

**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.

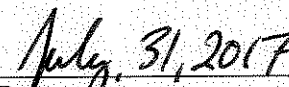
The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the financial statements.

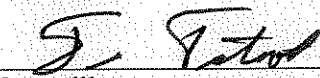
The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the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

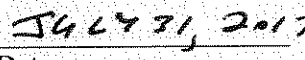
The external auditors, Sabo, Jang & Co. Ltd., conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Hupacasath First Nation and meet when required.

On behalf of Hupacasath First Nation:

  
Councillor

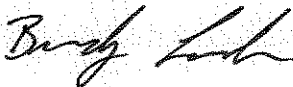
  
Date

  
Councillor

  
Date











# SABO, JANG & CO. LTD.

(A Professional Corporation)

Chartered Professional Accountants

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.

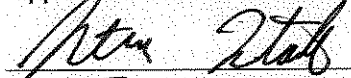
Parksville, B.C.  
July 31, 2017

*Sabo, Jang & Co. Ltd.*  
Chartered Professional Accountants

**HUPACASATH FIRST NATION**  
**STATEMENT OF FINANCIAL POSITION**  
**March 31, 2017**

|                                      | 2017                | 2016                |
|--------------------------------------|---------------------|---------------------|
| <b>FINANCIAL ASSETS</b>              |                     |                     |
| 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           |
|                                      | <b>9,986,178</b>    | <b>3,986,291</b>    |
| <b>LIABILITIES</b>                   |                     |                     |
| 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           |
|                                      | <b>10,306,386</b>   | <b>4,572,888</b>    |
| <b>NET DEBT</b>                      | <b>(320,208)</b>    | <b>(586,597)</b>    |
| <b>NON-FINANCIAL ASSETS</b>          |                     |                     |
| Capital assets (Note 10)             | 3,226,931           | 3,129,642           |
| Prepaid expenses                     | 72,912              | 54,124              |
|                                      | <b>3,299,843</b>    | <b>3,183,766</b>    |
| <b>ACCUMULATED SURPLUS (Note 11)</b> | <b>\$ 2,979,635</b> | <b>\$ 2,597,169</b> |

Approved on behalf of the Hupacasath First Nation

 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                |
|--|---------------------|---------------------|
| <b>EXCESS OF REVENUE OVER EXPENDITURES</b>       | <b>\$ 475,527</b>   | <b>\$ 309,107</b>   |
| 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                          | <b>\$ (320,208)</b> | <b>\$ (586,597)</b> |

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                |
|--|---------------------|---------------------|
| <b>REVENUE</b>                                   |                     |                     |
| 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)            | -                   |
|  | <b>\$ 5,150,137</b> | <b>\$ 4,041,484</b> |

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     |
|-------------------------------|-----------|----------|
| <b>EXPENDITURES</b>           |           |          |
| 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           |
| <b>EXCESS OF REVENUE OVER EXPENDITURES</b>      | 475,527             | 309,107             |
| <b>ACCUMULATED SURPLUS AT BEGINNING OF YEAR</b> |                     |                     |
| As previously stated                            | 1,607,496           | 1,384,180           |
| Prior period adjustment                         | 85,791              | -                   |
| As restated                                     | 1,693,287           | 1,384,180           |
| <b>ACCUMULATED SURPLUS AT END OF YEAR</b>       | <b>\$ 2,168,814</b> | <b>\$ 1,693,287</b> |

See accompanying Notes to Financial Statements.

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

|  | 2017        | 2016       |
|--|-------------|------------|
| <b>Cash flows from</b>                       |             |            |
| <b>Operating activities</b>                  |             |            |
| 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    |
| <b>Capital activities</b>                    |             |            |
| Increase in amortization                     | 429,758     | 325,116    |
| Acquisition of tangible capital assets       | (527,047)   | (724,417)  |
|  | (97,289)    | (399,301)  |
| <b>Financing activities</b>                  |             |            |
| Long-term debt                               | 5,432,074   | 138,541    |
| <b>Investing activities</b>                  |             |            |
| (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.

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**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.

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**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              | 20years Straight line |
| Automotive equipment   | 5years Straight line  |
| Computer equipment     | 3years Straight line  |
| Roads and Parking Lots | 20years Straight line |
| Equipment              | 5years Straight line  |
| Infrastructure         | 20years Straight line |
| Computer software      | 3years Straight line  |
| Boats                  | 8years Straight line  |
| Fencing                | 5years Straight line  |
| Equipment (10 year)    | 10years 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            | -                 |
|                             | <u>\$ 325,104</u> | <u>\$ 250,232</u> |

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        | \$ -        |
|  | <u>\$ 5,369,907</u> | <u>\$ -</u> |



**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)            | -                   |
|   | <u>\$ 2,681,964</u> | <u>\$ 2,784,200</u> |

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      |
|--|------------|-----------|
|  | \$ 1,370   | \$ -      |
| NTC - Capital Infrastructure funds         | -          | 57,460    |
| Rental Income                              | -          | 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        | -         |
|  | 610        | -         |
| Social housing prepaid rent                | 610        | -         |
|  | \$ 144,135 | \$ 57,880 |



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**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                               | -                  | -                  |
|  | <u>\$ (15,092)</u> | <u>\$ (98,445)</u> |

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.

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**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             |
|                           | <u>\$ 1,234,175</u> | <u>\$ 1,141,118</u> |

**8. RESERVES**

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

**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    |

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**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              |
| 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.  | 5,361,649           | -                   |
|  | <u>\$ 8,183,483</u> | <u>\$ 2,751,409</u> |

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**10. TANGIBLE CAPITAL ASSETS**

|                        | Cost                | Additions         | Accumulated<br>amortization | 2017<br>Net book<br>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                   |
|                        | <b>\$ 7,566,757</b> | <b>\$ 527,047</b> | <b>\$ 4,866,874</b>         | <b>\$ 3,226,930</b>       |

|                        | Cost                | Additions         | Accumulated<br>amortization | 2016<br>Net book<br>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                   |
|                        | <b>\$ 6,842,341</b> | <b>\$ 724,417</b> | <b>\$ 4,437,116</b>         | <b>\$ 3,129,642</b>       |

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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           |
|                              | <u>\$ 2,979,635</u> | <u>\$ 2,594,584</u> |

**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 Nuuchah-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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**14. TREATY LOAN FROM INDIAN AND NORTHERN AFFAIRS CANADA, continued**

|                                       | 2017       | 2016       |
|---------------------------------------|------------|------------|
| Loan amount received in prior years   | \$ 904,411 | \$ 904,411 |
| Loan amount received in current years | -          | -          |
| 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.