

HEILTSUK INDIAN BAND

FINANCIAL STATEMENTS
March 31, 2015

HEILTSUK INDIAN BAND

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Heiltsuk Indian Band

March 31, 2015

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Heiltsuk Indian Band for the year ended March 31, 2015 and all the information in this annual report 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. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Heiltsuk Indian Band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Heiltsuk Indian Band's assets are appropriately accounted for and adequately safeguarded.

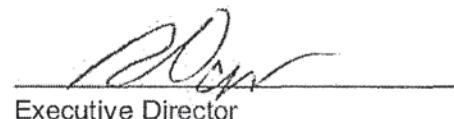
The Heiltsuk Indian Band Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council reviews the Nation's financial statements and recommends their approval. The Council meets 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 annual report, the consolidated financial statements and the external auditor's report. The Council approves the financial statements for issuance to the Members. The Council also considers, for review and approval by the Members, the engagement of the external auditors.

The consolidated financial statements have been audited by Reid Hurst Nagy Inc., Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the Members. Reid Hurst Nagy Inc., Chartered Professional Accountants have full and free access to the books and records of the First Nation.


Chief

July 28, 2015
Date


Executive Director

28 July 15
Date

HEILTSUK INDIAN BAND

INDEPENDENT AUDITORS' REPORT

March 31, 2015

Report on the financial statements

We have audited the accompanying consolidated financial statements of Heiltsuk Indian Band, which comprise the consolidated statement of financial position as at March 31, 2015, the consolidated statements of operations, changes in fund balances, change in net financial 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 public sector accounting standards, 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.

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 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 auditors' 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 auditors consider internal controls 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 controls.

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 consolidated financial statements present fairly, in all material respects, the financial position of Heiltsuk Indian Band as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

REID HURST NAGY INC.
CHARTERED PROFESSIONAL ACCOUNTANTS

RICHMOND, B.C.
JULY 28, 2015

HEILTSUK INDIAN BAND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As At March 31, 2015

Statement 1

	2015 \$	2014 \$
FINANCIAL ASSETS		
Cash and cash equivalents	2,657,213	4,570,027
Accounts receivable (Note 4)	4,090,900	2,425,517
Rent receivable	460,818	383,695
Investments (Note 5)	8,954,154	9,240,892
Due from related parties	631,402	751,304
Replacement Reserve Fund (Note 6)	645,644	239,934
Ottawa Trust Funds (Note 7)	3,155,071	3,075,286
	20,595,202	20,686,655
LIABILITIES		
Accounts payable and accruals (Note 9)	2,736,947	3,569,499
Accrued interest payable	6,038	8,253
Deferred revenue	-	178,058
Current portion of loans payable (Note 10)	85,308	57,984
Current portion of mortgages payable (Note 12)	534,107	561,689
Loans payable (Note 10)	377,614	428,217
Land claims loans payable (Note 11)	3,964,296	3,964,296
Mortgages payable (Note 12)	4,382,552	4,900,544
	12,086,862	13,668,540
NET FINANCIAL ASSETS		
	8,508,340	7,018,115
NON-FINANCIAL ASSETS		
Tangible capital assets (Notes 2c and 13)	23,670,482	21,021,081
Prepaid expenses	35,409	50,588
	23,705,891	21,071,669
	32,214,231	28,089,784

Approved On Behalf of the Heiltsuk Indian Band



HEILTSUK INDIAN BAND

CONSOLIDATED STATEMENT OF OPERATIONS For the year ended March 31, 2015

Statement 2

	2015 \$	2014 \$
REVENUE		
Aboriginal Affairs and Northern Development Canada	14,370,089	13,559,899
Administration fees	17,955	82,230
Coast Conservation Endowment Fund	1,220,000	940,211
Coast Economic Development Society	-	149,920
Department of Fisheries and Oceans Canada	1,113,321	772,352
Department of Justice	105,274	69,713
First Nation Education Steering Committee	47,388	75,368
Interest	39,890	36,494
Other program revenues	4,554,489	4,441,235
Province of British Columbia	1,515,265	1,183,156
Rent	226,396	173,259
Social Housing program	1,767,920	1,542,637
Capital Fund	4,116,660	1,477,604
Land Claims Fund	-	20,000
Trust Fund	79,785	124,459
Enterprise Fund	(134,131)	(401,626)
	29,040,301	24,246,911
EXPENDITURES		
Operating Fund		
Education	5,147,641	5,147,148
Band administration	11,718,920	11,572,229
Social development	1,414,789	1,776,716
Economic development	3,758,300	2,480,893
Social Housing Program	1,310,436	1,027,881
Capital Fund	1,413,161	2,777,510
Land Claims Fund	-	20,000
Enterprise Fund	152,607	40,096
	24,915,854	24,842,473
EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES	4,124,447	(595,562)

The accompanying notes are an integral part of these financial statements

HEILTSUK INDIAN BAND

CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES For The Year Ended March 31, 2015

Statement 3

	Operating Fund \$	Social Housing Fund \$	Capital Fund \$	Loan Fund \$	Land Claims Fund \$	Trust Fund \$	Enterprise Fund \$	Total \$
Balance, beginning of the year	7,754,766	3,305,685	8,396,205	-	(3,683,050)	3,075,286	9,240,892	28,089,784
Excess (shortfall) of revenue over expenditures	(204,744)	-	2,703,499	-	-	79,785	(134,131)	2,444,409
Replacement reserve fund appropriation	-	95,714	-	-	-	-	-	95,714
Replacement reserve fund expenditures	-	(138,203)	-	-	-	-	-	(138,203)
Operating reserve fund appropriation	-	3,006	-	-	-	-	-	3,006
Amortization	1,375,162	-	-	-	-	-	-	1,375,162
Adjustments to the Enterprise Fund	-	-	-	-	-	-	-	(152,607)
Capital outlays/mortgage repayments	-	496,966	-	-	-	-	-	(496,966)
Fund balance, end of the year	8,925,184	3,763,168	11,099,704	-	(3,683,050)	3,155,071	8,954,154	32,214,231

HEILTSUK INDIAN BAND

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS For the year ended March 31, 2015

Statement 4

	2015 \$	2014 \$
ANNUAL EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES	4,124,447	(595,562)
Acquisition of tangible capital assets	(4,024,562)	(772,939)
Depreciation of tangible capital assets	1,375,161	1,437,797
	1,475,046	69,296
Acquisition of prepaid asset	(35,409)	(50,588)
Use of prepaid assets	50,588	4,557
	15,179	(46,031)
NET CHANGE IN NET FINANCIAL ASSETS	1,490,225	23,265
NET FINANCIAL ASSETS, BEGINNING OF THE YEAR	7,018,115	6,994,850
NET FINANCIAL ASSETS, END OF THE YEAR	8,508,340	7,018,115

HEILTSUK INDIAN BAND

CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended March 31, 2015

Statement 5

	2015 \$	2014 \$
OPERATING ACTIVITIES		
Annual excess (shortfall) of revenue over expenditures	4,124,447	(595,562)
Non-cash item:		
Share of loss (income) of First Nation Controlled Entities	286,738	456,275
Depreciation	1,375,161	1,437,797
Deferred revenue	(178,058)	-
Change in non-cash operating net assets	(2,439,977)	1,195,683
	3,168,311	2,494,193
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(4,024,562)	(772,939)
FINANCING ACTIVITIES		
Repayment of Social Housing Fund mortgage	(496,966)	(482,071)
Repayment of Capital Fund loans	(92,098)	(728,004)
Repayment of Operating Fund loans	(20,004)	-
Proceeds from Capital Fund loans	38,000	1,339,713
	(571,068)	129,638
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,427,319)	1,850,892
CASH, BEGINNING OF THE YEAR	7,885,247	6,034,355
CASH, END OF THE YEAR	6,457,928	7,885,247
REPRESENTED BY:		
Cash and cash equivalents	2,657,213	4,570,027
Replacement Reserve Fund	645,644	239,934
Ottawa Trust Funds	3,155,071	3,075,286
	6,457,928	7,885,247

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2015

NOTE 1: ORGANIZATION, AIMS AND OBJECTIVES

The Heiltsuk Indian Band and controlled entities (the "Band") are financially dependent on funding from government sources to operate programs and to complete capital projects. The Band's ability to operate certain programs depends on continuation of these sources of funding.

Contributions from Aboriginal Affairs and Northern Development Canada ("AANDC") are under terms of Financial Transfer Agreements ("FTA") and are provided on a block funding basis. Generally, FTA funding is provided on a multi-year basis and any unexpended balance is not repayable.

These financial statements do not reflect adjustments in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used that would be necessary if the going-concern assumption were not appropriate.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These Consolidated Financial Statements have been prepared in accordance with Canadian Public Sector Accounting Standards for Governments as recommended by the CPA Canada Public Sector Accounting Handbook.

a) Principles of consolidation

These consolidated financial statements include the accounts of the Band, its program funds and its controlled entities and Bella Bella Community Development Society. All material inter-entity balances have been eliminated. The operations of the controlled entity is as follows:

(i) *Bella Bella Community Development Society*

The Bella Bella Community Development Society (the "Society") is incorporated under the British Columbia Society Act. Under an agreement with the Department of Regional Industrial Expansion, the Society is to provide financial services to the First Nation. The Society's constitution restricts its purpose to fostering the social and economic well-being of Heiltsuk Indian Band members or corporations and partnerships in which Heiltsuk Indian Band members participate.

(ii) *Investments*

Investments represent investments in, advances to and amounts owing from entities which are owned by the Band. The amounts are recorded on the modified equity basis. Under the modified equity basis, the initial investment is recorded at cost and then adjusted for the Band's share of post-acquisition earnings; however, the accounting principles of the commercial operations are not adjusted to conform with those of the Band.

The commercial operations are as follows:

- Bella Bella Fuel Co. Limited
- Bella Bella Band Store Ltd.
- Heiltsuk Holdings Ltd.
- Eagle Air Services Inc.
- Bella Bella Fisheries Limited
- Heiltsuk Economic Development Corporation
- Heiltsuk Environmental Services Ltd.

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The band controlled operations are as follows:

- *Bella Bella Community School Society* - The Bella Bella Community School Society is incorporated under the British Columbia Society Act. It receives the majority of its funding from AANDC. This funding is received via the Heiltsuk Indian Band, which in turn, has entered into a contractual funding agreement with AANDC. The portion allocated to primary and secondary education is transferred to the Bella Bella Community School Society.
- *Hailika'as Heiltsuk Health Centre* - The Hailika'as Heiltsuk Health Centre operates under a protocol agreement with the Band to deliver preventative health services to the Heiltsuk community.
- *Heiltsuk College/Waglisla Adult Learning Centre* - Heiltsuk College/Waglisla Adult Learning Centre provides basic literacy training for university courses, job skills training, and seminars and workshops to the Heiltsuk community.

b) Fund accounting

The Heiltsuk Indian Band follows the restricted fund method of accounting for contributions.

The Operating Fund is a combination of the Band's program delivery and administrative funds.

The Social Housing Fund reports the assets, liabilities and operations of the Heiltsuk Indian Band Housing Program (the "Housing Program"). The Housing Program is administered by the Band and its purpose is to provide affordable housing to Band members.

The Capital Fund reports the assets, liabilities and equity related to the capital assets of the Band.

The Loan Fund reports the assets, liabilities and operations of the Bella Bella Community Development Society.

The Land Claims Fund reports the assets, liabilities and operations arising from the following:

- (1) the Heiltsuk First Nation Contribution Agreement of July 21, 1994, the Heiltsuk First Nation Loan Agreement of July 21, 1994, and the amendments to the respective agreements dated March 16, 1995;
- (2) the First Nation Contribution Agreement dated July 1, 1995, the Heiltsuk First Nation Loan Agreement dated July 1, 1995, and the amendments to the respective agreements dated September 15, 1995 and January 29, 1996;
- (3) the First Nation Negotiation Support Agreement dated June 28, 1996 and its amendment dated February 6, 1997;
- (4) the First Nation Negotiation Support Agreement dated May 7, 1997 and its amendment dated January 13, 1998 (BCTC);

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (5) the Heiltsuk First Nation Support Agreement dated May 8, 1998 and its amendment dated September 2, 1998;
- (6) the Heiltsuk First Nation Support Agreement dated May 26, 1999 and its amendments dated September 23, 1999 and February 9, 2000;
- (7) the Heiltsuk First Nation Support Agreement dated May 21, 2000 and its amendment dated January 19, 2001;
- (8) the Heiltsuk First Nation Support Agreement dated March 26, 2003;
- (9) the Heiltsuk First Nation Support Agreement dated August 21, 2003;
- (10) the Heiltsuk First Nation Support Agreement dated March 27, 2006;
- (11) the Heiltsuk First Nation Support Agreement dated August 21, 2011; and
- (12) the Heiltsuk First Nation Support Agreement dated March 26, 2014.

The Trust Fund reports the assets and operations of the funds held in the Government of Canada Trust accounts.

The Enterprise Fund reports the investments in and advances to band controlled entities

c) **Tangible Capital Assets**

Tangible capital assets are expensed at the time of purchase, they are also capitalized at cost on the statement of operations.

The acquisition costs of tangible capital 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 Capital Fund with a corresponding increase in equity and tangible capital assets.

Tangible capital assets are depreciated annually with a resulting reduction of equity in tangible capital assets.

Tangible capital assets acquired as part of the Social Housing Fund and Enterprise Fund are recorded as assets of those funds.

d) **Mortgage and loan proceeds**

Proceeds from debt related to the purchase of capital assets are recorded as a reduction of the equity in Capital Fund. Annual repayments are charged to the statement of operations and changes in fund balances as capital outlays. The reduction in outstanding debt is offset by an increase in the equity of the Capital Fund.

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Depreciation

Tangible capital assets are accounted for as a separate self-balancing Capital Fund. Tangible capital assets are recorded at cost and expensed on the statements of operations and changes in fund balances and are also recorded as an increase in equity in the Capital Fund. Depreciation is recorded as a reduction to the Capital Fund and is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Boat	10 years
Building	10 to 40 years
Fire truck	5 years
Fourplexes	30 years
Furniture and equipment	3 to 5 years
Infrastructure	10 to 20 years
Housing	3 to 20 years
Vehicles	5 years
Waste water treatment plant	15 years
Water treatment plant	15 years

The amounts shown on the statement of financial position are not indicative of current or fair market value and would not necessarily be received in the event of resale.

f) Revenue recognition

Restricted contributions received under terms of agreements are recognized as revenue in the year in which the related expenses are incurred. Unexpended restricted contributions are deferred.

Unrestricted contributions are recognized as revenue in the year received.

Rent revenue is recognized as it is earned, when collection is reasonably assured.

Enterprise sales revenue is recognized as it is earned, when collection is reasonably assured.

Interest earned on loans is recorded using the accrual method except where, in management's judgment, collection is in doubt, at which point no further accrual for interest is made.

g) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Comparative figures

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

NOTE 3: CHANGE IN ACCOUNTING POLICIES

Liability for Contaminated Sites:

Effective April 1, 2014 the First Nation adopted new Public Sector Accounting Handbook Standard PS 3260, Liability for Contaminated Sites. The standard requires the recognition of a liability for the remediation of contamination sites in the financial statements when the recognition criteria outlined in the standard is met. This change in accounting policy has been applied prospectively. There was no impact on adoption of this standard to the financial statements of the First Nation as no sites meeting the criteria were recognized by the First Nation.

NOTE 4: ACCOUNTS RECEIVABLE

The current year accounts receivable balance includes \$118,663 due from the Federal government (2014: \$204,193).

NOTE 5: INVESTMENTS

	2015	2014
	\$	\$
Investment in Band Controlled Entities		
Bella Bella Fuel Co. Limited	94,482	100,747
Bella Bella Band Store Ltd.	109,722	123,750
Eagle Air Services Inc.	(169,712)	(169,712)
Bella Bella Fisheries Limited	462,594	577,282
Bella Bella Community School Society	5,846,161	6,040,029
Hailika'as Heiltsuk Health Centre	1,312,827	1,438,484
Heiltsuk College/Waglisla Adult Learning Centre	200,039	200,272
Heiltsuk Economic Development Corp.	118,959	832,011
Heiltsuk Environmental Services Ltd.	(10,885)	(12,083)
Heiltsuk Holdings Limited Partnership	812,033	-
Heiltsuk Holdings Ltd.	41	-
Heiltsuk Kaxla Society	67,781	-
	<hr/> 8,844,042	9,130,780
Other Investments		
Coast Commercial Fisheries Corp.	1	1
Central Coast Commercial Fishing LP	110,111	110,111
	<hr/> 8,954,154	9,240,892

The advances included in the above amounts are unsecured, interest free and have no fixed terms of repayment.

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2015

NOTE 5: INVESTMENTS (continued)

Financial information for each of the entities for their respective years ending are as follows:

	ASSETS	LIABILITIES	REVENUES	NET INCOME (LOSS)
	\$	\$	\$	\$
Year ended March 31, 2015				
Bella Bella Fuel Co. Limited	134,836	208,773	-	(6,265)
Bella Bella Band Store Ltd.	135,692	633,934	-	-
Bella Bella Community School Society	6,112,768	266,607	5,477,892	(193,868)
Heiltsuk College/Waglisla Adult Learning Centre	370,233	170,194	548,604	(233)
Year ended December 31, 2014				
Bella Bella Fisheries Ltd.	922,486	7,082,096	-	(24,003)

NOTE 6: REPLACEMENT RESERVE FUND

In accordance with the terms and conditions of the Operating Agreements with Canada Mortgage and Housing Corporation ("CMHC"), the Social Housing Program must set aside funds annually for the repair, maintenance and replacement of capital assets. Interest earned on the funds is to be credited to the Replacement Reserve Fund. The funds are to be held in a separate bank account or investments that are acceptable to CMHC.

As at March 31, 2015, the Social Housing Program has not complied with all of the terms and conditions of the Operating Agreements. As at March 31, 2015, the Replacement Reserve Fund is overfunded by \$22,876 (2014 - \$373,207).

NOTE 7: TRUST FUNDS

The Ottawa Trust accounts arise from monies 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.

NOTE 8: OPERATING RESERVE FUND

In accordance with the terms and conditions of the Operating Agreements with CMHC, the New Housing Program is to set aside any surplus revenue to an operating reserve fund for the purpose of meeting future requirements of income listed occupants over and above the maximum federal assistance. The Fund may be replenished to its original limit from subsequent operating surpluses.

As at March 31, 2015, the Operating Reserve Fund is underfunded by \$2,957 (2014 - \$52,066).

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2015

NOTE 9: ACCOUNTS PAYABLE AND ACCRUALS

	2015 \$	2014 \$
Trade and accrued payables	2,435,478	2,318,298
Payroll and deductions payable	264,332	216,803
Deposits	37,137	34,398
	2,736,947	2,569,499

NOTE 10: LOANS PAYABLE

	2015 \$	2014 \$
Canadian Imperial Bank of Commerce (CIBC) demand loan repayable in monthly installments of \$1,667 plus interest at prime plus 2% per annum, secured by an aircraft.	44,969	64,974
Native Fishing Association loan repayable in monthly installments of \$1,610 including interest at 8.50% per annum, beginning September 30, 2008.	47,644	59,541
CIBC demand loan repayable in monthly installments of \$3,750 including interest beginning September 9, 2010.	332,309	361,686
Waglisla Shellfish Corporation LP loan repayable in monthly installments of \$1,583, non-interest bearing beginning July 1, 2014.	38,000	-
	462,922	486,201
Less: current portion	85,308	57,984
	377,614	428,217

FUTURE PRINCIPAL REPAYMENTS

The organization has the following future long-term debt principal repayments:

	\$
2016	85,308
2017	88,093
2018	55,942
2019	35,629
2020	37,195
and beyond	160,755
	462,922

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2015

NOTE 11: LAND CLAIMS LOANS PAYABLE

	2015 \$	2014 \$
Land claims loans payable	265,000	265,000
Promissory notes	3,699,296	3,699,296
	3,964,296	3,964,296

The land claims loan represents funds advanced to the Band by the Federal Government for land claims settlement purposes. The advances are non-interest bearing and repayable on the date when the claims are settled.

The promissory notes are advances from AANDC for land claims negotiations. The promissory notes are non-interest bearing until the date the notes become due and payable pursuant to Sections 12.1 and 12.2 of the First Nation Loan Agreement.

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2015

NOTE 12: MORTGAGES PAYABLE

	2015 \$	2014 \$
CIBC Mortgage Corporation with loan payments of \$10,530 per month, including interest at 2.63% compounded semi-annually not in advance, amortized over 18 years and secured by a Ministerial Guarantee from AANDC and a first mortgage on 28 housing units, maturing in 2018.	354,487	469,923
All Nations Trust Company with loan payments of \$4,508 per month, including interest at 2.34% amortized over 25 years, secured by a Ministerial Guarantee from AANDC and a first mortgage on 15 housing units, maturing in 2015.	13,469	66,574
All Nations Trust Company with loan payments of \$5,168 per month, including interest at 1.67% amortized over 25 years, secured by a Ministerial Guarantee from AANDC and a first mortgage on 11 housing units, maturing in 2017.	126,898	186,263
All Nations Trust Company with loan payments of \$6,303 per month, including interest at 2.56% amortized over 20 years, secured by a Ministerial Guarantee from AANDC and a first mortgage on 15 housing units, maturing in 2020.	349,156	414,983
CIBC Mortgage Corporation with loan payments of \$2,512 per month, including interest at 2.65% amortized over 25 years, secured by a Ministerial Guarantee from AANDC and a first mortgage on 5 housing units, maturing in 2016.	24,824	53,895
All Nations Trust Company with loan payments of \$2,880 per month, including interest at 1.67% amortized over 21 years, secured by a Ministerial Guarantee from AANDC and a first mortgage on 6 housing units, maturing in 2018.	98,324	130,952
All Nations Trust Company with loan payments of \$2,331 per month, including interest at 1.81% amortized over 25 years, secured by a Ministerial Guarantee from AANDC and a first mortgage on 6 housing units, maturing in 2024.	232,337	255,782
All Nations Trust Company with loans payments of \$3,004 per month including interest at 1.67% amortized over 25 years, secured by a Ministerial Guarantee from AANDC and a first mortgage on 9 housing units, maturing in 2027.	391,921	421,186
Subtotal	1,591,416	1,999,558

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2015

NOTE 12: MORTGAGES PAYABLE (Continued)

	2015 \$	2014 \$
Balance carry forward	1,591,416	1,999,558
All Nations Trust Company with loan payments of \$1,682 per month, including interest at 5.25% per annum secured by a Ministerial Guarantee from AANDC, maturing in 2017.	107,549	121,746
All Nations Trust Company with loan payments of \$11,546 per month including interest at 2.57% per annum amortized over 24 years, secured by a Ministerial Guarantee from AANDC and first mortgage on housing units, maturing in 2033.	2,043,134	2,129,741
BMO Financial Group with loan payments of \$2,085 per month, including interest at prime plus 1.25% per annum amortized over 25 years, secured by a first mortgage on housing units, maturing in 2038.	263,713	277,289
BMO Financial Group with loan payments of \$1,293 per month, including interest at prime plus 1.25% per annum amortized over 25 years, secured by a first mortgage on housing units, maturing in 2038.	227,695	233,459
BMO Financial Group with loan payments of \$1,293 per month, including interest at prime plus 1.25% per annum amortized over 25 years, secured by a first mortgage on housing units, maturing in 2038.	227,695	233,459
BMO Financial Group with loan payments of \$2,586 per month, including interest at prime plus 1.25% per annum amortized over 25 years, secured by a first mortgage on housing units, maturing in 2038.	455,457	466,981
	<hr/> 4,916,659	5,462,233
Less: current portion	534,107	561,689
	<hr/> 4,382,552	4,900,544
	<hr/>	<hr/>

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2015

NOTE 12: MORTGAGES PAYABLE (Continued)

FUTURE PRINCIPAL REPAYMENTS

The organization has the following future long-term debt principal repayments:

	\$
2016	534,107
2017	602,470
2018	436,897
2019	325,187
2020	316,684
and beyond	<u>2,701,314</u>
	<u>4,916,659</u>

NOTE 13: TANGIBLE CAPITAL ASSETS

Housing represents the Band's capital assets related to the various housing units which are built to provide affordable housing to Band members.

HEILTSUK INDIAN BAND
 NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2015

NOTE 13: TANGIBLE CAPITAL ASSETS (Continued)

	Boat	Buildings	Furniture & Equipment	Infra-structure	Land	Licenses	Vehicles	Waste Treatment Plant	Water Treatment Plant	Social Housing	Total
March 31, 2015											
Cost											
Balance, beginning of year	1,171,399	20,029,842	3,253,207	13,649,143	1,318,225	50,610	655,488	9,267,364	4,271,637	10,870,715	64,537,630
Acquisitions	81,085	3,943,477	-	-	-	-	-	-	-	-	4,024,562
Balance, end of year	1,252,484	23,973,319	3,253,207	13,649,143	1,318,225	50,610	655,488	9,267,364	4,271,637	10,870,715	68,562,192
Accumulated amortization											
Balance, beginning of year	1,027,361	14,358,829	3,212,082	10,855,197	-	-	566,346	9,267,364	4,229,370	-	43,516,549
Amortization	42,192	1,268,977	16,998	6,756	-	-	43,071	-	7,167	-	1,375,161
Balance, end of year	1,069,553	15,617,806	3,229,080	10,861,953	-	-	609,417	9,267,364	4,236,537	-	44,891,710
Net Book Value of Tangible Capital Assets	182,931	8,355,513	24,127	2,787,190	1,318,225	50,610	46,071	-	35,100	10,870,715	23,670,482
March 31, 2014											
Cost											
Balance, beginning of year	1,171,399	19,317,988	3,218,022	13,649,143	1,318,225	50,610	629,588	9,267,364	4,271,637	10,870,715	63,764,691
Acquisitions	-	711,854	35,185	-	-	-	25,900	-	-	-	772,939
Disposals	-	-	-	-	-	-	-	-	-	-	-
Balance, end of year	1,171,399	20,029,842	3,253,207	13,649,143	1,318,225	50,610	655,488	9,267,364	4,271,637	10,870,715	64,537,630
Accumulated amortization											
Balance, beginning of year	987,907	13,546,804	3,175,389	10,848,441	-	-	523,275	8,774,733	4,222,203	-	42,078,752
Amortization	39,454	812,025	36,693	6,756	-	-	43,071	492,631	7,167	-	1,437,797
Balance, end of year	1,027,361	14,358,829	3,212,082	10,855,197	-	-	566,346	9,267,364	4,229,370	-	43,516,549
Net Book Value of Tangible Capital Assets	144,038	5,671,013	41,125	2,793,946	1,318,225	50,610	89,142	-	42,267	10,870,715	21,021,081

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2015

NOTE 14: COMMITMENTS

The Band is liable as guarantor of CMHC mortgages for Band members as follows:

\$	
47,531	
<u>50,701</u>	
 <u>98,232</u>	

In the ordinary course of operations, claims are made against the Band, and it is currently involved in various lawsuits. The amount of the Band's liability, if any, in these lawsuits is uncertain. In the opinion of management, settlement of these lawsuits will not have a material adverse effect on the financial position of the Band.

NOTE 15: ECONOMIC DEPENDENCE

The Heiltsuk Indian Band and controlled entities (the "Band") are financially dependent on funding from government sources to operate programs and to complete capital projects. The Band's ability to operate certain programs depends on continuation of these sources of funding.

NOTE 16: SEGMENTED INFORMATION

The Heiltsuk Indian Band is a government institution that provides a range of programs and services to its members, including band programs, education, economic development, community services, social services, and capital projects. For management reporting purposes, the First Nation's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

First Nation services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide.

HEILTSUK INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2015

NOTE 16: SEGMENTED INFORMATION (Continued)

	Education	Band Administration	Social Dev't	Economic Dev't	Other	Housing	Total 2015
REVENUE							
Aboriginal Affairs and Northern Development Canada	-	14,341,435	28,654	-	-	-	14,370,089
Administration fees	-	17,955	-	-	-	-	17,955
Coast Conservation Endowment Fund	-	-	-	1,220,000	-	-	1,220,000
Coast Economic Development Society	-	-	-	-	-	-	-
Department of Fisheries and Oceans Canada	-	509,208	-	604,113	-	-	1,113,321
Department of Justice	-	105,274	-	-	-	-	105,274
First Nation Education Steering Committee	13,017	-	34,371	-	-	-	47,388
Interest	-	39,890	-	-	-	-	39,890
Nauts'a mawt Tribal Council	-	2,508,434	45,129	2,000,926	-	-	4,554,489
Other	-	1,483,765	-	31,500	-	-	1,515,265
Province of British Columbia	-	226,396	-	-	-	-	226,396
Rent	-	-	-	-	-	-	-
Social Housing program	-	-	-	-	4,116,660	1,767,920	-
Capital Fund	-	-	-	-	79,785	-	4,116,660
Trust Fund	-	-	-	-	(134,131)	-	79,785
Enterprise Fund	-	-	-	-	-	-	(134,131)
	13,017	19,232,357	108,154	3,856,539	4,062,314	1,767,920	29,040,301

HEILTSUK INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2015

NOTE 16: SEGMENTED INFORMATION (Continued)

	Education	Band Administration	Social Dev't	Economic Dev't	Other	Housing	Total 2015
EXPENSES							
Contributions	5,147,641	311,019	68,948	966,120	-	-	6,424,780
Contracted services	-	4,539,266	-	352,241	-	-	4,960,455
Depreciation	-	-	-	-	1,375,161	-	1,375,161
Insurance	-	103,408	13,077	10,355	-	-	126,840
Materials and supplies	-	968,210	3,202	50,436	-	-	1,021,848
Other	-	1,539,767	59,915	529,141	190,607	1,310,436	3,629,866
Professional services	-	981,796	-	17,958	-	-	999,754
Rent of facilities and equipment	-	29,387	-	325	-	-	29,712
Salaries and benefits	-	2,749,643	474,370	1,675,984	-	-	4,899,997
Social assistance payments	-	-	756,803	-	-	-	756,803
Travel	-	213,161	17,547	108,475	-	-	339,183
Utilities	-	283,263	20,927	47,265	-	-	351,455
	5,147,641	11,718,920	1,414,789	3,758,300	1,565,768	1,310,436	24,915,854
	(5,134,624)	7,513,437	(1,306,635)	98,239	2,496,546	457,484	4,124,447

HEILTSUK INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2015

NOTE 16: SEGMENTED INFORMATION (Continued)

	Education	Band Administration	Social Dev't	Economic Dev't	Other	Housing	Total 2014
REVENUE							
Aboriginal Affairs and Northern Development Canada	-	13,531,656	28,243	-	-	-	13,559,899
Administration fees	-	82,230	-	-	-	-	82,230
Coast Conservation Endowment Fund	-	-	-	940,211	-	-	940,211
Coast Economic Development Society	-	149,920	-	-	-	-	149,920
Department of Fisheries and Oceans	-	260,887	-	511,465	-	-	772,352
Department of Justice	-	69,713	-	-	-	-	69,713
First Nation Education Steering Committee	-	-	75,368	-	-	-	75,368
Interest	-	36,494	-	-	-	-	36,494
Other	-	3,795,065	52,274	593,896	-	-	4,441,235
Province of British Columbia	-	1,180,230	2,926	-	-	-	1,183,156
Rent	-	173,259	-	-	-	-	173,259
Social Housing program	-	-	-	-	1,477,604	1,542,637	1,542,637
Capital Fund	-	-	-	-	20,000	-	1,477,604
Land Claims Fund	-	-	-	-	124,459	-	20,000
Trust Fund	-	-	-	-	(401,626)	-	124,459
Enterprise Fund	-	-	-	-	-	-	(401,626)
	-	19,279,454	158,811	2,045,572	1,220,437	1,542,637	24,246,911

HEILTSUK INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2015

NOTE 16: SEGMENTED INFORMATION (Continued)

	Education	Band Administration	Social Dev't	Economic Dev't	Other	Housing	Total 2014
EXPENSES							
Contributions	5,147,148	-	39,374	233,388	-	-	5,380,536
Contracted services	-	3,906,220	-	317,076	-	-	4,262,670
Depreciation	-	-	-	-	1,437,797	-	1,437,797
Insurance	-	93,594	9,183	3,584	-	-	106,361
Materials and supplies	-	1,443,026	4,307	77,396	-	-	1,524,729
Other	-	1,997,705	134,478	356,430	1,399,809	1,027,881	4,916,303
Professional services	-	381,334	-	12,726	-	-	394,060
Rent of facilities and equipment	-	71,771	-	597	-	-	72,368
Salaries and benefits	-	3,069,244	554,167	1,307,839	-	-	4,931,250
Social assistance payments	-	-	988,006	-	-	-	988,006
Travel	-	296,484	19,973	136,018	-	-	452,475
Utilities	-	312,851	27,228	35,839	-	-	375,918
	5,147,148	11,572,229	1,776,716	2,480,893	2,837,606	1,027,881	24,842,473
	(5,147,148)	7,707,225	(1,617,905)	(435,321)	(1,617,169)	514,756	(595,562)

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2015

NOTE 17: FINANCIAL INSTRUMENTS

Fair value

The Band's financial instruments consist primarily of cash and cash equivalents, accounts receivable, rent receivables, advances to commercial operations, accounts payable and accrued liabilities, accrued interest payable, loans payable, mortgages payable and land claims loans payable which have a fair value approximately equal to the carrying value, except for advances to commercial operations, mortgages payable and land claim loans payable where fair values are not determinable due to the uncertainty of the repayment terms.

Financial risk

The financial risk is the risk that the value of the Band's financial instruments will vary due to fluctuations in interest rates and the degree of volatility of these rates. The Band is exposed to significant financial risk as a result of changes in interest rates affecting loans and interest receivable and mortgages payables as they are at fixed rates. The Band does not use derivative instruments to reduce its exposure to rate changes.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The band is exposed to credit risk from its funding contributors and customers and significant risk from housing tenants; however, the Band has a large number of diverse funding contributors, customers and housing tenants which mitigates the concentration of credit risk.