



Tseshah First Nation

Audit Presentation

For the year ended March 31, 2019

Presented by: **Kam Sandhu, CPA**

Date: **January 13, 2020**

Our Responsibilities as your Auditor

- Gather appropriate and sufficient evidence to support the amounts on the financial statements
- Form an opinion of whether the financial statements are free of material misstatement, whether due to fraud or error
- The International Ethics Standards Board (IESBA) for Accountants requires auditors to maintain independence
- Management is responsible for the financial statements themselves

Audit Opinion

- Unqualified opinion
 - *The consolidated financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards*

Audit Findings

- Excellent assistance from management and staff
- MNP LLP is independent from Tseshaht First Nation
- No significant audit issues were identified

Organizational Structure

The audited financial statements include:

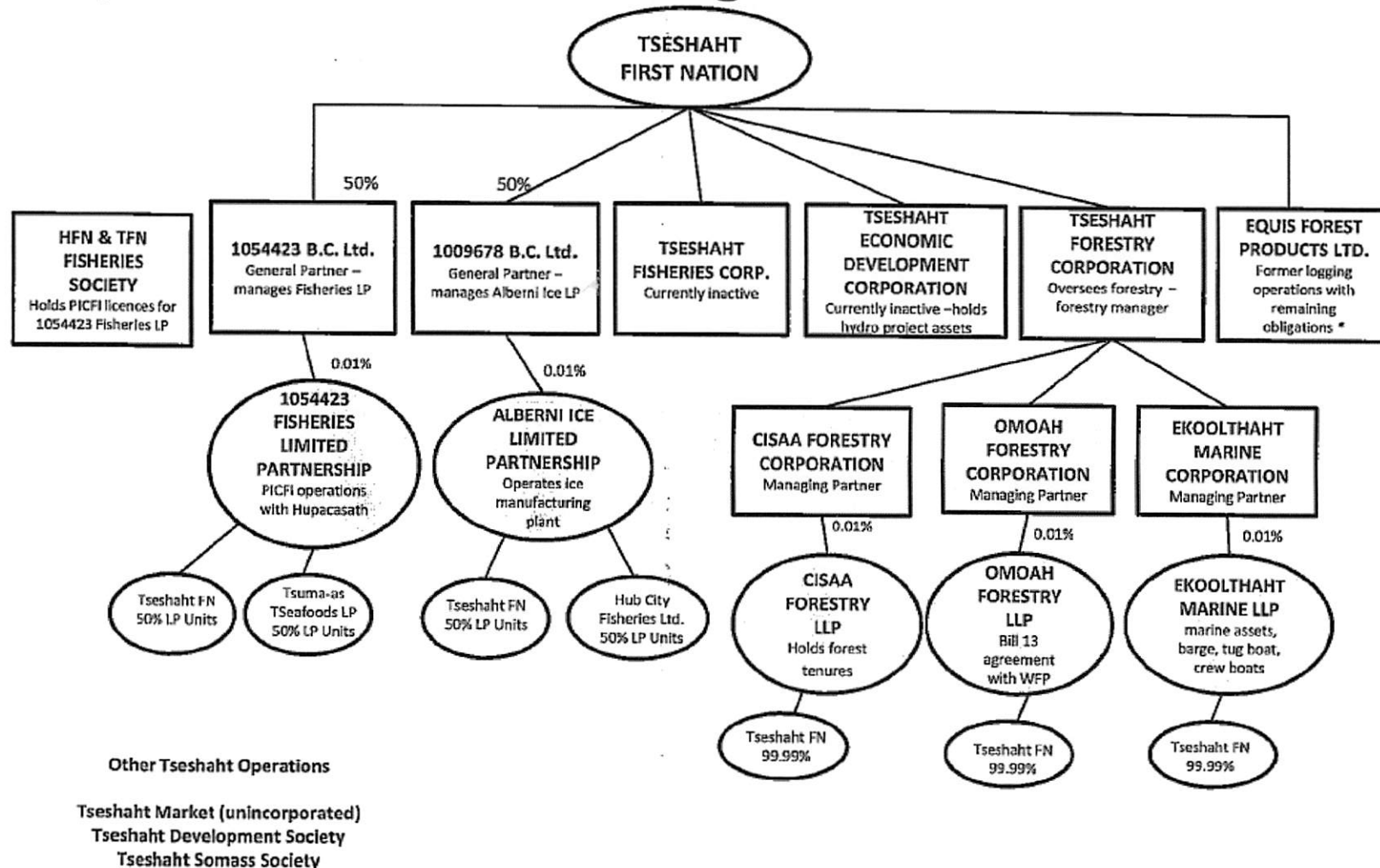
100% Consolidated

- Tseshaht Market (Department)
- Tseshaht Somass Society (Wholly owned)
- Tseshaht Development Society (Wholly owned)
- Tseshaht Economic Development Corporation (Wholly owned)
- Social Housing (Department)

% of Earnings

- Tseshaht Forestry Corporation (Wholly owned)
- Omoah Forestry LLP, and its General Partner, Omoah Forestry Corporation (Wholly owned)
- Cisaa Forestry LLP, and its General Partner, Cisaa Forestry Corporation (Wholly owned)
- Ekoolthaht Marine LLP, and its General Partner, Ekoolthaht Marine Corporation (Wholly owned)
- Tseshaht Fisheries Corporation (Wholly owned)
- Equis Forest Products Ltd. (51% ownership)
- 1054423 Fisheries Limited Partnership and its General Partner, 10554233 B.C. Ltd. (50% ownership)

Corporate Structure Diagram



*Company holds 1 share, 300069 B.C. Ltd. holds 50 shares

Consolidated Financial Statements

Management's Responsibility

To the Members of Tseshaht First Nation:

The accompanying consolidated financial statements of Tseshaht 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 Tseshaht 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 First 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 with, both the Chief and Council and management to discuss their audit findings.

July 25, 2019



Director of Finance

Independent Auditor's Report

Opinion

We have audited the consolidated financial statements of Tseshaht First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated surplus, changes in net financial assets (net debt), cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Financial Assets

	2019	2018
Financial assets		
Cash and cash equivalents	2,816,755	2,221,223
Accounts receivable (Note 3)	1,299,161	1,085,797
Term investments (Note 4)	966,794	952,759
Inventory for resale (Note 5)	228,141	203,865
Restricted cash (Note 6)	1,608,167	1,639,420
Funds held in trust (Note 7)	166,902	158,657
Portfolio investments (Note 8)	25,000	25,000
Investment in First Nation business enterprises (Note 8)	5,810,627	6,678,498
Investment in First Nation business partnerships (Note 8)	197,698	103,925
Total financial assets	13,119,245	13,069,144

Major changes:

- Investment in First Nation business enterprises → \$1.1 M withdrawal from Cisaa Forestry LLP

8. Long-term investments

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, 2018 year-end and the remainder of the investees have a December 31, 2018 year-end.

There were no significant transactions between the year-end dates of the investees and March 31, 2019.

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Share of earnings (loss)</i>	<i>Other adjustments</i>	<i>2019 Total investment</i>
Portfolio Investments:					
Coast Forest Management Ltd. - 30%	25,000	-	-	-	25,000
First Nation Business Enterprises:					
Tseshaht Fisheries Corporation - 100%	(1,778)	1,787	-	-	9
Tseshaht Forestry Corporation - 100%	(450,869)	1,139,185	(79,233)	-	609,083
Equis Forest Products Ltd. - 51%	47,634	-	9,225	(18,616)	38,243
Omoah Forestry LLP - 99%	1,249,703	2,045,653	(34,601)	(100,000)	3,160,755
Cisaa Forestry LLP - 99%	3,408,808	(523,272)	229,435	(1,100,000)	2,014,971
Ekoolthaht Marine LLP 99%	172	1,889	(14,495)	-	(12,434)
	4,253,670	2,665,242	110,331	(1,218,616)	5,810,627
First Nation Business Partnerships:					
1055423 Fisheries LP - 50%	103,949	-	94,018	-	197,967
1055423 B.C. Ltd. - 50%	(24)	-	230	(475)	(269)
	103,925	-	94,248	(475)	197,698
	4,382,595	2,665,242	204,579	(1,219,091)	6,033,325

Liabilities

	2019	2018
Financial liabilities		
Accounts payable	1,329,856	1,156,008
Deferred revenue (Note 9)	847,629	536,890
Long-term debt (Note 11), (Note 12)	10,100,505	11,668,028
Total financial liabilities	12,277,990	13,360,926

Major changes:

- Deferred Revenue → Increase due to additional funding received from government for the 2019-20 fiscal year.

Non-Financial Assets

	2019	2018
Non-financial assets		
Tangible capital assets <i>(Schedule 1)</i>	19,380,782	20,048,592
Prepaid expenses	50,426	63,011
Total non-financial assets	19,431,208	20,111,603

Major changes:

- Tangible capital assets → Additions of \$636K, less depreciation of \$1.3M
 - Major additions include water and sewer upgrade and additional of elder's bus



Financial Position

	2019	2018
Total financial assets	13,119,245	13,069,144
Total financial liabilities	12,277,990	13,360,926
Total non-financial assets	19,431,208	20,111,603
Accumulated surplus (Note 14)	20,272,463	19,819,821

Accumulated Surplus

14. Accumulated surplus

Accumulated annual surplus is comprised of the following:

	<i>2019</i>	<i>2018</i>
Equity in Funds held in trust	1,131,698	1,133,046
Equity in Operating Fund - operations	2,648,034	2,913,566
Equity in Operating Fund - tangible capital assets	12,090,881	11,191,169
Equity in Social Housing Fund	1,179,129	660,779
Equity in Enterprise Fund	6,033,325	6,731,865
Deficit in Treaty Fund	(2,810,604)	(2,810,604)
	20,272,463	19,819,821

Consolidated Statement of Operations

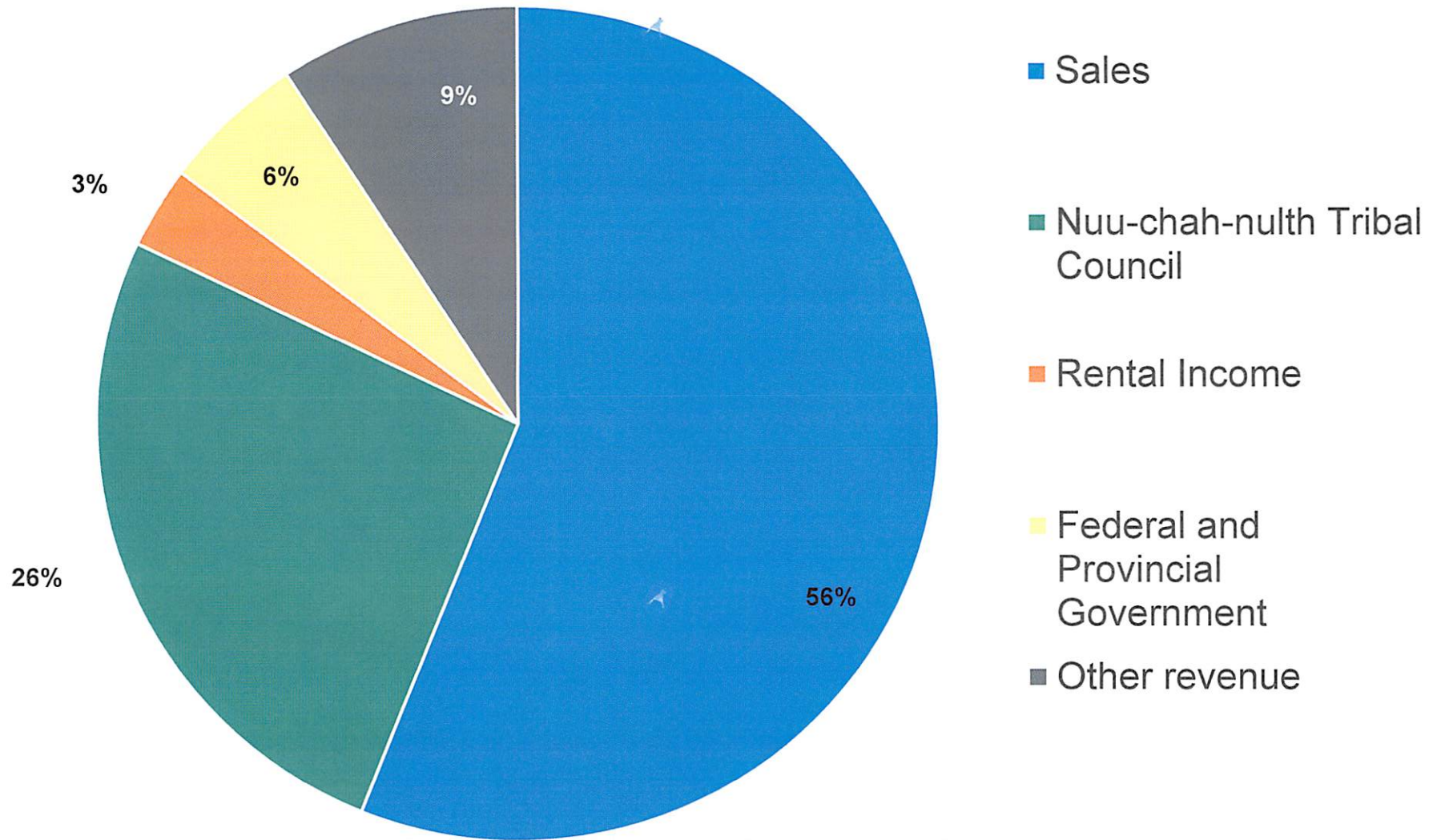


	Schedules	2019 Budget (Note 18)	2019	2018
Revenue				
Sales		55,000	9,989,375	9,504,881
Nuu-chah-nulth Tribal Council - CFNFA		3,267,686	3,905,920	3,869,168
Nuu-chah-nulth Tribal Council - non CFNFA		396,469	724,499	686,206
Rental income		99,600	567,468	511,380
Government of Canada		230,184	497,263	1,474,201
Province of B.C.		146,000	483,786	196,644
Canada Mortgage and Housing Corporation		-	227,587	451,697
Fish license fees		194,500	226,100	156,588
Other revenue		66,500	313,178	141,886
First Nations Health Authority		116,333	178,231	141,468
Fees		39,000	162,380	179,047
Earnings from investment in First Nation business enterprises (Note 8)		-	110,331	1,847,882
Interest income		1,200	105,644	51,949
Earnings from investment in First Nation business partnerships (Note 8)		-	94,248	83,775
Lease income		7,500	62,600	57,200
Nuu-chah-nulth Employment & Training Board		52,000	52,000	91,229
First Nation Education Steering Committee		-	44,670	63,670
Other grants		4,000	38,500	4,400
Nuu-chah-nulth Economic Development Corporation		-	13,630	5,898
Administration recoveries		-	12,501	48,570
BC Special		-	2,724	2,737
		4,675,972	17,812,635	19,570,476

Major changes:

- Earnings from investment in First Nation business enterprises – timber prices low; therefore less harvested

2019 Revenue



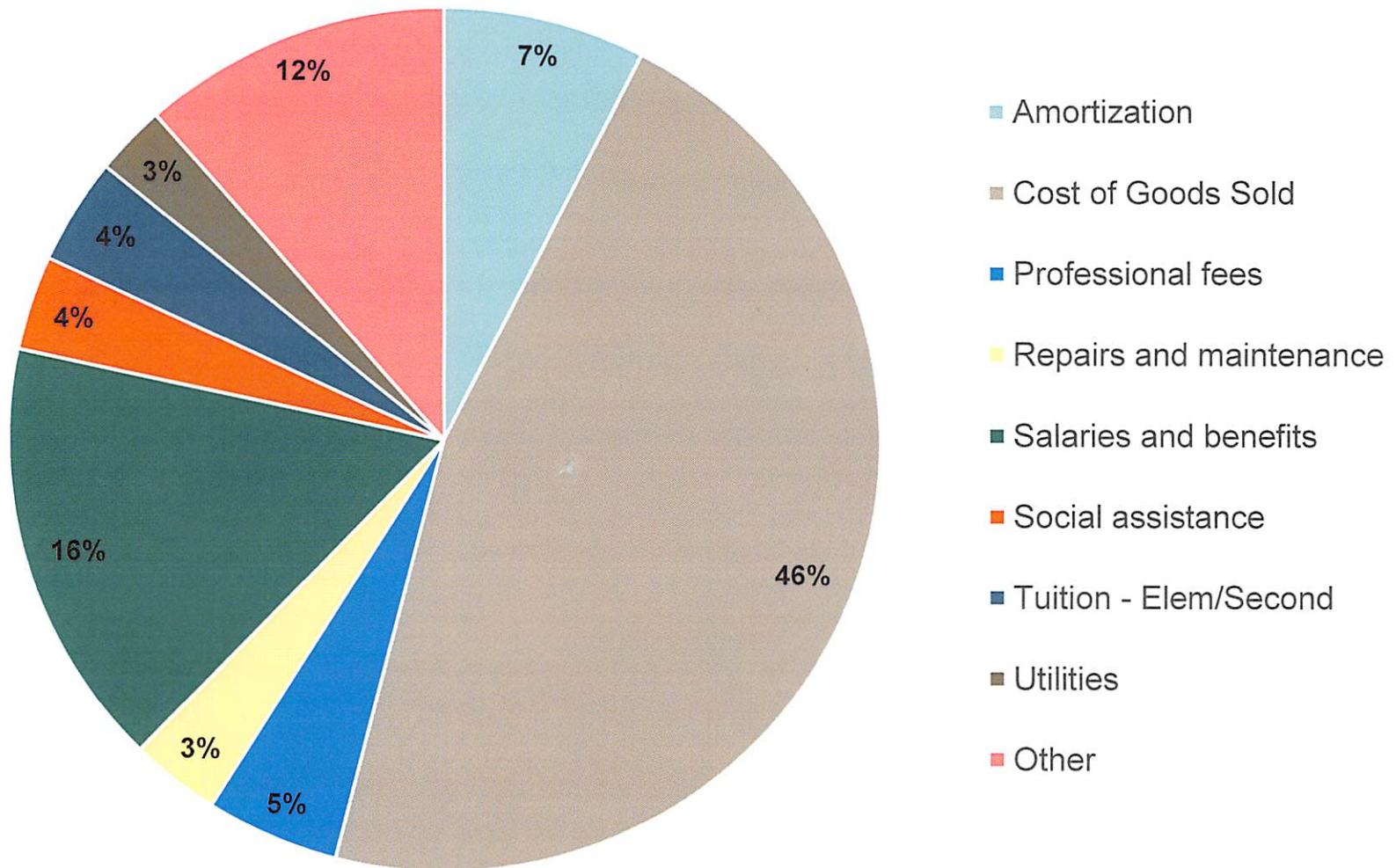
Consolidated Statement of Operations

	<i>Schedules</i>	2019 Budget (Note 15)	2019	2018
Expenses <i>(Schedule 2)</i>				
Operating	3	5,438,313	6,471,241	6,246,834
Trust	4	-	14,000	8,000
Social Housing	5	-	752,550	713,705
Enterprise	6	-	9,565,941	10,389,126
Treaty	7	-	556,261	82,902
		5,438,313	17,359,993	17,440,567
Annual surplus (deficit)		(762,341)	452,642	2,129,909
Accumulated surplus, beginning of year		19,819,821	19,819,821	17,689,912
Accumulated surplus, end of year <i>(Note 14)</i>		19,057,480	20,272,463	19,819,821

Major changes:

- Treaty – additional legal fees due to on-going litigation

2019 Expenses



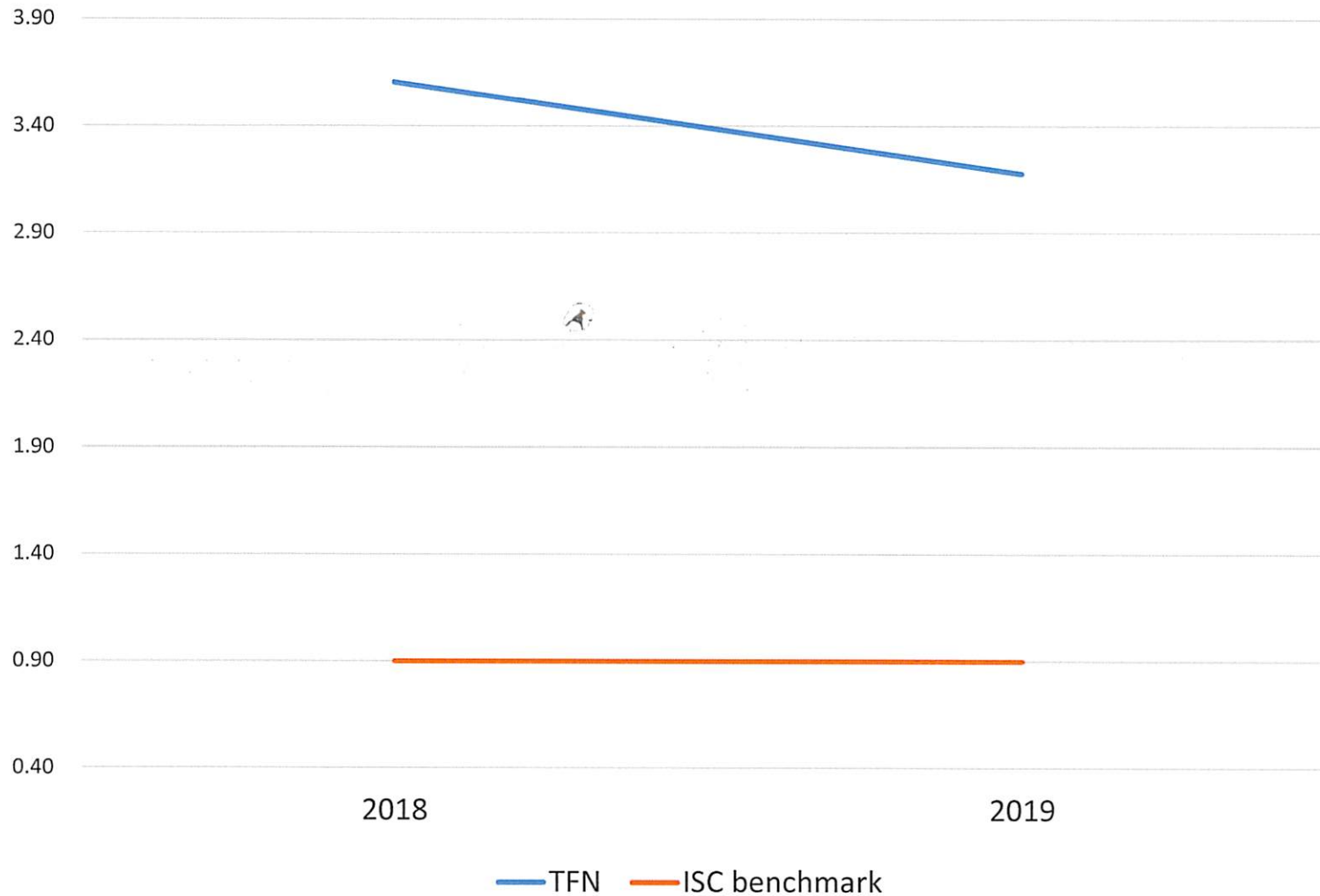
Financial Indicators

- **Liquidity**
 - Measures short-term health

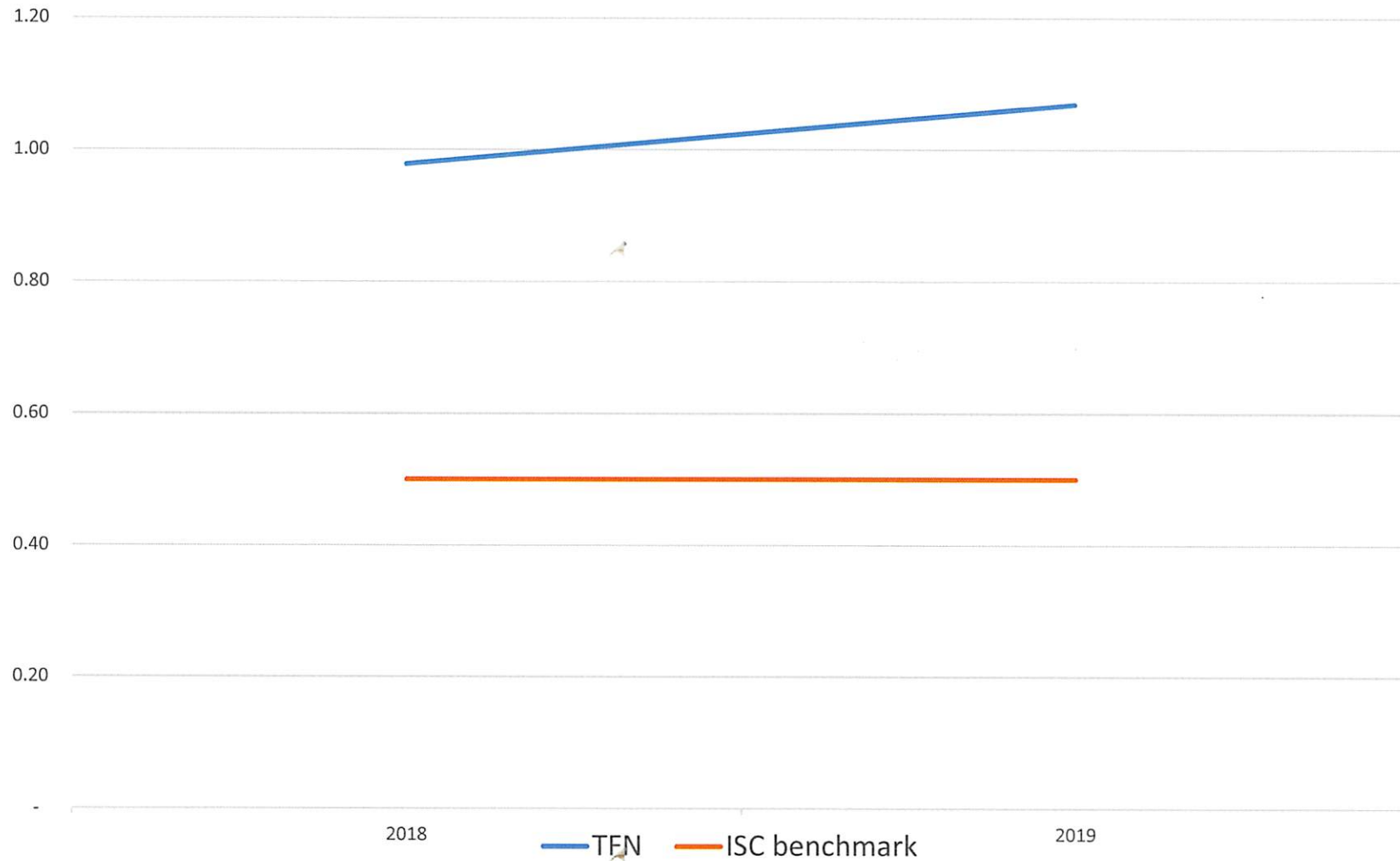
- **Sustainability**
 - Measures ability to operate into the future

- **Working Capital to Revenue**
 - Assessment of “cushion”

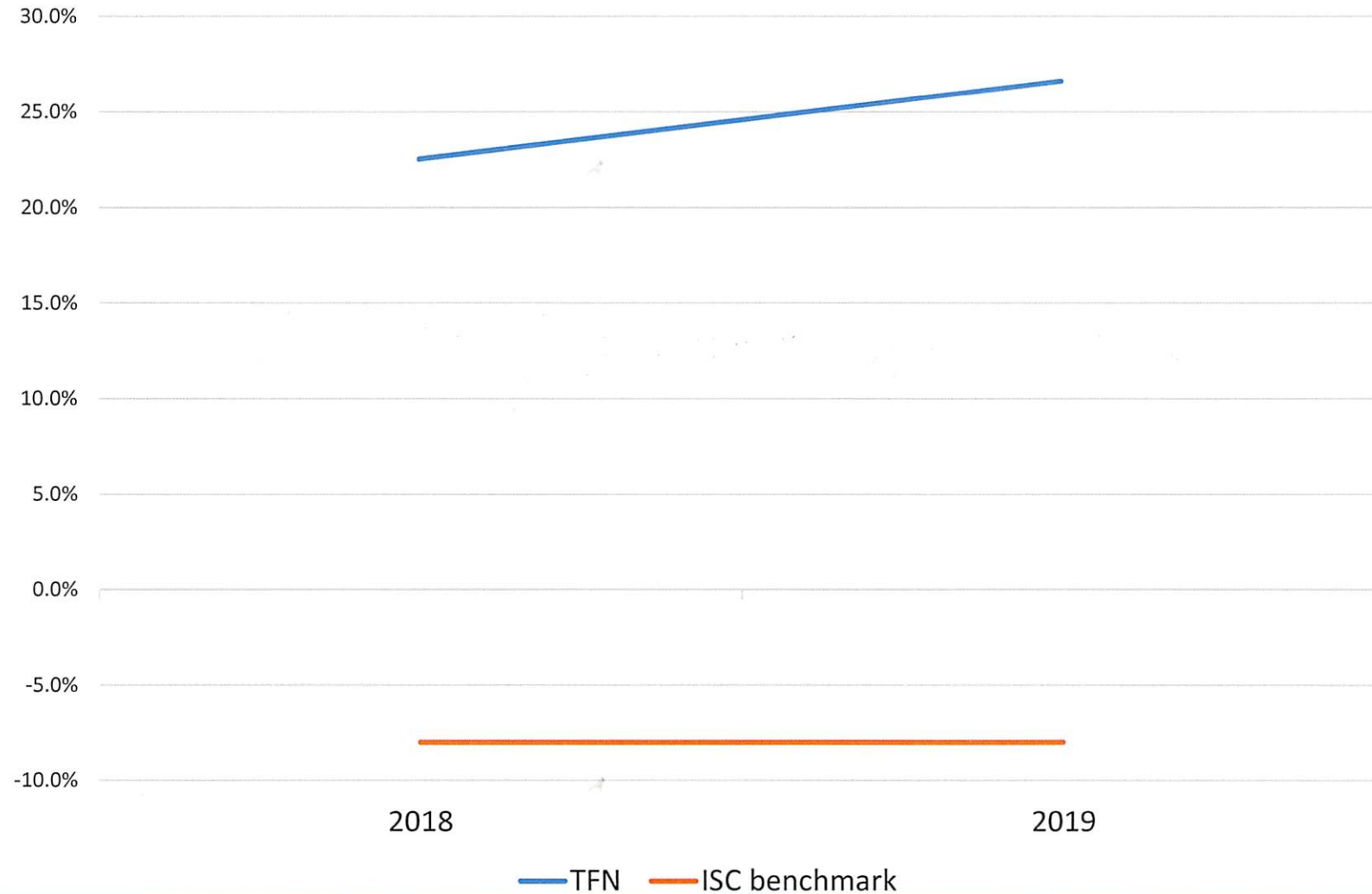
Liquidity (Short-Term Health)



Sustainability (Longer Term Health)



Working Capital to Revenue



Terminology Used in the Next Slides

Revenue

- Increase in economic resources
- Revenue from financial statements

Expenditures

- Decrease in economic resources
- Expenses from financial statements

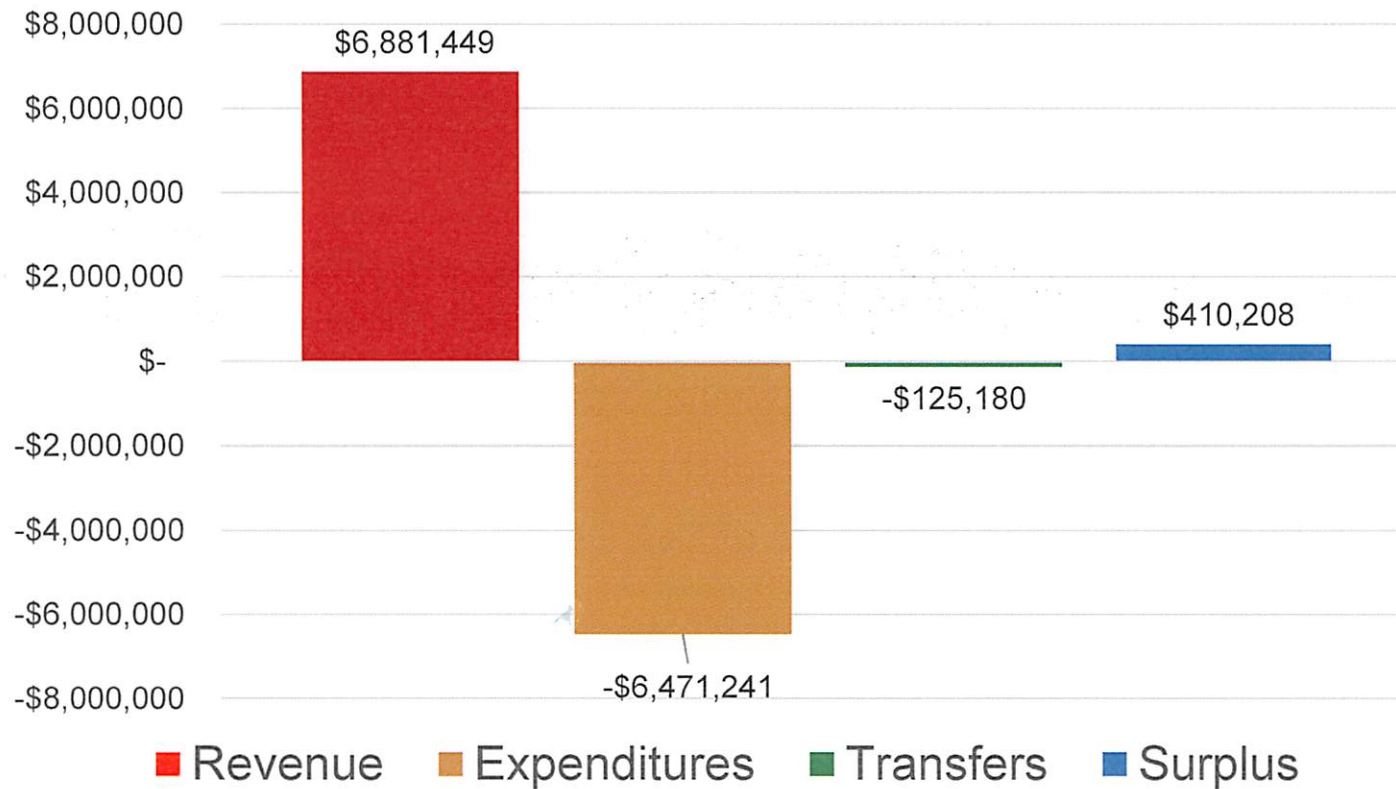
Transfers

- Transfers between departments (administration fees, etc)

Excess (deficiency)

- The result of combining all of the above

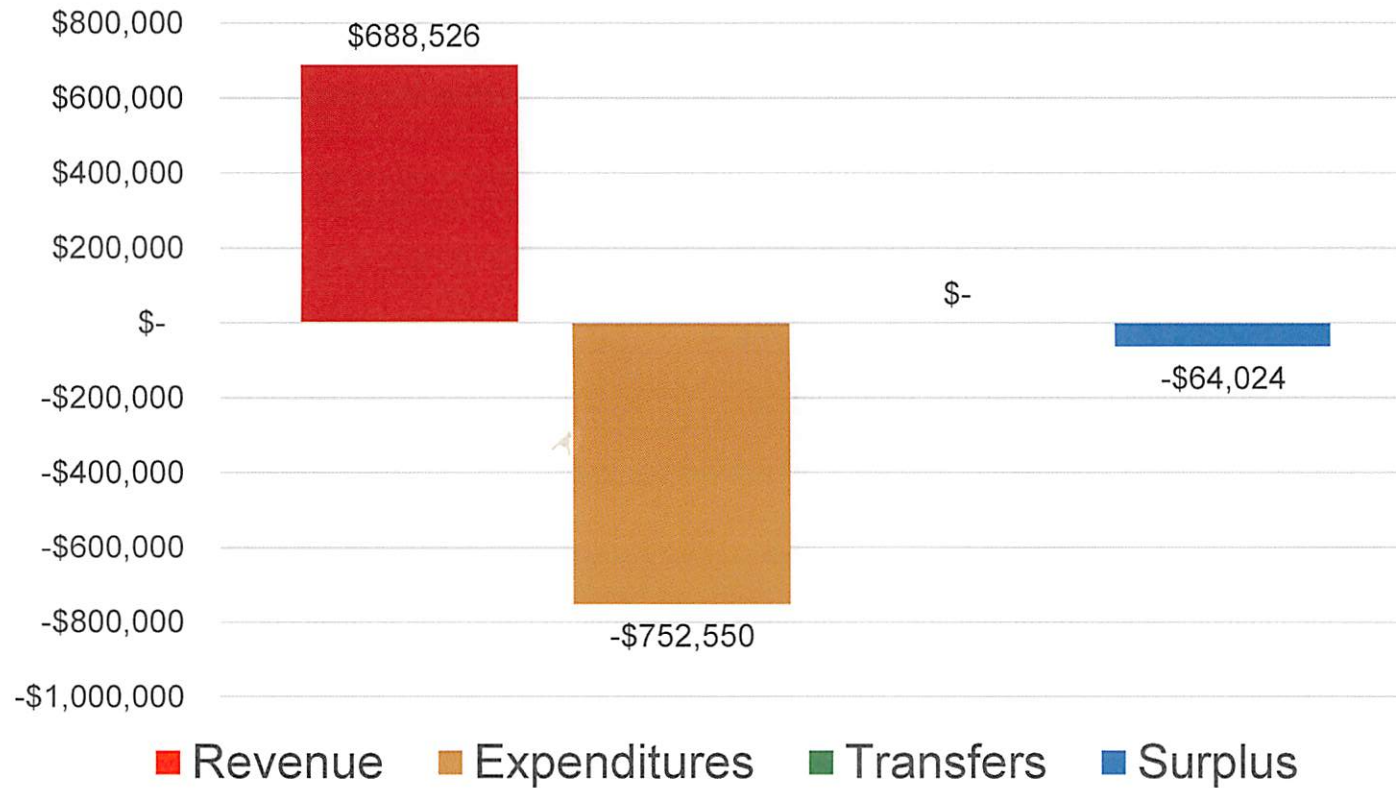
Operating



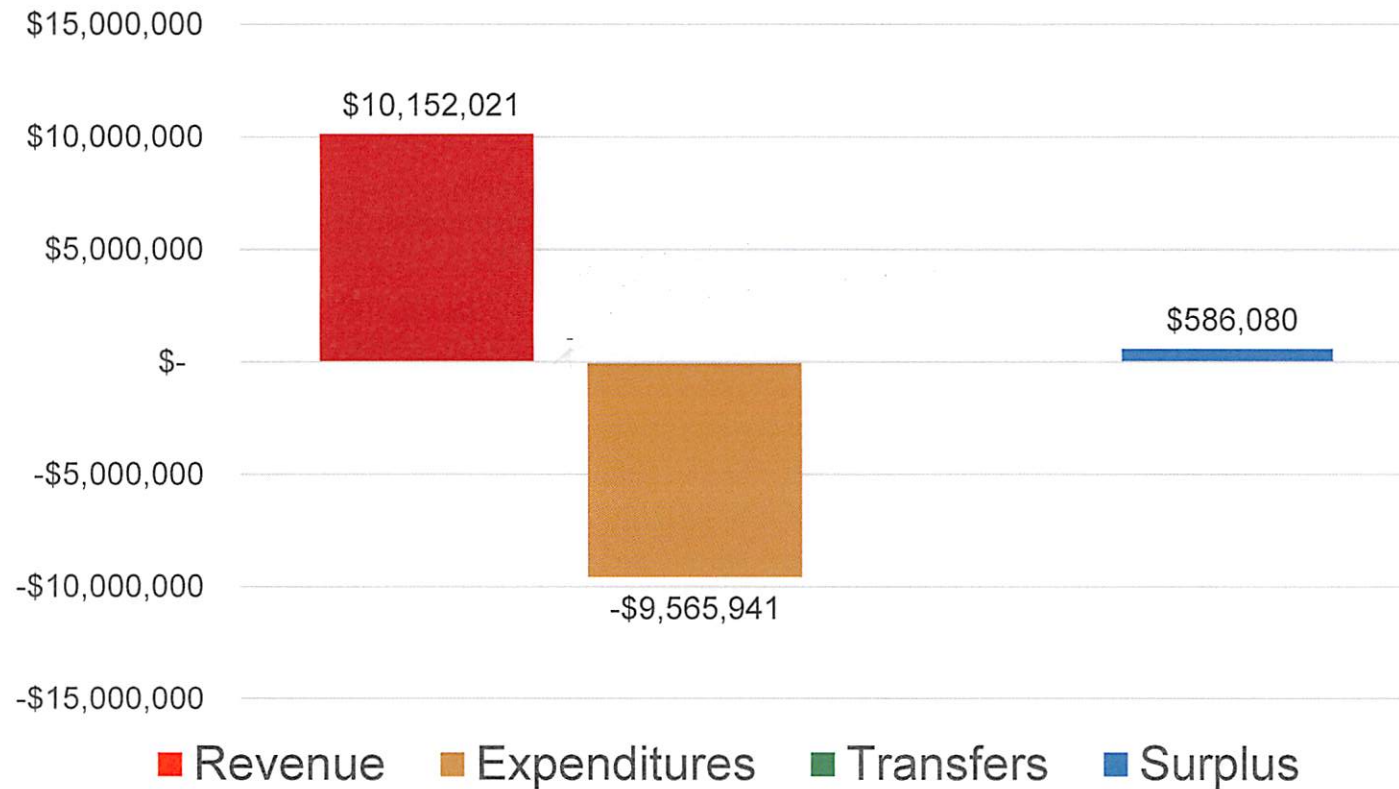
Trust



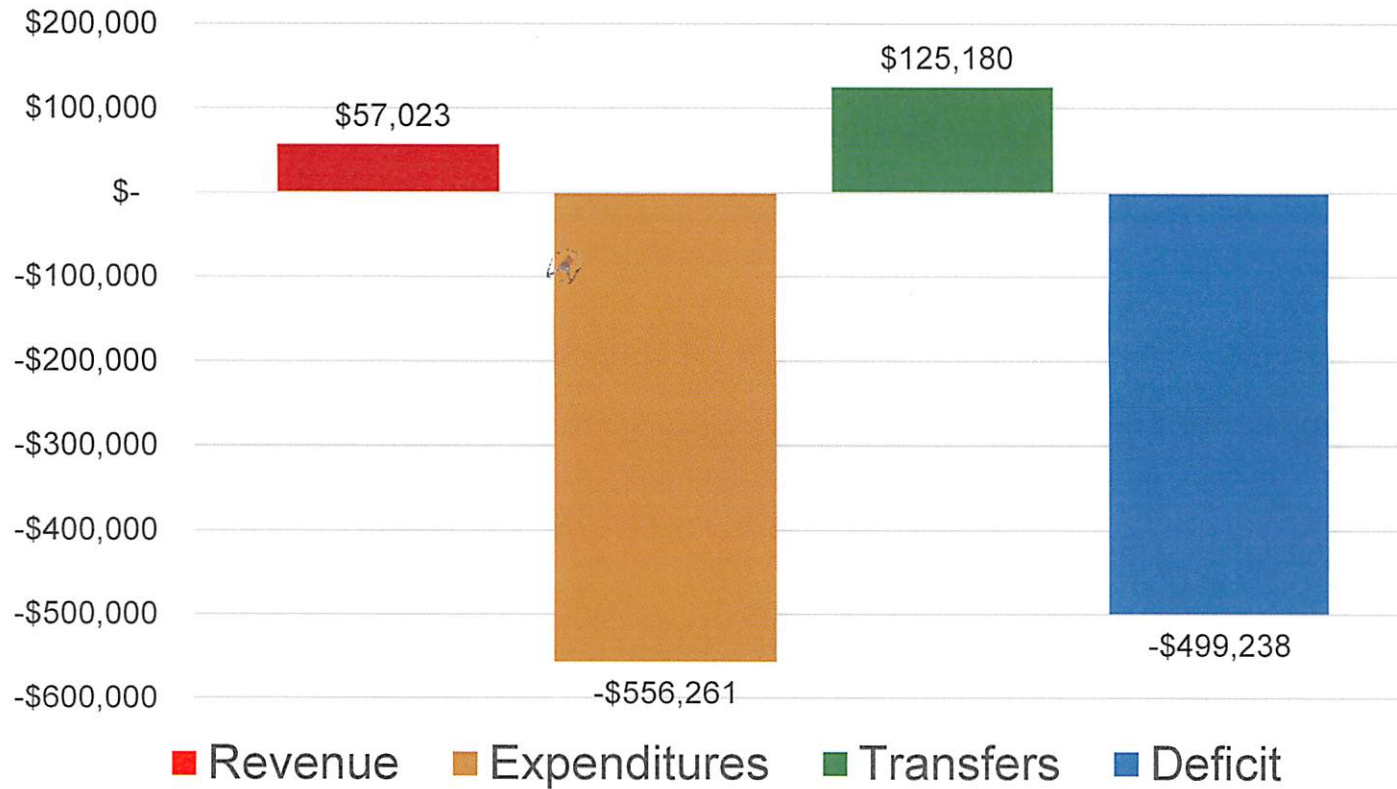
Social Housing



Enterprise



Treaty



Schedules of Remuneration

Name of Individual	Position Title	Number of Months [Note 1]	Remuneration [Note 2]	Expenses [Note 3]
Eunice Joe	Councillor	12	3,859	0
Richard Watts	Councillor	12	5,019	600
Luke George	Councillor	12	11,545	5,172
Cynthia Dick	Chief Councillor	12	65,376	10,510
Hugh Braker	Councillor	12	22,459	5,570
John Gomez	Councillor	12	1,725	0
Ken Watts	Councillor	12	8,384	1,006
Corey Anderson	Councillor	12	8,097	1,546
Melanie Fred	Councillor	12	4,395	0
Earl Mundy	Hereditary Chief	12	500	107
Josh Goodwill	Hereditary Chief	12	0	0
James Peters	Hereditary Chief	12	273	0
Albert Clutesi	Hereditary Chief	12	0	0

1. The number of months during the fiscal year that the individual was a chief or councillor.

2. As per the First Nations Financial Transparency Act:

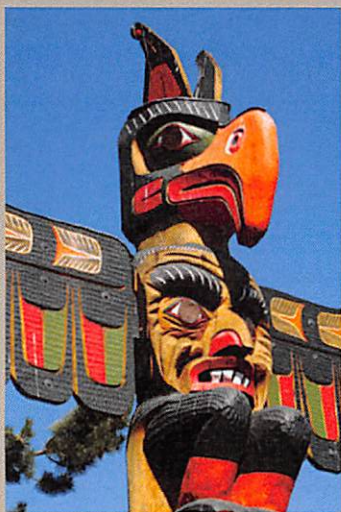
"remuneration" means any salaries, wages, commissions, bonuses, fees, honoraria and dividends and any other monetary benefits

— other than the reimbursement of expenses — and non-monetary benefits.

Examples are provided in the supporting document which accompanies this document on AANDC's Internet site entitled: "Supplementary Information".

3. As per the First Nations Financial Transparency Act:

"expenses" includes the costs of transportation, accommodation, meals, hospitality and incidental expenses.



Thank You!

Questions?