

**Huu-ay-aht First Nations
Consolidated Financial Statements**
March 31, 2015

Huu-ay-aht First Nations Contents

For the year ended March 31, 2015

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Management's Responsibility

To the Citizens of Huu-ay-aht First Nations:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Executive Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Executive Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Executive Council is also responsible for recommending the appointment of the First Nation's external auditors.

MNP LLP is appointed by the Executive Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Executive Council and management to discuss their audit findings.

August 27, 2015

"Signed by Karen Haugen"

Interim Executive Director

Independent Auditors' Report

To the Citizens of Huu-ay-aht First Nations:

We have audited the accompanying consolidated financial statements of Huu-ay-aht First Nations, which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statements of operations and accumulated surplus, change in net financial asset and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 auditors' 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 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Huu-ay-aht First Nations as at March 31, 2015 and the results of its operations, change in net financial asset and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Nanaimo, British Columbia

August 27, 2015

MNP LLP

Chartered Professional Accountants

Huu-ay-aht First Nations
Consolidated Statement of Financial Position
As at March 31, 2015

	2015	2014
Financial assets		
Cash resources	2,762,710	2,529,310
Restricted cash (Note 3)	57,642	41,853
Invested Wealth Fund (Note 4)	9,946,465	9,664,121
Settlement Trust (Note 5)	2,503,494	2,442,628
Funds held in trust (Note 6)	1,004,222	-
Accounts receivable (Note 7)	973,488	786,186
Investments in government business partnerships (Note 8)	405,471	284,687
Investment in government business entities (Note 8)	7,339,093	4,476,658
Total of financial assets	24,992,585	20,225,443
Liabilities		
Bank indebtedness (Note 9)	975,000	-
Accounts payable and accruals	656,610	529,222
Deferred revenue	41,822	42,822
Amounts due to related entities (Note 18)	250,000	-
Long-term debt (Note 10)	4,259,364	2,991,950
Total of financial liabilities	6,182,796	3,563,994
Net financial assets	18,809,789	16,661,449
Contingency (Note 16)		
Non-financial assets		
Tangible capital assets (Schedule 1)	17,295,580	13,097,941
Prepaid expenses	41,298	24,782
Total non-financial assets	17,336,878	13,122,723
Accumulated surplus (Note 11)	36,146,667	29,784,172

Approved on behalf of the Council

"Signed by Robert Dennis Sr"	Chief	"Signed by John Jack"	Councillor
"Signed by Connie Waddell"	Councillor	"Signed by Ben Clappis"	Councillor
"Signed by Trevor Cootes"	Councillor	"Signed by Sheila Charles"	Councillor

The accompanying notes are an integral part of these financial statements

Huu-ay-aht First Nations

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2015

	Schedules	2015 Budget (Note 17)	2015	2014
Revenue				
Aboriginal Affairs and Northern Development Canada (Note 15)		6,367,133	6,634,129	9,584,293
Province of British Columbia		112,873	257,922	247,428
Nuu-chah-nulth Tribal Council		76,600	145,395	162,381
Canada Mortgage and Housing Corporation		-	26,218	26,290
First Nations Education Steering Committee		-	4,000	23,372
Investment income		500,000	542,044	296,231
LNG revenue		-	2,044,636	36,835
Earnings from investment in Nation business entities		650,000	2,985,781	2,641,891
Other revenue		100,000	458,370	736,663
		7,806,606	13,098,495	13,755,384
Expenses				
Government Services	3	3,243,654	4,575,256	3,646,092
Economic Development	4	156,259	1,213,793	480,975
Community Services	5	1,136,321	946,951	1,111,573
		4,536,234	6,736,000	5,238,640
Annual surplus		3,270,372	6,362,495	8,516,744
Accumulated surplus, beginning of year		29,784,172	29,784,172	21,267,428
Accumulated surplus, end of year		33,054,544	36,146,667	29,784,172

The accompanying notes are an integral part of these financial statements

Huu-ay-aht First Nations
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2015

	2015 Budget (Note 17)	2015	2014
Annual surplus	4,581,372	6,362,495	8,516,744
Purchases of tangible capital assets	(3,421,000)	(4,964,632)	(128,345)
Amortization of tangible capital assets	-	766,955	689,744
Acquisition of prepaid expenses	-	(16,478)	(3,294)
Increase in net financial assets	1,160,372	2,148,340	9,074,849
Net financial assets, beginning of year	16,661,449	16,661,449	7,586,600
Net financial assets, end of year	17,821,821	18,809,789	16,661,449

The accompanying notes are an integral part of these financial statements

Huu-ay-aht First Nations
Consolidated Statement of Cash Flows
For the year ended March 31, 2015

	2015	2014
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	6,362,495	8,516,744
Non-cash items		
Amortization	766,955	689,744
Bad debts (recoveries)	(600)	13,219
Gain from investments in Nation business	(2,985,781)	(2,641,891)
Invested Wealth Fund Income (net)	(255,214)	(248,396)
Settlement Trust Fund Income (net)	(51,574)	(51,343)
Realized (gain)/losses on investments	(33,204)	80,869
	3,803,077	6,358,946
Changes in working capital accounts		
Accounts receivable	(1,191,524)	(101,912)
Prepaid expenses	(16,478)	(3,294)
Accounts payable and accruals	127,332	117,795
Deferred revenue	(1,000)	(1,680)
	2,721,407	6,369,855
Financing activities		
Advances of long-term debt	1,800,000	-
Repayment of long-term debt	(532,586)	(409,614)
Advances of bank indebtedness	975,000	-
Capital activities		
Purchases of tangible capital assets	(4,964,632)	(128,345)
Investing activities		
Investment in Nation business entities	-	(737,000)
Contribution to Invested Wealth Fund	-	(6,115,316)
Contribution to Settlement Trust	-	(1,361,888)
Decrease in restricted cash	(15,789)	(12,369)
Advance from HFN Development Limited Partnership	250,000	-
	234,211	(8,226,573)
Increase (decrease) in cash resources	233,400	(2,394,677)
Cash resources, beginning of year	2,529,310	4,923,987
Cash resources, end of year	2,762,710	2,529,310
Supplementary cash flow information		
Interest received	125,062	72,516
Interest paid	263,013	198,830

The accompanying notes are an integral part of these financial statements

Huu-ay-aht First Nations

Notes to the Consolidated Financial Statements

For the year ended March 31, 2015

1. Operations

The Huu-ay-aht First Nations (the "First Nation") is located in the province of British Columbia, and provides various services to its citizens. Huu-ay-aht First Nations includes the Nation's citizens, government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation. The First Nation is not a taxable entity.

2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities. Trusts administered on behalf of third parties by Huu-ay-aht First Nations are excluded from the First Nation reporting entity.

All inter-entity balances have been eliminated on consolidation.

Huu-ay-aht First Nations business entities, owned or controlled by the First Nation's Executive Council but not dependent on the First Nation for their continuing operations, are included in the financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- HFN Development Limited Partnership and its General Partner, HFN Development Corporation (Wholly owned)
- Nuu-chah-nulth Seafoods Limited Partnership (16.63% ownership)

The First Nation indirectly owns the following entities through its investment in HFN Development Limited Partnership and HFN Development Corporation.

- HFN Management Limited Partnership and its General Partner, HFN Management Corporation.
- HFN Forestry Limited Partnership and its General Partner, HFN Forestry Corporation.
- HFN Fisheries Limited Partnership and its General Partner, HFN Fisheries Corporation.
- HFN Gravel Limited Partnership and its General Partner, HFN Gravel Corporation.
- HFN Lands Limited Partnership and its General Partner, HFN Lands Corporation.
- HFN Market Limited Partnership and its General Partner, HFN Market Corporation.

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

2. Significant accounting policies *(Continued from previous page)*

Tangible capital assets

Tangible capital assets exceeding \$1,000 are initially recorded at cost less accumulated amortization. Contributed tangible capital assets are recorded at their fair value at the date of contribution.

All intangible assets and items inherited by the right of the Nation, such as treaty settlement lands, forests, water and mineral resources, are not recognized in the Nation's consolidated financial statements.

Tangible capital assets are amortized annually using the following methods and rates intended to amortize the cost of the assets over their estimated useful lives. In the year of acquisition, amortization is taken at one-half of the rates.

	Method	Rate
Buildings	straight-line	10 - 25 years
Boats and rafts	straight-line	7 years
Computer equipment	straight-line	3 years
Equipment	straight-line	5 - 20 years
Community housing	straight-line	20 years
Utilities	straight-line	20 years
Docks and floats	straight-line	10 years
Vehicles	straight-line	7 years

Long-lived assets

Long-lived assets consist of tangible capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in surplus for the year.

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 acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

Net financial assets

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets is comprised of two components, non-financial assets and accumulated surplus.

2. **Significant accounting policies** *(Continued from previous page)*

Revenue recognition

Government Funding

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Other Revenue

Rental revenue is recognized over the rental term. Investment income is recognized by the Nation when the investment income is earned. Other revenues and resource industry revenues are recognized when the service has been provided, when amounts can be reasonably estimated and collectibility is assured.

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards 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 revenue and expenses during the reporting period. Liabilities for contaminated sites are estimated based on the best information available regarding the potentially contaminated sites that the First Nation is responsible for.

Accounts receivable, and amounts due from related Nation entities, are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization 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 First Nation is responsible for. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in surplus in the periods in which they become known.

Segments

The First Nation conducts its business through three reportable segments as described in Note 12. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

Liability for contaminated site

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 First Nation 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 First Nation 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 First Nation 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.

2. Significant accounting policies *(Continued from previous page)*

Financial instruments

The First Nation's financial instruments consist of cash resources, restricted cash, Invested Wealth Fund, Settlement Trust, accounts receivable, accounts payable and accruals, funds held in trust, bank indebtedness, amounts due to related entities and long-term debt. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, credit or currency risks arising from these financial instruments.

Recent accounting pronouncements

Financial instruments

In June 2011 the Public Sector Accounting Board (PSAB) issued PS 3450 Financial Instruments to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2019. Earlier adoption is permitted.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. This will result in recording both the Invested Wealth Fund and Settlement Trust at fair value instead of cost.

3. Restricted cash

Replacement reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation (CMHC), the replacement reserve account is to be credited in the amount of \$3,000 (2014 - \$3,000) annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. At year-end, this reserve was adequately funded (2014 - adequately funded).

Operating reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation (CMHC), excess revenues over expenditures may be retained in an operating reserve. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used to offset future deficits. At year-end, this reserve was underfunded by \$15,187 (2013 - underfunded by \$3,909).

Forestry reserve

Under the terms of the agreement with the Province of British Columbia, the forestry reserve is held as security for the forestry permit issued by the Province. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by the Province. At year end this account was adequately funded.

	2015	2014
Replacement reserve	33,019	29,738
Operating reserve	970	12,115
Forestry reserve	23,653	-
	57,642	41,853

Huu-ay-aht First Nations

Notes to the Consolidated Financial Statements

For the year ended March 31, 2015

4. Invested Wealth Fund

As a result of treaty settlement, the First Nation transferred \$nil (2014 - \$6,115,316) received from various government organizations into an Invested Wealth Fund. The purpose of this fund is to provide the First Nation with perpetual investment income to help fund the increased administrative activities required to operate a self-governing body. As at March 31, 2015, the fair value of the investments held in the Fund is \$11,132,735 (2014 - \$10,355,618).

5. Settlement Trust

During the year the First Nation transferred \$nil (2014 - \$1,361,888) to the Huu-ay-aht Settlement Trust. The purpose of the trust is to hold and protect capital transfers and resource revenues intended for its beneficiaries. As at March 31, 2015, the fair market value of the investments held in the Trust is \$2,809,247 (2014 - \$2,611,247).

6. Funds held in trust

During the year, a third party contributed \$996,908 (2014 - \$nil) to be held in trust for the First Nation for the purpose of acquiring land. The funds earned interest of \$7,304 (2014 - \$nil) during the year.

7. Accounts receivable

	2015	2014
Due from HFN Forestry Limited Partnership (stumpage)	202,661	656,378
Aboriginal Affairs and Northern Development Canada	250,000	-
CMHC subsidy assistance receivable	832	832
Due from LNG	304,766	-
Interest receivable	-	393
GST receivable	172,442	101,345
Other	42,787	27,238
	973,488	786,186

Huu-ay-aht First Nations
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

8. Investment in government business entities and partnerships

Summary financial information for each First Nation business entity and corporation, accounted for using the modified equity method, for their respective year-end is as follows:

Note that Nuu-chah-nulth Seafoods Limited Partnership has a December 31, 2014 year-end but no significant transactions took place between December 31, 2014 and March 31, 2015.

The First Nation has investments in the following entities:

	<i>Investment cost</i>	<i>Loans / advances (draws)</i>	<i>Share of earnings (loss)</i>	<i>Total investment</i>
2015				
Wholly-owned Businesses:				
HFN Development Limited Partnership	4,506,778	(2,562)	2,869,182	7,373,398
HFN Development Corporation	(30,120)	-	(4,185)	(34,305)
	4,476,658	(2,562)	2,864,997	7,339,093
First Nation Business Partnerships – Modified Equity:				
Nuu-chah-nulth Seafoods Limited Partnership - 16.63%	284,687	-	120,784	405,471
	4,761,345	(2,562)	2,985,781	7,744,564

	<i>Investment cost</i>	<i>Loans / advances (draws)</i>	<i>Share of earnings (loss)</i>	<i>Total investment</i>
2014				
Wholly-owned Businesses:				
HFN Development Limited Partnership	1,242,113	737,000	2,527,665	4,506,778
HFN Development Corporation	(13,996)	(8,326)	(7,798)	(30,120)
	1,228,117	728,674	2,519,867	4,476,658
First Nation Business Partnerships – Modified Equity:				
Nuu-chah-nulth Seafoods Limited Partnership	162,663	(100)	122,124	284,687
	1,390,780	728,574	2,641,991	4,761,345

Huu-ay-aht First Nations
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

8. Investment in government business entities and partnerships *(Continued from previous page)*

Summary financial information for each First Nation business entity or partnership, accounted for using the modified equity method, for their respective year-end is as follows:

	<i>HFN Development Corporation As at March 31, 2015</i>	<i>HFN Development Limited Partnership As at March 31, 2015</i>	<i>Nuu-chah-nulth Seafoods Limited Partnership As at December 31, 2014</i>
Assets			
Cash	337,889	14,945	1,882,643
Accounts receivable	3,802	840	24,731
Investments	-	7,006,496	-
Term deposits	-	-	514,435
Prepaid expenses	-	-	39,266
Total assets	341,691	7,022,281	2,461,075
Liabilities			
Accounts payable and accruals	-	3,373	3,000
Short-term debt	12,611	-	-
Term loans due on demand	16,495	-	-
Deferred revenue	360,414	-	25,000
Advances from related party	20,612	2,173	-
Total liabilities	410,132	5,546	28,000
Partners' Capital / Shareholder's Deficit			
	(68,441)	7,016,735	2,433,075
Total revenue	51,829	2,882,935	744,515
Total expenses	56,015	13,753	19,737
Net income (loss)	(4,186)	2,869,182	724,778

9. Bank indebtedness

At March 31, 2015, the First Nation has an available revolving demand facility with a credit limit of \$1,000,000, bearing interest at Royal Bank prime, of which \$975,000 (2014 - \$nil) was outstanding at year-end. A general security agreement covering all assets of the First Nation is pledged for this credit facility, in addition to a first charge on all inventory and an Executive Council Resolution.

The credit facility also requires that the First Nation provide annual audited financial statements to the creditor within 120 days of each fiscal year end. As at March 31, 2015, the First Nation was not in compliance with this covenant and expects to be in compliance for the next fiscal year.

Huu-ay-aht First Nations
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

10. Long-term debt

	2015	2014
All Nations Trust Company, repayable at \$1,183 per month including interest at 2.61% per annum, due September 1, 2019, secured by the guarantee of the First Nation and community housing with a net book value of \$250,096	168,691	178,685
Aboriginal Affairs and Northern Development Canada, repayable in annual instalments of \$546,224 including interest of 4.545% per annum, due April 1, 2020 and secured by an assignment of funding from Aboriginal Affairs and Northern Development Canada	2,394,904	2,813,265
Royal Bank of Canada term loan, repayable at \$17,381 per month including interest at RBC bank prime rate per annum, maturing on July 4, 2015, secured by assignment of rents, constituting a first fixed charge on land and improvements for all four parcels of land in Barclay District.	1,695,769	-
	4,259,364	2,991,950
Less: current portion	609,675	428,010
	3,649,689	2,563,940

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

	Principal	Interest	Total
2016	609,675	159,322	768,997
2017	634,504	134,493	768,997
2018	660,378	108,617	768,995
2019	687,345	81,651	768,996
2020	715,450	53,547	768,997
	3,307,352	537,630	3,844,982
Thereafter	952,011	67,310	1,019,321

Huu-ay-aht First Nations

Notes to the Consolidated Financial Statements

For the year ended March 31, 2015

11. Accumulated surplus

The First Nation uses fund accounting procedures that result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The funds have been amalgamated for the purpose of presentation in the consolidated financial statements.

Huu-ay-aht First Nation maintains the following funds:

- Operating fund reports on the general activities of the First Nation administration
- Settlement Fund reports on the funds held in the Settlement Trust
- Invested Wealth Fund reports on the funds held in the Invested Wealth Fund
- Tangible capital assets fund reports on the tangible capital assets of the First Nation, with any related capital financing
- Investment in business entities fund reports on the First Nation's investments in related business entities
- Replacement and operating reserve fund reports on the First Nation's replacement and operating reserves maintained as a requirement of Canada Mortgage and Housing Corporation

Accumulated surplus consists of the following:

	2015	<i>2014 (Restated - Note 12)</i>
Equity in operating fund	503,246	(27,932)
Equity in Settlement Trust (Note 5)	2,503,494	2,442,628
Equity in Invested Wealth Fund (Note 4)	9,946,465	9,664,121
Equity in tangible capital assets	15,431,120	12,919,269
Investment in business entities (Note 7)	7,744,564	4,761,345
Replacement and operating reserves (Note 3)	17,778	24,741
	36,146,667	29,784,172

12. Segments

The First Nation receives revenues and incurs expenses from many different projects and sources. For management and reporting purposes, the revenues, expenses and surplus or deficits are organized by segments. Schedules 3 to 5 disclose the details of the Nation's revenues and expenses by segment. The First Nation is organized into the following segments:

- *Government Services* - this department provides the structure of government and legislation for the First Nation as well as the administrative services needed to support the government operations, including the Executive Council, People's Assembly, Committees of Council, Executive Director, financial and human resource services and treaty implementation. Additionally, this department is responsible for the management of public works and capital infrastructure including maintenance of capital infrastructure, provision of residential services in the Anacla community and operation of the House of Huu-ay-aht and the multi-use building. Also, this department is responsible for the management of government lands and natural resources, including the management of fisheries, forest harvesting and other uses of the land base, identification and protection of cultural sites and acquisition and distribution of cultural food.
- *Community Services* - this department is responsible to provide programs that support the Citizens of Huu-ay-aht First Nations, which include community health services, social services, childcare services and education services.
- *Economic Development* - this department is responsible to provide support for economic development ventures pursued by the First Nation, which includes the LNG project.

Huu-ay-aht First Nations
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

13. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

14. Economic dependence

Huu-ay-aht First Nations receives a significant portion of its revenue from Aboriginal Affairs and Northern Development Canada (AANDC) as a result of Treaties entered into with the Government of Canada. These treaties are administered by AANDC under the terms and conditions of the Huu-ay-aht First Nations Fiscal Financing Agreement. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

15. Aboriginal Affairs and Northern Development Canada funding reconciliation

	2015	2014
AANDC revenue per confirmation	6,634,129	9,590,293
Less: recapture of 2004/2005 funds	-	(6,000)
	6,634,129	9,584,293

16. Contingency

At the time the First Nation received a First Nation Woodlands Licence from the Province of British Columbia, the First Nation was required to apply for road permits. The eventual transfer of the road permits came with an obligation to deactivate permitted roads with either no deactivation work completed or roads deactivated requiring further work. The Tenure Agreement included an estimated cost of deactivation of \$350,000. HFN Forestry Limited Partnership has agreed to be responsible for this deactivation process and to incur the costs associated with this process over the next five years, however, should HFN Forestry Limited Partnership fail to satisfy this obligation, the First Nation would be held ultimately responsible for this liability.

A contingent liability exists for amounts received from an LNG partner for the purchase of Sarita Bay Lands should either party discontinue their involvement in the project. If Huu-ay-aht First Nations discontinues the project an amount of \$1,104,610 would be payable from Huu-ay-aht First Nations to the LNG partner. If the third party discontinues the project an amount of \$141,145 would be payable from Huu-ay-aht First Nations to the LNG partner. Due to the unlikelihood of either party discontinuing the project no liability has been recorded in the consolidated financial statements.

Huu-ay-aht First Nations
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

17. Budget Figures

The disclosed budget information has been approved by the Executive Council of Huu-ay-aht First Nations at the Executive Council meeting held on March 13, 2014. The following is a reconciliation of the approved budgeted surplus for the year from the budgeted surplus shown on the consolidated statements of operations and accumulated surplus in accordance with Canadian public sector accounting standards.

	<i>2015 Budget</i>
Budgeted surplus for the year (Page 2)	3,270,372
Less: Contribution to Investment Wealth Fund	(445,372)
Less: Contingency	(150,000)
Less: Capital purchases	(3,421,000)
Less: Loan repayments	(565,000)
Capital funding carried forward	1,311,000
<hr/>	
Budgeted surplus for the year, per Executive Council	-

18. Amounts due to related entities

Amounts due to related entities are unsecured, non-interest bearing and without specific terms of repayment.

19. Change in accounting policy

Effective April 1, 2014, the First Nation adopted the recommendations relating to PS 3260 *Liability for Contaminated Sites*, as set out in the Canadian public sector accounting standards. Pursuant to the recommendations, the change was applied retroactively, and prior periods have been restated.

Previously, no accounting policy existed to account for a liability for contaminated sites. Under the new recommendations, the First Nation is required to recognize a liability for contaminated sites when economic benefits will be given up, as described in Note 2, *Significant Accounting Policies*.

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

Huu-ay-aht First Nations
Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended March 31, 2015

	<i>Land</i>	<i>Buildings</i>	<i>Boats and rafts</i>	<i>Computer equipment</i>	<i>Equipment</i>	<i>Community housing</i>	<i>Subtotal</i>
Cost							
Balance, beginning of year	3,529,671	8,452,603	101,893	132,636	574,082	985,830	13,776,715
Acquisition of tangible capital assets	3,669,763	928,000	-	37,839	9,339	9,222	4,654,163
Disposal of tangible capital assets	-	-	-	-	-	-	-
Balance, end of year	7,199,434	9,380,603	101,893	170,475	583,421	995,052	18,430,878
Accumulated amortization							
Balance, beginning of year	-	2,903,273	69,646	110,583	454,887	684,938	4,223,327
Annual amortization	-	397,903	6,310	26,042	40,347	22,272	492,874
Accumulated amortization on disposals	-	-	-	-	-	-	-
Balance, end of year	-	3,301,176	75,956	136,625	495,234	707,210	4,716,201
Net book value of tangible capital assets	7,199,434	6,079,427	25,937	33,850	88,187	287,842	13,714,677
2014 Net book value of tangible capital assets	3,529,671	5,549,368	32,247	22,053	119,195	300,892	9,553,426

Huu-ay-aht First Nations
Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended March 31, 2015

	<i>Subtotal</i>	<i>Utilities</i>	<i>Docks and floats</i>	<i>Vehicles</i>	<i>2015</i>	<i>2014</i>
Cost						
Balance, beginning of year	13,776,715	4,309,531	353,083	149,921	18,589,250	18,460,904
Acquisition of tangible capital assets	4,654,163	28,576	166,661	115,232	4,964,632	128,345
Disposal of tangible capital assets	-	-	-	(42,694)	(42,694)	-
Balance, end of year	18,430,878	4,338,107	519,744	222,459	23,511,188	18,589,249
Accumulated amortization						
Balance, beginning of year	4,223,327	961,746	230,941	75,333	5,491,347	4,801,564
Annual amortization	492,874	216,190	34,341	23,550	766,955	689,744
Accumulated amortization on disposals	-	-	-	(42,694)	(42,694)	-
Balance, end of year	4,716,201	1,177,936	265,282	56,189	6,215,608	5,491,308
Net book value of tangible capital assets	13,714,677	3,160,171	254,462	166,270	17,295,580	13,097,941
2014 Net book value of tangible capital assets	9,553,426	3,347,785	122,142	74,588	13,097,941	

Huu-ay-aht First Nations
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2015

	<i>2015 Budget</i>	<i>2015</i>	<i>2014</i>
Consolidated expenses by object			
Administration	-	42,248	-
Administration fees	-	2,400	2,400
Amortization	-	766,955	689,744
Bad debts	-	(600)	13,219
Bank charges and interest	2,000	25	-
Community donations	5,000	12,032	2,658
Consulting	17,000	-	2,000
Disbursements - Elders' benefits	145,000	137,700	127,650
Economic Development - Micro Hydro	-	250,000	-
Elders firewood	8,900	8,500	6,843
Funeral	15,000	6,411	11,231
Furniture and equipment	4,000	3,512	2,587
Honoraria	68,750	47,810	28,914
Insurance	42,450	48,893	59,329
Interest on long-term debt	-	263,013	198,830
Maa-Nulth allocation	170,932	171,268	159,796
Materials and supplies	88,748	48,106	26,942
Medical supplies and prescriptions	8,000	8,138	5,755
Meeting	71,650	102,605	50,055
Miscellaneous	45,600	17,977	19,400
National child benefit - projects	-	4,359	-
Non-refundable sales tax	-	1,670	-
Office equipment lease	10,000	7,513	8,724
Office supplies	82,800	35,944	46,289
Professional development	86,000	40,078	40,118
Professional fees	349,200	1,231,056	374,756
Program expense	298,187	305,284	274,038
Rent	59,400	52,179	45,114
Repairs and maintenance	85,705	42,294	45,028
Salaries and benefits	2,327,826	2,328,216	2,151,504
Social assistance	58,878	84,680	93,888
Subcontracts	171,773	289,678	400,067
Telephone	36,900	57,415	49,053
Travel	74,788	112,694	98,468
Treaty support	-	-	11,565
Tribunal costs	75,000	81,620	70,342
Tuition	47,147	38,641	32,556
Utilities	79,600	85,686	89,777
	4,536,234	6,736,000	5,238,640

**Huu-ay-aht First Nations
Government Services**

Schedule 3 - Consolidated Schedule of Revenue, Expenses and Surplus
For the year ended March 31, 2015

	<i>2015 Budget</i>	<i>2015</i>	<i>2014</i>
Revenue			
Aboriginal Affairs and Northern Development Canada	5,074,553	5,341,550	8,091,686
First Nations Education Steering Committee	-	-	18,600
Nuu-chah-nulth Tribal Council	76,600	15,590	14,695
Province of British Columbia	112,873	250,831	247,428
Other revenue	100,000	454,870	61,649
Investment income	500,000	534,730	296,231
Cost recoveries/capital carry forward	-	25,674	16,593
	5,864,026	6,623,245	8,746,882
Expenses			
Administration	-	42,248	-
Amortization	-	756,989	449,929
Bad debts (recoveries)	-	(600)	12,387
Bank charges and interest	2,000	-	-
Community donations	5,000	11,322	2,658
Elders firewood	8,900	8,500	6,843
Furniture and equipment	4,000	3,512	2,587
Honoraria	43,000	28,064	16,838
Insurance	42,450	46,821	56,269
Interest on long-term debt	-	197,928	194,031
Maa-Nulth allocation	170,933	171,268	159,796
Materials and supplies	28,500	15,680	12,521
Meeting	59,000	96,753	48,912
Miscellaneous	33,600	16,264	18,734
Non-refundable sales tax	-	1,670	-
Office equipment lease	10,000	7,513	8,724
Office supplies	74,800	33,885	25,289
Professional development	66,000	30,506	28,405
Professional fees	308,200	547,392	374,756
Program expense	89,000	76,442	58,689
Rent	53,400	50,260	45,114
Repairs and maintenance	84,205	38,766	36,204
Salaries and benefits	1,873,267	2,002,457	1,670,436
Social assistance	31,000	30,471	-
Subcontracts	10,500	25,370	129,061
Telephone	35,000	56,060	45,334
Travel	57,500	86,389	49,732
Treaty support	-	-	11,565
Tribunal costs	75,000	81,620	70,342
Utilities	78,399	85,686	87,672
	3,243,654	4,549,236	3,622,828
Annual surplus	2,620,372	2,074,009	5,124,054

Huu-ay-aht First Nations
Economic Development

Schedule 4 - Consolidated Schedule of Revenue and Expenses and Surplus
For the year ended March 31, 2015

	<i>2015 Budget</i>	<i>2015</i>	<i>2014</i>
Revenue			
Aboriginal Affairs and Northern Development Canada	156,259	156,259	504,222
Other revenue	-	-	663,574
Earnings from investment in Nation business entities	650,000	2,985,781	2,641,891
Investment income	-	7,314	-
LNG revenue	-	2,003,141	-
	806,259	5,152,495	3,809,687
Expenses			
Amortization	-	-	197,273
Consulting	17,000	-	2,000
Honoraria	-	1,600	-
Interest on long-term debt	-	61,356	-
Materials and supplies	5,500	6,347	201
Meeting	7,500	5,852	-
Micro Hydro	-	250,000	-
Miscellaneous	7,500	595	177
Office supplies	8,000	2,059	21,000
Professional development	4,000	55	-
Professional fees	10,000	679,365	-
Salaries and benefits	80,259	89,139	142,692
Subcontracts	10,000	115,399	114,295
Telephone	-	-	1,259
Travel	6,500	2,026	2,078
	156,259	1,213,793	480,975
Annual surplus	650,000	3,938,702	3,328,712

**Huu-ay-aht First Nations
Community Services**

Schedule 5 - Consolidated Schedule of Revenue, Expenses and Surplus
For the year ended March 31, 2015

	<i>2015 Budget</i>	<i>2015</i>	<i>2014</i>
Revenue			
Aboriginal Affairs and Northern Development Canada	1,136,321	1,136,320	988,385
First Nations Education Steering Committee	-	4,000	4,772
Nuu-chah-nulth Tribal Council	-	129,805	147,686
Province of British Columbia	-	7,091	-
Other revenue	-	3,500	11,441
Cost recoveries	-	15,821	20,243
	1,136,321	1,296,537	1,172,527
Expenses			
Amortization	-	-	33,140
Community donations	-	710	-
Disbursements - Elders' benefits	145,000	137,700	127,650
Funeral	15,000	6,411	11,231
Honoraria	25,750	18,146	12,076
Insurance	-	-	1,200
Materials and supplies	54,748	26,078	14,220
Medical supplies and prescriptions	8,000	8,138	5,755
Meeting	5,150	-	1,143
Miscellaneous	4,500	1,118	488
National child benefit - projects	-	4,359	-
Professional development	16,000	9,517	11,712
Program expense	209,187	228,843	215,349
Rent	6,000	1,919	-
Repairs and maintenance	1,500	-	4,853
Salaries and benefits	374,300	236,620	338,376
Social assistance	58,878	54,209	93,888
Subcontracts	151,273	148,908	156,785
Telephone	1,900	1,355	2,460
Travel	10,788	24,279	46,657
Tuition	47,147	38,641	32,556
Utilities	1,200	-	2,034
	1,136,321	946,951	1,111,573
Annual surplus	-	349,586	60,954