

Huu-ay-aht First Nations
Consolidated Financial Statements
March 31, 2013

Huu-ay-aht First Nations Contents

For the year ended March 31, 2013

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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, 2013



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, 2013, and the consolidated statements of operations and accumulated surplus, changes in net financial assets 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, 2013 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The prior year financial statements were audited by another accounting firm.

Nanaimo, British Columbia

August 27, 2013


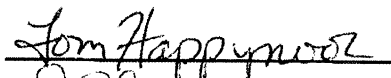
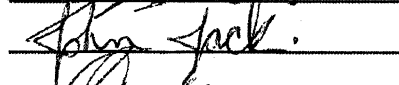
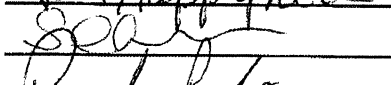
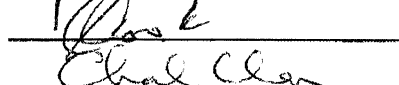
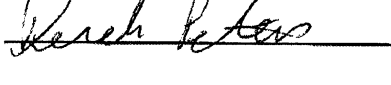

MNP LLP
Chartered Accountants

Huu-ay-aht First Nations
Consolidated Statement of Financial Position

As at March 31, 2013

	2013	2012 <i>(Restated)</i> <i>(Note 13)</i>
Financial assets		
Cash resources	4,923,987	610,039
Restricted cash <i>(Note 4)</i>	29,484	35,487
Invested Wealth Fund <i>(Note 5)</i>	3,407,165	3,407,165
Settlement Trust <i>(Note 6)</i>	1,047,593	1,016,867
Accounts receivable <i>(Note 7)</i>	645,084	2,030,303
Investment in Nation business entities <i>(Note 8)</i>	1,228,117	993,827
Total of financial assets	11,281,430	8,093,688
Liabilities		
Bank indebtedness <i>(Note 9)</i>	-	390,000
Accounts payable and accruals	411,427	1,176,869
Deferred revenue	44,502	52,667
Long-term debt <i>(Note 10)</i>	3,401,564	3,793,498
Total liabilities	3,857,493	5,413,034
Net financial assets	7,423,937	2,680,654
Contingency <i>(Note 17)</i>		
Non-financial assets		
Tangible capital assets (Schedule 1)	13,659,340	14,123,648
Prepaid expenses	21,488	8,452
Total non-financial assets	13,680,828	14,132,100
Accumulated surplus <i>(Note 11)</i>	21,104,765	16,812,754

Approved on behalf of the Executive Council

	Chief		Councillor
	Councillor		Councillor
	Councillor		Councillor
	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, 2013

	Schedules	2013 Budget (Note 18)	2013	2012 (Restated) (Note 13)
Revenue				
Aboriginal Affairs and Northern Development Canada (Note 16)		9,369,784	9,548,058	12,192,128
Province of British Columbia		241,037	244,304	9,934,748
Nuu-chah-nulth Tribal Council		-	176,656	140,888
Canada Mortgage and Housing Corporation		-	9,989	9,989
First Nations Education Steering Committee		-	9,830	12,075
Investment income		477,437	96,557	234,559
Cost recoveries		-	29,160	34,475
Rental income		-	15,512	15,012
Loss from investment in Nation business entities		200,000	(569,109)	(453,537)
Maa-nulth Treaty Society		-	-	123,438
Other revenue		-	128,245	716,553
		10,288,258	9,689,202	22,960,328
Expenses				
Finance and Government	3	1,792,762	2,360,563	2,446,933
Human Services	4	1,138,607	1,187,822	1,154,730
Lands and Natural Resources	5	733,058	911,292	3,833,735
Public Works and Community Infrastructure	6	804,550	937,514	733,436
		4,468,977	5,397,191	8,168,834
Surplus		5,819,281	4,292,011	14,791,494
Accumulated surplus, beginning of year, as previously stated		16,812,754	16,701,516	2,489,202
Correction of an error (Note 13)		-	111,238	(467,942)
Accumulated surplus, beginning of year, as restated		16,812,754	16,812,754	2,021,260
Accumulated surplus, end of year		22,632,035	21,104,765	16,812,754

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, 2013

	2013 <i>Budget</i> <i>(Note 18)</i>	2013	2012 <i>(Restated)</i> <i>(Note 13)</i>
Annual operating surplus	6,734,281	4,292,011	14,791,494
Purchases of tangible capital assets	(2,041,500)	(303,636)	(1,382,354)
Amortization of tangible capital assets	450,000	767,945	715,882
Acquisition of prepaid expenses	-	(13,037)	-
Use of prepaid expenses	-	-	77,670
Increase in net financial assets	5,142,781	4,743,283	14,202,692
Net financial assets (liabilities), beginning of year	496,190	2,680,654	(11,522,038)
Net financial assets, end of year	5,638,971	7,423,937	2,680,654

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, 2013

	2013	2012 (Restated) (Note 13)
Cash provided by (used for) the following activities		
Operating activities		
Surplus	4,292,011	14,791,494
Non-cash items		
Amortization	767,945	715,882
Bad debts	2,057	98,050
Loss from investment in Nation business	569,109	453,537
Logging tenure received through Treaty	-	2,940,000
	5,631,122	18,998,963
Changes in working capital accounts		
Accounts receivable	1,383,202	(1,053,054)
Prepaid expenses	(13,037)	77,670
Accounts payable and accruals	(765,481)	(3,703,829)
Deferred revenue	(8,165)	(67,108)
	6,227,641	14,252,642
Financing activities		
Advances of long-term debt	-	4,508,572
Repayment of long-term debt	(391,935)	(7,201,509)
	(391,935)	(2,692,937)
Capital activities		
Purchases of tangible capital assets	(303,636)	(1,382,354)
Investing activities		
Investment in Nation business entities	(803,399)	(471,298)
Deposits to Invested Wealth Fund	-	(3,407,165)
Contribution to Settlement Trust	(30,726)	(1,016,867)
(Increase) decrease in restricted cash	6,003	2,009,141
	(828,122)	(2,886,189)
Increase in cash resources	4,703,948	7,291,162
Cash resources (deficiency), beginning of year	220,039	(7,071,123)
Cash resources, end of year	4,923,987	220,039
Cash resources are composed of:		
Cash resources	4,923,987	610,039
Bank indebtedness	-	(390,000)
	4,923,987	220,039
Supplementary cash flow information		
Interest received	59,293	54,660
Interest paid	176,201	228,936

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, 2013

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.

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.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Finance and Government
- Human Services
- Lands and Natural Resources
- Public Works and Community Infrastructure
- CMHC Social Housing

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, 0906155 B.C. Ltd.

The First Nation indirectly owns the following entities through its investment in HFN Development Limited Partnership and 0906155 B.C. Ltd.

- HFN Management Limited Partnership and its General Partner, 0951938 B.C. Ltd.
- HFN Forestry Limited Partnership and its General Partner, 0568157 B.C. Ltd.
- HFN Fisheries Limited Partnership and its General Partner, 0582721 B.C. Ltd.
- HFN Gravel Limited Partnership and its General Partner, 0845887 B.C. Ltd.
- HFN Lands Limited Partnership and its General Partner, Huu-ay-aht Nisma Land Corp.
- HFN Market Limited Partnership and its General Partner, 0964688 B.C. Ltd.

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.

Both Treaty Settlement Lands and logging tenures have not been capitalized in accordance with Canadian public sector accounting standards.

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, prepaid expenses and logging tenures.

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.

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.

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

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.

Accounts receivable 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. 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 four 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.

Financial instruments

The First Nation's financial instruments consist of cash resources, Invested Wealth Fund, Settlement Trust, accounts receivable, bank indebtedness, accounts payable and accruals 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

Liability for contaminated sites

In June 2010, the Public Sector Accounting Board (PSAB) issued PS 3260 *Liability for Contaminated Sites* to establish recognition, measurement and disclosure standards for liabilities associated with the remediation of contaminated sites. The new section defines activities included in a liability for remediation, establishes when to recognize and how to measure a liability for remediation, and provides the related financial statement presentation and disclosure requirements.

PS 3260 is effective for fiscal years beginning on or after April 1, 2014. The First Nation has not yet determined the effect of the new section in its consolidated financial statements.

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

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, 2015. 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. The First Nation has not yet determined the effect of these new standards on its consolidated financial statements.

3. Government transfers

In March 2011, the Public Sector Accounting Board replaced and revised existing section PS 3410 Government Transfers with a newly amended section PS 3410. Newly issued PS 3410 establishes standards on how to account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. This section permits a recipient government to recognize government transfers as revenue when the transfer is authorized by the transferring government, unless the transfer creates a liability for the recipient. A liability is created as a result of the recipient government not yet meeting eligibility criteria or the existence of stipulations in the transfer agreement. When a government transfer results in recognition of a liability, revenue is recognized by a recipient government as the liability is settled. A transferring government recognizes an expense when the transfer is authorized and the recipient has met all eligibility criteria.

As a result of the Department of Aboriginal Affairs and Northern Development Canada requiring First Nations to apply the Canadian public sector accounting standards, the First Nation must follow the requirements of this section. Newly revised and issued PS 3410 is effective for fiscal years beginning on or after April 1, 2012 and has been applied prospectively. The application of this newly issued section did not have a significant effect on the First Nation's consolidated financial statements.

Huu-ay-aht First Nations
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

4. 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 (2012 - \$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 (2012 - 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 adequately funded (2012 - adequately funded).

	2013	<i>2012 (Restated)</i>
Replacement reserve	12,814	17,051
Operating reserve	16,670	18,436
	29,484	35,487

5. Invested Wealth Fund

As a result of treaty settlement, the First Nation transferred a portion of amounts 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, 2013, the fair value of the investments held in the Fund is \$3,620,975 (2012 - \$3,407,165).

6. Settlement Trust

During the 2012 fiscal year, the First Nation transferred \$1,000,000 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, 2013, the fair market value of the investments held in the Trust is \$1,112,543 (2012 - \$1,046,915).

Huu-ay-aht First Nations
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

7. Accounts receivable

	2013	2012 <i>(Restated)</i> <i>(Note 13)</i>
Aboriginal Affairs and Northern Development Canada	322,313	467,129
CMHC subsidy assistance receivable	832	832
Rent receivable	832	3,541
Interest receivable	691	48
GST/HST receivable	261,260	257,956
Other	59,156	1,300,797
	645,084	2,030,303

8. Investment in Nation business entities

The First Nation has investments in the following entities:

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>	2013
				<i>Total investment</i>
Wholly-owned Businesses:				
HFN Development Limited Partnership	966,009	1,284,639	(1,008,535)	1,242,113
0906155 B.C. Ltd.	115	-	(14,111)	(13,996)
	966,124	1,284,639	(1,022,646)	1,228,117

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>	2012 <i>(Restated)</i> <i>(Note 13)</i>
				<i>Total investment</i>
Wholly-owned Businesses:				
HFN Development Limited Partnership	966,009	481,240	(443,517)	1,003,732
0906155 B.C. Ltd.	115	-	(10,020)	(9,905)
	966,124	481,240	(453,537)	993,827

Huu-ay-aht First Nations
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

8. Investment in Nation business entities *(Continued from previous page)*

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

	<i>HFN Development Limited Partnership As at March 31, 2013</i>	<i>0906155 B.C. Ltd. As at March 31, 2013</i>
Assets		
Cash	39,073	-
Accounts receivable	32,486	1
Investments	736,237	-
Loans receivable	86,914	-
Total assets	894,710	1
Liabilities		
Accounts payable and accruals	2,998	1,100
Partnership liability	-	401
Total liabilities	2,998	1,501
Partners' Capital / Shareholder's Deficit		
	891,712	(1,500)
Total revenue	(561,415)	(40)
Total expenses	6,554	1,100
Net loss	(567,969)	(1,140)

9. Bank indebtedness

At March 31, 2013, 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 no amount (2012 - \$390,000) 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 a band 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, 2013, the First Nation was in violation of this covenant. It is management's view that the Company will not violate covenants at future compliance dates within one year of the balance sheet date.

Huu-ay-aht First Nations
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

10. Long-term debt

	2013	2012 <i>(Restated)</i> <i>(Note 13)</i>
All Nations Trust Company, repayable at \$1,183 per month including interest at 2.61% per annum, renewing on September 1, 2014, secured by the guarantee of the First Nations and community housing with a net book value of \$259,498	188,126	197,286
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	3,213,438	3,596,213
	3,401,564	3,793,499

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
2014	409,571	150,849	560,420
2015	428,010	132,410	560,420
2016	447,280	113,140	560,420
2017	467,419	93,001	560,420
2018	488,471	71,949	560,420
	2,240,751	561,349	2,802,100
Thereafter	1,160,773	91,773	1,252,546

Huu-ay-aht First Nations

Notes to the Consolidated Financial Statements

For the year ended March 31, 2013

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:

	2013	2012 <i>(Restated)</i> <i>(Note 13)</i>
Equity in operating fund	1,921,192	2,566,954
Equity in Settlement Fund (Note 6)	1,047,593	1,016,867
Equity in Invested Wealth Fund (Note 5)	3,407,165	3,407,165
Equity in tangible capital assets	13,471,214	13,926,362
Investment in business entities (Note 8)	1,228,117	993,827
Replacement and operating reserves (Note 4)	29,484	35,487
	21,104,765	21,946,662

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 6 disclose the details of the Nation's revenues and expenses by segment. The First Nation is organized into the following segments:

- *Finance and 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.
- *Human 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.
- *Public Works and Community Infrastructure* - 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.
- *Lands and Natural Resources* - 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.

Huu-ay-aht First Nations
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

13. Correction of an error

Correction of error #1

During the year, the First Nation determined that the 2012 interest receivable had been incorrectly recorded. The adjustment to correct this resulted in the 2012 accounts receivable decreasing by \$351,484 and 2012 interest revenue decreasing by \$351,484.

Correction of error #2

During the year, the First Nation determined that the Settlement Trust had not been recorded in the 2012 fiscal year and the transfer to the Settlement Trust had been recorded as an expense. The adjustment to correct this resulted in the 2012 Settlement Trust asset increasing by \$1,016,867, accounts receivable increasing by \$255, interest income increasing by \$19,250, bank charges increasing by \$2,128 and transfer to Settlement Trust decreasing by \$1,000,000.

Correction of error #3

During the year, the First Nation determined that long-term debt had been incorrectly recorded. The adjustment to correct this resulted in the 2012 long-term debt decreasing by \$175,000 and the 2012 opening accumulated surplus increasing by \$175,000.

Correction of error #4

During the year, the First Nation business entities determined that corrections of errors were necessary to 2012, which resulted in a correction of error of the modified equity loss picked up by the First Nation in 2012. The adjustment to correct this resulted in the 2012 loss from investment in Nation business entities increasing by \$76,297 and the investment in Nation business entities decreasing by \$76,297.

Correction of error #5

During the year, the First Nation determined that logging tenures had incorrectly been capitalized as an intangible asset and this was not in accordance with Canadian public sector accounting standards. The adjustment to correct this resulted in 2012 logging tenures decreasing by \$2,940,000 and acquisition of intangible assets expense increasing by \$2,940,000.

Correction of error #6

During the year, the First Nation determined that subdivision development costs should not have been capitalized as the lots were turned over to Citizens prior to April 1, 2011. The adjustment to correct this resulted in 2012 subdivision development costs decreasing by \$642,942 and opening accumulated surplus decreasing by \$642,942.

	2012 balance, as previously reported	Adjustment	2012 balance, restated
Settlement Trust	-	1,016,867	1,016,867
Accounts receivable	2,381,532	(351,229)	2,030,303
Investment in Nation business entities	1,070,124	(76,297)	993,827
Long-term debt	3,968,498	(175,000)	3,793,498
Subdivision development costs	642,942	(642,942)	-
Logging tenures	2,940,000	(2,940,000)	-
Opening accumulated surplus	2,489,202	(467,942)	2,021,260
Investment income	566,793	(332,234)	234,559
Loss from investment in Nation business entities	(377,240)	(76,297)	(453,537)
Interest on long-term debt	226,808	2,128	228,936
Logging tenure acquisition	-	2,940,000	2,940,000

Huu-ay-aht First Nations
Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

14. Comparative figures

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

15. 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 Indian Act. 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.

16. Aboriginal Affairs and Northern Development Canada funding reconciliation

	2013	2012 <i>(Restated)</i> <i>(Note 13)</i>
AANDC revenue per confirmation	9,612,623	12,525,096
Less: recapture of 2004/2005 funds	(53,996)	-
Less: recapture of renovation funds	(2,569)	-
Less: recapture of business development funds	(8,000)	-
Less: other	-	(172,320)
	9,548,058	12,352,776

17. 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.

18. 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 4, 2012. 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.

	2013 Budget
Budgeted surplus for the year (Page 2)	5,819,281
Add: Distribution from Settlement Trust	2,719,646
Add: Distribution from Invested Wealth Fund	465,000
Less: Contingency	(300,000)
	8,703,927
Budgeted surplus for the year, per Executive Council	8,703,927

Huu-ay-aht First Nations
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2013

	<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	8,428,866	70,624	92,364	537,197	985,830	13,644,552
Acquisition of tangible capital assets	-	14,867	9,744	14,354	22,099	-	61,064
Disposal of tangible capital assets	-	-	-	-	-	-	-
Balance, end of year	3,529,671	8,443,733	80,368	106,718	559,296	985,830	13,705,616
Accumulated amortization							
Balance, beginning of year	-	2,194,390	60,163	49,650	360,333	600,057	3,264,593
Annual amortization	-	392,095	4,709	28,417	52,576	42,300	520,097
Accumulated amortization on disposals	-	-	-	-	-	-	-
Balance, end of year	-	2,586,485	64,872	78,067	412,909	642,357	3,784,690
Net book value of tangible capital assets	3,529,671	5,857,248	15,496	28,651	146,387	343,473	9,920,926
2012 Net book value of tangible capital assets (restated)	3,529,671	6,234,476	10,461	42,714	176,864	385,773	10,379,959

Huu-ay-aht First Nations
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2013

	<i>Subtotal</i>	<i>Utilities</i>	<i>Docks and floats</i>	<i>Vehicles</i>	<i>2013</i>	<i>2012</i>
						<i>(Restated)</i>
Cost						
Balance, beginning of year	13,644,552	4,108,648	293,740	110,327	18,157,267	19,294,302
Acquisition of tangible capital assets	61,064	185,956	17,023	39,594	303,637	1,382,354
Disposal of tangible capital assets	-	-	-	-	-	(2,519,389)
Balance, end of year	13,705,616	4,294,604	310,763	149,921	18,460,904	18,157,267
Accumulated amortization						
Balance, beginning of year	3,264,593	536,560	194,090	38,376	4,033,619	4,960,215
Annual amortization	520,097	210,082	19,177	18,589	767,945	715,882
Accumulated amortization on disposals	-	-	-	-	-	(1,642,478)
Balance, end of year	3,784,690	746,642	213,267	56,965	4,801,564	4,033,619
Net book value of tangible capital assets	9,920,926	3,547,962	97,496	92,956	13,659,340	14,123,648
2012 Net book value of tangible capital assets (restated)	10,379,959	3,572,088	99,650	71,951	14,123,648	

Huu-ay-aht First Nations
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2013

	2013 <i>Budget</i>	2013	2012 <i>(Restated)</i> <i>(Note 13)</i>
Consolidated expenses by object			
Administration fees	-	2,400	2,400
Amortization	450,000	767,945	715,882
Bad debts	-	2,057	98,050
Community donations	2,800	419	4,148
Consulting	90,100	229,038	484,228
Disbursements - Elders' benefits	95,000	111,000	102,600
Furniture and equipment	6,000	7,752	1,023,074
Honoraria	27,600	32,326	37,583
Insurance	59,448	40,557	73,259
Interest on long-term debt	2,000	176,262	228,936
Logging tenure acquisition	-	-	2,940,000
Maa-Nulth allocation	166,415	177,379	120,692
Materials and supplies	45,104	50,408	43,340
Medical supplies and prescriptions	10,000	5,957	8,175
Meeting	31,250	53,756	54,313
Miscellaneous	4,450	22,787	45,525
Non-refundable sales tax	-	2,547	-
Office equipment lease	29,200	9,322	26,293
Office supplies	34,960	43,424	45,228
Professional development	15,050	16,383	18,377
Professional fees	258,987	404,120	478,292
Program expense	141,869	147,225	176,554
Property tax	5,400	8,392	6,841
Reimbursement for dispute settlement	-	2,500	-
Rent	34,600	38,120	36,163
Repairs and maintenance	58,520	80,932	128,381
Salaries and benefits	2,109,563	2,101,766	1,770,194
Social assistance	118,000	78,959	92,837
Subcontracts	387,152	397,399	458,406
Telephone	45,100	49,865	56,490
Travel	99,696	105,842	120,371
Tribunal costs	25,000	95,225	53,852
Tuition	35,000	43,792	33,067
Utilities	80,713	91,335	76,727
Capitalized expenditures	-	-	(1,391,444)
	4,468,977	5,397,191	8,168,834

Huu-ay-aht First Nations
Finance and Government
Schedule 3 - Schedule of Revenue, Expenses and Surplus
For the year ended March 31, 2013

	2013 <i>Budget</i>	2013	2012 <i>(Restated)</i> <i>(Note 13)</i>
Revenue			
Aboriginal Affairs and Northern Development Canada			
Aboriginal Affairs and Northern Development Canada	6,424,569	6,920,288	11,790,861
Recapture	-	(53,996)	-
Nuu-chah-nulth Tribal Council	-	-	23,239
Province of British Columbia	241,037	244,304	9,934,748
Other revenue	-	12,797	527,118
Investment income	477,437	95,665	233,831
Cost recoveries	-	13,328	33,186
Loss from investment in Nation business entities	200,000	(569,109)	(453,537)
	7,343,043	6,663,277	22,089,446
Expenses			
Amortization	-	107,995	112,515
Bad debts	-	172	8,300
Capitalized expenditures	-	-	(38,415)
Community donations	2,800	419	4,148
Consulting	55,000	59,690	84,524
Furniture and equipment	-	393	39,765
Honoraria	20,700	19,977	30,523
Insurance	12,500	14,751	18,482
Interest on long-term debt	2,000	171,221	223,697
Maa-Nulth allocation	166,415	177,379	120,692
Materials and supplies	8,000	4,809	12,381
Meeting	22,600	51,669	49,974
Miscellaneous	3,400	5,744	28,922
Non-refundable sales tax	-	2,547	-
Office equipment lease	29,200	8,505	26,293
Office supplies	30,100	32,862	33,963
Professional development	4,400	5,448	13,206
Professional fees	147,569	351,854	336,725
Program expense	200	6,011	71,925
Property tax	5,400	6,081	6,841
Reimbursement for dispute settlement	-	2,500	-
Rent	34,000	37,996	35,961
Repairs and maintenance	5,520	5,629	24,138
Salaries and benefits	1,088,358	1,056,128	930,575
Subcontracts	15,000	25,310	79,364
Telephone	38,000	39,064	46,071
Travel	50,700	44,252	65,595
Tribunal costs	25,000	95,225	53,852
Utilities	25,900	26,932	26,916
	1,792,762	2,360,563	2,446,933
Surplus	5,550,281	4,302,714	19,642,513

Huu-ay-aht First Nations
Human Services
Schedule 4 - Schedule of Revenue, Expenses and Deficit
For the year ended March 31, 2013

	2013 <i>Budget</i>	2013	2012 <i>(Restated)</i> <i>(Note 13)</i>
Revenue			
Aboriginal Affairs and Northern Development Canada	1,107,607	1,107,607	-
First Nations Education Steering Committee	-	9,830	12,075
Nuu-chah-nulth Tribal Council	-	138,272	79,659
Other revenue	-	40,430	85,353
Cost recoveries	-	9,498	9,697
	1,107,607	1,305,637	186,784
Expenses			
Amortization	-	33,140	33,140
Bad debts	-	44	-
Capitalized expenditures	-	-	(2,219)
Disbursements - Elders' benefits	95,000	111,000	102,600
Furniture and equipment	-	1,005	2,470
Honoraria	6,900	12,349	7,060
Insurance	1,448	2,405	1,809
Materials and supplies	15,204	23,846	13,454
Medical supplies and prescriptions	10,000	5,957	8,175
Meeting	8,650	2,087	4,339
Miscellaneous	-	1,956	4,962
Office supplies	500	-	4,360
Professional development	4,000	4,492	5,010
Program expense	105,169	85,728	73,976
Repairs and maintenance	6,000	7,767	3,290
Salaries and benefits	359,388	385,749	354,554
Social assistance	118,000	78,959	92,837
Subcontracts	325,152	327,762	353,810
Telephone	3,900	5,630	5,503
Travel	42,796	50,251	49,617
Tuition	35,000	43,792	33,067
Utilities	1,500	3,903	2,916
	1,138,607	1,187,822	1,154,730
Surplus (deficit)	(31,000)	117,815	(967,946)

**Huu-ay-aht First Nations
Lands and Natural Resources**
Schedule 5 - Schedule of Revenue, Expenses and Deficit
For the year ended March 31, 2013

	2013 Budget	2013	2012 (Restated) (Note 13)
Revenue			
Aboriginal Affairs and Northern Development Canada			
Aboriginal Affairs and Northern Development Canada	733,058	733,058	54,188
Recapture	-	(8,000)	-
Nuu-chah-nulth Tribal Council	-	25,426	25,000
Other revenue	-	74,479	104,082
Cost recoveries	-	3,840	13,477
Maa-nulth Treaty Society	-	-	123,438
	733,058	828,803	320,185
Expenses			
Amortization	-	237,529	236,305
Bad debts	-	1,105	56,221
Capitalized expenditures	-	-	(33,458)
Consulting	33,100	11,230	56,085
Furniture and equipment	6,000	5,547	35,992
Insurance	9,000	4,864	9,037
Logging tenure acquisition	-	-	2,940,000
Materials and supplies	8,800	10,294	5,325
Miscellaneous	550	387	1,491
Office equipment lease	-	817	-
Office supplies	4,060	10,216	6,816
Professional development	6,650	3,498	161
Professional fees	111,418	50,286	117,567
Program expense	36,500	55,485	30,653
Property tax	-	2,311	-
Rent	600	123	203
Repairs and maintenance	21,000	30,874	18,844
Salaries and benefits	458,260	424,584	326,782
Subcontracts	12,000	33,200	6,015
Telephone	2,900	3,788	2,912
Travel	4,700	7,185	4,516
Utilities	17,520	17,969	12,268
	733,058	911,292	3,833,735
Deficit	-	(82,489)	(3,513,550)

Huu-ay-aht First Nations
Public Works and Community Infrastructure
Schedule 6 - Schedule of Revenue, Expenses and Deficit
For the year ended March 31, 2013

	2013 <i>Budget</i>	2013	2012 <i>(Restated)</i> <i>(Note 13)</i>
Revenue			
Aboriginal Affairs and Northern Development Canada			
Aboriginal Affairs and Northern Development Canada	1,104,550	851,670	347,079
Difference between anticipated recapture and actual recapture	-	(2,569)	-
Nuu-chah-nulth Tribal Council	-	12,959	12,990
Canada Mortgage and Housing Corporation	-	9,989	9,989
Other revenue	-	538	-
Rental income	-	15,512	15,012
Investment income	-	891	728
Cost recoveries	-	2,495	(21,884)
	1,104,550	891,485	363,914
Expenses			
Administration fees	-	2,400	2,400
Amortization	450,000	389,281	333,922
Bad debts	-	736	33,529
Capitalized expenditures	-	-	(1,317,352)
Consulting	2,000	158,118	343,619
Furniture and equipment	-	807	944,848
Insurance	36,500	18,537	43,931
Interest on long-term debt	-	5,041	5,239
Materials and supplies	13,100	11,459	12,181
Miscellaneous	500	14,700	10,150
Office supplies	300	346	89
Professional development	-	2,944	-
Professional fees	-	1,980	24,000
Repairs and maintenance	26,000	36,661	82,109
Salaries and benefits	203,557	235,305	158,282
Subcontracts	35,000	11,130	19,214
Telephone	300	1,383	2,004
Travel	1,500	4,155	643
Utilities	35,793	42,531	34,628
	804,550	937,514	733,436
Surplus (deficit)	300,000	(46,029)	(369,522)

Huu-ay-aht First Nations

Schedule 7 - Consolidated Excess of Funding over Expenses and Tangible Capital Asset Purchases by Program -
unaudited

For the year ended March 31, 2013

	<i>Schedule</i>	<i>Surplus (deficit)</i>	<i>Amortization of tangible capital assets</i>	<i>Tangible capital assets purchases</i>	<i>Capital funding</i>	<i>Principal repayment of debt</i>	<i>Excess of funding after tangible capital asset purchases</i>
Finance and Government	3	4,272,243	107,995	(76,047)	-	(382,775)	3,921,416
Human Services	4	148,286	33,140	-	-	-	181,426
Lands and Natural Resources	5	(82,489)	237,529	(40,591)	-	-	114,449
Public Works and Community Infrastructure	6	(46,029)	389,281	(186,999)	-	(9,160)	147,093
		4,292,011	767,945	(303,637)	-	(391,935)	4,364,384