the Lhoosk'uz Dene Government because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Lhoosk'uz Dene Government unless they are sold.

e) Fixed assets

Fixed assets are valued at either cost or estimated cost and recorded in the Operating Fund.

The acquisition costs of fixed 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 Operating Fund with a corresponding increase in Operating Fund - unrestricted equity.

f) Depreciation

Fixed assets are recorded and depreciated with a corresponding reduction in Equity in Fixed Assets. Fixed assets are depreciated over their expected useful life using the declining balance method at the following rates:

| | |
|-------------------------|-----|
| Computer equipment | 30% |
| Furniture and equipment | 20% |
| Infrastructure | 4% |
| Mobile equipment | 30% |
| Signage | 20% |

Lhoosk'uz Dene Government

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

See Auditor's Report

1. Continued ...

g) Revenue recognition

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Statement of Financial Position.

h) Cash equivalents

Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition

2. ECONOMIC DEPENDENCE

The Lhoosk'uz Dene Government receives a major portion of its revenue pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada

3. CASH

| | 2014 | 2013 |
|--|-------------------|-------------------|
| Cash is comprised of the following: | | |
| Cash and cash equivalents | \$ 45,019 | \$ 63,119 |
| \$300,000 guaranteed investment certificate with annual interest rate of 2.35% and matures on December 16, 2018 with an annual anniversary distribution of \$60,000. | 301,898 | 150,594 |
| | <u>\$ 346,917</u> | <u>\$ 213,713</u> |

4. ACCOUNTS RECEIVABLE

| | 2014 | 2013 |
|--|-------------------|-------------------|
| Accounts receivable is comprised of the following: | | |
| Aboriginal Affairs and Northern Development Canada | \$ 41,368 | \$ 2,000 |
| Band members' loans | 3,082 | 8,814 |
| Band members' loans' allowances | (3,082) | (8,368) |
| Health Canada | - | 29,098 |
| Other | 387,175 | 70,517 |
| | <u>\$ 428,543</u> | <u>\$ 102,061</u> |

Lhoosk'uz Dene Government

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

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5. INVESTMENTS

| | 2014 | 2013 |
|---|--------------|--------------|
| Lhoosk'uz Dene Forest Company Limited | | |
| Shares | \$ 2 | \$ 2 |
| Accumulated equity | 9,981 | 9,981 |
| Advances | (7,805) | (7,805) |
| Allowance on investment | (2,178) | (2,178) |
| | - | - |
| Kluskus Management Holdings Ltd. | | |
| Shares | 200 | 200 |
| Accumulated equity | (2,129) | (1,497) |
| Advances | 463,997 | 346,285 |
| | 462,068 | 344,988 |
| 0886366 B.C. Ltd. | | |
| Shares | 100 | 100 |
| Accumulated equity | (30,470) | (25,300) |
| Advances | 562,788 | 527,880 |
| | 532,418 | 502,680 |
| Lhoosk'uz Management Ltd. | | |
| Shares | 1 | 1 |
| Accumulated equity | (30) | (1,496) |
| Advances | 61,399 | 60,999 |
| | 61,370 | 59,504 |
| Lhoosk'uz Development Group Limited Partnership | | |
| Accumulated equity | 498,946 | 422,562 |
| Dene Forest Products Ltd. (a 25% interest) | | |
| Shares | 2 | 2 |
| Accumulated equity | (2) | (2) |
| Advances | 5,000 | 5,000 |
| Allowance on investment | (5,000) | (5,000) |
| | - | - |
| Dene Development Corp. (a 33.3% interest) | | |
| Shares | 1 | 1 |
| Advances | 27,486 | 27,486 |
| | 27,487 | 27,487 |
| | \$ 1,582,289 | \$ 1,357,221 |

Lhoosk'uz Dene Government

NOTES TO FINANCIAL STATEMENTS

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5. Continued...

Shares are held in trust on behalf of the band membership by certain band members under trust agreements.

Financial information for the corporation for its respective year end is as follows:

| | Assets | Liabilities | Revenue (Loss) | Net Income (Loss) |
|---|------------|-------------|-------------------|----------------------|
| 0886366 B.C. Ltd. | | | | |
| March 31, 2014 | \$ 534,336 | \$ 564,706 | \$ 45,679 | \$ (5,170) |
| Kluskus Management Holdings Ltd. | | | | |
| March 31, 2014 | \$ 465,025 | \$ 464,997 | \$ 127,497 | \$ 1,466 |
| Lhoosk'uz Management Ltd. | | | | |
| March 31, 2014 | \$ 59,659 | \$ 61,786 | \$ (16) | \$ (632) |
| Lhoosk'uz Development Group Limited Partnership | | | | |
| March 31, 2014 | \$ 691,419 | \$ 192,107 | \$ 139,102 | \$ (16,052) |

6. TRUST MONEYS

The Ottawa Trust accounts arise from moneys 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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

Lhoosk'uz Dene Government

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

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7. TANGIBLE CAPITAL ASSETS

| | 2014 | | | | | | | | 2013 | |
|-------------------------|---------------------|------------------|-------------|---------------------|--|-------------------|-------------|---------------------------------------|---------------------|---------------------|
| | Beginning Cost | Additions | Disposals | Ending Cost | Beginning Accumulated Depreciation | Depreciation | Disposals | Ending Accumulated Depreciation | Net Book Value | Net Book Value |
| Computer equipment | \$ 85,578 | \$ - | \$ - | \$ 85,578 | \$ 78,706 | \$ 2,059 | \$ - | \$ 80,765 | \$ 4,813 | \$ 6,872 |
| Furniture and equipment | 41,655 | - | - | 41,655 | 30,087 | 2,316 | - | 32,403 | 9,252 | 11,568 |
| Infrastructure | | | | | | | | | | |
| Housing | 1,906,627 | 55,406 | - | 1,962,033 | 273,306 | 65,333 | - | 338,639 | 1,623,394 | 1,633,321 |
| School | 1,477,542 | - | - | 1,477,542 | 707,705 | 30,793 | - | 738,498 | 739,044 | 769,837 |
| Power and utilities | 348,408 | - | - | 348,408 | 141,802 | 8,264 | - | 150,066 | 198,342 | 206,606 |
| Roads | 358,034 | - | - | 358,034 | 77,930 | 11,204 | - | 89,134 | 268,900 | 280,104 |
| Water supply | 562,982 | - | - | 562,982 | 107,609 | 18,214 | - | 125,823 | 437,159 | 455,373 |
| Equipment | 6,619 | - | - | 6,619 | 2,807 | 763 | - | 3,570 | 3,049 | 3,812 |
| Signage | 3,395 | - | - | 3,395 | 1,440 | 391 | - | 1,831 | 1,564 | 1,955 |
| Mobile equipment | - | - | - | - | - | - | - | - | - | - |
| | \$ 4,790,840 | \$ 55,406 | \$ - | \$ 4,846,246 | \$ 1,421,392 | \$ 139,337 | \$ - | \$ 1,560,729 | \$ 3,285,517 | \$ 3,369,448 |

Lhoosk'uz Dene Government

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

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8. ACCUMULATED SURPLUS

| | 2014 | 2013 |
|--|---------------------|---------------------|
| RESTRICTED | | |
| Opening balance | \$ 80,448 | \$ 96,175 |
| Net changes | | |
| Operating Fund | (3,406) | (17,109) |
| Trust Fund | 1,595 | 1,382 |
| Closing balance | 78,637 | 80,448 |
| UNRESTRICTED | | |
| Opening balance | 4,811,625 | 4,087,704 |
| Net changes | | |
| Operating Fund | 461,594 | 357,995 |
| Investment Fund | (20,372) | 365,926 |
| Closing balance | 5,252,847 | 4,811,625 |
| TOTAL RESTRICTED AND UNRESTRICTED | \$ 5,331,484 | \$ 4,892,073 |

9. BUDGET INFORMATION

The budget information disclosed has been approved by the Lhoosk'uz Dene Government Chief and Council. Individual program operations not showing budget information does not mean budgets were not prepared but rather that their amounts were not readily determined.