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Hupacasath First Nation

Financial Statements

March 31, 2014

Hupacasath First Nation

Consolidated Financial Statements

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Hupacasath First Nation

Management's Statement of Responsibility for Financial Reporting

March 31, 2014

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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


Date July 29, 2014

Councillor


Date July 29, 2014

Councillor


Date July 29, 2014



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

* practicing as a professional corporation

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

McINTOSH | NORTON | WILLIAMS
certified general accountants

Independent Auditor's Report

To the Members of
Hupacasath First Nation

We have audited the accompanying consolidated financial statements of Hupacasath First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations 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 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 Hupacasath 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 accountants

Port Alberni, British Columbia

July 29, 2014

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Hupacasath First Nation

Consolidated Statement of Financial Position

	2014	2013
March 31	\$	\$
Financial Assets		
Cash	441,059	280,346
Accounts receivable	300,922	343,804
GST recoverable	29,351	20,615
Advances to related parties (Note 3)	-	70,875
Accommodation deposit	45,641	-
Restricted cash (Note 4)	158,136	91,997
Long-term investments (Note 5)	2,783,973	2,974,104
	3,759,082	3,781,741
Liabilities		
Accounts payable	322,022	233,289
GST payable	-	15,799
Committed funds (Note 6)	970,055	843,117
Wages & benefits payable	26,325	35,103
Reserves (Note 7)	41,874	37,152
Long-term debt (Note 8)	2,837,986	2,986,465
	4,198,262	4,150,925
Net financial debt	(439,180)	(369,184)
Non-financial Assets		
Tangible capital assets (Note 10)	2,876,113	3,030,059
Prepaid expenses	19,429	16,865
	2,895,542	3,046,924
Accumulated Surplus (Note 12)	2,456,362	2,677,740

Approved on behalf of the Hupacasath First Nation

 Chief
 Councilor
 Councilor

The accompanying notes are an integral part of the financial statements

Hupacasath First Nation

Consolidated Statement of Change in Net Financial Assets

	2014	2013
For the year ended March 31	\$	\$
Excess (deficiency) of revenue over expenditures	(94,153)	138,161
Acquisition of tangible capital assets	(114,187)	(233,756)
Amortization of tangible capital assets	268,133	244,668
	153,946	10,912
Acquisition of prepaid asset	(2,564)	-
Use (acquisition) of inventory	(2,564)	17,431
	(127,225)	(19,383)
Change in committed funds	(127,225)	(19,383)
(Decrease) increase in net financial assets	(69,996)	147,121
Net debt at beginning of year	(369,184)	(516,305)
Net debt at end of year	(439,180)	(369,184)

The accompanying notes are an integral part of the financial statements

Hupacasath First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31	2014 Actual	2013 Actual
	\$	\$
Revenue		
Nuu-chah-nulth Tribal Council - FNTCNFA	1,048,189	1,093,815
Sales	1,043,082	184,037
Fisheries & Oceans	357,279	222,604
Province of B.C.	189,981	287,780
BC Hydro	129,721	24,737
Nuu-chah-nulth Tribal Council - non FNTCNFA	126,123	141,289
Rental income	108,389	125,904
Administration recoveries	57,092	159,207
CMHC subsidies	43,855	135,824
New Horizons For Seniors	25,000	25,000
Other grants	13,389	49,100
Interest income	12,660	7,871
Nuu-chah-nulth Economic Development Corporation	7,631	23,371
Miscellaneous	5,998	10,833
First Nation Education Steering Committee	3,259	17,505
Tobacco sales and other	2,835	3,089
BC Special	727	721
Highway right-of-way	-	9,560
Net income (loss) from Ugnit Power Limited Partnership	(188,362)	84,726
	2,986,848	2,606,973
Expenditures		
Operating Fund (Note 15)	2,139,136	2,139,563
Social Housing Fund (Note 15)	95,696	115,257
Enterprise Fund	833,951	204,159
Treaty Fund (Note 15)	12,218	9,833
	3,081,001	2,468,812
Excess (deficiency) of revenue over expenditures	(94,153)	138,161
Surplus at beginning of year	758,363	594,990
Less: committed funds end of year	(970,055)	(843,117)
Add: Committed funds beginning of year (Note 6)	843,117	868,329
Surplus at end of year	537,272	758,363

The accompanying notes are an integral part of the financial statements

Hupacasath First Nation

Consolidated Statement of Cash Flows

	2014	2013
For the year ended March 31, 2014	\$	\$
Cash flows from		
Operating activities		
Excess (deficiency) of revenue over expenditures	(94,153)	138,161
Items not affecting cash	-	(44,796)
Correction of prior period income	(94,153)	93,365
 Change in non-cash operating working capital		
Accounts receivable	42,882	(197,930)
GST recoverable	(8,736)	(8,140)
Advances to related parties	70,875	(351)
Accommodation deposit	(45,641)	-
Prepaid expenses	(2,564)	17,430
Restricted cash	(66,139)	(17,186)
Accounts payable	88,444	136,288
GST payable	(15,799)	13,886
Deferred revenue	-	(32,514)
Wages & benefits payable	(8,778)	6,765
Reserves	4,722	(35,867)
	(34,887)	(24,254)
Capital activities		
Amortization of tangible capital assets	268,133	244,668
Acquisition of tangible capital assets	(114,187)	(233,755)
	153,946	10,913
Financing activities		
Long-term debt	(148,477)	(10,098)
Investing activities		
(Increase) decrease in investments	190,131	(84,756)
Increase (decrease) in cash and cash equivalents	160,713	(108,195)
Cash and cash equivalents, beginning of year	280,346	388,541
Cash and cash equivalents, end of year	441,059	280,346

The accompanying notes are an integral part of the financial statements

Hupacasath 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 Hupacasath 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 financial statements. Detail of the operations of each fund are set out in the supplementary schedules.

(b) Reporting Entity Principles of Financial Reporting

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

The controlled business enterprise of Uprift Power Limited Partnership, has been recorded by the First Nation using the modified equity method where applicable. See also Note 5 on Investments.

These financial statements report on the assets, liabilities and results of operations for the following entities which use accounting principles that lend themselves to consolidation:

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

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

Readers of the financial statements should refer to the Summary Financial Statements.

(c) Comparative Figures

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

Hupacasath First Nation

Notes to Consolidated Financial Statements

March 31, 2014

1. Basis of Presentation and Significant Accounting Policies (continued)

(d) Tangible Capital Assets

Property, equipment and infrastructure expenditures incurred after March 31, 1986 are valued at the acquisition cost. Expenditures incurred previous to April 1, 1986 are reflected at a nominal cost of \$1 for each capital asset classification.

Assets are amortized using the straight-line method at the annual rates set out in Note 10.

Social housing capital assets have been amortized in an amount equal to the principal reduction of the mortgage, as required for CMHC reporting purposes.

(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) 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. Economic Dependence

The 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, 2014 until March 31, 2018.

3. Advances to related parties

Advances to controlled entities are unsecured, non-interest bearing and have no fixed payment terms.

	2014	2013
	\$	\$
Ooh-ah-luk-kuu-wil Society	-	70,524
	-	70,524

Hupacasath First Nation

Notes to Consolidated Financial Statements

March 31, 2014

4. Restricted Cash

	2014	2013
	\$	\$
Ottawa Trust funds	29,749	27,882
Social Housing reserve bank	52,751	60,491
Treaty	636	3,624
In trust for Membership	75,000	-
	158,136	91,997

Hupacasath First Nation

Notes to Consolidated Financial Statements

March 31, 2014

5. Long-term investments

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

	2014	2013
	\$	\$
Tickin Power Corporation		1,820
Upnit Power Limited Partnership	2,783,919	2,972,281
650445 BC Limited	3	3
Investment in Nootka Insurance Agency LP	51	-
	<u>2,783,973</u>	<u>2,974,104</u>

The First Nation owns 100% of the outstanding shares and advances of Tickin Power Corporation, an inactive corporation. The investment is comprised of shares and advances of \$3,051 less accumulated losses of \$1,231.

The First Nation owns 72.5% of the units of Upnit Power Limited Partnership. The investment is comprised of \$3,391,250 capital investment in the partnership less the First Nation's share of accumulated net losses of \$697,375. Upnit Power Limited Partnership operates a micro hydro facility which began operations in December, 2005. The limited partnership had assets of \$10,839,207, liabilities of \$7,331,895 and a net loss of \$259,810 for the year ended December 31, 2013.

The First Nation owns 100% of the outstanding shares of 650445 BC Ltd with a cost of \$3. The company was originally incorporated to hold the First Nation's 10% interest in Eagle Rock Materials Ltd. Due to market and other conditions, management has determined that the value and cash flows from the investment are indeterminable and thus, conservatively, wrote the investment down to zero during the year ended March 31, 2011. This does not affect the future participation, if any, of the First Nation in this project.

In January 2014, the First Nation purchased 51% of the outstanding units of Nootka Insurance Agency Limited Partnership for \$51. As at March 31, 2014, the Limited Partnership had assets of \$91,162 and liabilities of \$83,219 and net income of \$7,943.

Hupacasath First Nation

Notes to Consolidated Financial Statements

March 31, 2014

6. Committed Funds

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

	2014	2013
	\$	\$
Health & Family Services	303,615	291,137
Capital - Residential	262,100	241,648
Capital - non-residential	265,332	265,332
Natural resources	139,008	45,000
	970,055	843,117

7. Reserves

	2014	2013
	\$	\$
Social Housing Replacement Reserve	40,757	31,718
Social Housing Operating Reserve	1,117	5,434
	41,874	37,152

Hupacasath First Nation

Notes to Consolidated Financial Statements

March 31, 2014

8. Long-term debt

	2014	2013
	\$	\$

NEDC, \$5,165 is repayable at \$650 per month including interest at 8% per annum; \$5,131 is forgiven at \$1 for every \$1 principal paid on the interest bearing loan; secured by a promissory note of the First Nation

10,297

Aboriginal Affairs and Northern Development Canada treaty loan, for details see Note 9

904,411

904,411

Royal Bank of Canada, although due on demand, the bank is accepting \$7,222 per month including interest at prime plus 1.35% per annum, matures 2025; secured by a general security agreement

1,025,555

1,112,222

All Nations Trust Company, repayable at \$2,010 per month including interest at 1.92% per annum, matures April 1, 2026 (renewal date is April 1, 2019), guaranteed by Aboriginal Affairs and Northern Development Canada

260,033

279,154

All Nations Trust Company, repayable at \$2,719 per month including interest at 1.53% per annum, matures October 1, 2032 (renewal date is December 1, 2017), guaranteed by Aboriginal Affairs and Northern Development Canada

527,621

552,029

NEDC, \$22,664 is repayable at \$557 per month including interest at 12% per annum; \$22,436 is forgiven at \$1 for every \$1 principal paid on the interest bearing loan, secured by PPSA and a promissory note of the First Nation

52,733

70,147

NEDC, \$51,276 is repayable at \$1,145 per month including interest at 12% per annum; \$6,929 is forgiven at \$1 for every \$1 principal paid on the interest bearing loan; secured by PPSA and a promissory note of the First Nation.

48,116

58,205

Ford Credit Corporation, repayable at \$398 per month including interest at 3.49%; secured by certain automotive equipment

19,517

2,837,986

2,986,465

Hupacasath First Nation

Notes to Consolidated Financial Statements

March 31, 2014

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

2015	182,546
2016	174,738
2017	155,506
2018	149,266
2019 and thereafter	2,175,930
	<u>2,837,986</u>

9. Treaty Loan from Aboriginal Affairs and Northern Affairs Canada

During the current year, the First Nation received no funding from the BC Treaty Commission.

For the year ended March 31, 2014, the First Nation received \$Nil in additional loan funds and \$Nil in contributions funds. These funds are to be used solely for the purpose of treaty negotiations. Loans 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 was made pursuant to instructions of the Commissioners. However, the First Nation has applied for and been granted an additional five years.
- 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) that date on which the First Nation commits an act of bankruptcy.

