

Hesquiaht First Nation

Financial Statements

March 31, 2015

Hesquiaht First Nation

Consolidated Financial Statements

March 31, 2015

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Management's Statement of Responsibility for Financial Reporting

March 31, 2015

The accompanying consolidated financial statements for the year ended March 31, 2015 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 chartered professional 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.

April Charlean

Chief Councillor

Sept 14, 2015

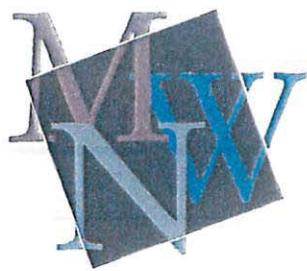
Date

TD Frank

Councillor

Sept 15, 2015

Date



McINTOSH | NORTON | WILLIAMS
certified general accountants

Independent Auditor's Report

Cory McIntosh, CPA, CGA, CAFM, CFP *
Jason S. Moore, BA, CPA, CGA *
Michael K. Williams, CPA, CGA *

Jay R. Norton, CPA, FCGA, CAFM (retired)

**practising as a professional corporation*

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

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, 2015, 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, 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.

McINTOSH | NORTON | WILLIAMS
chartered professional accountants

Port Alberni, BC
September 11, 2015

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Hesquiaht First Nation

Consolidated Statement of Financial Position

March 31	2015	2014
	\$	\$
Financial Assets		
Cash	6,887	7,768
Accounts receivable (Note 2)	76,440	200,335
GST recoverable	28,572	18,272
Due from Nuu-chah-nulth Tribal Council	78,222	-
Restricted cash (Note 3)	154,918	162,128
<u>Loan receivable (Note 4)</u>	<u>127,133</u>	<u>152,533</u>
	472,172	541,036
Liabilities		
Accounts payable	219,160	278,156
GST payable	4,277	1,020
Deferred revenue	2,920	2,920
Due to Nuu-chah-nulth Tribal Council	-	178,434
Committed funds (Note 5)	1,378,524	1,416,023
Wages and benefits payable	34,945	41,623
Reserves	323,774	296,730
<u>Long-term debt (Note 6)</u>	<u>2,934,338</u>	<u>3,068,885</u>
	4,897,938	5,283,791
Net financial debt	(4,425,766)	(4,742,755)
Non-financial Assets		
Tangible capital assets (Note 7)	7,548,296	8,385,085
<u>Prepaid expenses</u>	<u>133,825</u>	<u>61,477</u>
	7,682,121	8,446,562
Accumulated Surplus (Note 9)	3,256,355	3,703,807

Approved on behalf of the Hesquiaht First Nation

April Charleson, Chief Councillor
J.W. Frank, Councillor

Hesquiaht First Nation

Consolidated Statement of Change in Net Financial Assets

For the year ended March 31	2015	2014
	\$	\$
Excess (deficiency) of revenue over expenditures	(514,264)	231,176
Acquisition of tangible capital assets	(36,924)	(54,638)
Amortization of tangible capital assets	873,713	1,028,586
	836,789	973,948
(Acquisition) use of prepaid asset	(72,348)	20,813
Correction of prior periods income	37,500	-
Changes to committed funds	29,312	(1,416,023)
	66,812	(1,416,023)
Increase (decrease) in net financial assets	316,989	(190,086)
Net debt at beginning of year	(4,742,755)	(4,552,669)
Net debt at end of year	(4,425,766)	(4,742,755)

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	2015 Budget	2015 Actual	2014 Actual
	\$	\$	\$
Revenue			
Nuu-chah-nulth Tribal Council	2,282,557	2,328,470	2,205,422
Sales	552,190	834,592	579,268
Province of B.C.	192,388	176,948	232,387
Rental income	111,576	103,133	108,287
First Nation Education Steering Committee	56,750	38,249	39,467
First Peoples' Cultural Council	-	-	8,075
Canada Mortgage and Housing	38,390	33,039	33,585
Other income	310,415	89,675	28,844
Interest income	-	5,231	5,275
BC Special	-	1,653	1,645
Cost recoveries-funerals	-	5,571	-
Deferred revenue - beginning	-	-	1,384,239
	3,544,256	3,616,561	4,626,494
Expenditures (Note 13)			
Operating Fund	2,746,843	3,984,004	4,214,875
Social Housing Fund	140,938	133,283	154,075
Enterprise Fund	35,500	13,538	26,368
	2,923,281	4,130,825	4,395,318
Excess (deficiency) of revenue over expenditures	83,984	(514,264)	231,176
Equity at beginning of year			
As previously stated	4,887,894	5,156,476	4,886,783
Correction of prior period income	-	(37,405)	1,112
	4,887,894	5,119,071	4,887,895
Equity at end of year	4,971,878	4,604,807	5,119,071

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, 2015	2015	2014
	\$	\$
Cash flows from Operating activities		
Excess (deficiency) of revenue over expenditures	(514,264)	231,176
Items not affecting cash		
Correction of prior periods income	29,312	-
	(484,952)	231,176
Change in non-cash operating working capital		
Accounts receivable	123,895	(71,361)
GST recoverable	(10,300)	(5,026)
Prepaid expenses	(72,348)	20,813
Restricted cash	7,210	(92,862)
Loan receivable	25,400	25,400
Accounts payable	(58,995)	(25,851)
GST payable	3,257	1,020
Deferred revenue	-	(1,383,791)
Wages and benefits payable	(6,678)	(15,985)
Reserves	27,044	(40,241)
Due to Nuu-chah-nulth Tribal Council	(256,656)	187,621
	(703,123)	(1,169,087)
Capital activities		
Amortization of capital assets	873,713	1,028,586
Acquisition of capital assets	(36,924)	(55,343)
	836,789	973,243
Financing activities		
Long-term debt	(134,547)	(132,403)
Decrease in cash and cash equivalents	(881)	(328,247)
Cash and cash equivalents, beginning of year	7,768	336,015
Cash and cash equivalents, end of year	6,887	7,768

The accompanying notes are an integral part of the financial statements

Hesquiaht First Nation

Notes to Consolidated 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 Chartered Professional Accountants of 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:

- Operating Fund which reports the general activities of the First Nation administration.
- Trust Fund which reports on the trust funds of the First Nation and held by third parties.
- Social Housing Fund which reports on the social housing assets of the First Nation together with their related activities.
- Enterprise Fund which reports the First Nation's investment in self-supporting commercial entities.
- Treaty Fund which reports the First Nation's treaty related 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) 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	20 years Straight line
Computer equipment	3 years Straight line
General equipment	5 years Straight line
Infrastructure	20 years Straight line
Marine equipment	7 years Straight line

Hesquiaht First Nation

Notes to Consolidated Financial Statements

March 31, 2015

(d) 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.

(e) 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.

(f) 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.

(g) Replacement reserve

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

(h) 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.

2. Accounts Receivable

Accounts receivable are shown net of allowance for doubtful accounts \$20,374 (2014 -\$20,374).

Hesquiaht First Nation

Notes to Consolidated Financial Statements

March 31, 2015

3. Restricted Cash

Restricted cash is comprised of:

	2015	2014
	\$	\$
Ottawa Trust Funds	42,798	40,138
Social Housing replacement reserve	110,666	120,552
Treaty bank account	1,454	1,438
	<hr/> 154,918	<hr/> 162,128

4. Loan Receivable

During a prior year, the First Nation borrowed funds from the Bank of Montreal (also see note 6.) which it subsequently advanced to Iisaak 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:

	2015	2014
	\$	\$
Capital Projects	810,459	680,435
Own Source Revenue	568,065	735,588
	<hr/> 1,378,524	<hr/> 1,416,023

6. Long-term debt

	2015	2014
	\$	\$
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.	13,773	26,749
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.	22,318	36,523

Hesquiaht First Nation

Notes to Consolidated Financial Statements

March 31, 2015

6. Long-term debt, continued

	2015	2014
	\$	\$
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).	96,155	106,047
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.)	124,883	150,283
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.	238,969	253,702
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.	215,639	272,980
<u>Nuu-chah-nulth Tribal Council treaty loan - for details see below.</u>	<u>2,222,601</u>	<u>2,222,601</u>
	<u>2,934,338</u>	<u>3,068,885</u>

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:

- a) the twelfth (12th) anniversary of the date on which the first loan advance with the Nuu-chah-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 Nuu-chah-nulth Tribal Council commits an act of bankruptcy.

Hesquiaht First Nation

Notes to Consolidated Financial Statements

March 31, 2015

6. Long-term debt, continued

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

2016	119,571
2017	85,210
2018	86,977
2019	63,180
2020 and thereafter	2,579,400
	<hr/>
	2,934,338

7. Tangible Capital Assets

	2015			2014
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	463,848	-	463,848	463,848
Buildings	11,938,632	6,817,472	5,121,160	5,765,415
Infrastructure	5,272,654	4,757,666	514,988	569,726
General equipment	854,364	677,902	176,462	217,140
Computer equipment	38,464	34,838	3,626	11,487
Marine equipment	314,911	263,780	51,131	65,300
Social Housing	2,161,509	944,428	1,217,081	1,292,169
	<hr/>	<hr/>	<hr/>	<hr/>
	21,044,382	13,496,086	7,548,296	8,385,085

8. Changes in tangible capital assets

	Additions	Disposals	Amortization	Accumulated amortization on disposals
	\$	\$	\$	\$
Buildings	-	-	644,255	-
Infrastructure	-	-	54,738	-
General Equipment	36,924	-	77,602	-
Computer Equipment	-	-	7,861	-
Marine Equipment	-	-	14,169	-
Social Housing	-	-	75,088	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total - 2015	36,924	-	873,713	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total - 2014	55,343	-	1,028,586	-
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Hesquiaht First Nation

Notes to Consolidated Financial Statements

March 31, 2015

9. Accumulated surplus

	2015	2014
	\$	\$
Restricted		
Trust Fund	<u>42,798</u>	40,138
Unrestricted		
Operating Fund	8,420,454	8,950,084
Social Housing Fund	(477,931)	(477,931)
Enterprise Fund	(1,306,728)	(1,308,190)
Treaty Fund	(2,225,830)	(2,266,386)
Committed funds	(1,378,524)	(1,416,023)
Contributed equity	182,115	182,115
	<u>3,213,556</u>	3,663,669
	<u>3,256,354</u>	3,703,807

10. Comparative Amounts

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

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, 2015

12. Expenditures

For the year ended March 31	2015 Budget	2015 Actual	2014 Actual
	\$	\$	\$
Expenditures			
Amortization	93,000	873,713	1,028,586
Bad debts	-	-	20,374
Basic needs	65,400	75,256	63,322
Books and supplies	2,500	37	18,410
Community support programs	165,100	-	6,599
Consultant fees	150,818	226,115	268,087
Contracts	22,000	38,916	60,033
Contributions to other	4,000	11,015	2,547
Donations	8,200	10,176	9,565
Food fish expense	63,600	61,253	92,964
Freight and postage	-	11,743	-
Fuel	891,600	1,179,784	920,793
Honoraria	66,600	77,905	92,686
Insurance	47,752	51,871	52,227
Interest and bank charges	12,700	15,738	13,448
Interest on long-term debt	-	11,852	8,146
Licenses, dues and fees	8,800	17,297	2,285
Materials and supplies	52,060	54,131	83,058
Meeting costs	30,000	29,817	22,934
Other expenses	150,539	-	2,650
Mortgage payments	34,000	7,820	10,425
National child benefit	5,000	4,299	4,981
Office expenses	6,000	657	7,116
Other expense	13,000	4,749	25,146
Professional development	10,500	22,994	19,333
Professional fees	342,721	130,546	131,557
Property taxes	12,500	11,139	14,042
Rent	60,200	57,006	44,784
Repairs and maintenance	54,900	74,392	115,563
Replacement reserve	24,000	24,012	24,012
Special needs	6,000	1,394	10,480
Supplies	3,000	5,524	16,992
Telephone	45,400	47,898	59,822
Transfer to Operating Reserve	-	4,022	7,132
Travel	315,480	288,609	377,249
Utilities	85,542	14,334	12,691
Wages and benefits	631,571	684,812	745,279
	3,484,483	4,130,826	4,395,318

Hesquiaht First Nation

Notes to Consolidated Financial Statements

March 31, 2015

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	4,153,271	169,267	3,984,004
Social Housing Fund	142,883	9,600	133,283
Enterprise Fund	13,538	-	13,538
	4,309,692	178,867	4,130,825

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 41 - 44. 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.