

**Huu-ay-aht First Nations**  
**Financial Statements**  
For the year ended March 31, 2019

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**Financial Statements**  
For the year ended March 31, 2019

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## Management's Responsibility for Financial Reporting

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The accompanying financial statements of the Huu-ay-aht First Nations (the "Nations") are the responsibility of management and have been approved by the Executive Council of the Nations.

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

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

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

The Executive Council reviews the Nations' financial statements and recommends their approval to the People's Assembly. The Executive Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Executive Council takes this information into consideration when approving the financial statements for issuance to the citizens. The Executive Council also appoints the engagement of the external auditors.

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



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Acting Executive Director  
March 18, 2020



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Associate Executive Director  
March 18, 2020



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## Independent Auditor's Report

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### To the Executive Council of the Huu-ay-aht First Nations

#### Opinion

We have audited the financial statements of the Huu-ay-aht First Nations ("HFN"), which comprise the Statement of Financial Position as at March 31, 2019 and the Statements of Operations, Change in Net Financial Assets, and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of HFN as at March 31, 2019 and its results of operations, change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of this report. We are independent of HFN in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

#### Emphasis of Matter - Restated Comparative Information

We draw attention to Note 1 to the financial statements, which explains that certain comparative information presented for the year ended March 31, 2019 has been restated. Our opinion is not modified in respect of this matter.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing HFN's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate HFN, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing HFN's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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## Independent Auditor's Report - Continued

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- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 HFN's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on HFN's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause HFN to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Chartered Professional Accountants

Vancouver, British Columbia  
March 18, 2020

## Huu-ay-aht First Nations Exhibit A - Statement of Financial Position

As at March 31 2019 2018  
(Restated - Note 1)

### Financial Assets

Cash (Note 2)	\$ 16,145,854	\$ 18,196,343
Restricted cash (Note 3)	66,653	63,671
Accounts receivable (Note 4)	157,582	955,958
Due from related parties (Note 8)	2,487,509	2,501,643
Wealth funds (Note 5)	14,195,695	13,834,082
Settlement funds (Note 5)	1,061,024	1,030,877
Investment in the Nations' business entities (Note 11)	19,528,981	12,375,879
Portfolio Investments (Note 12)	7,968,068	-
	<b>61,611,366</b>	<b>48,958,453</b>

### Liabilities

Bank indebtedness (Note 14)	965,000	980,000
Accounts payable and accrued liabilities	1,000,761	1,656,479
Deferred revenue (Note 6)	1,521,441	41,822
Long term debt (Note 7)	8,996,120	2,862,059
Minor trust reserve (Note 17)	1,607,806	1,631,880
	<b>14,091,128</b>	<b>7,172,240</b>

### Net Financial Assets






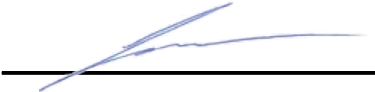
	<b>47,520,238</b>	<b>41,786,213</b>
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### Non-financial Assets

Tangible capital assets (Note 9)	24,458,503	22,999,712
Crab fishing licence	1,035,275	-
Prepaid expense	498,576	229,990
	<b>25,992,354</b>	<b>23,229,702</b>

<b>Accumulated Surplus</b> (Note 10)	<b>\$73,512,592</b>	<b>\$ 65,015,915</b>
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Approved on behalf of the Executive Council:

 _____	Chief Councilor	 _____	Councilor
 _____	Councilor	 _____	Councilor
 _____	Councilor	 _____	Councilor

**Huu-ay-aht First Nations**  
**Exhibit B - Statement of Change in Net Financial Assets**

	2019	2018
	(Restated - Note 1)	
<b>Surplus - Exhibit C</b>	<b>\$ 8,496,677</b>	<b>\$ 22,623,608</b>
Purchases of tangible capital assets	(2,527,915)	(6,622,908)
Purchase of licence	(1,035,275)	-
Amortization of tangible capital assets	1,034,477	993,361
(Gain) / loss on sale of tangible capital assets	(10,353)	-
Proceeds on sale of tangible capital assets	45,000	-
Change in prepaids	(268,586)	73,559
	<u>(2,762,652)</u>	<u>(5,555,988)</u>
<b>Increase in net financial assets</b>	<b>5,734,025</b>	<b>17,067,620</b>
<b>Net financial assets, beginning of year</b>	<b>41,786,213</b>	<b>24,718,593</b>
<b>Net financial assets, end of year</b>	<b>\$47,520,238</b>	<b>\$ 41,786,213</b>

## Huu-ay-aht First Nations Exhibit C - Statement of Operations

	Budget	2019	2018 (Restated - Note 1)
	(Note 15)		
<b>Revenue</b>			
Indigenous Services Canada	\$ 5,804,492	\$ 8,164,738	\$ 20,435,782
Industry funds	9,940,000	7,553,278	11,871,073
Investment income	600,000	391,760	1,496,265
Other revenue	3,353,156	3,383,172	2,446,340
Province of British Columbia	151,764	152,415	151,113
Nuu-chah-nulth Tribal Council	40,000	268,054	183,416
Canada Mortgage and Housing Corporation	-	26,235	26,235
Cost recoveries	-	254,446	751,926
Earnings from investment in the Nations' business partnerships (Note 11)	-	7,153,732	2,880,576
Loss from investment in the Nations' business enterprise (Note 11)	-	(630)	(1,051)
Sale of tangible capital assets	-	10,353	-
	19,889,412	27,357,553	40,241,675
<b>Expenses</b>			
Government services	6,661,712	7,065,534	4,676,786
Economic development	1,073,679	658,887	537,865
Community services	5,558,925	5,233,100	3,483,012
Special program	4,705,350	5,903,355	8,920,404
	17,999,666	18,860,876	17,618,067
<b>Annual surplus</b>	1,889,746	8,496,677	22,623,608
<b>Accumulated surplus, beginning of the year</b>	65,015,915	65,015,915	42,392,307
<b>Accumulated surplus, end of the year</b>	\$ 66,905,661	\$ 73,512,592	\$ 65,015,915

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



## Huu-ay-aht First Nations Exhibit D - Statement of Cash Flows

For the year ended March 31	2019	2018 (Restated - Note 1)
<b>Operating transactions</b>		
Annual surplus	\$ 8,496,677	\$ 22,623,608
Non-cash items		
Amortization	1,034,477	993,361
Gain on sale of tangible capital assets	(10,353)	-
Earnings from investment in the Nations' business partnerships	(7,153,732)	(2,880,576)
Loss from investment in the Nations' business enterprises	630	1,051
Changes in working capital accounts		
Accounts receivable	798,376	(672,119)
Accounts payable and accruals	(655,718)	278,026
Deferred revenue	1,479,619	(23,794)
Prepaid expenses	(268,586)	73,559
Funds held in trust	(415,834)	88,207
<b>Cash flows from operating transactions</b>	<b>3,305,556</b>	<b>20,481,323</b>
<b>Capital transactions</b>		
Purchase of tangible capital assets	(2,527,915)	(6,622,908)
Proceeds on sale of tangible capital assets	45,000	-
Purchase of licence	(1,035,275)	-
<b>Cash flows from capital transactions</b>	<b>(3,518,190)</b>	<b>(6,622,908)</b>
<b>Investing transactions</b>		
Increase (decrease) in restricted cash	(2,982)	(693)
Capital draws from investment in the Nations' business partnership	29,000	538,517
Investment in the Nations' business partnerships	(29,000)	(131,000)
Investment in TFL44LP	(7,968,068)	-
<b>Cash flows from investing transactions</b>	<b>(7,971,050)</b>	<b>406,824</b>
<b>Financing transactions</b>		
Proceeds from issuance of long term debt	6,500,000	-
Repayment of long term debt	(365,939)	(691,811)
Bank indebtedness	(15,000)	20,000
Advance from related parties	29,356	-
Advance to related parties	(15,222)	(241,551)
<b>Cash flows from financing transactions</b>	<b>6,133,195</b>	<b>(913,362)</b>
<b>Net increase (decrease) in cash</b>	<b>(2,050,489)</b>	<b>13,351,877</b>
<b>Cash, beginning of year</b>	<b>18,196,343</b>	<b>4,844,466</b>
<b>Cash, end of year</b>	<b>\$ 16,145,854</b>	<b>\$ 18,196,343</b>

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## Huu-ay-aht First Nations Summary of Significant Accounting Policies

March 31, 2019

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**Basis of Presentation** These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards.

The Huu-ay-aht First Nations (the "Nations") is under self government effective April 1, 2011.

The formation under self-government has also brought access to Wealth Fund (Note 5) and Settlement Funds (Note 5).

**Program Accounting** The Nations use fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the Financial Statements. The Nations maintain the following funds:

Operating Fund

Reports all government administration activities and related operating activities that are fully or partially funded by government or their agencies.

Capital Fund

Reports the capital assets of the Nations together with their related financing.

Business Fund

Reports on assets, liabilities and activities of the investments owned or controlled by the Nations.

Wealth and Settlement Fund

Reports on trust funds held in trust for the Nations.

Social Housing Special Fund

Reports the assets, liabilities and activities of the Canada Mortgage and Housing Corporation ("CMHC") subsidized rental housing operations.

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## Huu-ay-aht First Nations Summary of Significant Accounting Policies

March 31, 2019

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### Reporting Entity and Principles

The Nations' reporting entities include the Nations' government and all related entities which are accountable to the Nations and are either owned or controlled by the Nations.

Incorporated business entities, which are owned or controlled by the Nations and which are not dependent on the Nations' for their continuing operations, are included in the summary financial statements using the modified equity method. These include: Huu-ay-aht First Nations Development Limited Partnership and its general partner, Huu-ay-aht First Nations Development Corporation (Wholly owned) and Nuu-chah-nulth Seafood Limited Partnership (16.67% ownership)

### Wealth Fund and Settlement Fund

Portfolio investments in the wealth fund and settlement fund include cash and cash equivalents, bonds and preferred shares, Canadian Equities, U.S. equities, and International equities. Portfolio investments are carried at cost plus accrued interest but are written down to net realizable value when there has been, in management's opinion, a permanent decline in value.

### Use of Estimates

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

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## Huu-ay-aht First Nations Summary of Significant Accounting Policies

March 31, 2019

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**Tangible Capital Assets** Property, equipment and infrastructure expenditures are valued at acquisition cost and recorded in the the Capital Fund.

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

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

Boats and rafts	7 years straight-line
Buildings	10-25 years straight-line
Computer equipment	3 years straight-line
Community housing	20 years straight-line
Trails, docks and floats	10 years straight-line
Equipment	5-20 years straight-line
Utilities	20 years straight-line
Vehicles	7 years straight-line
Work in progress	Not amortized until put into use

**Crab Fishing License** The crab fishing licence provides the right for the holder to annually renew a related commercial fishing licence. The crab fishing licence was purchased from an unrelated third party and is recorded at cost. The carrying cost is not amortized.

**Revenue Recognition** Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under the funding arrangements, which relates to a subsequent fiscal period, is reflected as deferred revenue in the year of receipt and classified as such on the statement of financial position.

Rental revenue is recognized when a tenant commences occupancy and rent is due. The Nations retain all benefits and risks of ownership of their property and, therefore, accounts for leases with its tenants as operating leases.

All other revenue is recognized in the period in which the events that give rise to the revenue occurs.

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

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## Huu-ay-aht First Nations Summary of Significant Accounting Policies

March 31, 2019

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**Deferred Revenue** Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the Statement of Financial Position. The revenue is recognized in the Statement of Operations in the year in which it is used for the specified purposes.

**Impairment of Long-lived Assets** In the event that facts and circumstances indicate that the Nations' assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails considering the reduction in service capacity of the asset.

**Liabilities for Contaminated Sites** Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the Nations is directly responsible or accepts responsibility; and
  - a. is directly responsible; or
  - b. accepts responsibility; and
- iv. a reasonable estimate of the amount can be made.

To date, no liability for contaminated sites has been reported.

# Huu-ay-aht First Nations Notes to Financial Statements

March 31, 2019

## 1. Prior Year Restatement

In the prior year, accounts payable and accrued liabilities and funds held in trust were overstated by \$1,800,329 and \$168,449, respectively. As a result, Special Program expenses was overstated by \$1,968,768. Prior year balances have been restated to correct these balances.

The impact of the restatement was to:

Increase accumulated surplus at March 31, 2018 by	\$1,968,768
Decrease total liability at March 31, 2018 by	\$1,968,768
Increase net financial assets at March 31, 2018 by	\$1,986,768
Decrease total expenses for the year ended March 31, 2018 by	\$1,968,768

## 2. Cash

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

## 3. Restricted Cash

	2019	2018
Operating reserve	\$ 9,704	\$ 9,704
Replacement reserve	33,296	30,314
Forestry reserve	23,653	23,653
	\$ 66,653	\$ 63,671

### 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 (2018 - \$3,000) annually. These funds, along with accumulated interest, must be held in a separate bank account and/or interested 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 (2018 - adequately funded).

### Operating reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation ("CMHC"), excess revenue 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 interested 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 (2018 - adequately funded).

### Forestry reserve

Under the term of the agreement with the Province of British Columbia, the forestry reserve is held as security for the forestry permit issued by the Province. The funds are held in a guaranteed investment certificate bearing interest at 0.50% per annum and is set to automatically renew for an additional year upon maturing each year.

## Huu-ay-aht First Nations Notes to Financial Statements

March 31, 2019

### 4. Accounts Receivable

Accounts receivable by program area is summarized as follows:

	2019	2018
Canada Mortgage and Housing Corporation	\$ 769	\$ 769
GST and Provincial Sales Tax receivable (payable)	(35,485)	185,676
Other	192,298	769,513
	\$ 157,582	\$ 955,958

### 5. Investments

	2019		2018	
	Market Value	Book Value	Market Value	Book Value
Wealth Fund				
TD Wealth	14,476,385	14,195,695	13,725,563	13,834,082
Settlement Fund				
TD Wealth	1,080,680	1,061,024	1,026,305	1,030,877
	\$ 15,557,065	\$ 15,256,719	\$ 14,751,868	\$ 14,864,959

#### Wealth Fund

As a result of treaty settlement, the Nations transferred funds received from various government organization into an Invested Wealth Fund. The intent of this fund is to provide the Nations with perpetual investment income to help fund the increased administrative activities required to operate a self-government body.

The wealth fund are currently invested in 49% (2018 - 60%) bonds and preferred shares with yields of 1.25-3.70% (2018 - 1.25-3.75%) and 51% (2018 - 40%) in equities.

#### Settlement Fund

The purpose of this fund is to hold and protect capital transfers and resource revenues intended for its beneficiaries: the Nations, other Huu-ay-aht settlement trusts, any registered charity or not-for-profit organizations that are qualified donees that in the opinion of the Trustees directly or indirectly benefits one or more Huu-ay-aht citizens, or a combination of the above mentioned entities and Persons.

The settlement fund are currently invested in 52% (2018 - 61%) bonds and preferred shares with yields of 1.25-3.70% (2018 - 1.25-3.75%) and 48% (2018 - 39%) in equities.

## Huu-ay-aht First Nations Notes to Financial Statements

March 31, 2019

### 6. Deferred Revenue

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

	Balance March 31, 2018	Additions	Revenue recognized	Balance March 31, 2019
Operating Fund				
Province of British Columbia	\$ 41,822	\$ 1,167,884	\$ 152,415	\$ 1,057,291
Government of Canada	-	8,439,211	8,164,738	274,473
Other	-	189,667	-	189,677
	<b>\$ 41,822</b>	<b>\$ 9,796,762</b>	<b>\$ 8,317,153</b>	<b>\$ 1,521,441</b>



## Huu-ay-aht First Nations Notes to Financial Statements

March 31, 2019

### 7. Long Term Debt

	2019	2018
Royal Bank of Canada, term loan, repayable in monthly installments of \$17,494 (2018 - \$17,381) including interest at prime per annum, maturing July 2020.	\$ 1,024,493	\$ 1,192,908
Royal Bank of Canada, term loan, repayable in monthly installments of \$2,733 including interest at 2.85% per annum, maturing August 2019	319,385	342,716
Royal Bank of Canada, term loan, repayable in monthly installments of \$1,336 including interest at 2.85% per annum, maturing July 2018	-	167,496
Royal Bank of Canada, term loan, repayable in monthly installments of \$2,733 including interest at prime plus 0.50% per annum, maturing March 2022	6,000,000	-
All Nations Trust Company, mortgage, repayable in monthly installments of \$1,120 including interest at 1.82% per annum, maturing September 2019	125,647	136,703
Maa-Nulth Treaty loan, repayable in annual installments of \$546,224 including interest of 4.545% per annum, maturing April 2020	1,068,518	1,022,236
Nuu-Chah-Nulth Economic Development Corporation (NEDC), repayable in annual installments of \$37,400 including interest of Bank of Montreal Prime rate plus 1.00% per annum, maturing October 2037	458,077	-
	\$ 8,996,120	\$ 2,862,059

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

2020	\$ 2,979,059
2021	3,401,932
2022	2,113,624
2023	34,059
2024	31,651
Thereafter	435,795
	\$ 8,996,120

The Royal Bank of Canada loans are secured by the security outlined in Note 14.

The Maa-Nulth Treaty loan is secured by a time limited treaty payment known as a capital transfer. If the loan payment not made during the year, the Federal government will reduce the capital transfer payment by the loan payment amount.

The NEDC loan is secured by a first position over the commercial crab licence.

**Huu-ay-aht First Nations  
Notes to Financial Statements**

**March 31, 2019**

**8. Due from (to) Related Parties**

	2019	2018
Due from HFN Development	\$ 221	\$ 221
Due from HFN LNG Development	-	414,667
Due from HFN Forestry	651,718	2,055
Due from HFN Land	1,800,000	2,043,423
Due from HFN Hospitality	23,097	-
Due from HFN Management	152	-
Due to HFN Gravel	(21,126)	-
Due to HFN Market	(8,230)	-
	2,445,832	2,460,366
 Due from HFN Settlement Funds	 41,677	 41,277
	\$ 2,487,509	\$ 2,501,643

The above entities are directly or indirectly controlled by the Nations.

## Huu-ay-aht First Nations Notes to Financial Statements

March 31, 2019

### 9. Tangible Capital Assets

	2019										
	Land	Building	Boats and rafts	Computer equipment	Equipment	Community housing	Utilities	Trails, docks and floats	Vehicles	Work in progress	Total
Cost, beginning of year	\$ 10,761,250	\$ 11,438,708	\$ 110,771	\$ 334,834	\$ 1,088,392	\$ 995,052	\$ 4,338,107	\$ 1,462,498	\$ 510,257	\$ 853,584	\$ 31,893,453
Additions	3,632	258,036	35,796	7,526	64,640	-	-	36,090	120,531	2,001,664	2,527,915
Disposals	-	-	-	-	-	-	-	-	(69,295)	-	(69,295)
Cost, end of year	\$ 10,764,882	\$ 11,696,744	\$ 146,567	\$ 342,360	\$ 1,153,032	\$ 995,052	\$ 4,338,107	\$ 1,498,588	\$ 561,493	\$ 2,855,248	\$ 34,352,073
Accumulated amortization, beginning of year	\$ -	\$ 4,587,589	\$ 94,762	\$ 296,630	\$ 607,357	\$ 749,730	\$ 1,820,732	\$ 518,139	\$ 218,802	\$ -	\$ 8,893,741
Amortization	-	485,313	8,294	31,549	72,205	14,520	213,699	132,224	76,673	-	1,034,477
Disposals	-	-	-	-	-	-	-	-	(34,648)	-	(34,648)
Accumulated amortization, end of year	\$ -	\$ 5,072,902	\$ 103,056	\$ 328,179	\$ 679,562	\$ 764,250	\$ 2,034,431	\$ 650,363	\$ 260,827	\$ -	\$ 9,893,570
Net carrying amount, end of year	\$ 10,764,882	\$ 6,623,842	\$ 43,511	\$ 14,181	\$ 473,470	\$ 230,802	\$ 2,303,676	\$ 848,225	\$ 300,666	\$ 2,855,248	\$ 24,458,503

**Huu-ay-aht First Nations  
Notes to Financial Statements**

**March 31, 2019**

**9. Tangible Capital Assets (continued)**

	2018										
	Land	Building	Boats and rafts	Computer equipment	Equipment	Community housing	Utilities	Trails, docks and floats	Vehicles	Work in progress	Total
Cost, beginning of year	\$ 7,209,434	\$ 10,082,263	\$ 110,771	\$ 307,337	\$ 739,197	\$ 995,052	\$ 4,338,107	\$ 797,546	\$ 461,903	\$ 228,935	\$ 25,270,545
Additions	3,551,816	1,356,445	-	27,497	349,195	-	-	664,952	48,354	624,649	6,622,908
Cost, end of year	\$ 10,761,250	\$ 11,438,708	\$ 110,771	\$ 334,834	\$ 1,088,392	\$ 995,052	\$ 4,338,107	\$ 1,462,498	\$ 510,257	\$ 853,584	\$ 31,893,453
Accumulated amortization, beginning of year	\$ -	\$ 4,138,795	\$ 89,026	\$ 241,850	\$ 550,018	\$ 734,775	\$ 1,607,032	\$ 389,522	\$ 149,362	\$ -	\$ 7,900,380
Amortization		448,794	5,736	54,780	57,339	14,955	213,700	128,617	69,440	-	993,361
Accumulated amortization, end of year	\$ -	\$ 4,587,589	\$ 94,762	\$ 296,630	\$ 607,357	\$ 749,730	\$ 1,820,732	\$ 518,139	\$ 218,802	\$ -	\$ 8,893,741
Net carrying amount, end of year	\$ 10,761,250	\$ 6,851,119	\$ 16,009	\$ 38,204	\$ 481,035	\$ 245,322	\$ 2,517,375	\$ 944,359	\$ 291,455	\$ 853,584	\$ 22,999,712

# Huu-ay-aht First Nations Notes to Financial Statements

March 31, 2019

## 10. Accumulated Surplus

	2019	2018
Operating surplus	\$ 9,204,386	\$ 14,268,764
Investment in Enterprises Fund	25,009,540	14,634,099
Investment in Wealth Fund	14,195,695	13,834,082
Investment in Settlement Fund	1,061,024	1,030,877
Investment in Tangible Capital Assets	24,024,431	21,231,301
Replacement and Operating Reserves	17,516	16,792
	\$73,512,592	\$ 65,015,915

## 11. Investments in the Nations' Business Entities

The following period of financial information was used to determine the amount of the investment in the Nations' business activities:

### Limited Partnerships

HFN Development Limited Partnership	January 1, 2018 - December 31, 2018
Nuu-chah-nulth Seafood Limited Partnership	January 1, 2018 - December 31, 2018

### Corporations

HFN Development Corporation	January 1, 2018 - December 31, 2018
Nuu-chah-nulth Seafood Development Corporation	April 1, 2018 - March 31, 2019

### Purpose

HFN Development combines all of the economic development activities for the Nations.  
Nuu-chah-nulth Seafood Limited Partnership was established to create a profitable yet sustainable seafood business.

	2018 Investment carrying value	Share of earnings (loss)	Capital contributions	Capital draws	2019 Total investment
<b>Wholly-owned Businesses:</b>					
HFN Development Limited Partnership	\$ 11,971,822	\$ 7,042,946	\$ 29,000	\$ -	\$ 19,043,768
HFN Development Corporation	(46,199)	(630)	-	-	(46,829)
	11,925,623	7,042,316	29,000	-	18,996,939
<b>First Nation Business Partnership - Modified Equity:</b>					
Nuu-cha-nulth Seafood Limited Partnership - 16.67%	415,882	110,786	-	29,000	497,668
Nuu-chah-nulth Seafood Development Corporation - 16.67%	34,374	-	-	-	34,374
	450,256	110,786	-	29,000	532,042
	\$ 12,375,879	\$ 7,153,102	\$ 29,000	\$ 29,000	\$ 19,528,981

**Huu-ay-aht First Nations  
Notes to Financial Statements**

March 31, 2019

11. Investment in the Nations' Business Entities (continued)

Summary financial information of the Nations' business partnership and enterprises accounted for using the modified equity method for their respective year-end is as follows:

	Assets	Liabilities	Net Assets	Revenue	Expenses	2019 Total Earnings (Loss)	2018 Total Earnings (Loss)
<b><u>Limited Partnerships</u></b>							
HFN Development LP	\$ 19,320,239	\$ 405,059	\$ 18,915,180	\$ 7,058,360	\$ 15,414	\$ 7,042,946	\$ 2,709,793
NSLP	-	-	-	179,510	68,724	110,786	170,783
Subtotal	19,320,239	405,059	18,915,180	7,237,870	84,138	7,153,732	2,880,576
<b><u>Corporation</u></b>							
HFN Development Corporation	8	12,333	(12,325)	-	630	(630)	(1,051)
	\$ 19,320,247	\$ 417,392	\$ 18,902,855	\$ 7,237,870	\$ 84,768	\$ 7,153,102	\$ 2,879,525

**March 31, 2019**

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**12. Portfolio Investment**

On December 13, 2018, the Nations entered into an agreement with Western Forest Products to acquire an interest in Tree Farm Forest Licence 44. The result of this transaction is that the Nations owns 7 limited partnership units in an entity known as TFL44LP. The Nations does not have a controlling interest in TFL44LP and the investment is accounted for as a portfolio investment recorded at its cost (including related acquisition costs) of \$7,968,068.

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**13. Comparative Figures**

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

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**14. Line of Credit**

The Royal Bank of Canada has approved an operating line of credit up to \$1,000,000 at the bank's prime lending rate. At March 31, 2019, this availability of the facility is \$35,000 (2018 - \$20,000). A general security agreement covering all assets of the Nations is pledged for this credit facility, in addition to a first charge on all inventory, mortgages on real property, assignment of stumpage proceeds, and guarantee and postponement of claim by several of the Nations' controlled entities.

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**15. Budget Amounts**

The budget amounts were prepared by management and approved by the Nations for the year ending March 31, 2019.

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## Huu-ay-aht First Nations Notes to Financial Statements

March 31, 2019

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### 16. Contractual Rights

During the year, the Nations entered into the following agreements:

- Through HFN Forestry Consulting Services Limited Partnership, an agreement with TFL 44 LP to provide consulting services in exchange for an annual fee of \$375,000 for an indefinite term.
- A grant with the Vancouver Foundation for children social services of \$99,780 over the next three years ending in 2022.
- A funding agreement through Nuu-chah-nulth Tribe Council (NTC) with the Federal and Provincial government for delivery of services and programs to NTC communities of \$839,800 annually until April 30, 2022.

Amounts anticipated to be received over future years are as follows:

2020	\$ 1,314,580
2021	1,314,580
2022	<u>1,314,580</u>
	<u>\$ 3,943,740</u>

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### 17. Minor Trust Reserve

Under the Tribunal order, the Nations decided to set aside \$1,607,806 (2018 Restated - \$1,631,880) for all minors to receive accumulated dividends upon becoming legal age (19 years old). In the current year, a dividend of \$300 (2018 - \$6,000) was determined. The funds are currently held in a Canadian chartered bank. No legal trust has been set up for this minor trust reserve.



March 31, 2019

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## 18. Segment Disclosure

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

### **Government Services**

This service area provides the structure of government and legislation for the Nations 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 service area 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 operations of the House of the Nations and the multi-use building. Also, the service area 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.

### **Economic Development**

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

### **Community Services**

This service area provides for health-related services, social services, childcare services and education services.

### **Special Programs**

This service area provides for supporting any special projects that the Nations pursues.

**Huu-ay-aht First Nations**  
**Expenses by object**  
**For the year ended March 31, 2019**  
**Schedule 1**

<b>Expenses</b>	<b>Budget 2019</b>	<b>2019</b>	<b>2018</b>
ACRD	\$ 25,130	\$ 25,531	\$ 23,955
Admin Fees	1,000	-	-
Advertising & Promotion	151,200	698,182	44,182
Amortization		1,034,476	992,765
Bad Debt Expense		954,505	-
Citizen Dividend	680,000	1,192,747	4,742,201
Consulting	4,112,600	3,390,518	1,899,806
Counselling/Mental Health	104,000	312,535	103,193
CRA Penalties		359,344	-
Dental Fees	-	748	2,123
DIA	31,000	30,471	30,471
Education	343,700	368,726	194,566
Elders Benefits	618,000	590,500	566,000
Fish	142,500	115,923	119,821
Furniture & Equipment	32,500	26,884	19,382
Honoraria	194,200	62,549	75,092
Insurance	71,150	86,269	67,280
Inter. & Bank Charges	330,065	178,276	223,608
Kiixin Program Expenses	-	-	246,403
Maa-nulth Allocation	240,000	236,851	214,038
Management Fees		2,400	2,400
Materials & Supplies	438,404	157,409	119,692
Med. Supplies & Prescriptions	68,000	27,866	26,196
Meetings	711,900	573,231	283,484
Miscellaneous	15,900	15,119	28,026
NTC Fee	280,800	295,840	173,250
Occupational Skills Training	136,400	199,143	54,398
Office Equipment Lease	11,000	8,760	10,532
Office Supplies	146,000	141,486	69,802
Patient Travel	75,000	188,227	86,583
Prior Year Adjustment	-	6,873	30,897
Professional Development	232,000	67,768	69,510
Professional Fees	1,569,000	1,417,840	1,573,892
Program Expenses	1,152,016	604,260	618,078
Rent & Property Taxes	30,000	63,662	38,548
Repairs & Maintenance	174,000	284,846	114,748
Salaries and Benefits	4,823,181	4,186,511	3,590,374
Social Assistance	64,272	64,724	43,477
Social Services Jurisdiction	-	314	235,580
Telephone	102,500	98,130	92,130
Travel	400,800	441,826	294,530
Tribunal	75,000	28,356	23,977
Tuition & Trades Program	342,223	221,080	391,473
Tutors	1,725	15,653	11,382
Utilities	72,500	84,515	70,223
	<b>\$ 17,999,666</b>	<b>\$ 18,860,876</b>	<b>\$ 17,618,067</b>

Huu-ay-aht First Nations  
Government Services  
For the year ended March 31, 2019  
Schedule 2

	<b>2019</b>	<b>2019</b>	<b>2018</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenue</b>			
INAC	\$ 3,007,441	\$ 5,367,035	\$ 3,356,175
Treaty	2,603,455	2,603,455	2,603,455
Resource Revenue - Federal	109,942	110,593	109,291
Fish funding	83,654	83,655	80,967
Total INAC	5,804,492	8,164,738	6,149,888
Investment Income	600,000	391,760	1,496,265
Provincial Annual Funding	41,822	41,822	41,822
Resource Revenue - Prov	109,942	110,593	109,291
Total Province of BC	151,764	152,415	151,113
Nuu-chah-nulth Tribal Council	-	18,904	18,904
Cost Recoveries - permits, lea	-	35,455	12,168
Other Income - TSL Harvest	1,894,656	1,798,115	1,684,268
HGB Dividend	1,400,000	-	-
Property taxes	-	31,505	33,144
Other Income	38,500	515,047	554,063
Sale of tangible assets		10,353	
Contracts	-	25,293	37,337
Total Other	3,333,156	2,380,312	2,308,811
	<b>9,889,411</b>	<b>11,143,583</b>	<b>10,137,149</b>
<b>Expenses</b>			
ACRD	25,130	25,531	23,955
Admin Fees	1,000		
Advertising & Promotion	30,000	667,026	13,817
Citizen Dividend	680,000	1,192,747	-
Consulting	378,000	171,171	149,530
Fish	142,500	115,923	119,821
Furniture & Equipment	32,500	26,884	19,382
Honoraria	175,000	39,731	62,915
Insurance	63,000	82,433	67,280
Inter. & Bank Charges	80,065	98,272	152,793
Maa-nulth Allocation	240,000	236,851	214,038
Materials & Supplies	195,300	84,674	79,006
Meetings	179,500	307,135	209,071
Miscellaneous	12,100	6,950	4,158
Office Equipment Lease	11,000	8,760	10,532
Office Supplies	72,600	84,273	66,097
Prior Year Adjustment	-	6,873	30,897
Professional Development	164,000	48,999	38,097
Professional Fees	594,000	531,215	660,730
Program Expenses	148,000	44,720	32,386
Rent & Property Taxes	30,000	53,451	31,274
Repairs & Maintenance	174,000	284,846	114,748
Salaries and Benefits	2,793,117	2,465,850	2,194,558
Telephone	99,400	94,827	89,304
Transportation	-	-	-
Travel	196,500	274,297	200,913
Tribunal	75,000	28,356	23,977
Utilities	70,000	83,738	67,509
	<b>6,661,712</b>	<b>7,065,534</b>	<b>4,676,786</b>
<b>Surplus (deficit)</b>	<b>\$ 3,227,699</b>	<b>\$ 4,078,050</b>	<b>\$ 5,460,363</b>

**Huu-ay-aht First Nations  
Economic Development  
For the year ended March 31, 2019  
Schedule 3**

	<b>2019 Budget</b>	<b>2019 Actual</b>	<b>2018 Actual</b>
<b>Revenue</b>			
Earnings from the Nations' Business Partnerships		\$ 7,153,732	\$ 2,880,576
Loss from the Nations' Business Enterprise		(630)	(1,051)
Cost Recoveries - permits, leases	-	1,120	-
Hydro Project Grants	-	87,926	-
	-	7,242,148	2,879,525
<b>Expenses</b>			
Advertising & Promotion	25,200	7,387	-
Consulting	391,000	238,406	21,571
DIA	31,000	30,471	30,471
Insurance	8,150	3,836	-
Kiixin Program Expenses	-	-	246,403
Materials & Supplies	21,000	40,711	2,465
Meetings	71,900	37,989	13,396
Office Supplies	12,900	19,163	1,284
Professional Development	14,000	902	4,440
Professional Fees	25,000	48,058	22,658
Program Expenses	50,000	10,000	10,000
Rent & Property Taxes	-	2,525	-
Salaries and Benefits	362,929	205,417	178,639
Travel	60,600	14,021	6,536
	<b>1,073,679</b>	<b>658,887</b>	<b>537,865</b>
<b>Surplus (deficit)</b>	<b>\$ (1,073,679)</b>	<b>\$ 6,583,261</b>	<b>\$ 2,341,660</b>

**Huu-ay-aht First Nations  
Community Services  
For the year ended March 31, 2019  
Schedule 4**

	<b>2019 Budget</b>	<b>2019 Actual</b>	<b>2018 Actual</b>
<b>Revenue</b>			
Nuu-chah-nulth Tribal Council	\$ 40,000	\$ 249,150	\$ 164,512
Gov't Canada & BC - Childcare and Education	-	89,570	60,841
Cost Recoveries - permits, leases	-	169,411	119,213
Other Income	20,000	843,369	54,317
	<b>60,000</b>	<b>1,351,500</b>	<b>398,883</b>
<b>Expenses</b>			
Amortization		1,023,421	981,908
Advertising & Promotion	31,000	22,419	21,942
Consulting	243,600	64,192	(10,291)
Counselling/Mental Health	104,000	312,535	103,193
Dental Fees	-	748	2,123
Elders Benefits	618,000	590,500	226,400
Education	343,700	368,726	194,566
Honoraria	16,200	20,718	7,681
Materials & Supplies	184,654	29,258	19,690
Med. Supplies & Prescriptions	68,000	27,866	26,196
Meetings	270,000	163,034	39,249
Miscellaneous	3,800	8,170	23,869
NTC Fee	280,800	295,840	173,250
Occupational Skills Training	136,400	100,865	6,182
Office Supplies	10,500	3,182	2,421
Patient Travel	75,000	188,227	86,583
Professional Development	24,000	15,828	26,972
Professional Fees	200,000	24,816	4,882
Program Expenses	954,016	448,464	149,864
Salaries and Benefits	1,542,735	1,177,464	856,458
Social Assistance	64,272	64,724	43,477
Social Services Jurisdiction	-	314	235,580
Telephone	3,100	3,302	2,827
Tutors	1,725	15,653	11,382
Travel	38,700	41,177	18,255
Tuition & Trades Program	342,223	220,879	225,641
Utilities	2,500	777	2,713
	<b>5,558,925</b>	<b>5,233,100</b>	<b>3,483,012</b>
<b>Surplus (deficit)</b>	<b>\$ (5,498,925)</b>	<b>\$ (3,881,600)</b>	<b>\$ (3,084,129)</b>

**Huu-ay-aht First Nations  
Special Programs  
For the year ended March 31, 2019  
Schedule 5**

	<b>2019 Budget</b>	<b>2019 Actual</b>	<b>2018 Actual</b>
<b>Revenue</b>			
AANDC	\$ -	\$ -	\$ 14,285,894
Cost Recoveries - permits, leases	-	30,786	576,970
Grants		3,500	31,240
CMHC		26,235	26,235
LNG Generations Funding	-	-	100,000
LNG Capability	-	-	175,000
LNG PA	9,940,000	7,455,000	11,408,573
WFP E&T Fund	-	98,278	187,500
Total Industry Funds	9,940,000	7,553,278	11,871,073
	<b>9,940,000</b>	<b>7,613,799</b>	<b>26,791,412</b>
<b>Expenses</b>			
Advertising & Promotion	65,000	1,350	8,423
Amortization		11,055	10,857
Bad Debt Expense		954,505	
Citizen Dividend	-	-	4,742,201
Consulting	3,100,000	2,916,749	1,738,996
CRA Penalties		359,344	
Education	-	-	-
Elders Benefit	-	-	339,600
Honoraria	3,000	2,100	4,496
Inter. & Bank Charges	250,000	80,003	70,815
Management Fees		2,400	2,400
Materials & Supplies	37,450	2,766	18,531
Med. Supplies & Prescriptions	-	-	-
Meetings	190,500	65,072	21,768
Occupational Skills Training	-	98,278	48,216
Office Supplies	50,000	34,868	-
Professional Development	30,000	2,040	-
Professional Fees	750,000	813,751	885,621
Program Expenses	-	101,076	425,828
Property Taxes	-	7,686	7,274
Salaries and Benefits	124,400	337,779	360,719
Travel	105,000	112,332	68,826
Tuition & Trades Program	-	201	165,832
	<b>4,705,350</b>	<b>5,903,355</b>	<b>8,920,404</b>
<b>Surplus (deficit)</b>	<b>\$ 5,234,650</b>	<b>\$ 1,710,444</b>	<b>\$ 17,871,008</b>