

Tseshah First Nation
Consolidated Financial Statements
March 31, 2016

Tseshah First Nation
Contents
For the year ended March 31, 2016

Page

Management's Responsibility

Independent Auditors' Report

Consolidated Financial Statements

Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Change in Net Debt.....	3
Consolidated Statement of Cash Flows.....	4

Notes to the Consolidated Financial Statements	5
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Schedules

Schedule 1 - Consolidated Schedule of Tangible Capital Assets.....	21
Schedule 2 - Consolidated Schedule of Consolidated Expenses by Object.....	24
Schedule 3 - Consolidated Schedule of Revenue, Expenses and Accumulated Surplus (Deficit) - Operating.....	25
Schedule 4 - Consolidated Schedule of Revenue, Expenses and Accumulated Surplus - Trust.....	27
Schedule 5 - Consolidated Schedule of Revenue, Expenses and Accumulated Surplus - Social Housing.....	28
Schedule 6 - Consolidated Schedule of Revenue, Expenses and Accumulated Surplus - Enterprise.....	29
Schedule 7 - Consolidated Schedule of Revenue, Expenses and Accumulated Deficit - Treaty.....	30

Management's Responsibility

To the Members of Tseshah First Nation:

The accompanying consolidated financial statements of Tseshah First Nation are the responsibility of management and have been approved by the Chief and Council.

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

MNP LLP is appointed by Chief and 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 Chief and Council and management to discuss their audit findings.

July 25, 2016

Signed by "Chris Anderson"

Director of Finance

Independent Auditors' Report

To the Members of Tseshah First Nation:

We have audited the accompanying consolidated financial statements of Tseshah First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus, changes in net debt 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 consolidated 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 Tseshah First Nation as at March 31, 2016 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The consolidated financial statements of the Tseshah First Nation for the year ended March 31, 2015 were audited by another firm of public accountants who issued an unqualified opinion on July 29, 2015.

Nanaimo, British Columbia

July 25, 2016

MNP LLP

Chartered Professional Accountants

Tseshah First Nation
Consolidated Statement of Financial Position
As at March 31, 2016

	2016	2015
Financial assets		
Cash	1,374,845	2,479,159
Accounts receivable	604,946	667,869
Restricted cash (Note 4)	1,383,687	1,298,122
Term investments (Note 5)	1,150,402	432,041
Inventory for resale (Note 6)	137,978	157,712
Funds held in trust (Note 7)	148,662	142,992
Investment in First Nation business enterprises (Note 8)	4,529,893	3,381,543
Investment in First Nation business partnerships (Note 8)	78,634	(16,466)
Portfolio investments (Note 8)	25,000	25,000
Total financial assets	9,434,047	8,567,972
Financial liabilities		
Accounts payable	956,298	1,937,553
Deferred revenue (Note 9)	375,007	344,199
Demand loan (Note 10)	-	70
Long-term debt (Note 11), (Note 12)	12,472,818	12,680,771
Total of financial liabilities	13,804,123	14,962,593
Net debt	(4,370,076)	(6,394,621)
Contingencies (Note 13)		
Non-financial assets		
Tangible capital assets (Schedule 1)	20,911,605	21,898,356
Prepaid expenses	34,586	72,095
Total non-financial assets	20,946,191	21,970,451
Accumulated surplus (Note 14)	16,576,115	15,575,830

Approved on behalf of the Chief and Council

Signed by "Cynthia Dick"

**Chief
Councillor**

Signed by "Luke George"

Councillor

The accompanying notes are an integral part of these financial statements

Tseshaht First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2016

	Schedules	2016 Budget (Note 19)	2016	2015
Revenue				
Sales		225,000	8,519,901	8,550,042
Nuu-chah-nulth Tribal Council - CFNFA		3,431,402	3,499,872	3,025,811
Earnings from investment First Nation business enterprises (Note 8)		-	1,132,632	86,455
Nuu-chah-nulth Tribal Council - non CFNFA		562,704	903,126	2,065,813
Rental income		79,600	497,245	493,233
Fish license fees		233,799	259,192	188,189
Canada Mortgage and Housing Corporation		-	251,298	205,582
Other revenue		65,000	225,344	355,176
Province of B.C.		146,000	153,051	184,859
Government of Canada		125,040	125,040	231,849
Administration recoveries		55,000	119,590	154,958
First Nations Health Authority		110,268	116,468	-
Fees		39,000	93,074	45,045
Nuu-chah-nulth Employment & Training Board		52,000	60,735	78,463
Lease income		8,100	60,000	56,800
Interest income		1,200	51,271	58,917
Nuu-chah-nulth Economic Development Corporation		-	21,435	13,151
Other grants		6,000	16,825	8,175
First Nation Education Steering Committee		-	5,496	14,944
BC Special		-	2,673	2,622
Loss from investment in First Nation business partnerships (Note 8)		-	(29,899)	(16,681)
		5,140,113	16,084,369	15,803,403
Expenses				
Operating	3	5,207,356	6,248,042	5,802,888
Trust	4	-	10,500	8,000
Social Housing	5	-	640,208	459,004
Enterprise	6	-	8,197,348	8,297,489
Treaty	7	-	82,357	85,675
		5,207,356	15,178,455	14,653,056
Surplus (deficit) before other items		(67,243)	905,914	1,150,347
Other income				
Forgiveness of debt (Note 15)		-	97,124	-
Loss on disposal of tangible capital assets		-	(2,753)	-
		-	94,371	-
Annual surplus (deficit)		(67,243)	1,000,285	1,150,347
Accumulated surplus, beginning of year		15,575,830	15,575,830	14,425,483
Transfers		(65,231)	-	-
Accumulated surplus, end of year		15,443,356	16,576,115	15,575,830

The accompanying notes are an integral part of these financial statements

Tseshah First Nation
Consolidated Statement of Change in Net Debt
For the year ended March 31, 2016

	2016 Budget (Note 19)	2016	2015
Annual surplus (deficit)	(67,243)	1,000,285	1,150,347
Purchases of tangible capital assets	-	(749,323)	(2,786,798)
Amortization of tangible capital assets	-	1,733,321	1,590,648
Loss on disposal of tangible capital assets	-	2,753	-
	-	986,751	(1,196,150)
Acquisition of prepaid expenses	-	(34,586)	(72,095)
Use of prepaid expenses	-	72,095	121,387
	-	37,509	49,292
Increase in net debt	(67,243)	2,024,545	3,489
Net debt, beginning of year	(6,394,621)	(6,394,621)	(6,398,110)
Net debt, end of year	(6,461,864)	(4,370,076)	(6,394,621)

The accompanying notes are an integral part of these financial statements

Tseshah First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	1,000,285	1,150,347
Non-cash items		
Amortization	1,733,321	1,590,648
Bad debts	3,620	15,180
Forgiveness of debt	97,124	-
Loss on disposal of tangible capital assets	2,753	-
Loss from investment in First Nation business partnerships	29,899	16,681
Earnings from investment in First Nation business enterprises	(1,132,632)	(86,455)
	1,734,370	2,686,401
Changes in working capital accounts		
Accounts receivable	59,303	(347,643)
Prepaid expenses	37,509	49,292
Inventory for resale	19,734	5,985
Accounts payable and accruals	(981,255)	(23,844)
Deferred revenue	30,808	478,156
Demand loan	(70)	70
	900,399	2,848,417
Financing activities		
Advances of long-term debt	415,601	600,000
Repayment of long-term debt	(623,554)	(686,406)
	(207,953)	(86,406)
Capital activities		
Purchases of tangible capital assets	(749,323)	(2,786,798)
Investing activities		
Purchase of term investments	(718,361)	(59,014)
Increase in restricted cash	(85,565)	-
Increase in funds held in trust	(5,670)	-
Advances to related parties	(237,841)	-
	(1,047,437)	(59,014)
Decrease in cash	(1,104,314)	(83,801)
Cash, beginning of year	2,479,159	2,562,960
Cash, end of year	1,374,845	2,479,159

The accompanying notes are an integral part of these financial statements

1. Operations

The Tseshah First Nation (the "First Nation") is located in the province of British Columbia, and provides various services to its members. Tseshah First Nation includes the Nation's members, government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

2. Change in accounting policy

Effective April 1, 2015, the First Nation adopted the recommendations relating to PS 3260 *Liability for Contaminated Sites*, as set out in the Canadian public sector accounting standards. Pursuant to the recommendations, the change was not applied retroactively, and prior periods have not been restated.

Previously, no accounting policy existed to account for a liability for contaminated sites. Under the new recommendations, the First Nation is required to recognize a liability for contaminated sites when economic benefits will be given up, as described in Note 3 *significant accounting policies*.

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

3. 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 consolidated

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities and First Nation business partnerships. Trusts administered on behalf of third parties by Tseshah First Nation 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:

- Tseshah Market (Wholly owned)
- Tseshah Somass Society (Wholly owned)
- Tseshah Development Society (Wholly owned)
- Social Housing

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Tseshah First Nation business enterprises, owned or controlled by the First Nation's Chief and Council but not dependent on the First Nation for their continuing operations, are included in the consolidated financial statements using the modified equity method.

First Nation business partnerships, jointly owned and controlled by the First Nation's Chief and Council are not dependent on the First Nation for their continuing operations, are included in the consolidated 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:

- Tseshah Forestry Corporation (Wholly owned)
- Omoah Forestry LLP and its General Partner, Omoah Forestry Corporation (Wholly owned)
- Cisia Forestry LLP, and its General Partner, Cisia Forestry Corporation (Wholly owned)

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

- Ekoolthaht Marine LLP, and its General Partner, Ekoolthaht Marine Corporation (Wholly owned)
- Tseshahat Fisheries Corporation (Wholly owned)
- Equis Forest Products Ltd. (51% ownership)
- Alberni Ice Limited Partnership and its General Partner, 1009678 B.C. Ltd. (50% ownership)
- Tseshahat Economic Development Corporation (Wholly owned)

Tangible capital assets

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

Amortization

Amortization for tangible capital assets is provided using the following methods at 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. See below for amortization rates of specific asset categories.

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

	<i>Method</i>	<i>Years/Rate</i>
Automotive equipment	straight-line	5 years
Boat	straight-line	10 years
Community buildings	straight-line	20 years
Computer equipment	straight-line	3 years
Dock and gazebo	straight-line	10 years
Housing	straight-line	20 years
Infrastructure	straight-line	20 years
Office equipment	straight-line	5 years
Other equipment	straight-line	5 years
Paving	straight-line	10 years
Shellfish licenses	straight-line	20 years
Social Housing	straight-line	30 years
Community buildings (Tseshahat Market)	declining balance	5 %
Infrastructure (Tseshahat Market)	declining balance	6 and 8 %
Other equipment (Tseshahat Market)	declining balance	6 and 100 %
Thunderbird poles (Tseshahat Market)	declining balance	4 %

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.

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.

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

The First 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 operations for the year.

The Nation does not perform impairment testing on its long-lived assets that are held for public administration and situated on its reserve land as it is not possible to determine their fair market value.

Asset classification

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

Net debt

The First Nation's consolidated financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its financial assets less its liabilities. Net debt combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2016.

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

Funds held in trust

Funds held in trust on behalf of Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other Nation capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Revenue recognition

Funding

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the consolidated statement of financial position in the year of receipt.

Government Transfers

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.

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

Funds held in trust

The First Nation recognizes revenue of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

Sales

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer and collection is reasonably assured.

Rental and lease income

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the Nation and when the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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.

Inventory

Inventories are valued at lower of cost and net realizable value using the first in, first out costing method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling costs.

Liability for contaminated site

Expenditures that relate to on-going environmental and remediation programs are charged against operations as incurred. A liability for a contaminated site reflects management's best estimate of the amount required to remediate the contaminated site. The best estimate of the liability is based upon assumptions and estimates related to the amount and timing of costs for future site remediation.

Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations in the periods in which they become known.

Financial instruments

The Nation's financial instruments consist of cash, accounts receivable, term investments, funds held in trust, accounts payable and accruals, demand loan and long-term debt. Unless otherwise noted, it is management's opinion that the Nation is not exposed to significant interest, credit or currency risks arising from these financial instruments.

Segments

The First Nation conducts its business through five reportable segments as described in Note 17. 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.

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

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

Recent accounting pronouncements

PS 2200 Related Party Disclosures

In March 2015, as part of the CPA Canada Public Sector Accounting Handbook Revisions Release No. 42, the Public Sector Accounting Board ("PSAB") issued a new standard, PS 2200 Related Party Disclosures.

This new Section defines related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the consolidated financial statements.

This section is effective for fiscal years beginning on or after April 1, 2017. Early adoption is permitted. The First Nation does not expect the application of the new Standard to have a material effect on the consolidated financial statements.

PS 2200 Related Party Disclosures

In March 2015, as part of the CPA Canada Public Sector Accounting Handbook Revisions Release No. 42, the Public Sector Accounting Board ("PSAB") issued a new standard, PS 2200 Related Party Disclosures.

This new Section defines related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the consolidated financial statements.

This section is effective for fiscal years beginning on or after April 1, 2017. Early adoption is permitted. The First Nation does not expect the application of the new Standard to have a material effect on the consolidated financial statements.

PS 3210 Assets

In June 2015, new PS 3210 Assets was included in the CPA Canada Public Sector Accounting Handbook ("PSA HB"). The new Section provides guidance for applying the definition of assets set out in PS 1000 Financial Statement Concepts. The main features of this standard are as follows:

Assets are defined as economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained.

Economic resources can arise from such events as agreements, contracts, other government's legislation, the government's own legislation, and voluntary contributions.

The public is often the beneficiary of goods and services provided by a public sector entity. Such assets benefit public sector entities as they assist in achieving the entity's primary objective of providing public goods and services.

A public sector entity's ability to regulate an economic resource does not, in and of itself, constitute control of an asset, if the interest extends only to the regulatory use of the economic resource and does not include the ability to control access to future economic benefits.

A public sector entity acting as a trustee on behalf of beneficiaries specified in an agreement or statute is merely administering the assets, and does not control the assets, as future economic benefits flow to the beneficiaries.

An economic resource may meet the definition of an asset, but would not be recognized if there is no appropriate basis for measurement and a reasonable estimate cannot be made, or if another Handbook Section prohibits its recognition. Information about assets not recognized should be disclosed in the notes.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The First Nation does not expect application of the new Standard to have a material effect on the consolidated financial statements.

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

Recent accounting pronouncements *(Continued from previous page)*

PS 3320 Contingent Assets

In June 2015, new PS 3320 Contingent Assets was included in the CPA Canada Public Sector Accounting Handbook ("PSA HB"). The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.

Passing legislation that has retroactive application after the consolidated financial statement date cannot create an existing condition or situation at the consolidated financial statement date.

Elected or public sector entity officials announcing public sector entity intentions after the consolidated financial statement date cannot create an existing condition or situation at the consolidated financial statement date.

Disclosures should include existence, nature, and extent of contingent assets, as well as the reasons for any non-disclosure of extent, and the bases for any estimates of extent made.

When a reasonable estimate can be made, disclosure should include a best estimate and a range of possible amounts (or a narrower range of more likely amounts), unless such a disclosure would have an adverse impact on the outcome.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The First Nation does not expect application of the new Standard to have a material effect on the consolidated financial statements.

PS 3380 Contractual Rights

In June 2015, new PS 3380 Contractual Rights was included in the CPA Canada Public Sector Accounting Handbook ("PSA HB"). This new Section establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Standard are as follows:

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.

Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.

Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

Disclosures should include descriptions about nature, extent, and timing.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The First Nation does not expect application of the new Standard to have a material effect on the consolidated financial statements.

PS 3430 Restructuring Transactions

In June 2015, new PS 3430 Restructuring Transactions was included in the CPA Canada Public Sector Accounting Handbook ("PSA HB"). The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

A restructuring transaction is defined separately from an acquisition. The key distinction between the two is the absence of an exchange of consideration in a restructuring transaction.

A restructuring transaction is defined as a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities that does not involve an exchange of consideration.

Tseshaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

3. Significant accounting policies (Continued from previous page)

Recent accounting pronouncements (Continued from previous page)

Individual assets and liabilities transferred in a restructuring transaction are derecognized by the transferor at their carrying amount and recognized by the recipient at their carrying amount with applicable adjustments.

The increase in net assets or net liabilities resulting from recognition and derecognition of individual assets and liabilities received from all transferors, and transferred to all recipients in a restructuring transaction, is recognized as revenue or as an expense.

Restructuring-related costs are recognized as expenses when incurred.

Individual assets and liabilities received in a restructuring transaction are initially classified based on the accounting policies and circumstances of the recipient at the restructuring date.

The consolidated financial position and results of consolidated operations prior to the restructuring date are not restated.

Disclosure of information about the transferred assets, liabilities and related operations prior to the restructuring date by the recipient is encouraged but not required.

The Section is effective for new restructuring transactions that occur in fiscal periods beginning on or after April 1, 2018. Earlier application is encouraged. The First Nation does not expect application of the new Standard to have a material effect on the consolidated financial statements.

4. Restricted cash

	<i>2016</i>	<i>2015</i>
Social Housing Replacement Reserve	315,053	243,936
Social Housing Operating Reserve	128,416	117,033
Trust cash	413,469	12,367
Trust investments	526,749	924,786
	1,383,687	1,298,122

Social Housing Reserves

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the replacement reserve account is to be credited in the amount of \$62,460 (2015 - \$59,100) 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 underfunded by \$1,951 (2015 - \$29,610).

Under the terms of the agreement with Canada Mortgage and Housing Corporation, excess revenues over expenditures for the Post 1996 phases 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. At year end, the operating reserve was underfunded by \$2,064 (2015 - underfunded by \$11,183).

Trust

The purpose of the Tseshaht Trust is to hold and protect a past specific claim settlement intended for its beneficiary, the First Nation. As at March 31, 2016, the fair market value of the investments held in Trust is \$933,373.

Tseshahat First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

5. Term investments

	2016	2015
Internally restricted		
GIC maturing August 5, 2016, bearing interest as follows: Year 1 - 1.50%, Year 2 - 1.75%, Year 3 - 2.25%, Year 4 - 3.00% and Year 5 - 5.10% (a reserve fund established by the Board of Directors of Tseshahat Market for future fuel system upgrades and expansion)	271,919	264,000
Term deposits		
GIC maturing August 5, 2016, bearing interest as follows: Year 1 - 1.50%, Year 2 - 1.75%, Year 3 - 2.25%, Year 4 - 3.00% and Year 5 - 5.10%	173,083	168,041
GIC maturing June 15, 2016, bearing interest as follows: Year 1 - 1.10%, Year 2 - 1.15%, Year 3 - 1.20%, Year 4 - 1.40% and Year 5 - 1.60%	100,000	-
GIC maturing June 15, 2016, bearing interest as follows: Year 1 - 1.10%, Year 2 - 1.15%, Year 3 - 1.20%, Year 4 - 1.40% and Year 5 - 1.60%	200,000	-
427,813 units of Bank of Montreal Series 16 - Due February 20, 2017	405,400	-
	1,150,402	432,041

6. Inventory for resale

	2016	2015
Tseshahat Market	137,978	157,712

7. Funds held in trust

Capital and revenue trust funds are transferred to the First Nation on the authorization of the Minister of Indigenous and Northern Affairs Canada, with the consent of the First Nation's Council.

	2016	2015
Capital Trust		
Balance, beginning and end of year	78,605	78,605
Revenue Trust		
Balance, beginning of year	64,387	58,402
Interest	2,997	3,363
British Columbia special distribution	2,673	2,622
Balance, end of year	70,057	64,387
	148,662	142,992

The Ottawa Trust accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the *Indian Act*.

Tseshaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

8. Long-term investments

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

The First Nation uses the investees year-end financial statements to account for its investment in these investees. Equis Forest Products Ltd. has an October 31, 2015 year-end and the remainder of the investees have a December 31, 2015 year-end.

There were no significant transactions between December 31, 2015 and March 31, 2016.

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Share of earnings (loss)</i>	<i>Other adjustments</i>	<i>2016 Total investment</i>
Portfolio Investment					
Coast Forest Management Ltd.	25,000	-	-	-	25,000
First Nation Business Enterprises:					
Tseshaht Fisheries Corporation	1	1,603	-	-	1,604
Tseshaht Economic Development Corporation	3,005	292,682	(7,839)	-	287,848
Tseshaht Forestry Corporation	(459,190)	924,505	(33,167)	-	432,148
Tsisha Investments Ltd.	(99,870)	-	-	99,870	-
Shahowis Holdings Ltd.	2,746	-	-	(2,746)	-
Equis Forest Products Ltd. - 51%	115,165	4,200	(16,978)	-	102,387
Omoah Forestry LLP - 100%	224,792	2,110,470	553,071	-	2,888,333
Cisaa Forestry LLP - 100%	855,851	(652,146)	642,030	-	845,735
Ekoolthaht Marine LLP - 100%	(3,968)	(19,709)	(4,485)	-	(28,162)
	638,532	2,661,605	1,132,632	97,124	4,529,893
First Nation Business Partnerships:					
Alberni Ice LP - 50%	108,533	-	(29,899)	-	78,634
	772,065	2,661,605	1,102,733	97,124	4,633,527

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Share of earnings (loss)</i>	<i>Other adjustments</i>	<i>2015 Total investment</i>
Portfolio Investment					
Coast Forest Management Ltd.	25,000	-	-	-	25,000
First Nation Business Enterprises:					
Tseshaht Fisheries Corporation	1	1,054	-	-	1,055
Tseshaht Economic Development Corporation	1	289,608	3,004	-	292,613
Tseshaht Forestry Corporation	(99,855)	903,353	42,877	(402,213)	444,162
Tsisha Investments Ltd.	(99,870)	-	-	-	(99,870)
Shahowis Holdings Ltd.	2,746	-	-	-	2,746
Equis Forest Products Ltd - 51%	119,967	11,299	(4,802)	-	126,464
Omoah Forestry LLP - 100%	240,802	2,326,051	(16,010)	-	2,550,843
Cisaa Forestry LLP - 100%	802,327	(777,941)	53,524	-	77,910
Ekoolthaht Marine LLP - 100%	(11,830)	(10,412)	7,862	-	(14,380)
	954,289	2,743,012	86,455	(402,213)	3,381,543

Tseshaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

8. **Long-term investments** *(Continued from previous page)*

First Nation Business Partnerships:

Alberni Ice LP - 50%	125,215	(125,000)	(16,681)	-	(16,466)
	1,104,504	2,618,012	69,774	(402,213)	3,390,077

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

	<i>Tseshaht Forestry Corporation As at December 31, 2015</i>	<i>Omoah Forestry LLP As at December 31, 2015</i>
Assets		
Cash	170,488	1,227,767
Forestry contracts	-	2,100,000
Property, plant and equipment	37,723	-
Other	23,948	296,916
Due from related parties	1,499	70,802
Total assets	233,658	3,695,485
Liabilities		
Silviculture liabilities	-	-
Due to related parties	125,988	2,381,154
Other	658,275	536,242
Total liabilities	784,263	2,917,396
Retained earnings	(550,605)	778,089
Total revenue	219,647	2,351,171
Total expenses	281,308	1,465,679
Net income (loss)	(61,661)	885,492
Other comprehensive income (loss)	28,494	(126,790)
Comprehensive income (loss)	(33,167)	758,702

Tseshaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

8. Long-term investments (Continued from previous page)

	<i>Cisaa Forestry LLP As at December 31, 2015</i>	<i>Ekoolthaht Marine LLP As at December 31, 2015</i>	<i>Tseshaht Fisheries Corporation As at December 31, 2015</i>	<i>Equis Forest Products Ltd. As at October 31, 2015</i>
Assets				
Cash	913,078	31,853	-	249,091
Forestry contracts	-	-	-	-
Property, plant and equipment	-	-	-	1,178
Other	246,900	1,261	24	60,500
Due from related parties	660,547	-	-	-
Total assets	1,820,525	33,114	24	310,769
Liabilities				
Silviculture liabilities	-	-	-	121,129
Due to related parties	38,263	38,811	1,627	-
Other	283,589	2,773	175	39,795
Total liabilities	321,852	41,584	1,802	160,924
Retained earnings	1,498,673	(8,470)	(1,778)	149,845
Total revenue	1,175,775	24,101	-	27,024
Total expenses	428,923	28,586	594	64,650
Net income (loss)	746,852	(4,485)	(594)	(37,626)
Other comprehensive income (loss)	(104,822)	-	-	5,453
Comprehensive income (loss)	642,030	(4,485)	(594)	(32,173)
	<i>Alberni Ice LP As at December 31, 2015</i>	<i>Tseshaht Economic Development Corporation As at December 31, 2015</i>		
Assets				
Cash	171,390	35,042		
Forestry contracts	-	-		
Property, plant and equipment	142,020	1,401,845		
Other	30,395	-		
Due from related parties	-	-		
Total assets	343,805	1,436,887		
Liabilities				
Silviculture liabilities	-	-		
Due to related parties	124,901	292,683		
Other	62,065	1,149,038		
Total liabilities	186,966	1,441,721		
Retained earnings	156,839	(4,834)		
Total revenue	64,926	198		
Total expenses	124,725	2,029		
Net income (loss)	(59,799)	(1,831)		
Other comprehensive income (loss)	-	-		
Comprehensive income (loss)	(59,799)	(1,831)		

Tseshaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

8. Long-term investments *(Continued from previous page)*

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

	2017	2018	2019	2020	2021	Thereafter	Total
Long-term debt owed to other organizations of the First Nation							
Tseshaht Forestry Corporation	12,415	-	-	-	-	-	12,415

9. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Contributions recognized</i>	<i>Balance, end of year</i>
Deferred revenue	18,477	67,122	18,477	67,122
Rent deposits	19,491	-	45	19,446
Grants for acquiring tangible capital assets - Tseshaht Market	306,231	-	17,792	288,439
	344,199	67,122	36,314	375,007

The grants related to the acquisition of tangible capital assets are not repayable, however, are recognized as revenue at a rate equal to the amortization expense on the tangible capital assets.

10. Demand loan

As at March 31, 2016, the First Nation had available a revolving demand facility with a credit limit of \$737,500, bearing interest at prime plus 1.25%, of which \$nil (2015 - \$70) was outstanding at year-end. This credit facility is secured by a general security agreement.

11. Long-term debt

	2016	2015
CMHC Phase 1 - All Nations Trust		
- Interest at 2.04% per annum		
- Monthly blended payments of \$15,771		
- Maturity date of January 2034; due March 2019		
- Secured by a guarantee of the First Nation and the Government of Canada	2,829,386	2,948,916
CMHC Phase 2 - All Nations Trust		
- Interest at 1.65% per annum		
- Monthly blended payments of \$7,615		
- Maturity date of September 2036; due September 2016		
- Secured by a guarantee of the First Nation and The Government of Canada	1,589,472	1,648,777

Tseshaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

11. Long-term debt *(Continued from previous page)*

CMHC Phase 3 - All Nations Trust		
- Interest at 1.67% per annum		
- Monthly blended payments of \$1,986		
- Maturity date of June 2038; due June 2018		
- Secured by a guarantee of the First Nation and the Government of Canada	351,272	361,559
CMHC Phase 4 - All Nations Trust		
- Interest at 1.83% per annum		
- Monthly blended payments of \$2,492		
- Maturity date of December 2039; due December 2019		
- Secured by a guarantee of the First Nation and the Government of Canada	576,031	582,300
Bank of Montreal - demand loan		
- Interest at bank prime plus 1.25% per annum		
- Monthly payments of \$10,800, plus interest		
- Periodic principal repayments from proceeds of sale of logging assets plus 50% of logging profits quarterly		
- Secured by a fixed charge against logging assets; with a net book value of \$2,129,670	334,747	464,347
Bank of Montreal - demand loan		
- Interest at bank prime plus 1.25% per annum		
- Monthly payments of \$14,167, plus interest		
- Secured by a promissory note and a charge against specific assets with a net book value of \$7,109,029	2,507,500	2,677,500
Nuu-chah-nulth Economic Development Corporation ("NEDC") Loan #2012012C		
- Interest at 12.00% per annum		
- Monthly blended payments of \$561		
- Maturity date of June 2022		
- Secured by a promissory note	24,580	28,181
Nuu-chah-nulth Economic Development Corporation ("NEDC") Loan #2012012CF		
- \$1 forgivable for every \$1 paid on loan NEDC #2012012C		
- Secured by a promissory note	10,255	13,828
Nuu-chah-nulth Economic Development Corporation ("NEDC") Loan #2012013C		
- Interest at 8.00% per annum		
- Monthly blended payments of \$675		
- Maturity date of June 2019		
- Secured by a promissory note	22,932	28,979
Nuu-chah-nulth Economic Development Corporation ("NEDC") Loan #2013006C		
- Interest at 8.00% per annum		
- Monthly blended payments of \$345		
- Maturity date of June 2016		
- Secured by a promissory note	939	4,858
Nuu-chah-nulth Economic Development Corporation ("NEDC") Loan #20115011N		
- Interest at 8.00% per annum		
- Monthly blended payments of \$2,265		
- Maturity date of June 2017		
- Secured by a promissory note	32,357	-

Tseshaht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

11. Long-term debt (Continued from previous page)

Nuu-chah-nulth Economic Development Corporation ("NEDC") Loan #20115011NF		
- \$1 forgivable for every \$1 paid on loan NEDC #20115011N		
- Secured by a promissory note	7,138	-
 Nuu-chah-nulth Tribal Council ("NTC") Treaty Loan		
- See Note 12 for details	2,810,604	2,810,604
 Market Nuu-chah-nulth Economic Development Corporation ("NEDC") Loan #2011004N		
- Interest at 6.00% per annum		
- Monthly blended payments of \$10,642		
- Maturity date of January 2027		
- Secured by a promissory note	1,035,004	1,098,371
 Market Nuu-chah-nulth Economic Development Corporation ("NEDC") Loan #2011005N		
- Repaid during the year	-	4,182
 Market Parkland Loan		
- Forgiven during the year	-	8,369
 CMHC Phase 5 - All Nations Trust	340,601	-
	12,472,818	12,680,771

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
2017	651,209
2018	630,209
2019	526,353
2020	503,128
2021	510,597

12. Treaty loan

The First Nation has received funds from Nuu-chah-nulth Tribal Council ("NTC") pursuant to an agreement the NTC had negotiated on its behalf with Indigenous and Northern Affairs Canada ("INAC") and the British Columbia Treaty Commission. Under the terms of that agreement, the NTC received both loaned and contributed funds, which it subsequently reloaned and contributed to the First Nation. The funds are to be used solely for the purpose of treaty negotiations. Repayment provisions for this loan are outlined in the First Nation Negotiation Support Agreement between INAC, NTC and the First Nation. The loan is non-interest bearing and repayment is to commence on September 2, 2016. Management is in the process of extending repayment for another five years.

Tseshahat First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

13. Contingencies

- (a) The First Nation has entered into an agreement to guarantee mortgages of Members' residences on reserve to a limit of \$3,000,000. The total amount of outstanding guarantees as at March 31, 2016 is \$1,360,918 (2015 - \$1,238,880). These loan guarantees are in addition to CMHC mortgages.
- (b) The First Nation has issued a letter of credit to a supplier the amount of \$75,000 for the Tseshahat Market.
- (c) The First Nation has issued a letter of credit to INAC in the amount of \$12,500.
- (d) The First Nation is contingently liable for guarantees of mortgages of Members' residences situated on reserve. The total amount of such mortgages at March 31, 2016 is \$243,661 (2015 - \$293,951)
- (e) The First Nation is liable for the costs of future removal of fuel storage tanks and site restoration at the Tseshahat Market. These costs cannot be reasonable estimated at this time.
- (f) The First Nation has received funding from CMHC to provide major renovations to the homes of certain of its members. This funding becomes repayable in the event that the member does not remain in the house for a period of five years.

14. Accumulated surplus

Accumulated annual surplus is comprised of the following:

	2016	2015
Equity in Funds held in trust	1,088,906	1,080,146
Equity in Operating Fund - operations	1,207,809	643,976
Equity in Operating Fund - tangible capital assets	11,249,391	12,028,189
Equity in Social Housing Fund	1,318,962	1,398,079
Equity in Enterprise Fund	4,557,079	3,254,348
Deficit in Treaty Fund	(2,846,032)	(2,828,908)
	16,576,115	15,575,830

15. Forgiveness of debt

During the year the First Nation removed two investments as they have been struck from the corporate registry. A balance of \$99,870 was payable to Tsisha Investments Ltd. and the First Nation had invested \$2,746 in Shahowis Holdings Ltd. These created a forgiveness of debt in the amount of \$97,124.

16. Related party transactions

During the year the First Nation charged management fees to the following business enterprises:

	2016
Tseshahat Forestry Corporation	20,251
Cisaa Forestry LLP	32,802
Cisaa Forestry Corporation	1,570
Omoah Forestry LLP	32,801
Omoah Forestry Corporation	1,570
Ekoolthaht Marine LLP	2,734
Ekoolthaht Marine Corporation	1,316
Equis Forest Products	16,399
	109,443

17. Segments

The Nation receives revenue and incurs expenses from many different projects and sources. For management and reporting purposes, the revenue, expenses and surplus or deficits are organized by the following segments:

Operating

Includes general operations, support and financial management of the Nation. Additionally, it includes activities related to education, health and community infrastructure.

Trust

Includes activities related to funds held in trust and a specific claim trust.

Social Housing

Includes revenue and expenses relating to the social housing of the members of Tseshaht First Nation.

Enterprise

Includes activities related to the growth of revenue producing projects with the Nation.

Treaty

Includes activities related to the treaty negotiation with the Federal government.

18. Economic dependence

Tseshaht First Nation receives a significant portion of its revenue from Indigenous and Northern Affairs Canada, ("INAC") via Nuu-chah-nulth Tribal Council ("NTC") as a result of funding agreements entered into with the Government of Canada. These funding agreements are administered by INAC 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 agreements.

19. Budget information

The disclosed budget information has been approved by the Chief and Council of the Tseshaht First Nation at the Tseshaht Community Budget Meeting held on June 4, 2015.

20. Comparative figures

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