

**HALALT FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017**



LEE & COMPANY
CHARTERED PROFESSIONAL ACCOUNTANTS

HALALT FIRST NATION
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March 31, 2017

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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.

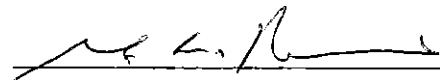
The Chief and Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

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

March 20, 2018



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, 2017 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, 2017 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
March 20, 2018

	2017	2016
FINANCIAL ASSETS		
Cash (Note 2)	352,564	171,996
Ottawa Trust (Note 4)	46,156	44,810
Accounts receivable (Note 3)	568,340	654,106
Portfolio investments (Note 5)	94,458	5,000
	<u>1,061,518</u>	<u>875,912</u>
FINANCIAL LIABILITIES		
Accounts payable (Note 6)	512,480	336,507
Deferred capital contributions (Note 7)	1,982,027	2,076,409
Long-term debts (Note 10)	1,334,960	1,428,731
	<u>3,829,467</u>	<u>3,841,647</u>
NET FINANCIAL ASSETS (NET DEBT)	<u>(2,767,949)</u>	<u>(2,965,735)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	3,000	19,643
Tangible capital assets (Note 11)	4,201,136	4,451,441
	<u>4,204,136</u>	<u>4,471,084</u>
ACCUMULATED SURPLUS (DEFICIT) (Note 8)	<u>1,436,187</u>	<u>1,505,349</u>
Contingent liabilities (Note 14)		

James Thomas Chief

Pat Thomas Councillor

 Councillor

Councillor

HALALT FIRST NATION
Consolidated Statement of Operations
For the year ended March 31, 2017

	Budget (unaudited)	2017	2016
REVENUE			
Federal - INAC	1,255,436	1,255,436	1,233,014
Federal - CMHC	21,612	21,612	22,654
Federal - DFO	50,000	49,770	359,458
Federal - Other	90,000	73,022	112,319
Provincial	13,000	19,000	13,662
Rental	130,000	186,749	150,617
Ottawa Trust	1,400	1,346	1,391
Interest	4,000	4,015	6,032
Sales - Shellfish	200,000	159,314	398,818
Other	700,000	675,315	907,861
	<u>2,465,448</u>	<u>2,445,579</u>	<u>3,205,826</u>
EXPENSES			
Band	265,000	295,151	303,246
Education and training	510,000	550,258	504,937
Public works	80,000	63,778	424,850
Social housing	30,000	24,133	25,130
Social services	295,000	293,002	322,988
Land management	200,000	254,272	325,452
Economic development	800,000	783,841	1,236,034
Depreciation	250,000	250,306	252,649
	<u>2,430,000</u>	<u>2,514,741</u>	<u>3,395,286</u>
ANNUAL SURPLUS (DEFICIT)	<u>35,448</u>	<u>(69,162)</u>	<u>(189,460)</u>
ACCUMULATED SURPLUS (DEFICIT), at beginning of year		1,505,349	1,694,809
Transfers		-	-
ACCUMULATED SURPLUS (DEFICIT), at end of year (Note 8)		<u>1,436,187</u>	<u>1,505,349</u>

HALALT FIRST NATION
Consolidated Statement of Changes in Net Financial Assets (Net Debt)
For the year ended March 31, 2017

	<i>Budget</i>	2017	2016
ANNUAL SURPLUS (DEFICIT)	<u>35,448</u>	<u>(69,162)</u>	<u>(189,460)</u>
Tangible capital assets			
Acquisition of tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	-	-
Amortization of tangible capital assets	250,000	250,306	252,649
Write-downs on tangible capital assets	-	-	-
(Gain) loss on disposal of tangible capital assets	-	-	4,580
	<u>250,000</u>	<u>250,306</u>	<u>257,229</u>
Assets under construction	-	-	-
Acquisition of prepaid expense	-	(3,000)	(19,643)
Consumption of supplies inventories	-	-	-
Use of prepaid expense	-	19,643	13,462
	-	<u>16,643</u>	<u>(6,181)</u>
CHANGE IN NET FINANCIAL ASSETS (NET DEBT)	<u>285,448</u>	<u>197,787</u>	<u>61,588</u>
NET FINANCIAL ASSETS (NET DEBT), at beginning of year		(2,965,735)	(3,027,323)
Transfers from Reserves		<u>-</u>	<u>-</u>
NET FINANCIAL ASSETS (NET DEBT), at end of year		<u>(2,767,948)</u>	<u>(2,965,735)</u>

HALALT FIRST NATION
Consolidated Statement of Cash Flows
For the year ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Annual surplus (deficit)	(69,162)	(189,460)
Items not affecting cash		
Amortization of tangible capital assets	250,306	252,649
(Gain) loss on disposal of tangible capital assets	-	4,580
Change in non-cash charges to operations		
Ottawa Trust	(1,346)	(1,391)
Accounts receivable	85,764	(246,912)
Prepaid expenses	16,643	(6,181)
Accounts payable	175,972	(89,310)
Deferred capital contributions	(94,382)	(94,382)
	<u>363,795</u>	<u>(370,407)</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>(89,458)</u>	<u>-</u>
FINANCING TRANSACTIONS		
Mortgages payable	(93,771)	(91,632)
Transfers from Reserves	-	-
	<u>(93,771)</u>	<u>(91,632)</u>
INCREASE (DECREASE) IN CASH DURING YEAR	180,566	(462,039)
CASH, at beginning of year	171,996	634,035
CASH, at end of year	<u>352,564</u>	<u>171,996</u>

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

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'humi'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, 2017

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, 2017

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>2017</u>	<u>2016</u>
Unrestricted - Operating	270,632	90,625
Restricted - CMHC Phases 3 & 5	81,932	76,371
Restricted - CMHC Phases I-III	-	5,000
	<u>352,564</u>	<u>171,996</u>

3. ACCOUNTS RECEIVABLE

	<u>2017</u>	<u>2016</u>
Federal government		
Indigenous & Northern Affairs Canada	82,908	47,315
Other government organizations	195,876	313,096
Goods and services tax	2,622	-
Canada Mortgage and Housing Corporation	1,801	1,801
	<u>283,207</u>	<u>362,212</u>
Members	<u>181,905</u>	<u>151,247</u>
Other	<u>103,228</u>	<u>140,647</u>
	<u>568,340</u>	<u>654,106</u>

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

4. OTTAWA TRUST FUNDS

	March 31, 2016	Additions	Withdrawals	March 31, 2017
Capital	24,664	-	-	24,664
Revenue	20,146	1,346	-	21,492
	44,810	1,346	-	46,156

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 AND ADVANCES

	2017	2016
Hul'q'umi'num Fisheries Limited Partnership - 20% interest	5,000	5,000
Halalt Logging Contracting LP - Advance	89,458	-
	94,458	5,000

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Trades payable	330,396	260,110
Accrued salaries and benefits payable	16,468	12,579
Indigenous & Northern Affairs Canada	104,035	9,997
Other accrued liabilities	61,581	53,821
	512,480	336,507

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

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, 2016	Funding Received 2017	Revenue Recognized 2017	Balance March 31, 2017
INAC - Capital Project #8444 Community Waterworks System	2,076,409	-	94,382	1,982,027

8. ACCUMULATED SURPLUS (DEFICIT)

	Operating	Trust	Housing	2017 Total	2016
Accumulated Surplus (Deficit), at the beginning of year	1,141,201	44,810	319,338	1,505,349	1,694,809
Annual Surplus (Deficit)	(66,165)	1,346	(4,344)	(69,162)	(189,460)
Transfers	-	-	-	-	-
Accumulated Surplus (Deficit), at the beginning of year	1,075,036	46,156	314,994	1,436,187	1,505,349

9. TREATY NEGOTIATIONS

Treaty negotiations for Halalt First Nation are being carried on by the Hul'qumi'num Treaty Group. As at March 31, 2017, the Treaty Group is responsible to repay in excess of \$34,649,468 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, 2017

10. LONG TERM DEBT

	<u>2017</u>	<u>2016</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.	89,451	96,949
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.	81,904	86,260
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.	214,029	224,423
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.	57,469	80,514
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.	8,199	10,874
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).	883,551	925,364
Demand Loan - repayable at \$167 per month plus interest at prime plus 1.00%. Secured by band council resolutions and Chief certificate.	357	4,347
	<u>1,334,960</u>	<u>1,428,731</u>

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

2017	125,000
2018	130,000
2019	135,100
2020	140,200
2021	145,300
Thereafter	659,360

	<u>2017</u>	<u>2016</u>
Interest expense for the year on long-term debt	43,971	66,619

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

11. TANGIBLE CAPITAL ASSETS

	Housing	Social Housing	Infra- structure	Equipment	Boats	Vehicle	2017 Total	2016 Total
Cost								
Opening Balance	108,161	1,259,116	4,237,529	125,640	-	57,000	5,787,446	5,796,931
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	(9,485)
Write-downs	-	-	-	-	-	-	-	-
Closing balance	108,161	1,259,116	4,237,529	125,640	-	57,000	5,787,446	5,787,446
Accumulated Amortization								
Opening Balance	66,108	461,742	657,506	104,285	-	46,364	1,336,005	1,088,261
Amortization	5,408	62,955	175,546	4,270	-	2,127	250,306	252,649
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	(4,905)
Closing balance	71,516	524,697	833,052	108,555	-	48,491	1,586,311	1,336,005
Net book value	36,645	734,419	3,404,477	17,085	-	8,509	4,201,136	4,451,441

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

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	
	2017	2016	2017	2016	2017	2016	2017	2016
REVENUES								
Indigenous & Northern Affairs Canada	249,043	256,135	442,846	393,629	53,350	140,615	-	-
Rental	110,618	72,085	-	-	-	-	65,392	71,197
Other	379,070	529,935	126,078	220,069	5,396	4,400	21,612	22,686
	738,731	858,155	568,924	613,698	58,746	145,015	87,004	93,883
EXPENSES								
Salaries and benefits	68,624	67,462	83,576	82,653	14,669	15,427	-	-
Consultants and Professional fees	16,980	31,691	91,249	48,222	6,829	354,957	5,000	4,000
Debt servicing	37,469	43,407	-	-	-	14,207	6,502	8,910
Amortization	-	-	-	-	-	-	62,955	62,955
Other	172,081	160,686	458,766	402,683	42,280	40,259	12,631	12,220
	295,154	303,246	633,591	533,558	63,778	424,850	87,088	88,085
ANNUAL SURPLUS (DEFICIT)	443,577	554,909	(64,667)	80,140	(5,032)	(279,835)	(84)	5,798

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

12. SEGMENT DISCLOSURE *(Continued)*

	Capital Projects		Social Services		Land Management		Economic Development	
	2017	2016	2017	2016	2017	2016	2017	2016
REVENUES								
Indigenous & Northern Affairs Canada	-	-	187,282	263,089	82,908	142,956	240,007	36,590
Rental	-	-	-	-	-	-	10,739	7,335
Other	-	-	-	-	200,103	200,357	271,136	844,748
	-	-	187,282	263,089	283,011	343,313	521,882	888,673
EXPENSES								
Salaries and benefits	-	-	48,321	71,570	89,094	55,184	117,367	284,764
Consultants and Professional fees	-	-	23,758	4,448	116,004	218,041	288,233	328,739
Debt servicing	-	-	-	-	-	50	-	45
Amortization	-	-	-	-	-	-	187,351	189,694
Other	-	-	220,923	246,970	49,174	52,177	294,908	593,863
	-	-	293,002	322,988	254,272	325,452	887,859	1,397,106
ANNUAL SURPLUS (DEFICIT)	-	-	(105,720)	(59,899)	28,739	17,861	(365,977)	(508,433)

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2017

13. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	<u>2017</u>	<u>2016</u>
Consultants	407,265	638,517
Depreciation	250,306	252,649
Government transfer	631,702	604,556
Interest and bank charges	43,971	66,619
Materials and supplies	254,416	436,109
Professional fees	140,787	351,581
Wages and benefits	421,651	577,060
Other	364,646	468,195
	<u>2,514,744</u>	<u>3,395,286</u>

14. CONTINGENT LIABILITY

Halalt First Nation has a contingent liability of \$670,047 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. SUBSEQUENT EVENTS

The Halalt Logging Contracting Limited Partnership was set up on April 5, 2017 for the development of truck log hauling located on reserve. The First Nation owns 99% of the Limited Partnership as a Limited Partner and HLC General Partner LTD., a wholly owned government business enterprise, owns 1% of the Limited Partnership as a General Partner. The financial information of the Limited Partnership is not available as of the date of this report.

18. COMPARATIVE FIGURES

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