

**OLD MASSETT VILLAGE COUNCIL
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015**

OLD MASSETT VILLAGE COUNCIL
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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Old Massett Village Council for the year ended March 31, 2015 are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies is described in Note 1 to the consolidated financial statements. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material aspects.

Old Massett Village Council's management is responsible for maintaining systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and Old Massett Village Council's assets are appropriately accounted for and adequately safeguarded.

Old Massett Village Council's Chief and Council are responsible for ensuring that management fulfills its responsibilities of financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

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

The consolidated financial statements have been audited by MNP LLP in accordance with Canadian generally accepting auditing standards on behalf of the members. MNP LLP has full and free access to the Chief and Council with regard to audit requirements.

On behalf of Old Massett Village Council



INDEPENDENT AUDITOR'S REPORT

To the Members,
Old Massett Village Council:

We have audited the accompanying consolidated financial statements of Old Massett Village Council, which comprise the consolidated statements of financial position as at March 31, 2015 and the consolidated statements of change in net financial assets, operations and accumulated surplus (deficit) and cash flows 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 consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Old Massett Village Council derives a portion of its revenue from cash sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to cash revenues, accumulated surplus (deficit), assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these consolidated statements present fairly, in all material respects, the financial position of Old Massett Village Council as at March 31, 2015 and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The consolidated financial statements of Old Massett Village Council for the year ended March 31, 2014 were audited by KNV Chartered Accountants LLP of Surrey, British Columbia, prior to its merger with MNP LLP. KNV Chartered Accountants LLP expressed a qualified opinion on those consolidated statements on July 25, 2014.

July 24, 2015
Surrey, British Columbia

MNP
LLP

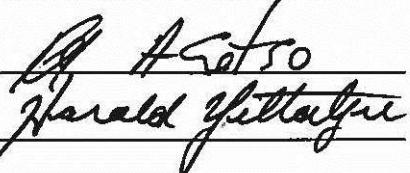
Chartered Professional Accountants

OLD MASSETT VILLAGE COUNCIL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2015 AND 2014

	2015	2014
	(Notes 14 & 15)	
FINANCIAL ASSETS:		
Cash and cash equivalents (Note 3)	\$ 859,760	\$ 996,496
Portfolio investments (Note 4)	1,519,786	1,445,650
Trust funds held by federal government (Note 5)	370,159	354,484
Accounts receivable (Note 6)	458,014	586,698
Investment in joint venture (Note 7)	1,619,442	1,606,208
Total financial assets	4,827,161	4,989,536
FINANCIAL LIABILITIES:		
Accounts payable and accrued liabilities (Note 8)	703,991	808,119
Deferred revenue (Note 9)	177,530	79,167
Long-term debt (Note 10)	880,978	1,973,754
Total financial liabilities	1,762,499	2,861,040
NET FINANCIAL ASSETS	3,064,662	2,128,496
NON-FINANCIAL ASSETS:		
Tangible capital assets (Note 11)	17,257,802	17,820,212
Prepaid expenses	136,298	69,239
Total non-financial assets	17,394,100	17,889,451
ACCUMULATED SURPLUS (Note 17)	\$ 20,458,762	\$ 20,017,947

CONTINGENT LIABILITIES (Note 12)

APPROVED BY COUNCIL:


 _____ Councillor

 _____ Councillor

The accompanying Notes are an integral part of this statement.

OLD MASSETT VILLAGE COUNCIL
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	Budget	2015	2014
		(Notes 14 & 15)	
INCREASE (DECREASE) IN NET FINANCIAL ASSETS			
Annual surplus (deficit)	\$ (142,527)	\$ 440,815	\$ (1,708,616)
Amortization of tangible capital assets	1,080,000	1,019,351	998,698
Acquisition of tangible capital assets	585,000	(463,110)	(588,736)
Gain on sale of tangible capital assets	-	(154)	(2,152)
Proceeds from sale of tangible capital assets	-	6,323	6,200
Acquisition of prepaid expenses	(99,000)	(169,120)	(98,948)
Use of prepaid expenses	\$ 165,000	102,061	164,726
Increase (decrease) in net financial assets		936,166	(1,228,828)
NET FINANCIAL ASSETS, BEGINNING OF YEAR:		2,128,496	3,357,324
NET FINANCIAL ASSETS, END OF YEAR	\$ 3,064,662	\$ 2,128,496	

The accompanying Notes are an integral part of this statement.

OLD MASSETT VILLAGE COUNCIL
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
(DEFICIT)
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	Budget	2015	2014
		(Notes 14 & 15)	
REVENUES:			
Aboriginal Affairs and Northern Development Canada (AANDC)	\$ 6,332,484	\$ 6,458,051	\$ 6,606,054
Canada Mortgage and Housing Authority (CMHC)	-	11,641	27,939
Government of Canada	226,579	163,435	278,154
Gwaii Trust	1,217,240	1,177,145	94,704
Health Canada/First Nations Health Authority (HC/FNHA)	2,276,600	2,437,881	2,137,878
Interest and investment income	-	104,915	76,849
Income (loss) from investment in joint venture	-	13,252	(153,337)
Other income	1,170,546	1,834,776	899,868
Province of British Columbia	473,104	698,620	505,925
TRICORP	50,000	176,173	138,736
	11,746,553	13,075,889	10,612,770
EXPENSES:			
Administration	804,590	714,514	740,174
Capital and Maintenance Operations	720,007	1,464,540	692,663
Capital Fund	76,543	987,983	935,944
Child Development	20,842	3,629	20,842
Economic Development	1,234,867	912,762	932,664
Education	4,118,889	3,991,627	4,066,417
Enterprise Fund	246,200	104,968	519,293
Health	2,612,333	2,405,550	2,155,501
Housing	843,284	729,687	954,013
Social Assistance	1,211,525	1,319,814	1,303,875
	\$11,889,080	12,635,074	12,321,386
ANNUAL SURPLUS (DEFICIT)		440,815	(1,708,616)
ACCUMULATED OPERATING SURPLUS (DEFICIT), BEGINNING OF YEAR	20,017,947		21,726,563
ACCUMULATED OPERATING SURPLUS (DEFICIT), END OF YEAR	\$20,458,762		\$20,017,947

The accompanying Notes are an integral part of this statement.

OLD MASSETT VILLAGE COUNCIL
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	2015	2014
CASH AND CASH EQUIVALENTS WAS PROVIDED FROM (USED IN):		
Operating transactions:		
Annual surplus (deficit)	\$ 440,815	\$ (1,708,616)
Items not affecting cash -		
Amortization of tangible capital assets	1,019,351	998,698
Gain on sale of tangible capital assets	(154)	(2,152)
	1,460,012	(712,070)
Net change in non-cash working capital balances:		
Decrease (increase) in accounts receivable	128,684	766,234
Decrease (increase) in prepaid expenses	(67,059)	65,778
Increase (decrease) in accounts payable and accrued liabilities	(104,128)	161,295
Increase in (decrease) deferred revenue	98,363	(47,771)
Net change	55,860	945,536
Investing transactions:		
Investment in joint venture	(13,234)	(1,606,208)
Decrease in investment in government business organization	-	43,676
Increase in portfolio investments	(74,136)	(36,227)
	(87,370)	(1,598,759)
Financing transactions:		
Proceeds from long-term debt	34,579	1,654,855
Repayment of long-term debt	(1,127,355)	(204,875)
	(1,092,776)	1,449,980
Capital transactions:		
Acquisition of tangible capital assets	(463,110)	(588,736)
Proceeds from sale of tangible capital assets	6,323	6,200
	(456,787)	(582,536)
Decrease in cash and cash equivalents	(121,061)	(497,849)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,350,980	1,848,829
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,229,919	\$ 1,350,980
CASH AND CASH EQUIVALENTS COMPRISED OF:		
Cash and cash equivalents	\$ 859,760	\$ 996,496
Trust funds held by federal government	370,159	354,484
	\$ 1,229,919	\$ 1,350,980

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION (Note 16)

COMPARATIVE FIGURES (Note 14)

PRIOR PERIOD ADJUSTMENT (Note 15)

The accompanying Notes are an integral part of this statement.

OLD MASSETT VILLAGE COUNCIL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

PURPOSE OF OLD MASSETT VILLAGE COUNCIL

Old Massett Village Council (the Village Council) is a First Nations village government located in Old Massett, Haida Gwaii, British Columbia. The Village Council is responsible for the well-being of its community and enacts legal policies and programs in the areas of Capital, Child Development, Economic Development, Education, Membership, Health, and Social Assistance. The Village Council is also mandated to take actions to protect the well-being of members and the community, and to establish cultural programs and undertake initiatives in economic development.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

(b) Reporting Entity

Included in the reporting entity are the Village Council and all related entities that are controlled by the Village Council.

(c) Principles of Consolidation

All fully controlled entities are consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of a government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Entities that are controlled, but not fully owned, which meet the definition of a governmental unit are included in the consolidated financial statements on a proportionate consolidation basis, whereby a government's pro rata share of each of the assets, liabilities, revenues and expenses that are subject to shared control, is combined on a line-by-line basis with similar items in the government's consolidated financial statements.

Organizations consolidated in Old Massett Village Council's consolidated financial statements include:

1. Kluu Laanas Community Development Corporation (inactive);
2. Haida Ecological and Land Trust Society (inactive);
3. Old Massett Economic Development Corporation; and
4. Old Massett Economic Development Limited Partnership.

(d) Cash and Cash Equivalents

Cash and cash equivalents represent operating cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts with an initial maturity of less than three months and which are subject to an insignificant risk of changes in value.

OLD MASSETT VILLAGE COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investment in Joint Venture

The investment in joint venture is included in the consolidated financial statements on a modified equity basis.

(f) Tangible Capital Assets

Material tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Maintenance and repair costs are recognized as an expense when incurred. Betterments that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Village Council's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded at fair value when received and shown as revenue in the capital fund, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

Revenue received for operations and used to purchase tangible capital assets are recorded in the individual funds with an offsetting transfer to the capital asset fund for the amount of the tangible capital asset. Revenue received directly for tangible capital assets are recorded in the capital asset fund where the amortization is expensed. Any gains or losses on the disposal of the capital assets are recorded in the capital asset fund.

All intangibles and items inherited by right of the Village Council, such as reserve lands, forests, water, and mineral resources, are not recognized as assets in the Village Council's consolidated financial statements.

Historic works of art and treasures are not recorded as assets in these consolidated financial statements.

(g) Budgets

Budget information has been included when the information is available. These budgets have been prepared by department managers and approved by Chief and Council.

(h) Revenue Recognition

Funding received under funding arrangements which relates to a subsequent period is reflected as deferred revenue in the year of receipt and classified as such on the consolidated statement of financial position. Funding is recognized when conditions have been met.

Investment income reported on investments not subject to significant influence is recorded as revenue in the period earned.

Rental and other revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Government transfers are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

OLD MASSETT VILLAGE COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. Non-financial assets have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

(j) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of the property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(k) Expenses

Expenses are recognized in the fiscal year that the events giving rise to the expense occur and resources are consumed. Interest expense is accrued as the obligation is incurred.

(l) Segment Disclosure

A segment is defined as a distinguishable activity or group of activities of the Village Council for which it is appropriate to separately report financial information to achieve the objectives of the Village Council. The objectives of disclosing information about segments are to:

- i. help users of the consolidated financial statements identify the resources allocated to support the major activities of the Village Council;
- ii. help users of the consolidated financial statements make more informed judgments about the Village Council and about its major activities;
- iii. help users of the consolidated financial statements better understand the manner in which the organizations in the Village Council are organized and how the Village Council discharges its accountability obligations;
- iv. enhance the transparency of financial reporting; and
- v. help users of the consolidated financial statements better understand the performance of the segments and the Village Council.

The Village Council identifies its segments based on specific projects and funding arrangements which have been disclosed in the consolidated financial statements. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements, other than the inter-segment transfers, such as revenue from transactions with other segments, which are measured at the transfer price used by the Village Council and are not eliminated.

(m) Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization

OLD MASSETT VILLAGE COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Use of Estimates (Continued)

is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the Village Council is responsible for.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

(n) Amortization

Tangible capital assets controlled by the Village Council are amortized over their estimated useful lives as follows:

Buildings	5%	Declining balance
Infrastructure	4% - 5%	Declining balance/Straight-line
Equipment	20%	Declining balance
Vehicles	20%	Straight-line
Water treatment plant	5%	Straight-line

In the year of acquisition, the above rates are reduced by one half.

Amortization on Social Housing assets acquired under housing programs sponsored by CMHC are recorded at a rate equivalent to the annual principal reduction in related long-term debt, which is estimated to be their useful life.

Totem poles that are part of buildings are not amortized as they are works of art and therefore not depreciable.

(o) Liability for Contaminated Sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Village Council is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2015.

At each financial reporting date, the Village Council reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Village Council continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(p) Portfolio Investments

Portfolio investments for which significant influence does not exist are recorded at carrying value.

OLD MASSETT VILLAGE COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

2. CHANGE IN ACCOUNTING POLICY

Effective April 1, 2014, the Village Council adopted the recommendations relating to PS 3260, *Liability for Contaminated Sites* as set out in the Canadian public sector standards. Pursuant to these recommendations, the change was applied prospectively, and prior periods have not been restated.

Previously, no accounting policy existed to account for a liability for contaminated sites. Under the new recommendations, the Village Council is required to recognize a liability for contaminated sites when economic benefits will be given up, as described in Note 1, *Significant Accounting Policies*.

There was no effect on the Village Council's financial statements of adopting the above-noted change in accounting policy.

3. CASH AND CASH EQUIVALENTS

(a) Externally Restricted Funds:

Included in cash and cash equivalents are externally restricted funds as follows:

	2015	2014
Deferred revenue (Note 9)	\$ 177,530	\$ 79,167
<u>Funded reserves</u>	<u>-</u>	<u>218,277</u>
	\$ 177,530	\$ 297,444

(b) Revolving Line of Credit

The Village Council has available a \$500,000 revolving line of credit with interest charged at the Northern Savings Credit Union prime rate plus 1% per annum. At March 31, 2015, the outstanding line of credit balance was \$NIL (2014 - \$NIL), and is secured by a certain term deposit as described in (Note 4).

4. PORTFOLIO INVESTMENTS

The Village Council's portfolio investments are analyzed as follows:

	2015	2014
Unrestricted term deposits	\$ 1,336,727	\$ 1,262,591
<u>Restricted term deposit (Note 10)</u>	<u>183,059</u>	<u>183,059</u>
	\$ 1,519,786	\$ 1,445,650

OLD MASSETT VILLAGE COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

5. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

AANDC holds certain funds in trust for the Village Council. These funds are designated as revenue or capital funds as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. Subject to approval by the Minister of Aboriginal Affairs and Northern Development, the Village Council is permitted to expend its revenue funds for any purpose that will promote the general progress and welfare of the Village Council and members. The use of capital funds requires the consent of the Minister of Aboriginal Affairs and Northern Development and such expenses generally must be for projects of a capital nature.

The trust funds held by federal government are analyzed as follows:

	2014		2015	
	Total	Additions	Withdrawals	Total
Revenue	\$ 351,190	\$ 15,675	\$ -	\$ 366,865
Capital	3,294	-	-	3,294
	\$ 354,484	\$ 15,675	\$ -	\$ 370,159

6. ACCOUNTS RECEIVABLE

The Village Council's accounts receivable are analyzed as follows:

	2015	2014
		(Note 14)
AANDC	\$ 172,864	\$ 189,761
Housing	466,253	833,771
CMHC	-	2,328
Other	285,150	394,610
	924,267	1,420,470
Allowance for doubtful accounts	(466,253)	(833,772)
	\$ 458,014	\$ 586,698

At March 31, 2015, management determined that the collection of \$50,425 (2014 - \$58,178) in housing rent receivable is unlikely and has been included in allowance for doubtful accounts.

OLD MASSETT VILLAGE COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

7. INVESTMENT IN JOINT VENTURE

The Village Council, through Old Massett Economic Development Limited Partnership, owns 50% of Haida Gwaii Forest Products Joint Venture. The joint venture's main activity is processing and sale of wood products.

The following provides the pro-rated share of the Village Council's ownership from the condensed financial information of Haida Gwaii Forest Products Joint Venture for the years ended March 31, 2015 and 2014:

	2015	2014
BALANCE SHEET		
Total assets	\$ 2,840,640	\$ 2,021,804
Liabilities and venturers' equity:		
Total liabilities	1,221,218	415,596
Venturers' equity	1,619,422	1,606,208
Total liabilities and venturers' equity	\$ 2,840,640	\$ 2,021,804
STATEMENT OF OPERATIONS		
Revenues	\$ 1,700,941	\$ 913,037
Expenses	(1,687,707)	(1,066,374)
Net income (loss)	\$ 13,234	\$ (153,337)
CASH FLOWS		
Cash provided by (used in) operating activities	\$ 55,613	\$ (252,544)
Cash used investing activities	(307,310)	(164,326)
Cash provided in financing activities	226,506	491,517
Net cash flows	\$ (25,191)	\$ 74,647

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Village Council's accounts payable and accrued liabilities are analyzed as follows:

	2015	2014
AANDC	\$ 1,829	\$ 6,487
FNHA	62,946	92,101
Other accrued liabilities	172,774	375,020
Trade payables	466,442	334,511
	\$ 703,991	\$ 808,119
		(Note 14)

OLD MASSETT VILLAGE COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

9. DEFERRED REVENUE

The Village Council's deferred revenue is analyzed as follows:

	2014	Current Year	Current Year	2015
	Deferred Revenue	Funding Received	Revenue Recognized	Deferred Revenue
AANDC	\$ 48,010	\$ 158,794	\$ (112,705)	\$ 94,099
Other	31,157	115,480	(63,206)	83,431
	\$ 79,167	\$ 274,274	\$ (175,911)	\$ 177,530

OLD MASSETT VILLAGE COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

10. LONG-TERM DEBT

The Village Council's long-term debt is analyzed as follows:

	2015	2014
		(Note 14)
All Nations Trust (9 Units) (Full Subsidy Program) - Repaid in full during the year.	\$ -	\$ 12,561
Northern Savings Credit Union - Mortgage repayable interest only for the first 6 months followed by monthly blended instalments of \$19,100, including fixed interest at 6.84% compounded semi-annually; due for renewal on April 9, 2018; secured by an environmental indemnity agreement.	486,795	1,548,590
Northern Savings Credit Union (Tlaga Gaw Tlass Housing) - Mortgage repayable in monthly instalments of \$2,052, including interest at 4.15% per annum; due May 6, 2015; guaranteed by AANDC. The loan has been renewed subsequent to year-end.	266,922	280,531
Northern Savings Credit Union (Family Centre) - Mortgage repayable in monthly instalments of \$1,940, including interest at 4.55% per annum; due November 23, 2016; secured by credit union term deposit in the amount of \$183,059.	37,274	58,240
McCarthy Motors (Terrace) Ltd. - Loan repayable in monthly instalments of \$648, including interest at 8.99% per annum; due May 3, 2018; secured by the specific vehicle.	22,120	28,189
General Motors Acceptance Corporation of Canada - Loan repayable in monthly instalments of \$660, including interest at 4.98% per annum; due September 1, 2019; secured by the specified vehicle.	38,303	-
General Motors Acceptance Corporation of Canada - Repaid in full during the year.	-	9,858
General Motors Acceptance Corporation of Canada - Loan repayable in monthly instalments of \$600, including interest at 5.74% per annum; due March 25, 2017; secured by the specific vehicle.	13,564	19,785
Blue Carbon Solutions Inc. - Loan repayable interest free and unsecured; due until such time as revenues are generated sufficient to repay this amount.	16,000	16,000
Less - current portion	880,978	1,973,754
	(273,954)	(247,243)
	\$ 607,024	\$ 1,726,511

OLD MASSETT VILLAGE COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

10. LONG-TERM DEBT (Continued)

The total interest paid by the Village Council on long-term debt for the year was \$85,536 (2014 - \$121,354).

Approximate principal payments due in the next five years are as follows:

	2015
2016	\$ 273,954
2017	266,983
2018	319,823
2019	8,406
2020	11,812
	<hr/>
	\$ 880,978
	<hr/>

11. TANGIBLE CAPITAL ASSETS

The Village Council's tangible capital assets are analyzed as follows:

	2014 Cost	2014 Accumulated Amortization	2014 Net Book Value	2015 Additions (Disposals)	2015 Amortization	2015 Net Book Value
(Note 15)						
Land	\$ 641,372	\$ -	\$ 641,372	\$ -	\$ -	\$ 641,372
Buildings	12,958,266	4,614,933	8,343,333	2,193,842	460,616	10,076,559
Equipment	1,206,432	1,047,526	158,906	-	43,065	115,841
Infrastructure	7,045,900	3,264,843	3,781,057	-	206,591	3,574,466
Vehicles	439,767	310,056	129,711	34,732	59,563	104,880
Water treatment plant	4,990,329	1,996,129	2,994,200	-	249,516	2,744,684
Assets under construction	1,771,633	-	1,771,633	(1,771,633)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 29,053,699	\$ 11,233,487	\$ 17,820,212	\$ 456,941	\$ 1,019,351	\$ 17,257,802

	2015 Cost	2015 Accumulated Amortization	2015 Net Book value
Land	\$ 641,372	\$ -	\$ 641,372
Buildings	14,877,507	4,800,948	10,076,559
Equipment	1,206,432	1,090,591	115,841
Infrastructure	7,045,900	3,471,434	3,574,466
Vehicles	427,698	322,818	104,880
Water treatment plant	4,990,329	2,245,645	2,744,684
Assets under construction	-	-	-
	<hr/>	<hr/>	<hr/>
	\$ 29,189,238	\$ 11,931,436	\$ 17,257,802

OLD MASSETT VILLAGE COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

12. CONTINGENT LIABILITIES

(a) Member housing loans

The Village Council is contingently liable for member housing loans provided to individual members for loans made by various financial institutions for purposes of acquiring on reserve housing. In the event that members default on their obligations under these loans, the Village Council would be required to pay the outstanding loan balance to the lenders. In the event that the Village Council is unable to pay on any defaulted member loans, these loans are guaranteed by AANDC. The Village Council's guarantee is itself secured by the related real properties.

As at March 31, 2015, the loan is analyzed as follows:

0304-09-92575 - GL Northern Savings Credit Union	\$ 268,241
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(b) Guarantor

The Village Council is a guarantor on a loan to Haida Gwaii Forest Product Joint Venture with an authorized borrowing limit of \$635,000. The balance outstanding as at March 31, 2015 is \$580,846 (2014 - \$127,159).

(c) Contribution agreements

The village council has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the village council fails to comply with the terms and conditions of the agreements.

13. ECONOMIC DEPENDENCE

Funding from the Aboriginal Affairs and Northern Development Canada accounts for 49% of revenue in the current year (2014 - 62%); the Village Council's ability to continue viable operations is dependent upon maintaining its right to receive this funding.

14. COMPARATIVE FIGURES

Certain balances of the preceding year have been reclassified to conform with current year's financial statement presentation.

OLD MASSETT VILLAGE COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

15. PRIOR PERIOD ADJUSTMENT

The 2014 consolidated financial statements were restated to adjust the accumulated amortization on certain buildings which were previously calculated incorrectly. This adjustment has been applied retroactively for comparative purposes and to conform with the current years financial presentation. The effects of these adjustments resulted in the following 2014 comparatives:

	As previously stated	Change	As Restated
Buildings - accumulated amortization	\$ 4,937,730	\$ (322,797)	\$ 4,614,933
Annual surplus (deficit)	(1,787,423)	78,807	(1,708,616)
Accumulated surplus (deficit)	\$ 19,695,150	\$ 322,797	\$ 20,017,947

16. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2015	2014
Cash paid for interest	\$ 85,536	\$ 121,354
Cash received for interest	\$ 104,915	\$ 76,849

17. ACCUMULATED SURPLUS (DEFICIT)

The Village Council's accumulated surplus is analyzed as follows:

	2015	2014
Investment in tangible capital assets	\$ 17,257,802	\$ 17,820,212
Externally restricted cash and cash equivalents	177,530	297,444
Externally restricted portfolio investments	183,059	183,059
Designated funds	80,000	80,000
Trust funds held by federal government - capital account	3,294	3,294
Investment in joint venture	1,619,442	1,606,208
Surplus (deficit) available for operations	\$ 19,321,127	\$ 19,990,217
	1,137,635	27,730
	\$ 20,458,762	\$ 20,017,947

OLD MASSETT VILLAGE COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

18. SEGMENT DISCLOSURE

The Village Council describes its operating segments as follows:

(a) Administration

This segment provides band support and administrative services for the operations of the Village Council, including various financial functions such as payroll, accounts receivable and accounts payable.

(b) Capital Operations

This segment implements capital projects undertaken by the Village Council and maintains community infrastructure. Community infrastructure includes buildings, roads and bridges, fire protection, water and electrical systems and wastewater treatment.

(c) Capital Fund

This segment is comprised of capital assets and related amortization as well as revenue of capitalized assets and assets under construction.

(d) Child Development

This segment is comprised of programs that promote early childhood development, Haida language and culture to children and young families.

(e) Enterprise Fund

This segment is comprised of business activities that are performed in the pursuit of economic and business development.

(f) Economic Development

This segment implements community economic development planning and capacity building initiatives are pursued to benefit the Village Council's community by enhancing employment, income generation activities, use of land and resources, economic infrastructure and business opportunities.

(g) Education

This segment is responsible for managing and delivering K4 to grade 12 education programs and services both on and off reserve. This includes Haida language and culture, employment counselling services and the management of post-secondary student funding and support programs.

(h) Housing

This segment activities reflect CMHC housing rental units and repairs.

(i) Social Assistance

This segment administers benefits and services to individuals and families living on reserve who are in need of support. Department services include income assistance, assisted living, family violence prevention and awareness, and the national child benefit reinvestment.

OLD MASSETT VILLAGE COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

18. SEGMENT DISCLOSURE (Continued)

(j) Trust Fund

This segment reflects funds held in trust by AANDC on behalf of the Old Massett Village Council community.

(k) Health

This segment administers the delivery of the health programs and services.

OLD MASSETT VILLAGE COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

18. SEGMENT DISCLOSURE (Continued)

	Administration	Capital Operations	Capital Fund	Child Development	Enterprise Fund	Economic Development
REVENUES:						
AANDC	\$ 633,602	\$ 636,125	\$ -	\$ -	\$ -	\$ 241,978
CMHC	-	-	-	-	-	-
Government of Canada	-	-	-	-	-	163,435
Gwaii Trust	31,400	-	155,000	-	-	911,575
HC/FNHA	-	-	-	-	-	-
Interest and investment income	86,553	-	-	-	-	-
Income (loss) from investment in joint venture	-	-	-	-	13,252	-
Other income	142,964	821,828	172,919	-	89	143,714
Province of British Columbia	61,913	-	-	-	-	139,348
TRICORP	-	-	630	6,641	-	112,592
Administration fees	359,533	-	-	-	-	93,751
	1,315,965	1,457,953	328,549	6,641	13,341	1,806,393
EXPENSES:						
Administration	12,957	3,961	-	-	-	84,433
Advertising	-	-	-	-	-	-
Allowance	-	-	-	-	-	-
Amortization	-	-	987,983	-	18,807	-
Bad debt (recovery)	(3,261)	-	-	-	230	-
Bank charges	778	28	-	-	1,016	10,038
Contract services and professional fees	33,408	503,527	-	1,200	43,142	132,866
Delivery	1,169	8,998	-	-	-	519
Donations	2,350	-	-	-	-	-
Dumping	-	122,182	-	-	-	-
Equipment costs	2,957	2,803	-	-	4,460	(17,985)
Honoraria	114,332	-	-	-	-	-
Insurance	6,626	48,852	-	-	-	10,129
Interest on long-term debt	-	-	-	-	-	67,484
Minority interest loss	-	-	-	-	35,436	-
Public relations	21,259	50	-	-	-	5,318
Rent	10,654	4,656	-	-	-	6,232
Repairs and maintenance	5,834	118,826	-	1,079	-	55,981
Social services payments	-	-	-	-	-	-
Supplies	55,911	66,109	-	-	990	65,585
Telephone and utilities	73,123	206,694	-	1,336	887	8,246
Travel and training	47,856	2,984	-	-	-	98,110
Tuition	-	-	-	-	-	-
Vehicle	-	-	-	-	-	3,885
Wages and benefits	341,518	378,831	-	14	-	469,156
	727,471	1,468,501	987,983	3,629	104,968	999,997
SURPLUS (DEFICIT) BEFORE TRANSFERS						
TRANSFER FROM (TO) OPERATING FUNDS	588,494	(10,548)	(659,434)	3,012	(91,627)	806,396
ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF YEAR	1,058,950	-	18,423	-	-	(928,423)
	6,082,430	(10,469)	16,672,011	(22,439)	(2,901,936)	(401,276)
ACCUMULATED SURPLUS (DEFICIT), END OF YEAR	\$ 7,729,874	\$ (21,017)	\$ 16,031,000	\$ (19,427)	\$ (2,993,563)	\$ (523,303)

OLD MASSETT VILLAGE COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

18. SEGMENT DISCLOSURE (Continued)

	Education	Health	Housing	Social Assistance	Trust Fund	2015	2014
							(Notes 14 & 15)
REVENUES:							
AANDC	\$ 3,413,026	\$ -	\$ 372,154	\$ 1,161,166	\$ -	\$ 6,458,051	\$ 6,606,054
CMHC	-	-	11,641	-	-	11,641	27,939
Government of Canada	-	-	-	-	-	163,435	278,154
Gwaii Trust	4,000	53,970	-	21,200	-	1,177,145	94,704
HC/FNHA	-	2,437,881	-	-	-	2,437,881	2,137,878
Interest and investment income	-	-	2,687	-	15,675	104,915	76,849
Income (loss) from investment in joint venture	-	-	-	-	-	13,252	(153,337)
Other income	122,054	111,534	311,100	8,574	-	1,834,776	899,865
Province of British Columbia	381,757	50,300	-	65,302	-	698,620	505,925
TRICORP	56,310	-	-	-	-	176,173	138,736
Administration fees	-	25,253	79,368	27,288	-	585,193	868,348
	3,977,147	2,678,938	776,950	1,283,530	15,675	13,661,082	11,481,115
EXPENSES:							
Administration	149,305	245,017	29,938	56,780	-	582,391	871,899
Advertising	-	-	-	-	-	-	243
Allowance	607,642	-	-	-	-	607,642	625,021
Amortization	-	-	12,561	-	-	1,019,351	998,698
Bad debt (recovery)	-	-	50,425	-	-	47,394	54,917
Bank charges	61	286	4	82	-	12,293	18,365
Contract services and professional fees	30,175	207,568	446,263	3,146	-	1,401,295	1,226,506
Delivery	1,664	2,459	11,962	1,252	-	28,023	25,947
Donations	-	-	-	-	-	2,350	15,038
Dumping	-	-	-	-	-	122,182	161,880
Equipment costs	5,333	13,453	15,247	-	-	26,268	77,425
Honoraria	-	-	-	-	-	114,332	108,199
Insurance	17,883	46,806	28,791	5,000	-	164,087	102,480
Interest on long-term debt	2,474	-	11,358	-	-	81,316	114,533
Minority interest loss	-	-	-	-	-	35,436	252,000
Public relations	257	50,835	800	1,062	-	79,581	113,803
Rent	31,154	14,630	-	(8,175)	-	59,151	74,103
Repairs and maintenance	21,608	11,908	14,183	19,471	-	248,890	204,922
Social services payments	-	-	-	857,024	-	857,024	827,168
Supplies	121,509	118,122	115,937	158,209	-	702,372	715,176
Telephone and utilities	55,369	38,976	12,934	18,905	-	416,470	353,580
Travel and training	71,893	1,156,812	1,935	1,465	-	1,381,055	1,012,796
Tuition	1,995,739	-	-	-	-	1,995,739	2,040,342
Vehicle	-	1,292	-	-	-	5,177	4,254
Wages and benefits	1,028,866	742,403	7,287	262,373	-	3,230,448	3,190,436
	4,140,932	2,650,567	759,625	1,376,594	-	13,220,267	13,189,731
SURPLUS (DEFICIT) BEFORE TRANSFERS							
TRANSFER FROM (TO) OPERATING FUNDS	(163,785)	28,371	17,325	(93,064)	15,675	440,815	(1,708,616)
ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF YEAR	166,214	(84,734)	(328,511)	98,081	-	-	-
ACCUMULATED SURPLUS (DEFICIT), END OF YEAR	5,138	283,044	(26,044)	(16,996)	354,484	20,017,947	21,726,563
	\$ 7,567	\$ 226,681	\$ (337,230)	\$ (11,979)	\$ 370,159	\$ 20,458,762	\$ 20,017,947

OLD MASSETT VILLAGE COUNCIL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

18. SEGMENT DISCLOSURE (Continued)

The Village Council's segmented revenues and expenses are reconciled to the consolidated financial statements as follows:

	2015	2014
Total revenues - segment disclosure note	\$ 13,661,082	\$ 11,481,115
Inter-segment administration fees	(585,193)	(868,345)
Total consolidated revenues - consolidated statement of operations	\$ 13,075,889	\$ 10,612,770
Total expenses - segment disclosure note	\$ 13,220,267	\$ 13,189,731
Inter-segment administration fees	(585,193)	(868,345)
Total consolidated expenses - consolidated statement of operations	\$ 12,635,074	\$ 12,321,386