

YUULU?IL?ATH SETTLEMENT TRUST

FINANCIAL STATEMENTS

December 31, 2013

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SABO, JANG & CO. LTD.

(A Professional Corporation)

Certified General Accountants

GREG K. SABO, BA, CPA, CGA, PARTNER
SANDY SAYERS, BCOM, CPA, CGA, ASSOCIATE

MICHAEL JANG, BA, CPA, CGA, PARTNER

INDEPENDENT AUDITOR'S REPORT

To the Trustees of Yuulu'il?ath Settlement Trust

We have audited the accompanying financial statements of Yuulu'il?ath Settlement Trust, which comprise the statement of financial position as at December 31, 2013, and the statements of operations, changes in net assets, and 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 Yuulu?il?ath Settlement Trust as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Parksville, B.C.
March 24, 2014

Sabo, Jang and Co Ltd.
Sabo, Jang & Co. Ltd.
Certified General Accountants


YUULU?IL?ATH SETTLEMENT TRUST
STATEMENT OF OPERATIONS
For the year ended December 31, 2013

	<u>2013</u>	<u>2012</u>
REVENUE	\$ <u>312,428</u>	\$ <u>192,153</u>
EXPENSES		
Accounting and support fees	1,548	2,155
Administration fees	7,903	9,533
Audit fees	3,675	4,460
Insurance	2,616	1,090
Interest and bank charges	64	90
Investment management fees	38,426	24,544
Supplies	-	520
Training	1,435	-
Trustee honoraria	2,250	2,550
Trustee travel	<u>653</u>	<u>1,015</u>
	<u>58,570</u>	<u>45,957</u>
EXCESS OF REVENUE OVER EXPENSES	<u>253,858</u>	<u>146,196</u>
OTHER		
Gain (loss) on sale of investments	<u>147,376</u>	<u>829</u>
	<u>147,376</u>	<u>829</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 401,234</u>	<u>\$ 147,025</u>

YUULU?IL?ATH SETTLEMENT TRUST
STATEMENT OF FINANCIAL POSITION
 December 31, 2013

		ASSETS	
		2013	2012
CURRENT			
Cash	\$	534	\$ 3,075
Accounts receivable		1,200	-
Prepaid expenses		<u>1,526</u>	<u>1,526</u>
TOTAL CURRENT ASSETS		3,260	4,601
INVESTMENTS (Note 5)		<u>9,840,051</u>	<u>6,034,006</u>
TOTAL ASSETS	\$	<u><u>9,843,311</u></u>	\$ <u><u>6,038,607</u></u>
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	\$	<u>16,436</u>	\$ <u>11,215</u>
TOTAL LIABILITIES		<u>16,436</u>	<u>11,215</u>
NET ASSETS			
Net Assets (Page 5)		<u>9,826,875</u>	<u>6,027,392</u>
TOTAL LIABILITIES & NET ASSETS	\$	<u><u>9,843,311</u></u>	\$ <u><u>6,038,607</u></u>

Approved by the Trustees:

 _____, Trustee

 _____, Trustee

 _____, Trustee

 _____, Trustee

 _____, Trustee

YUULU?IL?ATH SETTLEMENT TRUST
STATEMENT OF CHANGES IN NET ASSETS
For the year ended December 31, 2013

NET ASSETS	Total <u>2013</u>	Total <u>2012</u>
Net assets, beginning of year:		
Net assets before unrealized gains and losses	\$ 5,897,795	\$ 3,409,455
Accumulated unrealized gains (losses)	<u>129.597</u>	<u>(145.923)</u>
Balance, beginning of year	\$ 6,027,392	\$ 3,263,532
Excess of revenues over expenses	401,234	147,025
Contributions	3,282,839	3,279,642
Distributions	<u>(729.896)</u>	<u>(938.327)</u>
	<u>8.981.569</u>	<u>5.751.872</u>
Unrealized gains and losses (Note 5):		
Unrealized gains (losses) for the year	<u>845.306</u>	<u>275.520</u>
Change in accumulated unrealized gains (losses)	<u>845.306</u>	<u>275.520</u>
Balance, end of year	<u>\$ 9.826.875</u>	<u>\$ 6.027.392</u>
Net assets, end of year:		
Net assets before unrealized gains and losses	\$ 8,851,972	\$ 5,897,795
Accumulated unrealized gains (losses)	<u>974.903</u>	<u>129.597</u>
Balance, end of year	<u>\$ 9.826.875</u>	<u>\$ 6.027.392</u>

See accompanying Notes to Financial Statements 6.

SABO, JANG & CO. LTD.

YUULU?IL?ATH SETTLEMENT TRUST
CASH FLOW STATEMENT
For the year ended December 31, 2013

	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 401,234	\$ 147,025
Add (deduct):		
Net change in non-cash working capital		
balances related to operations		
Trade receivables	(1,200)	-
Prepaid expenses	-	(1,526)
Accounts payable and accrued liabilities	<u>5,220</u>	<u>1,042</u>
	<u>405,254</u>	<u>146,541</u>
FINANCING ACTIVITIES		
Contributions	3,282,839	3,279,642
Distributions	<u>(729,896)</u>	<u>(938,327)</u>
	<u>2,552,943</u>	<u>2,341,315</u>
INVESTING ACTIVITIES		
Purchase of investments	<u>(2,960,738)</u>	<u>(2,697,535)</u>
	<u>(2,960,738)</u>	<u>(2,697,535)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(2,541)	(209,679)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,075</u>	<u>212,754</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u>534</u>	\$ <u>3,075</u>

YUULU?IL?ATH SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

1. NATURE OF ORGANIZATION

The Yuulu?il?ath First Nation established the Yuulu?il?ath Settlement Trust to hold, protect and nurture capital transfers and resource revenues derived from the Maa-nulth Final Agreement for the benefit of the Beneficiaries.

2. ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

- a) Financial assets and liabilities are measured initially at fair value, except for certain non-arm's length transactions. Subsequent measurement is at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.
- b) Cash and cash equivalents include amounts on deposit with financial institutions. Cash and cash equivalents exclude cash equivalents that are invested in money market funds with Leith Wheeler.
- c) The Trust reports its investments at their fair value, and reports unrealized gains and losses on those investments in the Statement of Changes in Net Assets.
- d) The Trust does not record in its books of account the value of contributed materials and services.

YUULU?IL?ATH SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

3. FINANCIAL INSTRUMENTS

The Trust is exposed to various risks through its financial instruments. The following describes the exposures to those risks, how they arise, any changes in risk exposures from the previous period and any concentrations of risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trust has significant investments in U.S. and international equities.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust has significant investments which are tied to prevailing interest rates.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Trust is exposed to all three risks, as described.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting all similar financial instruments traded in the market. The Trust is exposed to this risk through its investment in publicly-traded shares.

4. INCOME TAXES

The Yuulu?il?ath First Nation is party to the Maa-nulth First Nations Tax Treatment Agreement between the Maa-nulth First Nations, Canada and British Columbia. The Yuulu?il?ath Settlement Trust has been designated by the Minister of National Revenue as a Maa-nulth First Nation Settlement Trust. In accordance with that agreement, the Trust is not subject to income taxes.

YUULU?IL?ATH SETTLEMENT TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

5. INVESTMENTS

	2013		2012	
	<u>Cost</u>	<u>Reported</u>	<u>Cost</u>	<u>Reported</u>
LW Canadian Equity Fund Series A	\$ 2,466,362	\$ 2,885,362	\$ 1,936,215	\$ 1,947,816
LW US Equity Fund Series A	1,083,167	1,484,532	916,542	950,182
LW International Fund Series A	1,156,897	1,390,261	906,639	929,552
LW Wheeler Money Market Fund	1,246,173	1,246,173	130,625	130,625
LW Fixed Income Fund Series A	<u>2,912,548</u>	<u>2,833,723</u>	<u>2,014,388</u>	<u>2,075,831</u>
	\$ 8,865,147	\$ 9,840,051	\$ 5,904,409	\$ 6,034,006
Current unrealized gains/(losses)		<u>\$ 845,307</u>		<u>\$ 275,521</u>
Accumulated unrealized gains/(losses)		<u>\$ 974,904</u>		<u>\$ 129,597</u>

All investments are managed by Leith Wheeler (LW) and are reported at fair value. Equity investments recorded at fair value are those with prices that are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices reflect actual and regularly occurring market transactions on an arm's length basis. Debt instruments have been recorded at fair value in accordance with an irrevocable election made under section 3856 of the CICA handbook.

6. CONTRIBUTIONS AND DISTRIBUTIONS

The Trust received funds from and distributed funds to the Yuulu?il?ath First Nation. The funds received by the Trust may only be used in accordance with the terms of the Yuulu?il?ath Settlement Trust Agreement.

Net Contributions	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 5,670,622	\$ 3,329,307
Received from Yuulu?il?ath First Nation	3,282,839	3,279,642
Funds distributed to Yuulu?il?ath First Nation	<u>(729,896)</u>	<u>(938,327)</u>
Ending balance	<u>\$ 8,223,565</u>	<u>\$ 5,670,622</u>

7. RESTRICTIONS ON NET ASSETS

Net assets are unrestricted subject to the provisions laid out in the Yuulu?il?ath Settlement Trust Agreement.