

**HALALT FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018**

HALALT FIRST NATION
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March 31, 2018

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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, Ashgrove Chartered Professional Accountants, 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:

James Morris Chief

Pat Shomes Councillor

____ Councillor

____ Councillor

June 4, 2021

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, 2018 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.

Qualified Opinion

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of HALALT FIRST NATION as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Qualified Opinion

The First Nation operations has not maintained records and supporting documentation that is adequate to provide sufficient evidence regarding existence and completeness of accounts payable and accounts receivable. Consequently, we were not able to determine whether any adjustments might be necessary to accounts receivable, accounts payable, consolidated revenue and expenditures and operating deficit.



In addition, we were unable to obtain audited financial statements supporting the nation's investment in the two partnershipings of Hul'q'umi'num Fisheries Limited Partnership and Halalt Logging Contracting Limited Partnership. We were unable to satisfy ourselves as to the carrying value of the investment in the two partnerships or the equity in earnings by other auditing procedures.

We conducted our audit in accordance with Canadian Generally Accepted Accounting Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the First Nation in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

A handwritten signature in black ink that appears to read "Ashgrove".

Victoria, BC
June 04, 2021

CHARTERED PROFESSIONAL ACCOUNTANT

HALALT FIRST NATION
Consolidated Statement of Financial Position
March 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash (Note 2)	238,422	352,564
Ottawa Trust (Note 4)	47,681	46,156
Accounts receivable (Note 3)	743,030	568,340
Investments (Note 5)	<u>108,215</u>	<u>94,458</u>
	1,137,348	1,061,518
FINANCIAL LIABILITIES		
Accounts payable (Note 6)	618,064	512,480
Deferred capital contributions (Note 7)	1,887,645	1,982,027
Long-term debts (Note 10)	<u>1,242,950</u>	<u>1,334,960</u>
	3,748,659	3,829,467
NET FINANCIAL ASSETS (NET DEBT)	(2,611,311)	(2,767,949)
NON-FINANCIAL ASSETS		
Prepaid expenses	-	3,000
Tangible capital assets (Note 11)	<u>3,951,767</u>	<u>4,201,136</u>
	3,951,767	4,204,136
ACCUMULATED SURPLUS (DEFICIT) (Note 8)	1,340,456	1,436,187
Contingent liabilities (Note 14)		

Approved by Chief and Council

James Hansen Chief
 _____ Councillor

Pat Holmes Councillor
 _____ Councillor

HALALT FIRST NATION
Consolidated Statement of Operations
For the year ended March 31, 2018

	Budget (unaudited)	2018	2017
REVENUE			
Federal - INAC	1,200,000	1,199,605	1,255,436
Federal - CMHC	22,000	21,640	21,612
Federal - DFO	43,000	42,770	49,770
Federal - Other	120,000	54,744	73,022
Provincial	173,000	137,514	19,000
Rental	140,000	141,332	186,749
Ottawa Trust	1,450	1,525	1,346
Interest	3,000	2,717	4,015
Sales - Shellfish	170,000	180,538	159,314
Other	900,000	1,036,898	675,315
	2,772,450	2,819,283	2,445,579
EXPENSES			
Band	500,000	526,754	295,151
Education and training	530,000	514,512	550,258
Public works	85,000	84,454	63,778
Social housing	27,000	27,401	24,133
Social services	285,000	272,597	293,002
Land management	270,000	293,789	254,272
Economic development	800,000	946,139	783,841
Depreciation	250,000	249,368	250,306
	2,747,000	2,915,014	2,514,741
ANNUAL SURPLUS (DEFICIT)	25,450	(95,731)	(69,162)
ACCUMULATED SURPLUS (DEFICIT), at beginning of year		1,436,187	1,505,349
Adjustment		-	-
ACCUMULATED SURPLUS (DEFICIT), at end of year (Note 8)		1,340,456	1,436,187

HALALT FIRST NATION
Consolidated Statement of Changes in Net Financial Assets (Net Debt)
For the year ended March 31, 2018

	<i>Budget</i>	2018	2017
ANNUAL SURPLUS (DEFICIT)	25,450	(95,731)	(69,162)
Tangible capital assets			
Acquisition of tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	-	-
Amortization of tangible capital assets	250,000	249,368	250,306
Write-downs on tangible capital assets	-	-	-
(Gain) loss on disposal of tangible capital assets	-	-	-
	250,000	249,368	250,306
Assets under construction			
Acquisition of prepaid expense	-	-	(3,000)
Purchase of inventories	-	-	-
Use of prepaid expense	-	3,000	19,643
	3,000	16,643	
CHANGE IN NET FINANCIAL ASSETS (NET DEBT)	275,450	156,637	197,787
NET FINANCIAL ASSETS (NET DEBT), at beginning of year		(2,767,949)	(2,965,736)
Transfers from Reserves		-	-
NET FINANCIAL ASSETS (NET DEBT), at end of year		(2,611,312)	(2,767,949)

HALALT FIRST NATION
Consolidated Statement of Cash Flows
For the year ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Annual surplus (deficit)	(95,731)	(69,162)
Items not affecting cash		
Amortization of tangible capital assets	249,369	250,306
(Gain) loss on disposal of tangible capital assets	-	-
Change in non-cash charges to operations		
Ottawa Trust	(1,525)	(1,346)
Accounts receivable	(174,690)	85,764
Prepaid expenses	3,000	16,643
Accounts payable	105,584	175,972
Deferred capital contributions	<u>(94,382)</u>	<u>(94,382)</u>
	<u>(8,375)</u>	<u>363,795</u>
CAPITAL TRANSACTIONS		
Proceeds on disposal of tangible capital assets	-	-
Acquisition of tangible capital assets	-	-
Assets under construction	-	-
	-	-
INVESTING TRANSACTIONS		
Long term Investments	<u>(13,757)</u>	<u>(89,458)</u>
FINANCING TRANSACTIONS		
Mortgages payable	(92,010)	(93,771)
Transfers from Reserves	-	-
	<u>(92,010)</u>	<u>(93,771)</u>
INCREASE (DECREASE) IN CASH DURING YEAR	(114,142)	180,566
CASH, at beginning of year	352,564	171,996
CASH, at end of year	238,422	352,564

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2018

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.

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, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Interests in partnerships

Interests in partnerships, except for business partnerships, are using the proportionate consolidation method. Business partnerships are accounted for by the modified equity method applied using the entity's share of the business.

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, 2018

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:

	2018	2017
Unrestricted - Operating	155,639	270,632
Restricted - CMHC Phases 3 & 5	82,783	81,932
Restricted - CMHC Phases I-III	-	-
	238,422	352,564

3. ACCOUNTS RECEIVABLE

	2018	2017
Federal government		
Indigenous & Northern Affairs Canada	-	82,908
Other government organizations	296,137	195,876
Goods and services tax	6,223	2,622
Canada Mortgage and Housing Corporation	10,834	1,801
	313,194	283,207
Members	129,447	181,905
Other	300,389	103,228
	743,030	568,340

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2018

4. OTTAWA TRUST FUNDS

	March 31, 2017	Additions	Withdrawals	March 31, 2018
Capital	24,664	-	-	24,664
Revenue	21,492	1,525	-	23,017
	46,156	1,525	-	47,681

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. INVESTMENT AND ADVANCES

	2018	2017
Hul'q'umi'num Fisheries Limited Partnership - 20% interest	5,000	5,000
Halalt Logging Contracting LP - Advance	103,215	89,458
	108,215	94,458

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Trades payable	519,582	330,396
Accrued salaries and benefits payable	-	16,468
Indigenous & Northern Affairs Canada	52,475	104,035
Other accrued liabilities	46,007	61,581
	618,064	512,480

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2018

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, 2017	Funding Received 2018	Revenue Recognized 2018	Balance March 31, 2018
INAC - Capital Project #8444 Community Waterworks System	1,982,027	-	94,382	1,887,645

8. ACCUMULATED SURPLUS (DEFICIT)

	Operating	Trust	Housing	2018 Total	2017
Accumulated Surplus (Deficit), at the beginning of year	1,075,035	46,156	314,996	1,436,187	1,505,349
Annual Surplus (Deficit)	(123,947)	1,525	26,690	(95,731)	(69,162)
Transfers	-	-	-	-	-
Accumulated Surplus (Deficit), at the beginning of year	<u>951,088</u>	<u>47,681</u>	<u>341,686</u>	<u>1,340,456</u>	<u>1,436,187</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, 2018, the Treaty Group is responsible to repay in excess of \$36,116,188 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, 2018

10. LONG TERM DEBT

	2018	2017
All Nations Trust - mortgage repayable at \$777 per month including interest @ 2.39% 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.	81,722	89,451
All Nations Trust - mortgage repayable at \$479 per month including interest @ 1.67%, maturing June 1, 2033. Secured by a ministerial guarantee from Indigenous & Northern Affairs Canada and a first mortgage on Phase II housing units.	77,368	81,904
All Nations Trust - mortgage repayable at \$1,055 per month including interest @ 1.04% 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.	203,353	214,029
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.	33,946	57,469
CMHC - mortgage repayable at \$231 per month including interest @ 1.08%, maturing March 1, 2020. Secured by a ministerial guarantee from Indigenous & Northern Affairs Canada and a first mortgage on Phases 3 & 5 housing units.	5,490	8,199
Bank of Montreal - mortgage repayable at \$6,442 per month including interest @ prime + 3%, maturing June 30, 2018. Secured by Guarantee for On-Reserve Housing Loan Program (ORHLP).	841,071	883,551
Demand Loan - repayable at \$167 per month plus interest at prime plus 1.00%. Secured by band council resolutions and Chief certificate.	-	357
	1,242,950	1,334,960
Anticipated annual principal repayments over the next five years and thereafter are as follows:		
2018	130,000	
2019	135,000	
2020	140,200	
2021	145,300	
2022	148,000	
Thereafter	544,450	
	2018	2017
Interest expense for the year on long-term debt	40,783	43,971

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2018

11. TANGIBLE CAPITAL ASSETS

	Housing	Social Housing	Infra-structure	Equipment	Boats	Vehicle	2018 Total	2017 Total
Cost								
Opening Balance	108,161	1,259,116	4,237,529	125,640	-	57,000	5,787,446	5,787,446
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
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	71,516	524,697	833,052	108,555	-	48,491	1,586,311	1,336,005
Amortization	5,408	62,956	175,886	3,417	-	1,702	249,369	250,305
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Closing balance	76,924	587,653	1,008,938	111,972	-	50,193	1,835,680	1,586,310
Net book value	31,237	671,463	3,228,591	13,668	-	6,807	3,951,767	4,201,136

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2018

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	
	2018	2017	2018	2017	2018	2017	2018	2017
REVENUES								
Indigenous & Northern Affairs Canada	259,091	249,043	454,315	442,846	48,430	53,350	-	-
Rental	41,835	110,618	-	-	-	-	99,496	65,392
Other	280,171	379,070	280,808	126,078	-	5,396	21,640	21,612
	581,097	738,732	735,123	568,924	48,430	58,746	121,136	87,004
EXPENSES								
Salaries and benefits	59,682	68,624	47,309	83,576	16,539	14,669	-	-
Consultants and Professional fees	27,415	16,980	113,985	91,249	29,137	6,829	5,000	5,000
Debt servicing	34,975	37,469	-	-	-	-	5,808	6,502
Amortization	-	-	-	-	-	-	62,956	62,955
Other	172,081	172,081	527,238	458,766	34,261	42,280	16,423	12,631
	294,153	295,154	688,532	633,591	79,937	63,778	90,187	87,088
ANNUAL SURPLUS (DEFICIT)	286,944	443,577	46,591	(64,667)	(31,507)	(5,032)	30,949	(84)

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2018

12. SEGMENT DISCLOSURE (Continued)

	Capital Projects		Social Services		Land Management		Economic Development	
	2018	2017	2018	2017	2018	2017	2018	2017
REVENUES								
Indigenous & Northern Affairs Canada	-	-	332,097	187,282	75,000	82,908	30,673	240,007
Rental	-	-	-	-	-	-	-	10,739
Other	-	-	-	-	200,103	200,103	695,624	271,136
	-	-	332,097	187,282	275,103	283,011	726,297	521,882
EXPENSES								
Salaries and benefits	-	-	51,686	48,321	144,085	89,094	159,559	117,367
Consultants and Professional fees	-	-	575	23,758	59,964	116,004	406,492	288,233
Debt servicing	-	-	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	186,412	187,351
Other	-	-	223,072	220,923	27,123	49,174	503,237	294,908
	-	-	275,333	293,002	231,172	254,272	1,255,700	887,859
ANNUAL SURPLUS (DEFICIT)	-	-	56,764	(105,720)	43,931	28,739	(529,403)	(365,977)

HALALT FIRST NATION
Notes to Consolidated Financial Statements
For the year ended March 31, 2018

13. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2018	2017
Consultants	525,661	407,265
Depreciation	249,368	250,306
Government transfer	662,595	631,702
Interest and bank charges	40,783	43,971
Materials and supplies	316,685	254,416
Professional fees	116,907	140,787
Wages and benefits	478,860	421,651
Other	524,155	364,646
	<hr/>	<hr/>
	2,915,014	2,514,744

14. CONTINGENT LIABILITY

Halalt First Nation has a contingent liability of \$610,768 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.

16. 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 audited financial information of the Limited Partnership is not available as of the date of this report.

17. COMPARATIVE FIGURES

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