

**HALALT FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015**

HALALT FIRST NATION
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March 31, 2015

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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.

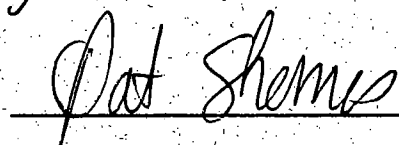
The external auditors, Lee & Company, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Halalt First Nation and meet when required.

On behalf of Halalt First Nation:



Chief

Councillor



Councillor

Councillor

August 17, 2015

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, 2015 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, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

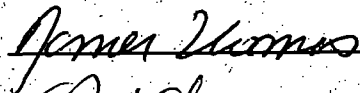
CHARTERED ACCOUNTANT

Victoria, BC
August 17, 2015

HALALT FIRST NATION
Consolidated Statement of Financial Position
March 31, 2015

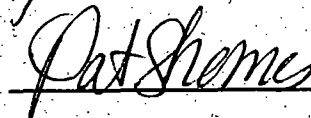
	2015	2014
FINANCIAL ASSETS		
Cash (Note 2)	634,035	165,302
Ottawa Trust (Note 4)	43,419	41,907
Accounts receivable (Note 3)	400,093	475,619
GST receivable	7,100	8,630
Investment (Note 5)	5,000	5,000
	<u>1,089,647</u>	<u>696,458</u>
FINANCIAL LIABILITIES		
Accounts payable (Note 6)	425,816	183,621
Deferred capital contributions (Note 7)	2,170,791	2,265,173
Reserves	133,543	182,249
Long-term debts (Note 10)	1,520,363	1,609,112
	<u>4,250,513</u>	<u>4,240,155</u>
NET FINANCIAL ASSETS (NET DEBT)	<u>(3,160,866)</u>	<u>(3,543,697)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	13,462	29,110
Tangible capital assets (Note 11)	4,708,670	4,942,726
	<u>4,722,132</u>	<u>4,971,836</u>
ACCUMULATED SURPLUS (DEFICIT) (Note 8)	<u>1,561,266</u>	<u>1,428,139</u>

Approved by Chief and Council



Chief

Councillor



Councillor

Councillor

HALALT FIRST NATION
Consolidated Statement of Operations
For the year ended March 31, 2015

	Budget	2015	2014
REVENUE			
AANDC	1,378,544	1,487,819	981,966
Health Canada	62,638	62,630	-
Prof funding - Resource and referrals	12,500	12,500	-
Rental income	300,000	141,584	128,042
Ottawa Trust	1,500	1,512	1,670
Interest	6,000	6,017	6,108
Other	1,520,830	1,520,930	1,829,838
	<u>3,282,012</u>	<u>3,232,992</u>	<u>2,947,624</u>
EXPENSES			
Education	300,000	278,614	350,752
Health	25,000	25,196	6,297
Economic development	62,300	62,300	50,132
Band government	300,000	492,599	286,765
Employment program	67,000	67,473	67,703
Land claims	200,103	200,103	200,103
Public works	55,000	55,036	72,885
Social services	285,000	284,806	265,834
Social Housing	55,300	44,710	47,497
Others	1,500,000	1,420,938	1,570,883
Depreciation	200,000	234,056	238,829
	<u>3,049,703</u>	<u>3,165,831</u>	<u>3,157,680</u>
ANNUAL SURPLUS (DEFICIT)	<u>232,309</u>	<u>67,161</u>	<u>(210,056)</u>
ACCUMULATED SURPLUS (DEFICIT), at beginning of year		1,428,139	1,638,195
Transfers		65,966	-
ACCUMULATED SURPLUS (DEFICIT), at end of year (Note 8)		<u>1,561,266</u>	<u>1,428,139</u>

HALALT FIRST NATION
Consolidated Statement of Changes in Net Financial Assets (Net Debt)
For the year ended March 31, 2015

	2015	2014
ANNUAL SURPLUS (DEFICIT)	67,161	(210,056)
Tangible capital assets		
Acquisition of tangible capital assets	-	(3,607,391)
Proceeds on disposal of tangible capital assets	-	-
Amortization of tangible capital assets	234,056	238,829
Write-downs on tangible capital assets	-	-
(Gain) loss on disposal of tangible capital assets	-	-
	234,056	(3,368,562)
Assets under construction	-	2,419,539
Acquisition of prepaid expense	(13,462)	(29,110)
Consumption of supplies inventories	-	-
Use of prepaid expense	29,110	16,805
	15,648	2,407,234
CHANGE IN NET FINANCIAL ASSETS (NET DEBT)	316,865	(1,171,384)
NET FINANCIAL ASSETS (NET DEBT), at beginning of year	(3,543,697)	(2,372,313)
Transfers from Reserves	65,966	-
NET FINANCIAL ASSETS (NET DEBT), at end of year	(3,160,866)	(3,543,697)

HALALT FIRST NATION
Consolidated Statement of Cash Flows
For the year ended March 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Annual surplus (deficit)	67,161	(210,056)
Items not affecting cash		
Amortization of tangible capital assets	234,056	238,829
(Gain) loss on disposal of tangible capital assets	-	-
Change in non-cash charges to operations		
Ottawa Trust	(1,512)	(1,670)
Accounts receivable	75,526	225,428
GST receivable	1,530	396
Prepaid expenses	15,648	(12,305)
Accounts payable	242,195	(87,753)
Deferred capital contributions	(94,382)	641,251
Reserves	(48,706)	19,950
	<u>491,516</u>	<u>814,070</u>
CAPITAL TRANSACTIONS		
Proceeds on disposal of tangible capital assets	-	-
Acquisition of tangible capital assets	-	(3,607,391)
Assets under construction	-	2,419,539
	<u>-</u>	<u>(1,187,852)</u>
INVESTING TRANSACTIONS		
Long term investments	-	-
FINANCING TRANSACTIONS		
Mortgages payable	(88,749)	87,615
Transfers from Reserves	65,966	-
	<u>(22,783)</u>	<u>87,615</u>
INCREASE (DECREASE) IN CASH DURING YEAR	468,733	(286,167)
CASH, at beginning of year	165,302	451,469
CASH, at end of year	<u>634,035</u>	<u>165,302</u>

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2015

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, 2015

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:

	<u>2015</u>	<u>2014</u>
Unrestricted - Operating	574,115	155,672
Restricted - CMHC Phases 3 & 5	59,920	9,630
Restricted - CMHC Phases I-III	-	-
	<u>634,035</u>	<u>165,302</u>

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2015

3. ACCOUNTS RECEIVABLE

	<u>2015</u>	<u>2014</u>
Federal government:		
Aboriginal Affairs and Northern Development Canada	41,670	123,500
Other government organizations	126,514	91,101
Canada Mortgage and Housing Corporation	2,028	2,130
	<u>170,212</u>	<u>216,731</u>
Members	<u>122,240</u>	<u>103,143</u>
Other	<u>107,641</u>	<u>155,745</u>
	<u>400,093</u>	<u>475,619</u>

4. OTTAWA TRUST FUNDS

	March 31, 2014	Additions	Withdrawals	March 31, 2015
Capital	24,664	-	-	24,664
Revenue	17,243	1,512	-	18,755
	<u>41,907</u>	<u>1,512</u>	<u>-</u>	<u>43,419</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>2015</u>	<u>2014</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, 2015

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Trades payable	283,141	128,093
Accrued salaries and benefits payable	23,142	18,430
AANDC	21,975	-
Other accrued liabilities	97,558	37,098
	<u>425,816</u>	<u>183,621</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, 2014	Funding Received 2015	Revenue Recognized 2015	Balance March 31, 2015
AANDC - Capital Project #8444 Community Waterworks System	2,265,173	-	94,382	2,170,791

8. ACCUMULATED SURPLUS (DEFICIT)

	Operating	Trust	Housing	2015 Total	2014
Accumulated Surplus (Deficit), at the beginning of year	1,244,438	41,907	141,794	1,428,139	1,638,195
Annual Surplus (Deficit)	58,321	1,512	7,328	67,161	(210,056)
Transfers	30,832	-	35,134	65,966	-
Accumulated Surplus (Deficit), at the beginning of year	<u>1,333,591</u>	<u>43,419</u>	<u>184,256</u>	<u>1,561,266</u>	<u>1,428,139</u>

9. TREATY NEGOTIATIONS

Treaty negotiations for Halalt First Nation are being carried on by the Hul'qumi'num Treaty Group. As at March 31, 2015, the Treaty Group is responsible to repay in excess of \$31,716,028 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, 2015

10. LONG TERM DEBT

	<u>2015</u>	<u>2014</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.	104,321	111,579
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.	90,539	94,750
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.	234,144	242,852
CMHC - mortgage repayable at \$2,025 per month including interest @ 1.85%, maturing August 1, 2019. Secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on Phases 3 & 5 housing units.	103,132	124,726
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.	13,494	15,983
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).	963,546	1,001,195
Demand Loan - repayable at \$167 per month plus interest at prime plus 1.00%. Secured by band council resolutions and Chief certificate.	11,187	18,027
	<u>1,520,363</u>	<u>1,609,112</u>

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

2016	120,000
2017	125,000
2018	130,000
2019	135,100
2020	140,200
Thereafter	870,063

	<u>2015</u>	<u>2014</u>
Interest expense for the year on long-term debt	55,270	61,041

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2015

11. TANGIBLE CAPITAL ASSETS

	Housing	Social Housing	Infra- structure	Equipment	Boats	Vehicle	2015 Total	2014 Total
Cost								
Opening Balance	38,561	1,328,716	4,237,529	125,640	9,485	57,000	5,796,931	2,189,540
Additions	69,600	-	-	-	-	-	69,600	3,607,391
Disposals	-	(69,600)	-	-	-	-	(69,600)	(139,200)
Write-downs	-	-	-	-	-	-	-	-
Closing balance	108,161	1,259,116	4,237,529	125,640	9,485	57,000	5,796,931	5,657,731
Accumulated Amortization								
Opening Balance	35,255	378,045	304,154	92,272	4,097	40,382	854,205	615,376
Amortization	1,928	44,259	177,063	6,674	808	3,324	234,056	238,829
Additions	23,517	-	-	-	-	-	23,517	47,034
Disposals	-	(23,517)	-	-	-	-	(23,517)	(47,034)
Closing balance	60,700	398,787	481,217	98,946	4,905	43,706	1,088,261	854,205
Net book value	47,461	860,329	3,756,312	26,694	4,580	13,294	4,708,670	4,803,526

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2015

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	
	2015	2014	2015	2014	2015	2014	2015	2014
REVENUES								
Aboriginal Affairs and Northern Development Canada	365,972	334,439	-	-	62,300	47,540	165,309	155,419
Rental	-	-	-	-	-	-	62,375	46,075
Other	-	-	-	25,000	-	-	223,278	74,101
	365,972	334,439	-	25,000	62,300	47,540	450,962	275,595
EXPENSES								
Salaries and benefits	9,635	12,730	24,132	3,357	10,238	10,132	75,615	72,294
Consultants and Professional fees	-	100	-	2,750	52,000	32,210	97,135	44,797
Debt servicing	-	-	-	-	-	-	2,943	3,228
Amortization	-	-	-	-	-	-	-	-
Other	268,979	337,922	1,064	190	62	7,790	316,906	166,446
	278,614	350,752	25,196	6,297	62,300	50,132	492,599	286,765
ANNUAL SURPLUS (DEFICIT)	87,358	(16,313)	(25,196)	18,703	-	(2,592)	(41,637)	(11,170)

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2015

12. SEGMENT DISCLOSURE (Continued)

	Public Works		Social Services		Social Housing		Other	
	2015	2014	2015	2014	2015	2014	2015	2014
REVENUES								
Aboriginal Affairs and Northern Development Canada	55,036	61,455	256,674	260,444	-	-	582,528	322,669
Rental	-	-	-	-	72,449	76,301	6,760	5,666
Other	2,078	7,629	5,663	-	23,849	24,812	1,348,721	1,506,076
	57,114	69,084	262,337	260,444	96,298	101,113	1,938,009	1,834,411
EXPENSES								
Salaries and benefits	17,666	18,719	78,291	54,679	-	-	400,590	360,529
Consultants and Professional fees	3,923	20,651	5,880	28,115	4,758	4,050	470,395	1,799,695
Debt servicing	-	-	-	-	12,564	15,163	39,763	42,650
Amortization	-	-	-	-	44,259	42,617	189,797	196,212
Other	33,447	33,515	200,635	183,040	27,388	28,284	777,766	(364,181)
	55,036	72,885	284,806	265,834	88,969	90,114	1,878,311	2,034,905
ANNUAL SURPLUS (DEFICIT)	2,078	(3,801)	(22,469)	(5,390)	7,329	10,999	59,698	(200,494)

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2015

13. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	<u>2015</u>	<u>2014</u>
Consultants	459,475	421,379
Depreciation	234,056	238,829
Government transfer	459,152	513,445
Interest and bank charges	55,270	61,041
Materials and supplies	347,996	443,786
Professional fees	174,617	68,328
Wages and benefits	616,167	532,440
Other	819,098	878,432
	<u>3,165,831</u>	<u>3,157,680</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.