

Quatsino First Nation
Consolidated Financial Statements
March 31, 2021

Quatsino First Nation
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For the year ended March 31, 2021

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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.

March 15, 2022

Signed by: Cary-Lee Calder

Band Manager

To the Members of Quatsino First Nation:

Qualified Opinion

We have audited the financial statements of Quatsino First Nation and its subsidiaries (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations and accumulated surplus, 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 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 Nation as at March 31, 2021, 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

The Nation holds an investment in Quatsino Economic Development Limited Partnership. The financial statements of Quatsino Economic Development Limited Partnership were not subject to audit procedures. As a result, we were unable to determine whether any adjustments to advances to related Nation entities, investment in Nation business entities, earnings from investment in Nation business entities, annual surplus (deficit) and accumulated surplus were necessary.

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 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 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 Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 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 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 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 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

March 15, 2022

MNP LLP

Chartered Professional Accountants

Quatsino First Nation

Consolidated Statement of Financial Position

As at March 31, 2021

	2021	2020 <i>Restated (Note 17)</i>
Financial assets		
Cash	6,917,049	4,899,462
Restricted cash <i>(Note 3)</i>	703,314	696,379
Accounts receivable <i>(Note 4)</i>	1,230,637	1,129,898
Advances to related Nation entities <i>(Note 5)</i>	388,608	299,643
Inventory for resale	15,990	8,088
Investment in Nation business entities <i>(Note 6), (Note 17)</i>	7,312,594	7,004,432
Funds held in trust <i>(Note 7)</i>	1,186,862	1,171,877
Total financial assets	17,755,054	15,209,779
Liabilities		
Accounts payable and accruals	518,283	498,732
Deferred revenue	517,657	54,259
Advances from related Nation entities <i>(Note 5)</i>	93,333	96,667
Long-term debt <i>(Note 8)</i>	3,822,666	4,046,214
Total liabilities	4,951,939	4,695,872
Net financial assets	12,803,115	10,513,907
Contingencies <i>(Note 9)</i>		
Significant event <i>(Note 16)</i>		
Non-financial assets		
Tangible capital assets <i>(Schedule 1)</i>	11,922,766	11,869,036
Prepaid expenses	70,085	55,581
Total non-financial assets	11,992,851	11,924,617
Accumulated surplus <i>(Note 10)</i>	24,795,966	22,438,524
Approved on behalf of Chief and Council		

Signed by: James Wallace

Chief

Signed by: Patricia Hall

Councillor

Signed by: Sonja Conro

Signed by: Richard Nelson

Quatsino First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2021

	<i>Schedules</i>	<i>2021 Budget (Note 14)</i>	<i>2021</i>	<i>2020 Restated (Note 17)</i>
Revenue				
Indigenous Services Canada (Note 12)		1,279,821	3,351,589	2,942,683
First Nations Health Authority		1,016,867	1,175,201	1,314,877
Fisheries and Oceans Canada		91,224	334,757	168,450
Canada Mortgage and Housing Corporation		-	181,563	198,611
Trust funds		-	14,985	19,811
Province of British Columbia		673,089	1,498,074	737,230
Miscellaneous		582,495	1,308,030	641,811
First Nations Education Steering Committee		-	588,961	428,237
First Nation organizations		90,187	291,857	15,000
Other royalties		-	479,803	40
Gaming revenue		-	403,122	371,587
Wind Farm		-	418,706	188,687
Investment and rental income		-	257,413	310,722
Arcade		-	178,739	259,320
Forestry		94,394	113,973	73,780
North Vancouver Island Aboriginal Management Society		-	39,706	37,710
Earnings from investment in Nation business entities (Schedule 13)		-	308,162	2,486,069
		3,828,077	10,944,641	10,194,625
Expenses				
Administration	3	642,460	1,993,416	1,451,795
Community	4	63,090	56,300	55,666
Arcade and Economic Development	5	31,833	204,548	279,728
Community Infrastructure	6	111,447	454,655	216,743
Housing	7	24,490	24,088	63,675
Social Housing - CMHC	8	-	398,582	371,737
Natural Resources	9	1,087,102	935,182	594,725
Income Assistance	10	745,578	772,107	747,409
Health	11	1,288,854	907,886	1,149,063
Education	12	627,632	2,230,935	1,931,462
		4,622,486	7,977,699	6,862,003
Annual surplus (deficit) before other items		(794,409)	2,966,942	3,332,622
Other income (expense)				
Loss on disposal of tangible capital assets		-	-	(1,376)
Forgiveness of treaty loan		-	-	2,336,668
		-	-	2,335,292
Annual surplus (deficit) before transfers		(794,409)	2,966,942	5,667,914
Transfer to Nation Members		-	(609,500)	(578,500)
Annual surplus (deficit)		(794,409)	2,357,442	5,089,414
Accumulated surplus, beginning of year		22,438,524	22,438,524	17,349,110
Accumulated surplus, end of year		21,644,115	24,795,966	22,438,524

The accompanying notes are an integral part of these financial statements

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

	2021 Budget (Note 14)	2021	2020 Restated (Note 17)
Annual surplus (deficit)	(794,409)	2,357,442	5,089,414
Purchases of tangible capital assets	-	(720,426)	(732,739)
Amortization of tangible capital assets	-	666,696	567,677
Loss on disposal of tangible capital assets	-	-	1,376
Proceeds of disposal of tangible capital assets	-	-	300
Acquisition of prepaid expenses	-	(14,504)	(3,785)
Increase (decrease) in net financial assets	(794,409)	2,289,208	4,922,243
Net financial assets, beginning of year	10,513,907	10,513,907	5,591,664
Net financial assets, end of year	9,719,498	12,803,115	10,513,907

The accompanying notes are an integral part of these financial statements

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

	2021	2020 <i>Restated (Note 17)</i>
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	2,357,442	5,089,414
Non-cash items		
Amortization	666,696	567,677
Bad debts	164,083	-
Loss on disposal of tangible capital assets	-	1,376
Earnings from investment in Nation business entities	(308,162)	(2,486,069)
Increase in trust funds	(14,985)	(19,811)
Forgiveness of treaty loan	-	(2,336,668)
Changes in working capital accounts		
Accounts receivable	(264,822)	(273,691)
Prepaid expenses	(14,504)	(3,785)
Inventory for resale	(7,902)	-
Accounts payable and accruals	19,551	(4,770)
Deferred revenue	463,398	36,214
	3,060,795	569,887
Financing activities		
Repayment of long-term debt	(223,548)	(195,912)
Deposits to restricted cash	(6,935)	(13,865)
Advances from related Nation entities	105,137	100,000
Repayment of advances from related Nation entities	(197,436)	(2,088,633)
	(322,782)	(2,198,410)
Capital activities		
Purchases of tangible capital assets	(720,426)	(732,739)
Proceeds of disposal of tangible capital assets	-	300
	(720,426)	(732,439)
Increase (decrease) in cash resources	2,017,587	(2,360,962)
Cash, beginning of year	4,899,462	7,260,424
Cash, end of year	6,917,049	4,899,462

1. Operations

The Quatsino First Nation (the "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 Nation reporting entity, except for Nation business entities. Trusts administered on behalf of third parties by Quatsino First Nation are excluded from the Nation reporting entity.

The Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- CMHC Housing

All inter-entity balances have been eliminated on consolidation.

Quatsino First Nation business entities, owned or controlled by the Nation's Council but not dependent on the 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 Nation. Thus, the 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.

Nation business partnerships, jointly owned and controlled by the Nation's Council are not dependent on the 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 Nation. Thus, the 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:

- Gwabalish 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.

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 Nation, such as reserve land, forests, water and mineral reserves, are not recognized in the 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. See below for amortization rates of specific asset categories.

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

	<i>Method</i>	<i>Rate</i>
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 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 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 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 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.

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

Revenue recognition

i) Government Transfers

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 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 Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2021.

At each financial reporting date, the 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 Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at March 31, 2021 no liability has been reported in these consolidated financial statements as there are no contaminated sites.

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 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 Nation conducts its business through a number of reportable segments as described in Note 11. These operating segments are established by senior management to facilitate the achievement of the 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. 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 \$45,880 (2020 - \$45,880) 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, 2021, \$234,341 (2020 - \$233,029) has been set aside to fund the replacement reserve. At year end, the replacement reserve was adequately funded (2020 - \$3,923 under 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, 2021, \$468,973 (2020 - \$463,350) has been set aside to fund this reserve. At year end, the operating reserve was under funded by \$39,723 (2020 - \$25,158 under funded).

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

4. Accounts receivable

	2021	2020
Indigenous Services Canada	251,859	300,477
Fishing entities	27,754	52,368
Department of Fisheries and Oceans	174,945	5,111
New Relationship Trust	1,300	800
Other Nations and Nation business entities	229,440	171,958
Members	99,246	98,913
Forestry companies	48,085	45,335
Province of British Columbia	56,066	51,066
Rent receivable	245,373	236,033
Canada Mortgage and Housing Corporation	16,418	31,372
Other receivables	244,234	136,465
	1,394,720	1,129,898
Less: Allowance for doubtful accounts	164,083	-
	1,230,637	1,129,898

5. 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.

	2021	2020
Advances to related Nation Entities		
Quatsino Economic Development Limited Partnership	213,270	211,056
Quattishe Forest Products Ltd.	450	450
Gilakasla Kwa Holdings Ltd.	174,888	88,137
	388,608	299,643
Advances from related Nation Entities		
Quatsino Economic Development Limited Partnership	93,333	96,667

Due from Quatsino Economic Development Limited Partnership relates to a promissory note of \$100,000, with \$93,333 outstanding at March 31, 2021. The advance is due on demand, non-interest bearing, payable in monthly instalments of \$1,667, and matures November 2024.

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

6. Investment in Nation business entities

The Nation has investments in the following entities:

					<i>2021</i>
	<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	-	(2,451,106)	-	(2,451,096)
Quatsino Economic Development Limited Partnership - 99.9%	999	-	8,739,500	-	8,740,499
	1,009	-	6,288,394	-	6,289,403
Significantly Influenced Businesses:					
Gilakasla Kwa Holdings Ltd. - 33%	1	-	(1)	-	-
Gwabalish Fisheries Society - 25%	-	-	1,023,191	-	1,023,191
	1	-	1,023,190	-	1,023,191
	1,010	-	7,311,584	-	7,312,594

					<i>2020 Restated (Note 17)</i>
	<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	-	(2,411,124)	-	(2,411,114)
Quatsino Economic Development Limited Partnership - 99%	999	-	8,372,261	-	8,373,260
	1,009	-	5,961,137	-	5,962,146
Significantly Influenced Businesses:					
Gilakasla Kwa Holdings Ltd. - 33%	1	-	(1)	-	-
Gwabalish Fisheries Society - 25%	-	-	1,042,286	-	1,042,286
	1	-	1,042,285	-	1,042,286
	1,010	-	7,003,422	-	7,004,432

The 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 Nation. It owns investments in 688357 B.C. Ltd., Quatsino Marine GP Ltd. and Quattishe Forest Products Ltd.

Quatsino Economic Development Limited Partnership ("QEDLP") was established for the purposes of running the economic activities of various business endeavours for the Nation. It owns investments in Quatsino Marine Limited Partnership, Quattishe Limited Partnership and Quatern Limited Partnership. The year-end for the Nation business entities is December 31. The current year's operations of QEDLP have not been subject to audit procedures.

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

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

Summary financial information for each Nation business entity, accounted for using the modified equity method, for their respective year-end is as follows:

	Quatsino First Nation Economic Development Corporation Ltd. (Unaudited) As at December 31, 2020	Quatsino Economic Development Limited Partnership (Unaudited) As at December 31, 2020	Gilakasla Kwa Holdings Ltd. (Unaudited) As at December 31, 2020	Gwabalís Fisheries Society (Unaudited) As at March 31, 2021
Assets				
Cash and cash equivalents	26,752	5,510,335	491,296	272,712
Accounts receivable	7,886	229,452	98,284	-
Inventory for resale	-	14,027	-	-
Prepaid expenses	73,659	16,723	-	306
Advances to related parties	2,044,195	68,265	-	3,861,549
Property and equipment	649,055	1,150,923	-	184
Promissory note receivable	-	96,667	-	-
Investment in Nation business entities	1,541	1,547,734	-	-
Total assets	2,803,088	8,634,126	589,580	4,134,751
Liabilities				
Accounts payable and accruals	5,909	170,330	23,002	558
Payable to shareholder	4,417,406	-	566,577	-
Advances from related parties	830,656	353,739	-	-
Long-term debt	-	119,195	-	-
Finance lease payable	-	29,876	-	-
Total liabilities	5,253,971	673,140	589,579	558
	(2,450,883)	7,960,986	1	4,134,193
Total revenue (recovery)	(3,086)	2,411,749	13,946	28,489
Total expenses	36,896	2,044,142	13,946	104,869
Net income (loss)	(39,982)	367,607	-	(76,380)
Comprehensive income (loss)	(39,982)	367,607	-	(76,380)

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

7. Funds held in trust

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

	2021	2020
Capital Trust		
Balance, beginning and end of year	11,238	11,238
Revenue Trust		
Balance, beginning of year	1,160,639	1,140,828
Interest	13,688	18,538
BC special distribution	1,297	1,273
Balance, end of year	1,175,624	1,160,639
	1,186,862	1,171,877

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*.

8. Long-term debt

	2021	2020
Bank of Montreal loan		
- Interest at prime plus 0.75%, compounded monthly		
- Monthly blended payments of \$6,091, maturing on June 30, 2042		
- Secured by buildings with a net book value of \$1,218,576 (2020 - \$1,269,350)	1,116,621	1,174,888
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 on November 1, 2024		
- Secured by buildings and equipment with a net book value of \$85,520 (2020 - \$109,947)	92,931	117,221
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 \$72,455 (2020 - \$88,561)	72,415	85,765
All Nations Trust loan - Phase 9		
- Interest at 2.50%, 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 \$292,190 (2020 - \$317,693)	201,506	227,215
All Nations Trust loan - Phase 10		
- Interest at 1.30%, compounded semi-annually		
- Monthly blended payments of \$5,254, maturing April 1, 2036 and renewing on April 1, 2026		
- Secured by buildings and equipment with a net book value of \$1,043,434 (2020 - \$1,111,470)	863,332	915,658

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

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

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 \$985,260 (2020 - \$1,030,782)		
	880,058	909,771
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 \$661,108 (2020 - \$676,787)		
	595,803	615,696
	3,822,666	4,046,214

Prime rate at March 31, 2021 is 2.45%. 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
2022	206,185
2023	210,225
2024	214,335
2025	209,402
2026	196,241
	<hr/> 1,036,388 <hr/>
Thereafter	2,786,278 <hr/>

9. Contingencies

These financial statements are subject to review by the Nations funding bodies. It is possible that adjustments could be made based on results of their review. Any adjustments will be reflected in operations in the year the adjustment is required.

10. Accumulated surplus

Accumulated surplus consists of the following:

	2021	2020 <i>Restated (Note 17)</i>
Equity in operating fund	7,555,877	5,820,226
Equity in tangible capital assets	8,006,766	7,726,155
Equity in operating and replacement reserves	733,867	715,834
Equity in Nation business entities	7,312,594	7,004,432
Equity in Ottawa Trust Funds	1,186,862	1,171,877
	<hr/> 24,795,966 <hr/>	<hr/> 22,438,524 <hr/>

11. 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 Nation.

Community:

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

Arcade and Economic Development:

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

Community Infrastructure:

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

Housing:

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

Social Housing - CMHC:

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

Natural Resources:

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

Income Assistance:

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

Health:

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

Education:

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

Enterprise Fund:

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

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12. Indigenous Services Canada revenue reconciliation

	2021	2020
ISC revenue per confirmation	4,826,516	2,998,523
Anticipated clawbacks	-	(19,514)
Change in deferred revenue	(1,474,927)	(36,326)
	3,351,589	2,942,683

13. 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 Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

14. Budget information

The disclosed budget information has been approved by the Chief and Council of Quatsino First Nation at the Chief and Council meeting held on August 18, 2020. Budgets are not prepared for all programs included in the consolidated financial statements at March 31, 2021.

15. Comparative figures

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

16. Significant event

In early 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The impact the COVID-19 outbreak has had on the Nation included office closures, delays in construction projects and increased pandemic funding. At this time, it is unknown the full extent of any additional impacts the COVID-19 outbreak may have on the Nation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

17. Correction of an error

During the year, the Nation determined that there was an understatement in earnings from investment in Nation business entities due to changes in Gwabalís Fishing Society's net assets and overstatement of expenses in the year ending March 31, 2020 resulting in prior period adjustment of \$630,138.

As a result of the above, amounts reported as at March 31, 2020 were adjusted as follows:

Earnings from investment in Nation business entities increased by \$630,138
Investment in Nation business entities increased by \$630,138
Annual surplus increased by \$630,138
Accumulated surplus increased by \$630,138