

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

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YEAR ENDED MARCH 31, 2014**

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ULKATCHO FIRST NATION

P.O. Box 3430
Anahim Lake, BC V0L 1C0
Phone: (250) 742-3288
Fax: (250) 742-3411
Email: Info@Ulkacho.ca

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Ulkatcho 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 Ulkatcho First Nation and meet when required.

Chief

Councillor

Councillor

Councillor

INDEPENDENT AUDITORS' REPORT

To the Members of Ulkatcho First Nation:

We have audited the accompanying consolidated financial statements of Ulkatcho First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, 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

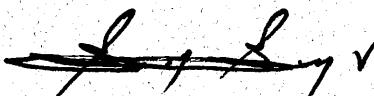
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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 Ulkatcho First Nation as at March 31, 2014 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

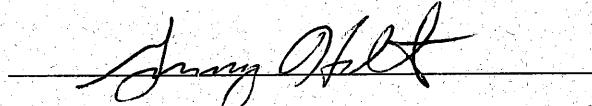
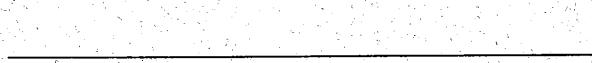


Chartered Accountants

August 6, 2014

Prince George, British Columbia

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

	2014	2013
FINANCIAL ASSETS		
Cash	\$ 315,808	\$ 285,559
Accounts receivable (Note 2)	552,035	463,382
Restricted cash (Note 3)	15,597	15,518
Investments in government business enterprises (Note 4)	996,324	1,469,122
Trust assets (Note 5)	52,590	48,730
	1,932,354	2,282,311
LIABILITIES		
Bank indebtedness (Note 6)	217,819	106,963
Term demand loans (Note 7)	1,489,920	1,600,208
Accounts payable and accrued liabilities (Note 8)	492,056	654,795
Recoveries payable	92,246	29,623
Deferred revenue (Note 9)	170,410	52,713
Long-term debt (Note 10)	889,378	1,202,014
Unfunded replacement reserve (Note 3)	369,363	343,977
	3,721,192	3,990,293
NET DEBT	(1,788,838)	(1,707,982)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	13,951,417	14,806,099
Prepaid expenditure	26,288	67,471
	13,977,705	14,873,570
ACCUMULATED SURPLUS	\$12,188,867	\$ 13,165,588
CONTINGENT LIABILITIES (Note 12)		
Approved on behalf of Ulkatcho First Nation:		
	Chief	
	Councillor	
	Councillor	
	Councillor	

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

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

	Budget	2014	2013
REVENUE			
Aboriginal Affairs and Northern Development Canada	\$ 3,482,851	\$ 3,514,023	\$ 3,500,025
Health Canada	919,366	918,246	1,092,454
Canada Mortgage and Housing Corporation	68,652	54,569	68,652
Province of British Columbia	266,250	250,029	332,354
Interest, rent and other	375,511	506,256	752,119
Ottawa trust account	-	3,860	4,325
Income from investments in government business enterprises	-	11,222	90,762
Management and administration	99,161	93,147	199,286
Cariboo Chilcotin Aboriginal Training Employment Centre	79,552	46,047	148,318
First Nations Education Steering Committee	28,000	62,273	59,405
Own source	210,000	427,219	330,559
Coast Opportunity Fund	-	-	200,000
	5,529,343	5,886,891	6,778,259
EXPENDITURE			
Economic development	-	349,576	605,518
Education	1,387,041	1,151,632	1,278,269
Employment and training	-	62,772	295,190
Government development and administration	851,923	687,737	705,064
Health services	919,366	966,721	959,288
Housing	68,652	170,896	166,634
Public works operations and maintenance	874,970	440,693	404,360
Social and community services	1,266,561	1,161,241	1,312,305
Loss from investments in government business enterprises	-	801,738	1,285,517
Interest	42,230	52,312	72,554
Amortization	68,652	840,351	748,590
	5,479,395	6,685,669	7,833,289
ANNUAL DEFICIT	49,948	(798,778)	(1,055,030)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	13,165,588	13,165,588	14,361,457
TRUST FUND WITHDRAWAL	-	-	(130,475)
RECOVERIES BY GOVERNMENT OF CANADA	(64,463)	(92,246)	(61,346)
(INCREASE) DECREASE IN DEFERRED REVENUE	(85,697)	(85,697)	50,982
ACCUMULATED SURPLUS, END OF YEAR	\$ 13,065,376	\$ 12,188,867	\$ 13,165,588

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

ULKATCHO FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31, 2014

	2014	2013
(DECREASE) INCREASE IN FINANCIAL POSITION		
Accumulated surplus	\$ (976,721)	\$ (1,195,869)
Equity, funded replacement reserve	-	77
	(976,721)	(1,195,792)
Acquisition of tangible capital assets	(104,996)	(537,215)
Proceeds on disposal of tangible capital assets	269,684	-
Gain on disposal of tangible capital assets	(150,357)	-
Amortization	<u>840,351</u>	<u>748,590</u>
	854,682	211,375
Use (acquisition) of prepaid assets	41,183	(14,116)
INCREASE IN NET DEBT	(80,856)	(998,533)
NET DEBT, BEGINNING OF YEAR	(1,707,982)	(709,449)
NET DEBT, END OF YEAR	<u>\$ (1,788,838)</u>	<u>\$ (1,707,982)</u>

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

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

	2014	2013
OPERATING ACTIVITIES		
Accumulated surplus	\$ (976,721)	\$ (1,195,869)
Items not involving cash		
Allocation to replacement reserve	25,386	25,386
Amortization	840,351	748,590
Gain on disposal of tangible capital assets	(150,357)	-
Income - investments in government business enterprises	(11,222)	(90,762)
Loss - investments in government business enterprises	801,738	1,285,517
Ottawa trust account	<u>(3,860)</u>	<u>(4,325)</u>
	525,315	768,537
Cash provided by (used in) operating activities		
Accounts receivable	(88,653)	94,105
Prepaid expenditure	41,183	(14,116)
Accounts payable and accrued liabilities	(162,739)	87,407
Recoveries payable	62,623	(135,502)
Deferred revenue	<u>117,697</u>	<u>(50,982)</u>
	495,426	749,449
CAPITAL TRANSACTIONS		
Purchase and construction of tangible capital assets	(104,996)	(537,215)
Proceeds on disposal of tangible capital assets	<u>269,684</u>	<u>-</u>
	164,688	(537,215)
FINANCING ACTIVITIES		
Proceeds from term demand loans	114,254	1,646,368
Repayment of term demand loans	(224,542)	(46,160)
Proceeds long-term debt	-	75,000
Repayment of long-term debt	(312,636)	(300,034)
Advances to replacement reserve	<u>(79)</u>	<u>(77)</u>
	(423,003)	1,375,097
INVESTING ACTIVITIES		
Advances to investments in government business enterprises	(428,329)	(1,948,020)
Repayment from investments in government business enterprises	110,611	574,649
Advances from Ottawa trust account	<u>-</u>	<u>130,475</u>
	(317,718)	(1,242,896)
(DECREASE) INCREASE DURING YEAR	(80,607)	344,435
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR	178,596	(165,839)
CASH, END OF YEAR	\$ 97,989	\$ 178,596
Cash (bank indebtedness), consists of:		
Cash	\$ 315,808	\$ 285,559
Bank indebtedness	<u>(217,819)</u>	<u>(106,963)</u>
	\$ 97,989	\$ 178,596

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

ULKATCHO 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 Ulkatcho First Nation reporting entity includes the Ulkatcho First Nation government and all related entities which are either owned or controlled by the Ulkatcho 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 consolidated financial statements on a modified equity basis. Inter-entity balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only Ulkatcho 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 Ulkatcho First Nation.

CMHC Social Housing is consolidated in Ulkatcho First Nation's consolidated financial statements.

Commercial government business enterprises, which are wholly-owned by Ulkatcho 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:

- Chun'ta Resources Ltd.
- Dakelh Enterprises Ltd.
- Ulkatcho Mercantile Ltd.
- West Chilcotin Forest Products Ltd.
- Yun Ka Whu'ten Holdings Ltd.
- 690361 B.C. Ltd.

Yun Ka Whu'ten Development Limited Partnership is included in the consolidated financial statements using the modified equity method as the commercial government business partnership is not dependent on the First Nation for their continuing operations.

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

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

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, and cash held in trust on behalf of the Nation.

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	30%
Band housing	4%
Buildings	4%
Computer equipment	30%
Equipment	20%
Infrastructure	4%
Land improvements	4%
Rental housing	4%
Roads	4%

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.

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.

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

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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

2. ACCOUNTS RECEIVABLE

	2014	2013
First Nation members	\$ 74,435	\$ 94,929
Government	395,640	307,835
Other	81,960	60,618
	<u>\$ 552,035</u>	<u>\$ 463,382</u>

3. RESTRICTED CASH AND REPLACEMENT RESERVE

Under the terms of the agreement with CMHC, the Replacement Reserve account is to be credited in the amount of \$25,386 annually plus interest. 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. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal. At year end the program has unfunded reserves of \$369,363 (2013 - \$343,977) and is in technical default of their agreement with CMHC.

4. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES (Appendix A)

	2014	2013
<u>Modified Equity Method</u>		
Chun'ta Resources Ltd.		
Year ended March 31, 2014		
- share	\$ -	\$ 1
- contributed surplus	- 1,265,658	
- deficiency	- (1,265,659)	
	-	-
Dakelh Enterprises Ltd.		
Year ended March 31, 2014		
- share	\$ -	\$ 1
- equity	- 509	
	-	510
Balance forward	\$ -	\$ 510

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

4. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES, continued

	2014	2013
Balance forward	\$ -	\$ 510
Ulkatcho Mercantile Ltd.		
Year ended October 31, 2013		
- share	1	1
- contributed surplus	560,867	560,867
- deficiency	(489,223)	(500,445)
- advances to	57,658	57,658
	129,303	118,081
West Chilcotin Forest Products Ltd.		
Year ended July 31, 2013		
- shares	3	3
Yun Ka Whu'ten Holdings Ltd.		
Period ended March 31, 2014		
- share	-	1
- contributed surplus	-	430,060
- deficiency	-	(419,877)
	-	10,184
Yun Ka Whu'ten Development Limited Partnership		
Period ended March 31, 2014		
- deficiency	(1,438,858)	(647,975)
- advances to	2,287,157	1,969,439
	848,299	1,321,464
690361 B.C. Ltd.		
Year ended July 31, 2013		
- shares	2	2
- (deficiency) equity	(144)	17
	(142)	19
Balance forward	\$ 977,463	\$ 1,450,261

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

4. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES, continued

	2014	2013
Balance forward	\$ 977,463	\$ 1,450,261
<u>Cost Method</u>		
Gatcho Resort	4,969	4,969
Traplines	<u>13,892</u>	<u>13,892</u>
	<u>18,861</u>	<u>18,861</u>
	<u>\$ 996,324</u>	<u>\$ 1,469,122</u>

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

Ulkatcho Mercantile Ltd. is operating a grocery store in the Cariboo Chilcotin region of British Columbia and employs 4 to 6 members of the First Nation on a regular basis. Advances due from Ulkatcho Mercantile Ltd. are unsecured, non-interest bearing with no scheduled terms of repayment.

West Chilcotin Forest Products Ltd. is the agent for West Chilcotin Forest Products a division of Yun Ka Whut'en Limited Partnership.

Yun Ka Whu'ten Development Limited Partnership is actively involved in logging and sawmill operations in the Cariboo Chilcotin region of British Columbia and employs members of the First Nation on a regular basis. Advances due from Yun Ka Whu'ten Development Limited Partnership are unsecured, non-interest bearing with no scheduled terms of repayment.

690361 B.C. Ltd. is the general partner in Yun Ka Whu'ten Development Limited Partnership and holds a 0.0001 % interest in the partnership.

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

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

5. 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	\$ 15,705	\$ 33,025	\$ 48,730	\$ 174,880
Interest	1,423	-	1,423	1,851
BC Special	2,437	-	2,437	2,474
Withdrawals	-	-	-	(130,475)
Balance, end of year	\$ 19,565	\$ 33,025	\$ 52,590	\$ 48,730

6. BANK INDEBTEDNESS

Bank indebtedness consists of cheques issued in excess of cash on hand and is drawn on an operating line of credit authorized to \$200,000, secured by a Band Council Resolution, and general security agreement registered with a floating charge over all company assets of West Chilcotin Forest Products Ltd., Yun Ka Whu'ten Development Limited Partnership and 690361 B.C. Ltd., supported by corporate guarantees in the amount of \$2,000,000, interest at prime plus .75% (March 31, 2014 - 3.75%).

7. TERM DEMAND LOANS

	2014	2013
Term demand loan repayable in monthly instalments of \$3,117 including interest at prime plus 0.75% (March 31, 2014 - 3.75%)	\$ 195,557	\$ 225,033
Term demand loan repayable in monthly instalments of \$3,388 including interest at prime plus 0.75% (March 31, 2014 - 3.75%)	210,363	242,483
Balance forward	\$ 405,920	\$ 467,516

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

7. TERM DEMAND LOANS, continued

	2014	2013
Balance forward	\$ 405,920	\$ 467,516
Term demand loan repayable in monthly instalments of \$2,200 including interest at prime plus 0.75% (March 31, 2014 - 3.75%)	141,570	46,368
Term demand loan repayable in monthly instalments of \$15,181 including interest at prime plus 0.75% (March 31, 2014 - 3.75%)	942,430	1,086,324
	<u>\$ 1,489,920</u>	<u>\$ 1,600,208</u>

The above term demand loans are secured by a Band Council Resolution and general security agreement registered with a floating charge over all company assets of West Chilcotin Forest Products Ltd., Yun Ka Whu'ten Development Limited Partnership and 690361 BC Ltd., supported by corporate guarantees in the amount of \$2,000,000.

Ulkatcho First Nation have breached debt covenants on the above term demand loans, there has been no demand for repayment from the lender and all scheduled repayments have been made.

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	\$ 234,831
2016	243,780
2017	253,070
2018	262,715
2019	<u>272,726</u>
	<u>\$ 1,267,122</u>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013
Trade payables	\$ 331,272	\$ 549,072
Accrued wages and payroll deductions payable	80,784	65,723
Other accrued liabilities	<u>80,000</u>	<u>40,000</u>
	<u>\$ 492,056</u>	<u>\$ 654,795</u>

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

9. DEFERRED REVENUE

	2014	2013
Capital Surplus	\$ 47,791	\$ 47,791
Stella West Unit	4,922	4,922
Special Services - ACRS	85,697	-
Other Projects	32,000	-
	<u>\$ 170,410</u>	<u>\$ 52,713</u>

The Nation has recorded the above surpluses as deferred revenue to be used in the completion of projects.

10. LONG-TERM DEBT

	2014	2013
Mortgage repayable in monthly instalments of \$2,915 including interest at 4.99% per annum, secured by a Government of Canada ministerial guarantee, due to renew February 1, 2017	\$ 97,174	\$ 127,468
Mortgage repayable in monthly instalments of \$4,856 including interest at 4.55% per annum, secured by a Government of Canada ministerial guarantee, due to renew September 1, 2014	240,881	286,522
Mortgage repayable in monthly instalments of \$4,911 including interest at 5.2% per annum, secured by a Government of Canada ministerial guarantee, due to renew July 1, 2014	259,343	303,692
Mortgage repayable in monthly instalments of \$1,796 including interest at 5.19% per annum, secured by a Government of Canada ministerial guarantee, due to renew December 1, 2016	105,775	121,457
Mortgage repayable in monthly instalments of \$5,054 including interest at 5.95% per annum, secured by a Government of Canada ministerial guarantee, due to renew December 15, 2015	<u>131,905</u>	<u>182,981</u>
Balance forward	<u>\$ 835,078</u>	<u>\$ 1,022,120</u>

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

10. LONG-TERM DEBT, continued

	2014	2013
Balance forward	\$ 835,078	\$ 1,022,120
Mortgage repayable in monthly instalments of \$557 including interest at 5.2% per annum, secured by a Government of Canada ministerial guarantee, due to renew July 1, 2016	31,123	36,068
Mortgage repayable in monthly instalments of \$270 including interest at 5.2% per annum, secured by a Government of Canada ministerial guarantee, due to mature July 31, 2014	1,071	4,177
Mortgage repayable in monthly instalments of \$332 including interest at 5.2% per annum, secured by a Government of Canada ministerial guarantee, due to renew July 1, 2016	18,533	21,478
Mortgage repayable in monthly instalments of \$261 including interest at 5.2% per annum, secured by a Government of Canada ministerial guarantee, due to mature July 31, 2014	1,031	4,023
Mortgage repayable in monthly instalments of \$237 including interest at 4.84% per annum, secured by a Government of Canada ministerial guarantee, due to mature February 28, 2015	2,542	5,192
Mortgage	-	27,539
Mortgage	-	10,175
Mortgage	-	14,950
Mortgage	-	1,292
Loan	-	55,000
	\$ 889,378	\$ 1,202,014

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

10. LONG-TERM DEBT, continued

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

2015	\$ 210,440
2016	216,729
2017	183,959
2018	138,688
2019	<u>121,952</u>
	 <u>\$ 871,768</u>

11. TANGIBLE CAPITAL ASSETS (Appendix B)

		2014	2013
	Cost	Accumulated Amortization	Net Book Value
Automotive	\$ 727,656	\$ 653,109	\$ 74,547
Band housing	9,191,775	6,673,285	2,518,490
Buildings	8,042,781	2,813,384	5,229,397
CMHC social housing	1,962,122	1,364,724	597,398
Computer equipment	106,678	81,273	25,405
Equipment	850,066	622,530	227,536
Infrastructure	5,133,885	1,552,599	3,581,286
Land improvements	319,799	161,705	158,094
Rental housing	676,741	374,020	302,721
Roads	1,971,349	734,806	1,236,543
	 <u>\$28,982,852</u>	 <u>\$15,031,435</u>	 <u>\$13,951,417</u>
			\$14,806,099

12. CONTINGENT LIABILITIES

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

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

13. RELATED PARTY TRANSACTIONS

The Nation made contributions of \$Nil (\$200,000 - 2013) to Yun Ka Whu'ten Development Limited Partnership.

14. ECONOMIC DEPENDENCE

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

15. SUPPLEMENTAL CASH FLOW INFORMATION

	2014	2013
Interest paid	<u>\$ 52,312</u>	<u>\$ 72,554</u>

16. RECONCILIATION OF AANDC FUNDING AGREEMENT REVENUE

Pursuant to the instructions provided by Aboriginal Affairs and Northern Development Canada Year-End Financial Reporting Handbook for funding agreements covering fiscal period 2013-14 for First Nations, Tribal Councils and First Nation Political Organizations, the following reconciliation has been prepared:

Recipient total as per 2013/2014 AANDC funding confirmation	\$ 3,514,023
AANDC funding as per consolidated financial statements	<u>3,514,023</u>
Variance	\$ _____ -

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

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	\$ 3,406,933	\$ 107,090	\$ 3,514,023	\$ 3,466,560	\$ 33,465	\$ 3,500,025
Health Canada	918,246	-	918,246	910,666	181,788	1,092,454
Canada Mortgage and Housing Corporation	54,569	-	54,569	68,652	-	68,652
	4,379,748	107,090	4,486,838	4,445,878	215,253	4,661,131
Provincial government transfers	250,029	-	250,029	332,354	-	332,354
	<u>\$ 4,629,777</u>	<u>\$ 107,090</u>	<u>\$ 4,736,867</u>	<u>\$ 4,778,232</u>	<u>\$ 215,253</u>	<u>\$ 4,993,485</u>

18. RISK MANAGEMENT

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.

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

18. RISK MANAGEMENT, continued

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.

19. COMPARATIVE FIGURES

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

20. MANAGEMENT ACTION PLAN

Based on the financial position of the Nation for fiscal year ended March 31, 2012, Aboriginal Affairs and Northern Development Canada (AANDC) initiated intervention requiring the Nation to implement a Management Action Plan (MAP). The MAP has been prepared and implemented by the Nation and is awaiting final revisions between the Nation and AANDC.

ULKATCHO FIRST NATION

SEGMENT DISCLOSURE

YEAR ENDED MARCH 31, 2014

	ECONOMIC DEVELOPMENT		EDUCATION		EMPLOYMENT AND TRAINING		GOVERNMENT DEVELOPMENT AND ADMINISTRATION		HEALTH SERVICES	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
REVENUE										
AANDC	\$ 52,296	\$ 52,296	\$ 1,391,383	\$ 1,256,864	-	-	\$ 426,974	\$ 434,873	-	\$ -
Health Canada	-	-	-	-	-	-	-	-	918,246	1,092,454
CMHC	-	-	-	-	-	-	-	-	-	-
Province of British Columbia	250,029	332,354	-	-	-	-	-	-	-	-
Interest, rent and other	427,219	827,923	62,810	70,812	47,879	277,757	275,617	250,863	570	5,690
Trust funds held by federal government	-	-	-	-	-	-	-	-	-	-
Net income from Government	-	-	-	-	-	-	-	-	-	-
Business Enterprises	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUE	729,544	1,212,573	1,454,193	1,327,676	47,879	277,757	702,591	685,736	918,816	1,098,144
EXPENDITURE										
Amortization and interest	-	-	-	-	-	-	-	-	-	-
Consulting and contract services	4,381	34,811	415	1,801	-	64,665	154	47,891	18,692	104,063
Honoraria	-	-	-	-	-	-	129,210	135,600	10,810	-
Materials and supplies	2,422	1,745	74,200	102,887	2,275	10,343	598	58	96,557	54,793
Professional fees	281,627	219,911	-	-	-	-	84,045	91,816	2,165	231,820
Rent	-	-	4,188	9,643	-	-	5,634	14,267	7,350	10,734
Telephone and utilities	1,486	-	22,688	13,089	6,361	5,537	41,365	41,584	9,054	10,244
Travel and accommodations	5,378	25,485	245,703	250,212	1,666	1,595	30,871	36,115	122,395	78,135
Wages and benefits	46,656	7,784	295,464	297,664	50,778	149,936	261,303	226,161	394,424	284,202
Workshops and training	3,465	-	9,090	9,730	455	50,000	810	100	91,699	23,136
Other	4,161	315,782	499,884	593,243	1,237	13,114	133,747	111,472	213,575	162,161
TOTAL EXPENDITURE	349,576	605,518	1,151,632	1,278,269	62,772	295,190	687,737	705,064	966,721	959,288
EXCESS REVENUE OVER EXPENDITURE, (EXPENDITURE OVER REVENUE)	379,968	607,055	302,561	49,407	(14,893)	(17,433)	14,854	(19,328)	(47,905)	138,856
TRANSFER TO TANGIBLE CAPITAL ASSETS	-	-	-	(6,510)	-	(1,275)	-	-	-	(92,912)
ANNUAL SURPLUS (DEFICIT)	\$ 379,968	\$ 607,055	\$ 302,561	\$ 42,897	\$ (14,893)	\$ (18,708)	\$ 14,854	\$ (19,328)	\$ (140,817)	\$ 138,856

ULKATCHO FIRST NATION
SEGMENT DISCLOSURE
YEAR ENDED MARCH 31, 2014

	HOUSING		PUBLIC WORKS OPERATIONS AND MAINTENANCE		SOCIAL AND COMMUNITY SERVICES		OTHER		TANGIBLE CAPITAL ASSETS	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
REVENUE										
AANDC	\$ -	\$ -	\$ 350,486	\$ 394,057	\$ 1,185,794	\$ 1,328,470	\$ -	\$ -	\$ 107,090	\$ 33,465
Health Canada	-	-	-	-	-	-	-	-	-	-
CMHC	\$ 54,569	\$ 68,652	-	-	-	-	-	-	-	-
Province of British Columbia	-	-	-	-	-	-	-	-	-	-
Interest, rent and other	\$ 311,047	\$ 104,816	\$ 9,800	\$ 21,132	-	-	\$ 220	-	-	-
Trust funds held by federal government	-	-	-	-	-	-	-	\$ 3,860	\$ 4,325	\$ 130,475
Net income(loss) from Government Business Enterprises	-	-	-	-	-	-	-	\$ (790,516)	\$ (1,194,755)	-
TOTAL REVENUE	365,616	173,468	360,286	415,189	1,185,794	1,328,690	(786,656)	(1,190,430)	107,090	163,940
EXPENDITURE										
Amortization and interest	\$ 172,597	\$ 185,680	-	-	-	-	\$ 927	-	-	-
Consulting and contract services	-	-	\$ 161,448	\$ 151,598	\$ 103	\$ 3,114	-	-	-	\$ 1,934
Honoraria	-	-	-	-	\$ 635	-	-	-	-	-
Materials and supplies	-	-	\$ 9,297	\$ 6,117	\$ 44,444	\$ 83,510	-	-	-	-
Professional fees	\$ 5,000	\$ 7,500	-	-	-	-	-	-	-	-
Rent	-	-	-	\$ 1,476	-	\$ 2,948	-	-	-	-
Telephone and utilities	-	-	\$ 62,674	\$ 64,835	\$ 2,684	\$ 7,632	-	-	-	-
Travel and accommodations	-	-	\$ 12,859	\$ 1,476	\$ 1,261	\$ 4,036	-	-	-	-
Wages and benefits	-	-	\$ 116,523	\$ 94,445	\$ 153,150	\$ 195,802	-	-	\$ 7,096	-
Workshops and training	-	-	-	-	\$ 1,505	\$ 300	-	-	-	-
Other	\$ 165,896	\$ 159,134	\$ 77,892	\$ 84,413	\$ 957,459	\$ 1,014,036	-	-	\$ 2,213	\$ 270
TOTAL EXPENDITURE	343,493	352,314	440,693	404,360	1,161,241	1,312,305	-	-	9,309	2,204
EXCESS REVENUE OVER EXPENDITURE, (EXPENDITURE OVER REVENUE)										
	\$ 22,123	\$ (178,846)	\$ (80,407)	\$ 10,829	\$ 24,553	\$ 16,385	\$ (786,656)	\$ (1,190,430)	\$ 97,781	\$ 161,736
TRANSFER TO TANGIBLE CAPITAL ASSETS	-	(153,795)	-	(9,000)	-	(14,592)	-	-	92,912	185,172
ANNUAL SURPLUS (DEFICIT)	\$ 22,123	\$ (332,641)	\$ (80,407)	\$ 1,829	\$ 24,553	\$ 1,793	\$ (786,656)	\$ (1,190,430)	\$ 190,693	\$ 346,908

ULKATCHO FIRST NATION
GOVERNMENT BUSINESS ENTERPRISES
CONDENSED FINANCIAL INFORMATION
YEAR ENDED MARCH 31, 2014

APPENDIX A

	Chun'ta Resources Ltd.	Dakelh Enterprises Ltd.	Ulkatcho Mercantile Ltd.	West Chilcotin Forest Products Ltd.	Yun ka Whu'ten Holdings Ltd.	Yun ka Whu'ten Development Limited Partnership	690361 B.C. Ltd.	Total 2014	Total 2013
Assets									
Financial assets	\$ -	\$ -	\$ 98,169	\$ 3	\$ -	\$ 1,777,613	\$ 2	\$ 1,875,787	\$ 1,539,094
Tangible capital assets	-	-	8,590	-	-	779,115	-	787,705	838,600
Other assets	-	-	40,422	-	-	441,477	-	481,899	1,211,873
Total Assets	\$ -	\$ -	\$ 147,181	\$ 3	\$ -	\$ 2,998,205	\$ 2	\$ 3,145,391	\$ 3,589,567
Liabilities and Partner's Deficiency									
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,145,049	\$ -	\$ 2,145,049	\$ 2,134,389
Debt	-	-	17,878	-	-	-	-	17,878	-
Equity (Deficit)	-	-	71,645	3	-	(1,439,001)	(143)	(1,367,496)	(576,919)
Total Liabilities and Equity	\$ -	\$ -	\$ 89,523	\$ 3	\$ -	\$ 706,048	\$ (143)	\$ 795,431	\$ 1,557,470
Related party loans									
Intercompany loans	\$ -	\$ -	\$ 57,658	\$ -	\$ -	\$ 2,292,157	\$ 145	\$ 2,349,960	\$ 2,032,097
Ulkatcho First Nation advances	-	-	57,658	-	-	2,287,157	145	2,344,960	2,032,097
Related party loans	\$ -	\$ -	\$ 57,658	\$ -	\$ -	\$ 2,292,157	\$ 145	\$ 2,349,960	\$ 2,032,097
Revenue									
Revenue	\$ -	\$ -	\$ 743,482	\$ -	\$ -	\$ 2,397,467	\$ 240	\$ 3,141,189	\$ 4,192,381
Expenses	-	510	730,085	-	10,184	3,188,350	319	3,929,448	5,057,216
Amortization	-	-	2,175	-	-	-	-	2,175	253,986
Total expenses	-	510	732,260	-	10,184	3,188,350	319	3,931,623	5,311,202
Other income (charges)									
Net income (loss)	\$ -	\$ (510)	\$ 11,222	\$ -	\$ (10,184)	\$ (790,883)	\$ (79)	\$ (790,434)	\$ (1,194,755)

ULKATCHO FIRST NATION
TANGIBLE CAPITAL ASSETS
YEAR ENDED MARCH 31, 2014

APPENDIX B

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE			
	Opening Balance	Additions	Disposals	Balance End of Year	Opening Balance	Amortization	Disposals	Balance End of Year	2014	2013
Automotive equipment	\$ 672,988	\$ 54,668	\$ -	\$ 727,656	\$ 632,875	\$ 20,234	\$ -	\$ 653,109	\$ 74,547	\$ 40,113
Band housing	9,191,775	-	-	9,191,775	6,565,212	108,073	-	6,673,285	2,518,490	2,626,563
Buildings	8,263,678	4,103	(225,000)	8,042,781	2,696,193	222,864	(105,673)	2,813,384	5,229,397	5,567,485
CMHC social housing	1,962,122	-	-	1,962,122	1,244,440	120,284	-	1,364,724	597,398	717,682
Computer equipment	87,823	18,855	-	106,678	71,189	10,084	-	81,273	25,405	16,634
Equipment	830,798	19,268	-	850,066	572,142	50,388	-	622,530	227,536	258,656
Infrastructure	5,125,783	8,102	-	5,133,885	1,314,898	237,701	-	1,552,599	3,581,286	3,810,885
Land improvements	319,799	-	-	319,799	155,118	6,587	-	161,705	158,094	164,681
Rental housing	676,741	-	-	676,741	361,407	12,613	-	374,020	302,721	315,334
Roads	1,971,349	-	-	1,971,349	683,283	51,523	-	734,806	1,236,543	1,288,066
	\$ 29,102,856	\$ 104,996	\$ (225,000)	\$ 28,982,852	\$ 14,296,757	\$ 840,351	\$ (105,673)	\$ 15,031,435	\$ 13,951,417	\$ 14,806,099