

**HALALT FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2016**

HALALT FIRST NATION
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March 31, 2016

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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 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 Chartered Professional Accountants of Canada 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 Chief and 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 Chief and 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, 2016



LEE & COMPANY

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HALALT FIRST NATION

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of HALALT FIRST NATION which comprise the consolidated statement of financial position as at March 31, 2016 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

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 HALALT FIRST NATION as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

CHARTERED PROFESSIONAL ACCOUNTANTS

Victoria, BC
August 17, 2016

HALALT FIRST NATION
Consolidated Statement of Financial Position
March 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash (Note 2)	171,996	634,035
Ottawa Trust (Note 4)	44,810	43,419
Accounts receivable (Note 3)	654,106	407,193
Portfolio investment (Note 5)	5,000	5,000
	<u>875,912</u>	<u>1,089,647</u>
FINANCIAL LIABILITIES		
Accounts payable (Note 6)	336,507	425,816
Deferred capital contributions (Note 7)	2,076,409	2,170,791
Long-term debts (Note 10)	1,428,731	1,520,363
	<u>3,841,647</u>	<u>4,116,970</u>
NET FINANCIAL ASSETS (NET DEBT)	<u>(2,965,735)</u>	<u>(3,027,323)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	19,643	13,462
Tangible capital assets (Note 11)	4,451,441	4,708,670
	<u>4,471,084</u>	<u>4,722,132</u>
ACCUMULATED SURPLUS (DEFICIT) (Note 8)	<u>1,505,349</u>	<u>1,694,809</u>
Contingent liabilities (Note 14)		

Approved by Chief and Council

 Chief

 Councillor

____ Councillor

____ Councillor

HALALT FIRST NATION
Consolidated Statement of Operations
For the year ended March 31, 2016

	Budget (unaudited)	2016	2015
REVENUE			
Federal - INAC	1,233,014	1,233,014	1,487,819
Federal - CMHC	22,654	22,654	23,849
Federal - DFO	360,000	359,458	247,162
Federal - Other	89,646	112,319	127,683
Provincial	13,000	13,662	12,500
Rental	130,000	150,617	141,584
Ottawa Trust	1,400	1,391	1,512
Interest	6,000	6,032	6,017
Sales - Shellfish	400,000	398,818	369,178
Other	930,000	907,861	815,688
	<u>3,185,714</u>	<u>3,205,826</u>	<u>3,232,992</u>
EXPENSES			
Band	265,000	303,246	589,877
Education and training	502,000	504,937	444,446
Public works	320,000	424,850	106,036
Social housing	45,000	25,130	44,710
Capital projects	-	-	30,250
Social services	322,000	322,988	284,806
Land management	200,000	325,452	367,961
Economic development	1,480,000	1,236,034	1,063,689
Depreciation	230,000	252,649	234,056
	<u>3,364,000</u>	<u>3,395,286</u>	<u>3,165,831</u>
ANNUAL SURPLUS (DEFICIT)	<u>(178,286)</u>	<u>(189,460)</u>	67,161
ACCUMULATED SURPLUS (DEFICIT), at beginning of year		1,694,809	1,561,682
Transfers		<u>-</u>	<u>65,966</u>
ACCUMULATED SURPLUS (DEFICIT), at end of year (Note 8)		<u>1,505,349</u>	<u>1,694,809</u>

HALALT FIRST NATION
Consolidated Statement of Changes in Net Financial Assets (Net Debt)
For the year ended March 31, 2016

	2016	2015
ANNUAL SURPLUS (DEFICIT)	(189,460)	67,161
Tangible capital assets		
Acquisition of tangible capital assets	-	-
Proceeds on disposal of tangible capital assets	-	-
Amortization of tangible capital assets	252,649	234,056
Write-downs on tangible capital assets	-	-
(Gain) loss on disposal of tangible capital assets	4,580	-
	257,229	234,056
Assets under construction	-	-
Acquisition of prepaid expense	(19,643)	(13,462)
Consumption of supplies inventories	-	-
Use of prepaid expense	13,462	29,110
	(6,181)	15,648
CHANGE IN NET FINANCIAL ASSETS (NET DEBT)	61,588	316,865
NET FINANCIAL ASSETS (NET DEBT), at beginning of year	(3,027,323)	(3,410,154)
Transfers from Reserves	-	65,966
NET FINANCIAL ASSETS (NET DEBT), at end of year	(2,965,735)	(3,027,323)

HALALT FIRST NATION
Consolidated Statement of Cash Flows
For the year ended March 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Annual surplus (deficit)	(189,460)	67,161
Items not affecting cash		
Amortization of tangible capital assets	252,649	234,056
(Gain) loss on disposal of tangible capital assets	4,580	-
Change in non-cash charges to operations		
Ottawa Trust	(1,391)	(1,512)
Accounts receivable	(246,912)	75,526
GST receivable	-	1,530
Prepaid expenses	(6,181)	15,648
Accounts payable	(89,310)	242,195
Deferred capital contributions	(94,382)	(94,382)
Reserves	-	(48,706)
	<u>(370,407)</u>	<u>491,516</u>
CAPITAL TRANSACTIONS		
Proceeds on disposal of tangible capital assets	-	-
Acquisition of tangible capital assets	-	-
Assets under construction	-	-
	<u>-</u>	<u>-</u>
INVESTING TRANSACTIONS		
Long term Investments	-	-
	<u>-</u>	<u>-</u>
FINANCING TRANSACTIONS		
Mortgages payable	(91,632)	(88,749)
Transfers from Reserves	-	65,966
	<u>(91,632)</u>	<u>(22,783)</u>
INCREASE (DECREASE) IN CASH DURING YEAR	(462,039)	468,733
CASH, at beginning of year	634,035	165,302
CASH, at end of year	171,996	634,035

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

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 Chartered Professional Accountants of Canada.

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 necessarily been eliminated on the individual schedules.

Incorporated business entities, which are owned or controlled by Halalt First Nation and which are dependent on the First Nation for their continuing operations, are consolidated in the consolidated financial statements.

Incorporated business entities, which are owned or controlled by Halalt First Nation and which are not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method.

Investments in non-controlled entities and subject to significant influence are included in the consolidated financial statements using the modified equity method.

Investments in non-controlled entities and not subject to significant influence are recorded at cost. These include:

- Hul'q'humil'num Fisheries Limited Partnership - 20% interest

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.

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

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

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	20 years
Equipment	30%
Boats	20%
Vehicles	15%

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

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.

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

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>2016</u>	<u>2015</u>
Unrestricted - Operating	90,625	574,115
Restricted - CMHC Phases 3 & 5	76,371	59,920
Restricted - CMHC Phases I-III	5,000	-
	<u>171,996</u>	<u>634,035</u>

3. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Federal government		
Indigenous & Northern Affairs Canada	47,315	41,670
Other government organizations	313,096	126,514
Goods and services tax	-	7,100
Canada Mortgage and Housing Corporation	1,801	2,028
	<u>362,212</u>	<u>177,312</u>
Members	<u>151,247</u>	<u>122,240</u>
Other	<u>140,647</u>	<u>107,641</u>
	<u>654,106</u>	<u>407,193</u>

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

4. OTTAWA TRUST FUNDS

	March 31, 2015	Additions	Withdrawals	March 31, 2016
Capital	24,664	-	-	24,664
Revenue	18,755	1,391	-	20,146
	43,419	1,391	-	44,810

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. PORTFOLIO INVESTMENT

	2016	2015
Hul'q'umi'num Fisheries Limited Partnership - 20% interest	5,000	5,000

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trades payable	260,110	283,141
Accrued salaries and benefits payable	12,579	23,142
Indigenous & Northern Affairs Canada	9,997	21,975
Other accrued liabilities	53,821	97,558
	336,507	425,816

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

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, 2015	Funding Received 2016	Revenue Recognized 2016	Balance March 31, 2016
INAC - Capital Project #8444 Community Waterworks System	2,170,791	-	94,382	2,076,409

8. ACCUMULATED SURPLUS (DEFICIT)

	Operating	Trust	Housing	2016 Total	2015
Accumulated Surplus (Deficit), at the beginning of year	1,333,589	43,419	317,801	1,694,809	1,561,682
Annual Surplus (Deficit)	(192,388)	1,391	1,537	(189,460)	67,161
Transfers	-	-	-	-	65,966
Accumulated Surplus (Deficit), at the beginning of year	1,141,201	44,810	319,338	1,505,349	1,694,809

9. TREATY NEGOTIATIONS

Treaty negotiations for Halalt First Nation are being carried on by the Hul'qumi'num Treaty Group. As at March 31, 2016, the Treaty Group is responsible to repay in excess of \$33,182,748 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, 2016

10. LONG TERM DEBT

	<u>2016</u>	<u>2015</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 Indigenous & Northern Affairs Canada and a first mortgage on Phase I housing units.	96,949	104,322
All Nations Trust - mortgage repayable at \$554 per month including interest @ 3.16%, maturing June 1, 2033. Secured by a ministerial guarantee from Indigenous & Northern Affairs Canada and a first mortgage on Phase II housing units.	86,260	90,539
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 Indigenous & Northern Affairs Canada and a first mortgage on Phase III housing units.	224,423	234,144
CMHC - mortgage repayable at \$2,025 per month including interest @ 1.85%, maturing August 1, 2019. Secured by a ministerial guarantee from Indigenous & Northern Affairs Canada and a first mortgage on Phases 3 & 5 housing units.	80,514	103,132
CMHC - mortgage repayable at \$240 per month including interest @ 2.69%, maturing March 1, 2020. Secured by a ministerial guarantee from Indigenous & Northern Affairs Canada and a first mortgage on Phases 3 & 5 housing units.	10,874	13,493
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).	925,364	963,546
Demand Loan - repayable at \$167 per month plus interest at prime plus 1.00%. Secured by band council resolutions and Chief certificate.	4,347	11,187
	<u>1,428,731</u>	<u>1,520,363</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	778,431	
		<u>2016</u> <u>2015</u>
Interest expense for the year on long-term debt	<u>66,619</u>	<u>55,270</u>

HALALT FIRST NATION

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

11. TANGIBLE CAPITAL ASSETS

Cost

Opening Balance	108,161	1,259,116	4,237,529	125,640	9,485	57,000	5,796,931	5,796,931
Additions	-	-	-	-	-	-	-	69,600
Disposals	-	-	-	-	(9,485)	-	(9,485)	(69,600)
Write-downs	-	-	-	-	-	-	-	-
Closing balance	108,161	1,259,116	4,237,529	125,640	-	57,000	5,787,446	5,796,931

Accumulated Amortization

Opening Balance	60,700	398,787	481,217	98,946	4,905	43,706	1,088,261	854,205
Amortization	5,408	62,955	176,289	5,339	-	2,658	252,649	234,056
Additions	-	-	-	-	-	-	-	23,517
Disposals	-	-	-	-	(4,905)	-	(4,905)	(23,517)

Closing balance	66,108	461,742	657,506	104,285	-	46,364	1,336,005	1,088,261
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Net book value	42,053	797,374	3,580,023	21,355	-	10,636	4,451,441	4,708,670
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HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

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:

	Band		Education & Training		Public Works		Social Housing	
	2016	2015	2016	2015	2016	2015	2016	2015
REVENUES								
Indigenous & Northern Affairs Canada	256,135	368,966	393,629	405,432	140,615	60,914	-	-
Rental	72,085	62,375	-	-	-	-	71,197	72,449
Other	529,935	1,025,965	147,144	125,255	4,400	2,078	22,686	23,849
	858,155	1,457,306	540,773	530,687	145,015	62,992	93,883	96,298
EXPENSES								
Salaries and benefits	67,462	85,738	82,653	98,333	15,427	17,666	-	-
Consultants and Professional fees	31,691	99,245	20,856	47,781	354,957	54,923	4,000	4,758
Debt servicing	43,407	42,591	-	-	14,207	-	8,910	12,564
Amortization	-	-	-	-	-	-	62,955	44,259
Other	160,686	362,303	401,428	298,332	40,259	33,447	12,220	27,388
	303,246	589,877	504,937	444,446	424,850	106,036	88,085	88,969
ANNUAL SURPLUS (DEFICIT)	554,909	867,429	35,836	86,241	(279,835)	(43,044)	5,798	7,329

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

12. SEGMENT DISCLOSURE (Continued)

	Capital Projects		Social Services		Land Management		Economic Development
	2016	2015	2016	2015	2016	2015	2016
REVENUES							
Indigenous & Northern Affairs Canada	-	30,250	263,089	256,674	142,956	303,283	36,590
Rental	-	-	-	-	-	-	7,335
Other	-	-	-	5,663	200,357	201,153	917,673
	-	30,250	263,089	262,337	343,313	504,436	961,598
EXPENSES							
Salaries and benefits	-	-	71,570	78,291	55,184	55,377	284,764
Consultants and Professional fees	-	-	4,448	5,880	218,041	159,578	356,105
Debt servicing	-	-	-	-	50	5	45
Amortization	-	-	-	-	-	-	189,694
Other	-	30,250	246,970	200,635	52,177	153,001	595,119
	-	30,250	322,988	284,806	325,452	367,961	1,425,727
ANNUAL SURPLUS (DEFICIT)	-	-	(59,899)	(22,469)	17,861	136,475	(964,800)

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2016

13. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	<u>2016</u>	<u>2015</u>
Consultants	638,517	459,475
Depreciation	252,649	234,056
Government transfer	604,556	459,152
Interest and bank charges	66,619	55,270
Materials and supplies	436,109	347,996
Professional fees	351,581	174,617
Wages and benefits	577,060	616,167
Other	468,195	819,098
	<u>3,395,286</u>	<u>3,165,831</u>

14. CONTINGENT LIABILITY

Halalt First Nation has a contingent liability of \$734,800 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 Indigenous & Northern Affairs Canada.

16. BUDGET FIGURES

The budget figures were not audited nor reviewed but compiled from information provided by First Nation management.

17. COMPARATIVE FIGURES

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