

HUPACASATH FIRST NATION

FINANCIAL STATEMENTS

March 31, 2022

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March 31, 2022**

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HUPACASATH FIRST NATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
March 31, 2022

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.

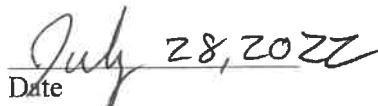
The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the financial statements.

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.

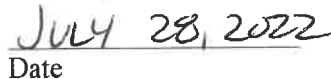
The external auditors, Sabo, Jang Co. Ltd., conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Hupacasath First Nation and meet when required.

On behalf of Hupacasath First Nation:

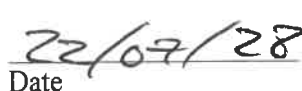

Councillor


Date


Councillor


Date


Councillor


Date

Councillor

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

Qualified Opinion

We have audited the financial statements of Hupacasath First Nation (First Nation), which comprise the statement of financial position as at March 31, 2022, and the statements of revenue, expenditures and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2022, and the results of its operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

As noted in Note 1 - Basis of Presentation and Significant Accounting Policies regarding tangible capital assets, the Social Housing tangible capital assets are required by Canada Mortgage and Housing Corporation to be amortized at a rate equivalent to the annual principal reduction of the related long term debt. This amortization policy is not in accordance with the Canadian public sector accounting standards, which require that tangible capital assets be amortized over their estimated useful lives. The effect of this departure has not been determined on the net book value of tangible capital assets, the related amortization expense, annual surplus and equity in capital assets.

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 qualified 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 31-55 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 Canadian public sector accounting standards, 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.
July 28, 2022

Sabo, Jang & Co. Ltd.

Chartered Professional Accountants

**HUPACASATH FIRST NATION
STATEMENT OF FINANCIAL POSITION
March 31, 2022**

	2022	2021
FINANCIAL ASSETS		
Cash	\$ 1,833,043	\$ 520,320
Restricted cash (Note 2)	405,576	398,970
Accounts receivable	467,706	607,305
Due from/to related parties (Note 3)	1,639,221	828,416
Loan receivable (Note 4)	2,844,880	3,353,858
Investment in First Nation business partnerships & enterprises (Note 5)	1,898,843	2,078,426
	<u>9,089,269</u>	<u>7,787,295</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	539,779	338,041
Deferred revenue (Note 7)	57,320	3,276
Excise tax payable	1,466	32,900
Reserves (Note 8)	22,859	49,533
Long-term debt (Note 9)	6,205,923	7,009,763
	<u>6,827,347</u>	<u>7,433,513</u>
NET FINANCIAL ASSETS	<u>2,261,922</u>	<u>353,782</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	5,132,674	5,345,691
Prepaid expenses	129,679	94,921
Inventories held for use	79,077	-
	<u>5,341,430</u>	<u>5,440,612</u>
ACCUMULATED SURPLUS & CONTRIBUTED EQUITY (Note 11)	<u>\$ 7,603,352</u>	<u>\$ 5,794,394</u>

Contingent liabilities (Note 16)
Significant events (Note 18)

Approved on behalf of the Hupacasath First Nation

_____, Councillor

_____, Councillor

_____, Councillor

_____, Councillor

See accompanying Notes to Financial Statements.

HUPACASATH FIRST NATION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended March 31, 2022

	2022 Budget	2022 Actual	2021 Actual
ANNUAL SURPLUS	\$ 134,796	\$ 1,808,962	\$ 1,112,311
Acquisition of tangible capital assets	-	(326,096)	(1,166,209)
Amortization of tangible capital assets	-	539,109	508,275
	-	213,013	(657,934)
Consumption (acquisition) of prepaid assets	(34,758)	(34,758)	14,586
Consumption (acquisition) of inventories held for use	(79,077)	(79,077)	24,353
Increase in net financial assets	20,961	1,908,140	493,316
Net Financial Assets (Debt) at beginning of year	-	353,782	(139,534)
Net Financial Assets (Debt) at end of year	\$ -	\$ 2,261,922	\$ 353,782

See accompanying Notes to Financial Statements.

HUPACASATH FIRST NATION
STATEMENT OF REVENUE, EXPENDITURES AND ACCUMULATED SURPLUS
For the year ended March 31, 2022

	2022 Budget	2022 Actual	2021 Actual
REVENUE			
Logging revenue	\$ 1,383,625	\$ 2,431,617	\$ 1,296,430
Nuu-chah-nulth Tribal Council	1,307,709	2,258,487	2,258,546
Department of Fisheries and Oceans	201,480	554,758	344,065
Province of BC	460,981	531,231	653,085
Grants	29,000	257,015	113,398
First Nation Education Steering Committee	36,888	193,877	24,855
BC First Nations Gaming Revenue	192,474	192,474	337,217
Rental income	40,750	139,694	186,583
Interest income	137,500	133,680	157,526
Nuu-chah-nulth Economic Development Corporation	-	100,537	197,800
Administration recoveries	56,725	100,050	48,000
Canada Mortgage and Housing Corporation	-	76,572	68,253
First Nations Health Authority	21,000	75,198	25,059
Insurance proceeds	-	74,744	-
School District #70 contribution	-	40,772	-
Donations	4,750	38,095	7,716
Own source revenue	15,780	8,773	11,082
Deferred revenue (Note 7)	-	-	92,620
Net income (losses) - Business Partnerships (Note 5)	-	(213,196)	135,394
	3,888,662	6,994,378	5,957,629

See accompanying Notes to Financial Statements.

HUPACASATH FIRST NATION
STATEMENT OF REVENUE, EXPENDITURES AND ACCUMULATED SURPLUS
For the year ended March 31, 2022

	2022 Budget	2022 Actual	2021 Actual
EXPENDITURES (Note 13)			
Operating Fund	2,586,742	3,609,057	3,417,900
Social Housing Fund	-	160,347	157,186
Enterprise Fund	1,391,971	1,410,051	1,270,172
Treaty Fund	25,315	5,961	60
	4,004,028	5,185,416	4,845,318
ANNUAL SURPLUS	134,796	1,808,962	1,112,311
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	-	3,749,394	2,637,083
TRANSFERS	6,083	-	-
ACCUMULATED SURPLUS AT END OF YEAR	\$ 140,879	\$ 5,558,356	\$ 3,749,394

See accompanying Notes to Financial Statements.

**HUPACASATH FIRST NATION
STATEMENT OF CASH FLOWS
For the year ended March 31, 2022**

	2022	2021
Cash flows from		
Operating activities		
ANNUAL SURPLUS	\$ 1,808,962	\$ 1,112,311
Items not affecting cash		
Amortization	539,109	508,276
	2,348,071	1,620,587
Change in non-cash operating working capital		
Accounts receivable	139,599	(321,291)
Prepaid expenses	(34,758)	14,586
Loan receivable	508,978	534,554
Inventory	(79,077)	24,353
Accounts payable and accrued liabilities	201,736	200,995
Deferred revenue	54,044	(89,344)
Reserves	(26,674)	5,048
Due to/from related parties	(810,805)	(148,546)
Excise tax payable/recoverable	(31,434)	36,523
	2,269,680	1,877,465
Capital activities		
Acquisition of tangible capital assets	(326,092)	(1,166,212)
Financing activities		
Long-term debt	(803,842)	(645,808)
Investing activities		
(Increase) decrease in long-term investments	179,583	(158,827)
Increase in restricted cash	(6,606)	(9,583)
	172,977	(168,410)
Increase (decrease) in cash and cash equivalents	1,312,723	(102,965)
Cash and cash equivalents, beginning of year	520,320	623,285
Cash and cash equivalents, end of year	\$ 1,833,043	\$ 520,320
Supplementary information		
Interest paid	\$ 210,030	\$ 238,675
Interest received	\$ 126,675	\$ 157,525

See accompanying Notes to Financial Statements.

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

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.

**HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022**

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

(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 meeting the definition of a government business partnership or enterprise have been recorded by the First Nation using the modified equity method where applicable. Under the modified equity method of accounting, only the Nation's investment in the government business enterprise or government business partnership and their share of the entities net income and other changes in equity are recorded. No adjustments are made for accounting policies of the entities that are different from those of the Nation.

Government business partnerships and entities, which are partially or wholly-owned by the Nation and which are not dependent on the Nation for their continuing operations, included in the consolidated financial statements using the modified equity method are as follows:

- 1328914 Cardlock Limited Partnership
- Ahahswinis Green Investments Ltd.
- HFN Environmental Waste Disposal Services Limited Partnership
- Kleekhoot Gold Limited Partnership
- Tsuma-as Tseafoods Limited Partnership
- Upnit Power Limited Partnership

See Note 5 on Investment in first nation business partnerships and enterprises.

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) 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 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, inventories held for use and prepaid expenses.

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Net financial assets

The First Nation's consolidated financial statements have been presented to highlight net financial assets as the measurement of financial position. Net financial assets of the First Nation are reported as the difference between liabilities and financial assets. Net financial assets added with non-financial assets calculates the accumulated surplus as a second indicator of financial position.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits.

(f) 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
Storage and sheds	5 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.

**HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022**

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

(g) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability.

Contributions are deferred when restrictions are placed on their use by the contributor and are recognized as revenue when used for the specific purpose.

The First Nation recognizes revenue of the Trust Funds at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

Deferred revenue includes funding that is received but restricted for a specific use and is not in the applicable statement of revenue, expenditures and surplus. Deferred revenue is recognized once the related expenses are incurred.

(h) 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. Significant items subject to estimates include the valuation of accounts receivable, prepaid expenses, estimated useful life of tangible assets and accrued liabilities. Actual results could differ from those estimates.

(i) Comparative figures

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

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

2. RESTRICTED CASH

	2022	2021
In Trust for Membership	\$ 322,351	\$ 320,103
Ottawa Trust Funds	41,186	39,647
Social Housing reserve bank	42,039	39,219
	<u>\$ 405,576</u>	<u>\$ 398,969</u>

In trust for membership funds are held in a GIC earning of 0.55% interest. This amount includes \$67,091 which is committed 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 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. 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.

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

3. DUE FROM/TO RELATED PARTIES

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

	2022	2021
1054423 Fisheries LP	\$ 106,980	\$ 40,116
Ahahswinis Green Investments Ltd	839,049	263,066
HFN Environmental Waste Disposal Services LP	135,021	112,472
Kleekhoot Gold LP	376,038	420,096
Tsuma-as Tseafoods LP	52,763	57,890
Upnit Power LP	128,870	(65,224)
1328914 Cardlock LP	500	-
	<u>\$ 1,639,221</u>	<u>\$ 828,416</u>

Advances due from/to related entities are unsecured and without interest or any fixed terms of repayment. Related party transactions are measured at the exchange amount and are not measurably different in value than what would have been otherwise charged if the parties were not related.

The above entities are related due to the Nation having control over them. Details of ownership are outlined in Note 5.

4. LOAN RECEIVABLE

	2022	2021
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 October, 2026.	<u>\$ 2,844,880</u>	<u>\$ 3,353,857</u>

Loans receivable are valued at the lower of cost and net realizable value. Valuation allowances are used to reflect the collectability and risk of loss of receivables. No valuation allowance was recorded during the year and interest earned is recorded as received.

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

5. INVESTMENT IN FIRST NATION BUSINESS PARTNERSHIPS & ENTERPRISES

	2022	2021
1328914 Cardlock Limited Partnership	\$ 500	\$ -
Ahahswinis Green Investments Ltd.	(649,758)	(50,866)
HFN Environmental Waste Disposal Services Limited Partnership	(130,584)	(105,670)
Kleekhoot Gold Limited Partnership	(285,961)	(294,173)
Tsuma-as Tseafoods Limited Partnership	514,128	279,839
Upnit Power Limited Partnership	2,451,018	2,249,296
	<hr/>	<hr/>
Total Investment in Business Partnerships & Enterprises	\$ 1,898,843	\$ 2,078,426

The First Nation owns 99.99% of the outstanding units of 1328914 Cardlock Limited Partnership. 1328914 Cardlock LP operates a Cardlock for internal use and for use by membership of the First Nation. This business partnership has not begun to operate yet and as such is not included in the following table.

The First Nation owns 100% of the common shares of Ahahswinis Green Investments Ltd. Ahahswinis Green Investments Ltd. is a cannabis production and wholesale company.

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 a waste collection and disposal operation that services its membership and the general 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 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 outstanding units of Upnit Power Limited Partnership. Upnit Power Limited Partnership operates a micro hydro facility which began operations in December 2005.

Events related to and transactions of the partnerships and enterprises during the intervening period between their last reporting date and March 31, 2022 were estimated to not have a significant effect on the Nations results from operations or statement of financial position.

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

5. INVESTMENT IN FIRST NATION BUSINESS PARTNERSHIPS & ENTERPRISES, continued

Summary financial information for each First Nation business partnership, accounted for using the modified equity method, for their December 31, 2021 year ends is as follows:

	Ahahswinis Green Investments Ltd.	HFN Environ Waste Disposal Services Limited Partnership	Kleekhoot Gold Limited Partnership	Tsuma-as Tseafoods Limited Partnership	Upnit Power Limited Partnership	2021 Total
Cash	\$ 26,489	\$ 18,244	\$ 38,267	\$ 117,257	\$ 226,950	\$ 427,207
Accounts receivable	37,580	2,965	317	404,631	282,173	727,666
Prepaid expenses	13,064	-	-	-	23,063	36,127
Tangible capital assets	40,379	-	54,932	-	6,608,127	6,703,438
Due from related parties	-	5,990	6,981	8,193	2,228	23,392
Investments	-	-	-	520,971	-	520,971
Inventory	21,000	-	41,020	-	-	62,020
Total assets	\$ 138,512	\$ 27,199	\$ 141,517	\$1,051,052	\$7,142,541	\$8,500,821
Accounts payable	\$ 41,460	\$ 6,047	\$ 9,568	\$ 311,645	\$ 43,873	\$ 412,593
Current portion of callable debt	-	-	-	-	24,548	24,548
Current portion of long term debt	10,008	10,009	10,271	10,008	597,642	637,938
Deferred revenue	-	-	14,874	-	-	14,874
Due to related parties	720,077	125,013	376,080	198,489	3,705	1,423,364
Callable debt	-	-	-	-	529,084	529,084
Long term debt	16,724	16,722	16,723	16,724	2,890,552	2,957,445
Total liabilities	788,269	157,791	427,516	536,866	4,089,404	5,999,846
Equity	(649,757)	(130,592)	(285,999)	514,186	3,053,137	5,999,846
Total liabilities and equity	\$ 138,512	\$ 27,199	\$ 141,517	\$1,051,052	\$7,142,541	\$1,999,692
Revenue	\$ 115,290	\$ 83,692	\$ 59,863	\$ 499,605	\$ 1,732,249	\$2,490,699
Expenses	714,181	108,608	88,118	265,313	1,450,051	2,626,271
Net Income	\$ (598,891)	\$ (24,916)	\$ (28,255)	\$ 234,292	\$ 282,198	\$ (135,572)

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

5. INVESTMENT IN FIRST NATION BUSINESS PARTNERSHIPS & ENTERPRISES, continued

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:

	Ahahswinis Green Investments Ltd.	HFN Environ Waste Disposal Services Limited Partnership	Kleekhoot Gold Limited Partnership	Tsuma-as Tseafoods Limited Partnership	Upnit Power Limited Partnership	2020 Total
Cash	\$ 32,411	\$ 40,647	\$ 31,594	\$ 82,745	\$ 101,182	\$ 288,579
Accounts receivable	862	1,374	-	-	314,878	317,114
Prepaid expenses	22,023	-	-	-	2,218	24,241
Tangible capital assets	16,950	-	14,356	-	7,077,737	7,109,043
Due from related parties	-	4,155	5,138	6,442	27,864	43,599
Investments	-	-	-	386,075	-	386,075
Inventory	-	-	41,664	-	-	41,664
Total assets	\$ 72,246	\$ 46,176	\$ 92,752	\$ 475,262	\$ 7,523,879	\$ 8,210,315
Accounts payable	\$ 3,863	\$ 8,913	\$ 11,276	\$ 32,009	\$ 58,484	\$ 114,545
Current portion of callable debt	-	-	-	-	21,982	21,982
Current portion of long term debt	1,875	1,875	6,480	1,875	563,669	575,774
Deferred revenue	-	-	15,109	-	-	15,109
Due to related parties	95,249	119,024	331,329	139,442	-	685,044
Callable debt	-	-	-	-	581,804	581,804
Long term debt	22,125	22,040	22,766	22,040	3,527,003	3,615,974
Total liabilities	123,112	151,852	386,960	195,366	4,752,942	5,610,232
Equity	(50,866)	(105,676)	(294,208)	279,896	2,770,937	5,610,232
Total liabilities and equity	\$ 72,246	\$ 46,176	\$ 92,752	\$ 475,262	\$ 7,523,879	\$ 1,220,464
Revenue	\$ 16,109	\$ 80,078	\$ 16,302	\$ 151,969	\$ 1,622,134	\$ 1,886,592
Expenses	66,976	82,288	32,764	73,500	1,446,291	1,701,819
	\$ (50,867)	\$ (2,210)	\$ (16,462)	\$ 78,469	\$ 175,843	\$ 184,773

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

5. INVESTMENT IN FIRST NATION BUSINESS PARTNERSHIPS & ENTERPRISES, continued

The 5 year loan principal repayment schedule for each entity is as follows:

	Ahahswinis Green Investments Ltd	HFN Environmental Waste Disposal Services Limited Partnership	Kleekhoot Gold Limited Partnership	Tsuma-as Tseafoods Limited Partnership	Upnit Power Limited Partnership
2022	\$ 10,008	\$ 10,008	\$ 10,271	\$ 10,008	\$ 597,641
2023	10,008	10,008	10,008	10,008	621,923
2024	6,716	6,716	6,715	6,716	644,024
2025	-	-	-	-	663,553
Thereafter	-	-	-	-	961,049
Total	\$ 26,732	\$ 26,732	\$ 26,994	\$ 26,732	\$ 3,488,190

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Trade payables	\$ 445,073	\$ 266,228
Wages payable	16,299	11,270
Vacation and overtime payable	47,183	14,937
Government remittances	24,894	40,052
Pensions payable	6,330	4,155
Employee savings plan	-	1,399
	\$ 539,779	\$ 338,041

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 \$32,355 (2021-\$24,233) for retirement benefits. The First Nation does not have any other obligations with regards to the pension plan as at March 31, 2022.

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

7. DEFERRED REVENUE

	2022	2021
SPARC BC - Homelessness Community Action Grant Project	\$ 56,250	\$ -
Deposit on rental income	1,070	3,276
	<u>\$ 57,320</u>	<u>\$ 3,276</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.

8. RESERVES

	2022	2021
Social Housing replacement reserve	\$ 18,000	\$ 26,710
Social Housing operating reserve	4,859	22,823
	<u>\$ 22,859</u>	<u>\$ 49,533</u>

9. LONG-TERM DEBT

	2022	2021
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.	\$ 438,316	\$ 524,528
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).	94,755	116,885
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).	321,961	349,068
NEDC, repayable at \$2,808 per month including interest at 4.45% per annum, matures January 2026; secured by PPSA and a promissory note of the First Nation.	105,863	141,677
NEDC, repayable at \$10,144 including interest at prime + 2% per annum; guaranteed by a general security agreement, matures in April 2040.	1,428,455	1,569,785

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

9. LONG-TERM DEBT, continued

	2022	2021
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 (see Note 5 for carrying value) and a general security agreement.	2,746,486	3,305,920
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).	823,821	851,036
NEDC - repayable at \$2,909 per month including interest at 6% per annum, guaranteed by a general security agreement, matures in March 2026.	116,875	150,864
NEDC - Interest only payments for the 1st year at an interest rate of 5% per annum, guaranteed by a general security agreement. Monthly blended payments to commence October 2023 based on outstanding balance of the loan.	129,391	-
	<u>\$ 6,205,923</u>	<u>\$ 7,009,763</u>

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

2023	\$ 822,722
2024	889,646
2025	919,945
2026	921,668
2027 and thereafter	2,651,942
	<u>\$ 6,205,923</u>

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

10. TANGIBLE CAPITAL ASSETS

Tangible capital asset continuity schedule for 2022

	Cost		Accumulated amortization		
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization end of year
					2022 net book value
Automotive equipment	\$ 818,077	\$ 55,511	\$ 873,588	\$ 725,000	\$ 34,377
Boats	318,539	-	318,539	235,533	25,751
Buildings	4,815,535	101,641	4,917,176	2,804,872	221,881
Cardlock	254,207	54,683	308,890	-	7,722
Computer equipment	201,288	45,045	246,333	183,809	17,911
Computer software	79,855	-	79,855	47,622	12,894
Equipment	674,510	12,047	686,557	580,400	52,734
Equipment (10 year)	343,902	-	343,902	255,131	27,217
Fencing	46,897	-	46,897	26,434	3,791
Infrastructure	1,630,058	57,165	1,687,223	1,201,708	41,405
Land	316,875	-	316,875	-	-
Nets	5,248	-	5,248	2,624	1,749
Roads and Parking Lots	237,444	-	237,444	99,818	11,872
Signage	3,100	-	3,100	3,100	-
Social Housing	2,367,718	-	2,367,718	601,511	79,805
	\$ 12,113,253	\$ 326,092	\$ 12,439,345	\$ 6,767,562	\$ 539,109
					\$ 7,306,671
					\$ 5,132,674

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

TANGIBLE CAPITAL ASSETS, continued

Tangible capital asset continuity schedule for 2021

	Cost		Accumulated amortization			
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization end of year	2021 Net book value
Automotive equipment	\$ 740,417	\$ 77,660	\$ 818,077	\$ 662,615	\$ 62,385	\$ 93,077
Boats	318,539	-	318,539	209,159	26,374	83,006
Buildings	4,207,442	608,093	4,815,535	2,630,583	174,289	2,010,663
Cardlock	-	254,207	254,207	-	-	254,207
Computer equipment	192,834	8,454	201,288	170,970	12,839	17,479
Computer software	79,855	-	79,855	34,728	12,894	32,233
Equipment	646,813	27,697	674,510	489,534	90,866	580,400
Equipment (10 year)	343,902	-	343,902	222,820	32,311	255,131
Fencing	46,897	-	46,897	22,948	3,486	20,463
Infrastructure	1,441,851	188,207	1,630,058	1,170,803	30,905	428,350
Land	314,981	1,894	316,875	-	-	316,875
Nets	5,248	-	5,248	875	1,749	2,624
Roads and Parking Lots	237,444	-	237,444	87,946	11,872	137,626
Signage	3,100	-	3,100	3,100	-	-
Social Housing	2,367,718	-	2,367,718	553,204	48,307	1,766,207
	\$ 10,947,041	\$ 1,166,212	\$ 12,113,253	\$ 6,259,285	\$ 508,277	\$ 5,345,691

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

11. ACCUMULATED SURPLUS

	2022	2021
Accumulated surplus at end of year	\$ 5,558,356	\$ 3,749,394
Contributed equity	2,045,000	2,045,000
	<u>\$ 7,603,356</u>	<u>\$ 5,794,394</u>

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

	2022	2021
Community and Human Services	\$ 1,039,349	\$ 708,097
Capital - Residential	225,387	217,610
Capital - Non-residential	682,619	664,285
Natural Resources	490,564	326,360
	<u>\$ 2,437,919</u>	<u>\$ 1,916,352</u>

These balances are included in the accumulated surplus at end of year line of the table above and are not supported by separate assets.

12. BUDGETED FIGURES

Budgets were not prepared for all segments and all departments in 2022. 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, 2022

13. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2022 Budget	2022 Actual	2021 Actual
Advertising	\$ 20,000	\$ 13,322	\$ 18,132
Amortization	-	539,109	508,276
Bank charges and service fees	7,100	9,224	8,381
Basic needs and other social development costs	266,200	310,086	264,103
COVID-19 support	-	54,752	287,974
Cardlock expenses	-	9,680	-
Community support programs	45,000	53,488	38,368
Consultant fees	3,500	35,650	16,600
Contracts	105,100	437,736	396,510
Creel survey costs	-	35,465	-
Election costs	2,000	526	7,940
Fire protection	18,500	2,313	40,188
Fuel	4,400	16,859	15,196
Honorariums	85,500	82,220	56,700
Insurance	97,400	93,708	118,733
Interest on long-term debt	119,200	200,808	238,513
Licences, dues and fees	9,000	9,503	10,551
Materials and supplies	28,100	136,551	19,270
Meetings	19,500	6,639	18,163
Membership distribution	98,000	98,700	98,100
National Child Tax Benefit	30,000	38,977	30,084
Office expenses	72,550	68,479	50,315
Operating reserve transfers	-	(17,983)	(1,366)
Patient transportation	33,000	16,042	28,889
Production costs - logging	994,506	1,116,837	907,451
Professional fees	40,000	139,389	89,032
Rental property costs	2,400	3,222	2,638
Repairs and maintenance	57,273	112,677	104,012
Replacement reserve transfers	-	17,560	17,560
Security	10,000	2,572	125,111
Special needs	17,300	44,076	25,204
Student allowances	16,896	13,777	14,255
Telecommunications	15,950	28,241	19,883
Training	2,050	8,968	14,772
Travel	13,715	7,401	9,943
Utilities	102,450	122,723	149,945
Wages and benefits	1,277,415	1,316,114	1,095,889
	\$ 3,614,005	\$ 5,185,411	\$ 4,845,315

**HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022**

14. 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, 2022

14. SEGMENTED INFORMATION, continued

	Operating Fund			Trust Fund			Social Housing Fund		
	2022 Budget	2022 Actual	2021 Actual	2022 Budget	2022 Actual	2021 Actual	2022 Budget	2022 Actual	2021 Actual
Revenues									
Nuu-chah-nulth Tribal Council	\$ 1,282,394	\$ 2,233,172	\$ 2,233,534	\$ -	\$ -	\$ -	\$ -	\$ -	-
Department of Fisheries and Oceans	201,480	554,758	344,065	-	-	-	-	-	-
Province of BC	226,089	296,339	151,463	-	-	-	-	-	-
Interest income	137,500	131,931	156,890	-	1,523	454	-	226	182
Canada Mortgage and Housing Corporation	-	8,320	-	-	-	-	-	68,252	68,252
Rental income	40,750	19,100	45,150	-	-	-	-	98,118	98,353
Other revenue	656,617	1,289,830	1,076,795	-	769	753	-	3,351	-
Total revenue	2,544,830	4,533,450	4,007,897	-	2,292	1,207	-	169,947	166,787
Expenses									
Wages and benefits	1,195,050	1,246,370	969,662	-	-	-	-	-	-
Contracts	105,100	423,706	396,510	-	-	-	-	-	-
Amortization	-	340,492	360,022	-	-	-	-	79,805	48,307
Repairs and maintenance	56,273	89,201	65,362	-	-	-	-	21,874	30,817
Other expenses	1,230,319	1,688,601	2,184,461	-	-	-	-	68,268	87,663
Total expenses	2,586,742	3,788,370	3,976,017	-	-	-	-	169,947	166,787
Annual surplus (deficit)	\$ (41,912)	\$ 745,080	\$ 31,880	\$ -	\$ 2,292	\$ 1,207	\$ -	\$ -	\$ -

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

14. SEGMENTED INFORMATION, continued

	Enterprise Fund		Treaty Fund	
	2022	2021	2022	2021
	Budget	Actual	Budget	Actual
Revenues				
Logging revenue	\$ 1,383,625	\$ 2,431,617	\$ -	\$ -
Province of BC	234,892	234,892	-	-
Nuu-chah-nulth Tribal Council	-	-	25,315	25,012
Rental and lease income	-	22,476	-	-
Net losses - Business Partnerships	-	(213,196)	-	-
Other revenue	-	100,537	-	-
Total revenue	1,618,517	2,576,326	25,315	45,012
Expenses				
Wages and benefits	82,365	69,744	-	-
Honorariums	-	-	10,000	-
Production costs - logging	994,506	1,116,837	-	-
Other expenses	315,100	523,468	15,315	60
Total expenses	1,391,971	1,710,049	25,315	60
Annual surplus (deficit)	\$ 226,546	\$ 866,277	\$ -	\$ 44,952

HUPACASATH FIRST NATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

15. ECONOMIC DEPENDENCE

Hupacasath First Nation receives a significant portion of its revenue from Indigenous Services Canada ("ISC") via Nuuchahnulth Tribal Council ("NTC") as a result of funding agreements entered into with the Government of Canada. These funding 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.

16. 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, 2022 is \$220,533 (2021 - \$241,176).

17. 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.

18. SIGNIFICANT EVENTS

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.