

Hesquiaht First Nation

Financial Statements

March 31, 2014

Hesquiaht First Nation

Consolidated Financial Statements

March 31, 2014

Page

Management's Statement of Responsibility for Financial Reporting

Independent Auditor's Report

Financial Statements

Consolidated Statement of Financial Position	5
Consolidated Statement of Change in Net Financial Assets	6
Consolidated Statement of Revenue, Expenditures and Accumulated Surplus	7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 16

Consolidated Schedules of Financial position and Revenue, Expenditures and Accumulated Surplus by Program

Consolidated Combined Statement of Revenue, Expenditures and Accumulated Surplus by Program	17
Operating Fund Schedule of Financial Position	18
Social Development	19
Education	20
Band Management and Governance	21
Economic Development	22
Operations and Maintenance	23
Community and Human Services	24
Capital Projects	25
Community Initiatives	26
Fisheries	27
Forestry	28
Own Source Revenue	29
Forest and Range Operations	30
Iisaak Special Claims	31
Provision for Capital Assets	32
Trust Fund Schedule of Financial Position	33
Trust Fund	34

Hesquiaht First Nation

Consolidated Financial Statements

March 31, 2014

Page

Consolidated Schedules of Financial position and Revenue, Expenditures and Accumulated Surplus by Program (continued)

Social Housing Fund Schedule of Financial Position	35
Social Housing Fund	36
Enterprise Fund Schedule of Financial Position	37
Enterprise Fund	38
Treaty Fund Schedule of Financial Position	39
Treaty Fund	40

Hesquiaht First Nation

Management's Statement of Responsibility for Financial Reporting


March 31, 2014

The accompanying consolidated financial statements for the year ended March 31, 2014 are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and necessarily include estimates which are based on management's best judgements.

Management is also responsible for implementing and maintaining a system of internal controls designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The consolidated financial statements have been reviewed and approved by Chief and Council.

McIntosh Norton Williams, an independent firm of certified general accountants, has been engaged to examine the consolidated financial statements in accordance with Canadian auditing standards. Their report stating the scope of their examination and opinion on the consolidated financial statements follows.



Chief Councillor



Councillor

Date



Date



Cory McIntosh, CGA, CAFM, CFP *
Jay R. Norton, FCGA, CAFM *
Michael K. Williams, CGA *
Jason S. Moore, BA, CGA *

*practising as a professional corporation

"It's not what you earn, it's what you keep!"

McINTOSH | NORTON | WILLIAMS
certified general accountants

Independent Auditor's Report

To the Members of Hesquiaht First Nation

We have audited the accompanying consolidated financial statements of Hesquiaht First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of revenue, expenditures and accumulated surplus, 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 Consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hesquiaht First Nation as at March 31, 2014, 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.

McINTOSH | NORTON | WILLIAMS
certified general accountant

Port Alberni, BC
July 30, 2014

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Hesquiaht First Nation

Consolidated Statement of Financial Position

March 31	2014	2013
	\$	\$
Financial Assets		
Cash	7,768	336,015
Accounts receivable (Note 2)	203,835	129,200
GST/HST recoverable	18,272	13,246
Due to Nuu-chah-nulth Tribal Council	-	8,393
Restricted cash (Note 3)	162,128	69,266
Loan receivable (Note 4)	152,533	177,933
	544,536	734,053
Liabilities		
Accounts payable	254,786	304,259
Harmonized sales tax payable	1,020	-
Deferred revenue	2,920	1,386,711
Due to Nuu-chah-nulth Tribal Council	167,954	-
Committed funds (Note 5)	1,416,023	-
Wages and benefits payable	41,623	57,608
Reserves	296,730	336,971
Long-term debt (Note 6)	3,068,885	3,201,288
	5,249,941	5,286,837
Net financial assets	(4,705,405)	(4,552,784)
Non-financial Assets		
Tangible capital assets (Note 7)	8,385,085	9,358,328
Prepaid expenses	61,477	82,290
	8,446,562	9,440,618
Accumulated Surplus (Note 9)	3,741,157	4,887,834

Approved on behalf of the Hesquiaht First Nation

 , Chief Councillor

 , Councillor

The accompanying notes are an integral part of the financial statements

Hesquiaht First Nation

Consolidated Statement of Change in Net Financial Assets

For the year ended March 31	2014	2013
	\$	\$
Excess (deficiency) of revenue over expenditures	268,581	(1,373,700)
Acquisition of tangible capital assets	(54,638)	(417,206)
Amortization of tangible capital assets	1,028,586	1,304,635
Loss on disposal of capital assets	-	5,183
	973,948	892,612
(Acquisition) use of prepaid asset	20,813	(15,433)
Changes to committed funds	(1,416,023)	-
Decrease in net financial assets	(152,681)	(496,521)
Net debt at beginning of year	(4,552,724)	(4,056,203)
Net debt at end of year	(4,705,405)	(4,552,724)

The accompanying notes are an integral part of the financial statements

Hesquiaht First Nation

Consolidated Statement of Revenue, Expenditures and Accumulated Surplus

For the year ended March 31	2014 Budget	2014 Actual	2013 Actual
	\$	\$	\$
Revenue			
Nuu-chah-nulth Tribal Council	2,232,683	2,215,902	2,041,062
Sales	465,600	579,268	595,027
Province of B.C.	100,000	232,387	270,451
Rental income	106,008	108,287	188,340
First Nation Education Steering Committee	52,500	39,467	54,941
First Peoples' Cultural Council	-	35,000	-
Canada Mortgage and Housing	38,390	33,585	41,136
Other income	16,084	28,844	59,096
Interest income	-	5,275	1,402
BC Special	-	1,645	1,675
Health Canada	-	-	132,760
Naut'sa mawt Tribal Council	-	-	20,447
Deferred revenue - beginning	-	1,384,239	1,587,498
Deferred revenue - ending	-	-	(1,384,239)
	3,011,265	4,663,899	3,609,596
Expenditures (Note 13)			
Operating Fund	2,746,843	4,214,875	4,824,019
Social Housing Fund	140,938	154,075	142,459
Enterprise Fund	39,500	26,368	16,818
	2,927,281	4,395,318	4,983,296
Excess (deficiency) of revenue over expenditures	83,984	268,581	(1,373,700)
Equity at beginning of year	4,887,894	4,887,894	6,261,594
Equity at end of year	4,971,878	5,156,475	4,887,894

The accompanying notes are an integral part of the financial statements

Hesquiaht First Nation**Consolidated Statement of Cash Flows**

For the year ended March 31, 2014	2014
	\$
Cash flows from	
Operating activities	
Excess (deficiency) of revenue over expenditures	268,581
Change in non-cash operating working capital	
Accounts receivable	(74,635)
GST/HST recoverable	(5,026)
Prepaid expenses	20,813
Restricted cash	(92,862)
Loan receivable	25,400
Accounts payable	(48,708)
Harmonized sales tax payable	1,020
Deferred revenue	(1,383,791)
Wages and benefits payable	(15,985)
Reserves	(40,241)
Due to Nuu-chah-nulth Tribal Council	176,347
	(1,169,087)
Capital activities	
Amortization of capital assets	1,028,586
Acquisition of capital assets	(55,343)
	973,243
Financing activities	
Long-term debt	(132,403)
Increase (decrease) in cash and cash equivalents	(328,247)
Cash and cash equivalents, beginning of year	336,015
Cash and cash equivalents, end of year	7,768

The accompanying notes are an integral part of the financial statements

Hesquiaht First Nation

Notes to Consolidated Financial Statements

March 31, 2014

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 Chartered Professional Accountants Canada.

(a) Fund accounting

The First Nation 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 First Nation maintains the following funds:

- The Operating Fund which reports the general activities of the First Nation administration.
- 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.
- The Treaty Fund which reports the First Nation's treaty activities

(b) Reporting entity principles of financial reporting

These financial statements report only on the activities of the Hesquiaht First Nation.

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 First Nation also prepares Financial Statements that consolidate the assets, liabilities and results of operations for the following entities which lend themselves to consolidation:

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.

Readers of the Financial Statements should refer to the consolidated Financial Statements.

(c) Inventory

Inventory is recorded at cost and consists of fuel.

Hesquiaht First Nation

Notes to Consolidated Financial Statements

March 31, 2014

(d) Tangible capital assets

Tangible capital assets are recorded except for reserve lands, natural resources and cultural resources which are not recorded.

Amortization is provided on the straight-line basis over the estimated useful life of the asset as follows, except for Social Housing buildings which are amortized annually in an amount equal to the principal reduction of the related mortgages in accordance with Canada Mortgage and Housing Corporation requirements.

Buildings	20years Straight line
Computer Equipment	3years Straight line
General Equipment	5years Straight line
Infrastructure	20years Straight line
Marine Equipment	7years Straight line

(e) Revenue recognition

Funding received under the terms of agreements is recognized as revenue when received. Funding received but not yet expended is included in the applicable statement of revenue and expenditure.

(f) Trust funds

Trust funds are included as revenue in these statements only to the extent they have been received from the First Nation's trust funds. 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 and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

(g) Financial instruments

All significant financial assets, financial liabilities and equity instruments of the entity are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

(h) Replacement reserve

The Replacement Reserve is funded by an annual charge against earnings as opposed to an appropriation of surplus.

(i) 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.

Hesquiaht First Nation

Notes to Consolidated Financial Statements

March 31, 2014

2. Accounts receivable

Accounts receivable are shown net of allowance for doubtful accounts \$20,374 (2013 - nil)

3. Restricted Cash

Restricted cash is comprised of:

	2014	2013
	\$	\$
Ottawa Trust Funds	40,138	37,404
Social Housing replacement reserve	120,552	10,467
Treaty bank account	1,438	21,394
	162,128	69,265

4. Loan Receivable

During a prior year, the First Nation borrowed funds from the Bank of Montreal (see also note 6.) which it subsequently advanced to lisaak Forest Resources Ltd. (the company). The company is to make all monthly loan and interest payments during the term of the loan. The loan is due on demand and secured by a promissory note from the company.

5. Committed Funds

The First Nation has committed funds that were received during the year which are for future expenditure in the following programs:

	2014	2013
	\$	\$
Capital Projects	680,435	-
Own Source Revenue	735,588	-
	1,416,023	-

6. Long-term debt

	2014	2013
	\$	\$
Nuu-chah-nulth Economic Development Corporation (NEDC) loan, repayable at \$3,476 per quarter including interest at 5% per annum, secured by a guarantee, residential mortgage, PPSA, and promissory note.	26,749	39,093

Hesquiaht First Nation

Notes to Consolidated Financial Statements

March 31, 2014

6. Long-term debt, continued

	2014 \$	2013 \$
NEDC loan, repayable at \$2,594 per quarter including interest at 5% per annum, secured by assignment of book debt and insurance, and residential mortgage, matures October 2019.	36,523	44,927
All Nations Trust Company mortgage, repayable at \$987 per month including interest at 1.92% per annum, matures April 1, 2019, guaranteed by Aboriginal Affairs and Northern Development Canada (AANDC).	106,047	116,624
Bank of Montreal demand loan; although due on demand the bank is accepting \$2,117 per month plus interest at prime plus 1.5% per annum, secured by a general security agreement. Payments are being reimbursed to the First Nation by lisaak Forest Resources Ltd. (also see Note 4.)	150,283	175,683
All Nations Trust Company mortgage, repayable at \$1,622 per month including interest at 1.92% per annum, matures April 1, 2019, guaranteed by AANDC.	253,702	269,511
All Nations Trust Company mortgage, repayable at \$5,210 per month including interest at 2.11% per annum, matures April 1, 2019, guaranteed by AANDC.	272,980	332,849
Nuu-chah-nulth Tribal Council treaty loan - for details see below.	2,222,601	2,222,601
	3,068,885	3,201,288

Nuu-chah-nulth Tribal Council treaty loan:

The Tribal Council had negotiated an agreement with the federal Department of Indian Affairs and Northern Development 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 re-loaned and contributed to the First Nation.

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:

- 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;
- the seventh (7th) anniversary of the date of signing of an agreement-in-principle
- the date on which a treaty is signed by the parties;
- the date on which the agreement is terminated or;
- the date on which the Nuuchah-nulth Tribal Council commits an act of bankruptcy.

Hesquiaht First Nation

Notes to Consolidated Financial Statements

March 31, 2014

6. Long-term debt, continued

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

2015	128,585
2016	130,990
2017	121,344
2018	122,300
2019 and thereafter	2,565,666
	3,068,885

7. Tangible Capital Assets

	Rate	Cost	2014 Accumulated amortization	Net book value	2013 Net book value
		\$	\$	\$	\$
Land		463,848	-	463,848	463,848
Buildings		11,938,632	6,173,217	5,765,415	6,491,512
Infrastructure		5,272,654	4,702,928	569,726	696,617
General Equipment		817,440	600,300	217,140	294,556
Computer Equipment		38,464	26,977	11,487	20,680
Marine Equipment		314,911	249,611	65,300	25,964
Social Housing		2,161,509	869,340	1,292,169	1,365,151
		21,007,458	12,622,373	8,385,085	9,358,328

8. Changes in tangible capital assets

	Additions	Disposals	Amortization	Accumulated amortization on disposals
	\$	\$	\$	\$
Buildings	-	-	726,097	-
Infrastructure	-	-	126,891	-
General Equipment	5,404	-	82,820	-
Computer Equipment	-	-	9,193	-
Marine Equipment	49,939	-	10,602	-
Social Housing	-	-	72,983	-
Total - 2014	55,343	-	1,028,586	-
Total - 2013	417,208	16,773	-	-

Hesquiaht First Nation

Notes to Consolidated Financial Statements

March 31, 2014

9. Accumulated surplus

	2014	2013
	\$	\$
Restricted		
Trust Fund	40,138	37,404
Unrestricted		
Operating Fund	8,988,198	8,753,573
Social Housing Fund	(478,695)	(477,930)
Enterprise Fund	(1,308,190)	(1,308,190)
Treaty Fund	(2,266,386)	(2,299,078)
Committed funds	(1,416,023)	-
Contributed equity	182,115	182,115
	3,701,019	4,850,490
	3,741,157	4,887,894

10. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period. The March 31, 2013 comparative amounts were reported on by another firm of Certified General Accountants.

11. Economic Dependence

Hesquiaht First Nation receives the major portion of its operating revenues pursuant to an agreement referred to as the First Nations and Tribal Councils National Funding Agreement (FNTCNFA). This agreement has been entered into by the Nuu-chah-nulth Tribal Council, certain of its member First Nations and Aboriginal Affairs and Northern Development Canada. This current agreement covers the period April 1, 2013 until March 31, 2018.

Hesquiaht First Nation

Notes to Consolidated Financial Statements

March 31, 2014

12. Expenditures

For the year ended March 31	2014 Budget	2014 Actual	2013 Actual
	\$	\$	\$
Expenditures			
Amortization	96,000	1,028,586	1,304,635
Bad debts	-	20,374	7,301
Basic needs	70,400	63,322	64,617
Books and supplies	-	18,410	8,696
Community support programs	3,000	6,599	3,336
Consultant fees	63,800	268,087	335,722
Contracts	20,564	62,683	51,797
Contribution to Social Housing Fund	-	-	29,843
Contributions to other	4,583	2,547	2,764
Donations	15,400	9,565	17,550
Fuel	867,086	920,793	922,474
Honoraria	62,800	92,686	70,700
Insurance	44,584	52,227	51,630
Interest and bank charges	5,700	13,655	14,527
Interest on long-term debt	-	8,146	19,852
Licenses, dues and fees	1,350	2,452	1,937
Loss on disposal of capital assets	-	-	5,183
Materials and supplies	48,800	83,058	240,669
Meeting costs	85,000	22,934	44,560
Miscellaneous	-	-	8,195
Mortgage payments	25,400	10,425	20,542
National child benefit	10,000	4,981	9,686
Office expenses	4,390	6,376	5,584
Other expense	14,000	25,512	41,841
Professional development	7,500	19,333	22,589
Professional fees	126,504	131,557	121,568
Property taxes	12,500	14,042	12,397
Rent	22,144	44,784	30,455
Repairs and maintenance	305,213	115,563	129,918
Replacement reserve	24,000	24,012	24,012
Special needs	13,000	10,480	57,151
Supplies	63,800	109,956	81,440
Telephone	40,300	59,822	51,075
Transfer to Operating Reserve	-	7,132	-
Travel	361,559	377,249	388,032
Utilities	44,000	12,691	41,200
Wages and benefits	535,504	745,281	734,099
	2,998,881	4,395,320	4,977,577

Hesquiaht First Nation

Notes to Consolidated Financial Statements

March 31, 2014

13. Summary Expenditures

Expenditures are reflected on the Consolidated Statement of Operations after elimination of inter-fund transactions. Inter-fund amounts eliminated from expenditures for the current year are as follows:

	Fund Expenditures \$	Inter-fund Amounts \$	Summary Expenditures \$
Operating Fund	4,434,568	219,691	4,214,877
Social Housing Fund	163,675	9,600	154,075
Enterprise Fund	26,368	-	26,368
	4,624,611	229,291	4,395,320

14. Aboriginal Affairs and Northern Development Canada Supplementary Information

These financial statements include supplementary information required by Aboriginal Affairs and Northern Development Canada. The required information is presented on pages . The amounts reflected in the supplementary information are referenced by page number to a particular program in these financial statements. As each program is an accumulation of a number of related activities the specific amounts reflected in the supplementary information may not necessarily be identifiable except by revenue and expenditure category.

Hesquiaht First Nation

Operating Fund Schedule of Financial Position

March 31	2014	2013
	\$	\$
Financial Assets		
Cash	3,819	215,587
Accounts receivable	171,554	97,789
GST/HST recoverable	18,272	13,246
Due from own funds	1,774,348	1,778,613
Prepaid expenses	61,477	82,290
Investment in Social Housing assets	383,647	383,647
Due from Nuu-chah-nulth Tribal Council	-	8,393
	2,413,117	2,579,565
Liabilities		
Accounts payable	243,907	293,302
Harmonized sales tax payable	1,020	-
Deferred revenue	-	1,384,239
Due to Nuu-chah-nulth Tribal Council	167,954	-
Wages and benefits payable	41,623	57,608
Long-term debt	63,272	84,020
Committed funds	1,416,023	-
	1,933,799	1,819,169
Net financial assets	479,318	760,396
Non-financial Assets		
Tangible capital assets	7,092,917	7,993,177
Accumulated Surplus	7,572,235	8,753,573

The accompanying notes are an integral part of the financial statements