
HESQUIAHT FIRST NATION

**FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019**

HESQUIAHT FIRST NATION

YEAR ENDED MARCH 31, 2019
CONTENTS

	<u>Page</u>
Management's Responsibility for Financial Reporting	1
Independent Auditors' Report	2 - 3
SUMMARY OF FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Net Assets	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 20

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.


Councillor


Councillor


Councillor


Councillor

INDEPENDENT AUDITORS' REPORT

To the members
Hesquiaht First Nation

Opinion

We have audited the accompanying consolidated financial statements of Hesquiaht First Nation, which comprise the consolidated financial position as at March 31, 2019, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position as at March 31, 2019, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

McGowan Nelson
CHARTERED PROFESSIONAL ACCOUNTANTS

Parksville, Canada
July 25, 2019

HESQUIAHT FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash (note 4)	\$ 1,226,750	\$ 2,018,553
Funds on deposit in Ottawa Trusts (note 4)	53,619	50,763
Accounts receivable (note 5)	1,457,089	419,524
Receivable from Ma-mook Natural Resources Ltd.	25,533	50,933
Investment in Hayu Fishing Limited Partnership (note 6)	1,022,117	815,112
	3,785,108	3,354,885
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	296,677	536,259
Damage deposits	1,916	1,916
Deficit in Hayu Fishing Ltd. (note 7)	1,823	1,596
Long term debt (note 8)	2,600,985	2,620,920
	2,901,401	3,160,691
NET ASSETS	883,707	194,194
NON-FINANCIAL ASSETS		
Prepaid expenses (note 9)	156,157	174,813
Inventory	67,830	55,489
Tangible capital assets (note 10)	9,143,681	8,698,822
	9,367,668	8,929,124
ACCUMULATED SURPLUS	\$ 10,251,375	\$ 9,123,318
ACCUMULATED SURPLUS AT END OF YEAR CONSISTS OF:		
Restricted (notes 11 and 19)	\$ 2,078,003	\$ 1,679,375
Unrestricted	1,486,225	1,269,566
	3,564,228	2,948,941
Investment in tangible capital assets	8,909,748	8,396,978
Treaty debt deficit	(2,222,601)	(2,222,601)
	\$ 10,251,375	\$ 9,123,318

Contingent liabilities (note 12)
Commitments (note 13)
Contractual right (note 14)

APPROVED ON BEHALF OF COUNCIL:

Ruth Chaulson
Wayne Chaulson

[Signature]
[Signature]

HESQUIAHT FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS YEAR ENDED MARCH 31, 2019

	Budget (unaudited)	2019	2018
REVENUE			
Nuu-chah-nulth Tribal Council - operating	\$ 2,468,208	\$ 2,773,650	\$ 2,870,508
Province of British Columbia	20,000	1,162,224	310,910
Nuu-chah-nulth Tribal Council - capital	-	466,022	1,442,488
Miscellaneous revenue and recoveries	353,920	288,024	211,240
Income from Hayu Fishing Limited			
Partnership (note 6)	-	232,005	239,217
New Relationship Trust	-	150,000	-
First Nations Education Steering Committee	42,000	65,367	54,878
Fisheries licence lease	-	56,609	57,868
NEDC grant income	-	50,000	-
Social Housing rents	82,493	45,451	69,768
CMHC subsidies	-	36,458	20,875
The Nature Conservancy	-	35,000	65,000
Probyn Log Ltd.	-	694	47,616
CMHC supplemental subsidy	-	-	206,861
Treaty 8 Tribal Association	-	-	34,100
Gain on sale of shares	-	-	13,000
Loss from Hayu Fishing Ltd. (note 7)	-	(227)	(356)
	2,966,621	5,361,277	5,643,973
EXPENSES			
Operating Fund	2,937,981	4,134,376	4,232,246
Social Housing Fund	156,820	87,244	297,991
Treaty Fund	-	72	72
Enterprise Fund	9,544	11,528	12,822
	3,104,345	4,233,220	4,543,131
ANNUAL SURPLUS (DEFICIT)	(137,724)	1,128,057	1,100,842
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	137,724	9,123,318	8,022,476
ACCUMULATED SURPLUS AT END OF YEAR	\$ -	\$ 10,251,375	\$ 9,123,318

HESQUIAHT FIRST NATION

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS YEAR ENDED MARCH 31, 2019

	2019	2018
SURPLUS FOR THE YEAR	\$ 1,128,057	\$ 1,100,842
Acquisition of tangible capital assets	(1,327,647)	(1,024,797)
Amortization of tangible capital assets	882,788	864,686
Use of inventory	55,489	12,758
Acquisition of inventory	(67,830)	(55,489)
Use of prepaid expenses	174,813	54,912
Acquisition of prepaid expenses	(156,157)	(174,813)
CHANGE IN NET ASSETS	689,513	778,099
NET ASSETS (DEBT) AT BEGINNING OF YEAR	194,194	(583,905)
NET ASSETS AT END OF YEAR	\$ 883,707	\$ 194,194

HESQUIAHT FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED MARCH 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Annual surplus	\$ 1,128,057	\$ 1,100,842
Adjust for amortization which does not involve cash	882,788	864,686
	2,010,845	1,965,528
Changes in non-cash working capital		
Decrease (Increase)		
Accounts receivable	(1,037,565)	263,336
Receivable from Ma-mook Natural Resources Ltd.	25,400	25,400
Prepaid expenses	18,656	(119,901)
Inventory	(12,341)	(42,731)
Increase (Decrease)		
Accounts payable and accrued liabilities	(239,582)	(208,227)
	(1,245,432)	(82,123)
CASH FLOWS FROM OPERATING ACTIVITIES	765,413	1,883,405
CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(1,327,647)	(954,307)
INVESTING ACTIVITIES		
Increase in investment in Hayu Fishing Limited Partnership	(207,005)	(219,217)
Increase in deficit in Hayu Fishing Ltd.	227	356
	(206,778)	(218,861)
FINANCING ACTIVITIES		
Repayment of long term debt	(19,935)	(89,622)
INCREASE (DECREASE) IN CASH	(788,947)	620,615
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	2,069,316	1,448,701
CASH AND EQUIVALENTS AT END OF YEAR	\$ 1,280,369	\$ 2,069,316
CASH AND EQUIVALENTS CONSIST OF:		
Cash	\$ 1,226,750	\$ 2,018,553
Funds on deposit in Ottawa Trusts	53,619	50,763
	\$ 1,280,369	\$ 2,069,316

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2019

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 BC 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
- Hesquiaht Enterprises Ltd.

These consolidated financial statements also include the investment and results of operations, based on the modified equity method, for the following entities:

- Hayu Fishing Limited Partnership
- Hayu Fishing Ltd.

All inter-entity balances have been eliminated on consolidation.

The First Nation indirectly owns Ma-mook Natural Resources Ltd. through its investment in Ma-mook Development Corporation. The investment is recorded at cost.

(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, 2019

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

(d) Investments in First Nation business partnerships and enterprises

Hayu Fishing Limited Partnership - a twenty-five percent partnership interest
Hayu Fishing Ltd. - a twenty-five percent ownership interest
Hesquiaht Enterprises Ltd. - a one-hundred percent ownership interest
Ma-mook Development Corporation - a twenty percent ownership interest
Ma-mook Natural Resources Ltd. - a twenty percent ownership interest through Ma-mook Development Corporation

(e) Inventory

Fuel inventory is held for consumption and is recorded at cost.

(f) 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
Vehicles	-	7 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. Assets under construction are initially recorded as work-in-progress and are not amortized until the asset is available for use.

(g) 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.

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2019

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

(h) 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 and accrued liabilities and the estimated lives of tangible capital assets. Actual results could differ from these estimates.

(i) Liability for contaminated sites

The First Nation recognizes and measures a liability for remediation of contaminated sites where:

- An environmental standard exists;
- Contaminated levels exceed the environmental standards;
- The First Nation is directly responsible or accepts responsibility;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability is based on the present value of the estimated costs directly attributable to the remediation and post-remediation activities.

As at March 31, 2019 and 2018, no contaminated sites have been identified that meet the criteria outlined in the standard.

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.

Credit risk

The First Nation is subject to normal credit risk associated with accounts receivable.

3. ECONOMIC DEPENDENCE

The First Nation receives the major portion of its operating revenue pursuant to an agreement between Nuuchah-nulth Tribal Council, its member First Nations and Indigenous Services Canada. The agreement covers the period from April 1, 2018 to March 31, 2023. The Nuuchah-nulth Tribal Council and its member First Nations have also entered into an agreement with First Nations Health Authority for the same period.

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2019

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 Phases I, II and III. During the year, the Phase I loan matured, resulting in a decrease in the amount required to be credited to the replacement reserve to \$13,926. 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, \$11,474 was held in a separate bank account included in cash. The remaining \$102,356 was receivable from the First Nation's operating fund.

(c) Subsidy Surplus Reserve - Phase 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 Phase I and II.

(d) Surplus - Phase 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 Phase III, without any subsidy recovery by CMHC. If there is a deficit in the operation of Phase III, the excess expenditures must be reimbursed to the Social Housing program by the First Nation.

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2019

5. ACCOUNTS RECEIVABLE

	2019	2018
Province of British Columbia	\$ 1,002,579	\$ -
New Relationship Trust	150,000	-
Nuu-chah-nulth Tribal Council	143,306	206,581
Social housing rent receivable from First Nation members	55,618	57,277
CMHC - Supplemental subsidy	51,715	51,715
First Nations Health Authority	15,000	-
Ecotrust Canada	13,000	13,000
Department of Fisheries and Oceans	9,250	-
Other	8,851	66,600
GST recoverable	6,219	24,351
CMHC subsidies	1,551	-
	\$ 1,457,089	\$ 419,524

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, 2018 for the partnership:

	2019	2018
Cash	\$ 718,408	\$ 711,160
Marketable securities	27,720	27,331
Accounts receivable	478,181	702,057
Due from partners	6,732	5,732
Tangible capital assets	52,537	75,692
Intangible assets	2,813,540	1,768,540
	4,097,118	3,290,512
Accounts payable and accrued liabilities	9,168	24,926
Deferred revenue	-	5,744
	9,168	30,670
Partners' equity	\$ 4,087,950	\$ 3,259,842
Revenue	\$ 1,090,004	\$ 1,155,200
Expenses	161,893	198,237
Net income	\$ 928,111	\$ 956,963

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2019

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, 2018 for the company:

	2019	2018
Investment	\$ 441	\$ 348
Accounts payable and accrued liabilities	7,731	6,371
Share capital	1	1
	7,732	6,372
Deficit	\$ (7,291)	\$ (6,024)
Revenue	\$ 93	\$ 96
Expenses	1,000	1,520
Net loss	\$ (907)	\$ (1,424)

8. LONG TERM DEBT

	2019	2018
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 Nuuchahnulth Tribal Council commits an act of bankruptcy.		

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2019

8. LONG TERM DEBT (continued)

	2019	2018
All Nations Trust Company		
Phase I Social Housing Loan	-	41,353
- Interest at 2.11% compounded semi-annually		
- Monthly payments of \$5,210 including principal and interest		
Phase II Social Housing Loan	55,515	66,181
- Interest at 1.86% compounded semi-annually		
- Renewing February 1, 2024		
- Monthly payments of \$985 including principal and interest		
Phase III Social Housing Loan	178,418	194,310
- Interest at 1.86% compounded semi-annually		
- Renewing April 1, 2024		
- Monthly payments of \$1,618 including principal and interest		
Nuu-chah-nulth Economic Development Corporation		
Forgivable Loan #1	-	25,000
- Forgivable at a rate of one dollar for each dollar		
of principal repaid on term loan #2		
Term Loan #2	-	22,792
- Interest at 8% per annum		
- Monthly payments of \$965 including principal and interest		
starting once loan advanced at full amount of \$60,000		
Term Loan #3	121,169	-
- Interest at 4.95% per annum		
- Monthly payments of \$1,310 including principal and interest		
Bank of Montreal		
Demand Loan	23,283	48,683
- Interest at prime plus 1.5% per annum		
- Monthly payments of \$2,117 including principal and interest		
Total long term debt	\$ 2,600,986	\$ 2,620,920

The Social Housing loans are secured by ministerial guarantees from the Department of Indigenous Services Canada. The term loan is secured by a general security agreement, a promissory note, an assignment of insurance on mortgaged assets (except motor vehicles) and a general assignment of book debt. The demand loan is secured by a general security agreement. Payments on the demand loan are being reimbursed by Ma-mook Natural Resources Ltd.

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2019

8. LONG TERM DEBT (continued)

Assuming the Social Housing loans are renewed with similar terms, principal reduction over the next five years is approximately as follows:

2020	\$ 61,233
2021	38,106
2022	2,261,756
2023	40,241
2024	40,292

9. PREPAID EXPENSES

	2019	2018
Social assistance	\$ 4,937	\$ 2,522
Prepaid expenses	85,855	107,349
Security deposits	60,950	50,600
Legal retainer	4,415	14,342
	\$ 156,157	\$ 174,813

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2019

10. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated amortization				Balance at at end of 2019	Net book value at end of 2019
	Balance at end of 2018	Additions	Disposals	Balance at end of 2019	Balance at end of 2018	Disposals	Amortization		
Land	\$ 804,507	\$ -	\$ -	\$ 804,507	\$ -	\$ -	\$ -	\$ -	\$ 804,507
Social Housing	1,820,850	-	1,004,556	816,294	1,095,400	-	22,968	1,118,368	(302,074)
Buildings	13,174,748	1,076,689	-	14,251,437	8,796,201	-	732,150	9,528,351	4,723,086
Infrastructure	5,272,654	5,000	-	5,277,654	4,919,777	-	53,987	4,973,764	303,890
Vehicles	20,244	9,800	-	30,044	1,446	-	3,592	5,038	25,006
Boats and equipment	209,552	-	-	209,552	161,228	-	12,259	173,487	36,065
Equipment	1,082,270	49,673	-	1,131,943	896,432	-	51,629	948,061	183,882
Computer equipment	56,531	1,085	-	57,616	43,905	-	6,203	50,108	7,508
Work-in-progress	2,171,855	1,189,956	-	3,361,811	-	-	-	-	3,361,811
	\$ 24,613,211	\$ 2,332,203	\$ 1,004,556	\$ 25,940,858	\$ 15,914,389	\$ -	\$ 882,788	\$ 16,797,177	\$ 9,143,681

	Cost			Accumulated amortization				Balance at at end of 2018	Net book value at end of 2018
	Balance at end of 2017	Additions	Disposals	Balance at end of 2018	Balance at end of 2017	Disposals	Amortization		
Land	\$ 804,507	\$ -	\$ -	\$ 804,507	\$ -	\$ -	\$ -	\$ -	\$ 804,507
Social Housing	1,820,850	-	-	1,820,850	1,045,076	-	50,324	1,095,400	725,450
Buildings	12,010,089	1,164,659	-	13,174,748	8,108,362	-	687,839	8,796,201	4,378,547
Infrastructure	5,272,654	-	-	5,272,654	4,865,914	-	53,863	4,919,777	352,877
Vehicles	-	20,244	-	20,244	-	-	1,446	1,446	18,798
Boats and equipment	179,969	29,583	-	209,552	151,082	-	10,146	161,228	48,324
Equipment	953,446	128,824	-	1,082,270	839,168	-	57,264	896,432	185,838
Computer equipment	43,229	13,302	-	56,531	40,100	-	3,805	43,905	12,626
Work-in-progress	2,503,670	832,844	1,164,659	2,171,855	-	-	-	-	2,171,855
	\$ 23,588,414	\$ 2,189,456	\$ 1,164,659	\$ 24,613,211	\$ 15,049,702	\$ -	\$ 864,687	\$ 15,914,389	\$ 8,698,822

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2019

11. 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 20 of the consolidated financial statements.

12. 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 \$233,933.

13. COMMITMENTS

The Province of British Columbia has granted the First Nation a licence to use land for its Microhydro project for a ten-year period, effective January 18, 2018 (Commencement date). The licensee must pay to the Province a minimum fee prior to Commencement date and on each anniversary of the commencement date during the term of this licence.

The Province of British Columbia has granted the First Nation a permit to use land in Maquinna Protected Area for its Microhydro project for a thirty-year period, effective November 15, 2018 (Commencement date). The permittee must pay to the Province a minimum fee prior to Commencement date and on each anniversary of the commencement date during the term of this permit.

The Province may, by notice to the licensee or permittee not less than 30 days prior to each anniversary of the Commencement date, increase the licence/permit fee to an amount solely determined by the Province at its discretion, and the licensee/permittee must pay the increased amount.

14. CONTRACTUAL RIGHT

The First Nation's Forest and Range Consultation and Revenue Sharing Agreement with the Province of British Columbia expired in March 2019. The new agreement with a term of three years has not been signed by the First Nation as of the date of the audit report. Once the agreement is signed, which is highly likely, the revenue for the next fiscal year to be received from the Province of British Columbia is \$160,910.

15. CORRECTION OF PRIOR PERIOD ERROR

In 2018, the First Nation did not record the costs of subcontracts on Ahtaapq Creek Hydro Project work in the amount of \$70,490.

The 2018 comparative figures were restated to reflect the following changes:

- Increase in tangible capital assets of \$70,490;
- Increase in accounts payable of \$70,490;
- Increase in Investment in Tangible Capital Assets of \$70,490; and
- Decrease in Restricted Equity by \$70,490.

HESQUIAHT FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2019

16. BUDGET AMOUNTS

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

17. EXPENSES BY OBJECT

	2019	2018
Amortization	\$ 882,788	\$ 864,685
Bad debt	8	4,089
Bank charges and interest	17,539	11,685
Basic needs	72,046	62,945
Contracted services	584,018	817,525
Fuel	456,170	318,743
Honoraria	83,850	80,413
Insurance	43,635	48,838
Other	208,088	241,889
Professional fees	127,724	64,340
Repairs and maintenance	203,401	465,480
Supplies	156,071	150,781
Telephone	30,183	32,909
Training and workshops	85,295	40,091
Travel	720,659	590,942
Wages and benefits	561,745	747,776
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	\$ 4,233,220	\$ 4,543,131

18. SETTLEMENT OFFER

An offer in the amount of \$920,986 has been made to the First Nation from the Government of Canada as compensation for a telegraph line running through the First Nation's territory.