

Haisla Nation Council
Consolidated Financial Statements
For the year ended March 31, 2018

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For the year ended March 31, 2018

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Management's Responsibility for Financial Reporting

The accompanying financial statements of the Haisla Nation Council are the responsibility of management and have been approved by the Chief and another Band Councilor of the Band Council.

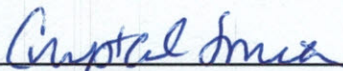
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it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

The Haisla Nation Council maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Band's assets are appropriately accounted for and adequately safeguarded.

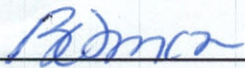
The Haisla Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. Council carries out this responsibility principally through its Executive committee.

The Chief and Council review the Band's consolidated financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditors' report. The Chief and Council takes this information into consideration when approving the financial statements for issuance to the Members. The Chief and Council also appoint the engagement of the external auditors.

The consolidated financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. BDO Canada LLP has full access to the Band Council.



Chief



Councilor



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BDO Canada LLP
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Kamloops, BC V2C 6J3

Independent Auditor's Report

To the Members of Haisla Nation Council

We have audited the accompanying consolidated financial statements of Haisla Nation Council, which comprise the consolidated statement of financial position as at March 31, 2018 and the consolidated statements of change in net financial assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian 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 misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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

As noted in the Summary of Significant Accounting Policies regarding tangible capital assets, the Social Housing tangible capital assets are required by Canada Mortgage and Housing Corporation to be amortized at a rate equivalent to the annual principal reduction of the related long term debt. This amortization policy is not in accordance with Canadian public sector accounting standards, which require that tangible capital assets be amortized over their estimated useful lives. The effect of this departure has not been determined on the net book value of tangible capital assets, the related amortization expense, annual surplus and equity in tangible capital assets.

Basis for Qualified Opinion (continued)

We are not able to provide an opinion on the Haisla Nation Council's Investments in Nation business entities as we were not able to obtain the scope of the information required to gain sufficient and appropriate audit evidence over the investments in Nation business entities. The scope limitation affects the investments in Nation business entities and the surplus in investments in Nation business entities.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Haisla Nation Council as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

These consolidated financial statements include unaudited supplementary exhibits and schedules which present detailed program revenues and expenditures and have been prepared to assist management of Haisla Nation Council to meet the reporting requirements of various funding agencies. Our report is intended solely for management of Haisla Nation Council and various funding agencies. As a result, the financial statements should not be distributed to or used by other parties.

Haisla Nation Council has also prepared another set of consolidated financial statements for the year ended March 31, 2018 in accordance with Canadian public sector accounting standards. However, these consolidated financial statements do not include unaudited supplementary exhibits and schedules, and have more aggregated disclosures in the consolidated financial statements. Our audit report on the other set of consolidated financial statements was issued to the members of Haisla Nation Council and was dated August 1, 2018.



Chartered Professional Accountants

Kamloops, British Columbia
August 1, 2018

Haisla Nation Council

Exhibit A - Consolidated Statement of Financial Position

As at March 31

2018

2017

Financial Assets

Cash (Note 1)	\$ 10,592,762	\$ 4,606,014
Restricted cash (Note 2)	666,996	598,038
Accounts receivable (Note 4)	5,124,438	5,993,205
Investments (Note 5)	141,032,002	127,755,834
Investment in Nation business entities (Note 11)	20,423,189	18,676,044
Inventory held for resale	14,206	18,457
Due from related parties	-	368,645
	<u>177,853,593</u>	<u>158,016,237</u>

Liabilities

Accounts payable (Note 6)	4,896,529	1,394,033
Deferred revenue (Note 7)	936,318	2,305,524
Long term debt (Note 8)	1,874,964	2,105,983
Replacement reserve	534,311	491,706
Due to related parties	448,065	-
	<u>8,690,187</u>	<u>6,297,246</u>

Net Assets

	<u>169,163,406</u>	<u>151,718,991</u>
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Non-financial Assets

Prepaid expense	488,405	605,870
Tangible capital assets (Note 9)	23,699,521	24,111,908
	<u>24,187,926</u>	<u>24,717,778</u>

Accumulated Surplus (Note 10)

	<u>\$193,351,332</u>	<u>\$176,436,769</u>
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Approved on behalf of the Band Council:

Capital Smith

Chief Councilor

B. Brown

Councilor

Haisla Nation Council

Exhibit B - Consolidated Statement of Change in Net Assets

For the year ended March 31	2018	2017
Surplus - Exhibit C	\$ 20,137,516	\$ 10,906,616
Purchases of tangible capital assets	(1,027,646)	(1,075,104)
Amortization of tangible capital assets	1,469,315	1,196,256
	441,669	121,152
Change in prepaid expense	117,465	(368,915)
Change in Ottawa Trust Funds	2,407	430
Equity change in taxation surplus	(4,666,965)	(2,825,496)
Transfers to restricted	1,411,973	5,020,419
Equity change from prior period adjustments	-	(3,787,594)
	(3,135,120)	(1,961,156)
Increase in net financial assets	17,444,065	9,066,612
Net financial assets, beginning of year	151,718,991	142,652,379
Net financial assets, end of year	\$169,163,056	\$151,718,991

Haisla Nation Council			
Exhibit C - Consolidated Statement of Operations			
For the year ended March 31	Budget	2018	2017
Revenue			
Indigenous and Northern Affairs Canada	\$ -	\$ 6,006,298	\$ 5,802,804
First Nations Health Authority	-	1,874,048	1,517,226
Fisheries and Oceans Canada	-	191,425	191,680
Province of British Columbia	-	1,516,077	792,640
Rio Tinto Alcan	-	397,095	400,240
Social Housing rental income	-	166,118	155,394
Canada Mortgage and Housing Corporation	-	553,824	353,238
Canada Post	-	19,940	36,648
Funds from Ottawa Trust - lease agreement	-	10,818,400	3,280,000
Rental income	-	83,161	91,386
First Nations Education Steering Committee	-	202,076	77,208
Interest and investment income	-	14,975,807	9,233,145
Investment income from business entities	-	6,621,188	10,306,606
Other income	-	15,521,398	4,681,179
Property taxes	-	(6,108,160)	3,006,966
	-	52,838,695	39,926,360
Expenses			
Environment	-	187,083	385,305
Administration - INAC	-	2,197,254	2,043,296
Administration	-	1,046,472	1,149,922
Social Assistance	-	879,553	620,040
Community Facilities and Services	-	2,726,179	2,441,076
Language and Culture	-	18,548	19,240
National Child Benefit	-	-	78,821
Education	-	3,095,096	2,574,686
Family Violence	-	7,044	7,041
Haisla Elementary	-	1,178,933	899,174
Economic Development	-	9,095,401	10,398,400
Haisla Gas Station	-	405,950	411,656
Community Health Services	-	2,395,276	2,077,113
Band Housing	-	225,399	203,693
Fisheries	-	121,875	40,341
Child Care	-	269,725	250,842
Department of Fisheries and Oceans	-	275,290	182,877
Land Use Administration	-	823,643	910,651
Land Management Code	-	246,676	176,981
Elder's Programs	-	206,203	212,650
LNG Canada Capacity	-	2,207,238	1,501,836
Haisla Business and Project Development	-	-	(1,556)
HN DL 99	-	128,642	86,358
LNG Job Training	-	964,719	339,754
Kitselas Strategic Partnership	-	858	2,617
Fish Habitat Restoration Agreement	-	238,472	351,226
Social Housing Fund	-	336,394	295,091
Haisla Investments	-	542,568	610,482
Haisla Capacity Development Society	-	530	3,160
Haisla Trust Society	-	333,404	18,527
Life Skills Youth Transition	-	6,813	-
Driving Initiative	-	35,059	-
Active Measures	-	143,771	-
LNGC Delay Funds	-	722,672	-
Enrich Low Income	-	25,767	-
Nutrition Low Income	-	58,144	-
Cultural Enrichment	-	5,277	-
Capital Fund repairs and maintenance	-	525,133	358,249
Subtotal Expenses	\$ -	\$ 31,677,061	\$ 28,649,549

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Haisla Nation Council
Exhibit C - Consolidated Statement of Operations - continued

For the year ended March 31	Budget	2018	2017
Revenue carried forward	\$ -	\$ 52,838,695	\$ 39,926,360
Expenses carried forward	\$ -	\$ 31,677,061	\$ 28,649,549
Haisla Project GP Inc.	-	47,114	3,106
HN Gas Export Corp	-	1,575	1,076
Haisla (BC) Development	-	491,334	1,339
Cedar LNG Export Dev. Ltd.	-	289,132	157,663
Haisla (HL) Developments Ltd.	-	43,358	44,435
Cedar 1 LNG Export Ltd.	-	105,349	23,059
Cedar 2 LNG Export Ltd.	-	20,881	135,969
Cedar 3 LNG Export Ltd.	-	1,541	1,749
HN Gas Management Inc.	-	1,077	1,799
HN LNG LP	-	22,226	-
728078 BC Ltd.	-	531	-
	-	32,701,179	29,019,744
Surplus for the year (Note 20)	\$ -	\$ 20,137,516	\$ 10,906,616

Haisla Nation Council

Exhibit D - Consolidated Statement of Cash Flows

For the year ended March 31	2018	2017
Operating activities		
Cash receipts from various sources	\$ 37,362,449	\$ 29,236,735
Cash paid to employees and suppliers	(26,353,329)	(29,888,566)
Interest received (paid)	7,683,819	9,190,547
Cash flows from operating activities	18,692,939	8,538,716
Investing activities		
Purchase of capital assets	(1,056,927)	(1,075,103)
Increase (decrease) in equity in Ottawa Trust	2,407	430
Change in investment in business entities	(1,747,071)	(7,881,180)
Proceeds (loss) on sale of investments	(9,604,623)	1,806,336
Cash flows from investing activities	(12,406,214)	(7,149,517)
Financing activity		
Repayment (repayment) of long term debt	(231,019)	789,480
Net increase in cash and cash equivalents	6,055,706	2,178,679
Cash and cash equivalents, beginning of year	5,204,052	3,025,373
Cash and cash equivalents, end of year	\$ 11,259,758	\$ 5,204,052
Represented by:		
Cash	\$ 10,592,762	\$ 4,606,014
Restricted cash	666,996	598,038
	\$ 11,259,758	\$ 5,204,052

Haisla Nation Council

Summary of Significant Accounting Policies

March 31, 2018

Basis of Presentation	<p>These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for government entities, as defined in the CPA Public Sector Accounting and Auditing Handbook, which encompasses the following.</p>
Reporting Entity and Principles	<p>The Haisla Nation Council reporting entity includes the Haisla Nation Council government and all related entities which are accountable to the Haisla Nation Council and are either owned or controlled by the Haisla Nation Council.</p> <p>The financial statements consolidate the assets, liabilities and results of operations for the following entities:</p> <ul style="list-style-type: none">- Haisla Nation Council, and the following entities: Haisla Capacity Development Society, Haisla Trust Society, Haisla Business Development Corporation, Haisla (HL) Developments Ltd., Beachwood Apartments 1 Limited Partnership, Haisla Business Operations, Haisla Projects GP Inc., HN Gas Export Corp., Haisla (BC) Developments Ltd., Cedar 3 LNG Export, Cedar 2 LNG Export, Cedar 1 LNG Export, HN Gas Management Inc., 078498 BC Ltd. and Cedar LNG Export Development Ltd. and Beachwood Apartments 1 Limited Partnership. <p>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 been necessarily eliminated on the individual schedules.</p> <p>Incorporated business entities, which are owned or controlled by the Haisla Nation Council and which are not dependent on the band for their continuing operations, are included in the summary financial statements using the modified equity method. These include: Haisla Forestry Ltd. and the Kitimat Valley Institute Corporation.</p>
Financial Instruments	<p>Unless otherwise noted, it is management's opinion that the Nation is not exposed to significant interest, currency or credit risks arising from its financial instruments.</p>
Cash and Cash Equivalents	<p>Cash and cash equivalents consist of cash on hand, bank balances and bank overdrafts with maturities of three months or less.</p>

Haisla Nation Council

Summary of Significant Accounting Policies

March 31, 2018

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates included in these consolidated financial statements include the valuation of accounts receivable, accuracy of accounts payable and accrued liabilities, and calculation of deferred revenue.

Temporary Investments

Temporary investments are recorded at cost. If there is a decline in the value of temporary investments that is other than temporary, the temporary investments are written down to fair value.

Tangible Capital Assets

Property, equipment and infrastructure expenses are valued at acquisition cost and recorded in the the Capital Fund.

The acquisition costs of tangible capital assets and payments on capital debt, which are not funded from capital financing sources, are charged to operations and matched with the applicable revenue source in the year of expenditure. These expenses are also recorded as an addition to the assets of the Capital Fund with a corresponding increase in Equity in Capital Assets.

Tangible capital assets acquired as part of the Social Housing Fund are recorded in that fund.

Amortization

Tangible capital assets recorded are amortized annually with a corresponding reduction in Equity in Capital Assets. Assets are amortized over their expected useful lives on a declining balance basis at the following rates:

Automotive equipment	30%
Band owned houses	5%
Buildings	5%
Construction equipment	20%
Infrastructure	2%
Office and furniture equipment	20-30%

In the year of acquisition, 50% of the normal amortization is recorded.

Social Housing Fund assets acquired under CMHC subsidized housing programs are amortized at a rate equivalent to the annual principal reduction in related long-term debt, as required for CMHC reporting purposes.

Haisla Nation Council

Summary of Significant Accounting Policies

March 31, 2018

Revenue Recognition	<p>Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under the funding arrangements, which relates to a subsequent fiscal period, is reflected as deferred revenue in the year of receipt and classified as such on the consolidated statement of financial position.</p> <p>Rental revenue is recognized when a tenant commences occupancy and rent is due. Haisla Nation Council retains all benefits and risks of ownership of its property and, therefore, accounts for leases with its tenants as operating leases.</p> <p>All other revenue is recognized in the period in which the events that give rise to the revenue occurs.</p>
Deferred Treaty Negotiation Costs	<p>Deferred Treaty Negotiation costs consist of all costs incurred during treaty negotiations between Haisla Nation Council and the Governments of Canada and British Columbia less any grants and interest earned. Deferred Treaty Negotiation costs will be deferred until the earlier of signing of a treaty between the parties, the twelfth anniversary of the original loan, or the seventh anniversary after signing an agreement in principle.</p>
Ottawa Trust Funds	<p>Haisla Nation Council uses the accrual method of accounting for Ottawa Trust Fund revenues earned in the Fund. Trust monies are recognized as revenue of the band upon withdrawal from the Ottawa Trust Fund.</p>
Rents Receivable	<p>Canada Mortgage and Housing Corporation (CMHC) does not allow or recognize bad debts recorded in the financial statements of Social Housing and will not subsidize rental arrears.</p>
Government Transfers	<p>Government transfers, which include legislative grants, are recognized in the 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.</p>
Deferred Revenue	<p>Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purposes.</p>

Haisla Nation Council

Summary of Significant Accounting Policies

March 31, 2018

Impairment of Long-lived Assets

In the event that facts and circumstances indicate that Haisla Nation Council's assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required.

Leased Assets

Leases entered into that transfer substantially all of the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with the tangible capital assets owned by the Nation, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.

Haisla Nation Council

Notes to Consolidated Financial Statements

March 31, 2018

1. Cash

	2018	2017
Operating	\$ 10,283,309	\$ 4,127,569
Gas Bar	82,336	146,715
Social Housing	96,509	193,448
Haisla Trust Society	64,108	64,262
Haisla (HL) Developments Ltd.	66,500	74,020
	\$ 10,592,762	\$ 4,606,014

Cash is held in two Canadian Chartered Banks and earns interest at the current prevailing rates for business operating accounts.

2. Restricted Cash

	2018	2017
Ottawa Trust revenue	\$ 20,281	\$ 17,874
Ottawa Trust capital	21,934	21,934
Social Housing replacement reserve	624,781	558,230
	\$ 666,996	\$ 598,038

The Ottawa trust accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the *Indian Act*. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. These funds are restricted in their use. The Nation is permitted to use its revenue for any purpose that will promote the general progress and welfare of the Nation and Nation members. The expenditures of capital funds requires the consent of Indigenous and Northern Affairs Canada and generally must be for projects of a capital nature. Withdrawals of revenue or capital funds are recorded as revenue in the applicable fund where the monies are expended.

In order to provide for replacement of major capital items, the terms of the operating agreements between Haisla Nation Council and CMHC provide that a replacement reserve fund be established by annual charges to operations in amount prescribed by the agreements. Under these agreements, Haisla Nation Council is required to segregate annual transfers to reserve funds and interest earned on these funds from other cash. As at March 31, 2018, the replacement reserve and subsidy surplus reserve was overfunded by \$90,469 (2017 - \$66,524).

Haisla Nation Council

Notes to Consolidated Financial Statements

March 31, 2018

3. Accounts Receivable

Accounts receivable by program area is summarized as follows:

	<u>2018</u>	<u>2017</u>
Operating		
A/R - Trade	\$ 4,066,945	\$ 4,983,322
Allowance for doubtful accounts	(10,337)	(10,337)
Rents receivable	19,266	30,620
Allowance for rents receivable	(19,266)	(30,620)
INAC receivable	143,925	115,625
	<u>4,200,533</u>	<u>5,088,610</u>
 Haisla (HL) Developments Ltd.	 159	 -
HN DL 99 LP	912,541	893,388
A/R - Social Housing	11,205	11,207
	<u>\$ 5,124,438</u>	<u>\$ 5,993,205</u>

4. Funds Held in Trust

The Nation maintains the Haisla Minors LNG trust fund. The investment balance of the fund has been excluded from the financial statements as the asset are beneficially held in trust for third parties. At March 31, 2018 the Nation held \$3,571,267 (2017 - \$3,787,594) in trust.

Haisla Nation Council

Notes to Consolidated Financial Statements

March 31, 2018

5. Investments

	2018		2017	
	Market Value	Book Value	Market Value	Book Value
Investments				
Cash	\$ 2,245,661	\$ 2,245,661	\$ 2,944,121	\$ 2,944,121
Fixed Income	25,717,768	25,790,906	21,234,832	21,211,604
Preferred Shares	2,011,859	2,113,225	-	-
Common Shares	20,982,369	18,977,688	24,399,620	21,252,935
Mutual Funds	13,101,097	12,885,482	6,520,968	6,397,429
Foreign Securities	153,079	166,431	499,917	381,501
Other	7,793,113	1,499,351	9,840,013	9,462,081
	72,004,946	63,678,744	65,439,471	61,649,671
Kitamaat LNG Investments				
Cash	2,057,995	2,057,995	427,030	427,030
Provincial	4,701,492	4,850,850	3,319,777	3,377,087
Foreign Securities	3,899,563	3,456,554	5,494,984	4,273,294
Federal Government Bonds	12,700,584	18,026,306	8,903,577	8,958,456
Corporate Bonds	11,626,821	11,577,248	12,116,573	11,876,242
Canadian Equities	6,241,630	4,808,649	6,384,632	4,724,984
Fund Units	25,920,589	22,714,630	24,582,780	21,491,194
	67,148,674	67,492,232	61,229,353	55,128,287
Legacy Trust				
Fixed Income	4,051,274	4,074,749	5,064,541	5,063,811
Common Shares	4,753,570	4,031,319	4,640,315	3,872,779
Foreign Securities	31,902	33,348	88,106	64,683
Other	2,083,032	1,715,409	2,176,044	1,976,603
	10,919,778	9,854,825	11,969,006	10,977,876
Members' Trust				
Fixed Income	6,201	6,201	-	-
	\$150,079,599	\$141,032,002	\$138,637,830	\$127,755,834

Haisla Nation Council

Notes to Consolidated Financial Statements

March 31, 2018

5. Investments (continued)

The fixed income investments include treasury bills and government and bank bonds with maturity dates that range from April 2018 to December 2046. The interest rates earned on the fixed income investments range from 1.25% to 6.40% per annum.

The Members' Trust is made up of internally restricted funds received under the Rio Tinto Alcan Legacy Agreement.

Haisla Nation Council owns 100% of Haisla Forestry Ltd. The corporation is involved in resource development in the area. For the year ended March 31, 2018 the corporation has cumulative losses and a current year loss of \$5,661 (2017 - \$5,661). The investment value has been reduced to zero and no investment income will be recorded until the deficits are recovered.

6. Accounts Payable

	2018	2017
Operating	\$ 4,834,424	\$ 1,381,675
A/P - Haisla Capacity	2,000	2,000
A/P - Social Housing	60,104	10,358
	<u>\$ 4,896,528</u>	<u>\$ 1,394,033</u>

7. Deferred Revenue

Deferred revenue represents funding received for programs/projects that were not completed during the year.

	2018	2017
Operating Fund - Other		
Miscellaneous	936,318	2,305,524
	<u>\$ 936,318</u>	<u>\$ 2,305,524</u>

Haisla Nation Council

Notes to Consolidated Financial Statements

March 31, 2018

8. Long Term Debt

	2018	2017
<u>Operating Fund</u>		
Royal Bank of Canada term loan, repayable in monthly instalments of \$7,125 including interest at 4.20% per annum, maturing July 2018	\$ 915,606	\$ 965,730
<u>Social Housing Fund</u>		
All Nations Trust Company, mortgage, repayable in monthly instalments of \$2,425 including interest at 1.39% per annum, maturing March 2020	57,263	85,455
All Nations Trust Company, mortgage, repayable in monthly instalments of \$2,402 including interest at 1.14% per annum, maturing May, 2021	89,502	117,217
All Nations Trust Company, mortgage, repayable in monthly instalments of \$ 2,515 including interest at 1.65% per annum, maturing May 2022	121,173	149,394
All Nations Trust Company, mortgage, repayable in monthly instalments of \$1,675 including interest at 1.04% per annum, maturing July 2020	46,277	65,828
All Nations Trust Company, mortgage, repayable in monthly instalments of \$1,183 including interest at 1.14% per annum, maturing May 2026	110,559	123,525
All Nations Trust Company, mortgage, repayable in monthly instalments of \$1,725 including interest at 1.71% per annum, maturing July 2023	105,338	124,202
All Nations Trust Company, mortgage, repayable in monthly instalments of \$1,998 including interest at 1.44% per annum, maturing February 2027	200,291	221,468
All Nations Trust Company, mortgage, repayable in monthly instalments of \$2,284 including interest at 1.44% per annum, maturing February 2027	228,955	253,164
Subtotal	\$ 1,874,964	\$ 2,105,983

All Social Housing mortgages are secured by a Ministerial Guarantee from Indigenous and Northern Affairs Canada

Haisla Nation Council

Notes to Consolidated Financial Statements

March 31, 2018

8. Long Term Debt (continued)

	<u>2018</u>	<u>2017</u>
Long term debt carried forward	\$ 1,874,964	\$ 2,105,983
Less: current portion	<u>1,097,960</u>	<u>13,743,993</u>
	<u>\$ 777,004</u>	<u>\$ (11,638,010)</u>

The estimated principal repayments on the above long term debt required over the next five years and thereafter are as follows:

2019	\$ 1,097,960
2020	184,722
2021	158,024
2022	135,910
2023	51,750
Thereafter	<u>246,598</u>
	<u>\$ 1,874,964</u>

Haisla Nation Council

Notes to Consolidated Financial Statements

March 31, 2018

9. Tangible Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 3,473,978	\$ -	\$ 3,473,978	\$ -
Artwork	16,500	-	16,500	-
Assets under construction	880,247	-	880,247	-
Equipment				
Automotive equipment	1,907,095	1,285,511	1,599,978	1,084,928
Construction equipment	748,989	715,741	748,989	707,429
Other equipment	2,798,725	1,961,566	2,722,058	1,742,837
Communication equipment	10,375	10,275	10,375	10,232
Boating equipment	527,124	496,195	527,124	482,939
Buildings				
Community buildings	16,053,861	5,511,310	15,754,163	4,964,326
Band owned houses	221,924	87,947	221,924	80,896
Community buildings	129,258	46,909	129,258	43,478
Land improvements				
Infrastructure	3,179,068	983,863	3,179,068	939,063
Dock	588,263	69,139	588,263	41,817
	30,535,407	11,168,456	29,851,925	10,097,945
Social Housing	6,264,540	3,252,654	5,920,374	3,072,918
Haisla (HL) Developments Ltd	453,234	-	423,955	-
Haisla Trust Society				
Land held in trust	397,135	-	397,135	-
Land	391,124	-	391,124	-
Automotive equipment	-	8,835	-	-
Building and improvements	322,006	141,012	322,006	23,748
Dock	-	7,666	-	-
Other equipment	-	85,302	-	-
	1,110,265	242,815	1,110,265	23,748
	38,363,446	14,663,925	37,306,519	13,194,611
Net book value		\$ 23,699,521		\$ 24,111,908

Haisla Nation Council

Notes to Consolidated Financial Statements

March 31, 2018

9. Tangible Capital Assets (continued)

	2018							
	Land	Artwork	Equipment	Buildings	Land Improvements	Assets under construction	Dock	Total
Cost, beginning of year	\$ 5,176,193	\$ 16,500	\$ 5,723,573	\$ 21,742,676	\$ 3,179,068	\$ 880,247	\$ 588,263	\$ 37,306,520
Additions	29,280	-	383,784	643,864	-	-	-	1,056,928
Cost, end of year	\$ 5,205,473	\$ 16,500	\$ 6,107,357	\$ 22,386,540	\$ 3,179,068	\$ 880,247	\$ 588,263	\$ 38,363,448
Accumulated amortization, beginning of year	\$ -	\$ -	\$ 4,420,613	\$ 7,838,322	\$ 893,860	\$ -	\$ 41,817	\$ 13,194,612
Amortization	-	-	440,923	956,270	44,800	-	27,322	1,469,315
Accumulated amortization, end of year	\$ -	\$ -	\$ 4,861,536	\$ 8,794,592	\$ 938,660	\$ -	\$ 69,139	\$ 14,663,927
Net carrying amount, end of year	\$ 5,205,473	\$ 16,500	\$ 1,245,821	\$ 13,591,948	\$ 2,240,408	\$ 880,247	\$ 519,124	\$ 23,699,521

Haisla Nation Council

Notes to Consolidated Financial Statements

March 31, 2018

9. Tangible Capital Assets (continued)

									2017
	Land	Artwork	Equipment	Buildings	Improvements	Land Assets under construction	Dock	Total	
Cost, beginning of year	\$ 5,176,193	\$ 16,500	\$ 5,405,026	\$ 17,845,363	\$ 3,168,848	\$ 4,063,362	\$ 556,124	\$ 36,231,416	
Additions		-	318,547	3,897,313	10,220	500,534	32,139	4,758,753	
Disposals		-	-	-	-	(3,683,649)	-	(3,683,649)	
	-	-	-	-	-	-	-	-	
Cost, end of year	\$ 5,176,193	\$ 16,500	\$ 5,723,573	\$ 21,742,676	\$ 3,179,068	\$ 880,247	\$ 588,263	\$ 37,306,520	
Accumulated amortization, beginning of year	\$ -	\$ -	\$ 3,966,152	\$ 7,170,050	\$ 848,250	\$ -	\$ 13,903	\$ 11,998,355	
Amortization		-	454,461	668,272	45,610	-	27,914	1,196,257	
Disposals		-	-	-	-	-	-	-	
Accumulated amortization, end of year	\$ -	\$ -	\$ 4,420,613	\$ 7,838,322	\$ 893,860	\$ -	\$ 41,817	\$ 13,194,612	
Net carrying amount, end of year	\$ 5,176,193	\$ 16,500	\$ 1,302,960	\$ 13,904,354	\$ 2,285,208	\$ 880,247	\$ 546,446	\$ 24,111,908	

Haisla Nation Council

Notes to Consolidated Financial Statements

March 31, 2018

10. Accumulated Surplus

	2018	2017
Operating surplus	\$144,825,059	\$124,312,335
Equity in Haisla investments	12,924,964	6,600,465
Equity in tangible capital assets	19,332,486	21,172,360
Equity Haisla Capacity Development	(296,727)	(296,197)
Equity in Ottawa trust	42,215	39,808
Contributed surplus	1,757,912	1,757,912
Equity in Haisla Trust Society	(203,113)	73,237
Restricted surplus	14,968,186	22,776,851
	<u>\$193,350,982</u>	<u>\$176,436,771</u>

Restricted Surplus consists of:

	2018	2017
Tax Reserve Funds	\$ -	\$ 4,666,965
Members' Trust	2,641,139	6,212,406
Haisla Legacy Fund	12,327,047	11,897,480
	<u>\$ 14,968,186</u>	<u>\$ 22,776,851</u>

Haisla Nation Council

Notes to Consolidated Financial Statements

March 31, 2018

11. Investments in Nation business entities

The Nation has investments in the following entities:

	2018	2017
Limited Partnerships		
HN Projects Limited Partnership - 99.9%	\$ 222,000	\$ 222,000
Tetra Tech Limited Partnership - 50.1%	12,940	10,643
CIC Limited Partnership - 50.1%	114,971	114,971
Ledcor Limited Partnership - 50.1%	3,117,235	5,806,718
Progressive Ventures Limited Partnership - 50.1%	1,410,413	168,657
Ruskin Kitimat Limited Partnership - 50.1%	(67,337)	(37,693)
SG Kitamaat Limited Partnership - 50.1%	110,753	110,717
Triton Limited Partnership - 50.1%	(16,938)	(82,631)
HN DL 99 - 50.1%	4,452,163	4,452,163
MK Bay Limited Partnership - 50.1%	1,095,756	998,769
Seaspan Haisla - 50.1%	21,486	21,486
Beachwood Apartments Limited Partnership - 50.1%	4,447,397	4,447,397
	14,920,839	16,233,197
Joint Ventures		
Atco Joint Venture	4,067,454	1,034,490
Kuehna & Nagel Joint Venture	53,000	53,000
ESS Joint Venture	(53,433)	(67,421)
Orca Spirit Kitimat Joint Venture	(2,680)	(2,680)
Haisla Orica Kitamaat Joint Venture	86,604	86,604
Mammoet Joint Venture	14,684	14,684
Waste Management Joint Venture	4,317	4,317
Brinkman Forestry Joint Venture	1,169,752	1,165,319
Steeplejack Joint Venture	50,661	50,661
Vertex Joint Venture	93,514	95,482
Securityguard Services Joint Venture	18,477	8,391
	5,502,350	2,442,847
Total investment in Nation business entities	\$ 20,423,189	\$ 18,676,044

For partnerships, equity is comprised of partnership advances, less drawings, plus the partner's proportional share of net income. The Haisla Nation Council has investments in the following entities:

Haisla Nation Council

Notes to Consolidated Financial Statements

March 31, 2018

11. Investment in Nation business entities (continued)

							2018	2017
							Total Earnings (Loss)	Total Earnings (Loss)
	Assets	Liabilities	Net Assets	Revenue	Expenses			
<u>Limited Partnerships</u>								
Summit Helicopter	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Beachwood Apartments 1 LP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	72
Haisla/Ledcor LP	35,855,187	16,666,099	19,189,088	54,659,205	31,184,971	23,474,234		9,003,610
Haisla Nation Prog Venture LP	19,552,306	15,362,882	4,189,424	28,031,312	25,588,464	2,442,848		685,040
Ruskin Kitamaat LP	18,316	21,295,125	(21,276,809)	-	59,170	(59,170)		(106,006)
SG Kitamaat LP	10,616	10,616	-	2,213	1,254	959		477
Haisla Triton LP	-	-	-	3,131,496	2,818,088	313,408		477,178
FN (PTP) Group Limited Partnership	-	-	-	-	-	-		-
HN DL 99 LP	-	-	-	-	-	-		3,327,168
North Coast-Skeena CFE LP	-	-	-	-	-	-		591,242
Tetra Tech LP	82,583	51,160	31,423	45,942	43,324	2,618		5,166
<u>Joint Ventures</u>								
Atco-Haisla JV	-	-	-	110,694,267	107,661,303	3,032,964		46,133
Haisla Nation Orica Canada JV	-	-	-	-	-	-		-
Mammoet/Haisla JV	-	-	-	-	-	-		-
Kuehna & Nagel Haisla FFS JV	-	-	-	-	-	-		-
ESS/Haisla Support Services JV	-	-	-	991,345	1,079,627	(88,282)		(88,282)
Orca Spirit Kitimat JV	-	-	-	-	7,380	(7,380)		(6,473)
Haisla Nation/Waste Management JV	-	-	-	-	-	-		55,146
Steeplejack JV	-	-	-	-	-	-		-
Brinkman Forestry JV	-	-	-	2,430,448	2,408,239	22,209		3,518,826
Bridgeman JV	-	-	-	-	-	-		-
Vertex JV	-	-	-	221,908	221,908	-		-
Securityguard Services	-	-	-	201,719	-	167,815		167,815
	\$ 55,519,008	\$ 53,385,882	\$ 2,133,126	\$ 200,409,855	\$ 171,073,728	\$ 29,336,127	\$	17,677,112

Haisla Nation Council

Notes to Consolidated Financial Statements

March 31, 2018

11. Investment in Nation business entities (continued)

The following period of financial information was used to determine the amount of the investment in Haisla Nation Council's business activities:

Limited Partnerships

Bear Creek Contracting Limited Partnership	April 1, 2017 - March 31, 2018
CIC Limited Partnership	April 1, 2017 - March 31, 2018
Ledcor Limited Partnership	April 1, 2017 - March 31, 2018
Progressive Ventures Limited Partnership	April 1, 2017 - March 31, 2018
Ruskin Kitimat Limited Partnership	April 1, 2017 - March 31, 2018
SG Kitamaat Limited Partnership	April 1, 2017 - March 31, 2018
Triton Limited Partnership	April 1, 2017 - March 31, 2018
FN (PTP) Group Limited Partnership	April 1, 2017 - March 31, 2018
HN DL 99 Limited Partnership	April 1, 2017 - March 31, 2018
North Coast-Skeena CFE Limited Partnership	April 1, 2017 - March 31, 2018
FN (PTP) Group Limited Partnership	April 1, 2017 - March 31, 2018
Tetra Tech Limited Partnership	April 1, 2017 - March 31, 2018
Beachwood Apartments 1 Limited Partnership	April 1, 2017 - March 31, 2018

Joint Ventures

Atco Joint Venture	April 1, 2017 - March 31, 2018
Kuehna & Nagel Joint Venture	April 1, 2017 - March 31, 2018
ESS Joint Venture	April 1, 2017 - March 31, 2018
Orca Spirit Kitimat Joint Venture	April 1, 2017 - March 31, 2018
Mammoet-Haisla Joint Venture	April 1, 2017 - March 31, 2018
Haisla Nation/Orica Canada Inc. Joint Venture	April 1, 2017 - March 31, 2018
Haisla Nation/Waste Management Joint Venture	April 1, 2017 - March 31, 2018
Steeplejack Joint Venture	April 1, 2017 - March 31, 2018
Brinkman Forestry Joint Venture	April 1, 2017 - March 31, 2018
Bridgeman Joint Venture	April 1, 2017 - March 31, 2018
Vertex Joint Venture	April 1, 2017 - March 31, 2018
Sandhill Joint Venture	April 1, 2017 - March 31, 2018

12. Comparative Figures

Certain comparative amounts presented in the consolidated financial statements have been restated to conform to current year's presentation.

13. Line of Credit

The Royal Bank of Canada has approved an operating line of credit up to \$500,000 at the bank's prime lending rate plus 0.5%. Payments revolve in increments of \$10,000, due on demand. At March 31, 2018, this facility is unused.

Haisla Nation Council

Notes to Consolidated Financial Statements

March 31, 2018

14. Replacement Reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Replacement Reserve account is to be credited annually. These funds along with accumulating interest are to be held in a separate bank account. The funds in this account may only be used as approved by Canada and Mortgage and Housing Corporation. Withdrawals are credited to interest first and then principal.

The Nation is in compliance with the term of its agreement with CMHC requiring Replacement Reserve funds to be held in a separate bank account. As at March 31, 2018, the Replacement Reserve was overfunded by \$90,469 (2017 - \$66,524).

15. Commitments and Contingent Liabilities

Haisla Nation has guaranteed loans for Nation members for the year ended March 31, 2018 in the amount of \$97,874 (2017 - \$133,503). These loans are in addition to the Canada Mortgage and Housing loans for Social Housing that are reflected as liabilities in these consolidated financial statements.

In the prior year the Nation agreed to a change in accounting policy to record the Treaty Negotiations loan as a contingent liability. The purpose of the loan is to finance treaty negotiations and once the treaty has been settled, the proceeds of the settlement will be used to repay the loan. The loan is due by the first nation to Canada on the earliest of the following dates:

- the date the treaty takes effect;
- the twelfth anniversary of the first loan advance;
- the seventh anniversary of an agreement-in-principle signing; or
- When the Federal Minister demands payment of loan due to default of a FN Funding Agreement

Council is in agreement that the loan is not payable based on the above information and should be recorded as a contingent liability. The amount of the contingent loans outstanding are \$8,161,381 (2017 - \$8,161,381).

The Nation has entered into leases for different agreements including office equipment, vehicles and land. Over the next three years they are committed as follows:

	2018
2019	11,820
2020	11,820
2021	5,910
	29,550

The Nation is named as defendant in two lawsuits by different plaintiffs. It is management's and their legal counsel's best estimate that they will not be held liable for any losses.

Haisla Nation Council

Notes to Consolidated Financial Statements

March 31, 2018

16. Employee Benefits

The Nation has a defined contribution plan providing pension benefits to certain of its employees. The pension cost charge represents contributions payable by the Nation to the plans and amount to \$286,130 (2017 - \$202,584).

17. Expenses by Type

	2018	2017
Advertising	\$ 25,882	\$ 29,440
Amortization	1,469,315	1,196,256
Automotive	247,432	211,641
Bad debts (recovery)	5,376	(79,826)
Bank charges	843,575	836,990
Capital Fund repairs and maintenance	525,133	358,249
Contract services	1,665,733	2,201,741
Equipment rental	-	20,071
Council remuneration	402,172	436,682
Insurance	208,471	192,088
Interest	49,176	42,598
Local education agreement	723,183	654,635
Materials and supplies	1,450,335	1,059,785
Office and miscellaneous	242,400	338,140
Patient transportation	501,027	599,950
Professional fees	4,686,868	1,439,454
Program expenses	5,257,684	8,790,538
Repairs and maintenance	218,009	183,157
Rent	404,144	-
Replacement reserve	109,386	48,221
Salaries and benefits	7,266,484	5,715,785
Social assistance	683,420	493,043
Student allowance and transportation	2,893,157	2,039,334
Telephone	148,620	148,796
Travel and accommodation - chief and council	-	11,715
Travel and accommodation	616,542	515,985
Training	1,831,328	1,346,484
Utilities	226,327	188,792
	\$ 32,701,179	\$ 29,019,744

Haisla Nation Council

Notes to Consolidated Financial Statements

March 31, 2018

18. Segment Disclosure

The Haisla Nation Council is a diversified First Nations organization that provides a wide range of services to its members. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Administration

This item relates to the revenues and expenses that relate to the operations of the Haisla Nation Council itself and cannot be directly attributed to specific segment.

Community Welfare

This service area provides services to help the Members by providing a variety of programs, community services and social assistance.

Operations and Maintenance

This service area provides services relating to the development, maintenance and service of the Haisla Nation Council's assets, infrastructure and common property.

Education

This service area provides educational services through the operations of an on-reserve school, post secondary education support and the operations of various other educational programs. The goal of this segment is to enhance the educational opportunities of the Haisla Nation Council's Members.

Economic Development

This service area provides for the development of economic opportunities to the Members.

Health Services

This service area provides for health-related services and programs to the Members.

Social Housing

This service area provides for social housing to the Members.

Natural Resource Management

This service area includes exploration of natural resources and development of natural resource revenues.

Treaty Related Matters

This service area includes treaty negotiations and specific claims for the Haisla Nation Council.

Capital

This service area provides for the development of new capital projects and infrastructure programs on the reserve.

Haisla Nation Council

Notes to Consolidated Financial Statements

March 31, 2018

20. Segment Disclosure (continued)

2018

	Administration	Community Welfare	Operations & Maintenance	Education	Economic Development	Health Services	Social Housing	Natural Resource Management	Treaty Related Matters	Capital	Total
Revenue											
INAC	\$ 826,731	\$ 1,178,847	\$ 360,305	\$ 2,567,832	\$ 110,824	\$ -	\$ -	\$ 277,250	\$ -	\$ 684,509	\$ 6,006,298
Other	12,563,320	-	161,242	975,030	34,446,869	2,230,431	581,994	1,231,396	(6,108,160)	750,275	46,832,397
	13,390,051	1,178,847	521,547	3,542,862	34,557,693	2,230,431	581,994	1,508,646	(6,108,160)	1,434,784	52,838,695
Expenses											
Payroll	2,834,224	394,662	884,392	1,191,943	583,746	826,179	151,211	640,132	-	2,060	7,508,549
Other	5,434,205	700,420	617,770	3,892,260	10,444,995	1,183,222	233,662	691,648	-	525,133	23,723,315
Amortization	219,067	-	1,070,511	-	-	-	179,737	-	-	-	1,469,315
	8,487,496	1,095,082	2,572,673	5,084,203	11,028,741	2,009,401	564,610	1,331,780	-	527,193	32,701,179
Surplus (deficit)	\$ 4,902,555	\$ 83,765	\$ (2,051,126)	\$ (1,541,341)	\$ 23,528,952	\$ 221,030	\$ 17,384	\$ 176,866	\$ (6,108,160)	\$ 907,591	\$ 20,137,516

2017

	Administration	Community Welfare	Operations & Maintenance	Education	Economic Development	Health Services	Social Housing	Natural Resource Management	Treaty Related Matters	Capital	Total
Revenue											
INAC	\$ 892,652	\$ 1,153,921	\$ 271,779	\$ 2,420,609	\$ 108,263	\$ -	\$ -	\$ -	\$ -	\$ 955,580	\$ 5,802,804
Other	6,523,659	-	111,260	356,454	20,160,828	1,830,545	412,291	1,469,199	3,006,966	252,354	34,123,556
	7,416,311	1,153,921	383,039	2,777,063	20,269,091	1,830,545	412,291	1,469,199	3,006,966	1,207,934	39,926,360
Expenses											
Payroll	2,180,874	255,895	805,243	715,254	507,995	809,862	139,109	396,556	-	-	5,810,788
Other	4,681,829	449,754	481,974	2,850,773	11,034,392	1,205,403	183,426	766,900	-	358,249	22,012,700
Amortization	15,698	-	1,004,307	-	-	-	176,251	-	-	-	1,196,256
	6,878,401	705,649	2,291,524	3,566,027	11,542,387	2,015,265	498,786	1,163,456	-	358,249	29,019,744
Surplus (deficit)	\$ 537,910	\$ 448,272	\$ (1,908,485)	\$ (788,964)	\$ 8,726,704	\$ (184,720)	\$ (86,495)	\$ 305,743	\$ 3,006,966	\$ 849,685	\$ 10,906,616