

Tseshah First Nation
Summarized Consolidated Financial Statements
March 31, 2021

Tseshah First Nation
Contents
For the year ended March 31, 2021

Page

Management's Responsibility

Independent Auditor's Report On The Summarized Consolidated Financial Statements

Summarized Consolidated Financial Statements

Summarized Consolidated Statement of Financial Position 1

Summarized Consolidated Statement of Operations and Accumulated Surplus 2

Summarized Consolidated Statement of Changes in Net Financial Assets 4

Summarized Consolidated Statement of Cash Flows 5

Notes to the Summarized Consolidated Financial Statements 6

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 29, 2021



Director of Finance

Independent Auditor's Report On The Summarized Consolidated Financial Statements

To the Members of Tseshah First Nation:

Opinion

The summarized consolidated financial statements, which comprise the statement of financial position as at March 31, 2021, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, are derived from the audited consolidated financial statements of Tseshah First Nation for the year ended March 31, 2021.

In our opinion, the accompanying summarized consolidated financial statements are a fair summary of the audited financial statements, in accordance with management's criteria for aggregation of the balances.

Summarized Financial Statements

The summarized consolidated financial statements do not contain all the disclosures required by Canadian public sector accounting standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and our Report Thereon

We expressed an unmodified opinion on the audited financial statements in our report dated July 29, 2021.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summarized financial statements in accordance with management's criteria for aggregation of the balances.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard 810, Engagements to Report on Summary Financial Statements.

Nanaimo, British Columbia

July 29, 2021

Chartered Professional Accountants

Tseshaht First Nation
Summarized Consolidated Statement of Financial Position
As at March 31, 2021

	2021	2020
<hr/>		
Financial assets		
Cash and cash equivalents	6,295,898	4,578,975
Accounts receivable	1,978,712	1,444,518
Term investments	999,263	974,820
Inventory for resale	205,493	229,408
Restricted cash	1,741,524	1,595,883
Funds held in trust	177,065	172,332
Investment in First Nation business enterprises	6,692,108	6,447,583
Investment in First Nation business partnerships	406,053	242,975
Portfolio investments	25,000	25,000
Total financial assets	18,521,116	15,711,494
<hr/>		
Financial Liabilities		
Accounts payable and accruals	1,222,434	1,576,304
Deferred revenue	2,043,575	1,111,264
Long-term debt	6,887,912	7,231,961
Total Financial liabilities	10,153,921	9,919,529
<hr/>		
Net financial assets	8,367,195	5,791,965
<hr/>		
Non-financial assets		
Tangible capital assets	17,471,943	18,355,682
Prepaid expenses	3,547	22,130
Total non-financial assets	17,475,490	18,377,812
<hr/>		
Accumulated surplus	25,842,685	24,169,777
<hr/>		

The accompanying notes are an integral part of these summarized consolidated financial statements

Tseshaht First Nation

Summarized Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2021

	2021 <i>Budget</i>	2021	2020
Revenue			
Sales	35,000	7,947,386	8,717,583
Nuu-chah-nulth Tribal Council - CFNFA	3,770,364	4,333,223	3,850,629
Nuu-chah-nulth Tribal Council - non CFNFA	1,034,929	1,903,757	1,362,235
Earnings from investment in First Nation business enterprises	-	991,595	1,837,842
Other revenue	60,000	646,768	533,494
Rental income	84,800	569,479	580,012
BC Gaming	-	569,030	533,778
Province of B.C.	146,000	500,475	313,265
Canada Mortgage and Housing Corporation	14,532	328,843	270,255
First Nations Health Authority	-	299,021	405,062
Government of Canada	407,915	277,895	255,715
Fees	39,000	145,793	154,154
Earnings from investment in Nation partnerships	-	84,420	45,277
Lease income	13,784	77,578	66,265
Nuu-chah-nulth Employment & Training Board	52,000	93,762	69,794
Fish license fees	146,000	72,564	35,215
Interest income	10,000	49,703	92,042
Administration recoveries	-	42,696	6,000
First Nation Education Steering Committee	-	40,085	108,594
Other grants	4,000	4,000	72,084
BC Special	-	2,703	2,725
Nuu-chah-nulth Economic Development Corporation	-	-	18,158
	5,818,324	18,980,776	19,330,178
Expenses			
Operating	6,290,241	8,401,698	7,752,894
Trust	-	11,005	10,000
Social Housing	-	684,958	707,246
Enterprise	-	7,860,068	8,820,653
Community Services	-	350,139	952,675
	6,290,241	17,307,868	18,243,468
Annual surplus (deficit) before other items	(471,917)	1,672,908	1,086,710
Other revenue			
Treaty loan forgiveness	-	-	2,810,604
Annual surplus (deficit)	(471,917)	1,672,908	3,897,314
Accumulated surplus, beginning of year	24,169,777	24,169,777	20,272,463
Accumulated surplus, end of year	23,697,860	25,842,685	24,169,777

The accompanying notes are an integral part of these summarized consolidated financial statements

Tseshaht First Nation
Summarized Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2021

	<i>2021 Budget</i>	<i>2021</i>	<i>2020</i>
Annual surplus (deficit)	(471,917)	1,672,908	3,897,314
Purchases of tangible capital assets	(285,878)	(407,230)	(411,437)
Loss on writedown of tangible capital assets	-	-	163,012
Amortization of tangible capital assets	-	1,290,968	1,273,525
	(285,878)	883,738	1,025,100
Acquisition of prepaid expenses	-	(3,546)	(22,130)
Use of prepaid expenses	-	22,130	50,426
	-	18,584	28,296
Increase (decrease) in net financial assets	(757,795)	2,575,230	4,950,710
Net financial assets, beginning of year	5,791,965	5,791,966	841,255
Net financial assets, end of year	5,034,170	8,367,195	5,791,965

The accompanying notes are an integral part of these summarized consolidated financial statements

Tseshaht First Nation
Summarized Consolidated Statement of Cash Flows
For the year ended March 31, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	1,672,908	3,897,314
Non-cash items		
Amortization	1,290,968	1,273,525
Bad debts	19,279	14,709
Earnings from investment in First Nation business partnerships	(84,420)	(45,277)
Earnings from investment in First Nation business enterprises	(991,595)	(1,837,842)
Treaty loan forgiveness	-	(2,810,604)
Loss on writedown of tangible capital assets	-	163,012
	1,907,140	654,837
Changes in working capital accounts		
Accounts receivable	(534,194)	(160,065)
Prepaid expenses	18,583	28,296
Funds held in trust	(4,733)	(5,430)
Inventory for resale	23,915	(1,267)
Accounts payable and accruals	(353,870)	246,448
Deferred revenue	932,310	263,635
	1,989,151	1,026,454
Financing activities		
Advances of long-term debt	360,047	595,975
Repayment of long-term debt	(704,096)	(653,915)
	(344,049)	(57,940)
Capital activities		
Purchases of tangible capital assets	(407,230)	(411,437)
Investing activities		
Purchase of term investments	(24,443)	(8,026)
Increase (decrease) in restricted cash	(145,641)	12,2846
Advances to related parties	649,135	36,527
Withdrawal from First Nation business enterprises	-	564,358
	479,051	1,205,143
Increase in cash and cash equivalents	1,716,923	1,762,220
Cash and cash equivalents, beginning of year	4,578,975	2,816,755
Cash and cash equivalents, end of year	6,295,898	4,578,975

The accompanying notes are an integral part of these summarized consolidated financial statements

Tseshahat First Nation
Notes to the Summarized Consolidated Financial Statements
For the year ended March 31, 2021

1. Operations

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

2. Significant accounting policies

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

Reporting entity

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

- Orange Bridge Cannabis (Department)
- Social Housing (Department)
- Tseshahat Market (Department)
- Tseshahat Somass Society (Wholly owned)
- Tseshahat Development Society (Wholly owned)
- Tseshahat Economic Development Corporation (Wholly owned)

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.

Tseshahat 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 but 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 government 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:

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

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

Cash and cash equivalents

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Tangible capital assets

Tangible capital assets exceeding \$2,000 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 straight line methods at rates intended to amortize the cost of the assets over their estimated useful lives. See below for amortization rates of specific asset categories.

All intangible assets and items inherited by the right of the First Nation, such as reserve land, forests, water and mineral resources, are not recognized in the First Nation's consolidated financial statements. Thunderbird poles have an unlimited useful life, and are therefore no longer depreciated.

	Years
Automotive equipment	5 years
Boat	10 years
Community buildings	20 years
Computer equipment	3 years
Dock and gazebo	10 years
Housing	20 years
Infrastructure	20 years
Office equipment	5 years
Other equipment	5 years
Paving	10 years
Shellfish licenses	20 years
Social Housing	30 years

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.

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 First 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.

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

Net financial assets

The First Nation's summarized consolidated financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets 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, 2021.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at March 31, 2021, no liability for contaminated sites exists.

Funds held in trust

Funds held in trust on behalf of First 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 First Nation capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Revenue recognition

Non-government 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 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.

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.

Other Revenue

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

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

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary.

Amortization is based on the estimated useful lives of tangible capital assets.

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.

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.

Segments

The First Nation conducts its business through five reportable segments as described in Note 16. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

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

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