

Tla-o-qui-aht First Nation
Consolidated Financial Statements
March 31, 2020

Tla-o-qui-aht First Nation

Contents

For the year ended March 31, 2020

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 Debt.....	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 - Schedule of Consolidated Expenses by Object.....	20
Schedule 3- Consolidated Schedule of Revenue and Expenses - Administration	21
Schedule 4 - Consolidated Schedule of Revenue and Expenses - Public Works.....	22
Schedule 5 - Consolidated Schedule of Revenue and Expenses - Community and Human Services	23
Schedule 6 - Consolidated Schedule of Revenue and Expenses - Natural Resources	24
Schedule 7 - Consolidated Schedule of Revenue and Expenses - Education.....	25
Schedule 8 - Consolidated Schedule of Revenue and Expenses - Housing.....	26

Management's Responsibility

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 24, 2020


Tribal Administrator

Independent Auditor's Report

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 "Nation"), which comprise the consolidated statement of financial position as at March 31, 2020, 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 Nation as at March 31, 2020, 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 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 Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Nation or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nanaimo, British Columbia

July 24, 2020


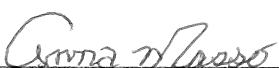
MNP LLP

Chartered Professional Accountants

Tla-o-qui-aht First Nation

Consolidated Statement of Financial Position

As at March 31, 2020

	2020	2019
Financial assets		
Cash resources	2,981,225	2,291,379
Accounts receivable (Note 3)	1,750,198	1,657,650
Guaranteed investment certificate	-	716,195
Funds held in trust (Note 4)	356,222	299,620
Restricted cash (Note 5)	893,261	837,964
Advances to related Nation entities (Note 6)	83,507	110,908
Investment in Nation business entities (Note 7)	278,768	418,248
Total financial assets	6,343,181	6,331,964
Liabilities		
Accounts payable and accruals	719,163	1,186,342
Deferred revenue (Note 8)	588,897	655,698
Long-term debt (Note 9)	16,294,605	16,989,951
Treaty loan (Note 10)	-	5,614,886
Total liabilities	17,602,665	24,446,877
Net debt	(11,259,484)	(18,114,913)
Significant event (Note 15)		
Non-financial assets		
Tangible capital assets (Schedule 1)	50,325,730	53,292,951
Prepaid expenses	58,002	73,623
Total non-financial assets	50,383,732	53,366,574
Accumulated surplus (Note 11)	39,124,248	35,251,661
Approved on behalf of Chief and Council		
 Chief		Councilor

The accompanying notes are an integral part of these financial statements

Tla-o-qui-aht First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2020

	Schedules	2020 Budget (Note 14)	2020	2019
Revenue				
Nuu-chah-nulth Tribal Council		5,240,703	5,445,782	4,574,324
Other revenue and recoveries		793,954	1,236,047	1,500,158
BC Gaming		-	732,437	-
Province of British Columbia		388,000	376,115	315,302
Canada Mortgage and Housing Corporation		320,606	232,118	231,268
Department of Fisheries and Oceans		130,809	130,809	130,809
First Nations Health Authority		215,029	30,253	219,338
Rental income		922,130	1,130,030	911,856
Property tax income		177,000	308,369	177,000
Lease income		132,900	144,929	122,616
British Columbia Treaty Commission		-	121,233	-
Interest income		61,500	178,594	165,691
Earnings from investment in Nation business entities		1,272,631	35,276	815,380
Donations		15,000	20,632	11,500
Administration fees		629,859	-	-
Total revenues		10,300,121	10,122,624	9,175,242
Program expenses				
Administration	3	1,364,225	804,236	950,531
Public Works	4	1,980,432	4,885,194	5,092,648
Community and Human Services	5	1,645,431	1,764,507	1,621,416
Natural Resources	6	1,744,345	1,202,616	1,379,845
Education	7	830,669	823,687	800,264
Housing	8	2,474,710	2,384,683	1,623,577
Total expenditures		10,039,812	11,864,923	11,468,281
Annual surplus (deficit) before other income		260,309	(1,742,299)	(2,293,039)
Other revenue and transfers				
Transfers between programs		317,577	-	-
Treaty loan forgiveness (Note 10)		-	5,614,886	-
Annual surplus (deficit)		577,886	3,872,587	(2,293,039)
Accumulated surplus, beginning of year		35,251,661	35,251,661	37,544,700
Accumulated surplus, end of year		35,829,547	39,124,248	35,251,661

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, 2020

	<i>2020 Budget (Note 14)</i>	<i>2020</i>	<i>2019</i>
Annual surplus (deficit)	577,886	3,872,587	(2,293,039)
Purchases of tangible capital assets	-	(291,445)	(2,535,692)
Amortization of tangible capital assets	232,527	3,125,384	3,032,961
Disposal of tangible capital assets	-	133,282	-
Acquisition of prepaid expenses	-	-	(29,767)
Use of prepaid expenses	-	15,621	-
Decrease (increase) in net debt	810,413	6,855,429	(1,825,537)
Net debt, beginning of year	(18,114,913)	(18,114,913)	(16,289,376)
Net debt, end of year	(17,304,500)	(11,259,484)	(18,114,913)

Tla-o-qui-aht First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus (deficit)	3,872,587	(2,293,039)
Non-cash items		
Amortization	3,125,384	3,032,961
Bad debts	68,852	-
Earnings from investment in Nation business entities	(35,276)	(815,380)
Disposal of tangible capital assets	133,282	-
Interest accrued	-	(7,716)
Forgiveness of treaty loan	(5,614,886)	-
	1,549,943	(83,174)
Changes in working capital accounts		
Accounts receivable	(92,548)	607,081
Accounts payable and accruals	(467,179)	(276,636)
Deferred revenue	(66,801)	471,398
Prepaid expenses	15,621	(29,767)
	939,036	688,902
Financing activities		
Advances of long-term debt	105,500	2,315,750
Repayment of long-term debt	(800,846)	(1,709,692)
	(695,346)	606,058
Capital activities		
Purchases of tangible capital assets	(291,445)	(2,535,692)
Investing activities		
Sale of guaranteed investment certificate	716,195	-
Increase in restricted cash	(55,297)	(267,752)
Increase in funds held in trust	(56,602)	(72,982)
Net advances to related Nation entities	133,305	628,225
	737,601	287,491
Increase (decrease) in cash resources	689,846	(953,241)
Cash resources, beginning of year	2,291,379	3,244,620
Cash resources, end of year	2,981,225	2,291,379

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 Nation reporting entity, except for Nation business enterprises.

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

Net debt

The 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 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, 2020

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.

	Method	Rate
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.

Segments

The Nation conducts its business through a number of reportable segments as described in Note 13. These operating segments are established by senior management to facilitate the achievement of the 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 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, 2020.

At each financial reporting date, the Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at March 31, 2020, no liability for contaminated site exists.

Tla-o-qui-aht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

3. Accounts receivable

	2020	2019
Nuu-chah-nulth Tribal Council	785,051	781,900
Rent receivable	1,021,351	969,826
Members	22,037	31,640
Goods and Services Tax receivable	-	35,213
Other receivables	633,250	564,872
	2,461,689	2,383,451
Less: Allowance for doubtful accounts	711,491	725,801
	1,750,198	1,657,650

4. Funds held in trust

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

	2020	2019
Capital Trust		
Balance, beginning and end of year	22,565	22,565
Revenue Trust		
Balance, beginning of year	277,055	204,073
Interest	5,768	7,677
Lease income	48,250	62,725
BC Special	2,584	2,580
	333,657	277,055
Balance, end of year	356,222	299,620

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*.

Tla-o-qui-aht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

5. 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 \$61,240 annually (2019 - \$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 (2019 - adequately funded).

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 adequately funded (2019 - underfunded by \$99,440).

Restricted cash is comprised of the following:

	2020	2019
Replacement reserve	310,251	351,953
Operating reserve	583,010	486,011
	893,261	837,964

6. 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.

	2020	2019
Ma-Mook Natural Resources Ltd.	83,507	110,908

7. Investments in Nation business entities

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

The Nation has investments in the following entities:

	Investment cost	Loans / advances	Share of earnings (loss)	Distributions and other adjustments	2020 Total investment
Wholly-owned Businesses:					
Tla-o-qui-aht First Nation Economic Development Corporation	1,125,774	-	(7,840)	-	1,117,934
Tsiix Waa Cahs Holdings Ltd.	49,016	9,114	(400)	-	57,730
	1,174,790	9,114	(8,240)	-	1,175,664
First Nation Business Partnerships – Modified Equity:					
TFN Master Limited Partnership (99.9%)	(756,542)	466,830	43,516	(650,700)	(896,896)
	418,248	475,944	35,276	(650,700)	278,768

Tla-o-qui-aht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

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

					2019
	Investment cost	Loans / advances	Share of earnings (loss)	Distributions and other adjustments	Total investment
Wholly-owned Businesses:					
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
	(4,509,284)	(329,890)	(82,090)	6,096,054	1,174,790
First Nation Business Partnerships – Modified Equity:					
TFN Master Limited Partnership (99.9%)	4,714,977	(6,944,166)	897,470	575,177	(756,542)
	205,693	(7,274,056)	815,380	6,671,231	418,248

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

	<i>Tla-o-qui-aht First Nation Economic Development Corporation As at December 31, 2019</i>	<i>TFN Master Limited Partnership As at December 31, 2019</i>	<i>Tsiix-waa-cahs Holdings Ltd. As at December 31, 2019</i>
Assets			
Cash	-	689,053	-
Accounts receivable	-	991,435	-
Inventory	-	43,030	-
Prepaid expenses	-	151,662	-
Advances to related parties	-	12,838,377	-
Property, plant and equipment	-	44,397,386	-
Investments	1,145,950	4,166,881	3,859,712
Restricted cash	-	1,228,667	-
Intangible assets	-	3,160,334	-
Total assets	1,145,950	67,666,825	3,859,712
Liabilities			
Bank indebtedness	-	174,940	-
Accounts payable	4,000	1,260,567	650
Deferred revenue	-	20,517	-
Advances from related parties	341,905	7,813,774	78,386
Unearned government grants	-	1,844,654	-
Debt	-	48,954,646	-
Total liabilities	345,905	60,069,098	79,036
	800,045	7,597,727	3,780,676
Total revenue	(362)	268,151	-
Total expenses	7,478	224,592	400
	(7,840)	43,559	(400)

Tla-o-qui-aht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

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

The Nation's investees have a different year-end than March 31, 2020, 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 Nation's business entities in each of the next five years assuming long-term debt subject to refinancing is renewed, are estimated as follows:

	2021	2022	2023	2024	2025	Thereafter	Total
Principal repayments on long-term debt owed by business entities of the Nation							
Haa-ak-suuk Creek Hydro Limited Partnership	98,019	112,293	127,406	143,405	160,336	18,406,232	19,047,691
Canoe Creek Hydro Limited Partnership	214,675	133,665	144,288	155,408	167,050	10,095,738	10,910,824
TWR Resort Limited Partnership	242,998	252,268	261,893	271,884	282,257	3,491,482	4,802,782
Winchie Creek Hydro Limited Partnership	78,964	86,871	95,116	103,712	129,686	14,193,538	14,687,887
	634,656	585,097	628,703	674,409	739,329	46,186,990	49,449,184

The Nation has guaranteed Winchie Creek Hydro Limited Partnership's loan with Canadian Western Bank. The loan bears interest at 2.10%.

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

8. 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)	205,525	-	205,525	-
FNHA - TyHistanis health centre	46,585	46,585	46,585	46,585
FNHA- Mens Group	-	82,833	-	82,833
FNHA- Headstart	-	110,034	-	110,034
NTC - Container Housing Renovations	150,336	-	150,336	-
Other - Tribal Park Donations	90,764	-	90,764	-
Other - Big Tree Trail	6,963	-	6,963	-
Other - Creative Salmon	52,651	22,500	52,651	22,500
Other - Halibut Lease	63,274	-	63,274	-
MCFD - Clinical Councilor	30,000	30,000	30,000	30,000
BCTC- Revenue Sharing	-	179,961	-	179,961
FNESC- Headstart	-	55,782	-	55,782
Other - Various	9,600	61,202	9,600	61,202
	655,698	588,897	655,698	588,897

Tla-o-qui-aht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

9. Long-term debt

	2020	2019
Bank of Montreal loan, repayable in monthly instalments of \$951 bearing interest at 3.85% per annum, secured by a general security agreement and promissory note, maturing June 30, 2020.	193,033	204,444
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.	972,886	1,013,509
Bank of Montreal loan, repayable in monthly blended instalments of \$4,541, bearing interest at 3.85% per annum, secured by a general security agreement and promissory note, maturing June 30, 2020.	726,839	751,695
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.	2,305,167	2,383,170
Bank of Montreal loan, repayable in monthly blended instalments of \$13,245, bearing interest at 3.76 % per annum, secured by a general security agreement and promissory note, maturing February 29, 2024.	1,240,140	1,350,239
Bank of Montreal loan, repayable in monthly blended instalments of \$21,319 (2019 - \$19,892), bearing interest at 3.98% (2019 - 3.14%) per annum, secured by a general security agreement and promissory note, maturing March 31, 2025.	2,348,785	2,452,955
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.	934,572	1,072,518
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 6.	46,683	74,083
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.	1,058,888	1,092,270
Bank of Montreal demand loan, bearing interest at prime plus 2.0%, secured by a general security agreement.	26,695	34,471
Bank of Montreal demand loan, bearing interest at prime plus 0.75%, secured by a general security agreement.	1,750,000	1,750,000
Bank of Montreal demand loan, repayable in monthly blended instalments of \$329, bearing interest at 7.25% per annum, secured by a general security agreement.	22,927	26,914
NEDC loan, repayable in monthly blended instalments of \$1,045, bearing interest at 8.00% per annum, secured by a general security agreement. The loan is forgivable at 1:1 on principal paid.	47,349	-
Bank of Montreal demand loan, bearing interest at prime plus 0.50%, secured by a general security agreement.	106,000	118,000
Bank of Montreal demand loan, bearing interest at prime plus 0.5%, secured by a general security agreement.	53,000	-

Tla-o-qui-aht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

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

	2020	2019
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 \$989,600 (2019 - \$1,093,769), matures September 1, 2032 (renewal date is October 21, 2022).	831,370	890,407
All Nations Trust Company loan, repayable in monthly blended instalments of \$3,521, bearing interest at 1.87% per annum, secured by buildings with a net book value of \$628,012 (2019 - \$686,857), matures May 1, 2039 (renewal date is May 1, 2024).	680,553	710,929
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 \$1,132,662 (2019 - \$1,208,970), matures July 1, 2036 (renewal date is June 1, 2021).	863,377	912,065
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 \$1,663,121 (2019 - \$1,788,528), matures April 1, 2038 (renewal date is April 1, 2023).	1,443,621	1,509,562
CMHC RRAP Conversion On-Reserve forgivable loan, bearing interest at 5% per annum and secured by a general security agreement.	642,720	642,720
	16,294,605	16,989,951

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
2021	2,879,942
2022	856,074
2023	855,243
2024	912,506
2025	934,293
	<hr/>
	6,438,058
Thereafter	9,856,547
	<hr/>
Total	16,294,605

Prime rate at March 31, 2020 was 2.45% (2019 - 3.95%).

10. 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. Effective March 31, 2020, \$5,614,886 in comprehensive land claim negotiation debt owed to Canada by the Nation was forgiven.

Tla-o-qui-aht First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2020

11. Accumulated surplus

Accumulated surplus consists of the following:

	2020	2019
Equity in Ottawa Trust funds	356,222	299,620
Deficit in operating fund	(1,696,734)	(8,405,682)
Equity in tangible capital assets	39,493,258	42,074,901
Investment in First Nation business entities (enterprise fund)	278,768	418,248
Replacement and operating reserves	692,734	864,574
	39,124,248	35,251,661

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

13. 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, 2020

14. 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 June 20, 2019.

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	\$ 577,886
Adjusted for:	
Principal repayments on long-term debt	<u>\$ 78,000</u>
 Budgeted surplus approved by Chief and Council	 \$ 499,886

15. Significant event

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

Tla-o-qui-aht First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended March 31, 2020

	<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>
Cost							
Balance, beginning of year	252,496	369,303	899,189	321,207	17,854,863	35,765,649	55,462,707
Acquisition of tangible capital assets	34,270	-	-	257,175	-	-	291,445
Disposal of tangible capital assets	-	-	-	(143,537)	-	-	(143,537)
Transfer to Social Housing	-	-	-	-	(851,325)	-	(851,325)
Balance, end of year	286,766	369,303	899,189	434,845	17,003,538	35,765,649	54,759,290
Accumulated amortization							
Balance, beginning of year	85,244	333,870	692,470	173,784	5,819,737	13,084,947	20,190,052
Annual amortization	31,131	15,042	33,944	22,409	649,579	1,437,971	2,190,076
Accumulated amortization on disposals	-	-	-	(10,255)	-	-	(10,255)
Transfer to Social Housing	-	-	-	-	(128,500)	-	(128,500)
Balance, end of year	116,375	348,912	726,414	185,938	6,340,816	14,522,918	22,241,373
Net book value of tangible capital assets	170,391	20,391	172,775	248,907	10,662,722	21,242,731	32,517,917
2019 Net book value of tangible capital assets	167,252	35,433	206,719	147,423	12,035,126	22,680,702	35,272,655

Tla-o-qui-aht First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended March 31, 2020

	<i>Subtotal</i>	<i>Leasehold Improvements</i>	<i>Software</i>	<i>Buildings</i>	<i>Furniture, fixtures and equipment</i>	<i>Social Housing</i>	<i>Subtotal</i>
Cost							
Balance, beginning of year	55,462,707	2,412,487	40,860	7,261,727	675,203	7,294,578	73,147,562
Acquisition of tangible capital assets	291,445	-	-	-	-	-	291,445
Disposal of tangible capital assets	(143,537)	-	-	-	-	-	(143,537)
Transfer to Social Housing	(851,325)	-	-	-	-	851,325	-
Balance, end of year	54,759,290	2,412,487	40,860	7,261,727	675,203	8,145,903	73,295,470
Accumulated amortization							
Balance, beginning of year	20,190,052	423,146	40,860	1,635,279	675,203	2,560,753	25,525,293
Annual amortization	2,190,076	120,625	-	363,086	-	451,597	3,125,384
Accumulated amortization on disposals	(10,255)	-	-	-	-	-	(10,255)
Transfer to Social Housing	(128,500)	-	-	-	-	128,500	-
Balance, end of year	22,241,373	543,771	40,860	1,998,365	675,203	3,140,850	28,640,422
Net book value of tangible capital assets	32,517,917	1,868,716	-	5,263,362	-	5,005,053	44,655,048
2019 Net book value of tangible capital assets	35,272,655	1,989,341	-	5,626,448	-	4,733,825	47,622,269

Tla-o-qui-aht First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2020

	<i>Subtotal</i>	<i>Land Improvements</i>	<i>2020</i>	<i>2019</i>
Cost				
Balance, beginning of year	73,147,562	5,670,682	78,818,244	76,282,552
Acquisition of tangible capital assets	291,445	-	291,445	2,535,692
Disposal of tangible capital assets	(143,537)	-	(143,537)	-
Transfer to Social Housing	-	-	-	-
Balance, end of year	73,295,470	5,670,682	78,966,152	78,818,244
Accumulated amortization				
Balance, beginning of year	25,525,293	-	25,525,293	22,492,332
Annual amortization	3,125,384	-	3,125,384	3,032,961
Accumulated amortization on disposals	(10,255)	-	(10,255)	-
Transfer to Social Housing	-	-	-	-
Balance, end of year	28,640,422	-	28,640,422	25,525,293
Net book value of tangible capital assets	44,655,048	5,670,682	50,325,730	53,292,951
2019 Net book value of tangible capital assets	47,622,269	5,670,682	53,292,951	

Tla-o-qui-aht First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2020

	2020 Budget (Note 14)	2020	2019
Consolidated expenses by object			
ACRS projects	226,509	5,073	194,692
Administration (recovery)	645,573	(4,502)	(1,503)
Amortization	232,527	3,125,384	3,032,961
Bad debts	50,000	68,852	-
Bank charges and interest	9,820	4,948	12,465
Community events	20,000	47,761	31,009
Community garden	5,000	1,000	6,558
Contracted services	938,251	680,174	1,053,284
Donations and contributions	2,000	-	3,738
Elders costs	-	13,714	13,510
Election, membership code	-	5,725	5,804
Equipment and furniture	1,289,328	605,583	151,984
Equipment lease	12,250	14,206	12,421
Family support	47,403	109,644	105,380
Fees, licences and dues	4,500	15,795	5,398
Food bank	-	13,080	10,809
Food fish	78,835	70,246	55,664
Freight and postage	3,078	4,326	3,493
Fuel	46,693	64,766	30,298
Honoraria	345,430	376,484	339,753
Insurance	113,063	125,213	111,060
Interest on long-term debt	482,529	542,290	667,546
Janitorial and supplies	96,565	86,288	77,453
MTSA	207,380	250,894	278,791
Materials	260,957	202,830	115,262
Medical Travel	243,218	302,520	203,825
Meeting	58,805	48,199	54,142
Miscellaneous	9,000	13,034	-
National child benefit	14,000	10,030	13,963
Professional fees	72,710	156,195	327,645
Rent	138,000	164,400	131,600
Repairs and maintenance	586,987	868,642	717,418
Salaries and benefits	2,751,263	2,754,076	2,515,884
Social assistance	509,500	481,390	519,548
Student expenses	23,000	23,863	26,531
Technical support	7,500	17,955	10,224
Telecommunications	65,508	55,595	62,693
Training	143,348	122,491	111,607
Travel	107,882	239,878	239,316
Utilities	191,400	176,881	216,055
	10,039,812	11,864,923	11,468,281