

Ahousaht First Nation
Consolidated Financial Statements
March 31, 2014

Ahousaht First Nation Contents

For the year ended March 31, 2014

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Management's Responsibility

To the Members of Ahousaht First Nation:

The accompanying consolidated financial statements of Ahousaht First Nation are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Ahousaht First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP is appointed by the Members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with, both the Council and management to discuss their audit findings.

September 15, 2014

"Signed by Rob Bullock"

Executive Director

Independent Auditors' Report

To the Members of Ahousaht First Nation:

We were engaged to audit the accompanying financial statements of Ahousaht First Nation, which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of operations and accumulated surplus, changes in net debt 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on conducting the audit in accordance with Canadian generally accepted auditing standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Management was unable to provide appropriate audit evidence to support a significant number of transactions which were recorded as wage or other expenses, revenue, tangible capital assets, accounts receivable or accounts payable. In addition, management was unable to support the valuation of accounts receivable at March 31, 2013 and 2014 totaling \$1,233,280 and \$995,234, respectively. We also noted numerous duplicate payments of the same invoice, that all of the G.S.T. which should have been recoverable in the year ended March 31, 2014 had been expensed and there was no support for an adjustment to opening accumulated surplus of \$136,500. The financial statements of one of the government business entities, Ahousaht Fishing Corporation, for the year ending March 31, 2014 were not prepared in accordance with International Financial Reporting Standards and were not audited. We did not perform additional audit procedures to verify the information contained in the statements. In addition, the financial statements of the Ahousaht Fishing Corporation shows a note payable to the Nation in the amount of \$2,900,000. There is no corresponding receivable recorded in the Nation's financial statements. We were not able to satisfactorily verify the amount or existence of the note payable. Management was not able to provide the financial statements of the KHO USS Fisheries Ltd. or Maaqtsusiis Mini Mall Ltd. No equity adjustments were made to these investments during the year and we were unable to verify the classification of the Nation's business entities for the purpose of consolidation, as well as the existence and accuracy of accounts related to those two entities. Accordingly, we were not able to obtain sufficient audit evidence to satisfy ourselves that the investment in Nation business entities is not materially misstated. As of the date of our audit report, management was still in the process of investigating these items. As a result of these matters, we were unable to determine whether any adjustments might have been necessary in respect of assets, liabilities, opening accumulated surplus, revenues, expenses or cash flows.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements.

Other Matter

The comparative figures were audited by another auditor who issued an unqualified opinion dated August 20, 2013.

Nanaimo, British Columbia

September 15, 2014

MNP LLP
Chartered Accountants

Ahousaht First Nation
Consolidated Statement of Financial Position
As at March 31, 2014

	2014	2013
Financial assets		
Cash	323,784	-
Accounts receivable (Note 3)	1,117,516	1,700,168
Restricted cash (Note 4)	1,008	-
Funds held in trust (Note 5)	483,133	464,938
Portfolio investment (Note 6)	108,485	175,683
Investment in Nation business entities (Note 7)	42,326	368,621
Total of financial assets	2,076,252	2,709,410
Liabilities		
Bank indebtedness	-	81,069
Accounts payable and accruals	1,089,848	1,227,571
Deferred revenue (Note 9)	818,597	979,707
Long-term debt (Note 10)	10,579,155	9,578,687
Total of financial liabilities	12,487,600	11,867,034
Net debt	(10,411,348)	(9,157,624)
Contingencies (Note 12)		
Non-financial assets		
Tangible capital assets (Schedule 1)	43,559,306	45,068,275
Prepaid expenses	40,141	86,509
Total non-financial assets	43,599,447	45,154,784
Accumulated surplus	33,188,099	35,997,160
Approved on behalf of the Chief and Council		
<u>"Signed by Chief Greg Louie"</u>	Chief	<u>"Signed by Councillor Julia Atleo"</u>
		Councillor

The accompanying notes are an integral part of these financial statements

Ahousaht First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2014

	Schedules	2014 Budget (Note 16)	2014	2013
Revenue				
Aboriginal Affairs and Northern Development Canada (Note 11)		5,198,687	7,862,975	9,197,774
Nuu-chah-nulth Tribal Council		2,209,460	2,853,497	2,627,027
Province of British Columbia		173,496	351,628	1,018,312
Canada Mortgage and Housing Corporation		-	116,256	97,775
First Nations School Association		-	432,232	371,128
Aboriginal Head Start		-	143,550	143,550
Other revenue		1,405,972	479,216	2,164,964
Rental income		35,659	550,664	336,751
Interest income		97,419	74,154	32,824
Earnings from investment in Nation partnerships		-	(313,833)	107,692
Mainstream		-	-	53,035
West Climate Change Action Plan		-	137,667	112,333
Government of Canada		-	40,400	93,201
		9,120,693	12,728,406	16,356,366
Expenses				
Administration	3	1,458,584	2,374,404	668,561
Patient Travel	4	1,444,616	2,169,775	2,365,916
Cha-Chum-Hi-Yup-Tiichmis	5	-	378,333	-
Social Development	6	1,466,904	959,607	1,489,648
Ahousaht Capital	7	499,494	167,269	1,075,567
Operations & Maintenance	8	160,265	519,786	608,906
Other	9	311,921	682,142	1,104,720
Forestry	10	-	148,547	65,244
Fisheries	11	159,804	389,971	265,856
Economic Ventures	12	85,680	88,009	369,812
Housing	13	336,084	1,813,422	2,528,094
Hawiih	14	187,251	158,534	540,688
Ahousaht Education Authority	15	2,956,757	5,139,556	4,548,049
		9,067,360	14,989,355	15,631,061
Surplus (deficit) before transfers		53,333	(2,260,949)	725,305
Transfers				
Unallocated Transfers		-	(548,112)	-
		-	(548,112)	-
Surplus (deficit)		53,333	(2,809,061)	725,305
Accumulated surplus, beginning of year		35,997,160	35,997,160	35,271,855
Accumulated surplus, end of year		36,050,493	33,188,099	35,997,160

The accompanying notes are an integral part of these financial statements

Ahousaht First Nation
Consolidated Statement of Change in Net Debt
For the year ended March 31, 2014

	2014 Budget (Note 16)	2014	2013
Annual surplus (deficit)	53,333	(2,809,061)	725,305
Purchases of tangible capital assets	-	(725,695)	(4,087,670)
Amortization of tangible capital assets	-	2,232,880	1,456,694
Use of prepaids	-	50,152	21,378
Decrease (increase) in net debt	53,333	(1,251,724)	(1,884,293)
Net debt, beginning of year	(9,159,624)	(9,159,624)	(7,273,331)
Net debt, end of year	(9,106,291)	(10,411,348)	(9,157,624)

The accompanying notes are an integral part of these financial statements

Ahousaht First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2014

	2014	2013
Cash provided by (used for) the following activities		
Operating activities		
Surplus (deficit)	(2,809,061)	725,305
Non-cash items		
Amortization	2,232,880	1,456,694
Earnings from investment in Nation partners	313,833	(107,692)
	(262,348)	2,074,307
Changes in working capital accounts		
Accounts receivable	582,652	2,140,356
Prepaid expenses	50,152	21,378
Accounts payable and accruals	(137,723)	(319,911)
Deferred revenue	(161,110)	(406,390)
	71,623	3,509,740
Financing activities		
Advances of long-term debt	2,364,000	275,303
Repayment of long-term debt	(1,354,077)	(476,654)
	1,009,923	(201,351)
Capital activities		
Purchases of tangible capital assets	(725,695)	(4,087,670)
Investing activities		
Increase in funds held in trust	(18,196)	(15,524)
Decrease (increase) in investment in Portfolio investments	67,198	-
Decrease (increase) in investment in Nation business entities	-	(21,625)
	49,002	(37,149)
Increase (decrease) in cash resources (deficiency)	404,853	(816,430)
Cash resources (deficiency), beginning of year	(81,069)	735,361
Cash resources (deficiency), end of year	323,784	(81,069)

The accompanying notes are an integral part of these financial statements

1. Operations

The Ahousaht First Nation (the "First Nation") is located in the province of British Columbia, and provides various services to its members. Ahousaht First Nation includes the Nation's members, government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

2. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, including Nation business entities. Trusts administered on behalf of third parties by Ahousaht First Nation are excluded from the First nation reporting entity.

The First Nation has consolidated the assets, liabilities, revenues and expenses for the following entity:

- Ahousaht Education Authority

All inter-entity balances have been eliminated on consolidation.

Ahousaht First Nation business entities, owned or controlled by the Nation's council but not dependent on the Nation for their continuing operations, are included in the financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that business entity accounting principles are not adjusted to conform to those of the Nation. Thus, the Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- Ahousaht Fishing Corporation
- Maaqtusiis Mini Mall Ltd.
- KHO USS Fisheries Ltd.

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Tangible capital assets

Tangible capital assets are initially recorded at cost. Contributed tangible assets are recorded at their fair value at the date of contribution.

All intangible assets and items inherited by the rights of the Nation, such as reserve land, forests, water and mineral resources are not recognized in the Nation's financial statements.

2. Significant accounting policies *(Continued from previous page)*

Amortization

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives. In the year of acquisition, amortization is taken at one-half of the rates.

	Method	Rate
Automobile equipment	declining balance	30 %
Boats and docks	declining balance	15 %
Building	declining balance	5 %
Computer equipment	declining balance	30 %
Equipment	declining balance	20 %
Roads and landfill	declining balance	4 %
Social Housing buildings	declining balance	5 %
Subdivisions and roads	declining balance	4 %
Water and sewer systems	declining balance	5 %

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

Net debt

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its financial assets less its liabilities. Net debt combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

Revenue recognition

- i) **Government Funding**
The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfer of non-depreciable assets are recognized in revenue when received or receivable.
- ii) **First Nation Capital and Revenue Trust Funds**
The First Nation recognizes revenues of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

2. Significant accounting policies *(Continued from previous page)*

- iii) Canada Mortgage and Housing Corporation ("CMHC")
CMHC revenue is recognized as it become receivable under the terms of the applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the statement of financial position in the year of receipt.
- iv) Housing rental income
Rental revenue is recorded in the year it is earned. At the end of each year, management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.
- v) Own source revenue
Own source revenue is recognized when performance is completed, amounts are measurable and collection is reasonably assured.

Financial instruments

The First Nation's financial instruments consists of cash, funds held in trust, accounts receivable, bank indebtedness, accounts payable and accruals, and long term debt. unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Measurement uncertainty

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in surplus in the periods in which they become known.

Long-lived assets

Long-lived assets consist of tangible capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when an asset's service potential is reduced. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in surplus (deficit) for the year.

The Nation does not perform impairment testing on its long-lived assets that are held for public administration and situated on its reserve land as it is not possible to determine their fair market value.

Segments

The First Nation conducts its business through a number of reportable segments as described in Note 14. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements.

2. Significant accounting policies *(Continued from previous page)*

Solid waste landfill closure and post-closure liability

Solid waste landfill closure and post-closure liability are not recognized in the financial statements. Based on the information available as at March 31, 2014, it is not feasible to determine the potential liability associated with the closure of the site.

Recent accounting pronouncements

Liability for contaminated sites

In June 2010, the Public Sector Accounting Board (PSAB) issued PS 3260 *Liability for Contaminated Sites* to establish recognition, measurement and disclosure standards for liabilities associated with the remediation of contaminated sites. The new section defines activities included in a liability for remediation, establishes when to recognize and how to measure a liability for remediation, and provides the related financial statement presentation and disclosure requirements.

PS 3260 is effective for fiscal years beginning on or after April 1, 2014.

Financial instruments

In June 2011, the Public Sector Accounting Board (PSAB) issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2016. Earlier adoption is permitted.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. The First Nation has not yet determined the effect of these new standards on its financial statements.

3. Accounts receivable

	2014	2013
Education Authority accounts receivable	122,282	466,888
Aboriginal Affairs and Northern Development Canada	528,167	160,217
CMHC subsidy assistance receivable	8,091	8,091
Rent receivable	557,779	283,935
GST receivable	74,339	74,339
Other receivables	(578)	70,490
Nuu-chah-nulth Tribal Council	497,890	636,208
Less: allowance for doubtful account	(670,454)	-
	1,117,516	1,700,168

Ahousaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

4. Restricted cash

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the replacement reserve account is to be credited in the amount of \$7,275 annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. At year end, these reserves were under funded by \$178,021 (2013 - under funded by \$169,747)

Under the terms of the agreement with Canada Mortgage and Housing Corporation, excess revenues over expenditures for the Post 1996 phases may be retained in an operating reserve. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. At year end, the operating reserve was under funded by \$89,737 (2013 - underfunded by \$89,737)

	2014	2013
Replacement and subsidy reserve	1,008	-

5. Funds held in trust

Capital and revenue trust moneys are transferred to the Nation on the authorization of the Minister of Aboriginal Affairs and Northern Development Canada, with the consent of the Nation's Council.

	2014	2013
Capital Trust		
Balance, beginning of year	38,978	38,978
Balance, end of year	38,978	38,978
Revenue Trust		
Balance, beginning of year	420,585	421,013
Interest	18,675	-
Special (BC)	4,895	4,947
Balance, end of year	444,155	425,960
	483,133	464,938

Ottawa Trust Funds

The Ottawa Trust accounts arises 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 and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily government by Sections 63 to 69 of the Indian Act.

6. Portfolio investment

	2014	2013
lisaak Forest Resources Ltd. - 20% of outstanding share capital	108,485	175,683

Ahousaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

7. Investments in Nation business entities

The First Nation has investments in the following entities:

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>2014 Total investment</i>
Wholly-owned Businesses:			
Ahousaht Fishing Corporation	1	-	1
Maaqtusiis Mini Mall Ltd.	100	39,725	39,825
	101	39,725	39,826
Other companies:			
KHO USS Fisheries Ltd.	2,500	-	2,500
	2,601	39,725	42,326

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>2013 Total investment</i>
Wholly-owned Businesses:			
Ahousaht Fishing Corporation	1	326,294	326,295
Maaqtusiis Mini Mall Ltd.	100	39,726	39,826
	101	366,020	366,121
Other companies:			
KHO USS Fisheries Ltd.	2,500	-	2,500
	2,601	366,020	368,621

Ahousaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

7. Investments in Nation business entities *(Continued from previous page)*

The financial information for each First Nation business entity, accounted for using the modified equity method, for their respective year-end is provided below.

Financial information for Ahousaht Fishing Corporation is unaudited. Financial information for Maaqtusiis Mini Mall Ltd. and KHO USS Fisheries Ltd. was not available at time of release of these financial statements.

	<i>Ahousaht Fishing Corporation As at March 31, 2014</i>
Assets	
Cash	562,656
Accounts receivable	30,704
Inventory and prepaid expenses	8,285
Due from related parties	2,170
Property, plant and equipment	22,184
Intangible assets	253,501
Total assets	879,500
Liabilities	
Accounts payable and accruals	23,305
Due to shareholder	3,640,886
Long-term debt	253,172
Total liabilities	3,917,363
	(3,037,863)
Total revenue	976,244
Total expenses	784,880
	191,364

8. Treaty Loan

The Ahousaht First Nation received funds from the Nuuchah-nulth Tribal Council pursuant to an agreement the Tribal Council had negotiated on its behalf with AANDC and the provincial British Columbia Treaty Commission. Under the terms of that agreement, the Tribal Council received both loaned and contributed funds, which it subsequently reloaned and contributed to the First Nation.

For the year ended March 31, 2014, the Ahousaht First Nation received no contribution funding and loans (2013 - no contribution funding and loans). The funds are to be used solely for the purpose of treaty negotiations. The loan proceeds are non-interest bearing and become due and payable upon the earlier of:

- a) the twelfth (12th) anniversary of the date on which the first loan advance with the Nuuchah-nulth Tribal Council was made pursuant to instructions of the Commissioners;
- b) the seventh (7th) anniversary of the date of signing of an agreement in principle;
- c) the date on which a treaty is signed by the parties;
- d) the date on which the agreement is terminated or;
- e) the date on which the Nuuchah-nulth Tribal Council commits an act of bankruptcy

Ahousaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

9. Deferred revenue

	2014	2013
Construction of clinic	36,122	36,122
Lot 363 development	196,531	211,044
Infrastructure	508,012	508,012
Public works building	53,601	53,601
Housing - private mortgages	6,331	94,040
Clean energy	18,000	18,000
Specific claims	-	7,618
The Healing Place	-	50,000
Education	-	1,270
	818,597	979,707

10. Long-term debt

	2014	2013
Mortgage - Bank of Montreal; repayable at \$5,737 per month including interest at prime plus 1.875% per annum; term maturity date of August 31, 2016; secured by a Ministerial guarantee.	112,629	174,361
Loan - Nuu-chah-nulth Tribal Council - Note 8	4,917,699	4,917,699
Loan - Royal Bank of Canada; repayable at \$462 per month including interest at prime plus 0.50% per annum; term maturity date of September 14, 2014; secured by a Ministerial guarantee	17,416	22,259
Loan - Bank of Montreal; repayable at \$1,019 per month including interest at prime plus 1.875% per annum, secured by a Ministerial guarantee.	7,851	19,394
Loan - Bank of Montreal; repayable at \$2,116 per month including interest at prime plus 1.5% per annum; term maturity date of July 31, 2014; secured by a Ministerial guarantee	150,283	175,683
Loan - Royal Bank of Canada; repayable at \$462 per month including interest at prime plus 2.00% per annum; term maturity date of August 26, 2014; secured by a Ministerial guarantee	40,346	48,556
Loan - All Nations Trust, lender for CMHC housing; repayable at \$6,785 per month including interest at 1.64% per annum; term maturity date of December 1, 2036; secured by buildings with a net book value of \$1,759,876.	1,545,111	1,600,779
Loan - Bank of Montreal; repayable at \$2,350 per month including interest at prime plus 1.5% per annum; secured by Ministerial guarantee	74,652	98,906
Loan - Bank of Montreal; repayable at \$18,695 per month including interest at prime plus 2.0% per annum, secured by Ministerial guarantee	2,355,342	-
Demand loan - Royal Bank of Canada; repayable at \$2,275 per month including interest at 3.33% per annum; secured by a Ministerial guarantee	318,593	334,921
Demand loan - Royal Bank of Canada; repayable at \$2,095 per month including interest at 2.73% per annum; secured by a Ministerial guarantee	83,801	106,304

Ahousaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

10. Long-term debt *(Continued from previous page)*

Demand loan - Royal Bank of Canada; repayable at \$2,637 per month including interest at 3.99% per annum; secured by a Ministerial guarantee	457,905	470,882
Demand loan - Royal Bank of Canada	-	425,000
Demand loan - Royal Bank of Canada	-	863,641
Loan - Nuu-chah-nulth Economic Development Corporation (loan #1); repayable at \$650 per month including interest at 8% per annum, term maturity date of January 1, 2019; secured by a promissory note in the amount of \$54,000	19,671	-
Loan - Nuu-chah-nulth Economic Development Corporation (loan #2); repayable at 2,329 per month including interest at 8% per annum, term maturity date of January 1, 2019; secured by a loan agreement in the amount of \$217,600	194,521	-
Foregivable Loan - Nuu-chah-nulth Economic Development Corporation; forgivable against a contribution of \$25,000 towards the dock improvements, non-interest bearing, to be paid down by forgiving \$1 for every \$1 principal paid on loan #2.	25,000	-
Loan - Interim Measures Agreement; non-interest bearing loan used for Mini-mall renovations.	-	45,000
Loan - Nuu-chah-nulth Economic Development corporation: repayable at \$2,427 per month including interest at 7% per annum; matures on May 1, 2022 and secured by a promissory note from Ahousaht Education Authority and Ahousaht First Nation.	186,903	200,382
Loan - Nuu-chah-nulth Economic Development corporation: repayable at \$1,093 per month including interest at 12% per annum; matures on May 1, 2022 and secured by a promissory note from Ahousaht Education Authority and Ahousaht First Nation.	71,432	74,921
	10,579,155	9,578,688

Principal repayments on long-term debt in each of the next five years are estimated as follows:

	Principal	Interest	Total
2015	371,173	200,822	571,995
2016	358,807	185,074	543,881
2017	317,695	171,051	488,746
2018	284,220	158,598	442,818
2019	274,106	147,040	421,146
Total repayments	1,606,001	862,585	2,468,586

Ahousaht First Nation
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For the year ended March 31, 2014

11. Aboriginal Affairs and Northern Development Canada funding reconciliation

	2014	2013
Direct Band Funding		
AANDC revenue per confirmation	7,760,744	8,920,280
Prior year unspent capital funds recognized	102,231	-
Other adjustments	-	277,494
	7,862,975	9,197,774

12. Contingencies

The First Nation is involved in a dispute over the legal ownership of certain property. The effects of any contingent claims relating to this dispute are not determinable at the date of this report.

The Nation has been named defendant in a lawsuit related to compensatory damages and contract breach. Management cannot determine whether the claim will be successful and cannot estimate the potential loss, if any.

The Nation may be contingently liable with respect to Ministerial guarantees for "On Reserve Housing Loans" to various financial institutions in the amount of \$217,573. These loan guarantees are in addition to CMHC mortgages.

The First Nation is required to post its consolidated financial statements on a website and submit the consolidated statements to AANDC by July 29, 2014. As the audit report is dated after this date, the First Nation is in violation of this requirement. The possible effect of this violation has not yet been determined.

13. Economic dependence

Ahousaht First Nation receives substantially all of its revenue from Aboriginal Affairs and Northern Development Canada (AANDC) as a result of Treaties entered into with the Government of Canada. These treaties are administered by AANDC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

AANDC reported an unfavourable financial ratio for the March 31, 2013 audited financial statements. A Management Action Plan was developed and approved by AANDC.

Due to the violation of the First Nation Financial Transparency Act as described in the Note 12, the AANDC funding agreement is in default.

14. Segments

The Nation receives revenues and incurs expenses from many different projects and sources. For management and reporting purposes, the revenues, expenses and surplus or deficits are organized by segments. Schedules 3 -14 disclose the details of the Nation's revenues and expenses by segment. The First Nation is organized into the following segments:

Administration

Includes general operations, support, and financial management of the Nation.

Patient Travel

Includes revenue and expenditures relating to patient travels.

Cha-Chum-Hi-Yup-Tiichmis

Includes activities related to the provision of health services within the Nation.

Social Development

Includes revenues and expenditures relating to the social assistance of the members of Ahousaht First Nation.

Economic Ventures

Includes activities related to the growth of revenue producing projects with the Nation.

Operations and Maintenance

Includes the maintenance of infrastructure owned by the Nation.

Fisheries

Includes revenues and expenditures related to conservation and stewardship of the Nation's fisheries.

Forestry

Includes revenues and expenditures related to conservation and stewardship of the Nation's land and resources.

Ahousaht Capital

Includes revenue and expenditures related to capital projects.

Other

Includes revenues and expenditures related to programs put on to support the Ahousaht First Nation community.

Housing

Includes revenue and expenditures related to Social Housing programs carried on by the Nation.

Hawiih

Includes revenue and expenditures related to treaty activities of the Nation.

Ahousaht Education Authority

Includes revenue and expenditures related to Ahousaht Education Authority.

15. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

16. Budget information

The disclosed budget information has been submitted to AANDC as part of a Management Action Plan and was approved by the Chief and Council of the Ahousaht First Nation on February 4, 2014.

The First Nation does not budget for revenue or expenses from Forestry, government business entities or the Cha-Chum-Hi-Yup-Tiichmis segments, therefore, budget information has not been included in these financial statements.