

**Quatsino First Nation
Consolidated Financial Statements**

March 31, 2019

Quatsino First Nation Contents

For the year ended March 31, 2019

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Management's Responsibility

To the Members of Quatsino First Nation:

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

July 23, 2019

Signed by: Scott Carle

Band Manager

Independent Auditor's Report

To the Members of Quatsino First Nation:

Qualified Opinion

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

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, 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, changes in its consolidated net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Quatsino First Nation did not prepare an approved budget for the year ending March 31, 2019. Canadian Public Sector Accounting Standards require the approved budget to be presented in the consolidated statement of operations and accumulated surplus and change in net financial assets.

In the prior year, a CMHC loan advance of \$394,518 was recorded to miscellaneous revenue, in the Community segment schedule, in error. This loan has been adjusted to long-term debt in the current year. This has resulted in an increase in long-term debt of \$394,518 a decrease in current year miscellaneous revenue - Community segment schedule of \$394,518, a decrease in annual surplus and a decrease in accumulated surplus of \$394,518.

During the year, it was determined that the capital contribution of property and equipment received by Quatsino Marine Limited Partnership from Quatsino First Nation in 2017 was not accurately capitalized in the consolidated statements of Quatsino Economic Development Limited Partnership. The impact of this correction to Quatsino Economic Development Limited Partnership has been adjusted in the current year investment in Nation business entities. This has resulted in an increase in the investment in Nation business entities of \$654,704 and a decrease in the earnings in investment in business entities of \$81,954.

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 qualified 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 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

July 23, 2019

MNP LLP

Chartered Professional Accountants

MNP
LLP

Quatsino First Nation
Consolidated Statement of Financial Position
As at March 31, 2019

	2019	2018
Financial assets		
Cash	7,260,424	3,481,544
Restricted cash (Note 4)	682,514	699,957
Accounts receivable (Note 5)	863,069	920,621
Advances to related Nation entities (Note 7)	197,939	197,939
Inventory for resale	8,088	8,088
Investment in Nation business entities (Note 8)	4,418,363	3,258,602
Funds held in trust (Note 6)	1,152,066	1,125,003
Total financial assets	14,582,463	9,691,754
Liabilities		
Accounts payable and accruals	503,501	616,246
Deferred revenue	18,045	15,530
Advances from related Nation entities (Note 7)	1,883,596	-
Long-term debt (Note 9)	4,242,126	2,801,102
Treaty note payable (Note 10)	2,336,668	2,336,668
Total liabilities	8,983,936	5,769,546
Net financial assets	5,598,527	3,922,208
Contingencies (Note 11)		
Non-financial assets		
Tangible capital assets (Schedule 1)	11,705,650	11,274,145
Prepaid expenses	44,934	41,777
Total non-financial assets	11,750,584	11,315,922
Accumulated surplus (Note 12)	17,349,111	15,238,130

Approved on behalf of Chief and Council

Signed by: James Wallas

Councilor

Signed by: Patricia Hall

Councilor

Quatsino First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2019

	<i>Schedules</i>	2019	2018
Revenue			
Indigenous Services Canada (Note 14)		2,557,198	2,377,678
First Nations Health Authority		907,252	670,131
Canada Mortgage and Housing Corporation		164,213	162,356
Fisheries and Oceans Canada		125,950	109,101
Trust funds		27,063	180,987
Miscellaneous		377,207	1,072,104
Province of British Columbia		3,194,314	781,440
Earnings from investment in Nation business entities		1,159,761	886,384
First Nations Education Steering Committee		445,013	357,229
Wind Farm		143,172	215,662
Arcade		236,468	189,821
Investment and rental income		293,889	215,384
Forestry		77,416	73,400
First Nation organizations		24,555	59,999
North Vancouver Island Aboriginal Management Society		27,578	22,626
Other royalties		816,152	-
		10,577,201	7,374,302
Expenses			
Administration	3	1,180,236	1,046,293
Community	4	86,367	284,586
Arcade and Economic Development	5	315,941	232,294
Community Infrastructure	6	207,781	175,822
Housing	7	52,280	74,589
Social Housing - CMHC	8	378,615	246,712
Natural Resources	9	734,201	630,370
Income Assistance	10	499,917	356,338
Health	11	744,130	675,618
Education	12	1,806,605	1,556,239
Enterprise Fund	13	-	11,547
		6,006,073	5,290,408
Annual surplus before transfers		4,571,128	2,083,894
Transfers			
Transfer to Quatsino Economic Development Limited Partnership		(1,900,000)	-
Transfer to Nation Members		(560,147)	(547,253)
		(2,460,147)	(547,253)
Annual surplus		2,110,981	1,536,641
Accumulated surplus, beginning of year		15,238,130	13,701,489
Accumulated surplus, end of year		17,349,111	15,238,130

Quatsino First Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2019

	2019	2018
Annual surplus		
Purchases of tangible capital assets	2,110,981	1,536,641
Amortization of tangible capital assets	(949,023)	(2,593,936)
Acquisition of prepaid expenses	517,518	488,612
Use of prepaid expenses	(3,157)	-
	-	3,238
Increase (decrease) in net financial assets	1,676,319	(565,445)
Net financial assets, beginning of year	3,922,208	4,487,653
Net financial assets, end of year	5,598,527	3,922,208

Quatsino First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	2,110,981	1,536,641
Non-cash items		
Amortization	517,518	488,612
Earnings from investment in Nation business entities	(1,159,761)	(886,384)
Increase in trust funds	(27,063)	(180,987)
Advances to Nation business entities	1,900,000	-
Changes in working capital accounts		
Accounts receivable	57,552	(356,861)
Prepaid expenses	(3,157)	3,238
Inventory for resale	-	(98)
Accounts payable and accruals	(112,745)	60,935
Deferred revenue	2,515	(3,469)
	3,285,840	661,627
Financing activities		
Advances of long-term debt	1,572,300	1,214,860
Repayment of long-term debt	(131,276)	(132,493)
Deposits to restricted cash	-	(51,432)
Withdrawals from restricted cash	17,443	-
Repayment of advances from related Nation entities	(16,404)	(5,585)
	1,442,063	1,025,350
Capital activities		
Purchases of tangible capital assets	(949,023)	(2,593,936)
Investing activities		
Cash distribution to Nation business entities	-	(2,000,000)
Cash distribution from Nation business entities	-	1,000,000
	-	(1,000,000)
Increase (decrease) in cash resources	3,778,880	(1,906,959)
Cash, beginning of year	3,481,544	5,388,503
Cash, end of year	7,260,424	3,481,544

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

1. Operations

The Quatsino First Nation (the "First Nation") is located in the province of British Columbia, and provides various services to its members. Quatsino 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. 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. Trusts administered on behalf of third parties by Quatsino 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:

- CMHC Housing
- Trust Funds

All inter-entity balances have been eliminated on consolidation.

Quatsino First Nation business entities, owned or controlled by the First Nation's 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:

- Quatsino Economic Development Limited Partnership
- Quatsino First Nation Economic Development Corporation Ltd.

First Nation business partnerships, jointly owned and controlled by the First Nation's 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:

- Gwabalis Fisheries Society
- Gilakasla Kwa Holdings Ltd.

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.

Cash

Cash includes 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.

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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

Tangible capital assets

Tangible capital assets are initially recorded at cost, based on historical cost accounting records, less accumulated amortization. Contributed tangible assets are recorded at their fair value at the date of contribution.

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

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 the rates. See below for amortization rates of specific asset categories.

Land, totem pole, and work-in-progress are not amortized.

	Method	Rate
Buildings and improvements	declining balance	4-10 %
CMHC housing	straight-line	25 years
Roads, streets and bridges	straight-line	38-100 years
Water, sanitary and storm	straight-line	30-100 years
Boats	declining balance	15 %
Vehicles	declining balance	30 %
Equipment	declining balance	20 %
Computer hardware and software	declining balance	30-100 %

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 tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

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 financial assets

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of consolidated 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 consolidated financial position, accumulated surplus.

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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

Revenue recognition

i) **Government Funding**

Government transfers are recognized as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the consolidated statement of operations as the stipulation liabilities are settled.

ii) **First Nation Capital and Revenue Trust Funds**

The First Nation recognized 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.

iii) **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.

iv) **Housing rental income**

Rental revenue is recorded in the year it is earned. At the end of each year, management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

v) **Other revenue**

Other revenue is recognized when performance is complete, collectibility is assured and an amount can be reasonably estimated.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of selling.

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, 2019.

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, 2019, no liability had been reported in these consolidated financial statements.

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the First Nation is responsible for.

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

Segments

The First Nation conducts its business through a number of reportable segments as described in Note 13. 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. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

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

3. Change in accounting policy

Effective April 1, 2018, the First Nation adopted the recommendations relating to *PS 3430 Restructuring Transactions* as set out in the CPA Canada Public Sector Accounting Handbook. The main features of this standard are as follows:

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.

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.

There was no material impact on the consolidated financial statements of adopting the new section.

4. Restricted cash

Under the terms of the agreement with Canada Mortgage and Housing Corporation ("CMHC"), the replacement reserve account is to be credited in the amount of \$41,836 (2018 - \$37,405) 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 March 31, 2019, \$224,438 (2018 - \$273,493) has been set aside to fund these reserves. At year end, these reserves were adequately funded (2018 - adequately funded).

Under the terms of the agreements with Canada Mortgage and Housing Corporation ("CMHC"), excess revenue 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 March 31, 2019, \$458,076 (2018 - \$426,464) has been set aside to fund this reserve. At year end, the operating reserve was adequately funded (2018 - \$12,649 underfunded).

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

5. Accounts receivable

	2019	2018
Indigenous Services Canada	126,423	106,064
Fishing entities	33,257	29,525
Department of Fisheries and Oceans	19,767	4,236
New Relationship Trust	4,000	5,000
Other First Nations and First Nation business entities	86,589	172,309
Members	105,361	132,936
Forestry companies	62,947	50,891
Province of British Columbia	41,635	171,066
Rent receivable	228,971	100,310
Canada Mortgage and Housing Corporation	21,942	33,376
Other receivables	132,177	114,908
	863,069	920,621

6. Funds held in trust

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

	2019	2018
Capital Trust		
Balance, beginning and end of year	11,238	11,238
Revenue Trust		
Balance, beginning of year	1,113,765	932,777
Interest	25,788	21,869
Lease Revenue	-	157,852
BC special distribution	1,275	1,267
Balance, end of year	1,140,828	1,113,765
	1,152,066	1,125,003

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*.

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

7. Advances to (from) related Nation Entities

Advances to (from) related Nation entities are unsecured, non-interest bearing and due on demand. These entities are related by virtue of common control or joint control by Quatsino First Nation.

	2019	2018
Advances to related Nation Entities		
Quatsino Economic Development Limited Partnership	197,489	197,489
Quattishe Forest Products Ltd.	450	450
	197,939	197,939
Advances from related Nation Entities		
Quatsino Economic Development Limited Partnership	1,883,596	-

8. Investment in Nation business entities

The First Nation has investments in the following entities:

	2019				
	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>	<i>Draws</i>	<i>Total investment</i>
Wholly-owned Businesses:					
Quatsino First Nation Economic Development Corporation Ltd.	10	-	(2,373,378)	-	(2,373,368)
Quatsino Economic Development Limited Partnership - 99.9%	999	654,704	5,327,128	-	5,982,831
	1,009	654,704	2,953,750	-	3,609,463
Significantly Influenced Businesses:					
Gilakasla Kwa Holdings Ltd. - 33%	1	-	(1)	-	-
Gwabalis Fisheries Society - 25%	-	-	808,900	-	808,900
	1	-	808,899	-	808,900
	1,010	654,704	3,762,649	-	4,418,363
	2018				
	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings (loss)</i>	<i>Draws</i>	<i>Total investment</i>
Wholly-owned Businesses:					
Quatsino First Nation Economic Development Corporation Ltd.	10	-	(2,319,733)	-	(2,319,723)
Quatsino Economic Development Limited Partnership - 99.9%	999	197,939	5,745,158	(1,000,000)	4,944,096
	1,009	197,939	3,425,425	(1,000,000)	2,624,373
Significantly Influenced Businesses:					
Gilakasla Kwa Holdings Ltd. - 33%	1	-	(1)	-	-
Gwabalis Fisheries Society - 25%	-	-	634,229	-	634,229
	1	-	634,228	-	634,229
	1,010	197,939	4,059,653	(1,000,000)	3,258,602

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

8. Investment in Nation business entities *(Continued from previous page)*

The First Nation's investment in Quatsino First Nation Economic Development Corporation Ltd. was established for the purposes of running the economic activities of various business endeavours for the First Nation. It owns investments in 688357 B.C. Ltd., Quatsino Marine GP Ltd. and Quattishe Forest Products Ltd.

Quatsino Economic Development Limited Partnership was established for the purposes of running the economic activities of various business endeavours for the First Nation. It owns investments in Quatsino Marine Limited Partnership, Quattishe Limited Partnership and Quatern Limited Partnership. The year-end for the First Nation business entities is December 31, 2018. No significant or unusual transactions occurred between December 31, 2018 and March 31, 2019, therefore the December 31, 2018 figures are included without adjustment.

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>Quatsino First Nation Economic Development Corporation Ltd. As at December 31, 2018</i>	<i>Quatsino Economic Development Limited Partnership As at December 31, 2018</i>	<i>Gilakasla Kwa Holdings Ltd. As at December 31, 2018</i>	<i>Gwabalis Fisheries Society As at March 31, 2019</i>
Assets				
Cash & cash equivalents	36,957	3,729,088	133,751	765,130
Accounts receivable	7,886	147,978	91,704	78,193
Inventory	-	21,324	-	-
Prepays	75,975	14,986	6,000	2,125
Advances to related parties	2,047,061	22,491	-	-
Property, plant and equipment	656,237	1,090,881	-	-
Investments	3,428	713,163	-	2,490,000
Total assets	2,827,544	5,739,911	231,455	3,335,448
Liabilities				
Accounts payable and accruals	4,796	93,355	185,167	25,296
Payable to shareholder	4,417,406	-	-	-
Advances from related parties	778,491	356,528	46,287	-
Long-term debt	-	41,081	-	-
Total liabilities	5,200,693	490,964	231,454	25,296
	(2,373,149)	5,248,947	1	3,310,152
Total revenue	25,946	2,517,536	21,062	888,118
Total expenses	82,805	2,085,767	21,062	189,436
Net income (loss)	(56,859)	431,769	-	698,682
Comprehensive income (loss)	(56,859)	431,769	-	698,682

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

9. Long-term debt

	2019	2018
Bank of Montreal loan		
- Interest at prime plus 1%, compounded monthly		
- Monthly interest only payment of \$4,252 to June 2019		
- Monthly blended payments of \$8,240 beginning July 2019, maturing June 2042 and renewing on June 30, 2024		
- Secure by buildings with a net book value of \$1,322,239 (2018 - \$1,377,332)	1,210,160	1,214,860
All Nations Trust loan - Phase 6, repaid in full in November 2018	-	14,210
All Nations Trust loan - Phase 7		
- Interest at 1.83%, compounded semi-annually		
- Monthly blended payments of \$2,185, maturing November 1, 2024 and renewing December 1, 2019		
- Secured by buildings and equipment with a net book value of \$134,387 (2018 - \$158,843)	141,064	164,482
All Nations Trust loan - Phase 8		
- Interest at 1.05%, compounded semi-annually		
- Monthly blended payments of \$1,182, maturing June 1, 2026 and renewing on August 1, 2021		
- Secured by buildings and equipment with a net book value of \$104,677 (2018 - \$120,806)	98,972	112,043
All Nations Trust loan - Phase 9		
- Interest at 2.5%, compounded semi-annually		
- Monthly blended payments of \$2,588, maturing April 1, 2028 and renewing on June 1, 2023		
- Secured by buildings and equipment with a net book value of \$343,232 (2018 - \$368,816)	252,268	276,988
All Nations Trust loan - Phase 10		
- Interest at 1.11%, compounded semi-annually		
- Monthly blended payments of \$5,182, maturing April 1, 2036 and renewing on April 1, 2021		
- Secured by buildings and equipment with a net book value of \$1,179,744 (2018 - \$1,248,323)	967,361	1,018,519
All Nations Trust loan - Phase 11		
- Interest at 2.35%, compounded monthly		
- Monthly blended payments of \$4,219, maturing July 1, 2043 and renewing on July 1, 2023		
- Secured by buildings and equipment with a net book value of \$1,063,660	938,701	-
All Nations Trust loan - Phase 12		
- Interest at 2.14%, compounded monthly		
- Monthly blended payments of \$2,732, maturing March 1, 2044 and renewing on March 1, 2024		
- Secured by buildings and equipment with a net book value of \$620,681	633,600	-
	4,242,126	2,801,102

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

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

Prime rate at March 31, 2019 is 3.95%. 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
2020	187,226
2021	198,867
2022	203,321
2023	207,923
2024	212,647
	<hr/>
	1,009,984
	<hr/>
Thereafter	3,232,142
	<hr/>

10. Treaty note payable

The First Nation received funds negotiated with ISC and the provincial British Columbia Treaty Commission. Under the terms of that agreement, the Nation received both loaned and contributed funds of \$2,336,668 (2018 - \$2,336,668), which it subsequently reloaned and contributed to the First Nation.

For the year ended March 31, 2019, the First Nation received no contribution funding and loans (2018 - no contribution funding and loans). The funds are to be used solely for the purpose of treaty negotiations. The loan proceeds are non-interest bearing and become due and payable upon the earlier of:

- a) the twelfth (12th) anniversary of the date on which the first loan advance by Canada to the First Nation under the earliest First Nation Funding Agreement;
- b) the date on which a treaty is signed by the parties unless otherwise agreed in the treaty;
- c) the date on which the agreement is terminated or;
- d) the date on which the First Nation commits an act of bankruptcy.

11. Contingencies

The First Nation is contingently liable to the BC Treaty Commission for \$41,433 for unexpended negotiation support funding (2018 - \$41,433). As at March 31, 2019, no liability has been recorded in relation to the unexpended negotiation support funding.

The financial results of the CMHC Social housing program are subject to review by CMHC. It is possible that adjustments could be made based on the results of their review.

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

12. Accumulated surplus

Accumulated surplus consists of the following:

	2019	2018
Deficit in treaty	(2,336,668)	(2,336,668)
Equity in operating fund	6,137,763	4,020,054
Equity in tangible capital assets	7,463,523	8,473,043
Equity in operating and replacement reserves	514,064	698,096
Equity in Nation business entities	4,418,363	3,258,602
Equity in Ottawa Trust Funds	1,152,066	1,125,003
	17,349,111	15,238,130

13. Segments

Quatsino First Nation receives revenue from many different projects and sources. For management and reporting purposes, the revenue, expenses and surplus or deficit are organized by segments. Schedules 3 to 13 disclose Quatsino First Nation's revenue, expenses and surpluses or deficit's for the following segments:

Administration:

This segment includes general operations, support, and financial management of the First Nation.

Community:

This segment includes revenue and expenses for programs which are of benefit to the entire community of the First Nation.

Arcade and Economic Development:

This segment includes activities related to the growth of revenue producing projects within the First Nation.

Community Infrastructure:

This segment includes the revenue and expenses related to the acquisition, maintenance and repairs of the First Nation's infrastructure.

Housing:

This segment includes the activities related to the provision of housing within the First Nation, not subject to CMHC

Social Housing - CMHC:

This segment includes the activities related to the provision of housing within the First Nation, subject to CMHC.

Natural Resources:

This segment includes revenue and expenses from projects dealing with the natural resources of the First Nation.

Income Assistance:

This segment includes revenue and expenses relating to the social assistance of the members of the First Nation.

Health:

This segment includes activities related to the provision of health services within the First Nation.

Education:

This segment includes revenue and expenses relating to the primary, secondary and post secondary education of the members of the First Nation.

Enterprise Fund:

This segment includes activities related to the investment in First Nation business entities.

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2019

14. Indigenous Services Canada ("ISC") revenue reconciliation

	<i>2019</i>	<i>2018</i>
ISC revenue per confirmation	2,623,645	2,306,046
Income Assistance - anticipated reimbursement	-	90,286
Community Infrastructure	(57,284)	-
Income Assistance - recovery	(9,163)	(15,857)
Membership Capacity - recovery	-	(2,797)
	2,557,198	2,377,678

15. Economic dependence

Quatsino First Nation receives substantially all of its revenue from Indigenous Services Canada ("ISC") as a result of Treaties entered into with the Government of Canada. These treaties are administered by ISC 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 treaties.

16. Comparative figures

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

Quatsino First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2019

	<i>Buildings and improvements</i>	<i>CMHC housing</i>	<i>Roads, streets and bridges</i>	<i>Water, sanitary and storm</i>	<i>Boats</i>	<i>Vehicles</i>	<i>Subtotal</i>
Cost							
Balance, beginning of year	8,256,873	4,342,735	511,120	1,993,962	517,645	580,359	16,202,694
Acquisition of tangible capital assets	196,343	-	-	-	-	118,337	314,680
Completion of construction-in-progress	-	1,085,368	-	-	-	-	1,085,368
Balance, end of year	8,453,216	5,428,103	511,120	1,993,962	517,645	698,696	17,602,742
Accumulated amortization							
Balance, beginning of year	2,405,050	2,429,483	200,252	327,467	466,952	448,507	6,277,711
Annual amortization	234,395	159,747	7,114	23,924	7,601	38,204	470,985
Balance, end of year	2,639,445	2,589,230	207,366	351,391	474,553	486,711	6,748,696
Net book value of tangible capital assets	5,813,771	2,838,873	303,754	1,642,571	43,092	211,985	10,854,046
Net book value of tangible capital assets 2018	5,851,823	1,913,252	310,868	1,666,495	50,693	131,852	9,924,983

Quatsino First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2019

	<i>Subtotal</i>	<i>Equipment</i>	<i>Computer hardware and software</i>	<i>Work-in-progress</i>	<i>2019</i>	<i>2018</i>
Cost						
Balance, beginning of year	16,202,694	1,429,464	417,164	1,071,706	19,121,028	16,527,092
Acquisition of tangible capital assets	314,680	-	-	634,343	949,023	2,593,936
Completion of construction-in-progress	1,085,368	-	-	(1,085,368)	-	-
Balance, end of year	17,602,742	1,429,464	417,164	620,681	20,070,051	19,121,028
Accumulated amortization						
Balance, beginning of year	6,277,711	1,153,107	416,065	-	7,846,883	7,358,271
Annual amortization	470,985	46,199	334	-	517,518	488,612
Balance, end of year	6,748,696	1,199,306	416,399	-	8,364,401	7,846,883
Net book value of tangible capital assets	10,854,046	230,158	765	620,681	11,705,650	11,274,145
Net book value of tangible capital assets 2018	9,924,983	276,357	1,099	1,071,706	11,274,145	

Quatsino First Nation
Schedule 2 - Consolidated Schedule of Expenses by Object
For the year ended March 31, 2019

	2019	2018
Consolidated expenses by object		
Administration	3,558	19,601
Advertising	2,527	6,162
Allowances	86,676	106,214
Amortization	517,518	488,612
Automotive	55,021	55,327
Bank charges and interest	3,071	3,237
Cigarette purchases	224,618	176,874
Community events	1,690	-
Contracted services	39,849	97,491
Council travel	36,698	45,981
Education	93,199	84,860
Fees and disbursements	36,537	18,899
Fishing	15,952	11,974
Food and beverage	5,987	18,727
Funeral	13,823	9,475
Honouraria	107,279	85,990
Insurance	74,993	66,679
Interest on long-term debt	97,064	49,164
Materials	108,593	144,639
Meeting	33,927	38,600
Office rent	15,600	-
Office supplies	54,182	30,229
Professional fees	547,544	413,126
Program aids and workshops	55,680	45,079
Patient travel	114,072	99,170
Rent	1,333	6,387
Repairs and maintenance	155,157	47,487
Salaries and benefits	2,469,648	2,356,382
Social assistance	362,965	282,440
Sponsorships	1,900	6,374
Student expenses	2,251	1,690
Supplies	187,757	108,443
Telephone	31,684	41,925
Training	29,570	6,936
Travel	197,068	125,286
Tuition	47,178	41,621
User fees	49,255	48,190
Utilities	103,979	81,579
Workers compensation premiums	20,670	19,558
	6,006,073	5,290,408

Quatsino First Nation
Administration
Schedule 3 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous Services Canada	287,040	282,247
Trust funds	27,063	180,987
Province of British Columbia	2,582,691	355,323
Miscellaneous	207,313	360,994
Investment and rental income	91,646	36,316
First Nation organizations	-	7,500
	3,195,753	1,223,367
Expenses		
Administration (recovery)	(157,886)	(115,346)
Advertising	856	1,542
Amortization	344,820	333,462
Automotive	3,855	2,151
Bank charges and interest	808	727
Contracted services	-	60,208
Council travel	36,698	45,981
Fees and disbursements	36,307	12,097
Food and beverage	4,225	541
Funeral	13,823	9,475
Honouraria	88,100	63,700
Insurance	18,299	15,984
Materials	8,511	15,165
Meeting	22,886	5,916
Office rent	12,000	-
Office supplies	29,155	13,449
Professional fees	223,538	137,104
Program aids and workshops	2,214	1,727
Repairs and maintenance	4,322	470
Salaries and benefits	385,864	384,400
Supplies	40,853	20,626
Telephone	9,840	10,162
Training	6,600	-
Travel	26,186	10,759
Utilities	15,232	12,874
Workers compensation premiums	3,130	3,119
	1,180,236	1,046,293
Annual surplus before transfers	2,015,517	177,074
Transfers between programs	(1,900,000)	14,316
Annual surplus	115,517	191,390

Quatsino First Nation
Community
Schedule 4 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous Services Canada	85,210	182,696
First Nation organizations	2,500	48,400
Investment and rental income	-	3,206
Miscellaneous (recovery)	(309,542)	413,687
	(221,832)	647,989
Expenses		
Automotive	2,100	415
Materials	3,933	39,172
Meeting	284	7,927
Professional fees	14,949	97,818
Programs	-	2,440
Salaries and benefits	52,289	120,199
Student expenses	-	4,971
Supplies	2,026	-
Telephone	184	2,615
Travel	10,142	7,602
Utilities	-	427
Workers compensation premiums	460	1,000
	86,367	284,586
Annual surplus (deficit)	(308,199)	363,403

Quatsino First Nation
Arcade and Economic Development
Schedule 5 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous Services Canada	26,002	25,844
Arcade	236,468	189,821
Miscellaneous	-	1,000
Other royalties	180,000	-
	442,470	216,665
Expenses		
Automotive	3,520	4,606
Bank charges and interest	1,387	1,631
Cigarette purchases	224,618	176,873
Community events	1,690	-
Fees and disbursements (recovery)	(70)	3,727
Materials	6,798	138
Professional fees	39,961	1,145
Salaries and benefits	25,634	31,457
Sponsorships	1,900	6,374
Travel	10,285	6,072
Workers compensation premiums	218	271
	315,941	232,294
Annual surplus (deficit)	126,529	(15,629)

Quatsino First Nation
Community Infrastructure
Schedule 6 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous Services Canada	186,762	126,902
Miscellaneous	2,000	22,633
First Nation organizations	555	99
	189,317	149,634
Expenses		
Amortization	12,951	12,951
Automotive	17	50
Contracted services	31,689	26,031
Insurance	6,694	4,581
Interest on long-term debt	54,923	27,895
Materials	-	6,372
Office supplies	365	360
Professional fees	7,852	740
Rent	487	105
Repairs and maintenance	18,556	19,162
Salaries and benefits	20,486	18,233
Supplies	2,219	2,984
Travel	38	19
User fees	49,255	48,190
Utilities	2,066	7,985
Workers compensation premiums	183	164
	207,781	175,822
Annual deficit	(18,464)	(26,188)

Quatsino First Nation
Housing
Schedule 7 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
Canada Mortgage and Housing Corporation	5,869	42,441
Miscellaneous	32,580	31,614
Investment and rental income	9,801	9,609
	48,250	83,664
Expenses		
Contracted services	8,160	11,252
Insurance	1,495	1,585
Materials	381	485
Meeting	3,859	-
Professional fees	-	120
Repairs and maintenance	2,225	4,079
Salaries and benefits	33,486	53,246
Telephone	1,536	1,245
Travel	849	1,921
Utilities	-	196
Workers compensation premiums	289	460
	52,280	74,589
Annual surplus (deficit)	(4,030)	9,075

Quatsino First Nation
Social Housing - CMHC
Schedule 8 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
Canada Mortgage and Housing Corporation	158,344	119,915
Indigenous Services Canada	122,688	184,032
Investment and rental income	192,441	166,253
	473,473	470,200
Expenses		
Administration	23,621	19,601
Amortization	159,747	142,199
Bank charges and interest	808	799
Insurance	23,736	19,874
Interest on long-term debt	42,141	21,269
Professional fees	4,718	7,920
Repairs and maintenance	92,382	11,732
Utilities	31,462	23,318
	378,615	246,712
Annual surplus	94,858	223,488

Quatsino First Nation
Natural Resources
Schedule 9 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
Fisheries and Oceans Canada	125,950	109,101
Indigenous Services Canada	68,800	72,600
Miscellaneous	207,021	43,426
Province of British Columbia	324,225	175,510
Wind Farm	143,172	215,662
Forestry	77,416	73,400
Other royalties	636,152	-
	1,582,736	689,699
Expenses		
Administration	45,870	51,162
Advertising	-	4,125
Automotive	16,145	22,060
Bank charges and interest	68	81
Fees and disbursements	300	3,075
Fishing	15,947	11,974
Food and beverage	1,762	18,186
Honouraria	1,250	600
Insurance	3,952	3,575
Materials	11,608	18,930
Meeting	6,160	23,538
Office rent	3,600	-
Office supplies	2,340	-
Professional fees	191,993	118,380
Program aids and workshops	950	1,211
Rent	847	402
Repairs and maintenance	20,047	4,429
Salaries and benefits	328,135	277,654
Supplies	37,407	14,710
Telephone	9,179	14,864
Travel	17,375	36,960
Utilities	16,551	2,099
Workers compensation premiums	2,715	2,355
	734,201	630,370
Annual surplus before transfers	848,535	59,329
Transfer to Nation Members	(560,147)	(552,606)
Annual surplus (deficit)	288,388	(493,277)

Quatsino First Nation
Income Assistance
Schedule 10 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous Services Canada	661,213	402,015
Expenses		
Administration	21,938	-
Advertising	1,199	-
Insurance	37	440
Materials	-	75
Professional fees	750	-
Program aids and workshops	3,736	3,583
Salaries and benefits	76,806	60,085
Social assistance	362,965	282,440
Student expenses (recovery)	-	(356)
Supplies	21,082	815
Telephone	1,170	1,425
Training	788	-
Travel	8,638	3,676
Utilities	130	3,626
Workers compensation premiums	678	529
	499,917	356,338
Annual surplus	161,296	45,677

Quatsino First Nation
Health
Schedule 11 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
First Nations Health Authority	907,252	670,131
Miscellaneous	56,918	-
Province of BC	30,000	-
	994,170	670,131
Expenses		
Administration	54,515	48,684
Advertising	442	-
Automotive	12,448	12,029
Insurance	5,688	7,929
Materials	5,252	5,892
Office supplies	3,510	3,031
Professional fees	34,178	6,574
Program aids and workshops	34,178	24,833
Patient travel	114,072	99,170
Rent	-	630
Repairs and maintenance	2,515	779
Salaries and benefits	435,294	426,602
Supplies	7,916	12,053
Telephone	2,666	3,193
Training	543	284
Travel	15,573	13,905
Utilities	11,767	6,530
Workers compensation premiums	3,573	3,500
	744,130	675,618
Annual surplus (deficit)	250,040	(5,487)

Quatsino First Nation
Education
Schedule 12 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
Indigenous and Services Canada	1,119,483	1,101,342
First Nations Education Steering Committee	445,013	357,229
Province of British Columbia	257,398	250,607
Miscellaneous	180,918	198,750
North Vancouver Island Aboriginal Management Society	27,578	22,626
First Nation organizations	21,500	4,000
	2,051,890	1,934,554
Expenses		
Administration	15,500	15,500
Advertising	30	495
Allowances	86,676	106,214
Automotive	16,936	10,082
Education	93,199	80,245
Honouraria	17,929	21,690
Insurance	15,091	12,711
Materials	72,111	57,346
Meeting	738	1,220
Office supplies	18,811	13,390
Professional fees	29,605	43,325
Program aids and workshops	14,602	11,284
Repairs and maintenance	15,110	6,836
Salaries and benefits	1,111,655	984,362
Student expenses	2,251	1,690
Supplies	76,255	57,256
Telephone	7,109	8,422
Training	21,638	6,140
Travel	107,984	43,727
Tuition	47,178	41,621
Utilities	26,772	24,524
Workers compensation premiums	9,425	8,159
	1,806,605	1,556,239
Annual surplus before transfers	245,285	378,315
Transfers between programs	-	(8,963)
Annual surplus	245,285	369,352

Quatsino First Nation
Enterprise Fund
Schedule 13 - Schedule of Revenue and Expenses
For the year ended March 31, 2019

	2019	2018
Revenue		
Earnings from investment in Nation business entities	1,159,761	886,384
Expenses		
Automotive	-	3,933
Materials	-	1,065
Rent	-	5,250
Salaries and benefits	-	141
Training	-	512
Travel	-	645
Workers compensation premiums	-	1
	-	11,547
Annual surplus before transfers	1,159,761	874,837
Transfers		
Transfer to Quatsino Economic Development Limited Partnership	(1,900,000)	-
Transfers between programs	1,900,000	-
Annual surplus (deficit)	1,159,761	874,837