

**Tla-o-qui-aht First Nation**  
**Consolidated Financial Statements**  
*March 31, 2019*

# Tla-o-qui-aht First Nation

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*For the year ended March 31, 2019*

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## **Management's Responsibility**

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To the Members of Tla-o-qui-aht First Nation:

The accompanying consolidated financial statements of Tla-o-qui-aht First Nation are the responsibility of management and have been approved by Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Tla-o-qui-aht 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 both Chief and Council and management to discuss their audit findings.

July 19, 2019



Tribal Administrator

# Independent Auditor's Report

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To the Members of Tla-o-qui-aht First Nation:

## Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the 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 19, 2019

*MNP LLP*

Chartered Professional Accountants

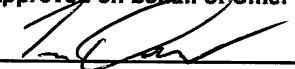
# Tla-o-qui-aht First Nation

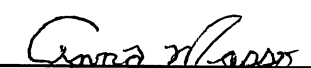
## Consolidated Statement of Financial Position

As at March 31, 2019

	2019	2018
<b>Financial assets</b>		
Cash resources	2,291,379	3,244,620
Accounts receivable (Note 3)	1,657,650	2,264,731
Guaranteed investment certificate (Note 4)	460,706	456,823
Term investment (Note 5)	255,489	251,656
Funds held in trust (Note 6)	299,620	226,638
Restricted cash (Note 7)	837,964	570,212
Advances to related Nation entities (Note 8)	110,908	136,308
Investment in Nation business entities (Note 9)	418,248	205,693
<b>Total financial assets</b>	<b>6,331,964</b>	<b>7,356,681</b>
<b>Liabilities</b>		
Accounts payable and accruals	1,186,343	1,462,978
Deferred revenue (Note 10)	655,698	184,300
Long-term debt (Note 11)	16,989,951	16,383,893
Treaty loan (Note 12)	5,614,886	5,614,886
<b>Total liabilities</b>	<b>24,446,878</b>	<b>23,646,057</b>
<b>Net debt</b>	<b>(18,114,914)</b>	<b>(16,289,376)</b>
<b>Subsequent event (Note 17)</b>		
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	53,292,951	53,790,220
Prepaid expenses	73,623	43,856
<b>Total non-financial assets</b>	<b>53,366,574</b>	<b>53,834,076</b>
<b>Accumulated surplus (Note 13)</b>	<b>35,251,660</b>	<b>37,544,700</b>

Approved on behalf of Chief and Council

 Chief

 Councilor

# Tla-o-qui-aht First Nation

## Consolidated Statement of Operations and Accumulated Surplus

*For the year ended March 31, 2019*

	<i>Schedules</i>	<i>2019 Budget (Note 16)</i>	<i>2019</i>	<i>2018</i>
<b>Revenue</b>				
Nuu-chah-nulth Tribal Council		5,620,132	4,541,242	6,753,731
Other revenue and recoveries		3,385,488	1,533,240	2,009,651
Province of British Columbia		429,831	315,302	499,513
First Nations Health Authority		206,060	219,338	438,071
Canada Mortgage and Housing Corporation		917,607	231,268	323,849
Department of Fisheries and Oceans		130,809	130,809	130,809
Earnings from investment in Nation business entities		-	815,380	1,272,621
Rental income		935,710	911,856	861,908
Property tax income		177,000	177,000	177,000
Interest income		23,897	165,691	64,598
Lease income		132,910	122,616	122,494
Donations		57,800	11,500	75,923
Administration fees		786,406	-	3,812
		<b>12,803,650</b>	<b>9,175,242</b>	<b>12,733,980</b>
<b>Program expenses</b>				
Administration	3	1,305,952	950,531	662,180
Public Works	4	4,170,315	5,092,649	4,032,829
Community and Human Services	5	1,619,869	1,621,416	1,440,512
Natural Resources	6	993,588	1,379,845	1,274,859
Education	7	1,192,664	800,264	776,031
Housing	8	2,158,753	1,623,577	1,207,361
<b>Total expenditures</b>		<b>11,441,141</b>	<b>11,468,282</b>	<b>9,393,772</b>
<b>Annual surplus (deficit) before other income</b>		<b>1,362,509</b>	<b>(2,293,040)</b>	<b>3,340,208</b>
<b>Other income</b>				
Gain on restructuring of Nation business entities		-	-	12,107
<b>Transfers between programs</b>		<b>173,881</b>	<b>-</b>	<b>-</b>
<b>Annual surplus (deficit)</b>		<b>1,536,390</b>	<b>(2,293,040)</b>	<b>3,352,315</b>
<b>Accumulated surplus, beginning of year</b>		<b>37,544,700</b>	<b>37,544,700</b>	<b>34,192,385</b>
<b>Accumulated surplus, end of year</b>		<b>39,081,090</b>	<b>35,251,660</b>	<b>37,544,700</b>

The accompanying notes are an integral part of these financial statements

**Tla-o-qui-aht First Nation**  
**Consolidated Statement of Changes in Net Debt**  
*For the year ended March 31, 2019*

	<b>2019 Budget (Note 16)</b>	<b>2019</b>	<b>2018</b>
<b>Annual surplus (deficit)</b>	<b>1,536,390</b>	<b>(2,293,040)</b>	3,352,315
Purchases of tangible capital assets	-	<b>(2,535,692)</b>	(3,840,358)
Amortization of tangible capital assets	-	<b>3,032,961</b>	2,790,027
Acquisition of prepaid expenses	-	<b>(29,767)</b>	-
Use of prepaid expenses	-	-	33,610
<b>Decrease (increase) in net debt</b>	<b>1,536,390</b>	<b>(1,825,538)</b>	2,335,594
<b>Net debt, beginning of year</b>	<b>(16,289,376)</b>	<b>(16,289,376)</b>	(18,624,970)
<b>Net debt, end of year</b>	<b>(14,752,986)</b>	<b>(18,114,914)</b>	(16,289,376)



**Tla-o-qui-aht First Nation**  
**Consolidated Statement of Cash Flows**  
*For the year ended March 31, 2019*

	2019	2018
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Annual surplus (deficit)	(2,293,040)	3,352,315
Non-cash items		
Amortization	3,032,961	2,790,027
Earnings from investment in Nation business entities	(815,380)	(1,272,621)
Interest accrued	(7,716)	(5,281)
	(83,175)	4,864,440
Changes in working capital accounts		
Accounts receivable	607,081	(543,663)
Accounts payable and accruals	(276,635)	217,241
Deferred revenue	471,398	(950,930)
Prepaid expenses	(29,767)	33,610
	688,902	3,620,698
<b>Financing activities</b>		
Advances of long-term debt	2,315,750	195,000
Repayment of long-term debt	(1,709,692)	(6,401,237)
	606,058	(6,206,237)
<b>Capital activities</b>		
Purchases of tangible capital assets	(2,535,692)	(3,840,358)
<b>Investing activities</b>		
Increase in restricted cash	(267,752)	533,624
Net distributions (purchases) in funds held in trust	(72,982)	(6,200)
Net advances to related Nation entities	628,225	6,591,482
	287,491	7,118,906
<b>Increase (decrease) in cash resources</b>	(953,241)	693,009
<b>Cash resources, beginning of year</b>	3,244,620	2,551,611
<b>Cash resources, end of year</b>	2,291,379	3,244,620

**1. Operations**

The Tla-o-qui-aht First Nation (the "Nation") is located in the province of British Columbia, and provides various services to its members. Tla-o-qui-aht 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 enterprises.

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

- Operating Fund
- Trust Fund
- Social Housing Fund
- Enterprise Fund
- Treaty Fund
- Capital Fund

All inter-entity balances have been eliminated on consolidation.

Tla-o-qui-aht First Nation business enterprises, owned or controlled by the Nation's Chief and 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 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:

- Tla-o-qui-aht First Nation Economic Development Corporation; which holds interests in:
  - TFN Seafoods Ltd.
  - Tin Wis Resort Ltd.
  - TFN Micro Power GP Inc.; which holds interests in:
    - Haa-ak-suuk Creek Hydro Company Ltd.
    - Winchie Creek Hydro Company Ltd.
    - Canoe Creek Hydro Company Ltd.

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

- TFN Master Limited Partnership; which holds interests in:
  - TFN Seafoods Limited Partnership
  - TSWC Holdings Limited Partnership
  - TWR Resort Limited Partnership
  - TFN Micro Hydro Power Master Limited Partnership; which holds interests in:
    - Haa-ak-suuk Creek Hydro Limited Partnership
    - Winchie Creek Hydro Limited Partnership
    - Canoe Creek Hydro Limited Partnership
- Tsiix-Waa-Cahs 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.

***Funds held in trust***

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other First Nation capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

***Net debt***

The First Nation's consolidated financial statements are presented so as to highlight net debt as the measurement of consolidated financial position. The net debt of the First Nation is determined by its financial assets less its liabilities. Net debt is comprised of two components, non-financial assets and accumulated surplus.

***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.

***Cash resources***

Cash resources 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.

***Tangible capital assets***

Tangible capital assets are recorded at cost less accumulated amortization. Contributed tangible capital assets are recorded at their fair value on the date of contribution.

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

**Tla-o-qui-aht First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

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

**Amortization**

Tangible capital assets are amortized annually 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.

	<i>Method</i>	<i>Rate</i>
Automotive equipment	straight-line	7 years
Office equipment	straight-line	3 years
General equipment	straight-line	7 years
Marine equipment	straight-line	7 years
Housing	straight-line	20 years
Infrastructure	straight-line	20-100 years
Leasehold improvements	straight-line	20 years
Software	straight-line	3 years
Buildings	straight-line	20 years
Furniture, fixtures and equipment	straight-line	5 years
Social housing	straight-line	20 years

**Revenue recognition**

i) Nuu-chah-nulth ("NTC") Funding

Revenue is recognized as it becomes receivable under the terms of NTC's funding agreement. Funding received that relates to a subsequent fiscal period is reflected as deferred revenue on the consolidated statement of financial position in the year of receipt.

ii) Government Funding

The Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

iii) First Nation Capital and Revenue Trust Funds

The Nation recognizes revenue of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

iv) 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.

v) 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.

vi) Own source and other revenue

Own source and other revenue is recognized when performance is completed, amounts are measurable and collection is reasonably assured.

vii) Investment income

Investment income is recognized by the Nation when investment income is earned.

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

***Measurement uncertainty (use of estimates)***

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 expenditures during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are 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 surplus in the periods in which they become known.

***Term investments***

Term investments are valued at cost.

***Segments***

The Nation conducts its business through a number of reportable segments as described in Note 15. 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.

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

***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 for contaminated site exists.

***Change in Accounting Policies***

**PS 3430 Restructuring Transactions**

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.

**Tla-o-qui-aht First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

**3. Accounts receivable**

	<b>2019</b>	<b>2018</b>
Nuu-chah-nulth Tribal Council	<b>781,900</b>	1,232,020
Rent receivable	<b>969,826</b>	866,815
Members	<b>31,640</b>	39,040
Goods and Services Tax receivable	<b>35,213</b>	48,558
Other receivables	<b>564,872</b>	804,099
	<b>2,383,451</b>	2,990,532
Less: Allowance for doubtful accounts	<b>725,801</b>	725,801
	<b>1,657,650</b>	2,264,731

**4. Guaranteed investment certificate**

The Nation holds a GIC maturing April 24, 2019, bearing interest as follows: Year 1 - 0.75%, Year 2 - 0.80% and Year 3 - 0.85%.

	<b>2019</b>	<b>2018</b>
Guaranteed Investment Certificate	<b>450,000</b>	450,000
Accrued interest	<b>10,706</b>	6,823
	<b>460,706</b>	456,823

**5. Term investment**

The Nation holds a redeemable deposit with Canadian Western Bank, bearing interest at prime plus 1.20%. At March 31, 2019 prime was 3.95% (2018 - 3.45%).

	<b>2019</b>	<b>2018</b>
Term investment	<b>250,000</b>	250,000
Accrued interest	<b>5,489</b>	1,656
	<b>255,489</b>	251,656

**Tla-o-qui-aht First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

**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 Chief and Council.

	2019	2018
<b>Capital Trust</b>		
Balance, beginning of year	22,565	19,338
Timber dues	-	3,227
Balance, end of year	22,565	22,565
<b>Revenue Trust</b>		
Balance, beginning of year	204,073	740,923
Interest	7,677	16,226
Lease income	62,725	43,425
BC Special	2,580	12,241
Withdrawal	-	(608,742)
Balance, end of year	277,055	204,073
	299,620	226,638

**Ottawa Trust Funds**

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*.

**7. 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 \$55,260 annually (2018 - \$55,260). 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 year end, these reserves were adequately funded (2018 - underfunded by \$76,927).

Under the terms of the agreement with Canada Mortgage and Housing Corporation ("CMHC"), excess revenues 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 year end, the operating reserve was underfunded by \$99,441 (2018 - underfunded by \$177,583).

Restricted cash is comprised of the following:

	2019	2018
Replacement reserve	351,953	181,044
Operating reserve	486,011	389,168
	837,964	570,212

**Tla-o-qui-aht First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

**8. Advances to related Nation entities**

Advances to 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 the Nation.

	2019	2018
Ma-Mook Natural Resources Ltd.	<b>110,908</b>	136,308

**9. Investments in Nation business entities**

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

The First Nation has investments in the following entities:

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Share of earnings (loss)</i>	<i>Distributions and other adjustments</i>	2019 <i>Total investment</i>
<b>Wholly-owned Businesses:</b>					
Tla-o-qui-aht First Nation Economic Development Corporation	(4,551,257)	(338,807)	(80,216)	6,096,054	1,125,774
Tsiix Waa Cahs Holdings Ltd.	41,973	8,917	(1,874)	-	49,016
	<b>(4,509,284)</b>	<b>(329,890)</b>	<b>(82,090)</b>	<b>6,096,054</b>	<b>1,174,790</b>
<b>First Nation Business Partnerships – Modified Equity:</b>					
TFN Master Limited Partnership (99.9%)	4,714,977	(6,944,166)	897,470	575,177	(756,542)
	<b>205,693</b>	<b>(7,274,056)</b>	<b>815,380</b>	<b>6,671,231</b>	<b>418,248</b>
	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Share of earnings (loss)</i>	<i>Distributions and other adjustments</i>	2018 <i>Total investment</i>
<b>Wholly-owned Businesses:</b>					
Tla-o-qui-aht First Nation Economic Development Corporation	(8,464)	418,131	533,856	(5,494,780)	(4,551,257)
Tsiix Waa Cahs Holdings Ltd.	37,199	7,271	(2,497)	-	41,973
Tin Wis Resort Ltd.	1,263,422	-	-	(1,263,422)	-
	<b>1,292,157</b>	<b>425,402</b>	<b>531,359</b>	<b>(6,758,202)</b>	<b>(4,509,284)</b>



**Tla-o-qui-aht First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

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

**First Nation Business Partnerships –**

**Modified Equity:**

Haa-ak-suuk Creek Hydro Limited Partnership (85%)	91,809	-	-	(91,809)	-
Canoe Creek Hydro Limited Partnership (75%)	109,642	-	-	(109,642)	-
Winchie Creek Hydro Limited Partnership (99.99%)	2,405,144	-	-	(2,405,144)	-
TFN Seafoods Limited Partnership (99%)	1,600,404	-	-	(1,600,404)	-
TFN Master Limited Partnership (99.9%)	-	1,706,519	741,262	2,267,196	4,714,977
	4,206,999	1,706,519	741,262	(1,939,803)	4,714,977
	5,499,156	2,131,921	1,272,621	(8,698,005)	205,693

Summary financial information for each First Nation business entity, accounted for using the modified equity method, for their respective year-ends is provided below.

	<i><b>Tla-o-qui-aht First Nation Economic Development Corporation As at December 31, 2018</b></i>	<i><b>TFN Master Limited Partnership As at December 31, 2018</b></i>	<i><b>Tsiix-waa-cahs Holdings Ltd. As at December 31, 2018</b></i>
<b>Assets</b>			
Cash	-	1,920,216	-
Accounts receivable	-	1,910,610	125
Inventory	-	44,399	-
Prepaid expenses	-	77,931	-
Advances to related parties	-	10,122,455	-
Property, plant and equipment	-	43,501,748	-
Investments	1,147,313	5,750,351	3,850,597
Restricted cash	-	991,426	-
Intangible assets	-	2,375,400	-
<b>Total assets</b>	<b>1,147,313</b>	<b>66,694,536</b>	<b>3,850,722</b>
<b>Liabilities</b>			
Accounts payable and accruals	5,523	692,056	1,700
Deferred revenue	-	347	-
Advances from related parties	334,206	7,377,479	67,948
Unearned government grants	-	29,704	-
Debt	-	48,924,288	-
<b>Total liabilities</b>	<b>339,729</b>	<b>57,023,874</b>	<b>69,648</b>
	<b>807,584</b>	<b>9,670,662</b>	<b>3,781,074</b>
<b>Total revenue</b>	<b>1,660</b>	<b>1,259,610</b>	<b>-</b>
<b>Total expenses</b>	<b>81,876</b>	<b>361,242</b>	<b>1,874</b>
	<b>(80,216)</b>	<b>898,368</b>	<b>(1,874)</b>

**Tla-o-qui-aht First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

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

The Nation's investees have a different year-end than March 31, 2019, as described below. The Nation uses the investees' year-end financial statements to account for its investment in these investees. There have been no significant events or transactions in the interim period.

No assurance was provided for the following entities: Tla-o-qui-aht First Nation Economic Development Corporation or TFN Master Limited Partnership; however, all significant business components of these entities were audited.

Principal repayments on long-term debt of the First Nation's business entities in each of the next five years assuming long-term debt subject to refinancing is renewed, are estimated as follows:

	2020	2021	2022	2023	2024	Thereafter	Total
<b>Principal repayments on long-term debt owed by business entities of the Nation</b>							
Haa-ak-suuk Creek Hydro Limited Partnership	84,537	98,019	112,293	127,406	143,405	18,566,571	19,132,231
Canoe Creek Hydro Limited Partnership	223,693	235,525	133,665	144,288	155,408	10,262,789	11,155,368
TWR Resort Limited Partnership	234,068	242,998	252,268	261,893	271,884	3,773,802	5,036,913
	542,298	576,542	498,226	533,587	570,697	32,603,162	35,324,512

The Nation has guaranteed Winchie Creek Hydro Limited Partnership's loan with Canadian Western Bank. The loan bears interest at prime plus 1.25%. Interest only payments are required until the earlier of 60 days following completion of the construction, or 18 months following the initial construction withdrawal. After this point, blended interest and principal monthly payments will begin over a 1-5 year fixed term rate and 30 year amortization. At March 31, 2019 the prime rate was 3.95% (2018 - 3.45%)

The Nation has guaranteed two loans for TWR Resort Limited Partnership. with Bank of Montreal. Both loans bear interest at 3.75% per annum and mature June 30, 2021.

**10. Deferred revenue**

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

	Balance, beginning of year	Contributions received	Amount spent	Balance, end of year
NTC - Land use planning (DL124)	120,761	92,900	8,136	205,525
FNHA - TyHistanis health centre	56,433	-	9,848	46,585
Other - Natural resources	7,106	-	7,106	-
NTC - Container Housing Renovations	-	306,260	155,924	150,336
Other - Tribal Park Donations	-	90,764	-	90,764
Other - Big Tree Trail	-	6,963	-	6,963
Other - Creative Salmon	-	58,067	5,416	52,651
Other - Halibut Lease	-	63,274	-	63,274
MCFD - Clinical Councilor	-	30,000	-	30,000
Other - Various	-	9,600	-	9,600
	184,300	657,828	186,430	655,698

**Tla-o-qui-aht First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

**11. Long-term debt**

	<b>2019</b>	<b>2018</b>
Bank of Montreal loan, repayable in monthly instalments of \$951 plus interest at 3.85% per annum, secured by a general security agreement and promissory note, maturing June 30, 2020.	<b>204,444</b>	215,854
Bank of Montreal loan, repayable in monthly blended instalments of \$6,583, bearing interest at 3.85% per annum, secured by a general security agreement and promissory note, maturing June 30, 2020.	<b>1,013,509</b>	1,052,676
Bank of Montreal loan, repayable in monthly blended instalments of \$4,451, bearing interest at 3.85% per annum, secured by a general security agreement and promissory note, maturing June 30, 2020.	<b>751,695</b>	775,669
Bank of Montreal loan, repayable in monthly blended instalments of \$14,026, bearing interest at 3.84% per annum, secured by a general security agreement and promissory note, maturing November 30, 2020.	<b>2,383,170</b>	2,458,415
Bank of Montreal loan, repayable in monthly blended instalments of \$13,245 (2018 - \$12,837), bearing interest at prime + 0% (2018 - 3.45%) per annum, secured by a general security agreement and promissory note, maturing May 7, 2024.	<b>1,350,239</b>	1,455,926
Bank of Montreal loan, repayable in monthly blended instalments of \$19,892, bearing interest at 3.14% per annum, secured by a general security agreement and promissory note, maturing December 31, 2019.	<b>2,452,955</b>	2,612,080
Bank of Montreal loan, repayable in monthly blended instalments of \$14,446, bearing interest at 3.55% per annum, secured by a general security agreement and promissory note, maturing February 28, 2021.	<b>1,072,518</b>	1,205,731
Bank of Montreal demand loan, repayable at \$2,116 per month plus interest at prime plus 1.50%, secured by a general security agreement. This loan relates to the advance to Ma-Mook Natural Resources Ltd. as described in Note 8.	<b>74,083</b>	99,483
Bank of Montreal loan, repayable in monthly blended instalments of \$6,074, bearing interest at 3.71% per annum, secured by a general security agreement and promissory note, maturing February 28, 2022.	<b>1,092,270</b>	1,123,997
Bank of Montreal demand loan, bearing interest at prime plus 2.0%, secured by a general security agreement.	<b>34,471</b>	41,871
Bank of Montreal demand loan, bearing interest at prime plus 0.75%, secured by a general security agreement.	<b>1,750,000</b>	-
Bank of Montreal demand loan, repayable in monthly blended instalments of \$329, bearing interest at 7.25% (2018 - 6.95%) per annum, secured by a general security agreement.	<b>26,914</b>	28,931
NEDC loan, repaid during the year.	-	909,197
Bank of Montreal demand loan, bearing interest at prime plus 0.50%, secured by a general security agreement.	<b>118,000</b>	-
All Nations Trust Company loan, repayable in monthly blended instalments of \$6,314, bearing interest at 2.13% per annum, secured by buildings with a net book value of \$1,093,769 (2018 - \$1,197,937), matures September 1, 2032 (renewal date is October 21, 2022).	<b>890,407</b>	945,078

**Tla-o-qui-aht First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

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

	2019	2018
All Nations Trust Company loan, repayable in monthly blended instalments of \$3,557, bearing interest at 1.98% per annum, secured by buildings with a net book value of \$686,857 (2018 - \$745,703), matures May 1, 2039 (renewal date is May 1, 2019).	<b>710,929</b>	738,120
All Nations Trust Company loan, repayable in monthly blended instalments of \$4,829, bearing interest at 1.14% per annum, secured by buildings with a net book value of \$1,208,970 (2018 - \$1,285,287), matures July 1, 2036 (renewal date is June 1, 2021).	<b>912,065</b>	958,476
All Nations Trust Company loan, repayable in monthly blended instalments of \$8,200, bearing interest at 2.41% per annum, secured by buildings with a net book value of \$1,788,528 (2018 - \$1,913,935), matures April 1, 2038 (renewal date is April 1, 2023).	<b>1,509,562</b>	1,567,389
CMHC RRAP Conversion On-Reserve forgivable loan, bearing interest at 5% per annum and secured by a general security agreement.	<b>642,720</b>	195,000
	<b>16,989,951</b>	16,383,893

Principal repayments on long-term debt in each of the next five years, assuming debt subject to re-financing are renewed, are estimated as follows:

	Principal
2020	2,800,611
2021	822,225
2022	848,168
2023	875,002
2024	902,759
	6,248,765
Thereafter	10,741,186
Total	16,989,951

Prime rate at March 31, 2019 was 3.95% (2018 - 3.45%).

**12. Treaty loan**

The Nation has received funds from Nuuchahnulth Tribal Council ("NTC") pursuant to an agreement the NTC had negotiated on its behalf with Indigenous Services Canada ("ISC") and the British Columbia Treaty Commission. Under the terms of that agreement, the NTC received both loaned and contributed funds, which it subsequently reloaned and contributed to the Nation. The funds are to be used solely for the purpose of treaty negotiations. Repayment provisions for this loan are outlined in the First Nation Negotiation Support Agreement between ISC, NTC and the Nation. The loan is non-interest bearing. No additional funds were received during the year.

**Tla-o-qui-aht First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

**13. Accumulated surplus**

Accumulated surplus consists of the following:

	2019	2018
Equity in Ottawa Trust funds	299,620	226,638
Deficit in operating fund	(8,405,684)	(7,666,899)
Equity in tangible capital assets	42,074,903	43,954,547
Investment in First Nation business entities (enterprise fund)	418,248	205,693
Replacement and operating reserves	864,573	824,721
	<b>35,251,660</b>	<b>37,544,700</b>

**14. Economic dependence**

Tla-o-qui-aht First Nation receives a significant portion of its revenue from Indigenous Services Canada ("ISC") through the Nuuchah-nulth Tribal Council ("NTC") as a result of funding agreements entered into with the Government of Canada. These agreements 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 agreements.

**15. Segments**

The Nation receives revenue and incurs expenses from many different projects and sources. For management and reporting purposes, the revenue, expenses and surplus or deficits are organized by the following segments:

**Administration:**

Includes general operations, support, and financial management of the Nation.

**Education:**

Includes revenue and expenses related to primary, secondary and post secondary education of the members of the Nation.

**Public Works:**

Includes revenue and expenditures related to capital projects.

**Natural Resources:**

Includes revenue and expenditures related to conservation and stewardship of the Nation's land and resources, as well as the activities related to the growth of revenue producing projects with the Nation.

**Community and Human Services:**

Includes revenue and expenditures related to the social assistance and health services to the members of the Nation.

**Housing:**

Includes revenue and expenses related to band owned and social housing of the members of the Nation.

**Tla-o-qui-aht First Nation**  
**Notes to the Consolidated Financial Statements**  
*For the year ended March 31, 2019*

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**16. Budget information**

The disclosed budget information has been approved by the Chief and Council of Tla-o-qui-aht First Nation. The original budget was approved at the Chief and Council meeting held on March 29, 2018.

Budget figures on the Consolidated Statement of Operations and Accumulated Surplus are presented using the same basis of accounting as the actual results. A reconciliation of these amounts to the Chief and Council approved budget is as follows:

Budgeted surplus per the Consolidated Statement of Operations and Accumulated Surplus	\$1,536,390
Adjusted for:	
Principal repayments on long-term debt	<u>\$ 421,680</u>
 Budgeted surplus approved by Chief and Council	 \$1,114,711

**17. Subsequent event**

Subsequent to the March 31, 2019 year-end, it was determined that the Geothermal system, included in the schedule of tangible capital assets under Infrastructure, is not operational due to a severe leak in the distribution field and will require significant repairs in the next fiscal year. The cost of the repairs is not determinable but it is management's assessment that the full cost will be covered by insurance and grants.

**Tla-o-qui-aht First Nation**  
**Schedule 1 - Consolidated Schedule of Tangible Capital Assets**  
*For the year ended March 31, 2019*

	<i>Automotive equipment</i>	<i>Office equipment</i>	<i>General Equipment</i>	<i>Marine Equipment</i>	<i>Housing</i>	<i>Infrastructure</i>	<i>Subtotal</i>
<b>Cost</b>							
Balance, beginning of year	137,112	327,454	890,562	177,670	13,352,547	35,590,688	50,476,033
Acquisition of tangible capital assets	115,384	41,849	8,627	143,537	-	174,961	484,358
Completion of Work in Progress	-	-	-	-	4,502,316	-	4,502,316
Balance, end of year	252,496	369,303	899,189	321,207	17,854,863	35,765,649	55,462,707
<b>Accumulated amortization</b>							
Balance, beginning of year	68,746	297,696	659,141	159,492	5,127,591	11,651,350	17,964,016
Annual amortization	16,498	36,174	33,329	14,292	692,146	1,433,597	2,226,036
Balance, end of year	85,244	333,870	692,470	173,784	5,819,737	13,084,947	20,190,052
<b>Net book value of tangible capital assets</b>	167,252	35,433	206,719	147,423	12,035,126	22,680,702	35,272,655
2018 Net book value of tangible capital assets	68,366	29,758	231,421	18,178	8,224,956	23,939,338	32,512,017

**Tla-o-qui-aht First Nation**  
**Schedule 1 - Consolidated Schedule of Tangible Capital Assets**  
*For the year ended March 31, 2019*

	<i>Subtotal</i>	<i>Infrastructure Work In Progress</i>	<i>Leasehold Improvements</i>	<i>Software</i>	<i>Buildings</i>	<i>Furniture, fixtures and equipment</i>	<i>Subtotal</i>
<b>Cost</b>							
Balance, beginning of year	50,476,033	6,259,969	2,230,887	40,860	3,634,340	675,203	63,317,292
Acquisition of tangible capital assets	484,358	1,869,734	181,600	-	-	-	2,535,692
Completion of Work in Progress	4,502,316	(8,129,703)	-	-	3,627,387	-	-
Balance, end of year	55,462,707	-	2,412,487	40,860	7,261,727	675,203	65,852,984
<b>Accumulated amortization</b>							
Balance, beginning of year	17,964,016	-	307,062	31,450	1,362,877	675,203	20,340,608
Annual amortization	2,226,036	-	116,084	9,410	272,402	-	2,623,932
Balance, end of year	20,190,052	-	423,146	40,860	1,635,279	675,203	22,964,540
<b>Net book value of tangible capital assets</b>	35,272,655	-	1,989,341	-	5,626,448	-	42,888,444
2018 Net book value of tangible capital assets	32,512,017	6,259,969	1,923,825	9,410	2,271,463	-	42,976,684



**Tla-o-qui-aht First Nation**  
**Schedule 1 - Consolidated Schedule of Tangible Capital Assets**  
*For the year ended March 31, 2019*

	<i>Subtotal</i>	<i>Social Housing</i>	<i>Land Improvements</i>	<i>2019</i>	<i>2018</i>
<b>Cost</b>					
Balance, beginning of year	63,317,292	7,294,578	5,670,682	76,282,552	72,442,194
Acquisition of tangible capital assets	2,535,692	-	-	2,535,692	3,840,358
Completion of Work in Progress	-	-	-	-	-
Balance, end of year	65,852,984	7,294,578	5,670,682	78,818,244	76,282,552
<b>Accumulated amortization</b>					
Balance, beginning of year	20,340,608	2,151,724	-	22,492,332	19,702,305
Annual amortization	2,623,932	409,029	-	3,032,961	2,790,027
Balance, end of year	22,964,540	2,560,753	-	25,525,293	22,492,332
<b>Net book value of tangible capital assets</b>	<b>42,888,444</b>	<b>4,733,825</b>	<b>5,670,682</b>	<b>53,292,951</b>	<b>53,790,220</b>
2018 Net book value of tangible capital assets	42,976,684	5,142,854	5,670,682	53,790,220	

**Tla-o-qui-aht First Nation**  
**Schedule 2 - Schedule of Consolidated Expenses by Object**  
*For the year ended March 31, 2019*

	<b>2019 Budget (Note 16)</b>	<b>2019</b>	<b>2018</b>
<b>Consolidated expenses by object</b>			
ACRS projects	214,387	194,692	158,515
Administration (recovery)	816,025	(1,503)	(18,721)
Amortization	232,528	3,032,961	2,790,027
Bank charges and interest	11,195	12,465	8,531
Biomaxx sewer	-	326,799	207,680
Community events	37,000	31,009	30,378
Community garden	5,000	6,558	1,515
Contracted services	525,108	1,053,284	694,805
Donations and contributions	2,000	3,738	12,093
Elders costs	10,000	13,510	24,711
Election, membership code	20,000	5,804	22,668
Equipment and furniture	2,959,058	151,984	168,137
Equipment lease	12,250	12,421	11,915
Family support	47,403	105,380	85,487
Fees, licences and dues	4,500	5,398	14,895
Food and beverage	15,000	10,809	11,739
Food fish	78,835	55,664	7,451
Freight and postage	3,078	3,493	3,118
Fuel	54,693	30,298	28,382
Honoraria	234,815	339,753	263,104
Insurance	109,523	111,060	101,432
Interest on long-term debt	526,020	667,546	526,944
Janitorial and supplies	104,885	77,453	43,215
MTSA	207,380	278,791	179,686
Materials	104,603	115,262	116,013
Medical Travel	243,218	203,825	235,070
Meeting	56,005	54,142	30,420
Miscellaneous	-	-	708
National child benefit	14,000	13,963	15,206
Professional fees	88,910	327,645	123,455
Rent	138,000	131,600	118,800
Repairs and maintenance	691,751	390,619	232,153
Salaries and benefits	2,867,434	2,515,884	2,085,074
Social assistance	443,000	519,548	520,641
Student expenses	30,200	26,531	26,183
Technical support	7,500	10,224	7,962
Telecommunications	65,508	62,693	56,196
Training	147,647	111,607	111,099
Travel	107,882	239,316	152,328
Utilities	204,800	216,056	184,757
	<b>11,441,141</b>	<b>11,468,282</b>	<b>9,393,772</b>