

Tseshaht First Nation
Consolidated Financial Statements
March 31, 2022

	Page
Management's Responsibility	
Independent Auditor's Report	
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Changes in Net Financial Assets.....	3
Consolidated Statement of Cash Flows.....	4
Notes to the Consolidated Financial Statements.....	5
Schedules	
Schedule 1 - Consolidated Schedule of Tangible Capital Assets.....	20
Schedule 2 - Schedule of Consolidated Expenses by Object.....	23
Schedule 3 - Schedule of Revenue and Expenses and Annual Surplus (deficit) - Operating.....	24
Schedule 4 - Schedule of Revenue and Expenses and Annual deficit - Trust.....	26
Schedule 5 - Schedule of Revenue and Expenses and Annual Surplus - Social Housing.....	27
Schedule 6 - Schedule of Revenue and Expenses and Annual Surplus - Enterprise.....	28
Schedule 7 - Schedule of Revenue and Expenses and Annual Deficit - Treaty.....	29

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 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.

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. Chief and Council are 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 both Chief and Council and management to discuss their audit findings.

April 6, 2023



Director of Finance

Independent Auditor's Report

To the Members of Tseshaht First Nation:

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, 2022, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, 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 financial position of the First Nation as at March 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for 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 the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the First Nation'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 the First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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:

- Identify and assess the risks of material misstatement of the consolidated 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 the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

MNP LLP

400 MNP Place, 345 Wallace Street, Nanaimo B.C., V9R 5B6

T: 250.753.8251 F: 250.754.3999

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation'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 consolidated 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 the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 our audit.

Nanaimo, British Columbia

April 6, 2023

The image shows a handwritten signature in black ink that reads "MNP LLP". The letters are written in a cursive, slightly slanted style.

Chartered Professional Accountants

Tseshaht First Nation
Consolidated Statement of Financial Position
As at March 31, 2022

	2022	2021
Financial assets		
Cash and cash equivalents	9,006,429	6,295,898
Accounts receivable (Note 3)	2,211,583	1,978,712
Term investments (Note 4)	811,036	999,263
Inventory for resale (Note 5)	312,883	205,493
Restricted cash (Note 6)	1,664,415	1,741,524
Funds held in trust (Note 7)	183,201	177,065
Investment in First Nation business enterprises (Note 8)	9,092,322	6,692,108
Investment in First Nation business partnerships (Note 8)	520,692	406,053
Portfolio investments (Note 8)	25,000	25,000
Total financial assets	23,827,561	18,521,116
Financial liabilities		
Accounts payable and accruals	1,473,401	1,222,434
Deferred revenue (Note 9)	4,713,764	2,043,575
Long-term debt (Note 11)	6,439,111	6,887,912
Total financial liabilities	12,626,276	10,153,921
Net financial assets	11,201,285	8,367,195
Contingencies (Note 12)		
Non-financial assets		
Tangible capital assets (Schedule 1)	17,402,942	17,471,943
Prepaid expenses	23,865	3,547
Total non-financial assets	17,426,807	17,475,490
Accumulated surplus (Note 13)	28,628,092	25,842,685

Approved on behalf of the Chief and Council:



**Chief
Councillor**



Councillor

Tseshaht First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2022

	Schedules	2022 Budget (Note 18)	2022	2021
Revenue				
Sales		35,000	9,734,237	7,947,386
Nuu-chah-nulth Tribal Council - CFNFA (Note 14)		3,812,449	4,719,011	4,333,223
Nuu-chah-nulth Tribal Council - non CFNFA (Note 14)		651,944	2,896,913	1,903,757
Earnings from investment in First Nation business enterprises (Note 8)		-	1,892,358	991,595
Other revenue		60,000	1,489,737	646,768
Rental income		96,500	567,683	569,479
Government of Canada		360,621	503,393	277,895
Province of B.C.		146,000	458,374	500,475
First Nations Health Authority		122,731	352,109	299,021
First Nations Education Steering Committee		-	347,658	40,085
B.C. Gaming		-	325,396	569,030
Canada Mortgage and Housing Corporation		14,532	217,337	328,843
Fees (Note 15)		39,000	160,185	145,793
Fish license fees		116,000	126,888	72,564
Earnings from investment in First Nation business partnerships (Note 8)		-	114,639	84,420
Other grants		4,000	83,078	4,000
Lease income		13,784	76,341	77,578
Nuu-chah-nulth Employment & Training Board (Note 14)		52,000	75,133	93,762
Administration recoveries		-	45,022	42,696
Interest income		10,000	43,585	49,703
B.C. Special		-	2,703	2,703
		5,534,561	24,231,780	18,980,776
Expenses (Schedule 2)				
Operating	3	6,535,874	10,641,542	8,401,698
Trust	4	-	9,000	11,005
Social Housing	5	-	717,228	684,958
Enterprise	6	-	9,535,667	7,860,068
Treaty	7	-	542,936	350,139
		6,535,874	21,446,373	17,307,868
Annual surplus		(1,001,313)	2,785,407	1,672,908
Accumulated surplus, beginning of year		25,842,685	25,842,685	24,169,777
Accumulated surplus, end of year (Note 13)		24,841,372	28,628,092	25,842,685

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

Tseshaht First Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2022

	2022 Budget (Note 18)	2022	2021
Annual surplus	(1,001,313)	2,785,407	1,672,908
Purchases of tangible capital assets	(289,716)	(1,209,383)	(407,230)
Amortization of tangible capital assets	-	1,278,384	1,290,968
Acquisition of prepaid expenses	-	(23,865)	(3,547)
Use of prepaid expenses	-	3,547	22,130
Increase (decrease) in net financial assets	(1,291,029)	2,834,090	2,575,229
Net financial assets, beginning of year	8,367,195	8,367,195	5,791,966
Net financial assets, end of year	7,076,166	11,201,285	8,367,195

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

Tseshaht First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	2,785,407	1,672,908
Non-cash items		
Amortization	1,278,384	1,290,968
Bad debts	-	19,279
Earnings from investment in First Nation business enterprises	(1,892,358)	(991,595)
Earnings from investment in First Nation business partnerships	(114,639)	(84,420)
	2,056,794	1,907,140
Changes in working capital accounts		
Accounts receivable	(232,871)	(534,194)
Prepaid expenses	(20,318)	18,583
Funds held in trust	(6,136)	(4,733)
Inventory for resale	(107,390)	23,915
Accounts payable and accruals	250,967	(353,870)
Deferred revenue	2,670,189	932,310
	4,611,235	1,989,151
Financing activities		
Advances of long-term debt	152,603	360,047
Repayment of long-term debt	(601,404)	(704,096)
	(448,801)	(344,049)
Capital activities		
Purchases of tangible capital assets	(1,209,383)	(407,230)
Investing activities		
Purchase of term investments	(1,773)	(24,443)
Redemption of term investments	190,000	-
Decrease (increase) in restricted cash	77,109	(145,641)
Advances from (to) related parties	(507,856)	649,135
	(242,520)	479,051
Increase in cash and cash equivalents	2,710,531	1,716,923
Cash and cash equivalents, beginning of year	6,295,898	4,578,975
Cash and cash equivalents, end of year	9,006,429	6,295,898

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

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

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities 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 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, 1054423 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/Rate
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 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, 2022.

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. As at March 31, 2022, 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 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.

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.

Canada Mortgage and Housing Corporation ("CMHC")

CMHC revenue is recognized as it becomes receivable under the terms of the 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.

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

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.

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.

Recent accounting pronouncements

PS 3280 Asset Retirement Obligations (New)

In August 2018, new PS 3280 Asset Retirement Obligations was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new PS 3280 establishes standards on how to account for and report a liability for asset retirement obligations (ARO). As asset retirement obligations associated with landfills are included in the scope of new PS 3280, PS 3270 Solid Waste Landfill Closure and Post-Closure Liability will be withdrawn.

The main features of this standard are as follows:

An ARO represents a legal obligation associated with the retirement of a tangible capital asset.

- Asset retirement costs increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner.
- When an asset is no longer in productive use, the associated asset retirement costs are expensed.
- Measurement of the ARO liability should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date.