

**HUPACASATH FIRST NATION**

**FINANCIAL STATEMENTS**

**March 31, 2020**

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March 31, 2020**

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**HUPACASATH FIRST NATION**  
**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**  
**March 31, 2020**

The accompanying financial statements of Hupacasath First Nation are the responsibility of management and have been approved by Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the financial statements.

The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the financial statements and the external auditor's report.

The external auditors, Sabo, Jang Co. Ltd., conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Hupacasath First Nation and meet when required.

On behalf of Hupacasath First Nation:

  
Councillor

October 27, 2020  
Date

  
Councillor

October 27, 2020  
Date

  
Councillor

October 27, 2020  
Date



# SABO, JANG & CO. LTD.

(A Professional Corporation)  
Chartered Professional Accountants

GREG K. SABO, CPA, CGA

MICHAEL JANG, CPA, CGA, CAFM

## Independent Auditor's Report

To the Members of  
Hupacasath First Nation

### Opinion

We have audited the financial statements of Hupacasath First Nation (First Nation), which comprise the statement of financial position as at March 31, 2020, and the statements of revenue, expenditures and accumulated surplus, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2020, and the results of its operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Public Sector Accounting Board (PSAB).

### 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 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 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.

### Emphasis of Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements of First Nation taken as a whole. The supplementary information included on the schedules on pages 29-55 is presented for the purposes of additional analysis and is not a part of the audited financial statements. As such the supplementary information provided is not included under this report and we give no formal opinion on the information provided.

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

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

In preparing the 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 Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Parksville, B.C.  
October 27, 2020




*Saho, Yang & Co. Ltd.*

Chartered Professional Accountants

**HUPACASATH FIRST NATION**  
**STATEMENT OF FINANCIAL POSITION**  
**March 31, 2020**

	2020	2019
<b>FINANCIAL ASSETS</b>		
Cash	\$ 623,285	\$ 602,194
Restricted cash (Note 2)	389,387	368,273
Accounts receivable	286,014	659,212
Excise tax recoverable	3,623	-
Due from/to related parties (Note 3)	679,870	546,430
Loan receivable (Note 4)	3,888,412	4,402,183
Investments in First Nation business partnerships (Note 5)	1,919,599	2,324,932
	<u>7,790,190</u>	<u>8,903,224</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	137,048	807,316
Deferred revenue (Note 7)	92,620	535,753
Committed funds (Note 8)	1,675,126	1,284,036
Reserves (Note 9)	44,485	35,909
Long-term debt (Note 10)	7,655,571	6,840,567
	<u>9,604,850</u>	<u>9,503,581</u>
<b>NET DEBT</b>	<u>(1,814,660)</u>	<u>(600,357)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 11)	4,687,756	2,854,166
Prepaid expenses	109,507	99,630
Inventories held for use	24,353	9,580
	<u>4,821,616</u>	<u>2,963,376</u>
<b>ACCUMULATED SURPLUS (Note 12)</b>	<u>\$ 3,006,956</u>	<u>\$ 2,363,019</u>

Approved on behalf of the Hupacasath First Nation

 Councillor  
 Councillor  
 Councillor

See accompanying Notes to Financial Statements.

**HUPACASATH FIRST NATION**  
**STATEMENT OF CHANGE IN NET DEBT**  
**For the year ended March 31, 2020**

	2020	2019
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ 1,035,029</b>	<b>\$ (230,222)</b>
Acquisition of tangible capital assets	(2,350,631)	(176,814)
Amortization of tangible capital assets	493,539	454,488
Net disposition of tangible capital assets	23,500	23,570
	(1,833,592)	301,244
Acquisition of prepaid asset	(9,877)	(8,987)
Acquisition of inventories held for use	(14,773)	(1,984)
Change in committed funds	(391,090)	(40,050)
Increase in net financial assets	(1,214,303)	20,001
Net debt at beginning of year	(600,357)	(620,358)
Net debt at end of year	<b>\$ (1,814,660)</b>	<b>\$ (600,357)</b>

See accompanying Notes to Financial Statements.



**HUPACASATH FIRST NATION**  
**STATEMENT OF REVENUE, EXPENDITURES AND ACCUMULATED SURPLUS**  
**For the year ended March 31, 2020**

	2020 Budget	2020 Actual	2019 Actual
<b>REVENUE</b>			
Nuu-chah-nulth Tribal Council	\$ 1,220,231	\$ 1,689,971	\$ 1,491,929
Treaty Loan Forgiveness (Note 18)	-	904,411	-
Sales	1,300,000	794,212	2,101,504
Deferred revenue (Note 7)	312,958	535,753	-
Province of BC	129,000	360,748	217,165
BC First Nations Gaming Revenue	-	313,807	-
Department of Fisheries and Oceans	210,000	259,931	240,539
Interest income	200,000	172,315	193,083
Lease income	-	94,643	135,105
Rental Income	41,658	122,070	101,521
Administration recoveries	145,000	61,700	81,500
CMHC subsidies	-	58,025	43,880
Contract income	15,000	34,350	-
First Nations Health Authority	-	34,025	15,000
CMHC RRAP funding	7,500	(2,632)	42,957
Grants	30,000	17,000	-
Donations	-	14,575	1,000
First Nation Education Steering Committee	-	13,003	-
Grant revenue	60,000	12,683	63,295
Miscellaneous revenue	28,000	10,810	111,721
Donations	15,000	3,590	9,214
Own source revenue	-	3,140	-
CMHC HUIFNIY funding	-	2,520	15,872
BC special	-	745	748
Nuu-chah-nulth Economic Development Corporation	1,700,000	-	21,145
FNESC	-	-	19,111
BC Hydro	-	-	8,250
Net losses - Business Partnerships (Note 5)	-	(271,318)	(216,936)
	<b>5,414,347</b>	<b>5,240,077</b>	<b>4,697,603</b>

See accompanying Notes to Financial Statements.

**HUPACASATH FIRST NATION**  
**STATEMENT OF REVENUE, EXPENDITURES AND ACCUMULATED SURPLUS**  
**For the year ended March 31, 2020**

		2020 Actual	2019 Actual
EXPENDITURES			
Operating Fund	4,158,683	3,035,507	3,023,373
Social Housing Fund	-	124,025	93,333
Enterprise Fund	1,022,600	888,407	1,773,488
Treaty Fund	184,550	157,109	37,631
	<b>5,365,833</b>	<b>4,205,048</b>	<b>4,927,825</b>
ANNUAL SURPLUS (DEFICIT)	<b>193,664</b>	<b>1,035,029</b>	<b>(230,222)</b>
ACCUMULATED SURPLUS AT BEGINNING OF YEAR			
As previously stated	-	1,832,275	1,832,275
Prior period adjustment (Note 16)	-	(225,163)	-
As restated	-	1,602,053	1,832,275
TRANSFERS	<b>(347,500)</b>	-	-
ACCUMULATED SURPLUS AT END OF YEAR	<b>\$ (153,836)</b>	<b>\$ 2,637,082</b>	<b>\$ 1,602,053</b>

See accompanying Notes to Financial Statements.

**HUPACASATH FIRST NATION  
STATEMENT OF CASH FLOWS  
For the year ended March 31, 2020**

	2020	2019
<b>Cash flows from</b>		
<b>Operating activities</b>		
ANNUAL SURPLUS (DEFICIT)	\$ 1,035,029	\$ (230,222)
Change in non-cash operating working capital		
Accounts receivable	373,198	(430,295)
Excise tax recoverable	(3,623)	36,574
Prepaid expenses	(9,877)	(8,987)
Loan receivable	513,771	493,521
Inventory	(14,773)	(1,984)
Accounts payable and accrued liabilities	(670,270)	348,060
Deferred revenue	(443,133)	533,925
Reserves	8,576	(11,662)
Due from/to Related Parties	(133,440)	(156,996)
	655,458	571,934
<b>Capital activities</b>		
Increase in amortization	493,539	454,488
Acquisition of tangible capital assets	(2,350,629)	(176,814)
Disposition of capital asset	23,500	23,572
	(1,833,590)	301,246
<b>Financing activities</b>		
Long-term debt	815,004	(666,656)
<b>Investing activities</b>		
(Increase) decrease in investments	405,333	228,844
Increase in cash and cash equivalents	42,205	435,368
Cash and cash equivalents, beginning of year	970,467	535,099
Cash and cash equivalents, end of year	\$ 1,012,672	\$ 970,467
Represented by		
Cash	\$ 623,285	\$ 602,194
Restricted cash	389,387	368,273
	\$ 1,012,672	\$ 970,467

See accompanying Notes to Financial Statements.

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**HUPACASATH FIRST NATION  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2020**

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

**(a) Fund accounting**

The Hupacasath First Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual, or voluntary actions. The various funds have been amalgamated for the purposes of presentation in the consolidated financial statements. Detail of the operations of each fund are set out in the supplementary schedules.

**(b) Reporting entity principles of financial reporting**

The Hupacasath First Nation reporting entity includes the Hupacasath First Nation and all related entities which are accountable to the Council, and which are either owned, directly or indirectly, or controlled by the Hupacasath First Nation.

The controlled business of the First Nation have been recorded by the First Nation using the modified equity method where applicable. See Note 5 on Investment in first nation business partnerships.

The First Nation also prepares Financial Statements that consolidate the assets, liabilities and results of operations for the following entities which lend themselves to consolidation:

1. Operating Fund
2. Trust Fund
3. Social Housing Fund
4. Enterprise Fund
5. Treaty Fund

All inter-fund balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

**(c) Comparative figures**

Comparative figures have been reclassified, where applicable, to conform to current presentation.

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**HUPACASATH FIRST NATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2020**

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued**

**(d) Tangible capital assets**

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Hupacasath First Nation's incremental cost of borrowing.

Amortization is provided for on a straight-line basis over their estimated useful lives as follows:

Automotive equipment	5 years Straight line
Boats	8 years Straight line
Buildings	20 years Straight line
Computer equipment	3 years Straight line
Computer software	3 years Straight line
Equipment	5 years Straight line
Equipment (10 year)	10 years Straight line
Fencing	10 years Straight line
Infrastructure	20 years Straight line
Roads and Parking lots	20 years Straight line
Signage	3 years Straight line

**Social Housing** capital assets have been amortized in an amount equal to the principal reduction of the mortgage, as required for CMHC reporting purposes.

**(e) Revenue recognition**

Funding received under the terms of agreements is recognized as revenue when received. Funding received but not yet expended is included in deferred revenue and not in the applicable statement of revenue and expenditure.

**(f) Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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**HUPACASATH FIRST NATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2020**

**2. RESTRICTED CASH**

	2020	2019
In Trust for Membership	\$ 304,414	\$ 303,775
Ottawa Trust Funds	38,440	37,093
Social Housing reserve bank	46,138	26,938
Treaty	395	467
	<u>\$ 389,387</u>	<u>\$ 368,273</u>

In trust for membership funds was held in a GIC earning 2% interest. This amount includes \$67,091 which is internally restricted as security for the BMO loan to ensure that the First Nation has cash reserves to cover the monthly payments of the BMO loan for Upnit Power LP, if Upnit Power LP is unable to make its monthly loan payment to the First Nation.

Ottawa trust fund accounts arise from moneys 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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

Social Housing funds held in Replacement and Operating Reserves according to the terms of the agreements with CMHC under Section 95 of the National Housing Act of Canada are presented on the Statements of Funded Reserves with the Social Housing Fund financial information.

Under the terms of the agreements with CMHC these funds, along with accumulated interest, must be held in separate bank accounts and/or invested in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise may be mutually agreed to by the First Nation and CMHC. Withdrawals from the reserves are credited to interest first and then to principal.

Treaty funds are restricted to use on treaty related activities.

**HUPACASATH FIRST NATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2020**

**3. DUE FROM/TO RELATED PARTIES**

The exchange method of measuring related party transactions is used by the First Nation.

	2020	2019
1054423 Fisheries LP	\$ (25,344)	\$ (144,628)
HFN Environmental Waste Disposal Services LP	141,848	104,547
Kleekhoot Gold LP	342,870	333,061
Nootka Insurance LP	5,156	5,156
Tsuma-as Tseafoods LP	192,117	181,222
Upnit Power LP	23,223	67,072
	<u>\$ 679,870</u>	<u>\$ 546,430</u>

Advances due from/to related entities are unsecured and without interest or any fixed terms of repayment. Inter-entity transactions with related parties are measured at the exchange amount. During the year the First Nation had the following transactions. The First Nation received \$42,570 (2019 - \$30,765) of lease income from Tsuma-as Tseafoods LP. The First Nation received nil (2019 - \$60,409) of lease income from Kleekhoot Gold LP. The First Nation received \$45,411 (2019 - \$43,931) of lease income from HFN Environmental Waste Disposal Services LP. The First Nation received \$48,000 (2019 - \$48,000) of administration fees from Upnit Power LP.

**4. LOAN RECEIVABLE**

	2020	2019
Upnit Power Limited Partnership, repayable at \$56,697 per month including interest at 4.00% per annum, guaranteed by a General Security Agreement, maturity date July 31, 2021.	\$ 3,888,412	\$ 4,402,183

Loans receivable are valued at the lower of cost and net realizable value. No valuation allowance was recorded during the year and interest earned is recorded as received.

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**HUPACASATH FIRST NATION  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2020**

**5. INVESTMENT IN FIRST NATION BUSINESS PARTNERSHIPS**

	2020	2019
HFN Environmental Waste Disposal Services Limited Partnership	\$ (103,488)	\$ (75,948)
Kleekhoot Gold Limited Partnership	(305,324)	(245,911)
Nootka Insurance Agency Limited Partnership	5,195	51
Tsuma-as Tseafoods Limited Partnership	201,378	322,134
Upnit Power Limited Partnership	2,121,838	2,324,606
<b>Total Investment in Government Business Partnerships</b>	<b>\$ 1,919,599</b>	<b>\$ 2,324,932</b>

The First Nation owns 99.99% of the outstanding units of HFN Environmental Waste Disposal Services Limited Partnership. HFN Environmental Waste Disposal Services LP operates and waste collection and disposal operation that services the public.

The First Nation owns 99.99% of the outstanding units of Kleekhoot Gold Limited Partnership. Kleekhoot Gold LP operates a maple syrup production and bottling company that sells its products.

The First Nation owns 51% of the outstanding units of Nootka Insurance Agency Limited Partnership. Nootka Insurance Agency operates an insurance brokerage servicing the public.

The First Nation owns 99.99% of the outstanding units of Tsuma-as Tseafoods Limited Partnership. Tsuma-as Tseafoods LP manages fishing operations for the First Nation.

The First Nation owns 72.5% of the units of Upnit Power Limited Partnership. Upnit Power Limited Partnership operates a micro hydro facility which began operations in December, 2005.

Summary financial information for each First Nation business partnership, accounted for using the modified equity method, for their December 31, 2020 year ends is as follows:



**HUPACASATH FIRST NATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2020**

**5. INVESTMENT IN FIRST NATION BUSINESS PARTNERSHIPS, continued**

	HFN Environmental Waste Disposal Services Limited Partnership	Kleekhoot Gold Limited Partnership	Nootka Insurance Agency Limited Partnership	Tsuma-as Tseafoods Limited Partnership	Upnit Power Limited Partnership	2020 Total
Cash	\$ 9,977	\$ 728	\$ 23,766	\$ 1,468	\$ 30,354	\$ 66,293
Accounts receivable	5,394	942	-	88,784	184,947	280,067
Prepaid expenses	-	-	-	-	2,598	2,598
Tangible capital assets	-	15,716	-	-	7,533,432	7,549,148
Due from related parties	3,355	4,338	-	4,842	629	13,164
Investments	-	-	-	239,366	-	239,366
Inventory	-	41,664	-	-	-	41,664
<b>Total assets</b>	<b>\$ 18,726</b>	<b>\$ 63,388</b>	<b>\$ 23,766</b>	<b>\$ 334,460</b>	<b>\$ 7,751,960</b>	<b>\$ 8,192,300</b>
Accounts payable	\$ 2,199	\$ 3,323	\$ 13,578	\$ 2,774	\$ 98,985	\$ 120,859
Deferred revenue	-	15,109	-	-	-	15,109
Due to related parties	119,992	340,620	-	130,260	101,439	692,311
Long term debt	-	9,690	-	-	4,956,440	4,966,130
<b>Total liabilities</b>	<b>122,191</b>	<b>368,742</b>	<b>13,578</b>	<b>133,034</b>	<b>5,156,864</b>	<b>5,794,409</b>
<b>Equity</b>	<b>(103,465)</b>	<b>(305,354)</b>	<b>10,188</b>	<b>201,426</b>	<b>2,595,096</b>	<b>2,397,891</b>
<b>Total liabilities and equity</b>	<b>\$ 18,726</b>	<b>\$ 63,388</b>	<b>\$ 23,766</b>	<b>\$ 334,460</b>	<b>\$ 7,751,960</b>	<b>\$ 8,192,300</b>
 Revenue	 \$ 57,858	 \$ 1,265	 \$ 24,149	 \$ 221,814	 \$ 1,113,879	 \$ 1,418,965
Expenses	85,371	60,684	14,060	208,584	1,393,559	1,762,258
	<b>\$ (27,513)</b>	<b>\$ (59,419)</b>	<b>\$ 10,089</b>	<b>\$ 13,230</b>	<b>\$ (279,680)</b>	<b>\$ (343,293)</b>

**HUPACASATH FIRST NATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2020**

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2020	2019
Trade payables	\$ 88,354	\$ 720,689
Wages payable	5,773	25,229
Vacation and overtime payable	18,295	23,789
Government remittances	16,517	27,907
Pensions payable	5,376	6,102
Employee savings plan	2,733	3,600
	<u>\$ 137,048</u>	<u>\$ 807,316</u>

The First Nation provides a defined contribution plan for eligible members of its staff. Members are required to contribute 5% of their salary and the First Nation is required to match their contribution of 5%. The amount of the retirement benefit to be received by the employees will be the amount of the retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. The First Nation contributed during the year \$16,897 (2019-\$25,588) for retirement benefits. The First Nation does not have any other obligations with regards to the pension plan as at March 31, 2020.

**7. DEFERRED REVENUE**

	2020	2019
DFO -Funding for new truck	\$ 87,500	\$ -
Youth Fundraising	3,470	-
Province of BC - Strength of claim	-	236,927
NTC - Comprehensive community planning	-	65,485
NTC - Capital Infrastructure funds	-	61,978
Lake surveys project	-	48,460
Province of BC - Rural dividend fund	-	40,552
NTC - Comprehensive community planning	-	24,196
CMHC RRAP Program	-	24,093
Cannabis Project	-	18,762
NTC - Infrastructure climate change funds	-	15,000
Rental Income	1,650	300
	<u>\$ 92,620</u>	<u>\$ 535,753</u>

Deferred revenue are amounts received during the year that have not been expended during the fiscal year and will be recognized within the following fiscal year.

**HUPACASATH FIRST NATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2020**

**8. COMMITTED FUNDS**

The First Nation has committed funds the cumulative surplus of the following programs for the future expenditures in only those specific programs.

	2020	2019
Community and Human Services	\$ 556,995	\$ 409,613
Capital - Residential	205,938	223,128
Capital - Non-residential	574,688	429,174
Natural Resources	337,505	222,121
	<u>\$ 1,675,126</u>	<u>\$ 1,284,036</u>

**9. RESERVES**

	2020	2019
Social Housing Replacement Reserve	\$ 20,814	\$ 18,654
Social Housing Operating Reserve	23,671	17,255
	<u>\$ 44,485</u>	<u>\$ 35,909</u>

**10. LONG-TERM DEBT**

	2020	2019
Indigenous & Northern Affairs Canada treaty loan, for details see Note 18.	\$ -	\$ 904,411
Toyota Credit Canada Inc., repayable at \$836 per month including interest at 4.99%, matures October 2020; secured by certain automotive equipment.	7,994	17,373
NEDC, repayable at \$2,454 per month including interest at 8% per annum, matures May 2020; secured by PPSA and a promissory note of the First Nation.	4,793	32,815
Bank of Montreal, although due on demand, the bank is accepting \$8,384 per month including interest at prime plus 0.5% per annum, matures 2026; secured by a general security agreement	608,359	680,462
All Nations Trust Company, repayable at \$2,006 per month including interest at 1.86% per annum, guaranteed by Hupacasath First Nation and the Federal Government, renewal date is April 2024 (matures April 2026)	138,390	159,932

**HUPACASATH FIRST NATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**10. LONG-TERM DEBT, continued**

	2020	2019
All Nations Trust Company, repayable at \$2,804 per month including interest at 1.97% per annum, guaranteed by Hupacasath First Nation and the Federal Government, renewal date is December 2022 (matures October 2032)	375,030	401,703
NEDC, repayable at \$1,480 per month including interest at 8% per annum; secured by PPSA and a promissory note of the First Nation.	15,617	31,539
NEDC, repayable at \$2,808 per month including interest at 8% per annum, matures December 2023; secured by PPSA and a promissory note of the First Nation.	172,057	194,904
NEDC, interest only payments at 4.45%, until the Nation is approved for a cannabis growing license, at that time the payments will be principal plus interest, includes \$25,000 forgivable portion	1,642,804	50,000
BMO Loan, repayable at \$54,853 per month including interest at 3.30% per annum, matures September 2026; secured by the Upnit Power LP assets and a General Security Agreement	3,845,680	4,367,428
All Nations Trust Company, repayable at \$3,536 per month including interest at 1.83% per annum, guaranteed by the Hupacasath First Nation and the Federal Government, renewal date is December 2024 (matures December 2044)	844,847	-
	<u>\$ 7,655,571</u>	<u>\$ 6,840,567</u>

Principal portion of long-term debt due within the next five years:

2021	\$ 755,164
2022	749,279
2023	773,170
2024	797,847
2025 and thereafter	4,580,111
	<u>\$ 7,655,571</u>

**HUPACASATH FIRST NATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**11. TANGIBLE CAPITAL ASSETS**

Tangible capital asset continuity schedule for 2020

	Cost			Accumulated amortization				
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization on disposals	Balance, end of year	2020 net book value
Automotive equipment	\$ 730,987	\$ 9,430	\$ -	\$ 740,417	\$ 576,601	\$ 86,014	\$ -	\$ 77,802
Boats	292,247	49,792	(23,500)	318,539	173,236	35,923	-	109,380
Buildings	3,073,791	1,133,651	-	4,207,442	2,482,046	121,850	-	1,603,546
Computer equipment	181,302	11,532	-	192,834	151,829	19,141	-	21,864
Computer software	79,855	-	-	79,855	21,834	12,894	-	45,127
Equipment	609,278	37,535	-	646,813	429,351	86,870	-	130,592
Equipment (10 year)	325,063	18,839	-	343,902	182,000	40,820	-	121,082
Fencing	46,897	-	-	46,897	19,462	3,486	-	23,949
Infrastructure	1,274,586	167,265	-	1,441,851	1,148,785	22,018	-	271,048
Land	305,008	9,973	-	314,981	-	-	-	314,981
Nets	-	5,248	-	5,248	-	875	-	4,373
Roads and Parking Lots	237,444	-	-	237,444	76,074	11,872	-	149,498
Signage	3,100	-	-	3,100	3,100	-	-	-
Social Housing	1,460,353	907,365	-	2,367,718	501,427	51,777	-	1,814,514
	\$ 8,619,911	\$ 2,350,630	\$ (23,500)	\$ 10,947,041	\$ 5,765,745	\$ 493,540	\$ -	\$ 4,687,756

HUPACASATH FIRST NATION  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2020

**TANGIBLE CAPITAL ASSETS, continued**

Tangible capital asset continuity schedule for 2019

	Cost			Accumulated amortization			
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization on disposals	Balance, end of year	2019 Net book value
Automotive equipment	\$ 721,207	\$ 9,780	\$ 730,987	\$ 493,389	\$ 83,212	\$ 576,601	\$ 154,386
Boats	315,735	1,562	292,247	147,058	35,844	173,236	119,011
Buildings	3,049,475	24,316	3,073,791	2,360,667	121,379	2,482,046	591,745
Computer equipment	155,780	25,522	181,302	145,590	6,239	151,829	29,473
Computer software	15,387	64,468	79,855	12,980	8,854	21,834	58,021
Equipment	576,633	40,830	609,278	352,436	76,915	429,351	179,927
Equipment (10 year)	318,981	6,082	325,063	144,215	37,785	182,000	143,063
Fencing	46,897	-	46,897	15,976	3,486	19,462	27,435
Infrastructure	1,274,586	-	1,274,586	1,126,767	22,018	1,148,785	125,801
Land	300,753	4,255	305,008	-	-	-	305,008
Roads and Parking Lots	237,444	-	237,444	64,202	11,872	76,074	161,370
Signage	3,100	-	3,100	2,583	517	3,100	-
Social Housing	1,460,353	-	1,460,353	455,060	46,367	501,427	958,926
	\$ 8,476,331	\$ 176,815	\$ 8,619,911	\$ 5,320,923	\$ 454,488	\$ (9,666)	\$ 2,854,166

A \$1,073,577 (2019 - \$60,316) Pharmpod included in buildings is not being amortized as it is awaiting government approval.

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**HUPACASATH FIRST NATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**12. ACCUMULATED SURPLUS**

	2020	2019
Surplus per summary schedule	\$ 2,637,082	\$ 1,602,053
Committed funds	(1,675,126)	(1,284,034)
Contributed equity	2,045,000	2,045,000
	<u>\$ 3,006,956</u>	<u>\$ 2,363,019</u>

**13. BUDGETED FIGURES**

Budgets were not prepared for all segments and all departments in 2020. As such, the budget figures in the Consolidated Statement of Operations are not presented for the same scope of the activities as the actual results.

The disclosed budget information has been approved by the Chief Councillor and Council of the Hupacasath First Nation.

**HUPACASATH FIRST NATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2020**

**14. EXPENSES BY OBJECT**

The following is a summary of expenses by object.

	2020 Budget	2020 Actual	2019 Actual
Administration fees	\$ 19,000	\$ 8,200	\$ 13,700
Advertising	45,100	40,100	53,910
Amortization	-	493,539	454,488
Bad debts	-	(4,389)	15,028
Basic needs	250,000	318,415	296,857
Community planning costs	49,150	20,038	-
Community support programs	-	56,988	105,191
Consultant fees	173,000	31,762	189,430
Contracts	339,250	510,187	267,538
Contribution to Operating Fund	-	300,000	300,000
Custom election code	-	2,385	22,522
Fire protection	-	21,981	20,546
Fuel	8,900	14,281	17,337
Honorariums	129,000	95,285	129,865
Housing renovations	-	-	18,141
Insurance	49,000	97,317	80,781
Interest and bank charges	6,900	9,431	7,566
Interest on long-term debt	197,000	197,076	213,960
Licences, dues and fees	-	6,323	6,566
Materials and supplies	53,450	83,574	96,637
Meetings	12,500	34,865	15,539
Membership distribution	90,000	89,100	88,500
National Child Tax Benefit	25,000	24,541	19,264
Office expenses	10,750	24,020	52,411
Operating reserve transfers	-	9,546	870
Patient transportation	-	22,936	25,657
Production costs	820,000	641,367	1,456,393
Professional fees	91,000	44,987	24,876
RRAP Renovations	-	10,867	42,957
Rental property costs	10,000	3,408	19,053
Repairs and maintenance	72,500	62,433	74,752
Replacement reserve transfers	-	14,371	12,000
Special needs	16,000	13,766	13,434
Student allowances	19,000	17,077	11,270
Telecommunications	16,000	19,105	15,834
Tradition and Culture	-	20,836	-
Training	7,500	4,716	1,733
Travel	56,500	46,286	34,008
Utilities	104,500	100,903	112,694
Wages and benefits	699,571	1,005,622	910,214
	<b>\$ 3,370,571</b>	<b>\$ 4,513,245</b>	<b>\$ 5,241,522</b>



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HUPACASATH FIRST NATION  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2020

**15. SEGMENTED INFORMATION**

The First 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:

**Operating**

Includes general operations, support and financial management of the First Nation. Additionally, it includes activities related to education, health and community infrastructure.

**Trust**

Includes activities related to funds held in trust and a specific claim trust.

**Social Housing**

Includes revenue and expenses relating to the social housing of the members of the Hupacasath First Nation.

**Enterprise**

Includes activities related to the growth of revenue producing projects with the First Nation such as the First Nation business partnerships outlined in note 5.

**Treaty**

Includes activities related to the treaty negotiation with the Federal Government.

Segmented information is a summary of the activities of each of the segments. The revenues and expenditures include amounts eliminated on consolidation and capital asset purchases.

**HUPACASATH FIRST NATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2020**

**15. SEGMENTED INFORMATION, continued**

	Operating Fund			Trust Fund			Social Housing Fund		
	2020 Budget	2020 Actual	2019 Actual	2020 Budget	2020 Actual	2019 Actual	2020 Budget	2020 Actual	2019 Actual
<b>Revenues</b>									
Nun-chah-nulth Tribal Council	\$ 1,195,643	\$ 1,665,243	\$ 1,467,371	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Department of fisheries and oceans	210,000	259,931	240,539	-	-	-	-	-	-
Province of BC	124,000	344,281	190,519	-	-	-	-	-	-
Interest income	200,000	171,502	192,261	-	602	822	-	212	-
CMHC subsidies	-	6,050	-	-	-	-	-	51,975	43,880
Rental Income	41,658	42,034	38,368	-	-	-	-	80,036	63,153
Other revenue	2,545,458	1,127,996	680,812	-	746	748	-	-	-
<b>Total revenue</b>	<b>4,316,759</b>	<b>3,617,037</b>	<b>2,809,870</b>	<b>-</b>	<b>1,348</b>	<b>1,570</b>	<b>-</b>	<b>132,223</b>	<b>107,033</b>
<b>Expenses</b>									
Wages and benefits	561,571	870,397	799,945	-	-	-	-	-	-
Contracts	339,250	395,179	264,463	-	-	-	-	-	-
Amortization	-	364,711	331,292	-	-	-	-	51,777	46,367
Repairs and maintenance	64,500	51,497	56,217	-	-	-	-	5,072	7,621
Other expenses	3,193,362	1,668,326	1,748,268	-	-	-	-	75,374	53,045
<b>Total expenses</b>	<b>4,158,683</b>	<b>3,350,110</b>	<b>3,200,185</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>132,223</b>	<b>107,033</b>
<b>Annual surplus (deficit)</b>	<b>\$ 158,076</b>	<b>\$ 266,927</b>	<b>\$ (390,315)</b>	<b>\$ -</b>	<b>\$ 1,348</b>	<b>\$ 1,570</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**HUPACASATH FIRST NATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2020**

**15. SEGMENTED INFORMATION, continued**

	Enterprise Fund			Treaty Fund		
	2020	2019	2020	2020	2019	2019
	Budget	Actual	Budget	Actual	Budget	Actual
<b>Revenues</b>						
Sales	\$ 1,300,000	\$ 794,212	\$ 2,101,504	\$ -	\$ -	-
Lease income	-	91,644	135,105	-	-	-
Province of BC	5,000	16,465	13,572	-	-	13,073
Nuu-chah-nulth Tribal Council	-	-	-	24,588	24,728	24,558
Treaty Loan Forgiveness	-	-	-	-	904,411	-
Net losses - Business Partnerships	-	(271,318)	(216,936)	-	-	-
Other revenue	18,000	600	21,954	150,000	236,927	-
<b>Total revenue</b>	<b>1,323,000</b>	<b>631,603</b>	<b>2,055,199</b>	<b>174,588</b>	<b>1,166,066</b>	<b>37,631</b>
<b>Expenses</b>						
Wages and benefits	120,000	112,712	104,365	18,000	22,513	5,904
Honorariums	-	-	-	25,000	10,500	7,050
Consultant fees	35,000	1,200	52,065	125,000	19,661	23,830
Production costs	820,000	641,367	1,456,393	-	-	-
Other expenses	47,600	433,128	460,665	16,550	104,435	847
<b>Total expenses</b>	<b>1,022,600</b>	<b>1,188,407</b>	<b>2,073,488</b>	<b>184,550</b>	<b>157,109</b>	<b>37,631</b>
<b>Annual surplus (deficit)</b>	<b>\$ 300,400</b>	<b>\$ (556,804)</b>	<b>\$ (18,289)</b>	<b>\$ (9,962)</b>	<b>\$ 1,008,957</b>	<b>\$ -</b>

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**HUPACASATH FIRST NATION  
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**16. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment has been made to correct long term debt. The effect of the correction is a decrease in revenue of \$50,000, an increase in long term debt of \$50,000 and a decrease in equity of \$50,000. A second prior period adjustment was made to correct Tsuma-as Tseafoods limited partnership share of income from the prior year. The effect of the correction was a decrease in revenue of \$175,163, a decrease in equity of \$175,163, and a decrease in the investment in Tsuma-as Tseafoods LP.

**17. ECONOMIC DEPENDENCE**

Hupacasath First Nation receives a significant portion of its operating revenues pursuant to funding arrangement with Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) as a result of funding agreements entered into with the Government of Canada. These arrangements are administered by CIRNAC 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.

**18. TREATY LOAN FROM INDIAN AND NORTHERN AFFAIRS CANADA**

During the current year, the First Nation received confirmation from the Minister of Crown-Indigenous Relations that effective March 31, 2020 the debt was no longer owing by the nation.

**19. CONTINGENT LIABILITIES**

- a) The First Nation is contingently liable for guarantees of mortgages of members' residences situated on reserve. The total amount of such mortgages as at March 31, 2020 is \$262,166 (2019 - \$305,518)
- b) The First Nation is contingently liable for \$100,877 (2019 - 109,284) loaned by Canadian Mortgage and Housing Corporation to the First Nation controlled entity Ooh-ah-tluk-kuu-will Society. Commencing in August 2007, the loan is forgiven at a rate of one fifteenth of the original principal amount for each year the Society continues to own and operate the safehouse project.
- c) The First Nation and individual band members have entered into loan agreements with Canada Mortgage and Housing Corporation to finance renovations under the On-Reserve Residential Rehabilitation Assistance Program (RRAP). The loans are forgivable over the terms of the agreements (between 1 and 5 years) provided the First Nation is not in default under the agreement and that the band members continue to own and occupy their houses during the term. As the First Nation has and intends to continue to comply with the loan agreement, the loan has been classified as a conditional grant, with loan proceeds recognized as revenue as the funds are received under the terms of the agreement. No liability has been recorded in the financial statements. The balance of contingent loan payable as at March 31, 2020 is \$27,084 (2019 - \$40,626).

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**HUPACASATH FIRST NATION  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2020**

**20. FINANCIAL INSTRUMENTS**

The financial instruments of the First Nation consist of cash, accounts receivable, accounts payable and accruals, wages payable and debt. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

**21. COVID-19 INFORMATION**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus, the "COVID-19" outbreak. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

As the impacts of COVID-19 continue, there could be further impact on the First Nation. Management is actively monitoring the affects on its financial condition, liquidity, operations, supplier, sector and workforce.

Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the First Nation is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations at this time, nevertheless management does believe that the First Nation is still able to continue as a going concern.