
HESQUIAHT FIRST NATION

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2017

HESQUIAHT FIRST NATION

YEAR ENDED MARCH 31, 2017
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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The First Nation maintains systems of internal accounting and administrative controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The First Nation Council reviews the First Nation's consolidated financial statements and management letter. 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 consolidated financial statements and the external auditors' report. The Council approves the consolidated financial statements for issuance to the members. The Council also considers, for review and approval by the members, the engagement of the external auditors.

The consolidated financial statements have been audited by McGorman MacLean, Chartered Professional Accountants in accordance with Canadian generally accepted auditing standards on behalf of the members. McGorman MacLean has full and free access to the Council.

Ruth Charlton
Councillor


Councillor

M. and D.
Councillor

INDEPENDENT AUDITORS' REPORT

To the members
Hesquiaht First Nation

We have audited the accompanying consolidated statement of financial position of Hesquiaht First Nation as at March 31, 2017 and the consolidated statements of operations, 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 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.

Auditors' 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 auditors' 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, we consider internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Hesquiaht First Nation as at March 31, 2017 and the results of its consolidated operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

McGorman MacLean
CHARTERED PROFESSIONAL ACCOUNTANTS

Parksville, Canada
September 29, 2017

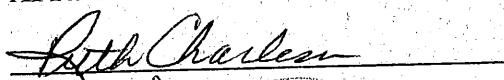
HESQUIAHT FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash (note 4)	\$ 1,400,716	\$ 1,077,713
Funds on deposit in Ottawa Trusts (note 4)	47,985	45,398
Accounts receivable (note 5)	682,860	323,663
Receivable from Ma-mook Natural Resources Ltd.	76,333	101,733
Investment in Hayu Fishing Limited Partnership (note 6)	595,895	264,164
	<hr/> 2,803,789	<hr/> 1,812,671
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	539,210	300,062
Damage deposits	1,916	1,916
Deficit in Hayu Fishing Ltd. (note 7)	1,240	1,026
Long term debt (note 8)	2,710,542	2,809,065
	<hr/> 3,252,908	<hr/> 3,112,069
NET DEBT	<hr/> (449,119)	<hr/> (1,299,398)
NON-FINANCIAL ASSETS		
Prepaid expenses	54,912	54,768
Inventory	12,758	53,760
Tangible capital assets (note 9)	8,403,925	7,581,967
	<hr/> 8,471,595	<hr/> 7,636,735
ACCUMULATED SURPLUS	<hr/> \$ 8,022,476	<hr/> \$ 6,391,097
ACCUMULATED SURPLUS AT END OF YEAR CONSISTS OF:		
Restricted (note 10)	\$ 1,386,006	\$ 817,751
Unrestricted	844,005	688,113
	<hr/> 2,230,011	<hr/> 1,505,864
Investment in tangible capital assets	8,015,066	7,107,834
Treaty debt deficit	(2,222,601)	(2,222,601)
	<hr/> \$ 8,022,476	<hr/> \$ 6,391,097

Contingent liabilities (note 11)

APPROVED ON BEHALF OF COUNCIL:





HESQUIAHT FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS YEAR ENDED MARCH 31, 2017

	Budget (unaudited)	2017	2016
REVENUE			
Nuu-chah-nulth Tribal Council - operating	\$ 2,237,893	\$ 2,635,183	\$ 2,648,540
Nuu-chah-nulth Tribal Council - capital	-	1,727,289	954,033
Income from Hayu Fishing Limited Partnership (note 6)	-	347,881	77,586
Miscellaneous revenue and recoveries	54,800	174,985	126,166
Province of British Columbia	160,910	174,319	147,500
Social Housing rents	82,493	72,717	70,117
CMHC On-Reserve Retrofit Initiative	-	71,000	-
Fisheries licence lease	97,973	66,466	46,139
First Nations Education Steering Committee	22,957	41,278	33,515
The Nature Conservancy	-	40,000	60,000
CMHC subsidies	24,559	32,032	33,039
Loss from Hayu Fishing Ltd. (note 7)	-	(214)	(243)
	2,681,585	5,382,936	4,196,392
EXPENSES			
Operating Fund	2,503,773	3,560,114	2,993,014
Social Housing Fund	127,598	177,720	99,128
Treaty Fund	-	74	-
Enterprise Fund	39,325	13,649	12,825
	2,670,696	3,751,557	3,104,967
ANNUAL SURPLUS	10,889	1,631,379	1,091,425
ACCUMULATED SURPLUS AT BEGINNING OF YEAR			
As previously stated	-	6,391,097	4,958,147
Correction of prior period error (note 12)	-	-	341,525
As restated	-	6,391,097	5,299,672
ACCUMULATED SURPLUS AT END OF YEAR	\$ 10,889	\$ 8,022,476	\$ 6,391,097

HESQUIAHT FIRST NATION

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT YEAR ENDED MARCH 31, 2017

	2017	2016
SURPLUS FOR THE YEAR		
Acquisition of tangible capital assets	\$ 1,631,379	\$ 1,091,425
Amortization of tangible capital assets	(1,666,838)	(740,734)
Proceeds from disposal of tangible capital assets	844,880	837,179
Loss on disposal of tangible capital assets	-	2,000
Use of inventory	53,760	79,286
Acquisition of inventory	(12,758)	(53,760)
Use of prepaid expenses	54,768	53,944
Acquisition of prepaid expenses	(54,912)	(54,768)
CHANGE IN NET DEBT	850,279	1,223,565
NET DEBT AT BEGINNING OF YEAR	(1,299,398)	(2,522,963)
NET DEBT AT END OF YEAR	\$ (449,119)	\$ (1,299,398)

HESQUIAHT FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED MARCH 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Annual surplus	\$ 1,631,379	\$ 1,091,425
Adjust for items which do not involve cash:		
Amortization	844,880	837,179
Loss on disposal of tangible capital assets	- 2,476,259	8,993 1,937,597
Changes in non-cash working capital		
Decrease (Increase)	(359,197)	(144,706)
Accounts receivable	25,400	25,400
Receivable from Ma-mook Natural Resources Ltd.	(144)	(824)
Prepaid expenses	41,002	25,526
Inventory		
Increase (Decrease)	239,148	46,856
Accounts payable and accrued liabilities	- (53,791)	(1,004) (48,752)
CASH FLOWS FROM OPERATING ACTIVITIES	2,422,468	1,888,845
CAPITAL TRANSACTIONS		
Investment in Hayu Fishing Limited Partnership	(331,731)	(62,959)
Deficit in Hayu Fishing Ltd.	214	243
Purchase of tangible capital assets	(1,666,838)	(740,734)
Proceeds on disposal of tangible capital assets	- (1,998,355)	2,000 (801,450)
FINANCING ACTIVITIES		
Repayment of long term debt	(98,523)	(125,273)
INCREASE IN CASH	325,590	962,122
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	1,123,111	160,989
CASH AND EQUIVALENTS AT END OF YEAR	\$ 1,448,701	\$ 1,123,111
CASH AND EQUIVALENTS CONSIST OF:		
Cash	\$ 1,400,716	\$ 1,077,713
Funds on deposit in Ottawa Trusts	47,985	45,398
	\$ 1,448,701	\$ 1,123,111

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as outlined by the Public Sector Accounting Board (PSAB) of the Organization of Chartered Professional Accountants of British Columbia, which encompass the following principles:

(a) Basis of consolidation

The consolidated financial statements reflect a combination of the First Nation's operating, treaty, enterprise, tangible capital assets, trust and social housing funds.

The Operating Fund reports the general activities of the First Nation administration including various commercial activities.

The Treaty Fund reports the activities of the Treaty negotiating team.

The Enterprise Fund reports the activities of the First Nation's owned entities.

The Trust Fund reports on trust funds owned by the First Nation and held by third parties.

The Social Housing Fund reports the activities within the First Nation sponsored Social Housing Program.

(b) Reporting entity and principles of financial reporting

The Hesquiaht First Nation reporting entity includes all entities which are accountable to the First Nation, and are either owned, directly or indirectly, or controlled by the First Nation.

These consolidated financial statements include the assets, liabilities and results of operations for the following entities:

Hesquiaht First Nation government administration including special and commercial projects

Hesquiaht First Nation Social Housing Program

Hesquiaht First Nation Trust Fund

Hayu Fishing Limited Partnership

Hayu Fishing Ltd.

Hesquiaht Enterprises Ltd.

Ma-mook Natural Resources Ltd.

All inter-entity balances have been eliminated on consolidation.

(c) Cash

The First Nation's policy is to present bank balances under cash.

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

(d) Investments

The investment in Hayu Fishing Limited Partnership, representing a twenty-five percent partnership interest, is accounted for using the modified equity method.

The investment in Hayu Fishing Ltd., representing a twenty-five percent ownership interest, is accounted for using the modified equity method.

The investment in Hesquiaht Enterprises Ltd. is accounted for using the full consolidation method of accounting for long term investments.

The receivable from Ma-mook Natural Resources Ltd. is accounted for at cost. Ma-mook Development Corporation, in which Hesquiaht First Nation has a twenty percent membership, owns the outstanding shares of Ma-mook Natural Resources Ltd.

(e) Tangible capital assets

Tangible capital assets are stated at cost and are being amortized on the straight-line basis using the following rates:

Buildings and social housing	-	15 - 37 years
Infrastructure	-	20 years
Boats and equipment	-	7 years
Equipment	-	5 years
Computer equipment	-	3 years

In the year of acquisition, 50% of the normal amortization is recorded.

(f) Revenue recognition

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements.

Government transfers are recognized in the financial statements as revenue in the period the transfers are authorized and any eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient government. Transfers received which meet the definition of a liability are included in deferred revenue.

Deferred revenue consists of funding which is received, externally restricted, and will not be included in revenue until the related expenses are incurred.

(g) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Significant items subject to such estimates and assumptions include valuation of accounts receivable, prepaid expenses, the estimated lives of tangible capital assets and accrued liabilities. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

2. FINANCIAL INSTRUMENTS

The First Nation's financial instruments consist of cash, accounts receivable, receivable from Ma-mook Natural Resources Ltd., investment in Hayu Fishing Limited Partnership, accounts payable and accrued liabilities, deficit in Hayu Fishing Ltd. 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 risks arising from these financial instruments, the fair value of which approximates their carrying value.

The fair market values of the investments in Hayu Fishing Limited Partnership and Hayu Fishing Ltd. have not been determined and accordingly may differ from the recorded values.

3. ECONOMIC DEPENDENCE

The First Nation receives the major portion of its operating revenue pursuant to an agreement referred to as the "Canada/First Nations Funding Agreement" (CFNFA). The agreement is between Nuu-chah-nulth Tribal Council, its member First Nations and Indigenous and Northern Affairs Canada.

4. RESTRICTED CASH

(a) Ottawa Trust Funds

The Ottawa 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.

(b) Replacement Reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation (CMHC), the replacement reserve account is to be credited in the amount of \$24,013 annually for Social Housing projects I, II and III. These funds, along with the accumulated interest, must be held in separate bank accounts 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.

The First Nation was not able to comply with the agreement with CMHC for funding the reserve. At year end, \$11,321 was held in a separate bank account included in cash. The remaining \$278,811 was receivable from the First Nation's operating fund.

(c) Subsidy Surplus Reserve - Project I and II

Under the terms of the agreement with CMHC, excess federal assistance payments received may be retained in a subsidy surplus reserve up to a maximum of \$500 per unit plus interest. The reserve is to be comprised of monies deposited into 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 this account may only be used to meet future subsidy requirements of income-tested occupants over and above the maximum federal assistance. At year end, there were no funds in the subsidy surplus reserve for Project I and II.

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

4. RESTRICTED CASH (continued)

(d) Surplus - Project III

Under the terms of the agreement with CMHC, surpluses in the operation of the project can be retained by the Social Housing program until the surplus is required for Project III, without any subsidy recovery by CMHC. If there is a deficit in the operation of Project III, the excess expenditures must be reimbursed to the Social Housing program by the First Nation.

5. ACCOUNTS RECEIVABLE

	2017	2016
Nuu-chah-nulth Tribal Council	\$ 481,809	\$ 167,238
Heatherbrae Builders Co. Ltd.	64,880	-
Rent receivable from First Nation members	50,054	57,448
GST recoverable	43,220	35,553
CMHC - On-Reserve Retrofit Initiative	35,500	-
Receivable from First Nation members	14,654	9,438
Other	13,622	51,233
CMHC subsidies	2,609	2,753
	706,348	323,663
Less allowance for doubtful accounts	23,488	-
	\$ 682,860	\$ 323,663

6. INVESTMENT IN HAYU FISHING LIMITED PARTNERSHIP

Hesquiaht First Nation owns a 25% partnership interest in Hayu Fishing Limited Partnership. The following presents condensed financial information as of December 31, 2016 for the partnership:

	2017	2016
Marketable securities	\$ 27,163	\$ 26,975
Cash	439,989	76,196
Tangible capital assets	110,411	93,368
Intangible assets	1,269,540	-
Accounts receivable	573,960	26,681
Prepaid expenses and deposits	2,550	900,960
Due from partners	4,262	-
	2,427,875	1,124,180
Accounts payable and accrued liabilities	15,103	14,322
Deferred revenue	29,895	54,047
	44,998	68,369
Partners' equity	\$ 2,382,877	\$ 1,055,811

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

6. INVESTMENT IN HAYU FISHING LIMITED PARTNERSHIP (continued)

	2017	2016
Revenue	\$ 1,554,910	\$ 497,810
Expenses	163,245	187,436
Net income	\$ 1,391,665	\$ 310,374

7. DEFICIT IN HAYU FISHING LTD.

Hesquiaht First Nation owns a 25% interest in Hayu Fishing Ltd. Hayu Fishing Ltd. is the general partner of Hayu Fishing Limited Partnership. The following presents condensed financial information as of December 31, 2016 for the company:

	2017	2016
Investment	\$ 253	\$ 110
Accounts payable and accrued liabilities	5,212	4,212
Share capital	1	1
	5,213	4,213
Deficit	\$ (4,960)	\$ (4,103)
Revenue	\$ 142	\$ 29
Expenses	999	1,000
Net loss	\$ (857)	\$ (971)

8. LONG TERM DEBT

	2017	2016
British Columbia Treaty Commission Treaty Negotiation Loan	\$ 2,222,601	\$ 2,222,601
- Interest free loan until it becomes due and payable at which time interest will be charged at a rate equal to that charged by the Consolidated Revenue Fund to provincial crown corporations		
- Loan proceeds become due and payable upon the earlier of:		
a) September 2, 2021 (extension from the previous maturity date of the seventeenth (17th) anniversary of the date on which the first loan advance was made);		
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 Nuu-chá-nulth Tribal Council commits an act of bankruptcy.		

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

8. LONG TERM DEBT (continued)

	2017	2016
All Nations Trust Company		
Phase I Social Housing Loan	102,312	162,011
- Interest at 2.11% compounded semi-annually		
- Renewing November 1, 2018		
- Monthly payments of \$5,210 including principal and interest		
Phase II Social Housing Loan	76,645	86,915
- Interest at 1.92% compounded semi-annually		
- Renewing April 1, 2019		
- Monthly payments of \$987 including principal and interest		
Phase III Social Housing Loan	209,900	225,205
- Interest at 1.92% compounded semi-annually		
- Renewing April 1, 2019		
- Monthly payments of \$1,622 including principal and interest		
Nuu-chah-nulth Economic Development Corporation	25,000	-
Forgivable Loan		
- Forgivable at a rate of one dollar for each dollar of principal repaid on term loan		
Term Loan		126
- Interest at 5% per annum		
- Monthly payments of \$3,476 including principal and interest		
Term Loan		12,724
- Interest at 5% per annum		
- Monthly payments of \$2,594 including principal and interest		
Bank of Montreal	74,084	99,483
Demand Loan		
- Interest at prime plus 1.5% per annum		
- Monthly payments of \$2,117 including principal and interest		
Total long term debt	\$ 2,710,542	\$ 2,809,065

The Social Housing loans are secured by ministerial guarantees from the Department of Indigenous and Northern Affairs Canada. The forgivable loan is secured by a promissory note. The demand loan is secured by a general security agreement. Payments on the demand loan are being reimbursed by Ma-mook Natural Resources Ltd.

Assuming the British Columbia Treaty Commission Treaty Negotiation Loan and the Social Housing loans are renewed with similar terms, principal reduction over the next five years is approximately as follows:

2018	\$ 113,045
2019	93,125
2020	50,334
2021	27,588
2022	2,250,722

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

9. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated amortization			Balance at end of 2017	Net book value at end of 2017
	Balance at end of 2016	Additions	Disposals	Balance at end of 2016	Disposals	Amortization		
Land	\$ 804,507	\$ -	\$ -	\$ 804,507	\$ -	\$ -	\$ -	\$ 804,507
Social Housing	1,820,850	-	-	1,820,850	994,752	50,324	1,045,076	775,774
Buildings	11,938,632	71,457	-	12,010,089	7,461,726	646,636	8,108,362	3,901,727
Infrastructure	5,272,654	-	-	5,272,654	4,812,052	53,862	4,865,914	406,740
Boats and equipment	179,969	-	-	179,969	143,049	8,033	151,082	28,887
Equipment	854,365	99,081	-	953,446	754,358	84,810	839,168	114,278
Work-in-progress	874,822	1,494,061	-	2,368,883	-	-	-	2,368,883
Computer equipment	40,990	2,239	-	43,229	38,885	1,215	40,100	3,129
	\$21,786,789	\$ 1,666,838	\$ -	\$23,453,627	\$ 4,204,822	\$ 844,880	\$ 5,049,702	\$ 8,403,925

	Cost			Accumulated amortization			Balance at end of 2016	Net book value at end of 2016
	Balance at end of 2015	Additions	Disposals	Balance at end of 2015	Disposals	Amortization		
Land	\$ 804,507	\$ -	\$ -	\$ 804,507	\$ -	\$ -	\$ -	\$ 804,507
Social Housing	1,820,850	-	-	1,820,850	944,428	50,324	994,752	826,098
Buildings	11,938,632	-	-	11,938,632	6,817,472	644,254	7,461,726	4,476,906
Infrastructure	5,272,654	-	-	5,272,654	4,757,666	54,386	4,812,052	460,602
Boats and equipment	314,911	4,494	139,436	179,969	263,780	128,443	7,712	143,049
Equipment	854,365	-	-	854,365	677,902	-	76,456	754,358
Work-in-progress	141,108	733,714	-	874,822	-	-	-	-
Computer equipment	38,464	2,526	-	40,990	34,838	-	4,047	38,885
	\$21,185,491	\$ 740,734	\$ 139,436	\$21,786,789	\$ 3,496,086	\$ 128,443	\$ 837,179	\$ 4,204,822
								\$ 7,581,967

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

10. RESTRICTED SURPLUS

A portion of the surplus in financial assets is classified as restricted due to the surplus being committed to specific future expenses or recoverable by the relevant funding agencies. This restricted surplus is set out on page 16 of the consolidated financial statements.

11. CONTINGENT LIABILITIES

The First Nation is contingently liable with respect to guarantees for Social Housing loans with All Nations Trust Company in the amount of \$388,857.

12. CORRECTION OF PRIOR PERIOD ERROR

In 2015, the First Nation did not capitalize \$141,108 of the Microhydro project costs.

From 2012 to 2015, the First Nation did not record investment activity on Hayu Fishing Limited Partnership and Hayu Fishing Ltd.

The 2015 comparative figures were restated to reflect the following changes:

- Increase in tangible capital assets, investment in tangible capital assets, accumulated operating fund surplus and decrease in operating fund expenses by \$141,108; and
- Increase in investment in Hayu Fishing Limited Partnership by \$201,205, increase in deficit in Hayu Fishing Ltd. by \$783 and decrease in enterprise fund deficit by \$200,422.

13. COMPARATIVE FIGURES

Certain 2016 comparative figures have been changed to reflect financial statement presentation adopted in the current year.

14. BUDGET AMOUNTS

Unaudited budget figures have been provided for comparison purposes and have been derived from the estimates provided by the First Nation.

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

15. EXPENSES BY OBJECT

	2017	2016
Amortization	\$ 844,880	\$ 837,179
Bad debt	23,488	-
Bank charges and interest	18,603	19,863
Basic needs	104,754	82,683
Contracted services	278,788	225,492
Fuel	459,207	474,952
Honoraria	102,652	86,040
Insurance	49,007	49,266
Other	24,443	7,172
Professional fees	252,786	87,159
Repairs and maintenance	264,474	235,846
Supplies	133,739	94,360
Telephone	29,939	30,885
Training and workshops	52,912	4,073
Travel	433,703	330,023
Wages and benefits	678,181	539,974
	<hr/> \$ 3,751,556	<hr/> \$ 3,104,967

16. SEGMENTED REPORTING

The First Nation provides a wide variety of services and programs to its members. These services and programs are reported under various funds as disclosed in note 1(a).

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

16. SEGMENTED REPORTING (continued)

PROGRAMS	Revenue	Expenses	Excess (Deficiency) of Revenue over Expenses	Fund Transfers	Program Transfers	Program Increase (Decrease)	Surplus (Deficit) at Beginning of Year	Surplus (Deficit) at End of Year
Operating Fund								
Band management	\$ 285,440	\$ 619,809	\$ (334,369)	\$ -	\$ 434,919	\$ 100,550	\$ 119,301	\$ 219,851
Community initiatives	1,190,379	30,388	1,159,991	(22,088)	(1,120,503)	17,400	350,953	368,353
Community operations	510,367	1,011,001	(500,634)	-	566,714	66,080	(97,254)	(31,174)
Community and human services	499,078	498,115	963	-	13,190	14,153	14,710	28,863
Home care services	9,137	20,181	(11,044)	-	11,044	-	-	-
National child benefit	12,860	8,145	4,715	-	-	4,715	-	4,715
Safe water operations	15,600	15,600	-	-	-	-	-	-
Nature conservancy	40,124	14,554	25,570	-	-	25,570	(11)	25,559
Child welfare	37,035	37,035	-	-	-	-	-	-
Family violence	3,305	1,681	1,624	-	-	1,624	-	1,624
Own source revenue	-	-	-	-	-	-	568,066	568,066
Social development	82,461	138,169	(55,708)	-	36,615	(19,093)	(1,655)	(20,748)
Education	264,468	271,201	(6,733)	-	5,925	(808)	190,030	189,222
Language and culture	4,183	4,183	-	-	-	-	-	-
Housing and infrastructure	438,353	421,927	16,426	210,641	-	227,067	983,531	1,210,598
Iisaak special claims	-	7,821	(7,821)	-	20,000	12,179	2,564	14,743
Forest and range operations	176,410	262,899	(86,489)	-	(12,678)	(99,167)	431,712	332,545
Fisheries	193,810	151,236	42,574	-	5,000	47,574	132,626	180,200
Economic development	237	75,279	(75,042)	71,457	25,000	21,415	(5,518)	15,897
Forestry	675	109,340	(108,665)	-	14,774	(93,891)	(20,277)	(114,168)
	3,763,922	3,698,564	65,358	260,010	-	325,368	2,668,778	2,994,146
Social Housing Fund								
Social Housing operations	176,376	157,808	18,568	-	(29,191)	(10,623)	(585,242)	(595,865)
Replacement reserve	157	19,912	(19,755)	-	24,013	4,258	285,877	290,135
Operating reserve	-	-	-	-	5,178	5,178	52,341	57,519
	176,533	177,720	(1,187)	-	-	(1,187)	(247,024)	(248,211)
Treaty Fund								
Treaty operations	41,347	74	41,273	-	-	41,273	37,501	78,774
Treaty debt	-	-	-	-	-	-	(2,222,601)	(2,222,601)
	41,347	74	41,273	-	-	41,273	(2,185,100)	(2,143,827)
Enterprise Fund								
	347,667	13,649	334,018	22,088	-	356,106	(998,789)	(642,683)
Trust Fund								
	2,587	-	2,587	-	-	2,587	45,398	47,985
Subtotal	4,332,056	3,890,007	442,049	282,098	-	724,147	(716,737)	7,410
Add capital projects	1,727,289	794,556	932,733	(615,125)	-	317,608	-	317,608
Less internal recoveries	(676,410)	(676,410)	-	-	-	-	-	-
Add capital transfers	-	(256,597)	256,597	333,027	-	589,624	7,107,834	7,697,458
TOTAL	\$ 5,382,935	\$ 3,751,556	\$ 1,631,379	\$ -	\$ -	\$ 1,631,379	\$ 6,391,097	\$ 8,022,476
RESTRICTED SURPLUS (DEFICIT):								
Social development						\$ (1,655)	\$ (20,748)	
Residential and infrastructure						983,531	1,210,598	
Social Housing Fund						(247,024)	(248,211)	
Treaty Fund						37,501	78,774	
Trust Fund						45,398	47,985	
Tangible capital assets projects						-	317,608	
TOTAL RESTRICTED SURPLUS						\$ 817,751	\$ 1,386,006	