

Quatsino First Nation
Consolidated Financial Statements
March 31, 2022

Quatsino First Nation
Contents
For the year ended March 31, 2022

	Page
Management's Responsibility	
Independent Auditor's Report	
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Changes in Net Financial Assets.....	3
Consolidated Statement of Cash Flows.....	4
Notes to the Consolidated Financial Statements.....	5
Schedules	
Schedule 1 - Consolidated Schedule of Tangible Capital Assets.....	17
Schedule 2 - Consolidated Schedule of Expenses by Object.....	19
Schedule 3 - Schedule of Revenue and Expenses - Administration.....	20
Schedule 4 - Schedule of Revenue and Expenses - Community.....	21
Schedule 5 - Schedule of Revenue and Expenses - Arcade and Economic Development.....	22
Schedule 6 - Schedule of Revenue and Expenses - Community Infrastructure.....	23
Schedule 7 - Schedule of Revenue and Expenses - Housing.....	24
Schedule 8 - Schedule of Revenue and Expenses - Social Housing - CMHC.....	25
Schedule 9 - Schedule of Revenue and Expenses - Natural Resources.....	26
Schedule 10 - Schedule of Revenue and Expenses - Income Assistance.....	27
Schedule 11 - Schedule of Revenue and Expenses - Health.....	28
Schedule 12 - Schedule of Revenue and Expenses - Education.....	29
Schedule 13 - Schedule of Revenue and Expenses - Enterprise Fund.....	30

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 the 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.

August 23, 2022

Signed by: Helen Charlie

Interim Band Manager

To the Members of Quatsino First Nation:

Qualified Opinion

We have audited the consolidated financial statements of Quatsino First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, 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 First Nation as at March 31, 2022, 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 and Quatsino Economic Development Corporation Ltd. The financial statements of these entities were not available as at the audit report date, the opinion has been qualified as a result. The December 31, 2021 and December 31, 2020 financial statements for Quatsino Economic Development Limited Partnership were not subject to audit procedures at the audit report date. As a result, we were unable to determine whether any adjustments to the following financial statement line items for the years ended March 31, 2022 and March 31, 2021: 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 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

August 23, 2022

The logo for MNP LLP, featuring the letters 'MNP' in a large, bold, stylized font, with 'LLP' in a smaller, simpler font to the right.

Chartered Professional Accountants

Quatsino First Nation
Consolidated Statement of Financial Position

As at March 31, 2022

	2022	2021
Financial assets		
Cash	9,462,919	6,917,049
Restricted cash (Note 3)	790,383	703,314
Portfolio investments (Note 4)	1	-
Accounts receivable (Note 5)	1,122,908	1,230,637
Advances to related Nation entities (Note 6)	398,603	388,608
Inventory for resale	19,787	15,990
Investment in Nation business entities (Note 7)	6,289,403	7,312,594
Funds held in trust (Note 8)	1,210,994	1,186,862
Total financial assets	19,294,998	17,755,054
Liabilities		
Accounts payable and accruals	535,466	518,283
Deferred revenue (Note 9)	1,835,713	517,657
Advances from related Nation entities (Note 6)	73,333	93,333
Long-term debt (Note 10)	3,351,427	3,822,666
Total liabilities	5,795,939	4,951,939
Net financial assets	13,499,059	12,803,115
Contingencies (Note 11)		
Non-financial assets		
Tangible capital assets (Schedule 1)	11,978,483	11,922,766
Prepaid expenses	44,103	70,085
Total non-financial assets	12,022,586	11,992,851
Accumulated surplus (Note 12)	25,521,645	24,795,966

Approved on behalf of Chief and Council

Signed by: Tom Nelson _____

Chief

Signed by: James Wallas _____

Councillor

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

	<i>Schedules</i>	<i>2022 Budget (Note 16)</i>	<i>2022</i>	<i>2021</i>
Revenue				
Indigenous Services Canada (Note 14)		2,330,914	4,227,032	3,351,589
First Nations Health Authority		1,029,754	1,351,982	1,175,201
Fisheries and Oceans Canada		174,211	253,033	334,757
Canada Mortgage and Housing Corporation		-	177,093	181,563
Trust funds		-	24,132	14,985
Province of British Columbia		867,204	423,079	1,498,074
Miscellaneous		664,212	1,439,329	1,308,030
First Nations Education Steering Committee		-	729,713	588,961
First Nation organizations		89,662	1,440	291,857
Other royalties		-	264,608	479,803
Gaming revenue		-	229,214	403,122
Wind Farm		-	117,790	418,706
Investment and rental income		-	275,299	257,413
Arcade		-	178,880	178,739
Forestry		94,394	417,617	113,973
North Vancouver Island Aboriginal Management Society		-	35,204	39,706
Earnings from investment in Nation business entities		-	-	308,162
		5,250,351	10,145,445	10,944,641
Expenses				
Administration	3	668,886	1,717,698	1,993,416
Community	4	34,000	116,347	56,300
Arcade and Economic Development	5	30,808	210,312	204,548
Community Infrastructure	6	133,923	351,000	454,655
Housing	7	24,490	39,316	24,088
Social Housing - CMHC	8	-	368,677	398,582
Natural Resources	9	986,280	613,745	935,182
Income Assistance	10	771,857	826,509	772,107
Health	11	1,456,570	1,075,102	907,886
Education	12	633,520	2,402,606	2,230,935
		4,740,334	7,721,312	7,977,699
Annual surplus before transfers		510,017	2,424,133	2,966,942
Transfer to Nation Members				
Transfer to Nation Members		(138,090)	(675,264)	(609,500)
Change in accounting for First Nation partnership (Note 17)		-	(1,023,190)	-
		(138,090)	(1,698,454)	(609,500)
Annual surplus		371,927	725,679	2,357,442
Accumulated surplus, beginning of year		24,795,966	24,795,966	22,438,524
Accumulated surplus, end of year		25,167,893	25,521,645	24,795,966

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, 2022

	2022 Budget (Note 16)	2022	2021
Annual surplus	371,927	725,679	2,357,442
Purchases of tangible capital assets	-	(752,395)	(720,426)
Amortization of tangible capital assets	-	696,678	666,696
Acquisition of prepaid expenses	-	-	(14,504)
Use of prepaid expenses	-	25,982	-
Increase in net financial assets	371,927	695,944	2,289,208
Net financial assets, beginning of year	12,803,115	12,803,115	10,513,907
Net financial assets, end of year	13,175,042	13,499,059	12,803,115

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

	2022	2021
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	725,679	2,357,442
Non-cash items		
Amortization	696,678	666,696
Bad debts (recovery)	(57,855)	164,083
Earnings from investment in Nation business entities	-	(308,162)
Increase in trust funds	(24,132)	(14,985)
Change in accounting for First Nation partnership <i>(Note 17)</i>	1,023,190	-
	2,363,560	2,865,074
Changes in working capital accounts		
Accounts receivable	165,584	(264,822)
Prepaid expenses	25,982	(14,504)
Inventory for resale	(3,797)	(7,902)
Accounts payable and accruals	17,183	19,551
Deferred revenue	1,318,056	463,398
	3,886,568	3,060,795
Financing activities		
Repayment of long-term debt	(471,239)	(223,548)
Deposits to restricted cash	(87,069)	(6,935)
Advances from related Nation entities	-	105,137
Advances to related Nation entities	(9,995)	-
Repayment of advances from related Nation entities	(20,000)	(197,436)
	(588,303)	(322,782)
Capital activities		
Purchases of tangible capital assets	(752,395)	(720,426)
Increase in cash resources	2,545,870	2,017,587
Cash, beginning of year	6,917,049	4,899,462
Cash, end of year	9,462,919	6,917,049

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 First Nation's members, government and all related entities that are accountable to the First Nation and are either owned or controlled by the First Nation.

Impact on Operations of COVID-19 (coronavirus)

In early March 2020 the impact of the global outbreak of COVID-19 (coronavirus) began to have 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 on the First Nation resulted in office closures, delays in construction projects, and an increase in pandemic funding. Additional impacts on the First Nation are undeterminable at this point 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.

2. Significant accounting policies

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

Reporting entity

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

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:

- Gilaklasla 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.

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

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.

Portfolio investments

Long-term investments in entities that are not owned, controlled or influenced by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

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. 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 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.

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

Net financial assets

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

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 First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2022.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized 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, 2022 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 the 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 First Nation conducts its business through a number of reportable segments as described in Note 12. 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.

Recent accounting pronouncement

PS 3280 Asset Retirement Obligations

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

The main features of this standard are as follows:

- An ARO represents a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner.
- When an asset is no longer in productive use, the associated asset retirement costs are expensed.
- Measurement of the ARO liability should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date.
- Subsequent measurement of the ARO liability results in either a change in the carrying amount of the related tangible capital asset or an expense. The accounting treatment depends on the nature of the remeasurement and whether the asset remains in productive use
- The best method to estimate the liability is often a present value technique.

This standard was to be effective for fiscal years beginning on or after April 1, 2021. On June 25, 2020, the PSAB made the decision to defer the effective date by one year due to the impact of the COVID-19 pandemic. The new Section is now effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted. The First Nation does not expect application of the new Standard to have a material effect on the consolidated financial statements.

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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 (2021 - \$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, 2022, \$261,838 (2021 - \$234,341) has been set aside to fund the replacement reserve. At year end, the replacement reserve was adequately funded (2021 - \$2,925 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, 2022, \$528,545 (2021 - \$468,973) has been set aside to fund this reserve. At year end, the operating reserve was adequately funded (2021 - \$39,724 under funded).

4. Portfolio investments

	2022	2021
Measured at cost:		
Gwabalish Fisheries Society (25%)	1	-

5. Accounts receivable

	2022	2021
Indigenous Services Canada	83,182	251,859
Fishing entities	27,650	27,754
Department of Fisheries and Oceans	170,055	174,945
New Relationship Trust	800	1,300
Other Nations and Nation business entities	162,912	229,440
Members	99,900	99,246
Forestry companies	62,861	48,085
Province of British Columbia	162,224	56,066
Rent receivable	285,761	245,373
Canada Mortgage and Housing Corporation	16,418	16,418
Other receivables	157,373	244,234
	1,229,136	1,394,720
Less: Allowance for doubtful accounts	106,228	164,083
	1,122,908	1,230,637

6. 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.

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

6. Advances to (from) related Nation entities *(Continued from previous page)*

	2022	2021
Advances to related Nation Entities		
Quatsino Economic Development Limited Partnership	223,265	213,270
Quattishe Forest Products Ltd.	450	450
Gilakasla Kwa Holdings Ltd.	174,888	174,888
	398,603	388,608
Advances from related Nation Entities		
Quatsino Economic Development Limited Partnership	73,333	93,333

Due from Quatsino Economic Development Limited Partnership relates to a promissory note of \$100,000, with \$73,333 outstanding at March 31, 2022. The advance is due on demand, non-interest bearing, payable in monthly instalments of \$1,667, and matures November 2024.

7. Investment in Nation business entities

The First Nation has investments in the following entities:

	Investment cost	Cumulative share of earnings (loss)	2022 Total investment
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)	-
	1,010	6,288,393	6,289,403
			2021
	Investment cost	Cumulative share of earnings (loss)	Total investment
Wholly-owned Businesses:			
Quatsino First Nation Economic Development Corporation Ltd.	10	(2,451,106)	(2,451,096)
Quatsino Economic Development Limited Partnership - 99%	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)	-
Gwabalis Fisheries Society - 25%	-	1,023,191	1,023,191
	1	1,023,190	1,023,191
	1,010	7,311,584	7,312,594

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

7. 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. The December 31, 2021 financial statements of Quatsino Economic Development Corporation Ltd. were not available as of the audit report date. Therefore, no financial information is available for this entity and the First Nation's audit report is qualified due to this limitation.

Quatsino Economic Development Limited Partnership ("QEDLP") 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. The December 31, 2021 financial statements of QEDLP were not available as of the audit report date. Therefore, no financial information is available for this entity and the First Nation's audit report is qualified due to this limitation.

Summary financial information for each First 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
Assets			
Cash and cash equivalents	26,752	5,510,335	491,296
Accounts receivable	7,886	229,452	98,284
Inventory for resale	-	14,027	-
Prepaid expenses	73,659	16,723	-
Advances to related parties	2,044,195	68,265	-
Property and equipment	649,055	1,150,923	-
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
Liabilities			
Accounts payable and accruals	5,909	170,330	23,002
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
	(2,450,883)	7,960,986	1
Total revenue (recovery)	(3,086)	2,411,749	13,946
Total expenses	36,896	2,044,142	13,946
Net income (loss)	(39,982)	367,607	-
Comprehensive income (loss)	(39,982)	367,607	-

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

8. 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.

	2022	2021
Capital Trust		
Balance, beginning and end of year	11,238	11,238
Revenue Trust		
Balance, beginning of year	1,175,624	1,160,639
Interest	22,839	13,688
BC special distribution	1,293	1,297
Balance, end of year	1,199,756	1,175,624
	1,210,994	1,186,862

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*.

9. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each funding source:

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Amount spent</i>	<i>Balance, end of year</i>
ISC - BCTEA - Educ School Restart	35,257	-	92	35,165
ISC - COVID19 Safe Re ELE/SEC	-	68,764	6,969	61,795
ISC - Post Secondary Emergency Funding	32,338	39,882	-	72,220
ISC - SA - Adult Care	42,926	46,250	12,756	76,420
ISC - In Home Care COVID-19	2,500	-	1,640	860
ISC - In-Home Care Assisted Living	-	17,448	1,080	16,368
ISC - SA - Basic Needs	-	412,725	383,978	28,747
ISC - SA Basic Needs Covid-19	25,917	-	25,917	-
ISC - SA Basic Needs	-	81,375	40,800	40,575
ISC - SA - Special Needs	9,115	14,995	10,272	13,838
ISC - SA - Special Needs Income Assist	38,297	-	14,894	23,403
ISC - Project Administration	-	118,346	23,418	94,928
ISC - Admin - Other Infra	-	25,000	-	25,000
ISC - Recovery Flood Repairs	-	17,342	14,436	2,906
ISC - Drainage Upgrades	20,593	-	20,593	-
ISC - Roads and Bridges	-	640,562	36,890	603,672
ISC - Special Services	-	21,492	-	21,492
ISC - Emergency Management	7,200	-	7,200	-
ISC - Emergency Restoration	5,000	-	-	5,000
ISC - Community Support Fund	122,022	-	120,592	1,430
ISC - Perimeter Security - Comm Support	82,139	-	62,764	19,375
ISC - COVID-19 EMAP	76,301	98,962	124,452	50,811
ISC - COVID-19 Urban/Off Reserve Need	-	19,500	7,898	11,602
ISC - Major Renovations NAHS	-	903,509	406,055	497,454
ISC - EMAP - EM Training Preparedness	-	8,580	-	8,580
ISC - EMAP - Envelope 2	-	179,020	73,000	106,020
CMHC	13,851	-	-	13,851
Other	4,201	-	-	4,201
	517,657	2,713,752	1,395,696	1,835,713

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

10. Long-term debt

	2022	2021
Bank of Montreal loan		
- Interest at prime plus 0.75%, compounded monthly		
- Monthly principal payments of \$4,482 plus interest payments, maturing on May 31, 2037		
- Secured by buildings with a net book value of \$1,169,833 (2021 - \$1,218,576)	812,836	1,116,621
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 \$61,103 (2021 - \$85,520)	68,198	92,931
All Nations Trust loan - Phase 8		
- Interest at 1.01%, compounded semi-annually		
- Monthly blended payments of \$1,187, maturing June 1, 2026		
- Secured by buildings and equipment with a net book value of \$56,356 (2021 - \$72,455)	58,920	72,415
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 \$266,717 (2021 - \$292,190)	175,163	201,506
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 \$975,593 (2021 - \$1,043,434)	811,107	863,332
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 \$940,160 (2021 - \$985,260)	849,692	880,058
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 \$645,845 (2021 - \$661,108)	575,511	595,803
	3,351,427	3,822,666

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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

Prime rate at March 31, 2022 was 2.70% (2021 - 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
2023	224,865
2024	227,704
2025	221,458
2026	206,942
2027	195,238
	1,076,207

11. Contingencies

These consolidated 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.

12. Accumulated surplus

Accumulated surplus consists of the following:

	2022	2021
Equity in operating fund	8,941,250	7,555,877
Equity in tangible capital assets	8,303,720	8,006,766
Equity in operating and replacement reserves	776,278	733,867
Equity in Nation business entities	6,289,403	7,312,594
Equity in Ottawa Trust Funds	1,210,994	1,186,862
	25,521,645	24,795,966

Quatsino First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

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 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.

14. Indigenous Services Canada revenue reconciliation

	2022	2021
ISC revenue per confirmation	4,560,243	4,826,516
Change in deferred revenue	(306,408)	(1,474,927)
Recoveries	(26,803)	-
	4,227,032	3,351,589

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. 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 February 1, 2022. Budgets are not prepared for all programs included in the consolidated financial statements at March 31, 2022.

17. Change in accounting for First Nation partnership

During the year, it was determined that the investment in Gwabalís Fisheries Society was no longer qualified to be recorded as a government partnership due to the Society transferring the fishing licenses and quota to Gwabalís Fisheries Limited Partnership. The investment is now recorded in portfolio investments, at cost, as at March 31, 2022.

18. Comparative figures

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