

TLA-O-QUI-AHT FIRST NATIONS

FINANCIAL STATEMENTS

March 31, 2015

**TLA-O-QUI-AHT FIRST NATIONS
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TLA-O-QUI-AHT FIRST NATIONS
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
March 31, 2015

The accompanying financial statements of Tla-o-qui-aht First Nations are the responsibility of management and have been approved by the Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The 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 financial statements.

The 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 financial statements and the external auditor's report.

The external auditors, Sabo, Jang & Co. Ltd., conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Tla-o-qui-aht First Nations and meet when required.

On behalf of Tla-o-qui-aht First Nations:

Francis Frank
Chief

JULY 28/15
Date

[Signature]
Councillor

JULY 28/15
Date

SABO, JANG & CO. LTD.

(A Professional Corporation)
Certified General Accountants

GREG K. SABO, BA, CPA, CGA, PARTNER
SANDY SAYERS, HBCOM, CPA, CGA, ASSOCIATE

MICHAEL JANG, BA, CPA, CGA, CAFM, PARTNER

Independent Auditor's Report

To the Members of
Tla-o-qui-aht First Nations

We have audited the accompanying financial statements of Tla-o-qui-aht First Nations, which comprise the statement of financial position as at March 31, 2015, and the statements of revenue, expenditures and accumulated surplus, change in net debt, cash flows and the related schedules 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.

Auditors' 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 First Nation'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 First Nation'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 qualified audit opinion.

Basis for Qualified Opinion

Tsiix Waa Cahs Holdings Ltd. is a corporation wholly owned by the First Nation and is reported in these financial statements. Because these statements were not audited or reviewed we could not satisfy ourselves regarding the investment in the company. Accordingly, we could not obtain sufficient audit evidence or determine if adjustments were necessary.

Qualified opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, present fairly, in all material respects, the financial position of the First Nation as at March 31, 2015 and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Parksville, B.C.
July 28, 2014

Sabo, Jang & Co. Ltd.
Sabo, Jang & Co. Ltd.
Certified General Accountants

TLA-O-QUI-AHT FIRST NATIONS
STATEMENT OF FINANCIAL POSITION
March 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash	\$ 1,140,575	\$ 1,154,293
Accounts receivable (Note 2)	415,705	610,713
GST/HST recoverable	108,220	104,488
Due from NTC	164,940	298,828
Restricted cash (Note 3)	1,016,476	903,822
Loan receivable (Note 4)	59,798	66,496
Long-term investments (Note 5)	12,666,159	11,367,507
Seafood harvest licences (Note 6)	1	1
	<u>15,571,874</u>	<u>14,506,148</u>
LIABILITIES		
Operating loan (Note 7)	238,712	270,410
Accounts payable	808,604	1,038,987
HST payable	7,548	7,548
Deferred revenue (Note 8)	-	212,350
Committed funds (Note 14)	1,334,309	1,427,366
Wages payable	133,964	115,455
Reserves	454,317	375,556
Long-term debt (Note 10)	26,884,071	25,464,128
	<u>29,861,525</u>	<u>28,911,800</u>
NET DEBT	<u>(14,289,651)</u>	<u>(14,405,652)</u>
NON-FINANCIAL ASSETS		
Capital assets (Note 11)	45,049,541	44,709,505
Prepaid expenses	128,746	52,488
Due from related parties (Note 13)	711,384	866,940
	<u>45,889,671</u>	<u>45,628,933</u>
ACCUMULATED SURPLUS (Note 14)	<u>\$ 31,600,020</u>	<u>\$ 31,223,281</u>

Approved on behalf of the Tla-o-qui-aht First Nations

Francis Frank Chief

A. J. J. Councilor

See accompanying Notes to Financial Statements.

TLA-O-QUI-AHT FIRST NATIONS
STATEMENT OF CHANGE IN NET DEBT
For the year ended March 31, 2015

	2015	2014
<u>DEFICIENCY OF REVENUE OVER EXPENDITURES</u>	<u>\$ (310,822)</u>	<u>\$ (2,060,593)</u>
Acquisition of tangible capital assets	(2,859,237)	(1,906,537)
Amortization of tangible capital assets	2,278,977	1,698,599
Amortization of social housing assets	240,226	155,673
	(340,034)	2,691
<u>Acquisition of prepaid asset</u>	<u>(76,258)</u>	<u>13,554</u>
<u>Acquisition of due from related parties</u>	<u>155,556</u>	<u>(392,860)</u>
Increase to committed funds	93,057	(128,743)
Prior period adjustments	594,502	102,994
Transfer to related entity	-	(84,127)
	687,559	(109,876)
<u>Increase (decrease) in net financial assets</u>	<u>116,001</u>	<u>(2,547,084)</u>
<u>Net debt at beginning of year</u>	<u>(14,405,652)</u>	<u>(11,858,568)</u>
<u>Net debt at end of year</u>	<u>\$ (14,289,651)</u>	<u>\$ (14,405,652)</u>

See accompanying Notes to Financial Statements.

TLA-O-QUI-AHT FIRST NATIONS
STATEMENT OF REVENUE, EXPENDITURES AND ACCUMULATED SURPLUS
For the year ended March 31, 2015

	2015	2014
REVENUE		
NTC	\$ 6,037,447	\$ 3,966,126
Lease income	1,193,132	1,016,611
Rental Income	641,498	593,754
Interest income	491,149	208,657
Government funding	359,276	57,500
Administration fee	324,392	434,981
Share of income CCH LP	260,111	130,670
Other revenue and recoveries	238,985	439,044
CMHC subsidies	213,145	185,918
Property tax income	177,000	177,000
Head start program	146,501	139,478
Department of fisheries and oceans	130,809	156,971
Province of BC	105,465	60,859
BC treaty commission	68,110	136,220
BC hydro park	27,324	-
Big tree trail	12,434	10,235
Donations	5,050	-
SD 70	-	83,271
BC special	-	2,488
Share of income - TFN Seafoods	36,885	-
Net income Ha-aak-suuk Creek	(246,043)	-
Net income from Tin Wis	(530,878)	(571,245)
	9,691,792	7,228,538

See accompanying Notes to Financial Statements.

TLA-O-QUI-AHT FIRST NATIONS
STATEMENT OF REVENUE, EXPENDITURES AND ACCUMULATED SURPLUS
For the year ended March 31, 2015

	2015	2014
EXPENDITURES		
Administration fees	324,392	435,612
Amortization	2,278,977	1,698,599
Bad debts	266,501	219,960
Basic needs	476,129	585,807
Climate change adaptation	-	800
Contracts	1,446,457	1,062,991
Donations and contributions	90,795	136,604
Equipment lease	7,885	6,810
Food fish expense	32,512	65,247
Fuel	21,096	39,085
Honorariums	360,343	481,038
Insurance	75,564	67,139
Interest and bank charges	3,186	47,045
Interest on long term debt	673,289	661,615
Licenses, dues and fees	4,079	1,095
Materials and supplies	19,325	38,589
Meetings	71,973	69,183
Miscellaneous	-	5,844
National Child Benefit	67,988	59,204
Negotiator fees	-	68,623
Office expenses	61,358	67,060
Other expense	110,460	152,033
Preventative social	-	4,857
Principal paid on mortgage	240,226	210,639
Professional fees	821,769	462,346
Rent	76,800	79,505
Repairs and maintenance	183,150	199,656
Replacement reserve transfers	156,497	85,486
Student transportation	2,158	55,754
Student tuitions	15,830	7,942
Supplies	2,950	16,965
Telecommunications	58,295	63,339
Training	36,083	65,648
Transfers to First Nation	-	57,900
Travel	398,961	330,546
Utilities and telephone	249,144	262,745
Wages and benefits	1,368,442	1,415,820
	10,002,614	9,289,131
DEFICIENCY OF REVENUE OVER EXPENDITURES	(310,822)	(2,060,593)
ACCUMULATED SURPLUS AT BEGINNING OF YEAR		
As previously stated	32,369,739	34,411,465

See accompanying Notes to Financial Statements.

TLA-O-QUI-AHT FIRST NATIONS
STATEMENT OF REVENUE, EXPENDITURES AND ACCUMULATED SURPLUS
For the year ended March 31, 2015

	2015	2014
Prior period adjustment	594,502	102,994
As restated	32,964,242	34,514,459
TRANSFER TO RELATED ENTITY	-	(84,127)
ACCUMULATED SURPLUS AT END OF YEAR	\$ 32,653,420	\$ 32,369,739

See accompanying Notes to Financial Statements.

TLA-O-QUI-AHT FIRST NATIONS
STATEMENT OF CASH FLOWS
For the year ended March 31, 2015

	2015	2014
Cash flows from		
Operating activities		
DEFICIENCY OF REVENUE OVER EXPENDITURES	\$ (310,822)	\$ (2,060,593)
Items not affecting cash		
Amortization	2,519,203	1,909,238
	2,208,381	(151,355)
Change in non-cash operating working capital		
Accounts receivable	195,008	(231,290)
GST/HST recoverable	(3,732)	18,509
Prepaid expenses	(76,258)	13,554
Accounts payable	(230,381)	215,697
Deferred revenue	(212,350)	202,564
Wages payable	18,509	(12,837)
Due from NTC	133,888	809,556
	2,033,065	864,398
Capital activities		
Decrease in capital assets	(2,859,240)	(1,906,537)
Financing activities		
Long-term debt	1,419,944	1,139,149
Due from related parties	155,556	(392,860)
Reserves	78,761	64,881
Operating loan	(31,698)	(32,175)
Prior period adjustment	594,502	-
	2,217,065	778,995
Investing activities		
Loan receivable	6,698	5,974
Restricted cash	(112,654)	(131,350)
Increase in investments	(1,298,652)	50,487
Transfer to related entity	-	84,127
	(1,404,608)	9,238
Decrease in cash and cash equivalents	(13,718)	(253,906)
Cash and cash equivalents, beginning of year	1,154,293	1,408,199
Cash and cash equivalents, end of year	\$ 1,140,575	\$ 1,154,293
Represented by		
Cash	\$ 1,140,575	\$ 1,154,293

See accompanying Notes to Financial Statements.

**TLA-O-QUI-AHT FIRST NATIONS
NOTES TO FINANCIAL STATEMENTS
March 31, 2015**

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Fund accounting

The Tla-o-qui-aht First Nations uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual, or voluntary actions. The various funds have been amalgamated for the purposes of presentation in the consolidated Summary Financial Statements. Detail of the operations of each fund are set out in the supplementary schedules.

- The Operating Fund which reports the general activities of the First Nation administration.
- The Capital Fund which reports the capital assets of the First Nation not included in other funds, together with their related activities.
- The Trust Fund which reports on the trust funds of the First Nation and held by third parties.
- The Social Housing Fund which reports on the social housing assets of the First Nation together with their related activities.
- The Enterprise Fund which reports the First Nation's investment in self-supporting commercial entities.

(b) Reporting entity principles of financial reporting

These financial statements report only on the activities of the Tla-o-qui-aht First Nations.

The First Nation reporting entity includes the First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

The Financial Statements report on the assets, liabilities and results of operations for the following entities which lend themselves to consolidation:

1. Operating Fund
2. Trust Fund
3. Social Housing Fund
4. Enterprise Fund
5. Treaty Fund

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.

**TLA-O-QUI-AHT FIRST NATIONS
NOTES TO FINANCIAL STATEMENTS
March 31, 2015**

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

(d) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

(e) Comparative figures

Comparative figures have been reclassified, where applicable, to conform to current presentation.

2. ACCOUNTS RECEIVABLE

Accounts receivable are shown net of allowance for doubtful accounts of \$415,705 (2014 - \$610,713)

3. RESTRICTED CASH

	2015	2014
Ottawa Trust Funds	\$ 608,742	\$ 545,658
Social Housing Replacement Reserves	231,368	101,078
Social Housing Operating Reserves	176,366	257,086
	<u>\$ 1,016,476</u>	<u>\$ 903,822</u>

**TLA-O-QUI-AHT FIRST NATIONS
NOTES TO FINANCIAL STATEMENTS
March 31, 2015**

4. LOAN RECEIVABLE

Loan receivable in the amount of \$59,798 (2014 - \$66,496) consists of an advance to a member to purchase a house. The amount is unsecured and has no fixed terms of repayment.

5. LONG-TERM INVESTMENTS

Investments are comprised of investments in and advances to subsidiaries. Subsidiaries controlled by the First Nation are consolidated in these financial statement on the modified equity basis:

	2015	2014
Tin-Wis Resort Ltd.	\$ 7,283,998	\$ 6,639,124
TFN Economic Development Corp	(4,456)	(4,456)
TFN Booking Enterprises Ltd.	11,862	11,738
Sea Trek Tours Ltd.	118,318	116,635
Tsiix Waa Cahs Holdings Ltd.	(6,487)	(6,487)
Canoe Creek Hydro Corp	2,927,920	2,667,809
Haa Ak Suuk Creek LP	1,697,101	1,943,144
TFN Seafoods Ltd	637,904	-
	<u>\$ 12,666,160</u>	<u>\$ 11,367,507</u>

The First Nation owns 100% of the common shares of Tin-Wis Resort Ltd. The investment consists of share costs of \$300, advances of \$13,382,888 less accumulated losses of \$(6,107,611). Interorganizational transactions and balances have not been eliminated. During the year ended March 31, 2015, the First Nation charged Tin Wis Resort Ltd. \$891,900 for lease of land and staff housing quarters, \$177,000 for property taxes and \$420,148 in interest. All of these transaction were recorded at market value. The company had assets of \$807,765 and liabilities of \$6,915,076 as at September 30, 2014 and revenues of \$4,243,583 and cost of sales and expenses of \$4,774,460 for the year then ended.

Tla-o-qui-aht First Nations Economic Development Corporation is a wholly owned subsidiary of the First Nation. The investment consists of share costs of \$100, advances of \$243,029, less accumulated losses of \$247,585. The company operated a shellfish farm but currently is inactive. The company had assets of \$415, and liabilities of \$247,900 as at October 31, 2009 and revenues of \$415, expenses of \$500 and loss of disposal of assets of \$62,755 for the year then ended. Financial statements for the year ended October 31, 2010 and future years have not been prepared.

Tla-o-qui-aht First Nations Booking Enterprises Ltd. is a wholly owned subsidiary. The investments consists of share costs of \$20, advances of \$50,438, less accumulated losses of \$38,596. The company had assets of \$12,638 and liabilities of \$51,215 as at November 30, 2012. There were no revenues for the year then ended and had expenses of \$450 and losses from investment of \$3,789. The company currently is inactive. The company owns 100% of the common shares of Sea-Trek Tours & Expeditions Ltd. which has been accounted for in their financial statements using the modified equity method.

Haa Ak Suuk Creek Limited Partnership is a partnership in which the First Nation holds a 85% interest. The First Nations' portion of the partnership's assets was \$17,206,656 and liabilities \$15,509,545 as at December 31, 2014 and revenues \$895,725 and expenses \$1,141,768 for the period then ended. Equity of

**TLA-O-QUI-AHT FIRST NATIONS
NOTES TO FINANCIAL STATEMENTS
March 31, 2015**

5. LONG-TERM INVESTMENTS, continued

\$1,697,101 has been invested in the Limited Partnership.

TFN Seafoods Limited Partnership is a partnership in which the First Nation holds a 99% interest. The First Nations' portion of the partnership's assets was \$635,048 and liabilities \$3,464 as at March 31, 2015 and revenues \$189,516 and expenses \$153,000 for the period then ended. Equity of \$637,964 has been invested in the Limited Partnership.

Sea Trek Tours & Expeditions Ltd. is a wholly owned subsidiary of The Tla-o-qui-aht First Nations Booking Enterprise Ltd. The investment consists of advances of \$118,318. The company currently is inactive. Advances of \$176,495 were written off as uncollectable at March 31, 2007. Management expects to be able to collect the balance of their investment through the sale of assets owned by the company.

Tsiix-Waa-Cahs Holdings Ltd. is a wholly owned subsidiary of the First Nation. The investment consists of share costs of \$1, less accumulated losses of \$6,488. The company currently is inactive and had assets of \$3,814,323 and liabilities of \$20,810 as at March 31, 2010. No revenues and expenses of \$495 were recorded for the period then ended.

Canoe Creek Hydro Corporation Limited Partnership is a partnership in which the First Nation holds a 75% interest. The investment consists of advances to the partnership of \$4,081,364 less distributions of \$2,385,000 plus accumulated income of \$1,231,556. The First Nations' portion of the partnership's assets was \$9,795,640 and liabilities \$6,867,490 as at December 31, 2014 and revenues \$1,313,307 and expenses \$1,053,195 for the period then ended.

6. SEAFOOD HARVESTING LICENSES

The First Nation holds seafood harvesting licenses for red sea urchin, sea cucumber, salmon troll, and halibut quota. These licenses are reflected in the financial statements at a nominal cost of \$1. The First Nation has leased all the licenses to various individuals or corporations.

7. OPERATING LOAN

	2015	2014
Bank of Montreal, demand loan bearing interest at bank prime plus 2%, secured by a general security agreement. The loan is related and offset by the loan receivable described in Note 4.	\$ 63,029	\$ 69,327
Bank of Montreal, demand loan bearing interest at bank prime plus 1.5%, repayable at \$2,117 per month, renewable annually and secured by a general security agreement. The loan is related and offset by the advance to Iisaak Forest Resources Ltd. described in Note 13.	175,683	201,083
	<u>\$ 238,712</u>	<u>\$ 270,410</u>

TLA-O-QUI-AHT FIRST NATIONS
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

8. DEFERRED REVENUE

	March 31, 2014	Revenue recognized, 2015	March 31, 2015
NTC Overpayment	\$ 212,350	\$ (212,350)	\$ -

9. RESERVES

	2015	2014
Social housing Operating Reserves	\$ 287,456	\$ 260,343
Social housing Replacement Reserves	166,861	115,213
	<u>\$ 454,317</u>	<u>\$ 375,556</u>

10. LONG-TERM DEBT

	2015	2014
British Columbia Treaty Commission treaty loan - for details see Note 15.	\$ 5,614,886	\$ 5,614,886
BDC Loan, repayable with seasonal payments of \$29,566 per month plus monthly interest at 1% above the Banks's floating base rate, secured by general security agreement from Tin Wis Resort Ltd., shares in Tin Wis Resort Ltd., and mortgage of lease, maturity date July 2040	4,320,360	4,385,820
Bank of Montreal demand loan, repayable at \$2,069 per month including interest at prime plus 1.5%, secured by a general security agreement and promissory note, due January 2017	43,602	65,944
NEDC loan, repayable at \$15,485 per month including interest at 5% per annum, secured by an assignment of CFNFA funds, matures June 2025	1,563,494	1,668,999
NEDC loan, repayable at \$13,950 per month including interest at 4.25% per annum, secured by a general security agreement, matures January 2020	1,802,042	1,891,352

TLA-O-QUI-AHT FIRST NATIONS
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

10. LONG-TERM DEBT, continued

	2015	2014
Bank of Montreal demand loan, repayable at \$317 per month including interest at 6.65%, secured by a general security agreement and promissory note	34,366	36,003
All Nations Trust Company, payments of \$6,112 per month including interest at 1.67% per annum, guaranteed by Aboriginal Affairs and Northern Development Canada, renewal date is June 2016 (matures September 2036)	2,875,317	1,168,779
All Nations Trust Company, repayable at \$5,444 per month including interest at 2.37% per annum, guaranteed by Aboriginal Affairs and Northern Development Canada, renewal date is June, 2016 (matures July, 2036)	1,092,296	1,131,489
All Nations Trust Company mortgage, repayable at \$5,478 per month including interest at 1.47% per annum, matures September, 2015, guaranteed by Aboriginal Affairs and Northern Development Canada	32,768	97,593
Bank of Montreal demand loan, repayable at \$12,179 per month including interest at prime plus 1%, secured by a general security agreement and promissory note	1,735,034	1,824,582
Bank of Montreal demand loan, repayable at \$950.90 per month plus interest at prime plus 1.5%, secured by a general security agreement and promissory note	250,086	261,497
All Nations Trust Company mortgage, repayable at rate \$3,557 per month including interest at 1.98% per annum, secured by 6 units housing project assets, matures May 2039	821,355	839,390
NEDC loan, repayable at \$1,079 per month including interest at 6% per annum, secured by promissory note, secured by a general assignment of Tin Wis Resort Ltd. assets, matures January 1, 2017	11,764	23,668
Bank of Montreal demand loan, non-revolving during construction phase, interest only at prime plus 1%, secured by a general security agreement	1,598,585	-
NEDC loan, repayable at \$435 per month including interest at 5% per annum, secured by equipment	-	1,252
Bank of Montreal demand loan, non-revolving during construction phase, interest only at prime plus 1%, secured by a general security agreement	1,179,336	1,269,207

TLA-O-QUI-AHT FIRST NATIONS
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

10. LONG-TERM DEBT, continued

	2015	2014
Bank of Montreal demand loan, interest only at prime plus 1.5%, secured by a general security agreement	3,035,943	3,157,000
Bank of Montreal demand loan, interest only at prime plus 1.5%, secured by a general security agreement	845,622	138,952
NEDC loan, repayable at \$740 per month including interest at 8%, matures July 2016, forgivable at \$1 for every \$1 principal paid	24,004	42,150
All Nations Trust Company, payments of \$8,081 per month including interest at 1.68% per annum, guaranteed by Aboriginal Affairs and Northern Development Canada, matures April 2038 (renewal date is April 2018)	-	1,839,424
NEDC Loan, repayable at \$307 per month including interest at 6.0%, secured with general security agreement	3,211	6,141
	<u>\$ 26,884,071</u>	<u>\$ 25,464,128</u>

Principal portion of long-term debt due within the next five years:

2016	\$ 9,173,455
2017	408,322
2018	413,946
2019	428,155
2020 and thereafter	16,460,193
	<u>\$ 26,884,071</u>

	2015	2014
Interest expense for the year on long-term debt	<u>\$ 673,289</u>	<u>\$ 661,615</u>

11. TANGIBLE CAPITAL ASSETS

TLA-O-QUI-AHT FIRST NATIONS
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	Rate	Cost	2015 Accumulated amortization	Net book value	2014 Net book value
Automotive equipment	7 years	\$ 51,718	\$ 33,496	\$ 18,222	\$ 25,510
Equipment	7 years	610,789	585,660	25,129	36,393
Social Housing	below	8,218,677	1,452,259	6,766,418	7,152,882
Housing	20 years	5,520,455	2,592,695	2,927,760	3,030,076
Infrastructure	20 years	35,526,341	7,371,087	28,155,254	29,863,389
Infrastructure WIP		4,277,723	-	4,277,723	1,418,484
Marine equipment	7 years	149,392	144,959	4,433	9,421
Office equipment	3 years	241,340	239,650	1,690	6,128
	20/5				
Tin Wis Resort Ltd.	years	4,197,306	1,324,395	2,872,911	3,167,221
		\$ 58,793,741	\$ 13,744,201	\$ 45,049,540	\$ 44,709,504

Social Housing assets have been amortized in an amount equal to the principal reduction of the mortgage in accordance with Canada Mortgage and Housing requirements.

12. CHANGES IN TANGIBLE CAPITAL ASSETS

	Additions	Disposals	Amortization	Accumulated amortization on disposals
Tin Wis Resort Ltd.	\$ -	\$ -	\$ 294,310	\$ -
Automotive Equipment	-	-	7,288	-
General Equipment	-	-	11,264	-
Housing	-	-	248,544	-
Infrastructure	-	-	1,708,135	-
Infrastructure work in progress	2,859,240	-	-	-
Marine Equipment	-	-	4,988	-
Office Equipment	-	-	4,438	-
Social Housing	-	567,605	240,226	421,365
Total - 2015	2,859,240	567,605	2,519,193	421,365
Total - 2014	\$ 27,480,971	\$ 25,574,434	\$ 1,909,238	\$ -

TLA-O-QUL-AHT FIRST NATIONS
NOTES TO FINANCIAL STATEMENTS
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13. DUE FROM/TO RELATED PARTIES

	2015	2014
Isaak Forest Resources Ltd.	\$ 212,508	\$ 237,908
TFN Seafoods Ltd.	(219,389)	(44,470)
Tsiix-Waa-Cahs Holding Ltd.	31,372	25,795
Haa Ak Suuk Creek LP	690,943	651,757
TFN Economic Development Corporation	(4,050)	(4,050)
Due from related parties	\$ (711,384)	\$ (866,940)

The advances to (from) related parties are unsecured, non-interest bearing and without specific repayment terms except for the portion of the Isaak Forestry Resource Ltd. as described in Note 7.

14. ACCUMULATED SURPLUS

	2015	2014
Surplus per summary schedule (page 22)	\$ 32,653,420	\$ 32,369,739
Committed funds	(1,334,317)	(1,427,366)
Contributed equity	280,917	280,917
	\$ 31,600,020	\$ 31,223,290

Contributed equity consists of contributions the First Nation received from the Federal Government during the the year ended March 31, 2011 for the purchase of a building.

Committed Funds consist of the surpluses of Community and Human Services, Office Buildings, Fisheries and Incremental Treaty agreement programs. These funds have been set aside for expenditure in their respective programs.

15. BRITISH COLUMBIA TREATY COMMISSION TREATY LOAN

During the current year, the First Nation received funds from the BC Treaty Commission. Under the terms of that agreement, the First Nation is received contributed funds.

**TLA-O-QUI-AHT FIRST NATIONS
NOTES TO FINANCIAL STATEMENTS
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16. ECONOMIC DEPENDENCE

Tla-o-qui-aht First Nations receives a significant portion of its revenue pursuant to a funding agreement with Aboriginal Affairs and Northern Development Canada (AANDC). This agreement is referred to as the Canada First Nation Funding Agreement (CFNFA) and was entered into by the Nuu-chah-nulth Tribal Council, some of its First Nations Members and AANDC.

17. CONTINGENT LIABILITIES

Tla-a-o-qui-aht First Nations has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

In addition, in the normal course of its operations, Tla-a-o-qui-aht First Nations becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on Tla-a-o-qui-aht First Nations's financial statements.

18. SUBSEQUENT EVENTS

Before the audit report date, various matters that were derivative from the audit period were settled. These financial statements contain an accrued liability for these settlements.

19. CONTINGENT RECEIVABLE

During the year ended March 31, 2010 the First Nation contributed \$10,000 towards the mortgage of one of its members. This contribution becomes repayable if the member does not remain in the house for ten years.

20. PRIOR PERIOD ADJUSTMENTS

During the year, adjustments were recorded for the prior period for information that became available during the year. A change in policy during the year regarding interest charged to a subsidiary resulted in prior year interest income and investment in the subsidiary being understated by \$192,035. An overstatement of social housing reserves and bad debt in the net amount of 93,598 was corrected. Also, financial statements for TPN Seafoods became available, resulting in an investment of \$637,904 and amounts payable of \$292,150 being added. All prior year adjustments were corrected to the current year surplus.

21. COMPARATIVE AMOUNTS

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period.