

Tseshah First Nation
Consolidated Financial Statements
March 31, 2023

Tseshah First Nation Contents

For the year ended March 31, 2023

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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 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.

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

MNP LLP is appointed by the Members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to both the Council and management to discuss their audit findings.

April 4, 2024

Signed by: Chris Anderson

Director of Finance

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, 2023, 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 consolidated financial position of the First Nation as at March 31, 2023, and the results of its operations, its changes in net financial assets 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.
- 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 consolidated 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 4, 2024

MNP LLP

Chartered Professional Accountants

Tseshaht First Nation
Consolidated Statement of Financial Position
As at March 31, 2023

	2023	2022
Financial assets		
Cash and cash equivalents	5,878,202	9,006,429
Accounts receivable (Note 4)	4,160,386	2,211,583
Term investments (Note 5)	487,512	811,036
Inventory for resale (Note 6)	223,241	312,883
Restricted cash (Note 7)	16,619,623	1,664,415
Funds held in trust (Note 8)	191,603	183,201
Investment in First Nation business enterprises (Note 9)	11,434,897	9,092,322
Investment in First Nation business partnerships (Note 9)	703,549	520,692
Portfolio investments (Note 9)	-	25,000
Total financial assets	39,699,013	23,827,561
Financial liabilities		
Accounts payable and accruals	1,632,613	1,473,401
Deferred revenue (Note 10)	3,485,007	4,713,764
Debt (Note 12)	5,608,734	6,439,111
Total financial liabilities	10,726,354	12,626,276
Net financial assets	28,972,659	11,201,285
Contingencies (Note 13)		
Subsequent events (Note 20)		
Non-financial assets		
Tangible capital assets (Schedule 1)	19,021,832	17,402,942
Prepaid expenses	31,230	23,865
Total non-financial assets	19,053,062	17,426,807
Accumulated surplus (Note 14)	48,025,721	28,628,092

Approved on behalf of the Chief and Council:

Signed by: Ken Watts _____

**Chief
Councillor**

Signed by: Harley Wylie _____

Councillor

Tseshaht First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2023

	Schedules	2023 Budget (Note 19)	2023	2022
Revenue				
Government of Canada		360,621	22,135,462	503,393
Sales		35,000	9,007,399	9,734,237
Nuu-chah-nulth Tribal Council - CFNFA (Note 15)		3,812,449	4,586,895	4,719,011
Nuu-chah-nulth Tribal Council - non CFNFA (Note 15)		651,944	3,875,191	2,896,913
Other revenue		60,000	1,692,724	1,489,737
Earnings (loss) from investment in Nation business entities (Note 9)		-	1,467,895	1,892,358
Interest income		10,000	769,201	43,585
Province of British Columbia		146,000	673,377	458,374
BC First Nation Gaming Revenue Sharing		-	570,914	325,396
Rental income		96,500	564,961	567,683
First Nations Health Authority		122,731	361,993	352,109
Fish license fees		116,000	273,905	126,888
First Nation Education Steering Committee		-	235,034	347,658
Canada Mortgage and Housing Corporation		14,532	228,493	217,337
Earnings (loss) from investment in Nation partnerships (Note 9)		-	182,857	114,639
Fees (Note 16)		39,000	161,682	160,185
Lease income		13,784	76,487	76,341
Nuu-chah-nulth Economic Development Corporation (Note 12)		-	65,000	-
Nuu-chah-nulth Employment & Training Board (Note 15)		52,000	59,500	75,133
Administration recoveries		-	20,215	45,022
Other grants		4,000	5,422	83,078
BC Special		-	2,700	2,703
		5,534,561	47,017,307	24,231,780
Program expenses				
Operating	3	6,535,874	12,250,114	10,641,542
Trust	4	-	21,178	9,000
Social Housing	5	-	739,677	717,228
Enterprise	6	-	9,028,644	9,535,667
Claims, Negotiations & Reconciliation	7	-	5,555,065	542,936
		6,535,874	27,594,678	21,446,373
Annual surplus (deficit) before other income (expense)		(1,001,313)	19,422,629	2,785,407
Other income (expense)				
Loss on impairment of investment (Note 9)		-	(25,000)	-
Annual surplus (deficit)		(1,001,313)	19,397,629	2,785,407
Accumulated surplus, beginning of year		28,628,092	28,628,092	25,842,685
Accumulated surplus, end of year (Note 14)		27,626,779	48,025,721	28,628,092

The accompanying notes are an integral part of these financial statements

Tseshaht First Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2023

	2023 Budget (Note 19)	2023	2022
Annual surplus (deficit)	(1,001,313)	19,397,629	2,785,407
Purchases of tangible capital assets	(289,716)	(3,122,757)	(1,209,383)
Amortization of tangible capital assets	-	1,503,867	1,278,384
Acquisition of prepaid expenses	-	(31,230)	(23,865)
Use of prepaid expenses	-	23,865	3,547
Increase (decrease) in net financial assets	(1,291,029)	17,771,374	2,834,090
Net financial assets, beginning of year	11,201,285	11,201,285	8,367,195
Net financial assets, end of year	9,910,256	28,972,659	11,201,285

The accompanying notes are an integral part of these financial statements

Tseshaht First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2023

	2023	2022
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus (deficit)	19,397,629	2,785,407
Non-cash items		
Amortization	1,503,867	1,278,384
Loss on impairment of investment	25,000	-
Earnings from investment in First Nation business partnerships	(182,857)	(114,639)
Earnings from investment in First Nation business enterprises	(1,467,895)	(1,892,358)
Forgiveness of debt	(40,000)	-
	19,235,744	2,056,794
Changes in working capital accounts		
Accounts receivable	(1,948,803)	(232,871)
Prepaid expenses	(7,365)	(20,318)
Funds held in trust	(8,402)	(6,136)
Inventory for resale	89,642	(107,390)
Accounts payable and accruals	159,212	250,967
Deferred revenue	(1,228,757)	2,670,189
	16,291,271	4,611,235
Financing activities		
Advances of debt	60,000	152,603
Repayment of debt	(850,377)	(601,404)
	(790,377)	(448,801)
Capital activities		
Purchases of tangible capital assets	(3,122,757)	(1,209,383)
Investing activities		
Purchase of term investments	-	(1,773)
Redemption of term investments	323,524	190,000
Decrease (increase) in restricted cash	(14,955,208)	77,109
Advances from (to) related parties	(874,680)	(507,856)
	(15,506,364)	(242,520)
Increase (decrease) in cash and cash equivalents	(3,128,227)	2,710,531
Cash and cash equivalents, beginning of year	9,006,429	6,295,898
Cash and cash equivalents, end of year	5,878,202	9,006,429

The accompanying notes are an integral part of these 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. Change in accounting policy

Financial instruments

Effective April 1, 2022, the First Nation adopted the Public Sector Accounting Board's (PSAB) new recommendations for the recognition, measurement, presentation and disclosure of financial assets, financial liabilities and derivatives under Section PS 3450 *Financial Instruments*. The new Section is applied prospectively, and prior periods have not been restated.

There was no material impact on the consolidated financial statements from the prospective application of the new accounting recommendations.

Asset retirement obligations

Effective April 1, 2022, the First Nation adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement and disclosure of a liability for asset retirement obligations under PS 3280 *Asset Retirement Obligations*. The new standard establishes when to recognize and how to measure a liability for an asset retirement obligation, and provides the related financial statement presentation and disclosure requirements. Pursuant to these recommendations, the change was applied prospectively, and prior periods have not been restated.

Before Section PS 3280 was issued, there was no specific guidance in PSAB addressing the accounting for various types of asset retirement obligations. Section PS 3260 *Liability for Contaminated Sites* deals with liabilities associated with the contamination of sites. This section did not have an effect on the First Nation's consolidated financial statements in previous years. Under the new standard, a liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset when certain criteria are met, as described in Note 3.

There was no material impact on the consolidated financial statements from the prospective application of the new accounting recommendations.

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

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