

HUPACASATH FIRST NATION

FINANCIAL STATEMENTS

March 31, 2017

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March 31, 2017**

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HUPACASATH FIRST NATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
March 31, 2017

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

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

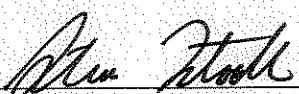
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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

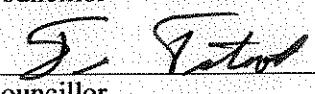
The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the financial statements and the external auditor's report.

The external auditors, Sabo, Jang & Co. Ltd., conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Hupacasath First Nation and meet when required.

On behalf of Hupacasath First Nation:

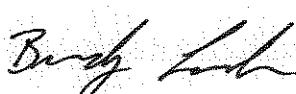

Councillor

July 31, 2017
Date


Councillor

July 31, 2017
Date


17/07/31


17/07/31



GREG K. SABO, CPA, CGA

MICHAEL JANG, CPA, CGA, CAFM

Independent Auditor's Report

To the Members of
Hupacasath First Nation

We have audited the accompanying financial statements of Hupacasath First Nation, which comprise the statement of financial position as at March 31, 2017, and the statements of revenue, expenditures and accumulated surplus, change in net debt, cash flows and the related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Hupacasath First Nation as at March 31, 2017, 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.

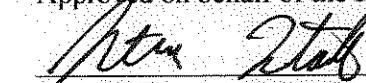
Parksville, B.C.
July 31, 2017

Sabo, Jang & Co. Ltd.
Chartered Professional Accountants

HUPACASATH FIRST NATION
STATEMENT OF FINANCIAL POSITION
March 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash	\$ 646,711	\$ 388,020
Restricted cash (Note 2)	325,104	250,232
Accounts receivable	919,619	454,244
GST recoverable	42,873	62,852
Accommodation deposit	-	46,743
Loan receivable (Note 3)	5,369,907	-
Long-term investments (Note 4)	2,681,964	2,784,200
	9,986,178	3,986,291
LIABILITIES		
Accounts payable	615,124	415,465
GST payable	33,118	14,623
Deferred revenue (Note 5)	144,135	57,880
Due from/to Related Parties (Note 6)	15,092	98,445
Committed funds (Note 7)	1,234,175	1,141,118
Wages payable	32,879	45,883
Reserves (Note 8)	48,380	48,065
Long-term debt (Note 9)	8,183,483	2,751,409
	10,306,386	4,572,888
NET DEBT	(320,208)	(586,597)
NON-FINANCIAL ASSETS		
Capital assets (Note 10)	3,226,931	3,129,642
Prepaid expenses	72,912	54,124
	3,299,843	3,183,766
ACCUMULATED SURPLUS (Note 11)	\$ 2,979,635	\$ 2,597,169

Approved on behalf of the Hupacasath First Nation

 , Councillor

 , Councillor

 , Councillor

See accompanying Notes to Financial Statements.

HUPACASATH FIRST NATION
STATEMENT OF CHANGE IN NET DEBT
For the year ended March 31, 2017

	2017	2016
EXCESS OF REVENUE OVER EXPENDITURES	\$ 475,527	\$ 309,107
Acquisition of tangible capital assets (Note 10)	(527,051)	(724,418)
Amortization of tangible capital assets	429,758	325,116
	(97,293)	(399,302)
Acquisition of prepaid asset	(18,788)	(29,972)
Change in committed funds (Note 7)	(93,057)	(16,214)
Decrease in net financial assets	266,389	(136,381)
Net debt at beginning of year	(586,597)	(450,216)
Net debt at end of year	\$ (320,208)	\$ (586,597)

See accompanying Notes to Financial Statements.

HUPACASATH FIRST NATION
STATEMENT OF REVENUE, EXPENDITURES AND ACCUMULATED SURPLUS
For the year ended March 31, 2017

	2017	2016
REVENUE		
Sales	\$ 2,418,200	\$ 1,410,017
NTC	1,533,174	1,408,476
Province of BC	218,361	161,736
Department of fisheries and oceans	355,415	464,970
Rental Income	169,786	135,092
Other grants	140,924	4,000
Interest income	113,665	4,706
Lease income	78,627	-
Administration recoveries	70,343	99,817
CMHC subsidies	52,923	43,860
Miscellaneous Revenue	38,039	6,391
Other revenue	25,497	85,205
BC Hydro	23,754	39,012
Nuu-chah-nulth Economic Development Corporation	20,652	160,439
Net income for Nootka Insurance Agency	5,827	6,194
FNESC	3,694	3,631
Donations	2,050	-
BC special	749	-
Income from Tsumas-as Tseafoods LP	(14,837)	84,975
Net income/loss from Kleekhoot Gold LP	(38,836)	-
Loss from Upnit Power Limited Partnership	(40,326)	(77,037)
Net income - HFN Environmental Waste Disposal LP	(27,544)	-
	<hr/> \$ 5,150,137	<hr/> \$ 4,041,484

See accompanying Notes to Financial Statements.

HUPACASATH FIRST NATION
STATEMENT OF REVENUE, EXPENDITURES AND ACCUMULATED SURPLUS
For the year ended March 31, 2017

	2017	2016
EXPENDITURES		
Administration fees	\$ 13,200	\$ 7,200
Amortization	429,852	325,116
Bad debts	63,516	9,851
Basic needs	210,498	196,222
Community support programs	98,303	121,340
Consultant fees	252,369	361,630
Contracts	445,821	472,955
Election expense	4,200	2,330
Equipment lease	1,604	16,734
Fire protection	2,779	18,665
Food fish expense	1,181	-
Fuel	14,346	15,943
Honoraria	100,294	108,660
Housing renovations	44,268	21,010
Insurance	52,938	58,420
Interest and bank charges	5,285	2,987
Interest on long-term debt	166,498	62,359
Licences, dues and fees	4,220	14,114
Materials and supplies	80,344	55,245
Meetings	18,325	7,732
Membership distribution	58,400	51,800
NCN Family Gathering	88,247	-
National Child Tax Benefit	23,301	24,551
Office expenses	53,385	51,947
Operating reserve transfers	1,282	3,463
Patient transportation	17,400	26,302
Policy and procedures project	37,464	-
Production costs	1,362,939	735,049
Professional fees	36,405	42,536
Property tax	12,578	8,962
RRAP Renovations	12,409	5,995
Reforestation	8,512	550
Rent	4,596	5,936
Rental property costs	5,245	27,074
Repairs and maintenance	70,688	59,320
Replacement reserve transfers	12,000	12,000
Special needs	13,129	14,703
Student allowances	9,950	9,933
Student transportation	-	82
Telecommunications	14,094	18,624
Training	1,034	3,360
Travel	25,805	20,946
Tuition - preschool	2,102	5,050
Utilities	80,345	53,125
Wages and benefits	713,459	672,556

See accompanying Notes to Financial Statements.

HUPACASATH FIRST NATION
STATEMENT OF REVENUE, EXPENDITURES AND ACCUMULATED SURPLUS
For the year ended March 31, 2017

	2017	2016
	4,674,610	3,732,377
EXCESS OF REVENUE OVER EXPENDITURES	475,527	309,107
ACCUMULATED SURPLUS AT BEGINNING OF YEAR		
As previously stated	1,607,496	1,384,180
Prior period adjustment	85,791	-
As restated	1,693,287	1,384,180
ACCUMULATED SURPLUS AT END OF YEAR	\$ 2,168,814	\$ 1,693,287

See accompanying Notes to Financial Statements.

HUPACASATH FIRST NATION
STATEMENT OF CASH FLOWS
For the year ended March 31, 2017

	2017	2016
Cash flows from Operating activities		
EXCESS OF REVENUE OVER EXPENDITURES	\$ 475,527	\$ 309,107
Change in non-cash operating working capital		
Accounts receivable	(465,375)	(237,909)
GST recoverable	19,979	(6,733)
Prepaid expenses	(18,788)	(29,972)
Loan receivable	(5,369,907)	-
Accounts payable	199,659	121,625
GST payable	18,495	5,532
Deferred revenue	86,255	57,880
Wages payable	(13,004)	13,683
Reserves	315	(949)
Due from/to Related Parties	(83,353)	61,410
Accommodation deposit	46,740	(561)
	(5,103,457)	293,113
Capital activities		
Increase in amortization	429,758	325,116
Acquisition of tangible capital assets	(527,047)	(724,417)
	(97,289)	(399,301)
Financing activities		
Long-term debt	5,432,074	138,541
Investing activities		
(Increase) decrease in investments	102,235	31,442
Increase in cash and cash equivalents	333,563	63,795
Cash and cash equivalents, beginning of year	638,252	574,457
Cash and cash equivalents, end of year	\$ 971,815	\$ 638,252
Represented by		
Cash	\$ 646,711	\$ 388,020
Restricted cash	325,104	250,232
	\$ 971,815	\$ 638,252

See accompanying Notes to Financial Statements.

**HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2017**

BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 of the First Nation have been recorded by the First Nation using the modified equity method where applicable. See Note 4 on Investments.

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:

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 consolidated Financial Statements.

(c) Comparative figures

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

**HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2017**

BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Hupacasath First Nation's incremental cost of borrowing.

Amortization is provided for on a straight-line basis over their estimated useful lives as follows:

Buildings	20 years Straight line
Automotive equipment	5 years Straight line
Computer equipment	3 years Straight line
Roads and Parking Lots	20 years Straight line
Equipment	5 years Straight line
Infrastructure	20 years Straight line
Computer software	3 years Straight line
Boats	8 years Straight line
Fencing	5 years Straight line
Equipment (10 year)	10 years Straight line

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

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.

(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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

2. RESTRICTED CASH

	2017	2016
	\$	\$
Ottawa Trust Funds	\$ 33,998	\$ 32,613
Social Housing reserve bank	51,461	50,996
Treaty	611	642
In Trust for Membership	171,943	165,981
Security for BMO Loan	67,091	-
	<hr/>	<hr/>
	\$ 325,104	\$ 250,232

Ottawa trust fund accounts arise from moneys 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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

Social Housing funds held in Replacement and Operating Reserves according to the terms of the agreements with CMHC under Section 95 of the National Housing Act of Canada are presented on the Statements of Funded Reserves with the Social Housing Fund financial information.

Under the terms of the agreements with CMHC these funds, along with accumulated interest, must be held in separate bank accounts and/or invested in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise may be mutually agreed to by the First Nation and CMHC. Withdrawals from the reserves are credited to interest first and then to principal.

Treaty funds are restricted to use on treaty related activities.

In trust for membership funds was held in a GIC to earning 0.7% interest.

Security for BMO loan is an internally restricted amount to ensure that the First Nation has cash reserves to cover the monthly payments of the BMO loan for Upnit Power LP, if Upnit Power LP is unable to make its monthly loan payment to the First Nation. This amount was invested in a GIC earning 0.7% interest.

3. LOAN RECEIVABLE

	2017	2016
Upnit Power Limited Partnership, repayable at \$56,697 per month including interest at 4.00% per annum, guaranteed by a General Security Agreement, maturity date July 31, 2021.	\$ 5,369,907	\$ -
	<hr/>	<hr/>
	\$ 5,369,907	\$ -

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

4. 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:

	2017	2016
Investment in Nootka Insurance Agency LP	\$ 5,877	\$ 51
Investment in Tsumas-as Tseafoods LP	145,948	160,785
Investment in Upnit Power LP	2,583,035	2,623,361
Investment in 650445 BC Ltd.	3	3
Investment in HFN Environmental Waste Disposal LP	(27,554)	-
Investment in Kleekhoot Gold LP	(25,345)	-
	<hr/> \$ 2,681,964	<hr/> \$ 2,784,200

The First Nation owns 51% of the outstanding units of Nootka Insurance Agency Limited Partnership. The investment is comprised of \$51 capital investment in the partnership, plus the First Nations share of accumulated income of \$5,826. Nootka Insurance Agency operates an insurance brokerage servicing the public. As at December 31, 2016, the partnership had assets of \$26,520, liabilities of \$14,994 and net income of \$11,426 for the year then ended.

The First Nation owns 99.99% of the outstanding units of Tsumas-as Tseafoods Limited Partnership. This investment is comprised of \$75,010 capital investment in the partnership plus the First Nation's share of the accumulated net income of \$104,973. Tsumas-as Tseafoods LP manages fishing operations for the First Nation. As at December 31, 2016, the limited partnership had assets of \$239,848 and liabilities of \$88,589 and a net loss for the period then ended of \$14,837.

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 \$767,889. Upnit Power Limited Partnership operates a micro hydro facility which began operations in December, 2005. As at December 31, 2016, the partnership had assets of \$9,682,044, liabilities of \$6,446,817 and a net loss of \$55,622 for the year then ended.

The First Nation owns 100% of the outstanding shares of 650455 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.

The First Nation owns 99.99% of the outstanding units of HFN Environmental Waste Disposal Services Limited Partnership. The investment is comprised of \$10 capital investment in the partnership less the First Nations's share of net losses of \$27,544. HFN Environmental Waste Disposal Services LP operates and waste collection and disposal operation that services the public. As at December 31, 2016, the partnership had assets of \$992, liabilities of \$32,038, and net loss of \$27,544 for the year then ended.

The First Nation owns 99.99% of the outstanding units of Kleekhoot Gold Limited Partnership. The investment is comprised of \$13,491 capital investment in the partnership less the First Nation's share of net losses of \$38,836. Kleekhoot Gold LP operates a maple syrup production and bottling company that sells its products. As at December 31, 2016, the partnership had assets of \$15,667, liabilities of \$45,574

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

4. LONG-TERM INVESTMENTS, continued

and net income of \$43,399 for the year then ended.

5. DEFERRED REVENUE

	2017	2016
NTC - Capital Infrastructure funds	\$ 1,370	\$ - 57,460
Rental Income	- 420	420
Province of BC - Cedar Strategy Contract	95,000	-
Funding for garden creation	43,786	-
P&ID - File archiving and scanning project	2,400	-
Elders fundraising	969	-
Social housing prepaid rent	610	-
	<hr/> \$ 144,135	<hr/> \$ 57,880

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

6. DUE FROM/TO RELATED PARTIES

The exchange method of measuring related party transactions is used by the First Nation.

	2017	2016
Due from/to Tsumas-as Tseafoods LP	\$ (38,797)	\$ (133,296)
Due from/to Nootka Insurance LP	500	-
Due from/to Kleekhoot Gold LP	97,329	24,983
Due from/to HFN Environmental Waste Disposal Services LP	40,167	8,176
Due from/to 1054423 Fisheries LP	(114,291)	1,692
Due from/to Upnit Power LP	-	-
	<hr/>	<hr/>
	\$ (15,092)	\$ (98,445)

Tsumas-as Tseafoods LP (TTLP) is controlled by the First Nation. The First Nation received \$105,304 of lease income and \$12,500 of administration fees from TTLP. There was a \$94,499 increase in the due from TTLP account related to the First Nation funding the business activities of TTLP. There is \$11,459 included in accounts receivable at the year end.

Nootka Insurance LP (NILP) is controlled by the First Nation. The First Nation paid \$70,896 in insurance premiums to NILP. There was a \$500 increase in the due from NILP account related to the First Nation funding the business activities of NILP. There was nothing payable to or receivable from NILP at the year end.

Kleekhoot Gold LP (KGLP) is controlled by the First Nation. The First Nation did not receive any income or pay any expense to KGLP. There was a \$72,346 increase in the due from KGLP account related to the First Nation funding the business activities of KGLP. There was nothing payable to or receivable from KGLP at the year end.

HFN Environmental Waste Disposal Services LP (HFNEWLP) is controlled by the First Nation. The First Nation received \$38,323 of lease income and paid \$36,447 in collection fees to HFNEWLP. The due from HFNEWLP increased by \$31,991 related to the First Nation funding the business activities of HFNEWLP. There is accounts payable of \$279 at the year end.

1054423 Fisheries LP (105LP) is 47% owned by Tsumas-as Tseafoods LP which is controlled by the First Nation. There was no revenue or expenses recorded in the financial statements originating from 105LP. The due from 105LP decreased by \$115,983 related to the First Nation collecting revenue for 105LP. There is \$147 included in accounts receivable at year end.

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

7. COMMITTED FUNDS

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

	2017	2016
Health & Family Services	\$ 359,250	\$ 359,250
Capital - Residential	223,128	243,779
Capital - Non-residential	429,174	361,988
Natural Resources	222,623	176,101
	<hr/> \$ 1,234,175	<hr/> \$ 1,141,118

8. RESERVES

	2017	2016
Social Housing Replacement Reserve	\$ 37,929	\$ 43,466
Social Housing Operating Reserve	10,451	4,599
	<hr/> \$ 48,380	<hr/> \$ 48,065

9. LONG-TERM DEBT

	2017	2016
Indigenous & Northern Affairs Canada treaty loan, for details see Note 14.	\$ 904,411	\$ 904,411
Toyota Credit Canada Inc., repayable at \$836 per month including interest at 4.99%, matures October 2020; secured by certain automotive equipment.	34,786	
Ford Credit Corporation, repayable at \$398 per month including interest at 3.49%, matures August 2018; secured by certain automotive equipment.	6,590	11,050
NEDC, repayable at \$2,454 per month including interest at 8% per annum, matures July 2019; secured by PPSA and a promissory note of the First Nation.	82,584	112,584
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.	-	852,222

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

9. LONG-TERM DEBT, continued

	2017	2016
Bank of Montreal, although due on demand, the bank is accepting \$8,384 per month including interest at prime plus 0.5% per annum, matures 2026; secured by a general security agreement.	823,153	-
All Nations Trust Company, repayable at \$2,010 per month including interest at 1.92% per annum, guaranteed by Hupacasath First Nation and the Federal Government, renewal date is April 2019 (matures April 2026).	201,305	221,056
All Nations Trust Company, repayable at \$2,719 per month including interest at 1.53% per annum, guaranteed by Hupacasath First Nation and the Federal Government, renewal date is December 2017 (matures October 2032).	452,840	477,788
NEDC, repayable at \$1,480 per month including interest at 8% per annum; \$11,449 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.	71,271	96,455
NEDC, interest only payments at 8% per annum, matures December 2023; \$24,923 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.	244,894	75,843
<u>BMO Loan, repayable at \$54,853 per month including interest at 3.30% per annum, matures September 2026; secured by the Upnit Power LP assets and a General Security Agreement.</u>	<u>5,361,649</u>	<u>-</u>
	<u>\$ 8,183,483</u>	<u>\$ 2,751,409</u>

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10. TANGIBLE CAPITAL ASSETS

	Cost	Additions	Accumulated amortization	2017 Net book value
Land	\$ 66,625	\$ -	\$ -	\$ 66,625
Buildings	2,956,997	46,678	2,240,221	763,455
Automotive equipment	623,405	94,052	392,248	325,209
Computer equipment	141,378	8,225	144,121	5,482
Roads and Parking Lots	237,444	-	52,330	185,114
Equipment	278,800	242,204	281,628	239,375
Signage	3,100	-	1,550	1,550
Social Housing	1,460,353	-	408,902	1,051,451
Infrastructure	1,267,225	-	1,104,749	162,476
Computer software	6,020	9,368	9,143	6,245
Boats	315,735	-	111,311	204,424
Fencing	12,039	21,937	13,136	20,840
Equipment (10 year)	197,636	104,583	107,535	194,684
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	\$ 7,566,757	\$ 527,047	\$ 4,866,874	\$ 3,226,930
	Cost	Additions	Accumulated amortization	2016 Net book value
Land	\$ 66,625	\$ -	\$ -	\$ 66,625
Buildings	2,850,971	106,027	2,119,775	837,223
Automotive equipment	306,033	317,372	272,019	351,386
Computer equipment	141,378	-	138,766	2,612
Roads and Parking Lots	210,454	26,990	40,458	196,986
Equipment	245,130	33,670	243,892	34,908
Signage	-	3,100	517	2,583
Social Housing	1,460,353	-	363,291	1,097,062
Infrastructure	1,267,225	-	1,082,915	184,310
Computer software	6,020	-	5,305	715
Boats	122,570	193,165	75,564	240,171
Fencing	12,039	-	12,039	-
Equipment (10 year)	153,543	44,093	82,575	115,061
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	\$ 6,842,341	\$ 724,417	\$ 4,437,116	\$ 3,129,642

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
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11. ACCUMULATED SURPLUS

	2017	2016
Surplus per summary schedule	\$ 2,168,812	\$ 1,693,286
Committed funds	(1,234,177)	(1,143,702)
Contributed equity	2,045,000	2,045,000
	<hr/>	<hr/>
	\$ 2,979,635	\$ 2,594,584

12. PRIOR PERIOD ADJUSTMENT

A prior period adjustments was made to correct the investment in Tsumas-as Tseafoods LP. The effect of the correction in the prior year is an increase in net income of \$26,623, a decrease in equity of 24,347, and a increase in Investments in Tsumas-as Tseafoods LP of \$2,246. The effect in the current year is a increase in equity of \$2,246 and an increase in Investment in Tsumas-as Tseafoods LP of \$2,246.

The second prior period adjustment was made to recognize income recorded in due to/from accounts in the prior year. The effect of the correction in the prior year is to decrease in due to/from related parties of \$34,851, and an increase in net income of \$34,851. The effect on the current year is an increase in equity of \$34,851 and a decrease in due to/from related parties of \$34,851.

The financial statements of the prior periods presented are presented as restated.

13. ECONOMIC DEPENDENCE

Hupacasath 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 Indigenous and Northern Affairs Canada (INAC). This current agreement covers the period April 1, 2014 until March 31, 2018.

14. TREATY LOAN FROM INDIAN AND NORTHERN AFFAIRS CANADA

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

- a) the twelfth (12th) anniversary of the date on which the first loan advance was made pursuant to the 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;

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NOTES TO FINANCIAL STATEMENTS
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14. TREATY LOAN FROM INDIAN AND NORTHERN AFFAIRS CANADA, continued

	2017	2016
Loan amount received in prior years	\$ 904,411	\$ 904,411
<u>Loan amount received in current years</u>	<u>-</u>	<u>-</u>
Loan balance, end of year	\$ 904,411	\$ 904,411

15. CONTINGENT LIABILITIES

- a) The First Nation is contingently liable for guarantees of mortgages of members' residences situated on reserve. The total amount of such mortgages as at March 31, 2017 is \$391,896 (2016 - \$443,915)
- b) The First Nation is contingently liable on a loan made by Western Economic Diversification Canada to the First Nation controlled entity Upnit Power Limited Partnership. The balance of the loan at December 31, 2016 was \$148,150 (2015 - \$223,750). The First Nation's contingent liability is limited to its 72.5% share in the limited partnership.
- c) The First Nation is contingently liable for \$126,098 loaned by Canadian Mortgage and Housing Corporation to the First Nation controlled entity Ooh-ah-tluk-kuu-wil Society. Commencing in August 2007, the loan is forgiven at a rate of one fifteenth of the original principal amount for each year the Society continues to own and operate the safehouse project.
- d) The First Nation and individual band members have entered into loan agreements with Canada Mortgage and Housing Corporation to finance renovations under the On-Reserve Residential Rehabilitation Assistance Program (RRAP). The loans are forgivable over the terms of the agreements (between 1 and 5 years) provided the First Nation is not in default under the agreement and that the band members continue to own and occupy their houses during the term. As the First Nation has and intends to continue to comply with the loan agreement, the loan has been classified as a conditional grant, with loan proceeds recognized as revenue as the funds are received under the terms of the agreement. No liability has been recorded in the financial statements. The balance of contingent loan payable as at March 31, 2016 is \$67,710.

16. FINANCIAL INSTRUMENTS

The financial instruments of the First Nation consist of cash, accounts receivable, accounts payable and accruals, wages payable and 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.