

**HUL'QUMI'NUM TREATY GROUP**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2004**

**HUL'QUMI'NUM TREATY GROUP**  
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**FOR THE YEAR ENDED MARCH 31, 2004**

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**TO THE MEMBERS  
HUL'QUMI'NUM TREATY GROUP  
Ladysmith, British Columbia**

**AUDITORS' REPORT**

***We have audited the Statement of Financial Position of Hul'qumi'num Treaty Group as at March 31, 2004 and the statement of operations for the year then ended. These financial statements are the responsibility of the treaty group's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.***

***The Hul'qumi'num Treaty Group has recorded in expenditures payments to suppliers in advance of the receipt of goods or services. In this respect, the financial statements are not in accordance with Canadian generally accepted accounting principles which recognize expenditures at the time the risks and benefits of ownership pass to the purchaser. If the expenditures had been recorded in the year to which they pertained, the amount of expenditures would have decreased by \$330,800 (2003 - \$47,250) and unrestricted equity would have been increased by \$378,050 (2003 - \$47,250).***

***...continued***

***In our opinion, except for the effects of recording future commitments as expenditures, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the treaty group as at March 31, 2004 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles as outlined in Note 2. As required by the Society Act (British Columbia) we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.***

*Hill & Partners*

**Chartered Accountants**

**Duncan, British Columbia  
May 21, 2004**



**HUL'QUMI'NUM TREATY GROUP**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2004**



	<u>2004</u> <u>Budget</u>	<u>2004</u> <u>Actual</u>	<u>2003</u> <u>Actual</u>
<b>RECEIPTS</b>			
Canada - loan		\$ 1,500,040	\$ 1,407,420
British Columbia Treaty Commission - contribution		375,010	351,855
INAC (2122 Capacity Development)		50,000	-
INAC (3235 TRM)		-	169,000
Province of British Columbia		231,085	101,165
Interest income		25,197	19,301
Miscellaneous income (Note 6)		8,984	-
Land and Water British Columbia Inc.		-	65,738
First Peoples Heritage Language & Culture Council		-	10,100
<b>Total receipts</b>		<b>2,190,316</b>	<b>2,124,579</b>
<b>EXPENDITURE</b>			
Benefits	\$ 47,000	25,991	21,550
Community coordinators	186,925	147,742	42,465
Consultants/legal	1,272,170	1,144,372	491,552
Contractors	202,000	162,470	162,366
Elders' committees	179,000	152,127	166,200
Meetings	228,180	113,688	57,024
Office administration	321,843	277,015	282,889
Personnel	666,475	586,115	377,203
Travel	63,000	53,561	56,232
Training	10,000	13,614	5,830
<b>Total expenditure</b>	<b>3,176,593</b>	<b>2,676,695</b>	<b>1,663,311</b>
<b>RECEIPTS OVER (UNDER) EXPENDITURE</b>		<b>(486,379)</b>	<b>461,268</b>
Loan payable		(1,500,040)	(1,407,420)
Increase in amount invested in treaty		2,032,909	975,844
<b>UNRESTRICTED EQUITY, beginning of year</b>		<b>106,754</b>	<b>77,062</b>
<b>UNRESTRICTED EQUITY, end of year</b>		<b>153,244</b>	<b>106,754</b>

**HUL'QUMI'NUM TREATY GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2004**



**1. ORGANIZATION**

The Hul'qumi'num Treaty Group is comprised of the six Hul'qumi'num First Nations: Cowichan, Chemainus, Lyackson, Penelakut, Halalt and Lake Cowichan. The purpose of the group is to prepare for and carry out negotiations with Canada and British Columbia as contemplated by the British Columbia Treaty Commission Agreement. The treaty group was incorporated under the Society Act on November 8, 1994.

**2. SIGNIFICANT ACCOUNTING POLICIES**

- a) These financial statements account for transactions arising from the First Nation Negotiation Support Agreement of August 19, 2003 which was amended on November 27, 2003 and have been prepared in accordance with Canadian accounting principles generally accepted for similar non-profit organizations.
- b) Contributions and loan amounts are included in receipts. Transactions are recorded on the accrual basis. Unexpended contributions are deferred and matched to future expenditures.
- c) The investment in treaty represents the accumulated expenditures incurred under the First Nation Loan Agreement, as detailed in Note 4. Each First Nation comprising the treaty group is responsible for repayment of the loan agreement with the Minister of Indian and Northern Affairs Canada.
- d) Equipment is charged to operations in the year of acquisition. These expenditures are also recorded as an addition to equipment with a corresponding increase in the amount invested in capital equipment.
- e) The amount invested in capital equipment represents office equipment acquired by the treaty group at cost less amortization. These assets are amortized on a straight-line basis over ten years.
- f) The Unrestricted Equity Fund represents accumulated interest earned and other own-source revenues.
- g) A statement of cash flow has not been prepared as it would not provide additional useful information.
- h) Financial instruments which include cash, accounts receivable, accounts payable and deferred revenue have fair values that approximate carrying value. Investment in treaty and the First Nation loan agreement are stated at cost, as there are no fixed terms of repayment with which to determine fair value.

**HUL'QUMI'NUM TREATY GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004**



**3. ACCOUNTS RECEIVABLE**

	<u>2004</u>	<u>2003</u>
Recovery of expenditure	\$ 9,231	\$ 767
Province of British Columbia		
- Shellfish Site Selection and Business Planning Phase II	28,850	-
- Archaeological Impact Assessment	-	4,178
Chemainus First Nation	10,018	-
Lake Cowichan First Nation	4,357	-
Parks Canada	700	-
Land and Water British Columbia Inc. - Shellfish Site Selection	-	31,500
INAC - Treaty Related Measures	-	63,000
Less: Deferred revenue - Treaty Related Measures	-	(42,585)
<b>Unexpended balance, end of year</b>	<b>53,156</b>	<b>56,860</b>

**4. FIRST NATION LOAN AGREEMENT**

The Minister of Indian and Northern Affairs Canada made an interest-free advance to the treaty group, secured by a promissory note signed by each First Nation. The first Contribution Agreement was dated August 11, 1994. The advance will be repayable upon the earlier of:

- a) twelve years from the first loan advance
- b) seven years from the signing of an agreement-in-principle
- c) the date a treaty is signed
- d) termination of the loan agreement

	<u>2004</u>	<u>2003</u>
Loan amount received in prior years	\$ 7,640,588	\$ 6,233,168
Loan amount received, current year	1,500,040	1,407,420
Loan balance, end of year	9,140,628	7,640,588
Less: Expended portion	8,590,597	6,557,686
<b>Unexpended balance, end of year</b>	<b>550,031</b>	<b>1,082,902</b>

The treaty group may carry forward up to one-sixth of the 2003/2004 contribution and loan amount (\$1,875,050). The excess over the one-sixth amount (\$237,523) will reduce the 2004/2005 allocation on a dollar for dollar basis.

**5. EQUIPMENT**

<u>Location of Equipment</u>	<u>Cost</u>	<u>Accumulated Amortization</u>		
			<u>2004</u>	<u>2003</u>
Hul'qumi'num Treaty Group	\$ 239,742	\$ 92,048	\$ 147,694	\$ 87,715
Chemainus First Nation	6,740	674	6,066	-
Cowichan Tribes	10,820	1,082	9,738	-
	<b>257,302</b>	<b>93,804</b>	<b>163,498</b>	<b>87,715</b>



**HUL'QUMI'NUM TREATY GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004**



**6. MISCELLANEOUS INCOME**

	<u>2004</u>	<u>2003</u>
Parks Canada	\$ 330	\$ -
Government of Canada - Archaeology	480	-
Norske Canada - Archaeology	655	-
Heritage Case Law Study	7,519	-
	<b>8,984</b>	<b>-</b>

**7. RELATED PARTY TRANSACTIONS**

The treaty group paid rent to Chemainus First Nation in the amount of \$43,680 (2003 - \$42,655).

**8. COMMITMENTS**

The treaty group has a long-term lease with respect to its premises. The lease agreement started September 1, 2002 and expires August 31, 2007. The treaty group entered into a lease of a photocopier commencing November 20, 2003 which expires October 19, 2006. Future minimum lease payments as at March 31, 2004 are as follows:

2005	\$ 49,125
2006	49,125
2007	21,376

**9. COMPARATIVE AMOUNTS**

Prior year's figures have been reclassified, where applicable, to conform to the current presentation.

**HUL'QUMI'NUM TREATY GROUP**  
**FIRST NATION NEGOTIATION SUPPORT AGREEMENT**  
**STATEMENT OF RECEIPTS, EXPENDITURE AND EQUITY**  
**FOR THE YEAR ENDED MARCH 31, 2004**



	<u>2004</u> <u>Budget</u>	<u>2004</u> <u>Actual</u>	<u>2003</u> <u>Actual</u>
<b>RECEIPTS</b>			
Canada - loan		\$ 1,500,040	\$ 1,407,420
British Columbia Treaty Commission - contribution		375,010	351,855
<b>Total receipts</b>		<b>1,875,050</b>	<b>1,759,275</b>
<b>EXPENDITURE</b>			
Benefits (Page 7)	\$ 47,000	25,991	21,550
Community coordinators (Page 8)	72,000	57,649	42,465
Consultants/legal (Page 8)	658,500	477,523	228,849
Contractors (Page 8)	202,000	162,470	162,366
Shared territories and communications (Page 9)	175,780	89,402	-
Cowichan Tribes Treaty allocation (Page 8)	500,000	500,000	-
Chemainus First Nation allocation (Page 9)	97,000	53,482	-
Halalt First Nation allocation (Page 9)	84,420	84,420	-
Lake Cowichan First Nation allocation (Page 9)	42,800	38,443	-
Elders committees (Page 10)	179,000	152,127	156,495
Meetings (Page 10)	131,000	70,964	48,983
Office administration (Page 7)	224,933	186,772	237,267
Personnel (Page 7)	484,000	444,762	377,203
Travel	50,000	50,300	46,691
Training	10,000	13,614	5,830
<b>Total expenditure</b>	<b>2,958,433</b>	<b>2,407,919</b>	<b>1,327,699</b>
<b>REVENUE OVER (UNDER) EXPENDITURE</b>		<b>(532,869)</b>	<b>431,576</b>
Loan payable		(1,500,040)	(1,407,420)
Increase in amount invested in treaty		2,032,909	975,844
<b>UNRESTRICTED EQUITY, end of year</b>		<b>-</b>	<b>-</b>

**HUL'QUMI'NUM TREATY GROUP  
BRITISH COLUMBIA TREATY COMMISSION  
SCHEDULE OF EXPENDITURE  
FOR THE YEAR ENDED MARCH 31, 2004**



	<u>2004</u> <u>Budget</u>	<u>2004</u> <u>Actual</u>	<u>2003</u> <u>Actual</u>
<b>OFFICE ADMINISTRATION</b>			
Advertising	\$ 15,000	\$ 3,737	\$ 6,046
Annual General Assembly reports	3,000	-	-
Audit	7,500	7,500	6,000
Computer equipment and maintenance	45,000	41,644	42,285
Equipment and boat rental	10,000	8,738	300
Insurance and security	5,000	4,486	3,060
Internet and website	5,000	6,194	5,461
Notices and newsletters	10,000	5,520	8,333
Office equipment and furniture	20,000	15,775	61,812
Office rent	43,680	43,680	42,655
Office repairs and maintenance	5,753	3,081	
Office supplies and services	35,000	33,198	34,414
Research books, photographs and maps	5,000	4,592	2,209
Subscriptions	3,000	512	1,189
Telephone and utilities	10,000	7,875	8,567
Training video	2,000	240	14,936
	<b>224,933</b>	<b>186,772</b>	<b>237,267</b>
<b>PERSONNEL</b>			
Administrative assistant	28,000	27,313	56,210
Communication director and assistant	67,000	73,291	45,306
Executive director	60,000	46,629	63,693
Executive assistant	36,000	35,611	-
Information clerk	31,000	27,928	29,185
Receptionist	22,000	21,040	20,850
Researchers	240,000	212,950	191,059
Treaty Related Measures - wages recovery	-	-	(29,100)
	<b>484,000</b>	<b>444,762</b>	<b>377,203</b>
<b>BENEFITS</b>			
EI and CPP	15,000	17,203	13,640
Medical	15,000	324	995
Overtime	10,000	6,528	4,931
Pension	5,000	700	1,100
Workers' compensation	2,000	1,236	884
	<b>47,000</b>	<b>25,991</b>	<b>21,550</b>

**HUL'QUMI'NUM TREATY GROUP  
BRITISH COLUMBIA TREATY COMMISSION  
SCHEDULE OF EXPENDITURE  
FOR THE YEAR ENDED MARCH 31, 2004**



	<b><u>2004</u></b> <b><u>Budget</u></b>	<b><u>2004</u></b> <b><u>Actual</u></b>	<b><u>2003</u></b> <b><u>Actual</u></b>
<b>COMMUNITY COORDINATORS</b>			
Chemainus	\$ 7,000	\$ 5,688	\$ 3,370
Cowichan	21,000	14,999	14,122
Elder	21,000	16,209	13,044
Halalt	7,000	6,100	2,959
Lake Cowichan	2,000	1,248	1,200
Lyackson	7,000	7,140	3,575
Penelakut	7,000	6,265	4,195
	<b>72,000</b>	<b>57,649</b>	<b>42,465</b>
<b>CONSULTANTS/LEGAL</b>			
Consultants	434,000	360,247	146,815
Economic development	20,000	-	-
Fiscal relations	30,000	22,209	4,362
GIS technicians and training	45,000	41,841	19,493
Legal	109,500	24,481	12,851
Natural resource management	-	-	27,825
TUS data base	20,000	28,745	17,503
	<b>658,500</b>	<b>477,523</b>	<b>228,849</b>
<b>CONTRACTORS</b>			
Chief negotiator	120,000	118,750	117,450
Financial officer	10,000	9,055	13,788
Janitor	8,000	7,045	7,435
Speakers series	5,000	-	-
Temporary support staff	19,000	1,109	-
Transcribers	25,000	13,671	10,798
Translators	15,000	12,840	12,895
	<b>202,000</b>	<b>162,470</b>	<b>162,366</b>

**HUL'QUMI'NUM TREATY GROUP  
BRITISH COLUMBIA TREATY COMMISSION  
SCHEDULE OF EXPENDITURE  
FOR THE YEAR ENDED MARCH 31, 2004**



	<u>2004 Budget</u>	<u>2004 Actual</u>	<u>2003 Actual</u>
<b>INDIVIDUAL FIRST NATIONS TREATY ALLOCATION</b>			
Shared territories and communications			
Personnel	\$ 10,000	\$ 4,991	\$ -
Research reports	20,400	-	-
Travel	-	639	-
Meetings	28,380	500	-
Policy development			
Meetings	8,200	5,777	-
Communications			
Consultants	90,000	75,441	-
Meetings	18,800	2,054	-
	<b>175,780</b>	<b>89,402</b>	<b>-</b>
<b>Cowichan Tribes Treaty Allocation</b>			
Fiscal relations	50,000	-	-
Fisheries	50,000	161,999	-
Governance	50,000	-	-
Lands	97,000	191,534	-
Legal	98,000	33,969	-
Office and administration	37,250	39,061	-
Receptionist	20,000	18,692	-
Treaty coordinator	50,000	34,634	-
Treaty personnel	47,750	20,111	-
	<b>500,000</b>	<b>500,000</b>	<b>-</b>
<b>Chemainus First Nation Allocation</b>			
Administration	4,850	4,850	-
Computer equipment and maintenance	5,000	6,170	-
Legal	12,000	-	-
Meetings	10,800	6,765	-
Travel	10,000	1,298	-
Treaty coordinator	18,125	10,884	-
Treaty personnel	36,225	23,515	-
	<b>97,000</b>	<b>53,482</b>	<b>-</b>
<b>Halalt First Nation Allocation</b>			
Administration	7,500	8,512	-
Legal	8,420	9,265	-
Meetings	14,000	9,351	-
Treaty coordinator	31,400	32,325	-
Treaty personnel	23,100	24,967	-
	<b>84,420</b>	<b>84,420</b>	<b>-</b>
<b>Lake Cowichan First Nation Allocation</b>			
Administration	3,000	3,034	-
Legal	6,000	-	-
Meetings	3,000	-	-
Treaty coordinator	15,400	12,250	-
Treaty personnel	15,400	23,159	-
	<b>42,800</b>	<b>38,443</b>	<b>-</b>
	<b>900,000</b>	<b>765,747</b>	<b>-</b>

**HUL'QUMI'NUM TREATY GROUP  
BRITISH COLUMBIA TREATY COMMISSION  
SCHEDULE OF EXPENDITURE  
FOR THE YEAR ENDED MARCH 31, 2004**



	<u>2004</u> <u>Budget</u>	<u>2004</u> <u>Actual</u>	<u>2003</u> <u>Actual</u>
<b>MEETINGS</b>			
Annual General Assembly	\$ 4,000	\$ 1,694	\$ 3,706
Board of directors	8,000	4,196	5,360
Chief and staff strategy retreats	3,000	3,013	-
Collective traditional feasts	6,000	5,357	1,849
Community consultation			
Chemainus	2,000	1,158	517
Cowichan	2,000	1,858	965
Halalt	2,000	478	192
Lake Cowichan	2,000	-	292
Lyackson	2,000	422	631
Penelakut	2,000	959	356
Youth	7,000	6,466	2,238
Urban	5,000	2,717	-
Finance committee	2,000	1,478	1,215
Main table	2,000	-	859
Shared territories	6,000	3,897	4,265
Working conferences	16,000	14,627	-
Working group, conferences and strategy retreats	60,000	22,644	26,538
	<b>131,000</b>	<b>70,964</b>	<b>48,983</b>
<b>ELDERS COMMITTEES</b>			
Chemainus	35,000	40,302	35,142
Cowichan	40,000	33,829	40,703
Elders advisory board meetings			
Honoraria	44,000	31,150	28,550
Meetings	10,000	5,942	6,594
Other	5,000	4,205	4,344
Halalt	6,000	4,332	3,802
Lake Cowichan	4,000	3,781	3,852
Lyackson	7,000	6,632	6,652
Penelakut	28,000	21,954	26,856
	<b>179,000</b>	<b>152,127</b>	<b>156,495</b>

**HUL'QUMI'NUM TREATY GROUP  
INDIAN AND NORTHERN AFFAIRS CANADA  
TREATY RELATED MEASURES GOVERNANCE STUDY  
SCHEDULE OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED MARCH 31, 2004**



	<u>2004</u> <u>Budget</u>	<u>2004</u> <u>Actual</u>	<u>2003</u> <u>Actual</u>
<b>REVENUE</b>			
INAC (3235 TRM)	\$ -	\$ -	\$ 69,000
Province of BC	-	-	43,750
Interest	-	1,451	2,687
Deferred revenue	39,898	42,585	(42,585)
<b>Total revenue</b>	<b>39,898</b>	<b>44,036</b>	<b>72,852</b>
<b>EXPENDITURE</b>			
Administration	1,657	903	9,843
Consultants	14,924	39,434	43,576
Equipment	-	-	1,350
Honoraria	2,800	-	7,200
Meetings	19,214	-	450
Researchers	-	-	8,736
Travel	1,303	-	1,697
<b>Total expenditure</b>	<b>39,898</b>	<b>40,337</b>	<b>72,852</b>
<b>REVENUE OVER EXPENDITURE</b>	<b>-</b>	<b>3,699</b>	<b>-</b>

**HUL'QUMI'NUM TREATY GROUP  
INDIAN AND NORTHERN AFFAIRS CANADA  
CAPACITY DEVELOPMENT - GOVERNANCE PROJECT  
SCHEDULE OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED MARCH 31, 2004**

	<u>2004</u> <u>Budget</u>	<u>2004</u> <u>Actual</u>	<u>2003</u> <u>Actual</u>
<b>REVENUE</b>			
INAC (2122 Capacity Development)	\$ 50,000	\$ 50,000	\$ -
<b>EXPENDITURE</b>			
Administration	3,000	3,000	-
Honoraria	8,000	11,000	-
Meetings	6,000	5,977	-
Facilitator researcher	30,000	29,496	-
Travel	3,000	527	-
<b>Total expenditure</b>	<b>50,000</b>	<b>50,000</b>	<b>-</b>
<b>REVENUE OVER EXPENDITURE</b>	<b>-</b>	<b>-</b>	<b>-</b>

**HUL'QUMI'NUM TREATY GROUP  
HERITAGE CASE LAW STUDY  
SCHEDULE OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED MARCH 31, 2004**



	<u>2004</u> <u>Budget</u>	<u>2004</u> <u>Actual</u>	<u>2003</u> <u>Actual</u>
<b>REVENUE</b>			
University of Alberta	\$ -	\$ 7,219	\$ -
Miscellaneous income	-	300	-
<b>Total revenue</b>	-	<b>7,519</b>	-
<b>EXPENDITURE</b>			
Meetings	-	1,300	-
Researchers	-	5,422	-
Travel	-	797	-
<b>Total expenditure</b>	-	<b>7,519</b>	-
<b>REVENUE OVER EXPENDITURE</b>	-	-	-

**HUL'QUMI'NUM TREATY GROUP  
SHELLFISH SITE SELECTION AND BUSINESS PLANNING PHASE II  
SCHEDULE OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED MARCH 31, 2004**

	<u>2004</u> <u>Budget</u>	<u>2004</u> <u>Actual</u>	<u>2003</u> <u>Actual</u>
<b>REVENUE</b>			
Province of BC	\$ 188,500	\$ 188,500	\$ -
<b>EXPENDITURE</b>			
Administration	15,080	15,080	-
Consultants	141,750	142,194	-
Equipment rental	31,670	31,226	-
<b>Total expenditure</b>	<b>188,500</b>	<b>188,500</b>	-
<b>REVENUE OVER EXPENDITURE</b>	-	-	-



Richard D. Martinson, B.Com., C.A.\*  
Victor J. Gamble, B.A., C.A.\*  
Cindy L. Wilson, B.A., C.A.\*  
Terry A. Shepherd, B.Com., C.A.\*

A. Kenneth Hill, F.C.A.  
William Spyksma, C.A.  
Shelley A. Graham, B. Com., C.A.  
Randall N. Thiessen, B.A., C.A.

\*Incorporated Professional Partner



**AUDITORS' REPORT**  
**ON COMPLIANCE WITH AN AGREEMENT**

*Chartered Accountants*

**To: The British Columbia Treaty Commissioners**

***We have audited the Hul'qumi'num Treaty Group's compliance as at March 31, 2004 with the criteria established by provisions relating to financial obligations incurred by Hul'qumi'num Treaty Group during the year ended March 31, 2004 preparing for and carrying out treaty negotiations with Canada and British Columbia. These provisions are described in Sections 7.1, 7.2 and 8.1 of the First Nation Negotiation Support Agreement dated August 19, 2003, and amended November 27, 2003, with the British Columbia Treaty Commission and with Canada. Compliance with the criteria established by the provisions of the agreement is the responsibility of the management of Hul'qumi'num Treaty Group. Our responsibility is to express an opinion on this compliance based on our audit.***

***We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether Hul'qumi'num Treaty Group complied with the criteria established by the provisions of the agreement referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with Sections 7.1, 7.2 and 8.1 of the agreement and, where applicable, assessing the accounting principles used and significant estimates made by management.***

***We confirm that expenditures were compared to the final budget approved by the Treaty Commission. Expenditures exceeded the budgeted amount by \$3,614 in the training category. The budgeted expenditures exceeded actual expenditures in all other categories, however, within those categories the following individual accounts exceeded budget as follows: communication director and assistant by \$6,291, TUS data base by \$8,745, Cowichan Tribes fisheries by \$111,999 and lands by \$94,534, Lake Cowichan First Nation treaty personnel by \$7,759 and elders' committee Chemainus by \$5,302.***

***In our opinion, except as noted in the preceding paragraph, Hul'qumi'num Treaty Group is in compliance, in all material respects, with the criteria established by Sections 7.1, 7.2 and 8.1 of the agreement, as described in the attached schedule.***

*Hill & Partners*

**Chartered Accountants**

**Duncan, British Columbia  
May 21, 2004**

**HUL'QUMI'NUM TREATY GROUP  
SCHEDULE TO THE AUDITORS' REPORT  
ON COMPLIANCE WITH AN AGREEMENT  
FOR THE YEAR ENDED MARCH 31, 2004**

**SCHEDULE 1 - INTERPRETATION OF AGREEMENT FOR CRITERIA FOR COMPLIANCE**

**SECTION**

**7.0 FINANCIAL CONTROL**

**7.1** For the purpose of receiving funds under this agreement, the First Nation will maintain an account at a bank, trust company or credit union established and regulated under federal or provincial legislation and inform the commission of the account particulars.

**7.2** To support financial control of the funds received under this agreement and the expenditures, the First Nation will maintain separate records and procedures which conform to Canadian generally accepted accounting principles as set out in the Canadian Institute of Chartered Accountants' Handbook.

**8.0 EXPENDITURES BY FIRST NATION**

**8.1** Subject to Section 11.1, the First Nation will use the contribution payments and loan advances received under this agreement only for expenditures.

**DEFINITIONS AS SET OUT IN THE FIRST NATION NEGOTIATION SUPPORT AGREEMENT**

**"Expenditures"** means the expenditures generally described in the budget that are reasonably and properly incurred by the First Nation carrying out the activities described in the workplan.

**"Budget"** means the budget for the fiscal year submitted by the First Nation and approved by the commission that:

- (i) lists the activities and the proposed expenditures to carry out the workplan for the fiscal year,
- (ii) shows the estimated cash flow projection of the First Nation for the fiscal year, and
- (iii) is consistent with the amount of loan and contribution funding allocated to the First Nation for the fiscal year.

**"Workplan"** means the workplan for the fiscal year describing activities by stage submitted by the First Nation to, and reviewed by, the commission, and includes any revisions to the workplan reviewed by the commission.

**"Stage"** means one of the six stages of the treaty process.

**"Treaty Process"** means the six-stage process for the negotiation of treaties between Canada, British Columbia and First Nations facilitated by the commission.