

HEILTSUK INDIAN BAND

FINANCIAL STATEMENTS
March 31, 2016

HEILTSUK INDIAN BAND

INDEX TO THE FINANCIAL STATEMENTS March 31, 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

INDEPENDENT AUDITORS' REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Statement 1
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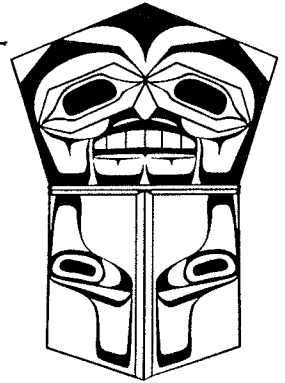
CONSOLIDATED STATEMENT OF OPERATIONS	Statement 2
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CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES	Statement 3
--	-------------

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS	Statement 4
--	-------------

CONSOLIDATED STATEMENT OF CASH FLOWS	Statement 5
--------------------------------------	-------------

NOTES TO THE FINANCIAL STATEMENTS



Heiltsuk Indian Band

March 31, 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Heiltsuk Indian Band for the year ended March 31, 2016 and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council.

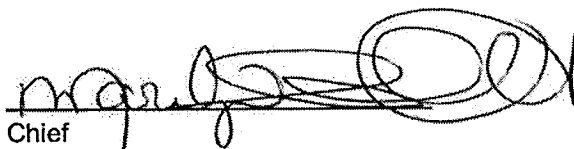
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen 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
Dec. 2, 2016
Date


Executive Director
2-Dec-2016
Date

HEILTSUK INDIAN BAND

INDEPENDENT AUDITORS' REPORT

March 31, 2016

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, 2016, 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.

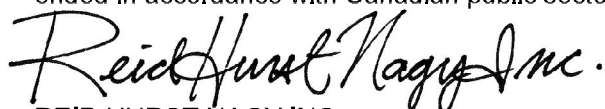
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2016, 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.
DECEMBER 2, 2016

HEILTSUK INDIAN BAND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As At March 31, 2016

Statement 1

	2016 \$	2015 \$
FINANCIAL ASSETS		
Cash and cash equivalents	2,597,344	2,657,213
Accounts receivable (Note 4)	3,788,426	4,090,900
Rent receivable	309,065	460,818
Investments (Note 5)	11,062,027	8,954,154
Due from related parties	634,583	631,402
Replacement Reserve Fund (Note 6)	643,258	645,644
Ottawa Trust Funds (Note 7)	2,971,397	3,155,071
	22,006,100	20,595,202
LIABILITIES		
Accounts payable and accruals (Note 9)	2,483,639	2,736,947
Accrued interest payable	4,874	6,038
Current portion of loans payable (Note 10)	69,293	85,308
Current portion of mortgages payable (Note 12)	610,791	534,107
Loans payable (Note 10)	287,533	377,614
Land claims loans payable (Note 11)	3,964,296	3,964,296
Mortgages payable (Note 12)	4,555,163	4,382,552
	11,975,589	12,086,862
NET FINANCIAL ASSETS	10,030,511	8,508,340
NON-FINANCIAL ASSETS		
Tangible capital assets (Notes 2c and 13)	22,190,551	23,670,482
Prepaid expenses	33,762	35,409
	22,224,313	23,705,891
	32,254,824	32,214,231

Approved On Behalf of the Heiltsuk Indian Band



The accompanying notes are an integral part of these financial statements

HEILTSUK INDIAN BAND

CONSOLIDATED STATEMENT OF OPERATIONS For the year ended March 31, 2016

Statement 2

	2016 \$	2015 \$
REVENUE		
Indigineous and Northern Affairs Canada	14,274,518	14,370,089
Administration fees	11,730	17,955
Coast Conservation Endowment Fund	1,154,564	1,220,000
Department of Fisheries and Oceans Canada	644,076	1,113,321
Department of Justice	62,916	105,274
First Nation Education Steering Committee	77,490	47,388
Great Bear Initiative	480,804	-
Interest	-	39,890
Other program revenues	2,689,614	4,554,489
Province of British Columbia	644,040	1,515,265
Rent	528,937	226,396
Social Housing program	1,502,060	1,767,920
Capital Fund	222,485	4,116,660
Trust Fund	66,326	79,785
Enterprise Fund	2,107,873	(134,131)
	24,467,433	29,040,301
EXPENDITURES		
Operating Fund		
Education	5,147,148	5,147,641
Band administration	10,462,797	11,718,920
Social development	1,253,476	1,414,789
Economic development	3,713,486	3,758,300
Social Housing Program	1,269,317	1,310,436
Capital Fund	2,580,616	1,413,161
Enterprise Fund	-	152,607
	24,426,840	24,915,854
EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES	40,593	4,124,447

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, 2016

Statement 3

	Operating Fund \$	Social Housing Fund \$	Capital Fund \$	Loan Fund \$	Land Claims Fund \$	Trust Fund \$	Enterprise Fund \$	Total \$
Balance, beginning of the year	8,925,184	3,763,169	11,099,703	-	(3,683,050)	3,155,071	8,954,154	32,214,231
Excess (shortfall) of revenue over expenditures	(8,218)	232,743	(2,108,131)	-	-	(183,674)	2,107,873	40,593
Housing phase transferred	-	(1,434,192)	1,434,192	-	-	-	-	-
Fund balance, end of the year	8,916,966	2,561,720	10,425,764	-	(3,683,050)	2,971,397	11,062,027	32,254,824

The accompanying notes are an integral part of these financial statements

HEILTSUK INDIAN BAND

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS For the year ended March 31, 2016

Statement 4

	2016 \$	2015 \$
ANNUAL EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES	40,593	4,124,447
Acquisition of tangible capital assets	(19,722)	(4,024,562)
Depreciation of tangible capital assets	1,499,653	1,375,161
	1,520,524	1,475,046
Acquisition of prepaid asset	(33,762)	(35,409)
Use of prepaid assets	35,409	50,588
	1,647	15,179
NET CHANGE IN NET FINANCIAL ASSETS	1,522,171	1,490,225
NET FINANCIAL ASSETS, BEGINNING OF THE YEAR	8,508,340	7,018,115
NET FINANCIAL ASSETS, END OF THE YEAR	10,030,511	8,508,340

The accompanying notes are an integral part of these financial statements

HEILTSUK INDIAN BAND

CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended March 31, 2016

Statement 5

	2016 \$	2015 \$
OPERATING ACTIVITIES		
Annual excess (shortfall) of revenue over expenditures	40,593	4,124,447
Non-cash item:		
Share of loss (income) of First Nation Controlled Entities	(2,107,873)	286,738
Depreciation	1,499,652	1,375,161
Deferred revenue	-	(178,058)
Change in non-cash operating net assets	198,224	(2,439,977)
	(369,404)	3,168,311
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(19,722)	(4,024,562)
FINANCING ACTIVITIES		
Repayment of Social Housing Fund mortgage	(465,001)	(496,966)
Repayment of Capital Fund loans	(202,763)	(92,098)
Repayment of Operating Fund loans	(20,004)	(20,004)
Proceeds from Capital Fund loans	830,965	38,000
	143,197	(571,068)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(245,929)	(1,427,319)
CASH, BEGINNING OF THE YEAR	6,457,928	7,885,247
CASH, END OF THE YEAR	6,211,999	6,457,928
REPRESENTED BY:		
Cash and cash equivalents	2,597,344	2,657,213
Replacement Reserve Fund	643,258	645,644
Ottawa Trust Funds	2,971,397	3,155,071
	6,211,999	6,457,928

The accompanying notes are an integral part of these financial statements

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2016

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 Indigenous and Northern Affairs Canada ("INAC") 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) *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, 2016

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 INAC. This funding is received via the Heiltsuk Indian Band, which in turn, has entered into a contractual funding agreement with INAC. 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, 2016

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, 2016

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, 2016

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 \$145,367 due from the Federal government (2015: \$118,663).

NOTE 5: INVESTMENTS

	2016 \$	2015 \$
Investment in Band Controlled Entities		
Bella Bella Fuel Co. Limited	94,482	94,482
Bella Bella Band Store Ltd.	109,722	109,722
Eagle Air Services Inc.	(169,712)	(169,712)
Bella Bella Fisheries Limited	462,594	462,594
Bella Bella Community School Society	5,456,035	5,846,161
Hailika'as Heiltsuk Health Centre	2,796,172	1,312,827
Heiltsuk College/Waglisla Adult Learning Centre	196,718	200,039
Heiltsuk Economic Development Corp.	281,558	118,959
Heiltsuk Environmental Services Ltd.	(10,885)	(10,885)
Heiltsuk Holdings Limited Partnership	1,441,486	812,033
Heiltsuk Holdings Ltd.	107	41
Heiltsuk Kaxla Society	60,081	67,781
	10,718,358	8,844,042
Other Investments		
Coast Commercial Fisheries Corp.	1	1
Central Coast Commercial Fishing LP	343,668	110,111
	11,062,027	8,954,154

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, 2016

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, 2016				
Bella Bella Fuel Co. Limited	134,836	208,773	-	-
Bella Bella Band Store Ltd.	135,692	633,934	-	-
Bella Bella Community School Society	5,652,183	196,148	5,399,911	(390,126)
Heiltsuk College/Waglisla Adult Learning Centre	319,683	122,965	527,630	(3,321)
Year ended December 31, 2015				
Bella Bella Fisheries Ltd.	922,486	7,082,095	-	-

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, 2016, the Social Housing Program has not complied with all of the terms and conditions of the Operating Agreements. As at March 31, 2016, the Replacement Reserve Fund is overfunded by \$229,282 (2015 - \$22,876).

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, 2016, the Operating Reserve Fund is overfunded by \$20,509 (2015 - underfunded \$2,957).

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2016

NOTE 9: ACCOUNTS PAYABLE AND ACCRUALS

	2016 \$	2015 \$
Trade and accrued payables	2,194,149	2,435,478
Payroll and deductions payable	246,490	264,332
Deposits	43,000	37,137
	2,483,639	2,736,947

NOTE 10: LOANS PAYABLE

	2016 \$	2015 \$
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.	24,965	44,969
Native Fishing Association loan repayable in monthly installments of \$1,610 including interest at 8.50% per annum, beginning September 30, 2008.	30,984	47,644
CIBC demand loan repayable in monthly installments of \$3,750 including interest beginning September 9, 2010.	300,877	332,309
Waglisla Shellfish Corporation LP loan repayable in monthly installments of \$1,583, the loan have been paid in full during the year	-	38,000
	356,826	462,922
Less: current portion	69,293	85,308
	287,533	377,614

FUTURE PRINCIPAL REPAYMENTS

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

	\$
2016	69,293
2017	53,475
2018	35,629
2019	37,195
2020	38,831
and beyond	122,403
	356,826

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2016

NOTE 11: LAND CLAIMS LOANS PAYABLE

	2016 \$	2015 \$
Land claims loans payable	265,000	265,000
Promissory notes	3,699,296	3,699,296
	<hr/>	<hr/>
	3,964,296	3,964,296
	<hr/>	<hr/>

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 INAC 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, 2016

NOTE 12: MORTGAGES PAYABLE

	2016 \$	2015 \$
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 INAC and a first mortgage on 28 housing units, maturing in 2018.	236,010	354,487
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 INAC and a first mortgage on 15 housing units, maturing in 2015.	-	13,469
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 INAC and a first mortgage on 11 housing units, maturing in 2017.	66,540	126,898
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 INAC and a first mortgage on 15 housing units, maturing in 2020.	281,222	349,156
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 INAC and a first mortgage on 5 housing units, maturing in 2016.	-	24,824
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 INAC and a first mortgage on 6 housing units, maturing in 2018.	65,153	98,324
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 INAC and a first mortgage on 6 housing units, maturing in 2024.	208,461	232,337
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 INAC and a first mortgage on 9 housing units, maturing in 2027.	362,179	391,921
Subtotal	1,219,565	1,591,416

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2016

NOTE 12: MORTGAGES PAYABLE (Continued)

	2016 \$	2015 \$
Balance carry forward	1,219,565	1,591,416
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 INAC, maturing in 2017.	94,289	107,549
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 INAC and first mortgage on housing units, maturing in 2033.	1,949,985	2,043,134
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.	186,370	263,713
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.	221,175	227,695
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.	221,175	227,695
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.	442,429	455,457
BMO Financial Group with loan payments of \$4,605 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 2040.	830,966	-
	5,165,954	4,916,659
Less: current portion	610,791	534,107
Long-term portion	4,555,163	4,382,552

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2016

NOTE 12: MORTGAGES PAYABLE (Continued)

FUTURE PRINCIPAL REPAYMENTS

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

	<u>\$</u>
2016	610,791
2017	533,057
2018	460,973
2019	350,240
2020	342,755
and beyond	<u>2,868,138</u>
	<u>5,165,954</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, 2016

NOTE 13: TANGIBLE CAPITAL ASSETS (Continued)

	Boat	Buildings	Furniture & Equipment	Infra-structure	Land	Licenses	Vehicles	Waste Water Treatment Plant	Water Treatment Plant	Social Housing	Total
March 31, 2016											
Cost											
Balance, beginning of year	1,252,484	23,973,320	3,253,206	13,649,143	1,318,225	50,610	655,488	9,267,364	4,271,637	10,870,715	68,562,192
Acquisitions	19,722	1,434,192	-	-	-	-	-	-	-	-	1,453,914
Disposals	-	-	-	-	-	-	-	-	-	(1,434,192)	(1,434,192)
Balance, end of year	1,272,206	25,407,512	3,253,206	13,649,143	1,318,225	50,610	655,488	9,267,364	4,271,637	9,436,523	68,581,914
Accumulated amortization											
Balance, beginning of year	1,069,553	15,617,807	3,229,079	10,861,953	-	-	609,417	9,267,364	4,236,537	-	44,891,710
Amortization	43,120	1,396,462	10,437	6,756	-	-	35,711	-	7,167	-	1,499,653
Balance, end of year	1,112,673	17,014,269	3,239,516	10,868,709	-	-	645,128	9,267,364	4,243,704	-	46,391,363
Net Book Value of Tangible Capital Assets	159,533	8,393,243	13,690	2,780,434	1,318,225	50,610	10,360	-	27,933	9,436,523	22,190,551
March 31, 2015											
Cost											
Balance, beginning of year	1,171,399	20,029,843	3,253,206	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
Disposals	-	-	-	-	-	-	-	-	-	-	-
Balance, end of year	1,252,484	23,973,320	3,253,206	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	14,358,830	3,212,081	10,855,197	-	-	566,346	9,267,364	4,229,370	-	43,516,549
Amortization	42,192	1,258,977	16,998	6,756	-	-	43,071	-	7,167	-	1,375,161
Disposals	-	-	-	-	-	-	-	-	-	-	-
Balance, end of year	1,069,553	15,617,807	3,229,079	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

HEILTSUK INDIAN BAND

NOTES TO THE FINANCIAL STATEMENTS March 31, 2016

NOTE 14: COMMITMENTS

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

\$
-
47,628
35,168
<u>43,167</u>
<u>125,963</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, 2016

NOTE 16: SEGMENTED INFORMATION (Continued)

	Education	Band Administration	Social Dev't	Economic Dev't	Other	Housing	Total 2016
REVENUE							
Indigenous and Northern Affairs Canada	-	14,309,990	(35,472)	-	-	-	14,274,518
Administration fees	-	11,730	-	-	-	-	11,730
Coast Conservation Endowment Fund	-	-	-	1,154,564	-	-	1,154,564
Coast Economic Development Society	-	-	-	-	-	-	-
Department of Fisheries and Oceans Canada	-	313,368	-	330,708	-	-	644,076
Department of Justice	-	62,916	-	-	-	-	62,916
First Nation Education Steering Committee	-	-	77,490	-	-	-	77,490
Great Bear Initiative	-	-	-	480,804	-	-	480,804
Naut'sa mawt Tribal Council	-	-	-	-	-	-	-
Other	-	1,555,152	61,416	1,073,046	-	-	2,689,614
Province of British Columbia	-	644,040	-	-	-	-	644,040
Rent	-	528,937	-	-	-	-	528,937
Social Housing program	-	-	-	-	-	1,502,060	1,502,060
Capital Fund	-	-	-	-	222,485	-	222,485
Trust Fund	-	-	-	-	66,326	-	66,326
Enterprise Fund	-	-	-	-	2,107,873	-	2,107,873
	-	17,426,133	103,434	3,039,122	2,396,684	1,502,060	24,467,433

HEILTSUK INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016

NOTE 16: SEGMENTED INFORMATION (Continued)

	Education	Band Administration	Social Dev't	Economic Dev't	Other	Housing	Total 2016
EXPENSES							
Contributions	5,147,148	624,224	-	138,503	-	-	5,909,875
Contracted services	-	4,142,342	33,407	445,038	-	-	4,620,787
Depreciation	-	-	-	-	1,499,652	-	1,499,652
Insurance	-	139,830	8,128	9,741	-	-	157,699
Materials and supplies	-	698,619	2,623	53,160	-	-	754,402
Other	-	1,386,412	55,290	540,925	1,080,964	1,269,317	4,332,908
Professional services	-	177,847	-	-	-	-	177,847
Rent of facilities and equipment	-	17,895	-	3,844	-	-	21,739
Salaries and benefits	-	2,707,746	458,933	2,315,603	-	-	5,482,282
Social assistance payments	-	-	653,201	-	-	-	653,201
Travel	-	291,337	20,834	164,731	-	-	476,902
Utilities	-	276,545	21,060	41,941	-	-	339,546
	5,147,148	10,462,797	1,253,476	3,713,486	2,580,616	1,269,317	24,426,840
	(5,147,148)	6,963,336	(1,150,042)	(674,364)	(183,932)	232,743	40,593

HEILTSUK INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016

NOTE 16: SEGMENTED INFORMATION (Continued)

	Education	Band Administration	Social Dev't	Economic Dev't	Other	Housing	Total 2015
REVENUE							
Indigineous and Northern Affairs 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
Department of Fisheries and Oceans	-	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
Other	-	2,508,434	45,129	2,000,926	-	-	4,554,489
Province of British Columbia	-	1,483,765	-	31,500	-	-	1,515,265
Rent	-	226,396	-	-	-	-	226,396
Social Housing program	-	-	-	-	-	1,767,920	1,767,920
Capital Fund	-	-	-	-	4,116,660	-	4,116,660
Trust Fund	-	-	-	-	79,785	-	79,785
Enterprise Fund	-	-	-	-	(134,131)	-	(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, 2016

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	-	966,120	-	-	6,424,780
Contracted services	-	4,539,266	68,948	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, 2016

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.