

**HALALT FIRST NATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2014**

## MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Halalt First Nation are the responsibility of management and have been approved by Chief and Executive Director on behalf of Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

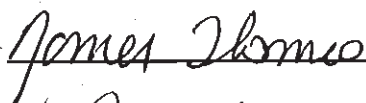
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The First Nation 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 consolidated financial statements and the external auditor's report.

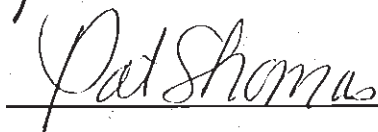
The external auditors, Lee & Company, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Halalt First Nation and meet when required.

On behalf of Halalt First Nation:

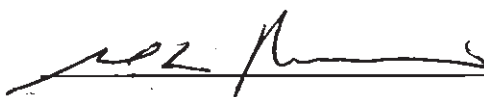


Chief

Councillor



Councillor



Councillor

August 8, 2014

# Lee & Company

## CHARTERED ACCOUNTANT

W. Lee, CGA, CA An incorporated professional



---

### INDEPENDENT AUDITOR'S REPORT

---

#### TO THE MEMBERS OF HALALT FIRST NATION

##### Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of HALALT FIRST NATION which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of operations, 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.

##### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

##### Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of HALALT FIRST NATION as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

CHARTERED ACCOUNTANT

Victoria, BC  
August 8, 2014

**HALALT FIRST NATION**  
**Consolidated Statement of Financial Position**  
**March 31, 2014**

	2014	2013
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	165,302	451,469
Ottawa Trust (Note 4)	41,907	40,237
Accounts receivable (Note 3)	475,619	701,047
GST receivable	8,630	9,026
Investment (Note 5)	5,000	5,000
	<u>696,458</u>	<u>1,206,779</u>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable (Note 6)	183,621	271,374
Deferred capital contributions (Note 7)	2,265,173	1,623,922
Reserves	182,249	162,299
Long-term debts (Note 10)	1,609,112	1,521,497
	<u>4,240,155</u>	<u>3,579,092</u>
<b>NET FINANCIAL ASSETS (NET DEBT)</b>	<u>(3,543,697)</u>	<u>(2,372,313)</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	29,110	16,805
Tangible capital assets (Note 11)	4,942,726	1,574,164
Assets under construction	-	2,419,539
	<u>4,971,836</u>	<u>4,010,508</u>
<b>ACCUMULATED SURPLUS (DEFICIT) (Note 8)</b>	<u>1,428,139</u>	<u>1,638,195</u>

Approved by Chief and Council

James Thomas Chief

\_\_\_\_ Councillor

Pat Thomas Councillor

\_\_\_\_ Councillor

**HALALT FIRST NATION**  
**Consolidated Statement of Operations**  
**For the year ended March 31, 2014**

	Budget	2014	2013
<b>REVENUE</b>			
AANDC	968,600	981,966	968,627
Rental	130,130	128,042	130,131
Ottawa Trust	1,000	1,670	4,107
Interest	4,000	6,108	3,484
Other	1,700,000	1,829,838	1,739,424
	<u>2,803,730</u>	<u>2,947,624</u>	<u>2,845,773</u>
<b>EXPENSES</b>			
Education	332,000	350,752	331,447
Health	25,000	6,297	-
Economic development	52,532	50,132	10,132
Band government	292,301	286,765	294,713
Employment program	52,490	67,703	39,490
Land claims	200,103	200,103	200,103
Public works	75,200	72,886	75,837
Social services	285,400	265,834	293,728
Social Housing	55,300	47,497	56,858
Others	1,500,000	1,570,883	1,475,224
Depreciation	200,000	238,829	84,717
	<u>3,070,326</u>	<u>3,157,680</u>	<u>2,862,249</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u>(266,596)</u>	<u>(210,056)</u>	<u>(16,476)</u>
<b>ACCUMULATED SURPLUS (DEFICIT), at beginning of year</b>		1,638,195	1,654,671
Transfers		-	-
<b>ACCUMULATED SURPLUS (DEFICIT), at end of year (Note 8)</b>		<u>1,428,139</u>	<u>1,638,195</u>

**HALALT FIRST NATION**  
**Consolidated Statement of Changes in Net Financial Assets (Net Debt)**  
**For the year ended March 31, 2014**

	2014	2013
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>(210,056)</b>	<b>(16,476)</b>
<b>Tangible capital assets</b>		
Acquisition of tangible capital assets	(3,607,391)	-
Proceeds on disposal of tangible capital assets	-	-
Amortization of tangible capital assets	238,829	84,717
Write-downs on tangible capital assets	-	-
(Gain) loss on disposal of tangible capital assets	-	-
	<b>(3,368,562)</b>	<b>84,717</b>
<b>Assets under construction</b>	<b>2,419,539</b>	<b>(2,419,539)</b>
Acquisition of prepaid expense	(29,110)	(16,804)
Consumption of supplies inventories	-	-
Use of prepaid expense	16,805	23,136
	<b>2,407,234</b>	<b>(2,413,207)</b>
<b>CHANGE IN NET FINANCIAL ASSETS (NET DEBT)</b>	<b>(1,171,384)</b>	<b>(2,344,966)</b>
<b>NET FINANCIAL ASSETS (NET DEBT), at beginning of year</b>	<b>(2,372,313)</b>	<b>(27,347)</b>
<b>NET FINANCIAL ASSETS (NET DEBT), at end of year</b>	<b>(3,543,697)</b>	<b>(2,372,313)</b>

**HALALT FIRST NATION**  
**Consolidated Statement of Cash Flows**  
**For the year ended March 31, 2014**

	2014	2013
<b>OPERATING ACTIVITIES</b>		
Annual surplus (deficit)	(210,056)	(16,476)
Items not affecting cash		
Amortization of tangible capital assets	238,829	84,717
(Gain) loss on disposal of tangible capital assets	-	-
Change in non-cash charges to operations		
Ottawa Trust	(1,670)	195,893
Accounts receivable	225,428	(310,942)
GST receivable	396	5,982
Due from Hul'qumi'num Fisheries LP	-	151
Prepaid expenses	(12,305)	6,331
Accounts payable	(87,753)	(52,493)
Deferred capital contributions	641,251	1,623,922
Reserves	19,950	18,665
	<u>814,070</u>	<u>1,555,750</u>
<b>CAPITAL TRANSACTIONS</b>		
Proceeds on disposal of tangible capital assets	-	-
Acquisition of tangible capital assets	(3,607,391)	-
Assets under construction	2,419,539	(2,419,539)
	<u>(1,187,852)</u>	<u>(2,419,539)</u>
<b>INVESTING TRANSACTIONS</b>		
Long term Investments	-	(5,000)
<b>FINANCING TRANSACTIONS</b>		
Mortgages payable	87,615	846,687
<b>INCREASE (DECREASE) IN CASH DURING YEAR</b>	(286,167)	(22,102)
<b>CASH, at beginning of year</b>	451,469	473,571
<b>CASH, at end of year</b>	<u>165,302</u>	<u>451,469</u>

**HALALT FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**For the year ended March 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of accounting**

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

**b. Reporting Entity and Principles of Financial Reporting**

These financial statements consolidate the assets, liabilities and results of operations for the following entities, which use accounting principles, which lend themselves to consolidation:

- Halalt First Nation Government Administration
- Halalt First Nation Trusts Fund
- CMHC Housing Program

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not

**c. Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short term cash commitments.

**d. Financial Instruments**

The carrying amounts for accounts receivable, grants receivable and accounts payable and accrued liabilities approximate fair value because of the short-term nature of these instruments.

**e. Investments**

Investments are recorded at cost. Investments are written down where there has been a loss in value that is other than a temporary decline.

**f. Tangible capital assets**

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Housing	4%
Infrastructure	4%
Social Housing	Equal to loan principal payment
Equipment	30%
Boats	20%
Vehicles	15%

In the year of acquisition, 50% of the normal amortization is recorded.



**HALALT FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**For the year ended March 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g. Reserve funds**

Reserve funds represent the replacement and operating reserve funds required under the terms of the agreement with Canada Mortgage and Housing Corporation.

**h. Revenue Recognition**

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing that the transfers are authorized, all eligibility criteria have been met by the Nation, and reasonable estimates of the amounts can be made. Government transfers received for which the Nation has not met all eligibility requirements are recorded as revenue. Government transfers include financial transfer agreement payments, band trust revenue payments, contribution arrangements, and other federal and provincial grants.

Grant revenue is recognized in the financial statements as the related expenditures are incurred and when the terms and conditions of the funding are satisfied. Other income is recorded as revenue when earned.

**i. Use of Estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumption used in estimating provisions for accrued liabilities and estimating the useful lives of tangible capital assets. Actual results could differ from those estimates.

**2. CASH AND CASH EQUIVALENTS**

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Halalt First Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Replacement and Operating Fund. Cash and cash equivalents is comprised of the following:

	2014	2013
Unrestricted - Operating	155,672	441,909
Restricted - CMHC Phases 3 & 5	9,630	9,560
Restricted - CMHC Phases I-III	-	-
	<u>165,302</u>	<u>451,469</u>

**HALALT FIRST NATION**  
**Notes to Consolidated Financial Statements**  
For the year ended March 31, 2014

**3. ACCOUNTS RECEIVABLE**

	<u>2014</u>	<u>2013</u>
Federal government		
Aboriginal Affairs and Northern Development Canada	123,500	148,850
Other government organizations	91,101	331,556
Canada Mortgage and Housing Corporation	2,130	2,130
	<u>216,731</u>	<u>482,536</u>
Members	<u>103,143</u>	<u>82,237</u>
Other	<u>155,745</u>	<u>136,274</u>
	<u>475,619</u>	<u>701,047</u>

**4. OTTAWA TRUST FUNDS**

	<u>March 31, 2013</u>	<u>Additions</u>	<u>Withdrawals</u>	<u>March 31, 2014</u>
Capital	24,664	-	-	24,664
Revenue	15,573	1,670	-	17,243
	<u>40,237</u>	<u>1,670</u>	<u>-</u>	<u>41,907</u>

The trust funds 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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

**5. INVESTMENTS**

	<u>2014</u>	<u>2013</u>
Hul'Q'Umn Num Fisheries Limited Partnership	<u>5,000</u>	<u>5,000</u>

**HALALT FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**For the year ended March 31, 2014**

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2014	2013
Trades payable	128,093	216,528
Accrued salaries and benefits payable	18,430	17,938
Canada Revenue Agency - Source deductions payable	-	793
Other accrued liabilities	37,098	36,115
	<u>183,621</u>	<u>271,374</u>

**7. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions represent government contributions which were provided to assist in the purchase or construction of tangible capital assets.

The changes in the deferred contributions balance for the year are as follows:

	Balance March 31, 2013	Funding Received 2014	Revenue Recognized 2014	Balance March 31, 2014
AANDC - Capital Project #8444 Community Waterworks System	1,623,922	735,633	94,382	2,265,173

**8. ACCUMULATED SURPLUS (DEFICIT)**

	Operating	Trust	Housing	2014 Total	2013
Accumulated Surplus (Deficit), at the beginning of year	1,467,163	40,237	130,795	1,638,195	1,654,671
Annual Surplus (Deficit)	(222,725)	1,670	10,999	(210,056)	(16,476)
Transfers	-	-	-	-	-
Accumulated Surplus (Deficit), at the beginning of year	1,244,438	41,907	141,794	1,428,139	1,638,195

**9. TREATY NEGOTIATIONS**

Treaty negotiations for Halalt First Nation are being carried on by the Hul'qumi'num Treaty Group. As at March 31, 2014, the Treaty Group is responsible to repay in excess of \$30,110,148 to the Federal Government for advances made under the treaty process.

**HALALT FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**For the year ended March 31, 2014**

**10. LONG TERM DEBT**

	<u>2014</u>	<u>2013</u>
All Nations Trust - mortgage repayable at \$906 per month including interest @ 4.31% per annum, maturing January 1, 2028. Secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on Phase I housing units.	111,579	118,720
All Nations Trust - mortgage repayable at \$554 per month including interest @ 3.16%, maturing June 1, 2033. Secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on Phase II housing units.	94,750	98,874
All Nations Trust - mortgage repayable at \$1,199 per month including interest @ 2.40% per annum, maturing October 1, 2035. Secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on Phase III housing units.	242,852	251,354
Royal Bank - mortgage repayable at \$2,129 per month including interest @ 3.75%, maturing August 1, 2014. Secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on Phases 3 & 5 housing units.	124,726	145,153
CMHC - mortgage repayable at \$240 per month including interest @ 2.69%, maturing March 1, 2020. Secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on Phases 3 & 5 housing units.	15,982	18,406
Bank of Montreal - mortgage repayable at \$6,442 per month including interest @ 4.03%, maturing June 30, 2018. Secured by Guarantee for On-Reserve Housing Loan Program (ORHLP).	1,001,196	888,990
Demand Loan - repayable at \$167 per month plus interest at prime plus 1.00%. Secured by band council resolutions and Chief certificate.	18,027	-
	<u>1,609,112</u>	<u>1,521,497</u>

Anticipated annual principal repayments over the next five years and thereafter are as follows:

2015	78,617
2016	80,200
2017	84,100
2018	90,200
2019	100,200
Thereafter	1,175,795

	<u>2014</u>	<u>2013</u>
Interest expense for the year on long-term debt	61,041	52,606

# HALALT FIRST NATION

## Notes to Consolidated Financial Statements

For the year ended March 31, 2014

### 11. TANGIBLE CAPITAL ASSETS

	Housing	Social Housing	Infra- structure	Equipment	Boats	Vehicle	2014 Total	2013 Total
<b>Cost</b>								
Opening Balance	38,561	1,328,716	630,138	125,640	9,485	57,000	2,189,540	2,189,540
Additions	-	-	3,607,391	-	-	-	3,607,391	-
Disposals	-	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-	-
Closing balance	38,561	1,328,716	4,237,529	125,640	9,485	57,000	5,796,931	2,189,540
<b>Accumulated Amortization</b>								
Opening Balance	33,327	335,428	126,285	83,930	3,146	33,260	615,376	530,659
Amortization	1,928	42,617	177,869	8,342	951	7,122	238,829	84,717
Disposals	-	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-	-
Closing balance	35,255	378,045	304,154	92,272	4,097	40,382	854,205	615,376
<b>Net book value</b>	3,306	950,671	3,933,375	33,368	5,388	16,618	4,942,726	1,574,164

**HALALT FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**For the year ended March 31, 2014**

**12. SEGMENT DISCLOSURE**

Halalt First Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by function. For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The segment results for the period are as follows:

	Education		Health		Economic Development		Band Government	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>REVENUES</b>								
Aboriginal Affairs and Northern Development Canada	334,439	344,090	-	-	47,540	10,132	155,419	151,704
Rental	-	-	-	-	-	-	46,075	43,060
Other	-	-	25,000	-	-	-	74,101	130,658
	<b>334,439</b>	<b>344,090</b>	<b>25,000</b>	<b>-</b>	<b>47,540</b>	<b>10,132</b>	<b>275,595</b>	<b>325,422</b>
<b>EXPENSES</b>								
Salaries and benefits	12,730	9,992	3,357	-	10,132	-	72,294	101,494
Consultants and Professional fees	100	1,690	2,750	-	32,210	10,132	44,797	45,245
Debt servicing	-	-	-	-	-	-	3,228	2,826
Amortization	-	-	-	-	-	-	-	-
Other	337,922	319,765	190	-	7,790	-	166,446	145,148
	<b>350,752</b>	<b>331,447</b>	<b>6,297</b>	<b>-</b>	<b>50,132</b>	<b>10,132</b>	<b>286,765</b>	<b>294,713</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>(16,313)</b>	<b>12,643</b>	<b>18,703</b>	<b>-</b>	<b>(2,592)</b>	<b>-</b>	<b>(11,170)</b>	<b>30,709</b>

# HALALT FIRST NATION

## Notes to Consolidated Financial Statements

For the year ended March 31, 2014

### 12. SEGMENT DISCLOSURE (Continued)

	Public Works		Social Services		Social Housing		Other
	2014	2013	2014	2013	2014	2013	2013
<b>REVENUES</b>							
Aboriginal Affairs and Northern Development Canada	61,455	51,992	260,444	310,889	-	-	122,669
Rental	-	-	-	-	76,301	87,071	5,666
Other	7,629	384	-	5,041	24,812	27,279	1,706,074
	69,084	52,376	260,444	315,930	101,113	114,350	1,683,473
<b>EXPENSES</b>							
Salaries and benefits	18,719	22,916	54,679	66,500	-	-	360,529
Consultants and Professional fees	20,651	23,136	28,115	29,936	4,050	4,000	357,034
Debt servicing	-	-	-	-	15,163	19,739	42,650
Amortization	-	-	-	-	42,617	40,075	196,212
Other	33,515	29,785	183,040	197,292	28,284	33,119	1,078,476
	72,885	75,837	265,834	293,728	90,114	96,933	1,759,459
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>(3,801)</b>	<b>(23,461)</b>	<b>(5,390)</b>	<b>22,202</b>	<b>10,999</b>	<b>17,417</b>	<b>(75,986)</b>

**HALALT FIRST NATION**  
**Notes to Consolidated Financial Statements**  
**For the year ended March 31, 2014**

**13. EXPENSES BY OBJECT**

The following is a summary of expenses by object.

	<u>2014</u>	<u>2013</u>
Consultants	421,379	590,043
Depreciation	238,829	84,717
Government transfer	513,445	713,347
Interest and bank charges	61,041	52,606
Materials and supplies	443,786	545,287
Professional fees	68,328	60,345
Wages and benefits	532,440	528,298
Other	878,432	287,606
	<u>3,157,680</u>	<u>2,862,249</u>

**14. CONTINGENT LIABILITY**

Halalt First Nation has a contingent liability of \$851,603 for various on-reserve housing loan guarantees.

**15. ECONOMIC DEPENDENCE**

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

**16. BUDGET FIGURES**

Budget figures have not been presented as information was not available from management.

**17. COMPARATIVE FIGURES**

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